

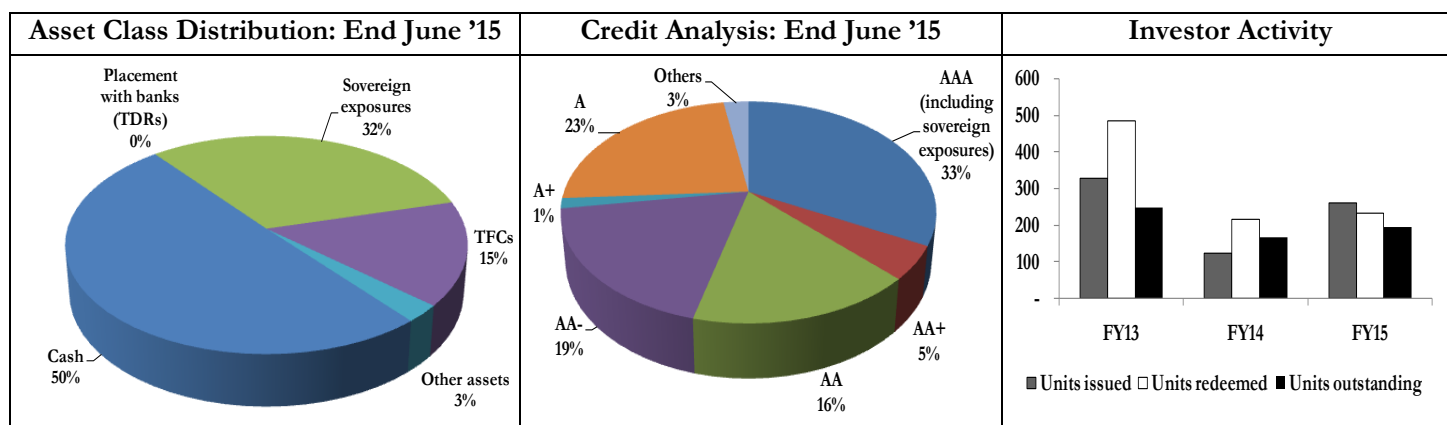
January 4, 2016

Analyst: Jazib Ahmed – CFA

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 Rating	A(f)	A+(f)
	Dec 31, '15	Oct 16, '14
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% p.a.	
Back-end Load	Nil	
Management Fee	1.5% pa	
Benchmark	Average 6 Month Kibor	



Launched in September 2008, ABL Income Fund (ABL-IF) is managed by ABL Asset Management and operates as an open end fund for investors who seek competitive risk adjusted rate of return.

The investment committee (IC) is composed of five members which includes the CEO, Chief Investment Officer, Head of Research, Senior Fund Manager and Fund Manager. In line with best practices Head of Risk Management should be a voting member in the IC.

Limits have been defined in the operational policy in order to restrict fund’s exposure to various types of investments and credit quality of the same.

A quarter of assets of the fund must be deployed in cash and near cash instruments. Furthermore, TFC & Sukuk exposure and reverse repo against the same have been separated during the year. Spread transaction including

Margin Trading System is also included with allowable allocation of 0-10%.

Net assets of the fund stood at Rs. 2.0b (FY14: Rs.1.7b) at end-FY15. Net assets demonstrated downward trajectory at the beginning of the year as the cumulated figure declined to Rs. 1.4b at end-Nov’14. Thereafter, an increasing trend was observed, as the net assets increased to Rs. 2.3b at end-May’15, before experiencing considerable decline in the last month.

Asset mix experienced considerable variation in FY15. On month-end average basis, 21% assets were deployed in cash and bank balances. This allocation was increased at end-FY15 to 50% in order to gain advantage of attractive rates offered by banks. Average sovereign and corporate debt exposures equaled 56% and 10% respectively during the year.

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Table 1: Asset allocation Summary

	Average FY15	End June'15	End June'14	Limit
Cash & Bank balances	21%	50%	42%	25%-100%**
TDRs and placements	5%	0%	9%	0-50%
Sovereign exposures*	56%	32%	34%	0-75%
TFCs	10%	15%	8%	0-25%
Other assets	8%	3%	7%	

*T-Bills, PIBs, GoP Ijarah Sukuk & Govt. backed instruments

**Limit includes Government Securities less than 90 days calculated on the basis of average for each calendar month

Weighted Average maturity of the fund was 974 days (FY14: 791 days) at end-FY15 as opposed to the limit of 4 years (1,461 days). Considering the sizable maturity, volatility in the interest rate poses considerable risk to value of the portfolio. Operational limit of the target duration for the fund is 1 year, while the actual duration was reported at 342 days at end FY15. There were 3 non compliances with operational limit during FY15.

Compared to last year, duration increased significantly as the fund augmented its actual duration in order take advantage of revaluation in a declining interest rate scenario. However this has increased market risk of the fund as an increase in interest rate may lead to a considerable decline in NAV of the fund.

Table2: Credit quality Summary FY15

	Average	Maximum	Minimum
AAA (including sovereign exposures)	57.6%	80.0%	32.7%

AA+	0.8%	4.9%	0.1%
AA	7.0%	32.2%	0.1%
AA-	11.0%	30.8%	2.6%
A+	6.9%	13.5%	1.1%
A	9.1%	23.4%	0.2%
Others	7.6%	21.4%	1.3%

Table 3: Market risk summary FY15

	Average	Maximum	Minimum
WAM	869	1,387	604
Duration	407	757	229

Benchmark of the fund is the 6 month KIBOR average. The fund outperformed its benchmark by posting annualized return of 14.20% in FY15 as compared to the benchmark return of 9.01%. In comparison to the peer group, ABL-IF occupied 8th position out of total 28 comparable funds placing it in the 2nd quartile.

Table 4: Performance Summary

Performance	FY15	FY14
Total Return	14.2%	8.2%
Benchmark Return	9.0%	9.8%
Peer Group Average (without outlier)	12.7%	8.2%

Total number of investors declined to 911 (FY14: 928). However, the concentration of unit holders decreased with top 10 unit holders having 54.0% (FY14: 55.6%) of the outstanding units at end-FY15. The contribution of the retail investors increased to 40.3% (FY14: 33.2%), while the share of unrelated companies witnessed an increase to 59.3% (FY14: 49.9 %) at end FY15 JCR-VIS

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Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	12/31/2015	A(f)	Downgrade
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