

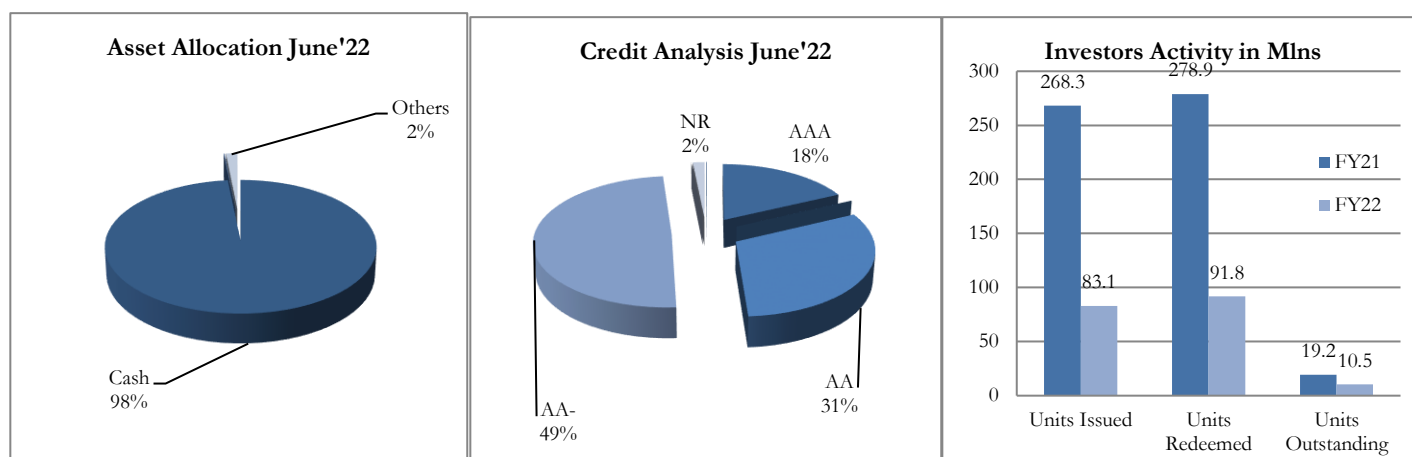
Date: December 29, 2022

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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          | AA(f)   | AA(f)       |
|                                | Dec 29, '22   | Jan 13, '22 |
| AMC                            | UBL Fund Managers Limited   |             |
| External Auditors – Fund       | BDO Ebrahim & Co.   |             |
| Trustee                        | Central Depository Company Ltd  |             |
| Front-end Load                 | 1%  |             |
| Back-end Load                  | Nil   |             |
| Management Fee                 | 10% of all gross earnings (with min fee of 1%p.a and max fee of 1.25% p.a.) |             |
| Benchmark                      | Average of 6M PKRV rates  |             |



### Offering document (extract)

| Description  | Minimum rating | Min-Max Limits |
|--|----------------|----------------|
| Government Securities  | NA             | 70%-100%       |
| Cash at Bank (excluding TDR) and other near cash instruments   | AA- or above   | 0%-30%         |
| Deposits with Scheduled Banks and Reverse Repo against Govt. securities, with maturity up to 6 months    | AA- or above   | 0%-30%         |
| Deposits with scheduled banks and reverse repo against Govt. securities, exceeding maturity of 6 months. | AA- or above   | 0%-15%         |

UBL Government Securities Fund (UGSF) was launched in July 2011 with the objective of earning competitive returns by investing primarily in sovereign instruments and government paper. The fund's Offering Document (OD) points to a conservative credit risk profile limiting the exposure in sovereign instruments to a minimum 70% while remaining to be held in liquid cash.

During FY22, fund size reduced by half to Rs. 1.1b at end Jun'22 from Rs. 2.0b at end Jun'21 owing to higher redemptions than units issued.

