



The Pakistan Credit Rating Agency Limited

Rating Report

Atlas Asset Management Limited

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Rating History

| Dissemination Date | Long Term Rating | Short Term Rating | Outlook | Action | Rating Watch |
|--------------------|------------------|-------------------|---------|----------|--------------|
| 22-Dec-2023 | AM2+ | - | Stable | Maintain | - |
| 23-Dec-2022 | AM2+ | - | Stable | Maintain | - |
| 24-Dec-2021 | AM2+ | - | Stable | Maintain | - |
| 24-Dec-2020 | AM2+ | - | Stable | Maintain | - |
| 26-Dec-2019 | AM2+ | - | Stable | Maintain | - |
| 28-Jun-2019 | AM2+ | - | Stable | Maintain | - |
| 28-Dec-2018 | AM2+ | - | Stable | Maintain | - |
| 30-Jun-2018 | AM2+ | - | Stable | Maintain | - |

Rating Rationale and Key Rating Drivers

The rating incorporates Atlas Asset Management Limited's ("AAML" or the "Company") experienced management team, structured investment decision process, and adequate risk management framework. Strong ownership and good governance profile bode well for the rating. To expand its market penetration the management is focusing on strengthening its distribution outreach by expanding its network in Karachi, Lahore, PSW and RWP. Alongside, the management is also focusing on enhancing customer services, and improving its digital platform for better retail penetration. The same will be tested over time. The AMC has also acquired licenses of Private Equity and REIT Management funds and the management has plans to further widen its product offering. The assigned rating also considers market positioning, retail clientele, investor granularity and fund performance. Since Sep'22 the growth momentum of the AMC has depicted an increase of 20.5% and stood at PKR 53.3bln at end Sep'23. While the market share remained at an average of 3.2% as the overall market grew at a faster pace of 37%. Retail AUMs in relation to total AUMs stayed intact. The AUMs mix of the AMC depicts a good mix of equity category and Income/money market category i.e 25% and 75% respectively. While top-10 investor concentration in larger funds remains on higher side~80-90%. During the period under review, the funds' performance compared favorably to peers for its larger funds. As of end Sep'23, the AUMs of the income/money market category under quartile 1 and quartile 2 accounted for 10% and 80% respectively. While under equity category falls under a 3-star ranking. Sustaining the fund performance across all categories along with maintenance of credit quality metrics will remain important for rating, going forward.

The Company remained profitable during FY23, the profit after tax stood at PKR 192mln at the end of Jun'23 (FY22: PKR 125mln). During 3MFY24, the Company's net profits amounted to PKR 107mln (3MFY23: PKR 30.6mln). AAML has a strong equity base of PKR 1,297mln at the end of Sep'23 (Jun'23: PKR 1,179mln), which is well above the regulatory requirement of PKR 230mln. The strong equity base bodes well to the rating. The Company shows sustained management quality with the lowest employee turnover rate among peers. The rating also incorporates the Company's association with Atlas Group, a leading business conglomerate in Pakistan having investments in multiple sectors.

The rating depends on the Company's ability to strengthen its market position regarding AUMs, sustain superior fund performance, and uphold good governance and organizational structure. . While Improvement in investor granularity would remain imperative. Diversification in AUM asset class distribution would be considered positively from Management quality ratings purview.

Disclosure

| | |
|------------------------------|--|
| Name of Rated Entity | Atlas Asset Management Limited |
| Type of Relationship | Solicited |
| Purpose of the Rating | Asset Manager Rating |
| Applicable Criteria | Methodology Rating Modifiers(Apr-23),Assessment Framework Asset Manager Rating(Jun-23) |
| Related Research | Sector Study Asset Managers(Jun-23) |
| Rating Analysts | Madiha Sohail madiha.sohail@pacra.com +92-42-35869504 |



Profile

Structure Atlas Asset Management Limited ("AAML" or the "Company"), was incorporated in 2002 as a public unlisted company

Background The Company is a wholly owned subsidiary of Shirazi Investments (Pvt.) Limited. It manages assets on behalf of retirement funds, welfare organizations, insurance companies, multinationals, NBFCs, and individuals, in addition to group funds

Market Share The market share of the Company stood at 2.9% at the end Sep'23 (Jun'22: 3.7%).

Diversification Of Fund Mix The Company is currently managing an adequate product slate of Nine open-end funds in multiple categories, two pension funds (Conventional and Islamic), and one dedicated equity fund. The Company also has an investment advisory license. As an investment adviser, the Company manages eight discretionary SMA's.

