

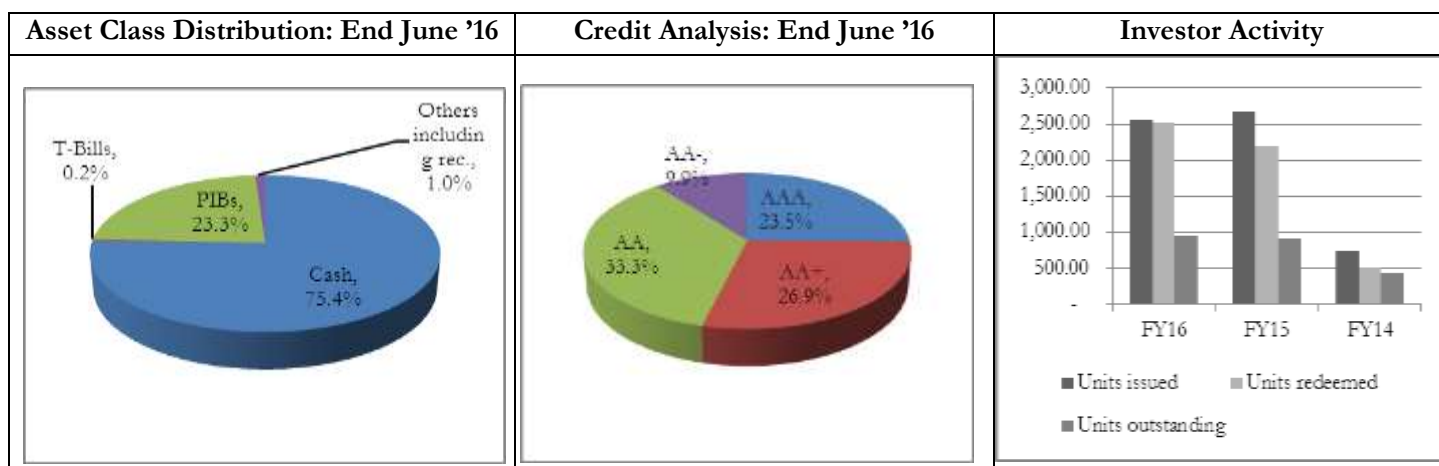
January 2, 2017

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**Investment Objective**

To deliver optimal risk adjusted returns by investing mainly in a combination of short to long term Government Securities and other debt instruments.

ABL Government Securities Fund		
Rating Category	Latest	Previous
Fund Stability Rating	<b>A(f)</b>	<b>A(f)</b>
	Dec 30, '16	Dec 31, '15
Management Company	ABL Asset Management Company Limited	
External Auditor – Fund	A.F.Ferguson and Company Chartered Accountants	
Chief Executive	Mr. Alee Khalid Ghaznavi	
Portfolio Manager	Mr. Faizan Saleem	
Trustee	Central Depository Company Ltd.	
Front-end Load	1.5%	
Back-end Load	Nil	
Management Fee	Class B unit 1.25%	
Benchmark	6 Months PKRV rates	



ABL Government Securities Fund (ABL-GSF) was initiated in November 2011, as an open end mutual fund. As per its mandate, the fund primarily invests in government paper. The fund is managed by ABL Asset Management (ABLAMC), which has ‘AM2+’ rating by JCR-VIS, denoting high management quality. The investment committee (IC), responsible for managing the fund in accordance with the regulations, is composed of five members which includes the CEO, Chief Investment Officer, Head of Research and two fund managers. Head of Risk attends meetings as an invitee but is not a voting member.

ABL-GSF operates as the largest fund managed by ABLAMC. Net assets of the fund increased to Rs. 9.5b (FY15: Rs. 9.2b) at end-FY16. Net assets followed an increasing a trend during FY16 reaching a high of Rs. 10.1b at end-March’16. Redemptions towards the end of the fiscal year were on account of withdrawals by corporates for tax benefit purposes.

As per pre-defined exposure limits, the fund must deploy at least 70% of its assets in government securities. Other asset deployment sources include corporate debt instruments (with a minimum rating of AA-) and

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placements with financial institutions. Spread transaction including Margin Trading System is also included with allowable allocation of 0-10%.

On average, the fund placed approximately 64.2% of net assets in government securities comprising T-Bills and PIBs. PIBs on average represented 53.7% of the portfolio during FY16 reaching a high of 71.1% in November 2015. At end-FY16, in light of expected redemptions, 75.4% of net assets were held as cash, for liquidity requirements.

**Table 1: Asset allocation summary**

	Average FY16	End-June'16	End-June'15	Limits
Cash & bank balances	26.1%	75.4%	40.1%	0-50%
Govt. securities	64.2%	23.5%	58.4%	70-100%*
TDR's and placements	7.2%	0.0%	0.0%	0-15%
Others including receivables	1.9%	1.0%	1.4%	

\* Based on quarterly average investment to be calculated on a daily basis

Majority of investments have been concentrated in Government Securities signifying low exposure to market risk.

**Table 2: Credit quality summary FY16**

	Average	Max	Min
Government Securities	50.0%	73.1%	23.5%
AA+	8.0%	26.9%	0.0%
AA	27.5%	33.7%	15.0%
AA-	11.7%	17.8%	2.9%

The maximum limit for duration and WAM is 4 years. WAM has reduced to 234 days (FY15: 593 days) at end-FY16. Internal policy duration limit for the fund has been revised to 1-2 years since April 2016 onwards subsequent to the decision by the IC. While duration has remained in compliance with internal policy limit, breaches of JCR-VIS's internal criteria were noted during 2016. The same will continue to be tracked, going forward.

**Table 3: Market risk summary FY16**

	Average	Max	Min
WAM	519	800	234
Duration	417	596	192

The fund performance was measured against weighted average of 70% average six month PKRV rates and 30% average 3 months deposit rates of 'AA-' & above rated banks. The fund consistently outperformed the benchmark throughout the year. Benchmark has subsequently been changed to 6 Months PKRV rates. The funds' ranking with regards to peers has remained the same at 4 out of 8, for FY16.

**Table 4: Performance summary**

Performance	FY16	FY15
Return (%)	8.0%	15.1%
Benchmark	5.7%	8.0%
Average Return in Peer Group	7.7%	13.9%

Total number of investors in the fund decreased to 1,569 (FY15: 1,949) at end-FY16. Associate investment were nil while proportion of retail investment has decreased to 23% (FY15: 33%) at end-FY16. Growth in AUMs has been largely generated through unrelated corporates whose investment increased to 77% (FY15: 32%) at end-FY16. Top 10 investor concentration has remained around prior year level at 60% at end-FY16 <sup>[JCR-VIS]</sup>

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### Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Fund Stability</u></b>				
30-Dec-16	A(f)			Reaffirmed
31-Dec-15	A(f)			Downgrade
13-Aug-14	A+(f)			Reaffirmed
17-Jan-13	A+(f)			Reaffirmed
09-Jan-12	A+(f)			Initial
13-Aug-14	A+(f)			Reaffirmed