

UBL Government Securities Fund (UGSF)

Managed By: UBL Fund Manager Limited

Fund Stability Rating

Latest Rating

AA(f)

9-Jan-25

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

| | |
|-----------------------|--|
| Launch Date | July 27, 2011 |
| Fund Type | Open End |
| Category | Income |
| Risk Profile | Medium |
| 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.

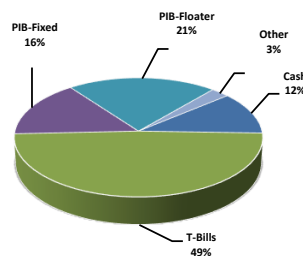
Offering Document (Extract)

| 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% |

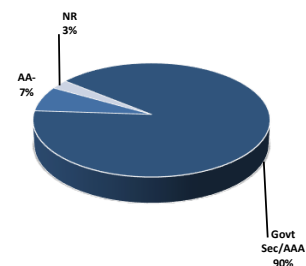
Net Assets

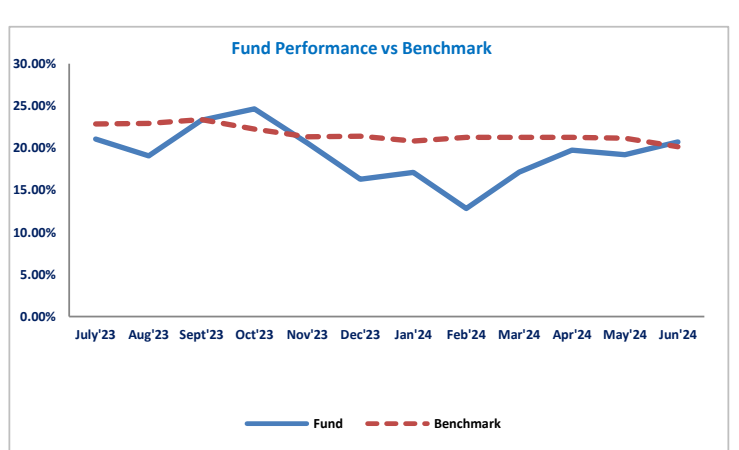
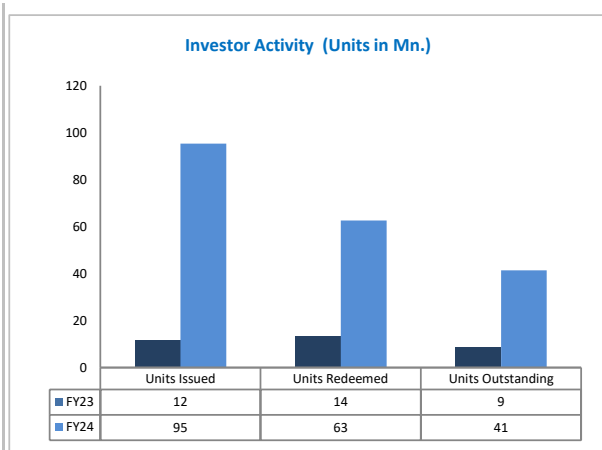
| | Jun'22 | Jun'23 | Jun'24 |
|-------------------------------|--------|--------|--------|
| Net Assets (In PKR' Millions) | 1,115 | 914 | 4,387 |