## Asset Allocation:

Table 2: Asset Class Distribution:

| Asset Allocation      | Avg'21      | Avg'22      | Jun' 22     |
|-----------------------|-------------|-------------|-------------|
| Cash                  | 19%         | 33%         | 98%         |
| Placements with Banks | 1%          | 1%          | 0%          |
| T-Bills               | 11%         | 6%          | 0%          |
| PIBs                  | 66%         | 56%         | 0%          |
| GoP Ijarah Sukuk      | 0%          | 1%          | 0%          |
| Others                | 4%          | 3%          | 2%          |
| <b>Total</b>          | <b>100%</b> | <b>100%</b> | <b>100%</b> |

As per the fund's Investment Policy Statement (IPS), the fund shall invest a minimum 70% and a maximum 30% of assets (on a Calendar month average basis) in sovereign instruments and in cash balances, respectively. At month-end, Mar'22 and June'22, the fund depicted less than 70% exposure in government securities and more than 30% exposure in cash balances (on absolute basis). However, the fund remain complied with asset allocation requirements on calendar year monthly averages basis during the review period (as required under the offering document).

## Credit Quality:

Table 3: Credit Quality

| Credit Quality | Average | Maximum | Minimum |
|----------------|---------|---------|---------|
| AAA            | 78%     | 96%     | 18%     |
| AA+            | 0%      | 0%      | 0%      |
| AA             | 8%      | 33%     | 0%      |
| AA-            | 11%     | 49%     | 0%      |
| Non Rated      | 3%      | 5%      | 1%      |

In order to cater to its mandate, the fund is required to invest in instruments that have a minimum credit quality rating of 'AA-' or higher. The fund largely was in compliance with the requirements of the offering document with 78% of the asset allocation on average maintained in 'AAA' rated exposures with a fraction invested in 'AA-' and unrated instruments. Exposure of 49% in 'AA-' category assets at end-June'22 was non-complaint with the stipulations of the assigned ratings.

## Market Risk:

As per IPS, Weighted average time to maturity of the net assets shall not exceed 4 years however this condition shall

not apply to securities issued by federal government. During FY22 maximum WAM was reported at 2.57 years while at Jun'22 end it stood at Nil years due to heavy exposure in cash balances. Average modified average duration of the fund was recorded at 127 days complying to the stipulations of the assigned rating, barring the month of Feb'22 where the same was reported at 201 days.

## Liquidity:

The fund's liquidity profile remains fairly strong given investments mainly concentrated in cash or government securities. Retail proportion in the fund remains high (83%) while top 10 investor concentration was reported at 38% at-end FY22.

## Fund Performance:

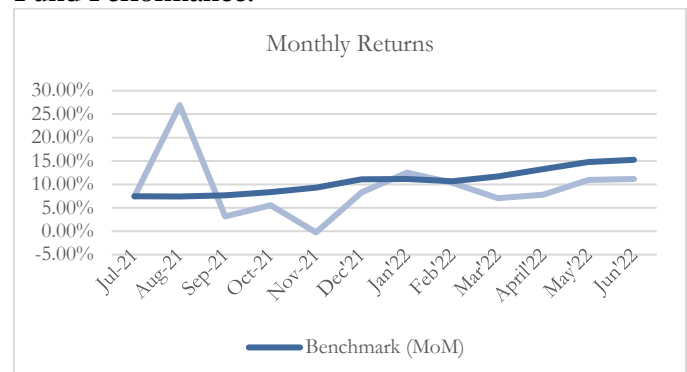


Table 5: Fund Performance:

| Performance             | FY21  | FY22   |
|-------------------------|-------|--------|
| <b>Total Return</b>     | 5.60% | 9.10%  |
| <b>Benchmark Return</b> | 7.28% | 10.67% |
| <b>Peer Average</b>     | 5.85% | 9.38%  |
| <b>Peer Ranking</b>     | 22/31 | 18/30  |

During FY22, fund underperformed its benchmark return by a difference of 1.57%. The fund ranked 18<sup>th</sup> out of 30 among peers. Relative ranking was maintained as prior year level with the fund remaining in the third quartile at the end of FY22.

