



The Pakistan Credit Rating Agency Limited

Rating Report

AWT Investments Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
31-Jul-2024	AM2	-	Stable	Upgrade	-
04-Aug-2023	AM3++	-	Positive	Maintain	-
05-Aug-2022	AM3++	-	Positive	Maintain	-
05-Aug-2021	AM3++	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

AWT Investments Limited ("AWTIL" or the "Company") is a wholly owned subsidiary of Army Welfare Trust, a trust established for the welfare and rehabilitation of the widows and dependents of martyrs of the Pakistan Army. The rating reflects the improved positioning of AWT Investments Limited among peers operating in the asset management industry of the country. The strong Fund performance of the company was one of the leading indicators considered in the rating. The composition of AUMs reveals an increasing share of individual investors. On the technology side, the company has launched a Web portal and a Mobile App, offering a full suite of investor services with elevated customer experience. The technological developments are solidifying the retail footprints of the Company in an increasingly digitalized age. During FY24, the company recorded robust growth in AUMs clocking in at PKR 30bln (FY23: PKR 7.3bln). Consequently, the market share of the AMC enhanced to 1.1% (FY23: 0.5%). During the year, the company has strengthened its organizational structure by augmenting incumbent departments comprising Risk, Research, Compliance, and IT. The induction of experienced professionals in the team to spearhead these functions has boded well for the company and Fund performance. Group synergies have been leveraged and it is shown in the trend line. Sponsor support is a key consideration. The asset manager is planning to further diversify its product slate by launching of voluntary pension schemes by the end of 1QFY25. The Company has implemented an enhanced version of Asset Connect (Java-based) for the Mutual fund segment. During 9MFY24, the financial matrix reveals that the total income of the company enhanced to PKR 229.7mln (9MFY23: PKR 65.2mln) attributable to enhanced gain from investments clocking in at PKR 107mln (9MFY23: PKR 1.1mln) followed by management fee at PKR 73.4mln (9MFY23: PKR 21.1mln). Consequently, the company reported a net profit of PKR 48.6mln in 9MFY24 against the net loss after tax of PKR 62.3mln during 9MFY23. At end-Mar24, the equity base of the company increased to PKR 440mln (end-Mar23: PKR 291mln) owing to equity injection from the sponsor along with the internal generation of cashflows.

The rating is dependent on the Company's ability to continuously strengthen its market position. At the same time, stability in key human resources, structured improvement in risk management framework, and success of initiatives to increase retail AUM will remain crucial for the rating. Diversification in the AUM base among various fund categories along with improvements in the overall operating platform will bode well for the Company.

Disclosure

Name of Rated Entity	AWT Investments Limited
Type of Relationship	Solicited
Purpose of the Rating	Asset Manager Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-24),Assessment Framework Asset Manager Rating(Jun-24)
Related Research	Sector Study Asset Management Companies (AMCs)(Jun-24)
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Asset Management Companies (AMCs)

Profile

Structure AWT Investments Limited ("AWTIL" or the "Company") is a public unlisted company incorporated in August 2011.

Background The Company is registered as an Asset Management Company, Investment Adviser, and Pension Fund Manager under the Non-Banking Finance Companies Regulations by the Securities and Exchange Commission of Pakistan (SECP). Moreover, the company has also obtained a VPS License from SECP, and the Fund is expected to be launched in September 2024. The head office of the Company is situated in Rawalpindi.

Market Share The market share of the Company stood at 1.1% at end-Jun24 (Jun'23: 0.5%).

Diversification Of Fund Mix Currently, the Company is offering investment solutions for both conventional and Islamic markets. And is managing six funds in the Money Market, Income, and Equity categories with the Income category having the highest concentration in the portfolio.

Investor Concentration The average Top 10 investor concentration at end-Jun24 is 37% and the average related party holding represents 5% of total AUMs.

Ownership

Ownership Structure AWTIL is a wholly owned subsidiary of Army Welfare Trust (AWT).

Business Acumen The existing sponsor, AWT has more than 5 decades of experience in the financial services sector, operating companies under the "Askari" brand in banking, insurance, leasing, financial services, and asset management industries. The management and leadership carry extensive business experience in financial markets.

Financial Strength The financial strength of the sponsor, the Askari Group of Companies, remains strong due to its diversified profitable businesses. The support of the sponsor is indicated by an equity injection of PKR 100mln by the issuance of the right shares during 9MFY24 to ensure compliance of AWTIL with the minimum equity requirement (MER) for Asset Management and Investment Advisory Companies.

Governance

Board Structure The Company's board consists of six members, including the CEO. The board comprises five non-executives and one executive director.

Members' Profile Lt. General Nauman Mahmood (Retd.) joined as the chairman of the board of directors in February 2024. Mr. Nauman has a rich experience of 37 years and he is also present on the board of directors of different businesses of Army Welfare Trust.

Board Effectiveness There are two committees, namely 1) Human Resource Committee and 2) Audit and Risk Committee for effective monitoring and board assistance.

