



The Pakistan Credit Rating Agency Limited

Rating Report

ABL Asset Management Company Limited

Report Contents

1. Rating Analysis
2. Rating Scale
3. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
25-Oct-2024	AM1	-	Stable	Maintain	-
26-Oct-2023	AM1	-	Stable	Maintain	-
26-Oct-2022	AM1	-	Stable	Upgrade	-
26-Oct-2021	AM2++	-	Positive	Initial	-

Rating Rationale and Key Rating Drivers

The rating reflects the ABL Asset Management Company Limited's ("ABL Funds" or the "Company") dominant market position as one of the leading players in the asset management industry. It also considers the Company's experienced management team, robust governance framework, and sound investment decision-making process. Key factors influencing the assigned rating include: i) the Company's rising market position, ii) consistent fund performance, iii) effective digital penetration, and iv) solid equity profile. The Company's affiliation with a well-established bank, a major player in the banking sector, further strengthens its rating. Since June 2023, the overall asset management industry has experienced growth of ~65%, while ABL Funds outpaced the market with ~74% growth, capturing a market share of ~7%. The Company has an adequate retail customer base with one of the biggest footprints in the Northern region of Pakistan. The enhanced market share is backed by i) introducing fixed return plans aiming the specific investor's need ii) increasing retail mix standing at 32% (SPLY: 28%) and iii) increased digital penetration. The Company is using the entire branch network of Allied Bank Limited to strongly penetrate the untapped market. In addition to ABL, the Company has also entered into distribution agreements with other banks. The AUM composition is primarily weighted toward money market and equity categories, with the majority of funds positioned in the top quartile. The management is also focusing on strengthening its digital platform through strategic IT investments for better retail penetration, distribution network, and customer services. The Company is prioritizing cybersecurity through targeted IT investments and is distinguished as the only Asset Management Company (AMC) to hold ISO/IEC 27001 : 2013 certification, underscoring its commitment to the highest standards of information security. In order to strengthen its product slate, the Company is also operating under advisory services with a healthy SMA portfolio of 68 accounts under a discretionary and non discretionary portfolio.

On the financial profile side, the management and commission income has shown an increase of 1.7 times and stood at PKR 717mln, at end of 6MCY24 (6MCY23: PKR 267mln). At the end of 6MCY24, the Company reported a profit after tax of PKR 288mln (6MCY23: PKR 193mln). The rise is mainly attributable to the rise in fee and commission income. The Company enjoys sound liquidity and has a sufficient equity base of PKR 3.9bln as of Jun'24, which is well above the minimum regulatory requirement.

The rating is dependent on the management's ability to effectively execute business development plans and leveraging its digital initiatives to strengthen its operations and outreach. Sustaining consistency in terms of fund's performance to remain in top quartile, and increase in profitability would remain imperative. The retention of key management personnel, sound corporate governance and further strengthening investment process remains key rating factors.

Disclosure

Name of Rated Entity	ABL Asset Management Company 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)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504



The Pakistan Credit Rating Agency Limited

Asset Management Companies (AMCs)

Profile

Structure ABL Asset Management Company Limited ("ABL Funds" or the "Company") was incorporated in October 2007 as a public unlisted Company.

Background The Company is registered with SECP as an Asset Management Company and Investment Adviser under Non-Banking Finance Company regulations, with its head office in Lahore.

Market Share The Assets Under Management (AUMs) of ABL Funds have experienced a ~74% growth since June 2023, elevating its market share to ~7.0% as of Jun'24.

Diversification Of Fund Mix ABL Funds provides investment solutions for both conventional and Islamic markets. As of June 2024, the Company managed twenty-three open-end funds and acted as an investment advisor for sixty-eight clients, offering a well-structured portfolio. The retention of discretionary portfolio clients further strengthens customer service quality and contributes to long-term value creation.

Investor Concentration The top 10 investor concentration stood at 33% at end of Jun'24 and the average related party holding represents 10% of total AUMs.

Ownership

Ownership Structure Allied Bank Limited (the "Bank" or "ABL") holds 100% of the ownership stake in ABL Funds. ABL is a listed scheduled bank engaged in commercial banking and related services.

Business Acumen The sponsors hold strong entrepreneurship skills and business acumen. They have held diverse interests in various sectors, including finance, information technology, credit, leasing, investment banking, corporate finance, and consultancy for many years.

Financial Strength The Bank holds AAA/A+ ratings from PACRA. With over 75 years of operations, the Bank has established a strong foundation with robust equity, assets, and a solid deposit base. As of the end of June 2024, the Bank's deposits totaled PKR 1,877bln, while its equity stood at PKR 218bln.

Governance

Board Structure The Company's board is composed of eight members, including the CEO. It includes one executive director, five non-executive directors, and two independent directors.

Members' Profile Chairperson Mr. Sheikh Mukhtar Ahmed is a seasoned professional with over 56 years of experience in establishing and managing various industrial and financial companies. He has served on the Board of Directors of Allied Bank Limited since 2005 and is a certified director from the Pakistan Institute of Corporate Governance. The overall governance is stable, well-qualified and has diverse expertise in investment banking, finance, risk analysis, research, financial management, and quality management.