| <b>BALANCE SHEET</b>           | <b>FY21</b> | <b>FY22</b> |
|--------------------------------|-------------|-------------|
| <b>Paid Up Capital</b>         | N/A         | N/A         |
| <b>Total Equity</b>            | N/A         | N/A         |
|                                |             |             |
| <b><u>INCOME STATEMENT</u></b> |             |             |
| <b>Total Income</b>            | 290         | 150         |
| <b>Profit Before Tax</b>       | 225         | 151         |
| <b>Profit After Tax</b>        | 225         | 151         |
|                                |             |             |
| <b><u>RATIO ANALYSIS</u></b>   |             |             |
| <b>Current Ratio (x)</b>       | N/A         | N/A         |
| <b>Gearing (x)</b>             | N/A         | N/A         |

## VIS Credit Rating Company Limited

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### RATING SCALE & DEFINITIONS: **FUND STABILITY RATING SCALE**

**AAA(f)**

Highest degree of stability in NAV. Risk is negligible with very low sensitivity to changing economic conditions

**AA+(f), AA(f), AA-(f)**

High degree of stability in NAV. Risk is modest but may vary slightly from time to time because of changing economics conditions

**A+(f), A(f), A-(f)**

Moderate degree of stability in NAV. Risk factors may vary with possible changes in the economy

**BBB+(f), BBB(f), BBB-(f)**

Adequate degree of stability in NAV. Risk factors are considered variable if changes occur in the economy

**BB+(f), BB(f), BB-(f)**

Low degree of stability in NAV. Risk factors are sensitive to changes in the economy

**B(f)**

Very low degree of stability in NAV. Risk factors are capable of fluctuating widely if changes occur in the economy

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The FSR scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer ratings.

FSRs may be placed under 'Rating-Watch' if VIS views that the status of the assigned rating is uncertain and there are conditions present that necessitate re-evaluation of the assigned rating. VIS also designates direction, Positive, Negative or Developing, to ratings placed under 'Rating-Watch'. This shows VIS's opinion regarding the likely direction of a rating. Developments in factors other than those that necessitated the 'Rating-Watch' may result in a rating change, while the rating continues to be placed under 'Rating-Watch'.

## REGULATORY DISCLOSURES

## Appendix

|                                     |   |                            |                      |
|-------------------------------------|---|----------------------------|----------------------|
| <b>Name of Rated Fund</b>           | UBL Government Securities Fund  |                            |                      |
| <b>Sector</b>                       | Mutual Funds  |                            |                      |
| <b>Type of Relationship</b>         | Solicited   |                            |                      |
| <b>Purpose of Rating</b>            | Fund Stability Rating (FSR)   |                            |                      |
| <b>Rating History</b>               | <b>Rating Date</b>  | <b>Medium to Long Term</b> | <b>Rating Action</b> |
|                                     | 29-Dec-22   | AA(f)                      | Reaffirmed           |
|                                     | 13-Jan-22   | AA(f)                      | Reaffirmed           |
|                                     | 06-Jan-21   | AA(f)                      | Upgrade              |
|                                     | 31-Dec-19   | A+(f)                      | Reaffirmed           |
|                                     | 31-Dec-18   | A+(f)                      | Reaffirmed           |
|                                     | 29-Dec-17   | A+(f)                      | Upgrade              |
|                                     | 30-Dec-16   | A(f)                       | Reaffirmed           |
|                                     | 6-Jan-16  | A(f)                       | Downgrade            |
|                                     | 4-Aug-14  | A+(f)                      | Reaffirmed           |
|                                     | 18-Apr-13   | A+(f)                      | Reaffirmed           |
| 29-Mar-12                           | A+(f)   | Initial                    |                      |
| <b>Instrument Structure</b>         | N/A   |                            |                      |
| <b>Statement by the Rating Team</b> | VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.  |                            |                      |
| <b>Probability of Default</b>       | VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.  |                            |                      |
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