***Date: January 19, 2016***

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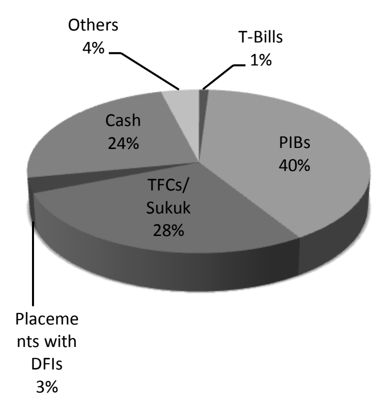
## Investment Objective

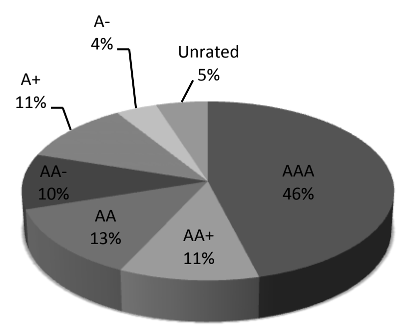
To invest in medium to long-term fixed income instruments as well as short-tenor money market instruments and generate superior, long-term, risk-adjusted returns while preserving capital over the long-term.

| United Growth & Income Fund | | |
|---|---|---|
| **Rating Category** | **Latest** | **Previous** |
| Fund Stability Rating | **BBB+(f)** | **BBB+(f)** |
| | *Jan 6, '16* | *Apr 4, '14* |
| Management Company | UBL Fund Managers Limited | |
| External Auditors (Fund) | M/s KPMG - Taseer Hadi & Co. | |
| Fund Manager | Mr. Usama Bin Razi | |
| Trustee | Central Depository Company Ltd. | |
| Front-end Load | 1.5% (Income Units) | |
| Back-end Load | Stepped Down Structure | |
| Management Fee | 1.5% per annum | |
| Benchmark | 6-month Rolling Average of 6 months KIBOR | |

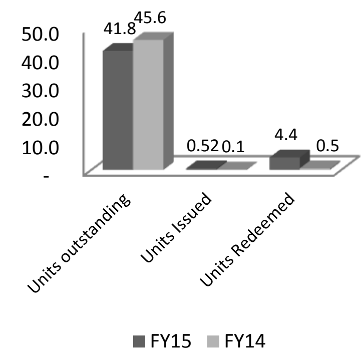
**Asset Class Distribution: June 2015**




**Credit Analysis: June 2015**




**Investor Activity –units in million**




United Growth & Income Fund (UGIF) was launched in March 2006, as a fixed income fund with an aggressive asset allocation mandate. The fund is being managed by UBL Fund Managers Limited (UBL FM) that enjoys Management Quality rating of 'AM2+' signifying 'High' management quality.

The fund's mandate primarily includes exposure to medium to long term assets, with limited short term holdings. The offering document (OD) gives significant latitude with respect to allocation of portfolio assets across a range of debt instruments, and hence exposure to credit and market risk. No minimum credit rating criteria has been specified for exposures.

The only applicable floor for exposures is the regulatory minimum (per NBFC regulations) exposure of 10% of net assets in cash and cash equivalents; caps on risky assets such as privately placed TFCs are also generous and range up to 50% of net assets. As per the fund's investment policy statement (IPS) exposure to corporate bonds is allowed up to 50% of net assets and 20% each in commercial paper, MTS and spread transactions. Exposure to PIB's may be taken to the extent of 75% of net assets, provided that maturity of PIBs does not exceed 10 years. Allowable exposures per the fund's investment policy statement have been given in table 1 below.

**Table 1: Permitted Asset Allocation**

| Assets | Exposure Limits |
|---|---|
| Cash & Cash Equivalents | 10-100% |
| Deposits / Lending to Banks | 0-90% |
| T-Bills | 10-100% |
| PIBs (Maturity of 10 years or less) | 0-75% |
| Government guaranteed securities | 0-25% |
| Corporate Bonds | 0-50% |
| Commercial Papers | 0-20% |
| MTS & Spread Transactions | 0-20% |

On a month on month basis, single issue exposures (primarily TFC's and Sukuk) have been in breach of the regulatory limit of 10% of issue. Non-Compliant exposures included preference shares of Azgard Nine (full provided against), ordinary shares of Agritech and some real estate property. However, exposures against the said holdings had been limited to less than 3% of net assets over the course of FY15.