Board Effectiveness There are four committees: 1) Planning and Monitoring Committee, 2) Risk Management Committee, 3) Human Resource Committee and 4) Audit Committee.

Transparency The Company's external auditors are EY Ford Rhodes Chartered Accountants, classified in the "A" category on the SBP panel.

Management

Organizational Structure The Company operates through ten main departments. (i) Finance, (ii) Compliance, (iii) IT, (iv) Business Development, (v) Risk management, (vi) Internal Audit (vii) Fund Management, (viii) Registrar service & operations (ix) HR and administration (x) Customer care and QA. Reporting lines are clearly defined.

Management Team The Company's senior management team comprises highly qualified professionals with specialized expertise and extensive experience. Mr. Naveed Nasim, the CEO of ABL Funds, brings over 23 years of expertise in Corporate and Investment Banking, Risk Management, and Commercial Banking. Mr. Fahad Aziz, the Chief Investment Officer (CIO), has over 18 years of experience in the financial industry, with a focus on Fixed Income Fund Management and Economic Research.

Technology Infrastructure The Company focuses on cybersecurity with strategic IT investments and stands out as the only Asset Management Company (AMC) to hold ISO/IEC 27001 : 2013 certification, highlighting its dedication to the highest standards of information security.

Control Environment The compliance department is being led by Mr. Rehan Saif. The Company has system-based controls to monitor exposure limits and margins. Comprehensive MIS reports are generated on a daily, weekly and monthly basis which are viewed by management on regular basis.

Investment Risk Management

Credit Risk The Company utilizes Excel-based credit risk models for monitoring, focusing on both qualitative and quantitative analysis.

Liquidity Profile The risk management department vigilantly monitors the liquidity profile of the Company. Sufficient liquidity is maintained by investing a significant portion of fund 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 clearly communicated to portfolio managers along with periodic review of appropriateness of limit structure.

Portfolio Management

IC Composition The investment committee comprises of the Chief Executive Officer, Chief Investment Officer, Chief Financial Officer, Head of Risk Management, Head of Equities, Head of Fixed Income, Head of Research and respective Fund Managers.

Effectiveness The investment committee comprises of qualified and experienced professionals. They meet weekly to review the investment strategy and performance of each fund under management, ensuring that market conditions are considered in their assessments.

Investment Research And Analysis The research function operates under the supervision of Head of Equity and a team of 03 subordinates. 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 utilized, and broker research is also considered.

Customer Relationship

Investor Services The marketing team maintains relationship with existing and prospective clients. In order to remain competitive, the Company has been implementing strategies for integrating information technology in all the processes facilitating its customers. The Company uses Imaan brand for Islamic funds.

Investor Reporting The Company also issues a Fund Manager's Report, elaborating on the Fund's performance and investment strategies and covering all the mandatory disclosure requirements. The Company has established WhatsApp Business Solutions, enabling clients to communicate with WhatsApp network users. The Company established a real-time IT infrastructure to service the SMA clients.

Distribution And Sales Network The Company utilizes the entire branch network of the Bank, along with 12 Savings Centers, and has established dedicated Islamic Savings Centers. During the review period, the Company also signed distribution agreements with other banks. ABL Funds has a dedicated "ABL Funds" mobile app for AMC customers and leverages the myABL app of the sponsor bank.

Performance

Asset Under Management As of June'24, ABL Fund's AUM reached PKR 198bln, up from PKR 113bln in Jun'23. The primary inflow is focused on the money market category and capital-protected funds, which together account for 44% of the total allocation. The Company has reported a 37% growth in the SMA accounts which stood at PKR 129bln as of end Jun'24. Client retention has positively impacted the overall portfolio.

Asset Manager The management and commission income has shown an increase and stood at PKR 717mln, at end of 6MCY24 (6MCY23: PKR 267mln, CY23: 674mln). At the end of 6MCY24, the Company reported a profit after tax of PKR 288mln (6MCY23: PKR 193mln, CY23: PKR 618mln). This growth is primarily due to an increase in AUMs and, consequently, core income. As of end Jun'24, the equity stood at PKR 3.9bln, keeping the Company well above the minimum equity requirements.

