



ATLAS ASSET MANAGEMENT LIMITED (AAML)

ASSET MANAGER RATING (DECEMBER 2006)

AM3+

ANALYSTS

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SUMMARY

- The asset manager rating of AAML has been maintained at 'AM3+'. The rating reflects the company's experienced management team, effective risk management framework, and a structured investment process. Given increasing competition in the asset management industry, AAML has limited diversity in terms of mutual funds being offered by the company and a relatively small distribution network. The company, cognizant of these constraints, is working on launching new funds to offer more options to potential investors. Moreover, AAML is expanding its outreach, with a focus on leveraging the established franchise of Atlas group in addition to utilizing infrastructure of different group companies for developing distribution setups.
- 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 strong presence in manufacturing, financial, and trading sectors. The group has recently entered into commercial banking – Atlas Bank Limited. AAML's seven-member board of directors, in addition to two Shirazi family members and the Chief Executive, comprises independent experienced professionals including a representative of ING – a global asset manager and technical partner of AAML. Mr. Habib-ur-Rehman, the CEO of AAML, has extensive experience of the mutual fund industry. Recently, Mr. Ali H. Shirazi – a Yale University graduate and a member of the sponsoring family – has joined AAML as Executive Director. He is spearheading the company's marketing and investor services initiative. The company, with establishment of compliance department, has an adequately structured organizational setup. To fulfill long-term staffing requirement, particularly in the areas of risk management and distribution, the company hired additional staff during FY06 taking the headcount to 56 at end-FY06 (End FY05: 42).
- AAML, as asset management company for two open-end funds – equity and income – and investment advisor to a closed-end fund of funds, is catering to different investment objectives of a diverse client base. Assets under management continued to grow at an impressive rate and is currently over PKR 5bn. Consequent increase in management fee, the main source of revenue, and appreciable return on the company's investment in its own funds, bolstered the overall profitability of AAML during FY06, also helping in strengthening capitalization levels.
- Going forward, the management targets continuous healthy growth in assets under management. In this regard, it plans to launch a variety of new funds and follow an aggressive marketing strategy. AAML is in the final stage of launching its first open-end Islamic fund – Atlas Islamic Fund (AIsF). Thereafter, it plans to launch capital guaranteed funds and is also considering offering pension funds, once the respective rules are finalized by SECP. To ensure higher participation of retail investors in its different funds, the company plans to initiate an extensive advertisement campaign at the time of launching of AIsF. The management is mindful of the importance of the distribution network to build a stable retail investor base. The company is opening four more branches during 2007, mainly in densely populated urban centers of the country. Over the medium-term, the management intends to build higher degree of synergy with other group companies, particularly with Atlas Bank, to offer asset management services to bank clients. AAML also has distribution agreements with various independent financial consultants, which are mainly concentrated in Karachi.
- The company, in consultation with ING, has further streamlined its investment process and now follows a structured bottom-up approach for making investment decisions. Investment committee, with AAML's CEO and Chief Information Officer, and a member of the group's executive committee as permanent members, meets on weekly basis. Fund managers and personnel from research and trading departments assist the committee. In order to further strengthen the risk management, AAML has established a compliance division, which while ensuring conformity with external regulations is responsible for continuing internal audit. Research department has also been strengthened both in terms of human resource and refining of research process. AAML generally relies on in-house research and research publications by the leading brokerage houses for its investment decisions.
- The company is in the process of migrating to an advanced core asset management software – Softech Asset Connect system. All relevant modules of the new system have been implemented and it is currently in parallel run to existing system. The management is planning to switch to a new system in a few months time. However, to ensure smooth transition, the company would continue operating the existing system for a reasonable time. The new system is expected to boost the accessibility of units to the targeted customers around the country, smoothen the investment process, and improve the disclosure and reporting systems. It would also enable customers to buy and sell the units through internet, which would be a useful addition to the already available methods of written and verbal requests by walk-in customers. Moreover, the Straight Through Processing feature of the system would facilitate the task of fund managers.