

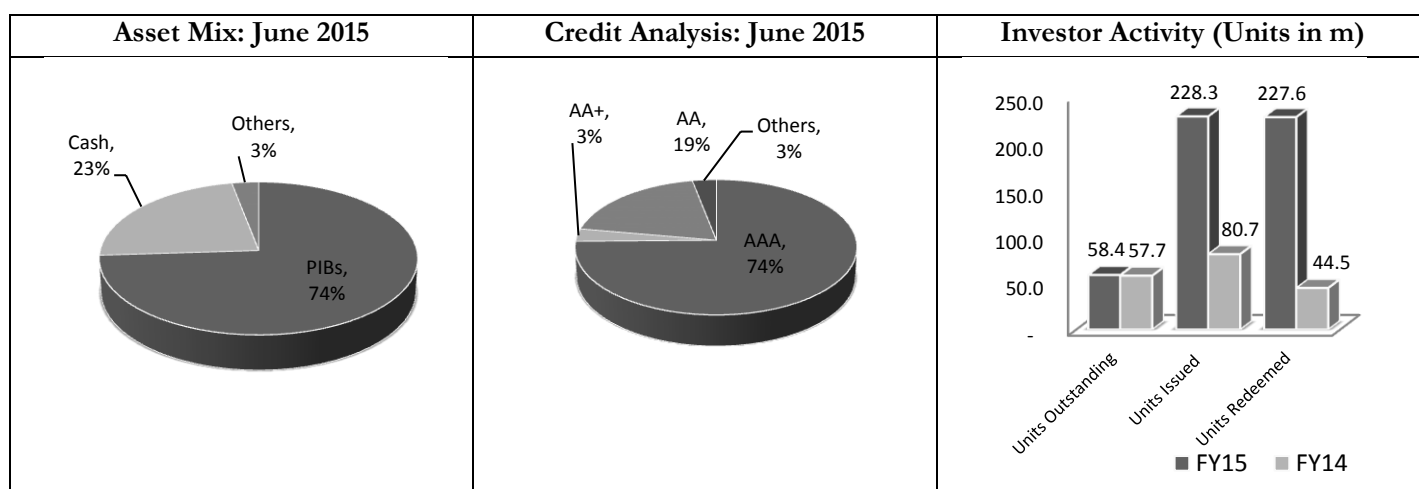
January 19, 2016

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Investment Objective

The objective of the fund is to generate a competitive return with minimum risk, by investing primarily in government securities.

UBL Government Securities Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f)	A+(f)
	Jan 6 '16	Aug 4, '14
Management Company	UBL Fund Managers Limited	
External Auditors - Fund	M/s KPMG Taseer Hadi & Co.	
Fund Manager	Mr. Jawad Naeem	
Trustee	Central Depository Company Ltd.	
Launch Date	July 27, 2011	
Front-end Load	1%	
Back-end Load	Nil	
Management Fee	10% of all gross earnings (with min. fee of 1% p.a. & max. fee of 1.25% p.a.)	
Benchmark	70% 6M PKRV rate + 30% average of 3M Deposit rates of AA- and above rated scheduled banks for the period of return	



UBL Government Securities Fund (UGSF) was launched in July 2011, as an open-end fixed income sovereign fund. The fund is managed by UBL Fund Managers Limited (UBL FM) having a Management Quality Rating of ‘AM2+’, signifying high management quality.

Size of the fund has increased over the last 2 years, although overall growth subsided in the out-going year; at end-FY15 fund size was reported at Rs. 6.3b (end-FY14: Rs. 5.8b, end-FY13: Rs. 1.9b). Size of the fund has varied based on month-end figures, rising sharply at end-December’2014 to Rs. 8.8b and peaking at Rs. 13.9b at

end-May’2015. At end-November’2015, fund size was reported at Rs. 6.3b.

The fund’s offering document (OD) restricts exposure primarily within sovereign instruments and cash holdings, pointing to a conservative credit risk profile and a liquid asset mix. Minimum 70% holding of government securities is required at any given time, allowable up to 100% of net assets. Moreover, minimum 25% of net assets are required to be held as cash and cash equivalents (this includes T-Bills but excludes TDR). The OD restricts exposure to all other instruments with the exception of reverse repurchase

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agreements against government securities and deposits with scheduled banks, with a minimum issuer/instrument rating of AA-

Table 1: Asset Allocation Per Offering Document

Securities	Rating	Limits
Government Securities	N/A	70 - 100%
Cash at Bank (excluding TDR) and other cash instruments like T-Bills with maturity not exceeding 90 days.	AA- and above	25 - 30%
Deposits with scheduled banks and Reverse Repo against Government Securities with maturity up to 6 months	AA- and above	0 - 30%
Deposits with scheduled banks and Reverse Repo against Government Securities exceeding maturity of 6 months	AA- and above	0- 15%

Asset allocation has been in-line with the stated mandate, with government securities dominating the portfolio; however allocation has been tilted towards holdings of long term government paper in the out-going year. At end-June 2015, PIB's constituted almost three-fourths of net assets with a similar average observed over the course of FY15. Holdings of T-bills have been steadily reduced in the out-going year and averaged around 15%.

Table 2: Asset Allocation

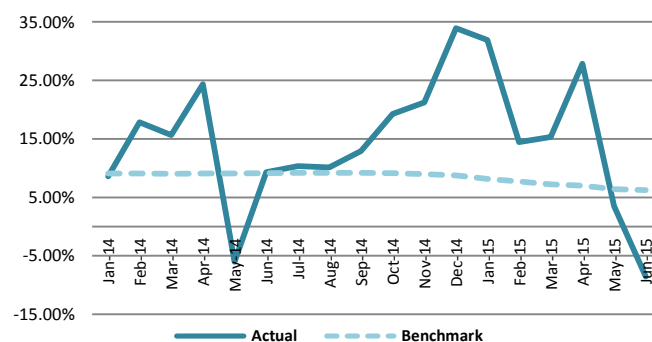
	June 2015	Average FY15
Cash	23.0%	7.7%
PIB	74.0%	74.3%
T-Bills	0.0%	14.8%
Others	3.0%	3.2%

Given the tilt towards longer term PIB's, the fund has increased exposure to interest rate risk during FY15. The same is also reflected in higher weighted average maturity (WAM) of the fund's assets which has more than doubled to 2.5 years in the out-going year, albeit within the specified ceiling of 4 years. The IPS has capped the WAM of the fund at 4 years. Actual WAM of the fund has remained below the ceiling. Going forward,

management will maintain maximum duration of the fund below 1.5 years. The same will be tracked by JCR-VIS.

The fund's return has been benchmarked with a 70:30 break-up of 6 months PKRV rate and 3 month deposit rates of AA- and above rated bank, respectively. Performance in the out-going year exhibited significant volatility vis-à-vis benchmark, although upward spikes dominated the movement. Overall the fund outperformed its benchmark by a wide margin; return of 15.5% was reported against benchmark return of 8.1% in the out-going year.

Figure 1: UGSF Fund Performance



Investor concentration in the fund has trended downwards on timeline basis. At end-June'2015, largest 10 investors in the fund held 53% of the outstanding units ^[JCR-VIS]

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
06-Jan-16	A(f)			Downgrade
04-Aug-14	A+(f)			Reaffirmed
18-Apr13	A+(f)			Reaffirmed
29-Mar-12	A+(f)			Initial

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