

Date: January 13, 2017

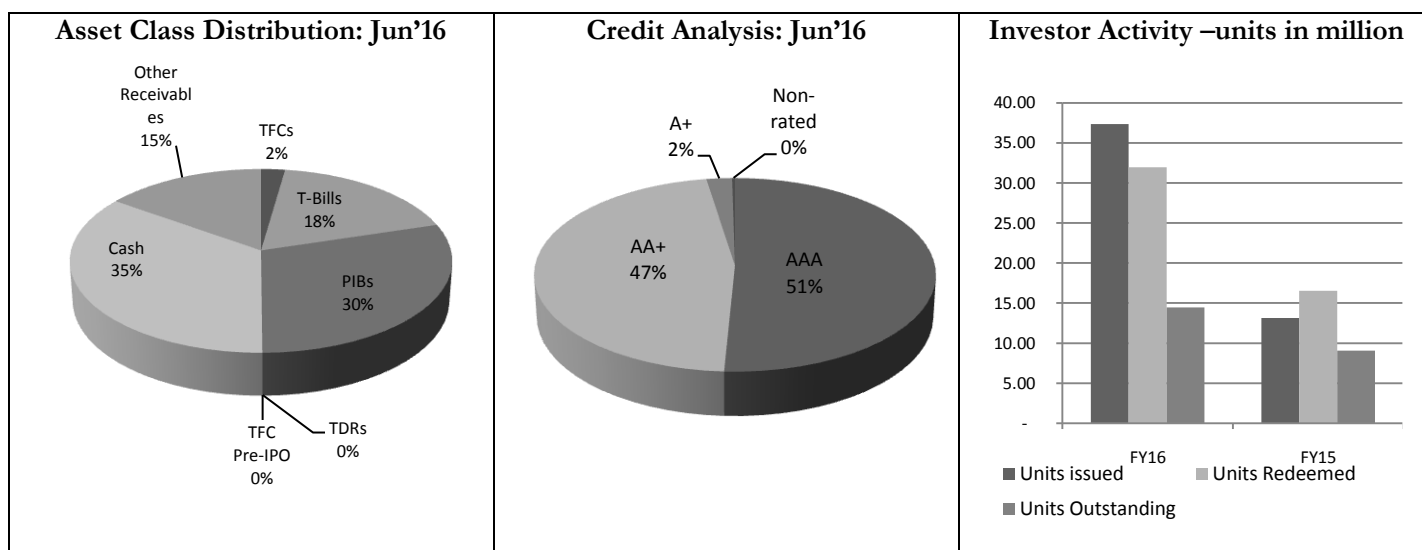
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### Investment Objective

The aim of the fund is to generate relatively higher yield as compared to conventional bank deposits from a portfolio of sovereign and banking sector fixed income instruments and deposits.

| Askari Sovereign Yield Enhancer |   |              |
|---------------------------------|---|--------------|
| Rating Category                 | Latest  | Previous     |
| Fund Stability Rating           | <b>A+(f)</b>  | <b>A+(f)</b> |
|                                 | Dec 30, 2016  | Dec 31, 2015 |
| Asset Management Company        | Askari Investment Management Limited (AIML)   |              |
| External Auditor - Fund         | KPMG Taseer Hadi & Co.  |              |
| Chief Executive                 | Mr. Saqib Mukhtar   |              |
| Fund Manager                    | Mr. Mustafa Kamal   |              |
| Trustee                         | Central Depository Company  |              |
| Front-end Load                  | Up to 1.25%   |              |
| Back-end Load                   | Nil   |              |
| Management Fee                  | 1.35%   |              |
| Benchmark                       | 70% Average 6-month PKRV + 30% average 3-month deposit rate of at least 3 banks (A+ or above) |              |

| In Rs. m                                 | ASYE                    |            |
|--|-------------------------|------------|
|  | FY16                    | FY15       |
| Type of Scheme                           | Income                  |            |
| Return (%) (Gross returns)               | 9.21%                   | 10.74%     |
| Benchmark (%)                            | 5.31%                   | 8.33%      |
| Relative Ranking                         | 1 out of 8              | 6 out of 7 |
| Fund Size (in Rs. m)                     | 1464                    | 918        |
| Retail (%)                               | 22.3%                   | 41.7%      |
| Associates (%)                           | 10.5%                   | 12.2%      |
| Number of Investors                      | 281                     | 274        |
| Top 10 Investors / AUMs                  | 67.9%                   | 56.9%      |
| WATM (Weighted Average Time to Maturity) | 0.20                    | 2.60       |
| Duration (years)                         | 0.04                    | 2.00       |
| Asset Allocation (average for the year)  |                         |            |
|  | <b>TFCs</b>             | 5.8%       |
|  | <b>GoP Ijarah Sukuk</b> | 0.0%       |
|  | <b>T-Bills</b>          | 28.6%      |
|  | <b>PIBs</b>             | 46.8%      |
|  | <b>Cash</b>             | 15.6%      |
|  | <b>Others</b>           | 2.5%       |
|  |                         | 19.1%      |
|  |                         | 0.0%       |
|  |                         | 39.8%      |
|  |                         | 33.8%      |
|  |                         | 6.1%       |
|  |                         | 1.2%       |



