

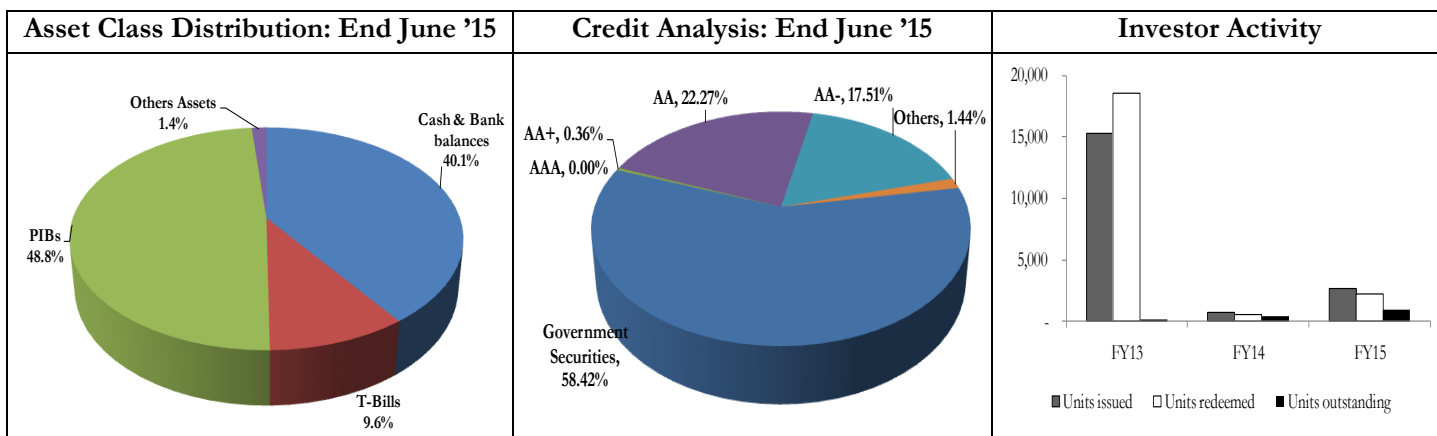
January 4, 2016

Analyst: Jazib Ahmed – CFA

Investment Objective

To deliver optimal risk adjusted returns by investing mainly in a combination of short to long term Government Securities and other debt instruments.

ABL Government Securities Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f)	A+(f)
	Dec 31, '15	Aug 13, '14
Management Company	ABL Asset Management Company Limited	
External Auditor – Fund	A.F.Ferguson and Company Chartered Accountants	
Chief Executive	Mr. Farid Ahmed Khan, CFA	
Portfolio Manager	Mr. Faizan Saleem	
Trustee	Central Depository Company Ltd.	
Front-end Load	1.5%	
Back-end Load	Nil	
Management Fee	Class B unit 1.25%	
Benchmark	70% 6M PKRV & 30% average 3M deposit rates of AA- and above rated banks	



ABL Government Securities Fund (ABL-GSF) was initiated in November 2011, as an open end mutual fund. As per its mandate, the fund primarily invests in government paper. The fund is managed by ABL Asset Management, which possesses ‘AM2’ rating by JCR-VIS, denoting high management quality. The investment committee (IC), responsible for managing the fund in accordance with the regulations, is composed of five members which includes the CEO, Chief Investment Officer, Head of Research, Senior Fund Manager and Fund Manager. In line with best practices Head of Risk Management should be a voting member in the IC.

Net assets of the fund increased to Rs. 9.2b at end-FY15 (FY14: Rs. 4.4b). Net assets exhibited increasing trend

throughout the course of the year, with the highest figure of Rs. 15.4b being reported at end-May 2015.

As per pre-defined exposure limits, the fund must deploy at least 70% of its assets in government securities compliance is calculated quarterly on daily basis. Other asset deployment sources include corporate debt instruments and placements with financial institutions. Spread transaction including Margin Trading System is also included with allowable allocation of 0-10%.

Month-end figures illustrate that average asset allocation to government securities equaled 82.3% during FY15. This figure exhibited considerable variation across the year and was in compliance with the pre-determined limits.

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Table 1: Asset allocation summary

	Average FY15	End-June'15	End-June'14	Limits
Cash & bank balances	14.5%	40.1%	27.1%	0-50%
Govt. securities	82.3%	58.4%	69.2%	70-100%*
TDR's and placements	1.6%	0.0%	0.0%	0-15%
Others including receivables	1.6%	1.4%	3.8%	

* Based on quarterly average investment to be calculated on a daily basis

The maximum limit for duration and WAM is 4 years. Reduction in PIB exposure, coupled with the preference for higher liquidity led to reduction in the weighted average maturity of the fund to 659 days (FY14: 949 days) at the close of FY15.

Actual duration of the fund also stood at 548 days. The limit for duration has been increased to 2 years (FY14: 1 year). Duration was not compliant with internal limits for 5 out of 12 months. Proportion of PIBs in overall portfolio still remains significant at 48.8% (FY14: 69.0%) at end FY15 and hence adverse movement in benchmark market rates could have sizeable impact on the value of portfolio holdings.

Majority of the funds were concentrated in the highest credit quality during the year. This average was reduced because of cash balances that had to be maintained in end FY15 to meet redemptions from investors as well as to obtain a higher interest rate because of financial year end. The lowest credit quality of AA- had a maximum allocation of 17.5% during the year.

Table 2: Credit quality summary FY15

	Average	Max	Min
Government Securities	82.3%	98.3%	58.4%
AAA	0.3%	1.5%	0.0%
AA+	1.6%	5.7%	0.0%
AA	6.8%	22.3%	0.0%
AA-	7.4%	17.5%	0.0%
Others	1.6%	3.5%	0.3%

Table 3: Market risk summary FY15

	Average	Max	Min
WAM	877	1,153	493
Duration	674	863	434

The fund performance is measured against weighted average of 70% average six month PKRV rates and 30% average 3 months deposit rates of 'AA-' & above rated banks. The fund consistently outperformed the benchmark throughout the year. In comparison to the peer group, return of the fund was in the second quartile, the same as last year.

Table 4: Performance summary

Performance	FY15	FY14
Return (%)	15.1%	9.2%
Benchmark	8.0%	8.8%
Average Return in Peer Group	13.9%	8.4%

Total number of investors in the fund stood higher at 1,939 (FY14: 737) at end of FY15. Unit holding concentration demonstrated improvement as top 10 investors held 59.9% (FY14: 68.8%) of the total outstanding units at the end-FY15. However, in absolute terms, concentration still remains on the higher side and signifies further room for improvement. The investment contribution from the retail clients exhibited an increase to 33.2% (FY14: 20.4%) at end-FY15, while the share of associates increased to 34.9% (FY14: 5.6%) during the same period JCR-VIS

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Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
31-Dec-15	A(f)			Downgrade
13-Aug-14	A+(f)			Reaffirmed
17-Jan-13	A+(f)			Reaffirmed
09-Jan-12	A+(f)			Initial
13-Aug-14	A+(f)			Reaffirmed