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Plugging perception gaps

In terms of returns and technology, there is a lot more to NIT than meets the eye

NIT
NATIONAL INVESTMENT TRUST LIMITED
Invest in Trust

The image of National Investment Trust Limited (NIT) is of stuffy stained offices with creaky chairs occupied by overweight balding men in suits who know little about technology and care even less about customers. This does not describe NIT at all.

NIT, a wholly-owned government asset management (AMC) when it was first formed in 1962, is now partly-private, partly-public with the government holding 40 per cent of its shares. It is run entirely as a private sector entity, a point which its Managing Director Adnan Afridi took some pains to point out.

"We recruited young fresh talent and developed an app, one of the best in the industry, along with introducing new products. Our efforts are reflected in its returns," says the 52-year-old Harvard alumnus and a former managing director of the Pakistan Stock Exchange.

But NIT has seen its share of bumpy times. "The Security & Exchange Competition wanted the industry to develop. There are two ways to do that: increase the size of the pie or capture the market away from the existing player. A little bit of both happened," he says.

Regulatory changes forced NIT to give up some of its share to competitors. One example was the rule that more than 10 per cent of the pension fund cannot be invested in one AMC at a time when NIT had, in some cases, 30-50pc of pension funds.

Other than regulatory changes, Mr Afridi lays the blame for the significant decline in market share during the mid-2000s on misguided government appointments of top management.

But it is a different picture now. "In the last three years, our funds have ranked consistently in the top three, in all categories," he says, outlining the success NIT has achieved during his tenure.

Assets under management (AUM) is the total market value of the investments that an entity handles on behalf of investors. In the five years preceding 2019, the year Mr Adnan was appointed by the government as the managing director, NIT's AUM had gone down by Rs30 billion to Rs60bn. Today, NIT's AUMs stand at Rs160bn.

Since the Mutual Funds Association of Pakistan (MUFAP) does not incorporate separately managed accounts (SMA) in its numbers, the figures available on MUFAP's websites are understated he explains. "NIT has the largest single SMA account in the country: Rs60bn. We also have two funds of roughly Rs10-12bn that we manage on behalf of the government that are also not reflected on the MUFAP website," he says adding that NIT has 93,000 account holders of which 55,000 are active (meaning they have some balance in them).

So how did the phenomenal growth of Rs100bn over three years occur?

"Being the first, NIT should have been an innovator but wasn't. Over the last three to four years we have started to be a market leader in new products again," says Mr Afridi, pitching NIT's exchange-traded fund (ETF) that allows investors to access a basket of securities for a single share. NIT plans to launch another ETF soon.

Despite the fanfare and gong ceremonies, ETF instruments have not done well in Pakistan. However, Mr Afridi contends this is more of a problem of oversight by brokers and a general lack of awareness.

"ETF is the number one investment vehicle in the world — it is cheaper and more profitable for the investor. I consider ETFs to be very good products for foreign investors to come into the country as well as overseas Pakistanis."

Other than ETF, its other innovative products include a social impact fund (SIF) launched last month that is designed to invest in causes which are commercially viable but also impact Sustainable Development Goals such as female employment or providing micro-credit to farmers.

While the SIF is in the category of income funds, it will give a higher return than a conventional income fund because it invests in slightly riskier instruments. Its mandate is to go into the microfinance sector and decrease the borrowing cost of microfinance to benefit the small guy.

Furthermore, NIT is investing in open application programming interface (API) architecture so that it can integrate with fintechs. This will allow e-wallets and digital ledgers to integrate and offer asset management options to their users.