

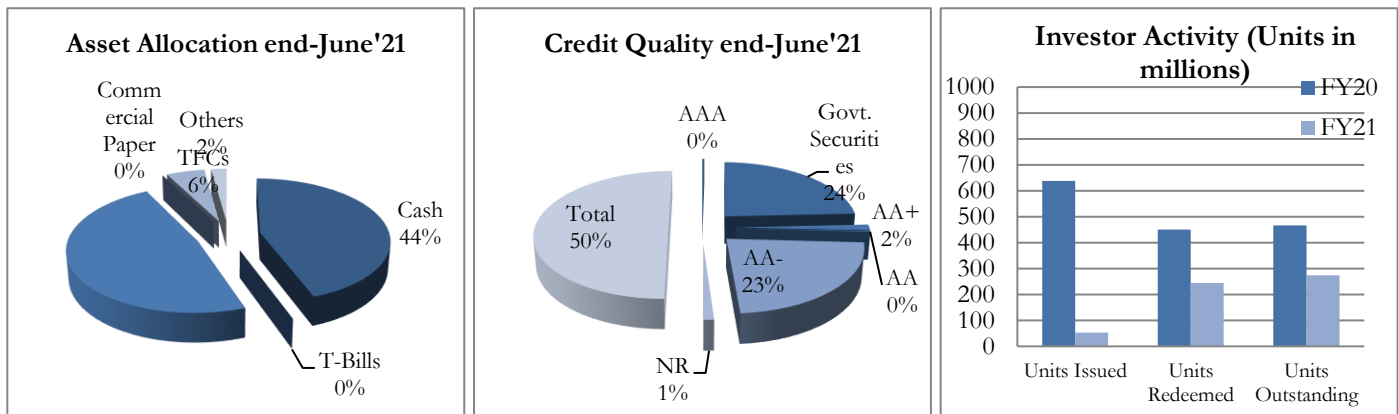
Date: January 18, 2022

Analysts: Syed Fahim Haider Shah

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	AA- (f)	AA- (f)
	Jan 18, '22	Dec 31, '20
AMC	ABL Asset Management Company Limited (ABL AMC)	
External Auditors – Fund	A.F. Ferguson - Chartered Accountants	
Trustee	Central Depository Company of Pakistan Limited	
Front-end Load	1.5%	
Back-end Load	Nil	
Management Fee	Class B unit 1.25%	
Benchmark	6-Months PKRV rates	



Launched in November 2011, ABL Government Securities Fund (ABL-GSF) commenced as an open-end mutual fund. The fund aims to primarily place its investments in a blend of short- and long-term debt instruments and government securities.

As per the IPS and offering document, the fund must deploy at least 70% of its assets in government securities based on monthly average investments to be calculated on a daily basis. Other Asset Allocation avenues include Cash, TDRs and Corporate TFCs within stipulated limits.

Net assets of the fund decreased to Rs. 2.9b (FY20: Rs. 4.4b) by end-FY21.

Offering document (extract)

Description	Entity Rating	Instrument Rating	Min- Max Limits
Government Securities including Reverse Repo against Government Securities	N/A	N/A	70%-100%
Cash in Bank Accounts (excluding term deposits) and Government Securities of less than 90 days Maturity	AA- in case of banks	N/A	0%-50% & 0%-100% for T-bills
Term Finance Certificates / Sukuk / Commercial Papers	AA-	AA-	0%-20%
Reverse Repo (upto six months only) against Government Securities	A	N/A	0%-50%
Any instrument security being an authorized investment under trust deed or which is allowed by SECP	AA-	AA-	As specified by the Commission

Asset Allocation:

Table 2: Asset Class Distribution:

Asset Allocation	Average June'20	Average June'21	June'21
Cash	29%	18%	44%
T-Bills	41%	16%	0%
BIPs	15%	47%	48%
TFCs	11%	9%	5%
Commercial Paper	3%	3%	0%
Others including receivables	2%	7%	2%
Total	100%	100%	100%

During FY21, the fund’s major allocation was placed in PIBs, cash and T-bills, representing 47%, 18% and 15% of total investment portfolio. Remaining investment portfolio comprised TFCs, commercial papers and other avenues. At end-June’21, the fund managed to park 44% of its assets in cash and approximately 48% in government securities.