Investor Concentration The top ten average investors concentration is 51% in the funds of AAML with average related party holdings contributing 49% to the total AUM's. The higher proportion of group funds limits redemption pressure to an extent.

Ownership

Ownership Structure The Company is a wholly owned (100%) subsidiary of Shirazi Investments (Pvt.) Limited – the holding company of Atlas Group.

Business Acumen Shirazi Investments (Pvt.) Ltd (SIL), founded in 1962, It is engaged in capital market, fund management, underwriting, real estate, and venture capital investments.

Financial Strength Building on decades of expertise, AAML enjoys a strong financial foundation emanating from well-diversified profitable businesses.

Governance

Board Structure The Company's seven-member board of directors comprises five representatives of Atlas Group including the CEO. There are two independent directors.

Members' Profile The Board is headed by the chairman, Mr. Iftikhar H. Shirazi. He has done BS in Finance from USA. All the members of the board has immense expertise in capital markets, investment banking, economic affairs and finance.

Board Effectiveness The Board ensures effective governance structure through its committees, namely (i) Audit Committee (ii) Human Resource & Remuneration Committee and (iii) Investment Committee.

Transparency The Company has an in-house internal audit department to evaluate and improve the internal control system. Mr. Uzair Uddin, an experienced individual, heads the department. The department directly reports to the Audit Committee. The Company has appointed Shinewing Hameed Chaudhari & Co, classified 'B' category auditor by SBP.

Management

Organizational Structure The Company operates under the guidance of Chief Executive Officer who oversees various departments, each with its well-defined and specific functions. These include: 1) Finance, 2) Customer Services & Quality Assurance, 3) IT, 4) Internal Audit, 5) Sales and Marketing, 6) HR & Admin, 7) Risk Management, 8) Compliance and 9) Investment Advisory.

Management Team The Company's existing team is well qualified with relevant experience. Almost all of the top management has been associated with AAML for a significant period of time, which shows stability and strong employee retention. The top management includes the CEO, Mr. Muhammad Abdul Samad, who has been associated with the Company for over fifteen years and held C-Suite positions for over a decade. The CIO, Mr. Khalid Mahmood, holds an MBA degree with a major in Finance from Bahria University. He has more than a decade of professional experience in research and fund management.

Technology Infrastructure The Company has entered into a Service Level Agreement (SLA) with ITMinds Limited for the outsourcing of back-office functions. Under the agreement, ITMinds Limited is providing back-office services in relation to the accounting settlement, unit management operations, and NAV calculation.

Control Environment The Company has devised detailed policies for IT, operations, research, investment, and risk management. The Company uses a dedicated software which notifies about any breach in exposure limits and specified margin.

Investment Risk Management

Credit Risk The Company has developed an internal risk assessment software to evaluate the risk of the overall portfolio. Exposure limits and margins are properly defined with inbuilt restrictions.

Liquidity Profile The risk management department monitors the liquidity profile of the Company. Sufficient liquidity is maintained by investing a significant portion of fund's assets in liquid investment avenues.

Market Risk The Company has set appropriate metrics to measure exposure to market risk. The department has developed VaR and sensitivity analysis models to monitor market risk.

Portfolio Management

IC Composition The Company's investment committee comprises six members including the CEO, CIO, Head of Portfolio Management, Head of Equities, Head of Fixed Income, along with a non-executive director

Effectiveness The composition and functioning of the IC is considered adequate. The IC formally meets on a weekly basis in order to make investment decisions. The fund managers are responsible for the implementation of investment decisions and ensuring a smooth investment process.

Investment Research And Analysis The research department of the Company comprises two investment analysts and one Manager of Research.

Customer Relationship

Investor Services The Company has implemented the 'Investors Help Desk System' for effective management of queries received from the investors. The Company has launched certain financial tools on its website for the benefit of the investors. These include a tax savings calculator along with a pension simulator. The Pension Simulator, launched by the Company is the first in the industry, which provides investors with financial forecasts based on actuarial estimations

Investor Reporting The Company's well-developed website is used as a reporting platform for dissemination of information pertaining to the Company, management, NAV history, fund performance, product characteristics, and other important announcements. The Company has also developed an application for automatic distribution of NAV via SMS to facilitate its investors. The Atlas Invest app provides investors the facility to manage their investments on the go.

Distribution And Sales Network The company continues to focus on the retail penetration. Through its association with Shirazi Investment (Pvt) Ltd., the Company has been instrumental in establishing a footprint among domestic retail and corporate investors.