Fund's Performance | ABL Asset Management Company Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR "min")				Returns 12 Months Jun'23 - Jun'24		
				Jun'24	Mar'24	Dec'23	Jun'23	Return	Bench.	Fund vs. Bench.
1	ABL Cash Fund	Money Market	24.9%	49,217	49,116	47,894	33,616	22.26%	20.90%	1.4%
2	ABL Islamic Cash Fund	Shariah Compliant Money Market	15.9%	31,458	40,071	34,727	22,243	21.97%	10.26%	11.7%
3	ABL Special Saving Fund (ABL Special Saving Plan I)	Capital Protected	9.9%	19,551	22,755	15,577	19,900	22.85%	21.67%	1.2%
4	ABL Income Fund	Income	1.2%	2,457	2,230	2,358	7,292	21.66%	21.88%	-0.2%
5	ABL Special Saving Fund (ABL Special Saving Plan II)	Capital Protected	5.9%	11,573	15,125	4,869	3,516	20.87%	21.56%	-0.7%
6	ABL Special Saving Fund (ABL Special Saving Plan V)	Capital Protected	4.0%	7,862	7,259	9,679	5,690	22.28%	21.67%	0.6%
7	ABL Islamic Asset Allocation Fund	Shariah Compliant Asset Allocation	1.0%	1,965	1,973	1,977	2,519	21.69%	10.66%	11.0%
8	ABL Stock Fund	Equity	1.7%	3,455	3,150	2,812	2,296	92.53%	89.24%	3.3%
9	ABL Special Savings Fund (ABL Fixed Return Plan)	Fixed Rate / Return	-	-	-	1,211	2,152	-	-	-
10	ABL Special Saving Fund (ABL Special Saving Plan III)	Capital Protected	3.6%	7,097	18,828	13,469	4,571	22.62%	21.67%	1.0%
11	ABL Special Saving Fund (ABL Special Saving Plan IV)	Capital Protected	5.1%	10,177	5,719	5,076	1,850	21.97%	21.61%	0.4%
12	ABL Islamic Income Fund	Shariah Compliant Income	0.5%	978	1,091	1,487	1,013	19.87%	10.09%	9.8%
13	ABL Islamic Stock Fund	Shariah Compliant Equity	0.8%	1,650	1,409	1,664	1,111	80.77%	78.70%	2.1%
14	ABL Special Saving Fund (ABL Special Saving Plan VI)	Capital Protected	2.9%	5,636	1,922	1,219	715	22.97%	21.67%	1.3%
15	ABL Government Securities Fund	Income	1.4%	2,705	3,317	4,174	643	22.78%	21.68%	1.1%
16	ABL Islamic Financial Planning Fund (Capital Preservation Plan I)	Shariah Compliant Fund of Funds - CPPI	0.1%	221	226	216	371	26.66%	16.18%	10.5%
17	ABL Islamic Financial Planning Fund (Capital Preservation Plan II)	Shariah Compliant Fund of Funds	0.0%	32	45	44	376	25.24%	18.71%	6.5%
18	Allied Finergy Fund	Asset Allocation	0.1%	117	276	441	283	86.84%	89.24%	-2.4%
19	ABL Financial Planning Fund (Conservative Plan)	Fund of Funds	0.1%	169	163	194	168	29.28%	29.18%	0.1%
20	ABL Financial Planning Fund (Strategic Allocation Plan)	Fund of Funds	0.1%	150	184	176	139	52.05%	52.04%	0.0%
21	ABL Islamic Financial Planning Fund (Active Allocation Plan)	Shariah Compliant Fund of Funds	0.0%	75	79	75	80	51.15%	48.35%	2.8%
22	ABL Islamic Financial Planning Fund (Conservative Allocation Plan)	Shariah Compliant Fund of Funds	0.9%	1,870	2,090	2,951	1,838	21.41%	9.61%	11.8%
23	ABL Islamic Financial Planning Fund (Strategic Allocation Plan)	Shariah Compliant Fund of Funds	0.0%	21	21	20	24	53.03%	51.10%	1.9%
24	ABL Financial Planning Fund (Active Plan)	Fund of Funds	0.0%	5	6	5	24	43.91%	43.90%	0.0%
25	ABL Islamic Financial Planning Fund (Strategic Allocation Plan III)	Shariah Compliant Fund of Funds	0.0%	9	9	13	10	53.84%	55.11%	-1.3%
26	ABL Islamic Financial Planning Fund (Aggressive Allocation Plan)	Shariah Compliant Fund of Funds	0.0%	0	1	2	1	51.07%	31.31%	19.8%
27	ABL Money Market Plan - I	Money Market Scheme	2.0%	4,025	3,064	928				
28	ABL Islamic Money Market Plan - I	Shariah Compliant Money Market Scheme	4.2%	8,387	3,931	408				
29	ABL Financial Sector Fund Plan I	Income	6.8%	13,405	8,102	2,911				
30	ABL Fixed Rate Plan I	Fixed Rate / Return	-	-	-	7,993				
31	ABL Fixed Rate Plan II	Fixed Rate / Return	-	-	6,165	4,283				
32	ABL Fixed Rate Plan III	Fixed Rate / Return	3.3%	6,426	4,468	-				
33	ABL Fixed Rate Plan IV	Fixed Rate / Return	2.8%	5,573						
34	ABL Islamic Dedicated Stock Fund	Islamic Equity Scheme	0.1%	174	116	6				
35	ABL Pension Funds	VPS	0.6%	1,244	1,043	942	784			
Sum/Average:			100%	197,684	203,954	169,801	113,226			

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.

Disclaimer: PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

Rating Team Statements

(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)

2) Conflict of Interest

- 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

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (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)

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).
- (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)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (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)
- (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)

Proprietary Information

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent