

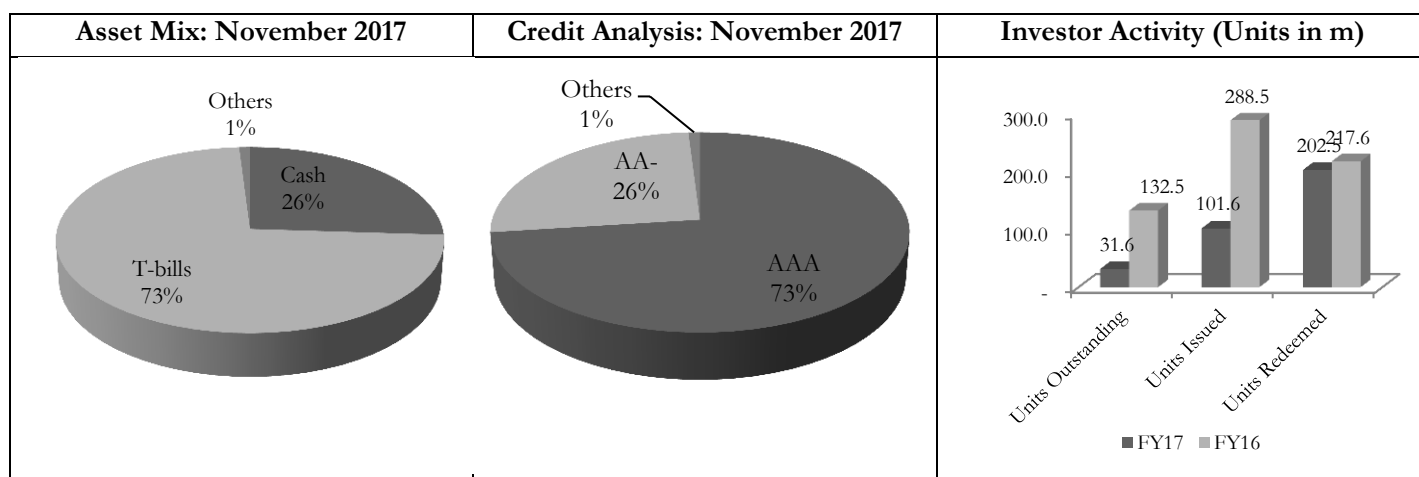
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Investment Objective

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) Dec 29, '17	A(f) Dec 30, '16
Management Company	UBL Fund Managers Limited	
External Auditors - Fund	BDO Ebrahim & Co	
Fund Manager	Mr. Usama Bin Razi	
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 with an objective to earn competitive returns by investing primarily in sovereign instruments. Investment guidelines of the fund are based on an investment horizon in excess of 1 year. In FY17, a considerable decline has been witnessed in fund size to Rs. 3.3b (end-FY16: Rs. 14.0b). By end-November 2017, net assets decreased further to Rs. 3.0b.

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. In 2017, there have been certain amendments in the Investment Policy Statement (IPS) of UGSF. These changes have become effective in July 2017. As per revised IPS, benchmark return for the fund has been

changed from 70:30 break-up of 6 months PKRV rate and 3 month deposit rates of AA- and above rated bank, respectively, to average of 6 month PKRV rates.

Table 1: Asset Allocation Per IPS

Securities	Rating	Limits
Government Securities (on monthly average basis)	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%

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Asset allocation has been in-line with the stated mandate, with government securities dominating the portfolio. During FY17, the fund increased its investment in T-Bills to 54.5% (on average) (FY16:7.0%) while reducing PIB exposure to 3.5% by end-June 2017. The fund also invested in GoP Ijarah Sukuk over the course of the fiscal year.

Table 2: Asset Allocation

	June 2017	Average FY17
Cash	32.9%	15.9%
PIB	3.5%	23.3%
T-Bills	44.4%	54.5%
GoP Ijarah Sukuk	18.6%	4.6%
Placement with		
Banks	0.0%	0.8%
Others	0.6%	0.9%

As per the IPS, Weighted Average Maturity (WAM) of the fund shall not exceed 4 years. WAM at end-FY17 decreased to 0.93 years from 1.26 years in the preceding year. Duration of the fund can extend up to 1.5 years and remained within the limit during FY17.

During FY17, UGSF underperformed the benchmark with a return of 4.81% vis-à-vis benchmark of 5.81%. In relation to peers, performance of the fund weakened significantly as the fund ranked 23 out of 29 (FY16: 4 out of 29) in FY17.

Investor concentration in the fund has trended downwards. At end-June'2017, top 10 investors in the fund held 46.9% (FY16: 50.8%) of the outstanding units

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
29-Dec-17	A+(f)			Upgrade
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