



# 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
30-Nov-2024	AM2++	-	Stable	Upgrade	-
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	-

#### Rating Rationale and Key Rating Drivers

The rating upgrade of Atlas Asset Management Limited ("AAML" or the "Company") highlights the sustainability of its management, strong human resource retention, diverse product offerings, extensive branch network, and growing momentum in AUM base. It also reflects the acquisition of two new business licenses: Private Fund Management and REIT Management. The Company's strong presence in pension funds, holding an 8% market share and its position as the 4th largest in the equity category further support the assigned rating. Strong ownership and a robust governance profile play a critical role in ensuring quality management. These factors collectively contribute to the Company's strong growth momentum in AUMs. As a result, AUMs grew significantly by ~44%, reaching PKR 102bln by October 2024, capturing a 3% market share. The fresh inflows is majorly driven by Atlas Income Fund and Atlas Sovereign Fund. Additionally, funds managed through REIT, advisory, and private equity contributed ~PKR 15bln. The investment decision-making process is well-structured, emphasizing research-based strategies, which is reflected in the funds' superior performance. Notably, all funds outperformed their benchmarks, with nearly 40% ranking in the top quartile. Sustaining the fund performance across all categories along with maintenance of credit quality metrics will remain important for rating, going forward. The management is also focusing on enhancing customer services and improving its digital platform for better retail penetration. The 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 27% and 73% respectively. While top-10 investor concentration remains on the higher side~80-90%, dilution in the concentration would be encouraged going forward.

On the earnings front, the Company reported a substantial ~59% increase in revenue, driven by higher management fees, advisory fees, and private equity fees. Supported by rising core revenues, realized and unrealized investment gains, and dividend income, profitability grew 1.3 times, reaching PKR 420mln (FY23: PKR 178mln). The Company's equity stood at PKR 1.7bln as of Jun'24 (SPLY: PKR 1.1bln).

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. Penetration through digital channels would bodes well.

#### Disclosure

<b>Name of Rated Entity</b>	Atlas Asset Management Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Apr-24),Assessment Framework   Asset Manager Rating(Jun-24)
<b>Related Research</b>	Sector Study   Asset Management Companies (AMCs)(Jun-24)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



# Asset Management Companies (AMCs)

## Profile

**Structure** Atlas Asset Management Limited ("AAML" or the "Company"), is a public unlisted company, incorporated in 2002 under the Companies Act, 2017. Licensed under NBFC Rules, 2003, and NBFC Regulations, 2008, Atlas operates as an asset manager, investment advisor, and Pension Fund Manager under the Voluntary Pension System Rules, 2005. It has also obtained licenses for private equity, venture capital, and REIT management from SECP.

**Background** The Company is a wholly owned subsidiary of Shirazi Investments (Pvt.) Limited. It offers diverse investment products, including mutual funds, pension schemes, SMAs, REITs, and private equity funds, for individual and institutional investors.

**Market Share** The market share of the Company stood at 3% at the end Sep'24.

**Diversification Of Fund Mix** The Company manages nine open-end funds across various categories, two pension funds (Conventional and Islamic), one dedicated equity fund, and eight discretionary SMAs under its investment advisory license.

**Investor Concentration** With 54% related-party holdings in AUMs, the top 10 investor concentration ranged between 70%-90%. However, the higher share of group funds helps mitigate redemption pressure.

## 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 benefits from a strong financial foundation, supported by well-diversified and profitable businesses. Atlas' shareholders' equity and assets exceed one billion US dollars.

## Governance

**Board Structure** The Company's seven-member board consists of five representatives from Atlas Group, including the CEO, and two independent directors.

**Members' Profile** Mr. Iftikhar H. Shirazi, the Chairperson of the Board, brings over 31 years of experience in corporate management, particularly in the financial and trading sectors. He also chairs Shirazi Investments (Private) Limited, Atlas Insurance Limited, Shirazi Trading Company (Private) Limited, Atlas Foundation, Atlas Vocational Training Institute, and Atlas Information Technology Resource Center. The Board's collective expertise spans capital markets, investment banking, economic affairs, finance, corporate banking, and insurance.

