

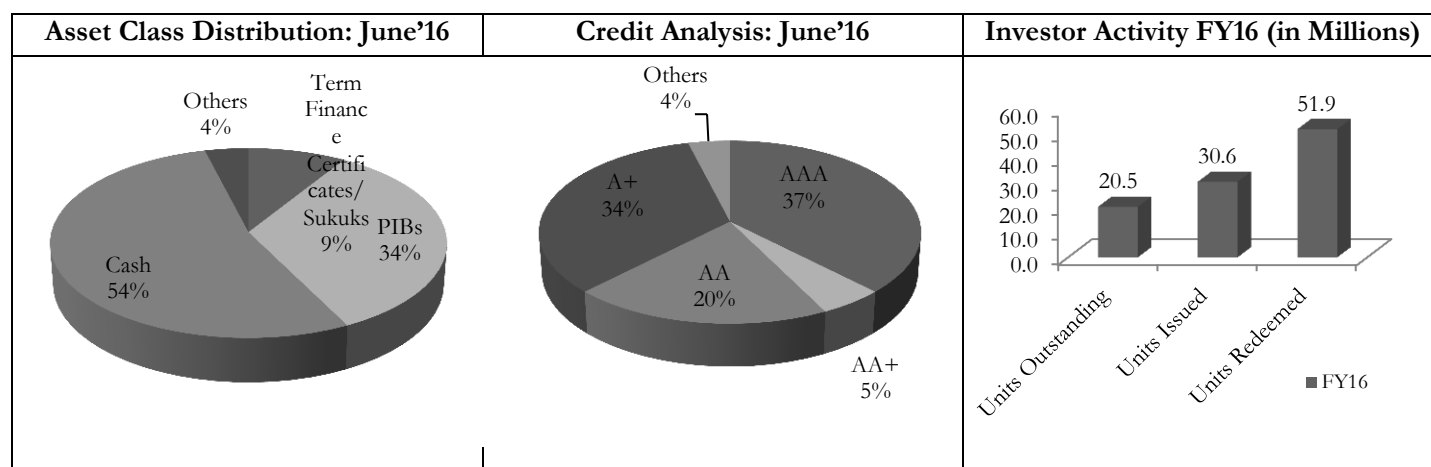
Date: January 02, 2017

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Investment Objective

To provide a competitive rate of return to its investors by investing in quality TFCs/Sukuk, Government Securities, Bank Deposits and short and long term debt instruments.

UBL Income Opportunity Fund (Formerly UBL Financial Sector Bond Fund)		
Rating Category	Latest	Previous
Fund Stability Rating	A-(f)	A-(f)
	Dec 30, 2016	April 7, 2016
Management Company	UBL Fund Managers Limited	
Fund Manager	Mr. Jawad Naeem	
External Auditors – Fund	KPMG – Taseer Hadi & Co	
Trustee	Central Depository Company	
Front-end Load	1.5%	
Management Fee	1.5% p.a.	
Benchmark	Average of 6M KIBOR rates	



UBL Financial Sector Bond Fund managed by UBL Fund Managers, was changed to UBL Income Opportunity Fund (UIOF) with the consent of Securities and Exchange Commission of Pakistan. UIOF is designed as an income fund with an objective of generating competitive returns primarily through investment in cash & near cash instruments, government securities, bank deposits and TFC/Sukuk. Initially, the fund was launched as UBL Financial Sector Bond Fund (UFBF) while in the ongoing year it was re-named as UBL Income Opportunity Fund (UIOF). The fund is managed by UBL Fund Managers Limited (UBL FM), an asset management company with a Management

Quality Rating of ‘AM2++’, signifying high management quality.

Size of the fund was reported at Rs. 166m at end June’2016 with fund size further increasing to Rs. 249m at end October’2016.

Investment guidelines of the fund dictate at least one-fourth of the net assets must be deployed in cash and bank deposits while investment in non-traded securities is capped at 15%. Credit risk exposure is capped at ‘A’ rated instruments apart from TFC/Sukuk where credit risk exposure is capped at ‘AA’.

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The asset allocation limits of the fund are as follows:

Table 1: Investment Policy Statement

	Minimum Exposure	Maximum Exposure
Cash & Equivalents	25%	100%
GOP Securities	0%	100%
TDR / Placements	0%	75%
TFCs	0%	30%
Spreads	0%	15%

Actual asset allocation has been in-line with the investment policy during the review period. At end-June 2016 asset allocation was primarily divided between cash and PIBs exposure. While at end-October 2016, asset allocation was mostly skewed towards cash with its allocation standing at 91%. With around 62% of the exposure in ‘AA’ and above rated avenues with remaining exposure in ‘A+’ rated Banks, exposure to credit risk is considered manageable.

Table 2: Actual Asset Allocation

	End-June 2016	Average FY16
Sukuk	9%	17%
Cash	54%	72%
Others	4%	2%
PIBs	34%	9%

Weighted Average Maturity (WAM) of the fund’s assets has been capped at 5 years (excluding government securities), whereas duration of the fund can extend up to 1.5 years, signifying fund’s ability to assume moderate interest rate risk. Three breaches of the duration limit of 1.5 years were noted based on month-end duration. The same has declined to 0.02 years at end-October’2016.

As per policy, liquidity risk is planned to be mitigated through limit on maximum maturity of non-traded securities at 6 months and investment in cash and near cash instrument of 25% at all times. With exposure of the fund primarily in liquid avenues, liquidity profile of the fund is considered adequate. At end-June 2016, top-10 investors held 6.5% of the outstanding units. Given the liquidity profile of assets and low unit holder

concentration, ability of the fund to meet redemptions in a timely manner is considered strong.

The fund’s return has been benchmarked against rolling average of 6 month KIBOR (70% weightage) and the average of 6 months deposit rate of 3 banks rated A and above (30% weightage). The fund outperformed its benchmark during the review period with actual return of 7.69% against a benchmark of 6.55%. Subsequently, the benchmark of the fund has been changed to average of 6 month KIBOR ^{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	A-(f)			Reaffirmed
07-April-16	A-(f)			Initial