



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
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	-
22-Dec-2017	AM2+	-	Stable	Maintain	-
04-May-2017	AM2+	-	Stable	Upgrade	-

Rating Rationale and Key Rating Drivers

The rating incorporates Atlas Asset Management Limited's ("AAML" or the "Company") market share, experienced management team, structured investment decision process and adequate risk management framework. Strong ownership and good governance profile bodes well to the rating. Since Sep'21, the overall AUMs of the Company decreased by 14.0% and stood at PKR 44.3bln at end Sep'22, which is translated into decrease in overall market share. The company's retail avenue has been gradually increasing and further intends to strengthen its sales team to provide impetus in augmenting retail penetration. To augment its revenue stream, the Company is also offering specialized investment products which includes Separately Managed Accounts with adequate AUMs growth as of end-Sep'22. The overall fund's performance remained above par with majority funds exceeding industry averages during the last 12 months period ended Sep'22. The Money Market Funds and Shariah Compliant Income Fund were able to beat the benchmarks along with peer averages.

The Company remained profitable during FY22 with a dip in profit after tax to stand at PKR 125.3mln (FY21: PKR 169.6mln) mainly due to unrealized loss from remeasurement of investments. During 3MFY23, the net profits of the Company amounted to PKR 30.6mln (3MFY21: PKR 34.6mln). AAML has an adequate equity base of PKR 1,080mln at end Sep'22 (Jun'22: PKR 1,083mln), which is above the regulatory requirement of PKR 230mln. The rating incorporates the Company's association with Atlas Group, a leading business conglomerate in Pakistan having investments in multiple sectors.

The rating is dependent on the Company's ability to strengthen its market position in terms of AUMs, sustaining superior fund performance and upholding good governance and organizational structure. Meanwhile, customer outreach along with consistent fund performance remains imperative.

Disclosure

Name of Rated Entity	Atlas Asset Management Limited
Type of Relationship	Solicited
Purpose of the Rating	Asset Manager Rating
Applicable Criteria	Assessment Framework Asset Manager Rating(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Asset Managers(Jun-22)
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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 3.3% at end Sep'22 (Sep'21: 4.8%).

Diversification Of Fund Mix The Company is currently managing an adequate product slate of eight open-end funds in multiple categories, two pension funds (Conventional and Islamic) and one dedicated equity fund. The Company also has 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, under-writing, real estate and venture capital investments.

Financial Strength Building on decades of expertise, AAML enjoys a strong financial foundation emanating from the 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, 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 Majors 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 take 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 Research.

Customer Relationship

Investor Services The Company has implemented '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 the 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. And through its association with Shirazi Investment (Pvt) Ltd. the Company have been instrumental in establishing a footprint among domestic retail and corporate investors.

Performance

Asset Under Management Since Sep'21, the AUMs of the Company decreased by 14.0% to stand at PKR 44.3bln at end Sep'22. Majority funds produced returns greater than the peer averages but missed to beat the benchmarks. The Money Market funds, and the Shariah Compliant Income fund was able to beat both the benchmarks and the industry averages.

Asset Manager The Company has reported a net profit of PKR 30.6mln in 1QFY23 (SPLY: PKR 34.6mln). The investment income of the Company increased due to increase in management fee however, the administrative expenses had an increase as well. The Company's equity stood at PKR 1,080mln at end Sep'22 (SPLY: PKR 1,025mln), 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-22	Jun-22	Mar-22	Dec-21	Jun'21	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Benchmark
1	Atlas Money Market Fund	Money Market	40.7%	18,021	18,301	11,726	23,254	24,229	12.3%	8.7%	11.3%	3.6%	1.0%
2	Atlas Stock Market Fund	Equity	19.4%	8,606	9,077	10,292	9,996	9,858	-13.0%	-14.4%	-8.4%	1.5%	-4.6%
3	Atlas Islamic Stock Fund	Islamic Equity	8.5%	3,760	3,860	4,285	4,039	2,707	-12.9%	-8.7%	-6.7%	-4.2%	-6.2%
4	Atlas Liquid Fund	Money Market	7.9%	3,488	3,441	1,579	2,024	-	14.5%	8.7%	14.6%	5.8%	-0.1%
5	Atlas Income Fund	Income	5.5%	2,415	2,666	3,955	3,925	4,990	9.43%	8.0%	12.9%	1.4%	-3.4%
6	Atlas Islamic Income Fund	Islamic Income	4.1%	1,803	1,556	1,912	1,815	1,457	10.4%	7.8%	3.7%	2.6%	6.7%
7	Atlas Sovereign Fund	Income	2.4%	1,048	1,214	1,775	2,012	2,225	9.1%	8.0%	12.7%	1.1%	-3.6%
8	AIFOF	Fund of Funds	2.1%	923	932	924	914	923					
9	Atlas Islamic Money Market Fund	Islamic Money Market	1.5%	644	1,155	1,005	1,007	637	11.3%	7.9%	4.2%	3.4%	7.0%
10	Atlas Islamic Dedicated Stock Fund	Islamic Dedicated Fund	0.2%	92	92	99	99	94	-12.8%		-6.7%		-6.1%
11	VPS	Pension Fund	7.9%	3,513	3,530	3,408	3,342	3,223					
Sum/Average:			100%	44,314	45,824	40,960	52,427	50,344					

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>
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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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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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(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

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(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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(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

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(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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(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(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 | 18-(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 | 18-(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-(F-VII)

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