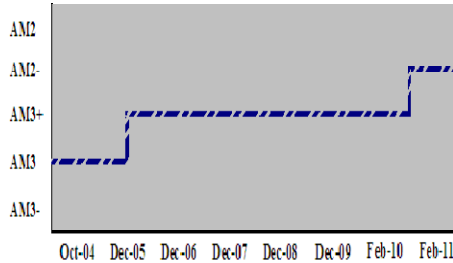


## RATING (MARCH 2011)

**ATLAS ASSET MANAGEMENT LIMITED  
(AAML)**



## RATING HISTORY



Funds	Size (PKR mln)	
	Jan 11	Jan 10
<b>Open-end</b>		
Atlas Income Fund	1,014	1,761
Atlas Islamic Income Fund	314	258
Atlas Money Market Fund	2,423	829
Atlas Stock Market Fund	615	761
Atlas Islamic Stock Fund	268	391
<b>Closed-end</b>		
Atlas Fund of Funds	433	355
<b>Pension</b>		
Atlas Pension Fund	108	128
Atlas Islamic Pension Fund	129	141
	<b>5,308</b>	<b>4,624</b>
<b>System Share</b>	<b>2.2%</b>	<b>2.1%</b>

## ANALYSTS

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## RATING RATIONALE AND KEY RATING DRIVERS

- The rating reflects AAML's qualified management team, well-structured investment processes, and diverse product base. The company has managed to sustain the performance of funds by efficient employment of asset management platform, leading to better investment performance.
- The company has lately strengthened its risk management framework by establishing an independent risk function and setting up a Risk Evaluation Committee, as a support to the Investment Committee. Meanwhile, AAML is taking steps to refurbish its research department while sustaining the quality of its fund management function. Nevertheless, effective execution of business plan alongwith strong and stable funds' performance would be critical.

## ASSESSMENT

- AAML, incorporated in August 2002, is majority owned (88%) by Shirazi Investments (Pvt.) Limited – the holding company of Atlas Group. Atlas Group, established in 1962, is one of the well-known business groups of the country with presence in manufacturing, financial, and trading sectors. AAML's seven-member BoD comprises the CEO, four representatives of Atlas Group, two independent directors. The CEO, Mr. M. Habib-ur-Rahman, has extensive experience of the mutual fund industry and has been affiliated with the company since Jan04.
- AAML is managing six funds in total – five open-end and a closed-end fund. Furthermore, AAML is one of the few companies, which has launched Pension Fund and Islamic Pension Fund. The company has also launched investment plans based on equity and income funds, namely growth, balanced, and income multiplier. The overall AUM mix depicts high unit-holder concentration with significant investments made by top 10 unit holders (Atlas Income Fund: 96%; Atlas Stock Market Fund: 57%; Atlas Islamic Stock Market Fund: 78%, Atlas Money Market Fund: 42% as at end-Jun10). The performance of funds in Islamic income and money market category has been superior whereas it was in line with peers' performance in core remaining funds. Despite being in operation for a considerable period of time, AAML's reliance upon institutional investors has remained high, while market share and growth in AUM has remained relatively limited.
- AAML has managed to slightly increase its AUM base during 2010. This has been largely achieved due to AUM accumulation in Atlas Money Market Fund (launched in Jan10). The company has an in-house sales and distribution function, headed by an experienced professional. Following the merger of Atlas Bank into Summit Bank, the company has entered into an distribution contract with the merged entity; progress is underway to employ services of some other established financial institutions for distribution of funds. In addition, the company is utilizing regional offices of Atlas Insurance for expanding its retail base. The extent of success of these initiatives for enhancing the overall AUM base and penetrating the untapped retail segment remains to be seen.
- AAML has a comprehensive investment process and follows a structured bottom-up approach for making investment decisions. The Investment Committee comprises CEO, CIO, and Fund Manager. The IC meets on a weekly basis to take major portfolio-related decisions, and monitors funds' performance. Research department is sufficiently capable in terms of research facilities while separating the research process into conventional and Shariah investments. In the absence of Head of Research, CIO oversees and provides crucial support to research function. The company employs SRS (Stock Research Summary) software in investment research process for equity and credit valuations.
- The company has an in-house internal audit department; an experienced individual has recently been engaged to head this department. The division has additional responsibility to ensure compliance and risk management. Due to small size of the company at present, the company has been able to institute a strong risk management and control environment, under the supervision of CEO and other senior management personnel. In addition, the company possesses a proxy voting policy, duly approved by the BoD. A comprehensive Disaster Recovery Plan has been implemented.
- The company is utilizing core asset management software – Softech Asset Connect system – and continues to fortify its IT infrastructure. The company has real-time and state of the art software for customer relationship management (CRM) developed in-house which has been structurally modified to account for HR and Withholding tax purposes. The IT department is currently in process of testing the newly equipped website, expected to go online shortly.