

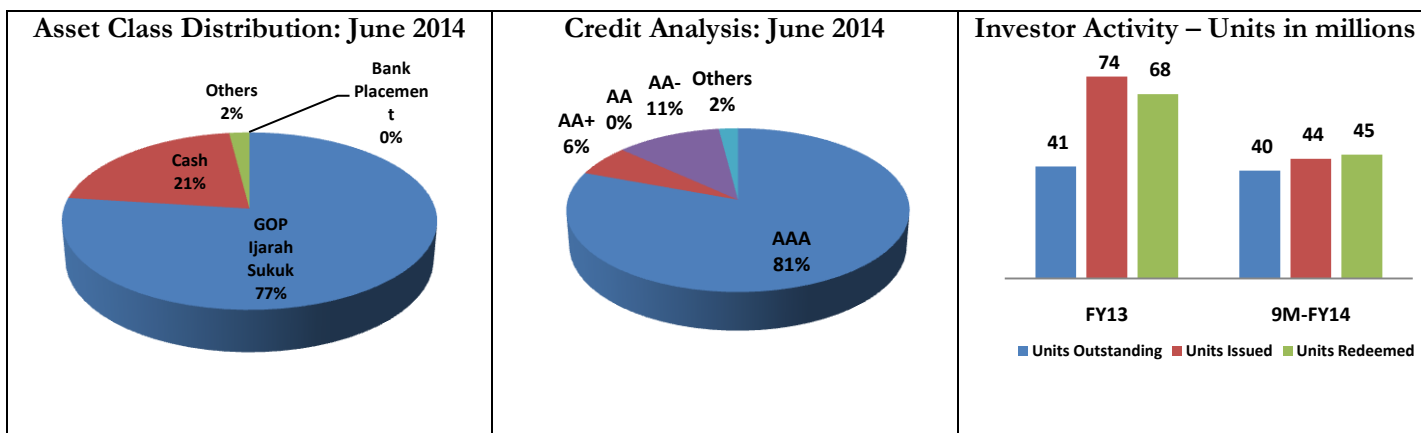
Date: August 19, 2014

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 Mohammad Arsal Ayub

Investment Objective

The fund aims to provide a competitive return with minimum risk, by investing primarily in Shariah Compliant Government Securities.

Al-Ameen Islamic Sovereign Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA-(f)	AA-(f)
	Aug 12, '14	Apr 16, '13
Asset Management Company	UBL Fund Managers Limited	
External Auditors - Fund	M/s Ernst & Young Ford Rhodes Sidat Hyder & Co.	
Fund Manager	Mr. Wahaj Aslam	
Trustee	Central Depository Company Ltd.	
Front-end Load	1%	
Back-end Load	Nil	
Management Fee	1% per annum	
Benchmark	Average of 6-month placement rate of 3 Islamic banks	



Al-Ameen Islamic Sovereign Fund (AISF) was launched in November 2010. Previously named as UBL Islamic Sovereign Fund, AISF was later renamed in line with rebranding of all Shariah compliant funds, being managed by UBL Fund Managers Limited (UBL FM). UBL FM has an outstanding Management Quality rating of ‘AM-2’ signifying high management quality.

Asset size of the fund has showcased a degree of volatility in the outgoing year. Net assets of the fund increased to Rs. 4.4b in September 2013 and came down to Rs. 3.6b by end of June 2014.

Being a sovereign fund, AISF is restricted to maintain at least 70%¹ of the assets in form of Shariah compliant sovereign instruments i.e. GoP Ijarah Sukuk. In addition, a quarter of the assets (monthly average) have to be maintained in highly

liquid form i.e. bank deposits or GoP Ijarah Sukuk with maturity falling within 90 days. The fund is also allowed to make placements/deposits with Banks/DFIs; where maturity of these instruments falls within 6 months, the Investment Policy Statement (IPS) caps the exposure to 20%, and the limit is lower at 10% in case of maturity being in excess of 6 months. All counterparty exposures are subject to minimum rating of ‘AA-’.

With major portion of assets deployed in sovereign instruments and other assets to primarily comprise bank deposits/placements with highly rated entities, credit risk arising from the portfolio is considered low.

Actual asset allocation of the fund at end-June 2014 was in line with the restrictions placed in the IPS. However, during the course of the year, the fund was in breach of the asset allocation limits on several occasions, as the level of sovereign instruments in the portfolio fell below 70%. The

¹ To be calculated on the bases of quarterly average of daily exposures

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management attributes this to lack of fresh GoP Ijarah auctions and high secondary market demand for the outstanding instruments.

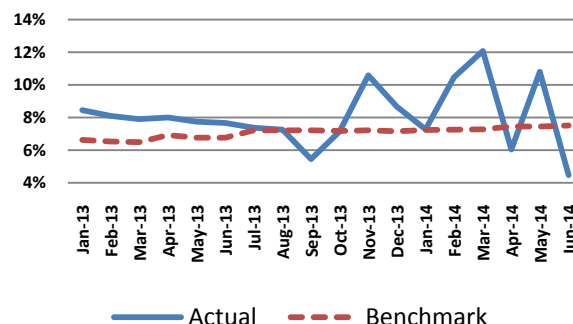
Table 1: Actual Asset Allocation

	End-June 2014	Average Y14
GoP Ijarah Sukuk	77%	67%
Placements with Banks	0%	5%
Cash	21%	26%
Others	2%	5%

The Offering Document has capped the weighted average maturity (WAM) of the fund at 4² years; sovereign securities are excluded from the WAM calculation. Monthly WAM of the fund has remained considerably below the ceiling, only rising to its highest level of 1.68 years at end-March 2014.

Portfolio duration and hence interest rate risk is expected to remain within manageable limits as return on GoP Ijarah instruments is pegged to market benchmark rates. The revised investment policy, however, does not set a ceiling for duration, as was previously the case, whereby it was explicitly capped at 180 days.

Fund performance of AISF is benchmarked against average 6 month deposits rates of 3 Islamic banks. Actual performance of the fund has remained volatile during FY14, albeit it has outperformed the benchmark on a full year basis. Since major part of the fund remains invested in GoP Ijarah Sukuk that offer a higher return than bank deposits, the current benchmark may not be an appropriate yardstick for evaluating the performance of the fund even though it is being used by majority of the peer funds. In comparison to historical performance, return in FY14 was lower on account of dip in discount rate. Moreover volatility in returns was also higher as secondary market prices of GoP Ijarah Sukuk went up considerably on account of unavailability.



In FY14, AISF’s return of 8.1% was weaker than other Islamic sovereign funds.

Investor concentration in the fund has remained more or less at the same level. At end-2014, top-10 investors held 43% (FY13: 42%) of the outstanding units, out of which 8% pertained to investment by related parties. Retail investment in the fund was sizeable at almost 48% ^{JCR-VIS}

Figure 1: Fund Performance (Actual vs Benchmark)

² Calculation of this will exclude securities issued by GoP

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
12-Aug-14	AA- (f)			Reaffirmed
16-Apr-13	AA- (f)			Reaffirmed
29-Mar-12	AA- (f)			Harmonised
20-May-11	AA- (f)			Initial