At end-June'2015, asset allocation of the fund primarily included PIBs and Sukuk/TFC holdings, constituting more than two-thirds of the portfolio; a similar trend was witnessed over the course of FY15. TFC/Sukuk holdings representing 28% of the fund's assets at end-June'2015 includes exposure to sound counterparties with majority of instruments rated AA and above. The same also constituted the fund's top 10 exposures.

**Table 2: Actual Asset Allocation**

| Asset Allocation | June'15 | Average FY15 |
|---|---|---|
| Cash | 24.00% | 8.8% |
| Placements with Banks | 0.00% | 1.3% |
| Placements with NBFCs | 0.00% | 0.3% |
| Placements with DFIs | 3.00% | 1.5% |
| TFCs/Sukuk | 28.00% | 31.5% |
| PIBs | 40.00% | 43.3% |
| T-Bills | 1.00% | 8.7% |
| Others | 4.00% | 4.7% |

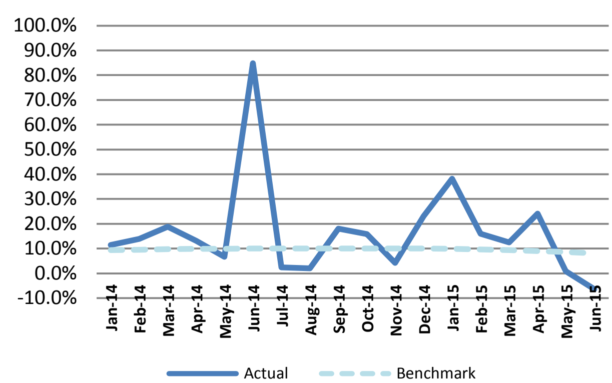
Aside from long term government paper, exposure to cash and cash equivalents (including T-bills) averaged 17.5% during FY15, pointing to a liquid asset mix. Asset allocation at end-October'2015 resembled the same pattern as FY15, with PIBs and TFCs/Sukuk constituting three-fourth of the total assets.

Credit risk profile remains within manageable limits, with sovereign exposure representing almost half of net assets during FY15. Contrary to previous year, the fund shed its exposure to below investment grade assets Holdings of AAA rated assets have increased on average in the out-going year as PIB's were shored up. However the same has also increased exposure to interest rate risk, as reflected in the higher weighted average maturity (WAM) of net assets vis-à-vis preceding year. Average WAM for FY15 was reported at 3.6 years relative to 2.7 years in the preceding year. Maximum WAM of 4.3 years was reported at end-April'2015, while minimum WAM of 2.9 years at end-December'2014.

As per the fund's investment guidelines, weighted average maturity (WAM) of the fund is capped at 5 years (excluding sovereign securities). In addition, maturity of any single asset in the portfolio may not exceed 10 years. UGIF's WAM at end-June 2014 was recorded at 3.4 years.

The fund's performance has been benchmarked against 6 month rolling average of 6 month KIBOR. Overall, the fund out-performed its benchmark by 236 basis points with average return of 11.9% reported during FY15.

**Figure 1: Fund Performance (Actual vs. Benchmark)**



Top-10 investors continue to hold a substantial proportion of the fund; given that major part of this pertains to United Bank Limited, liquidity constraints on account of redemptions are unlikely to arise JCR-VIS

| Rating Date | Medium to Long Term | Outlook | Short Term | Rating Action |
|---|---|---|---|---|
| | | **RATING TYPE: Fund Stability** | | |
| **06-Jan-16** | BBB+(f) | | | Reaffirmed |
| **04-Aug-14** | BBB+(f) | | | Reaffirmed |
| **25-Apr-13** | BBB+(f) | | | Upgrade |
| **10-Apr-12** | BBB-(f) | | | Reaffirmed |
| **20-May-11** | BBB-(f) | | | Downgrade |
| **22-Oct-10** | BBB+(f) | | | Downgrade |
| **04-Nov-09** | A(f) | | | Reaffirmed |