

UBL Government Securities Fund (UGSF)**Managed By: UBL Fund Manager Limited****Fund Stability Rating****Latest Rating****AA(f)****29-Dec-23****What is Fund Stability Rating**

Fund Stability Rating (FSR) is a measure used to assess the stability and risk associated with a mutual fund or investment portfolio. The stability rating combines a comprehensive quantitative evaluation of the fund's portfolio with a qualitative assessment of fund management. This rating offers investors an impartial gauge of the primary areas of risk that income funds may face, including credit risk, liquidity risk, and interest rate risk.

Fund Information

Auditor	BDO Ebrahim & Co.
Trustee	Central Depository Company Pakistan Limited
Front-end Load	Upto 1%
Back-end Load	Nil
Benchmark	Average of 6M PKRV rates.
MQR Rating	AM1 (VIS)
Mgt. Fee	Up to 2.5% of daily net assets not to exceed max. TER regulatory limit

Fund Overview

UBL Government Securities Fund (the Fund) is an open-end, income fund constituted under a Trust Deed entered into on July 27, 2011, between UBL Fund Managers Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

Investment Objective

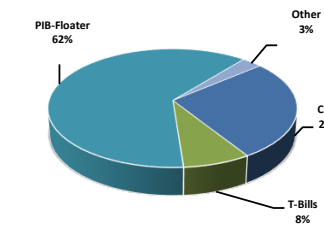
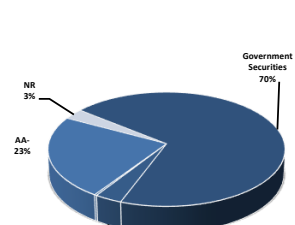
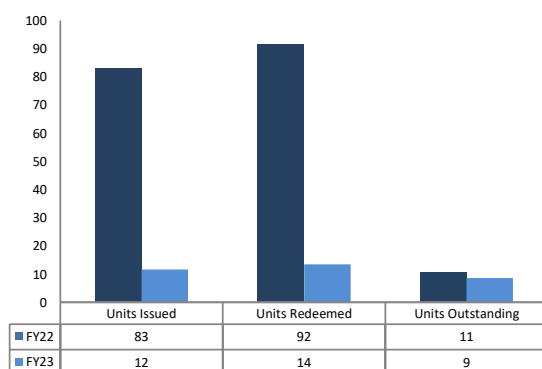
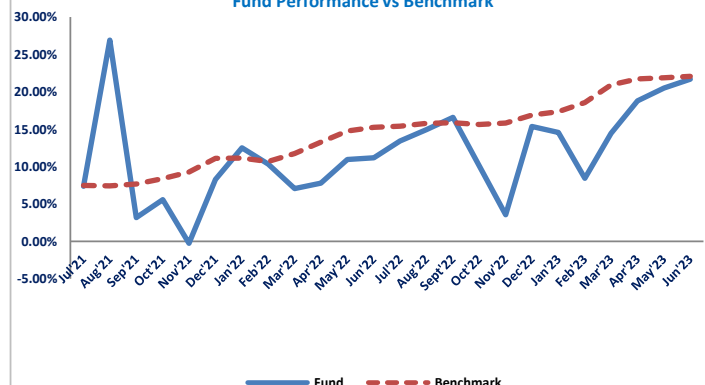
To generate a competitive return with minimum risk, by investing primarily in Government Securities.

Offering Document (Extract)

Description	Minimum rating	Min- Max Limits
Government Securities	N/A	70% - 100%
Cash at Bank (excluding TDR) and other near cash instruments like T-Bills/GoP Ijara with maturity not exceeding 90 days	AA- or Above	10% - 30%
Deposits with Scheduled Banks and Reverse Repo against Government Securities, with maturity of up to 6 months	AA- or Above	0% - 30%
Deposits with Scheduled Banks and Reverse Repo against Government Securities, exceeding maturity of 6 months	AA- or Above	0% - 15%

Net Assets

	Jun'21	Jun'22	Jun'23
Net Assets (In PKR' Millions)	2,035	1,115	914

Asset Allocation - Jun'23**Credit Quality - Jun'23****Investor Activity (Units in Mn.)****Fund Performance vs Benchmark**

