



## RATING ACTION COMMENTARY

# Fitch Affirms Wafa Gestion's National IMQ Rating at 'Excellent(mar)'; Outlook Stable

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Fitch Ratings - London - 12 Jan 2023: Fitch Ratings has affirmed Wafa Gestion's National Investment Management Quality Rating (IMQR) rating at 'Excellent(mar)' with a Stable Outlook.

## KEY RATING DRIVERS

The affirmation is driven by the asset manager's broad stability since the last rating action in January 2022. The rating reflects a leading, well-staffed asset manager, with well-established and disciplined investment process and resources. The rating also factors in a robust operational platform, with a rigorous compliance and control system. Wafa Gestion benefits from support from its shareholders (Attijariwafa Bank; BB/Stable/B and Amundi; A+/Stable/F1).

Wafa Gestion's 'Excellent(mar)' rating is based on the following unchanged category scores:

Investment Process: 'Excellent'

Investment Resources: 'Excellent'

Risk Management: 'Excellent'

Company and Client Servicing: 'Excellent'

Investment Performance: 'Consistent'

Investment Process: 'Excellent'

In Fitch's view, Wafa Gestion's investment process are clear, well-designed and implemented in a disciplined manner. Wafa Gestion primarily deploys benchmark-oriented fixed-income strategies, but its investment process features a combination of primarily proprietary top-down and bottom-up fundamental research inputs. The research is not fully independent as all the portfolio managers are also research analysts, which facilitates communication between the teams.

Investment decision-making is formalised in committees, at different frequencies and with different objectives. A model portfolio drives portfolio construction, emphasising the diversification of sources of performance within a well-defined risk framework. Wafa Gestion has implemented some ESG metrics in the investment process of some funds.

Investment Resources: 'Excellent'

Wafa Gestion has experienced and well-staffed teams across the organisation. It has the largest team among Fitch-rated Moroccan asset managers, comprising 10 investment professionals at September 2022, covering 97 funds and mandates. Turnover was very low in 2022.

Similar to peers, the current IT platform is largely built around Manar, a local third-party system, allowing timely and effective access to portfolios and trade information. Manar is regularly updated with new functionalities. In 2022, Manar was updated with new anti-money laundering and terrorist financing features.

Since 2021, Wafa Gestion has been working on migrating its database to be able to transfer and exploit data more swiftly. The teams are still working on the project, which has been tested and is being enhanced with new ideas. Data will be provided by the research team and will be global for everyone.

The operational team is working on a data warehouse project to help the operation and sales teams to minimise the number of requests and increase the automation. Wafa Gestion is continuing to work on a customer-relationship management system.

Risk Management: 'Excellent'

Wafa Gestion's control framework has been stable. The risk framework covers the market, liquidity, credit and counterparty risks. The internal control is well designed, with three levels of permanent control assured by the operational teams, the internal control teams and the group auditing team. Limits are in place and monitored, having been agreed during different committees. Controls and stress tests remained in place in 2022. Internal stress tests are done twice a year and shared with the regulator. The chief risk officer arrived at end-2021 and has been working on different projects such as the implementation of a weekly report on market risks for the bond and equity funds.

Reporting is planned to continuously evolve. In 2022, the teams worked on higher levels of automation with data instantly available. Risk procedures are still being formalised to be integrated into the procedure manual.

#### Company and Client Servicing: 'Excellent'

Wafa Gestion has a long record as the largest investment manager in Morocco, with MAD126 billion of assets under management (AUM) at end-September 2022. Its market share has been relatively constant over the five past years, at around 24% as of end-September 2022. According to the Association des Sociétés de Gestion & Fonds d'Investissement, Wafa Gestion's average AUM growth of around 4% per year since 2017 is slightly slower than the Moroccan market's growth. Wafa Gestion's client base is more diversified than its peers. Thanks to the distribution network that it is able to rely on, 17% of AUM is held by retail investors. Wafa Gestion is willing to continue increasing its exposure to retail investors by creating new funds with a retail focus. Wafa Gestion benefits from the support of highly-rated shareholders.

Wafa Gestion is becoming more digital and allows customisable reports for investors. It is working on the possibility of subscribing to funds across its website. Wafa Gestion is also working on implementing an advisory robot, which will be able to answer to simple questions and propose investment solutions depending on the investor profile. Wafa Gestion is also expecting to reinforce its marketing team in order to target retail investors.

#### Investment Performance: 'Consistent'

Wafa Gestion has consistently delivered on its investment objectives, meeting investor expectations. Investment performance is therefore a neutral factor in Fitch's rating analysis.

## **INVESTMENT MANAGER**

Created in 1995, Wafa Gestion has been the largest asset manager in Morocco for many years. As of end-October 2022, fixed-income represented 78% of AUM. The concentration towards fixed income is lower than peers and decreasing. Wafa Gestion benefits from support provided by its main shareholder, Attijariwafa Bank, representing 66% of capital, and from Amundi, which owns the remainder.

## RATING SENSITIVITIES

### Factors that may, individually or collectively, result in negative rating action/downgrade:

The rating could be sensitive to material changes in one or several of the five IMQR pillars due to the upcoming fund regulation. Fitch's analysis considers practices relative both to regulation and to best practice in the local and international markets. Achievement of minimum regulatory standards, even if raised from current standards, typically does not lead to higher scores. Instead, higher scores are associated with practices exceeding minimum regulatory standards.

Therefore, if structures and practices are not strengthened materially beyond new regulatory standards, Fitch may downgrade the related pillar score. This would reflect a re-calibration of Fitch's view of newly-implemented standards. Given risk management carries a high weight in Fitch's analysis, any change to the risk management score could affect the overall rating.

### Factors that may, individually or collectively, result in positive rating action/upgrade:

The rating is the highest on Fitch's rating scale and cannot be upgraded.

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## RATING ACTIONS

ENTITY / DEBT ↕

RATING ↕

PRIOR ↕

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Wafa Gestion

National IMQR

Excellent(mar) R

Outlook

Stable

Excellent(mar) Rating Outlook Stable

Affirmed

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[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Chloe Andrieu**

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## APPLICABLE CRITERIA

[Investment Management Quality Ratings Criteria \(Assessing Active, Passive & Alternative Investment Managers, Strategies & Funds\) \(pub. 22 Feb 2021\)](#)

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## ENDORSEMENT STATUS

Wafa Gestion

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