

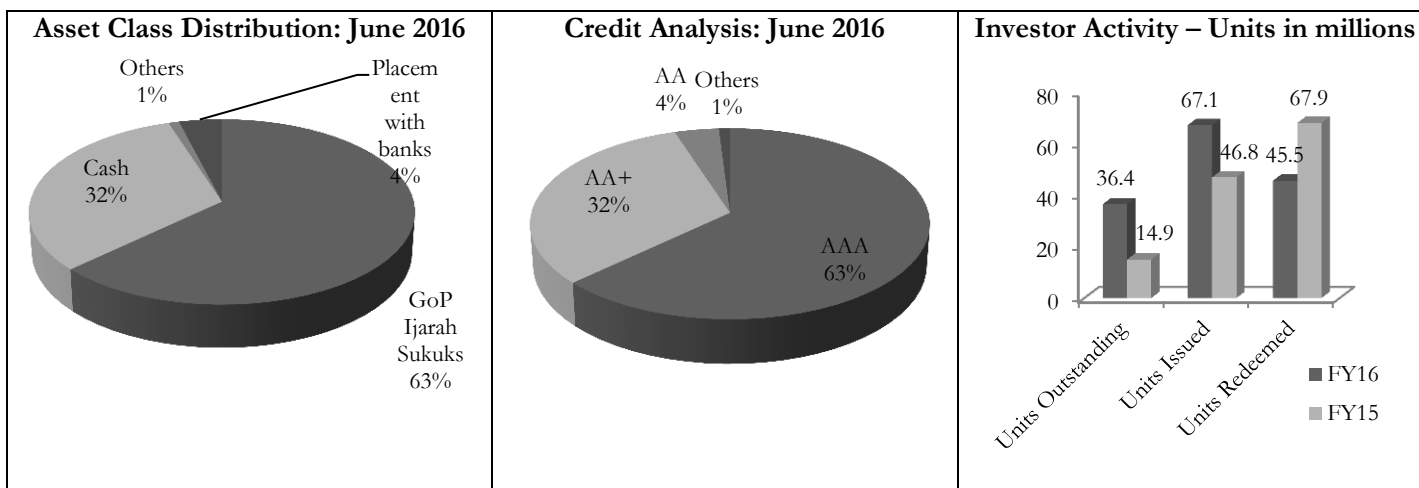
Date: January 02, 2017

Analysts: Talha Iqbal
Sidra Ahsan Qureshi

Investment Objective

The fund aims to provide a competitive return with minimum risk, by investing primarily in Shariah Compliant Government Securities.

Al-Ameen Islamic Sovereign Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA-(f) Dec 30, '16	AA-(f) Jan 6, '16
Asset Management Company	UBL Fund Managers Limited	
External Auditors - Fund	KPMG Taseer Hadi& Co.	
Fund Manager	Mr. Muhammad Abdul Hayee	
Trustee	Central Depository Company Ltd.	
Front-end Load	1%	
Back-end Load	Nil	
Management Fee	1% per annum	
Benchmark	Average of 6M PKISRV rates	



Al-Ameen Islamic Sovereign Fund (AISF) was launched in November’2010 by the name of UBL Islamic Sovereign Fund. It was later renamed in line with rebranding of all Shariah compliant funds, being managed by UBL Fund Managers Limited (UBL FM).

Size of the fund exhibited variation during FY16. Net assets of the fund increased to Rs.3.6b (FY15: 1.5b) at end-FY16. A significant jump was noted at the end of March’2016 with AUMs increasing to Rs. 3.6b from Rs. 1.9b at the end of previous month. The fund size stood at Rs. 3.5b at end-October’2016.

As per the offering document, AISF has to maintain a minimum of 70% exposure in Shariah compliant government securities. Similarly, the portfolio must also maintain minimum exposure of 10% in cash in bank accounts (excluding TDR). While the remaining exposure can be taken in deposits in licensed Islamic Banks and Islamic windows of conventional banks, placements of funds under, Musharaka, Modaraba, Murabaha, Ijarah and Istisna arrangements with banks and DFIs. In line with its mandate to minimize risk, all the counterparties are subject to a minimum rating of ‘AA-’.

Actual asset allocation of the fund was not in line with the stipulated limits established in the IPS at end-FY16 as the minimum exposure required in government securities is set at 70% while the fund’s exposure in the same was 63%. Two

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instances of similar breach were noted during 2016 based on month-end balances. As per management, based on 3 month rolling average no violation in the same was noted. Asset allocation depicted similar pattern at end-October 2016, with majority of the assets deployed in GoP Ijarah Sukuk.

Credit risk emanating from the portfolio is considered manageable; given that majority of the assets are deployed in sovereign instruments and highly rated avenues.

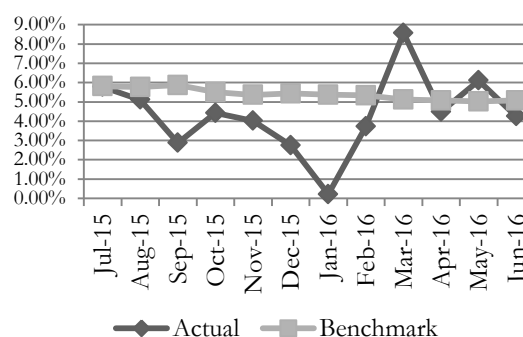
Table 1: Actual Asset Allocation

	End-June 2016	Average FY16
GoP Ijarah Sukuk	63%	71%
Placements with Banks	4%	2%
Cash	32%	24%
Others	1%	3%

Weighted Average Maturity (WAM) of the fund is capped at 4 years, with the exception of government securities. Maximum WAM of 2.4 years was reported at end-February 2016. Duration of the fund has exceeded JCR-VIS's internal criteria for the assigned rating on a consistent basis since February 2016.

Performance of the fund is benchmarked against average 6 month deposits rates of 3 Islamic banks. The fund underperformed by 104bps relative to its benchmark during FY16. Actual returns of the fund depicted considerable variability on monthly basis during FY16. In terms of monthly performance, the fund underperformed except for 2 months, March 2016 and May 2016. Subsequently, the benchmark was changed to average of 6M PKISRV rates.

Figure 1: Fund Performance (Actual vs Benchmark)



Investor concentration in the fund has remained around prior year level. Top-10 investors constituted 29% (FY15: 30%) of the outstanding units at end-FY16 [JCR-VIS]

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
30-Dec-16	AA- (f)			Reaffirmed
06-Jan-16	AA- (f)			Reaffirmed
12-Aug-14	AA- (f)			Reaffirmed
16-Apr-13	AA- (f)			Reaffirmed
29-Mar-12	AA- (f)			Harmonized
20-May-11	AA- (f)			Initial