Performance

Asset Under Management Since Jun'22, the AUMs of the Company increased by ~16.5% to stand at PKR 53.2bln at the end of Sep'23. The majority of funds produced returns greater than the peer averages and the benchmarks. The Money Market funds and the Shariah Compliant Income fund were able to beat both the benchmarks and the industry averages except for Atlas Sovereign Fund. The Equity funds were not able to beat either the benchmarks or the industry averages.

Asset Manager The Company has reported a net profit of PKR 80mln during 3MFY24. The investment income of the Company increased due to an increase in management fees however, the operating expenses increased as well. The Company's equity stood at PKR 1,297mln at the end of Sep'23 (Jun'22: PKR 1,083mln), sufficiently above the minimum capital requirement of PKR 230mln.

Fund's Performance | Atlas Asset Management Limited

| Sr. No. | Fund Name | Category | Weight (%) | AUMs (PKR' mln) | | | | | Return Rolling 12 Months | | | Rolling 12 Months | |
|---------------------|------------------------------------|------------------------|-------------|-----------------|-------------------------|---------------|---------------|---------------|----------------------------|-----------|--------|-------------------|--------------------|
| | | | | Sep-23 | Jun-23 | Mar-23 | Dec-22 | Jun'22 | Return | Ind. Avg. | Bench. | Fund vs. Industry | Fund vs. Benchmark |
| | | | | 1 | Atlas Money Market Fund | Money Market | 40.1% | 21,863 | 23,798 | 15,630 | 18,532 | 18,301 | 19.5% |
| 2 | Atlas Stock Market Fund | Equity | 16.7% | 9,084 | 8,038 | 8,074 | 8,343 | 9,077 | 11.9% | 6.8% | 12.4% | 5.1% | -0.6% |
| 3 | Atlas Islamic Stock Fund | Islamic Equity | 6.2% | 3,354 | 3,241 | 3,403 | 3,693 | 3,860 | 8.9% | 9.6% | 15.1% | -0.7% | -6.2% |
| 4 | Atlas Liquid Fund | Money Market | 7.8% | 4,231 | 3,890 | 2,232 | 4,713 | 3,441 | 19.2% | 19.3% | 18.9% | -0.1% | 0.3% |
| 5 | Atlas Income Fund | Income | 6.7% | 3,628 | 3,492 | 4,035 | 4,714 | 2,666 | 16.90% | 18.2% | 20.1% | -1.3% | -3.2% |
| 6 | Atlas Islamic Income Fund | Islamic Income | 2.9% | 1,584 | 1,557 | 1,694 | 1,908 | 1,556 | 17.8% | 13.3% | 6.8% | 4.5% | 11.0% |
| 7 | Atlas Sovereign Fund | Income | 1.0% | 523 | 586 | 508 | 1,077 | 1,214 | 15.7% | 18.2% | 20.0% | -2.5% | -4.3% |
| 8 | AIFOF | Fund of Funds | 2.3% | 1,262 | 1,180 | 1,198 | 1,106 | 932 | | | | | |
| 9 | Atlas Islamic Money Market Fund | Islamic Money Market | 7.6% | 4,141 | 3,374 | 3,040 | 1,922 | 1,155 | 18.8% | 18.4% | 7.0% | 0.4% | 11.8% |
| 10 | Atlas Islamic Dedicated Stock Fund | Islamic Dedicated Fund | 1.1% | 579 | 504 | 506 | 439 | 92 | 9.2% | | 14.7% | | -5.6% |
| 11 | VPS | Pension Fund | 7.9% | 4,282 | 4,142 | 3,788 | 3,642 | 3,530 | | | | | |
| Sum/Average: | | | 100% | 54,531 | 53,802 | 44,108 | 50,089 | 45,824 | | | | | |

Asset Manager Rating

An independent opinion on an asset manager's expertise, quality of services and potential vulnerability to investment management and operational challenges

| Scale | Definition |
|----------------------|--|
| AM1 | Very high quality. Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks. |
| AM2++ AM2+ AM2 | High quality. Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors. |
| AM3++ AM3+ AM3 | Good quality. Asset manager meets investment management industry standards and benchmarks. |
| AM4++ AM4+ AM4 | Adequate quality. Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks. |
| AM5 | Weak. Asset manager does not meet the minimum investment management industry standards and benchmarks. |

| | | | | |
|---|---|--|---|---|
| <p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p> | <p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the</p> | <p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p> | <p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.</p> | <p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p> |
|---|---|--|---|---|

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

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- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
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- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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