

October 30, 2014

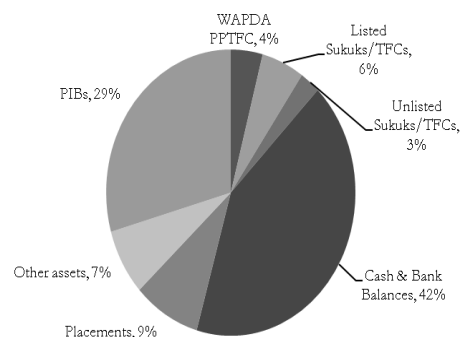
Analyst: Sobia Maqbool, CFA
Muniba Khan

Investment Objective

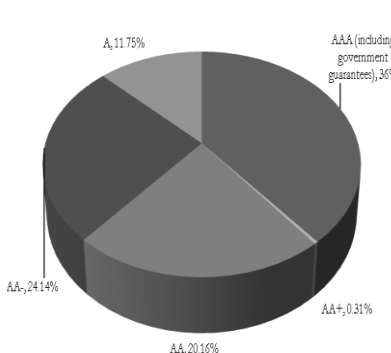
To earn a superior risk adjusted rate of return by investing in a blend of short, medium and long term instruments, both within and outside Pakistan.

ABL Income Fund		
Rating Category	Latest	Previous
Fund Stability	A+(f)	A+(f)
Rating	Oct 16, '14	Jan 17, '13
Management Company	ABL Asset Management Company Limited	
Chief Executive	Mr. Farid Ahmed Khan, CFA	
Fund Manager	Mr. Faizan Saleem	
Trustee	Central Depository Company of Pakistan Limited	
Front-end Load	1.5%	
Back-end Load	Nil	
Management Fee	1.5% pa	
Benchmark	Average 6 Month Kibor	

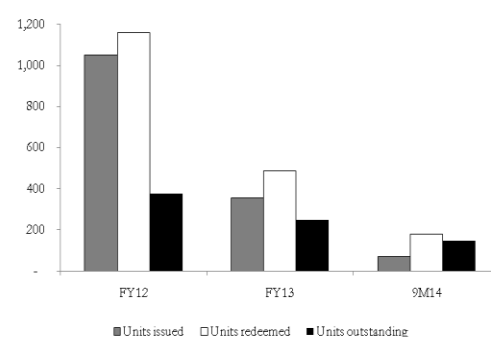
Asset Class Distribution: End June'14



Credit Analysis: End June'14



Investor Activity (units in millions)



ABL Income Fund (ABL-IF) is managed by ABL Asset Management Company Limited. Since its launch in 2008, the fund has largely maintained a conservative risk profile. Within the broad array of income instruments that the fund may be invested in, as allowed under the Offering Document, the operational investment policy has been drawn to restrict the fund's exposure to credit risk. Pre-defined exposure limits are in place for each investment avenue. Since the time of last review, there has been just one change in the operational investment policy. Exposure limit for PIBs has been enhanced from 25% to 50%.

Table 1: Operational Investment Policy

Internal Investment Limit		
Instrument description	Minimum Instrument Rating	Maximum Limit
Cash and cash equivalents including T-bills less than 90 days	A	0-25%
T-bills (more than 90 days)	A+	25-100%
PIBs	-	0-75%
PIBs	-	0-50%

GoP Ijara Sukuk	-	0-75%
TFCs and corporate Sukuk, including reverse repo against same	AA-	0-20%
TDRs	A+	0-50%
Money market placements	A+	0-50%
Commercial papers	AA	0-10%
Reverse Repo against Govt. Securities	A*	0-50%
COIs, COMs & CoDs issued by NBFCs	AA	0-10%
Spread transactions, including Margin Trading System**	-	0-5%

*counterparty rating

**exposure in Margin Trading System further subject to a cap of Rs. 500m

Net assets of the fund depicted variation during FY14. From Rs. 2.5b at end June 2013, the fund size had declined to Rs. 1.2b by end January 2014, though increasing to Rs. 1.7b by end June 2014. Actual portfolio mix has also experienced variation over the year. While average exposure to government paper was recorded at

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50% in FY14, its level varied from under one-fourth of assets to over three-fourth, at month-ends. Exposure to corporate debt instruments has averaged about 10% of assets. Quality of exposures assumed by the fund remains sound, in line with the investment policy. Asset allocation of the fund is presented hereunder:

Table 2: Asset allocation (as a proportion of total assets)

	Average FY14	FY14	FY13
Cash & Bank balances	20%	42.2%	43.7%
TDRs & Placements	15%	8.7%	7.9%
Govt. securities (T-Bills, PIBs/ GoP Ijarah Sukuk)*	50%	33.5%	26.2%
Corporate Sukuk/TFCs	10%	8.2%	14.8%

*including WAPDA Sukuk

Target duration of the fund is 365 days. As on June 30, 2014, duration of the fund was reported at 353 days. Given the interest rate volatility in the market in the past and its impact on prices of long term fixed rate bonds, duration may need to be closely monitored for impact on the fund's risk profile.

Liquidity profile of the fund is considered sound. This is despite the investor concentration related indicators, as the fund's assets are largely deployed in liquid avenues. Total number of investors declined to 928 (FY13: 1,246) with top ten investors holding 56% of outstanding units at end-FY14. Share of retail investors reduced to 33% (FY13: 37%) while contribution from banks/DFIs and corporate was 20% and 13% respectively, as on June 30, 2014.

Return of the fund has consistently remained lower than the benchmark, which is average 6-month KIBOR, as only a limited portion of fund's assets have been deployed in instruments with return pegged to KIBOR. At 8.19%, the return for FY14 was in the second quartile in relation to other income funds in the market. Movement in market benchmark rates is the most significant factor that may contribute to volatility in returns while credit risk exposure is within manageable limits, both by policy and actual asset allocation

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Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	10/16/2014	A+(f)	Reaffirmed
Fund Stability	1/17/2013	A+(f)	Reaffirmed
Fund Stability	1/2/2012	A+(f)	Reaffirmed
Fund Stability	12/31/2010	A+(f)	Reaffirmed
Fund Stability	12/31/2009	A+(f)	Upgrade