According to the constitutive document of Askari Sovereign Yield Enhancer, the fund is required to invest at least 70% of the net assets in government securities including Pakistan Investment Bonds (PIBs) and Treasury Bills (T-Bills). As per the revisions in the offering document (OD), the fund has to maintain a minimum 10% of net assets as cash or cash equivalents which includes government securities with a maturity of less than 90 days. The limit imposed for maximum exposure in listed or privately placed Term Finance Certificates/Sukuks issued by the bank and reverse repo transactions against government securities, has also been enhanced to 30%. Weighted Average Maturity (WAM) of the net assets and duration of the portfolio are capped at 4 years and 3 years respectively.

**Figure 1: Asset Allocation Limits**

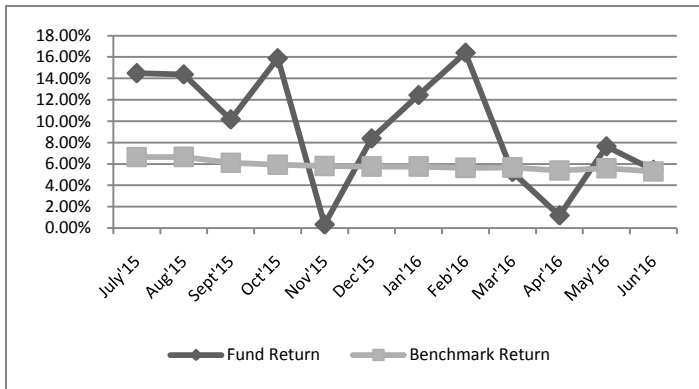
|  | Revised OD |             | Previous OD |             |
|--|------------|-------------|-------------|-------------|
|  | Limits (%) | Min. Rating | Limits (%)  | Min. Rating |
| <b>Government Securities</b>                                   | 70% - 100% | N/A         | 70% - 100%  | N/A         |
| <b>Cash and near cash instruments</b>                          | 10% - 100% | A-          | 25% - 100%  | A+          |
| <b>Term Deposits/placements with banks</b>                     | 0%-15%     | A+          | 0%-30%      | A+          |
| <b>Term Finance Certificates/ Sukuks</b>                       | 0%-10%     | A+          | 0%-30%      | A+          |
| <b>Reverse repo transactions against government securities</b> | 0%-15%     | A+          | 0%-30%      | N/A         |
| <b>Any investment authorized by regulatory approval</b>        | 0%-30%     | A-          | 0%-30%      | A+          |

As a result of prevailing declining interest rate scenario, average asset allocation of the fund has shifted from lower maturity T-Bills towards higher return PIBs. Net assets of the fund are further deployed in privately placed TFC (Term Finance Certificates); the exposure limit in the same has been revised to maximum 10% of net assets. In order to limit the credit risk, the minimum rating all TFC investment is capped at A+ or above rated instruments. Weighted Average Maturity (WAM) of the assets was reported 0.20 years (FY15: 2.60 years) at end-FY16, however, despite being compliant with the constitutive document limit, the same exhibited sizeable

increase to 1.9 years at end-November 2016. This trend is a reflection of higher deployment of assets in PIBs.

Net assets of the fund exhibited sizeable increase to Rs. 1.5b (FY15: Rs. 918m) at end-FY16. Net assets of the fund amounted to Rs. 655.9m at end-November 2016. *This can be attributed to the announcement of intention of sale by the current owners of AMC.* Overall credit quality of the portfolio is considered sound with only 2.5% of the net assets deployed in A+ or below rated instruments.

Despite declining on yearly basis, annual return posted by the fund in FY16 was higher at 9.21% (FY15: 10.74%) vis-à-vis the benchmark return of 5.31% (FY15: 5.31%). The fund also fared well in relation to peers with relative ranking of 1 out of 8 (FY15: 6 out of 7) and a peer average of 7.35%.



**Figure 2: Fund return vs. benchmark return**

Investor concentration in the fund remains significant as top-10 investors accounted for 67.9% (FY15: 56.9%) of the total fund size at end-FY16. During the same period, contribution from retail clients increased to 41.7% (FY15: 22.4%) and related parties contribution to 12.2% at end-FY16 (FY14: 9.8%) JCR-VIS

### Rating History

| Rating Type    | Rating Date | Medium to Long Term | Rating Action |
|----------------|-------------|---------------------|---------------|
| Fund Stability | 12/30/2016  | A+ (f)              | Reaffirmed    |
| Fund Stability | 12/31/2015  | A+ (f)              | Initial       |