Credit Quality (FY'23)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'22 Avg.	FY'23 Avg.
Government Securities	77.30%	91.17%	51.65%	Cash	33.41%	19.18%
AAA	3.37%	5.63%	1.19%	Placement with banks	0.69%	0.00%
AA+	0.01%	0.01%	0.01%	T-Bills	5.87%	13.42%
AA	1.29%	6.23%	0.20%	PIB-Fixed	5.80%	3.85%
AA-	14.48%	35.57%	0.42%	PIB-Floater	50.70%	60.03%
A+	0.00%	0.00%	0.00%	GoP Ijara Sukuk	0.97%	0.00%
A	0.00%	0.00%	0.00%	Other	2.60%	3.52%
A-	0.00%	0.00%	0.00%			
BBB+	0.00%	0.00%	0.00%			
BBB	0.00%	0.00%	0.00%			
BBB-	0.00%	0.00%	0.00%			
NR*	3.53%	4.77%	2.79%			
*Non-rated includes receivables/accruals from securities having a credit rating of not less than AA-						
Portfolio Maturity (FY'23)	Average	Maximum	Minimum	Fund Performance	FY'22	FY'23
WAM in year(s)	1.74	2.79	0.00	Total Return	9.10%	15.38%
Duration (In Days)	635	1018	0	Benchmark Return	10.67%	18.14%
				Peer Average	9.38%	15.46%
				Peer Ranking	18/30	5/9

Fund Stability Analysis

The UBL Government Securities Fund has been assigned a rating of AA(f) for fund stability. This rating indicates a high degree of stability in the net asset value of the fund, with a modest level of risk that may vary slightly due to changing economic conditions.

Asset Allocation:

The assets under management (AUMs) of the fund have experienced a decline, standing at Rs. 914m (June'22: Rs. 1.1b) as of June'23. In accordance with the fund's Investment Policy Statement (IPS), a minimum of 70% of assets is mandated to be invested in government securities. The fund deviated from this stipulation in Oct'22, Nov'22, and Jun'23. The predominant allocation of the fund's assets is in government securities, with PIBs representing 63.9% and T-Bills accounting for 13.4% during FY23.

Credit Quality:

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 remained compliant with the requirements of the offering document with 80.7% of the asset allocation on average maintained in 'AAA' rated instruments. The fund's credit risk criteria also fall within the guidelines stipulated in our methodology for the assigned rating.

Market and Liquidity Risk:

In accordance with the Investment Policy Statement (IPS), the weighted average time to maturity (WAM) of the net assets must not exceed 4 years; however, this condition does not apply to securities issued by the federal government, while in FY23, the maximum reported WAM was 2.79 years. The fund maintained an average modified duration of 87 days, consistent with the requirements of the assigned rating.

The fund maintains a substantial retail proportion, accounting for 82%, and as of the end of FY23, the top 10 investor concentration was reported at 42%. However, with substantial investment placed in government securities and cash, ability to meet redemption remains strong.

Fund Performance:

The fund's performance has lagged behind both its benchmark rate and the average performance of its peers, positioning it in the second quarter relative to its peer group.

Financial Snapshot		
BALANCE SHEET	FY22	FY23
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
INCOME STATEMENT	FY22	FY23
Total Income	149.9	188.1
Profit Before Tax	150.7	164.7
Profit After Tax	150.7	164.7
RATIO ANALYSIS	FY22	FY23
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A
FFO	N/A	N/A

Regulatory Disclosures			
Name of Rated Fund	UBL Government Securities Fund	Sector	Mutual Funds
Type of Relationship	Solicited	Purpose of Rating	Fund Stability Rating (FSR)

Rating History			
Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	29-Dec-23	AA(f)	Reaffirmed
Fund Stability	29-Dec-22	AA(f)	Reaffirmed
Fund Stability	13-Jan-22	AA(f)	Reaffirmed
Fund Stability	6-Jan-21	AA(f)	Upgrade
Fund Stability	31-Dec-19	A+(f)	Reaffirmed
Statement by the Rating Team	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.		
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Rating Scale	https://docs.vis.com.pk/docs/VISRatingScales.pdf		

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