



Rating Action

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Analyst

Sadaf Jamil
(+92-42-35869504)
sadaf.jamil@pacra.com
www.pacra.com

Applicable Criteria and Related Research

- Mutual Funds | Oct-16
- Fund Stability Rating Methodology

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PACRA Maintains Stability Rating of Atlas Islamic Income Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of Atlas Islamic Income Fund (AIIF), an open-end Shariah compliant income fund, at 'AA- (f)' (Double A Minus; fund rating). The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

The fund's mandate is to earn a reasonable rate of return by investing in a diversified portfolio of liquid and high quality Islamic income investments while ensuring long-term preservation of capital.

The rating reflects strong credit quality and a robust liquidity profile of the fund emanating from its sizeable exposure in GoP Ijarah sukuks (45% at end-Sept16). The remaining assets of the fund were invested as cash with banks (i.e. 42%) with 'A+' rated banks (44%) and 'A' rated banks (56%). The exposure with sukuks was (9%) having rating of 'AA-' at end-Sept 16. Additionally, the rating incorporates the fund's modest exposure to interest rate volatility with the average portfolio duration of 209 days over the last 4 quarters. At end-Sep16, the unit holding pattern of the fund is highly concentrated towards top 10 investors representing 75% of the fund, exposing the fund to redemption pressure.

Going forward, the fund intends to keep 40% exposure with GoP bonds, while 45% would be kept with banks rated 'AA+'. The remaining assets would be kept with sukuks. Material changes in the fund's asset allocation strategy, which could negatively impact the fund's credit quality and exposure to interest rate risk, remains critical for the rating.

About the Management Company:

Atlas Asset Management Limited (AAML), incorporated in August 2002, is a wholly owned subsidiary of Shirazi Investments (Pvt.) Limited - the holding company of Atlas Group. Atlas Group, established in 1962, is one of the well-known business groups of the country with presence in manufacturing, financial, and trading sectors. AIIL is the management company for AIIF and is rated 'AM2' by PACRA. The company is presently managing seven open end funds and two pension schemes with the assets under management aggregating PKR 22.8bln at end-Sep16.

The CEO, Mr. Habib-ur-Rehman, an FCA from ICAEW, has extensive experience of the asset management industry. The Fund Manager, Mr. Fawad Javaid, joined Atlas Asset Management Limited in February 2013 as a Fixed Income fund manager, he did his graduation with major in Mathematics and Statistics. He is CMA from ICMAP.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.