

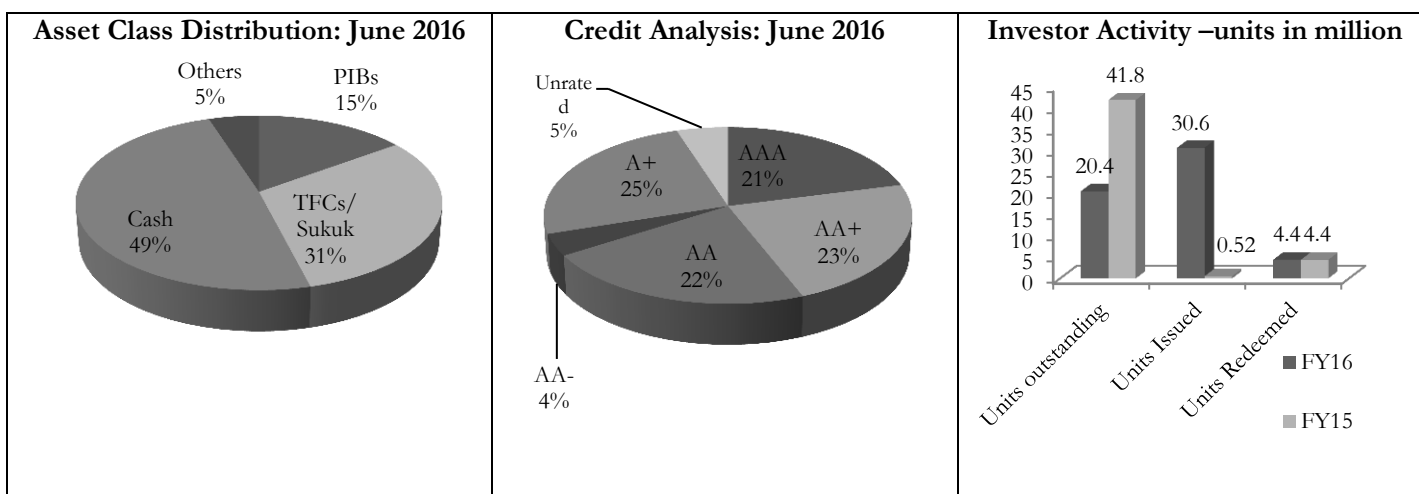
Date: January 02, 2017

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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)
	Dec 30, '16	Jan 6, '16
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	Average of 1 year KIBOR rates	



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. 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.

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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	0-25%

Non-Compliant exposures included preference shares of Azgard Nine (full provided against), ordinary shares of Agritech and some real estate property (full provided against). However, exposures against the said holdings had been limited to less than 3% of net assets over the course of FY16.

At end-June'2016, asset allocation of the fund primarily included cash, constituting approximately half of the portfolio while its proportion stood at around 25% (on month-end average basis) over the course of FY16. TFC/Sukuk holdings representing 31% of the fund's assets at end-June'2016 includes exposure to sound counterparties with majority of instruments rated AA and above. Asset allocation at end-September'2016 was such that PIBs comprised the highest share in the asset mix and stood at 31%, followed by cash at 26% and TFC at 20%.

Table 2: Actual Asset Allocation

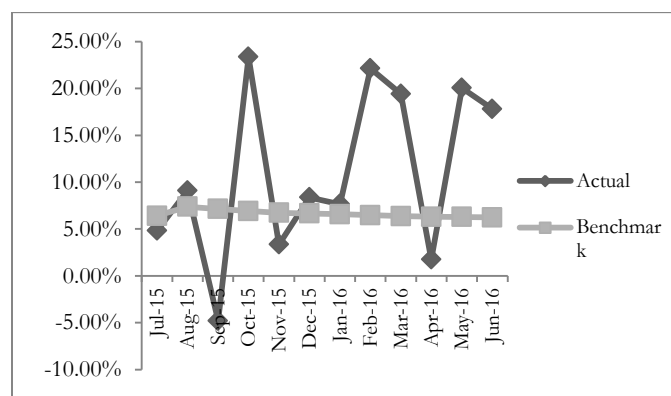
Asset Allocation	June'16	Average FY16
Cash	49.00%	25.0%
Placements with Banks	0.00%	0.0%
Placements with NBFCs	0.00%	0.0%
Placements with DFIs	0.00%	0.0%
TFCs/Sukuk	31.00%	32.0%
PIBs	15.00%	35.0%
T-Bills	0.00%	0.0%
GOP Ijara	0.00%	1%
Others	5.00%	5.0%

Credit risk profile remained within manageable limits, with sovereign exposure representing major portion of net assets during FY16.

In comparison to the previous year, the fund shed its exposure in PIB's in order to decrease its exposure to interest rate risk, as reflected in the lower weighted average maturity (WAM) of net assets vis-à-vis preceding year. As per the fund's investment guidelines, weighted average maturity (WAM) of the fund is capped at 5 years (excluding sovereign securities). During 2016, maximum duration of the fund was reported at 2.5 years at end-April'2016 while duration stood at 0.86 years at end-October'2016.

The fund's performance has been benchmarked against the 6 month rolling average of 6 month KIBOR. Overall, the fund out-performed its benchmark by 536 basis points with return of 12.09% reported during FY16. Subsequently, the benchmark was changed to average of 1 year KIBOR rates.

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}

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