Credit Quality:

Table 3: Credit quality summary FY21

Credit Quality	Average	Maximum	Minimum
AAA	77%	93%	49%
AA+	6%	12%	0%
AA	2%	7%	0%
AA-	13%	46%	3%
Others	3%	11%	1%

With a conservative credit risk profile, the fund’s offering document restricts and limits its primary exposure in sovereign instruments in order to preserve a liquid asset mix. Average exposure in AAA rated instruments was reported at 77% whereas the fund took 13% exposure in AA- rated instruments. There were no breaches witnessed for the assigned ratings.

Market Risk:

The weighted average time to maturity (WAM) of the fund is capped at 4 years while the internal policy duration of the fund is capped at 1-2 year(s). The average WAM on recorded at 719 days while maximum and minimum was reported at 969 days at end-Jul’20 and 323 days at end-Nov’20 at end-Jun’20. Meanwhile, the average monthly duration was recorded at 516 days with a maximum duration of 625 days at end-Jul’20, remaining well-above the assigned

rating benchmarks; continuously high duration may impact the rating, going forward.

Liquidity Profile:

Total number of investors of the fund decreased to 1,512 (FY20: 1,822) while top-10 investors held 79% of the fund’s asset base. Concentration by retail investors decreased to 23% (FY20: 49%) whereas portion of associates stood at 1% (FY20: 7%) of net assets at end-FY21.

Fund Performance:

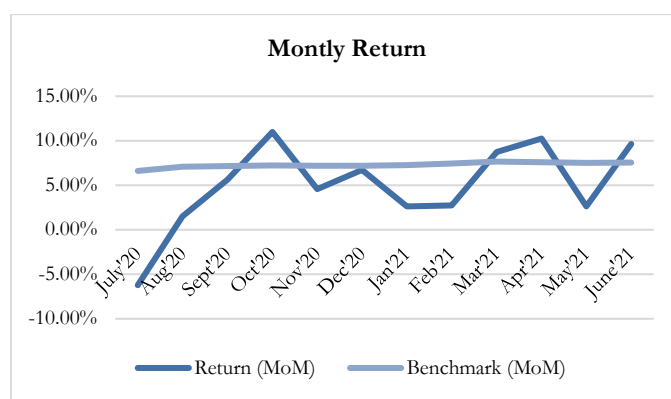


Table 5: Fund Performance:

Performance	FY20	FY21
Total Return	15.40%	5.08%
Peer Ranking	11/30	28/31
Benchmark Return	12.07%	7.28%
Peer Average	13.38%	5.81%

Performance of the fund is measured against weighted average of (70% average 6-month PKRV rates and 30% average 3 months’ deposit rates of ‘AA-’ & above rated banks). The fund generated total return of 5.08% during FY21, underperforming both the benchmark and peer average returns of 7.28% and 5.81%, respectively. The fund was ranked at 28 out of 31 funds in the category during FY21.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	18/01/2022	AA- (f)	Reaffirmed
Fund Stability	31/12/2020	AA- (f)	Upgraded
Fund Stability	20/01/2020	A+ (f)	Upgraded
Fund Stability	16/01/2019	A (f)	Reaffirmed
Fund Stability	16/01/2018	A (f)	Reaffirmed
Fund Stability	30/12/2016	A (f)	Reaffirmed
Fund Stability	31/12/2015	A (f)	Downgraded
Fund Stability	13/08.2014	A+ (f)	Reaffirmed
Fund Stability	17/01/2013	A+ (f)	Reaffirmed
Fund Stability	09/01/2012	A+ (f)	Initial

<u>BALANCE SHEET</u>	FY20	FY21
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
<u>INCOME STATEMENT</u>		
Total Income	620	206
Profit Before Tax	534	151
Profit After Tax	534	151
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A