

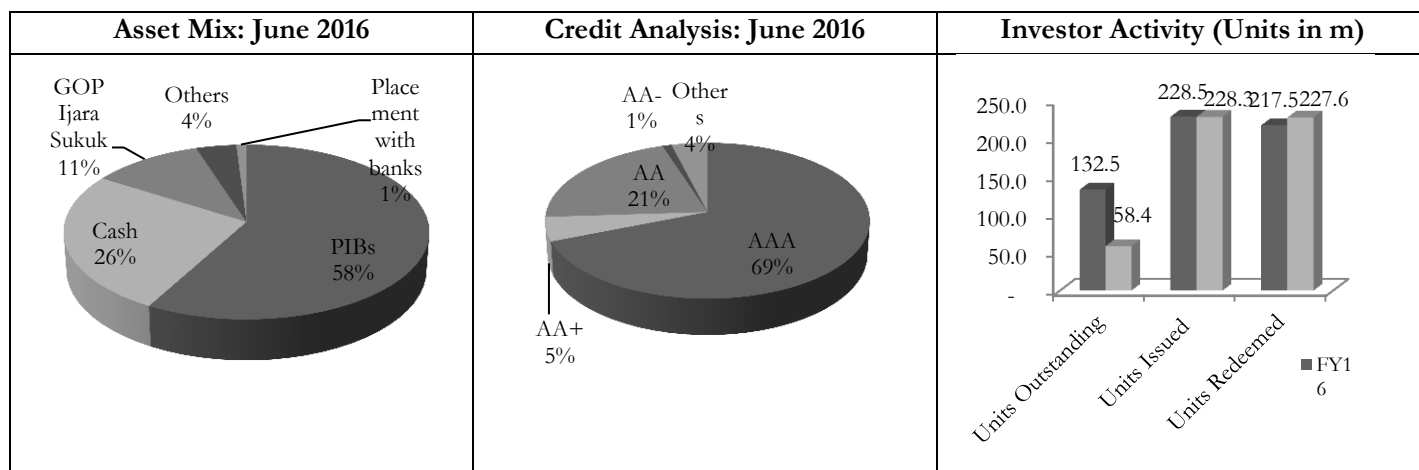
January 02, 2017

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Investment Objective

The objective of the fund is to generate a competitive return with minimum risk, by investing primarily in government securities.

UBL Government Securities Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f)	A(f)
	Dec 30, '16	Jan 6, '16
Management Company	UBL Fund Managers Limited	
External Auditors - Fund	BDO Ebrahim & Co	
Fund Manager	Mr. JawadNaeem	
Trustee	Central Depository Company Ltd.	
Launch Date	July 27, 2011	
Front-end Load	1%	
Back-end Load	Nil	
Management Fee	10% of all gross earnings (with min. fee of 1% p.a. & max. fee of 1.25%p.a.)	
Benchmark	Average of 6M PKRV rates	



UBL Government Securities Fund (UGSF) was launched in July 2011, as an open-end fixed income sovereign fund. The fund is managed by UBL Fund Managers Limited (UBL FM) having a Management Quality Rating of ‘AM2++’, signifying high management quality.

Fund size more than doubled in the outgoing year. At end-FY16 fund size was reported at Rs. 14.0b (FY15: Rs. 6.3b). At end-September’2016, fund size increased further to Rs. 15.5b.

The fund’s offering document (OD) restricts exposure primarily within sovereign instruments and cash holdings, pointing to a conservative credit risk profile and a liquid

asset mix. Minimum 70% holding of government securities is required at any given time, allowable up to 100% of net assets. Moreover, minimum 25% of net assets are required to be held as cash and cash equivalents (this includes T-Bills but excludes TDR). The OD restricts exposure to all other instruments with the exception of reverse repurchase agreements against government securities and deposits with scheduled banks, with a minimum issuer/instrument rating of AA-.

Table 1: Asset Allocation Per Offering Document

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JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Securities	Rating	Limits
Government Securities	N/A	70 - 100%
Cash at Bank (excluding TDR) and other cash instruments like T-Bills with maturity not exceeding 90 days.	AA- and above	10 - 30%
Deposits with scheduled banks and Reverse Repo against Government Securities with maturity up to 6 months	AA- and above	0 - 30%
Deposits with scheduled banks and Reverse Repo against Government Securities exceeding maturity of 6 months	AA- and above	0- 15%

Asset allocation has been in-line with the stated mandate, with government securities dominating the portfolio. At end-June 2016, PIB's constituted almost three-fifth of net assets with higher average observed over the course of FY16. The fund had no exposure to T-bills at end-June 2016.

Table 2: Asset Allocation

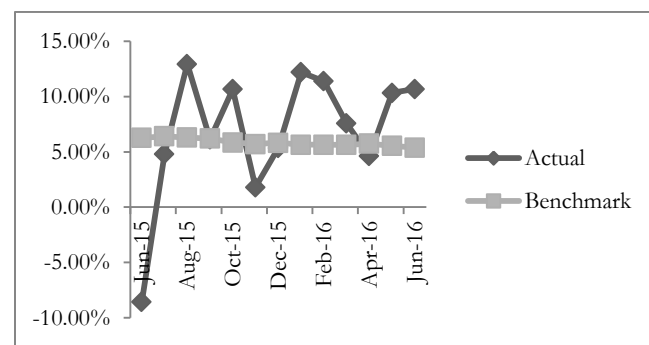
	June 2016	Average FY16
Cash	26.0%	12.0%
PIB	58.0%	69%
T-Bills	0.0%	7.0%
GoP Ijarah Sukuk	11.0%	5%
Placement with Banks	1.0%	5%
Others	4.0%	2%

The IPS has capped the WAM of the fund at 4 years. WAM at end-FY16 decreased considerably to 1.26 years from 4.09 years in the preceding year. This decline in WAM is based on management's view regarding benchmark rate resulting in lower exposure to interest rate risk. Duration of the fund can extend up to 1.5 years. Only one breach of duration compliance was noted during April'2016. The same will continue to be tracked by JCR-VIS.

The fund's return has been benchmarked with a 70:30 break-up of 6 months PKRV rate and 3 month deposit rates of AA- and above rated bank, respectively. Performance in the out-going year exhibited significant volatility vis-à-vis benchmark, although upward spikes

dominated the movement. Overall the fund outperformed its benchmark by a wide margin; return of 8.95% was reported against benchmark return of 5.79% in the out-going year. Subsequently, the benchmark was changed to average of 6M PKRV rates.

Figure 1: UGSF Fund Performance



Investor concentration in the fund has trended downwards on timeline basis. At end-June'2016, top 10 investors in the fund held 50.8% (FY15: 53%) of the outstanding units ^{JCR-VIS}

Rating Date	Medium to	Outlook	Short Term	Rating Action
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JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Long Term		
<u>RATING TYPE: Fund Stability</u>		
30-Dec-16	A(f)	Reaffirmed
06-Jan-16	A(f)	Downgrade
04-Aug-14	A+(f)	Reaffirmed
18-Apr13	A+(f)	Reaffirmed
29-Mar-12	A+(f)	Initial