Asset Allocation - Jun'24



Credit Quality - Jun'24





| Credit Quality (FY'24) | Average | Maximum | Minimum | Avg. Asset Allocation (% wise) | FY'23 Avg. | FY'24 Avg. |
|------------------------|---------|---------|---------|--------------------------------|------------|------------|
| Govt Sec/AAA | 83.63% | 93.72% | 74.41% | Cash | 19.18% | 15.92% |
| AA+ | 0.06% | 0.22% | 0.00% | Placement with banks | 0.00% | 0.00% |
| AA | 0.05% | 0.26% | 0.00% | T-Bills | 13.42% | 37.50% |
| AA- | 12.73% | 22.47% | 4.28% | PIB-Fixed | 3.85% | 11.55% |
| A+ | 0.00% | 0.00% | 0.00% | PIB-Floater | 60.03% | 23.16% |
| A | 0.00% | 0.00% | 0.00% | GoP Ijara Sukuk | 0.00% | 8.35% |
| A- | 0.00% | 0.00% | 0.00% | Other | 3.52% | 3.53% |
| BBB+ | 0.00% | 0.00% | 0.00% | | | |
| BBB | 0.00% | 0.00% | 0.00% | | | |
| BBB- | 0.00% | 0.00% | 0.00% | | | |
| NR | 3.53% | 0.00% | 0.00% | | | |

*Non-rated includes receivables/acrnals from securities having a credit rating of not less than AA-

| Portfolio Maturity (FY'24) | Average | Maximum | Minimum | Benchmark | Fund Performance | FY'23 | FY'24 |
|----------------------------|---------|---------|---------|-----------|------------------|--------|--------|
| WAM in year(s) | 1.57 | 2.52 | 0.76 | 4.00 | Total Return | 15.38% | 21.12% |
| Duration (In Days) | 193 | 307 | 11 | 1460 | Benchmark Return | 18.14% | 21.67% |
| | | | | | Peer Average | 15.46% | 21.76% |
| | | | | | Peer Ranking | 5/9 | 8/11 |

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:

During FY24, the Assets Under Management (AUM) witnessed robust growth of ~253%, reaching Rs. 4.3b as at Jun'24 (Jun'23: Rs. 0.9b). During this period, the Fund's investments aligned with the parameters outlined in the offering document. On average, government securities dominated the portfolio, with T-Bills constituting ~38% of the Fund's assets, followed by PIB-Floater (~24%), PIB-Fixed (~12%), and GoP Ijara Sukuks (~8%). Additionally, cash deposits accounted for ~16% of the portfolio.

Credit Quality:

During FY24, the Fund maintained its credit quality exposures in investments rated AA- and above, as stipulated in the offering document. The Fund's portfolio was predominantly invested in government securities and AAA-rated assets, which together accounted for ~83% of the Fund's total assets, with AA- rated investments making up around 13% of the portfolio. The 'Not Rated' portfolio represents receivables against sale of securities.

Market and Liquidity Risk:

Weighted average time to maturity (WAM) of the Fund is capped at 4 years, as outlined in the offering document, which the Fund has complied with as average WAM was reported at 575 days.

Liquidity profile of the Fund is considered sound, with assets primarily invested in government securities. As at Jun'24, the retail investor accounted for ~65% of the Fund's AUM while corporate investors represented ~35%. On the other hand, client concentration risk is considered low, with top ten clients constituting ~36% of the Fund's assets.

Fund Performance:

During FY24, the Fund's YTD return underperformed both its benchmark and the peer average. As a result, the Fund fell to the third quartile, compared to its position in the previous year.

Financial Snapshot

| | FY23 | FY24 |
|-------------------------|-------|-------|
| BALANCE SHEET | | |
| Paid Up Capital | N/A | N/A |
| Total Equity | N/A | N/A |
| INCOME STATEMENT | | |
| Total Income | 188.1 | 667.3 |
| Profit Before Tax | 164.7 | 607.4 |
| Profit After Tax | 164.7 | 607.4 |
| RATIO ANALYSIS | | |
| 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 | 9-Jan-25 | AA(f) | Reaffirmed |
| 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. | | |
| Probability of Default | 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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| Rating Methodology | https://docs.vis.com.pk/docs/FundstabilityRating.pdf | | |
| Rating Scale | https://docs.vis.com.pk/docs/VISRatingScales.pdf | | |

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Note: VIS' mutual fund rating is not a recommendation to buy, sell, or hold any fund, in as much as it does not comment as to suitability for a particular investor.