Transparency The in-house internal audit department is headed by Mr. Abdul Mannan Mirza - a Chartered Accountant from the Institute of Chartered Accountants of England and Wales (ICAEW) and a fellow member of ACCA (UK). He has diversified experience of more than 12 years in regulatory compliance, internal audits, risk advisory, and accounting functions. The external auditor of the Company is Yousuf Adil & Co, which falls in the 'A' category of the SBP Panel of Auditors.

Management

Organizational Structure The Company has a well-defined and formalized organizational structure, with appropriate departmentalization. It operates through the Human Resource Department, Risk Management Department, Compliance Department, IT Department, Marketing & Product Development Department, and Finance Department, each with its well-defined and specific functions.

Management Team The senior management team of AWTIL comprises qualified and experienced professionals. Mr. Sajjad Anwar CFA is appointed as CEO of the Company in March'22, having 24 years of experience in the Investments market. Mr. Farrukh Yasin heads the Risk Management Department. Mr. Salman Shafiq Hashmi is the CFO of the company. While Mr. Asim Abdul Jabbar is the Head of Operations.

Technology Infrastructure The Company is revamping its fund management solutions software designed by Softech Company along with ERP evaluations for internal use.

Control Environment The compliance is being led by Mr. Muzzammil Khan, having over 12 years of professional experience in Compliance, Operations, Audit, and Assurance. The Company has devised detailed policies to ensure compliance with all applicable statutory regulations and internal investment guidelines using Excel-based models to monitor the exposure limits and margins.

Investment Risk Management

Credit Risk The Company used Excel-based credit risk models for credit risk monitoring with a focus on qualitative and quantitative analysis with controls in place to ensure exposure limits.

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

Market Risk For managing market risk, various techniques such as VaR analysis, beta analysis, and stress testing are being used. The exposure limits are communicated to portfolio managers along with a periodic review of the appropriateness of the limit structure.

Portfolio Management

IC Composition The investment committee comprises the Chief Executive Officer, Chief Finance Officer, Head of Risk, and Fund Managers.

Effectiveness The IC comprises qualified and experienced professionals and meets on a weekly basis to review the investment strategy of each fund under management and its performance to incorporate the impact of market circumstances on the Funds' performance.

Investment Research And Analysis The research function operates under the supervision of the Head of Equity. The department uses various techniques including the fundamental analysis of key sectors and stocks to identify attractive investment avenues. For equity valuation, standard financial models are used and broker research is also considered.

Customer Relationship

Investor Services The Company is providing adequate services to its clients. The marketing team is responsible for maintaining relationships with existing and prospective clients. In order to remain competitive, the Company has been implementing strategies for integrating information technology in all processes to facilitate its customers. The Mobile App of the Company provides various value-added services such as fund NAVs, investment account details, and E-transactions.

Investor Reporting The Company disseminates unit holder statements on a monthly basis which comprise investment value and asset allocations. The Company disseminates and publishes FMR on its website in a timely manner.

Distribution And Sales Network The Company has four branches, one in Karachi, and one in Lahore, Multan, and Rawalpindi.

Performance

Asset Under Management At end-June24 the AMC's AUM increased to PKR 29.77bln from PKR 17,339mln at end-Mar24 (end-Jun23: PKR 7,293mln). The main increase is from Money Market and Shariah Compliant Income Category Funds. The majority of AWT funds performed better than the industry and beaten their benchmarks.

Asset Manager During 9MFY24, the total income of the Company inclined to PKR 229mln (9MFY23: PKR 65mln). Consequently, the company reported a profit after tax of PKR 49mln (9MFY23: loss of PKR 62mln). At end-Mar24, the equity base of the company was enhanced to PKR 440mln (end-Jun23: PKR 291mln). The company has ample room above to meet the minimum equity base requirement of PKR 230mln.

Fund's Performance | AWT Investments Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR 'mln')					Return Apr'23 to Mar'24			12Months	
				Jun'24	Mar'24	Dec'23	Sept'23	Jun'23	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.
				1	AWT Money Market Fund	Money Market	7.9%	2,352	2,799	3,160	2,980	2,883	22.5%
3	AWT Islamic Income Fund	Shariah Compliant Income	82.3%	24,513	11,582	8,194	4,506	1,794	22.78%	20.8%	9.0%	1.98%	13.76%
2	AWT Income Fund	Income	5.6%	1,682	1,707	1,700	1,733	1,723	23.06%	21.0%	22.1%	2.03%	0.93%
5	AWT Financial Sector Income Fund	Income	3.1%	928	987	1,082	837	687	23.8%	23.8%	22.1%	0.03%	1.67%
6	AWT Stock Fund	Equity	0.5%	135	118	133	105	104	60.2%	54.5%	67.5%	5.66%	-7.36%
4	AWT Islamic Stock Fund	Shariah Compliant Equity	0.6%	167	146	164	104	103	54.3%	60.4%	62.1%	-6.10%	-7.74%
Sum/Average:			100%	29,777	17,339	14,433	10,265	7,293					

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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- (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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- (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)
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- (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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