**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, led by Mr. Uzair Uddin, to assess and enhance the internal control system. The department reports directly to the Audit Committee. BDO Ebrahim & Co., classified as an 'A' category auditor by SBP, has been appointed as the external auditor and has issued an unmodified opinion on the financial statements for the period ending June 2024.

## Management

**Organizational Structure** The Company operates under the guidance of Chief Executive Officer who oversees various departments, each with 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 management team is highly qualified and experienced, with most top executives having been with AAML for a significant period, demonstrating stability and strong employee retention. The CEO, Mr. Muhammad Abdul Samad, has been with the Company for over 15 years and held C-suite positions for more than a decade. He has significant Board experience, where he has served as a director on the board of nineteen listed companies. The CIO, Mr. Khalid Mahmood, holds an MBA in Finance from Bahria University and brings over ten years of experience in research and fund management.

**Technology Infrastructure** ITMinds Limited provides back-office services, including accounting settlement, unit management operations, and NAV calculation. To ensure information security for investors, the Company has placed a strong focus on enhancing its cybersecurity measures.

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

## 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 the 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 three investment analysts and one Manager of Research.

## Customer Relationship

**Investor Services** The Company has implemented an 'Investors Help Desk System' to effectively manage investor queries. Additionally, it has launched several financial tools on its website, including a tax savings calculator and the industry-first Pension Simulator, which offers financial forecasts based on actuarial estimations to benefit investors.

**Investor Reporting** The Company's well-developed website serves as a reporting platform, providing information on the Company, management, NAV history, fund performance, product details, and important announcements. Additionally, the Company has developed an application for automatic NAV distribution via SMS to facilitate investors. The Atlas Invest app allows investors to manage their investments conveniently 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** AUMs grew significantly by ~44%, reaching PKR 102bln by Oct'24. Notably, all funds outperformed their benchmarks, with nearly 40% ranking in the top quartile.

**Asset Manager** The Company's profitability grew 1.3 times, reaching PKR 420mln (FY23: PKR 178mln). While equity stood at PKR 1.7bln as of Jun'24 (SPLY: PKR 1.1bln).

## Fund's Performance | Atlas Asset Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)				Returns		Rolling 12 Months
								Rolling 12 Months		
				Sep-24	Jun-24	Mar-24	Dec-23	Return	Bench.	Fund vs. Benchmark
1	Atlas Money Market Fund	Money Market	28.6%	26,976	29,715	21,941	25,570	22.2%	20.0%	2.2%
2	Atlas Stock Market Fund	Equity	18.4%	17,292	16,373	13,508	12,555	80.6%	74.5%	6.1%
3	Atlas Islamic Stock Fund	Islamic Equity	6.8%	6,385	6,065	5,055	4,777	73.0%	60.6%	12.3%
4	Atlas Liquid Fund	Money Market	3.9%	3,674	4,432	2,256	4,070	21.9%	20.0%	1.9%
5	Atlas Income Fund	Income	10.4%	9,811	9,473	6,189	5,282	23.35%	20.7%	2.6%
9	Atlas Islamic Money Market Fund	Islamic Money Market	5.6%	5,266	6,336	5,465	5,363	21.5%	10.9%	10.6%
6	Atlas Islamic Income Fund	Islamic Income	2.9%	2,774	1,993	1,881	1,711	21.3%	10.9%	10.3%
7	Atlas Sovereign Fund	Income	15.8%	14,876	7,228	7,432	5,334	26.2%	20.5%	5.8%
8	Atlas Islamic Cash Fund (Launch Date: Jul'24)	Islamic Money Market	0.8%	791	-	-	-	-	-	-
9	Atlas Islamic Fund of Funds	Fund of Funds	0.8%	747	725	673	865	44.4%	37.7%	6.7%
10	Atlas Islamic Dedicated Stock Fund	Dedicated Equity Fund	0.1%	76	75	68	30	69.4%	60.6%	
11	VPS	Pension Fund	6.8%	6,392	3,329	5,274	4,937			
<i>Sum/Average:</i>			100%	94,193	85,669	69,674	70,464			

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

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> 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><b>Rating Watch</b> 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><b>Suspension</b> 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><b>Withdrawn</b> 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><b>Harmonization</b> 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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(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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- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- 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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- (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).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (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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- (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)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
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- (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)

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(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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