

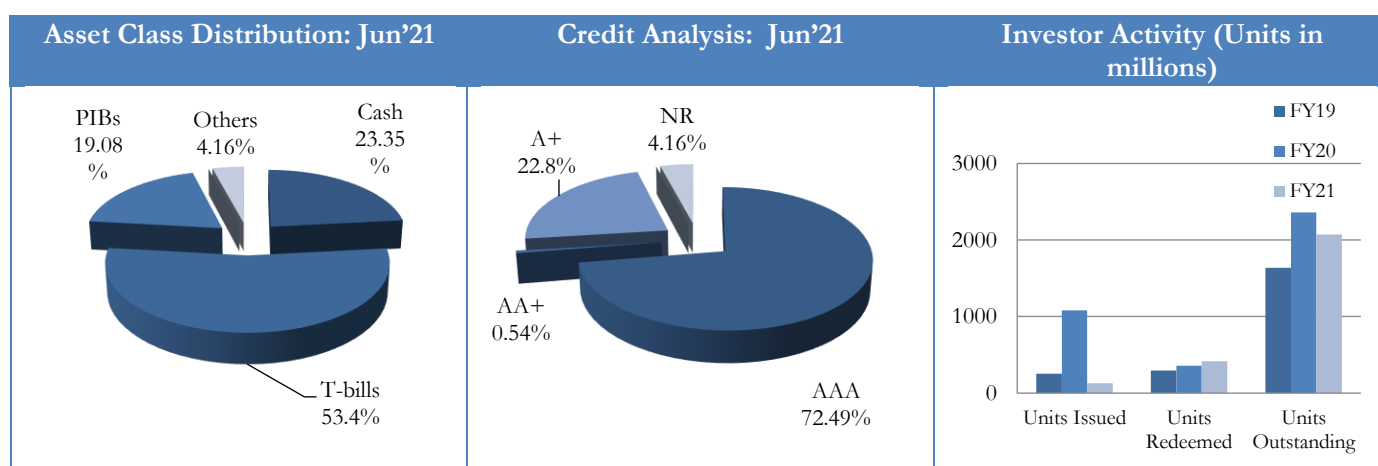
Date: March 3, 2022

Analysts: Sara Ahmed
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Investment Objective

The aim of the fund is to generate relatively higher yield as compared to conventional bank placements, from a portfolio of sovereign and money market instruments.

Askari Sovereign Yield Enhancer		
Rating Category	Latest	Previous
Fund Stability Rating	A+(f)	AA-(f)
	Mar 3, 2022	Dec 31, 2020
Asset Management Company	Pak Oman Asset Management Company Limited	
External Auditor - Fund	RSM Avais Hyder Liaquat Nauman	
Chief Executive	Ms Sadaf Kazmi	
Chief Investment Officer	Saifullah Kazmi	
Trustee	Central Depository Company	
Front-end Load	1.25%	
Back-end Load	Nil	
Management Fee	1.35%	
Benchmark	Average 6 month PKRV	



Askari Sovereign Yield Enhancer Fund (ASYE) is an income fund launched in May 2012 managed by Pak Oman Asset Management Limited (POAML) which holds a management quality rating of ‘AM3++’. The fund’s objective is to generate relatively higher yields than conventional bank deposits through a pool of sovereign and fixed income debt instruments.

Investment decisions for the fund are made by the Investment Committee (IC) comprising personnel from top management and investment management department. Net assets under management substantially declined to Rs. 38.9m at end-Jan'22 breaching the fund’s regulatory requirement of 100m (FY21 213.19m)

Table 1: Actual Asset Allocation

	Limits (%)	Min. Rating
Government Securities	70% - 100%	N/A
Cash and near cash instruments	10% - 100%	A-
Term Deposits/placements with banks, Reverse repo transactions against government securities	0%-15%	A+
Term Finance Certificates/Sukuks	0%-10%	A+
Any investment authorized by commission	0%-50%	A-
Any investment authorized by regulatory approval in any foreign fixed instrument	0%-30%	A-

Asset Allocation:

The fund's Investment Policy Statement (IPS) requires a minimum exposure of 70% and 10% in government securities and cash respectively. The fund's allocation complied with the above restrictions for most part of the year. On average basis, 76.9% of total assets were allocated to government securities during FY21, while 20.8% of funds were allocated to cash. However, by end-Oct'21, allocation of funds in T-bills and PIBs decreased to 51.7%, while cash increased to 42.7%.

Table 2: Actual Asset Allocation

Asset Allocation	Jun'21	FY21 Average	FY20 Average
Cash	23.35%	20.80%	16.5%
T-bills	53.41%	53.80%	58.0%
PIBs	19.08%	23.14%	13.1%
TFCs	0.0%	0.0%	2.4%
TDRs	0.0%	0.0%	2.0%
Ijarah Sukuk	0.0%	0.0%	3.6%
Others	4.16%	2.25%	4.4%
Total	100%	100%	100%

Liquidity:

The fund's liquidity witnessed an improvement from previous year, as the proportion of liquid assets in the portfolio increased. The combined allocation in cash, T-bills, and PIBs increased from 88% in FY20 to 96% in FY21. However, top ten investor concentration of the fund further deteriorated, constituting almost 100% of the fund size.

Credit Quality:

Credit quality recorded deterioration as exposure in 'A+' and below rated instruments remained above 15%, in breach of the credit quality requisites for the assigned level of ratings, although asset allocation remained in line with the IPS. As at June 30, 2021, 27% of the exposure was recorded in below 'AA-' rated instruments. Remaining assets were concentrated in 'AAA' and 'AA+' rated instruments during FY21.

Table 3: Actual Credit Quality

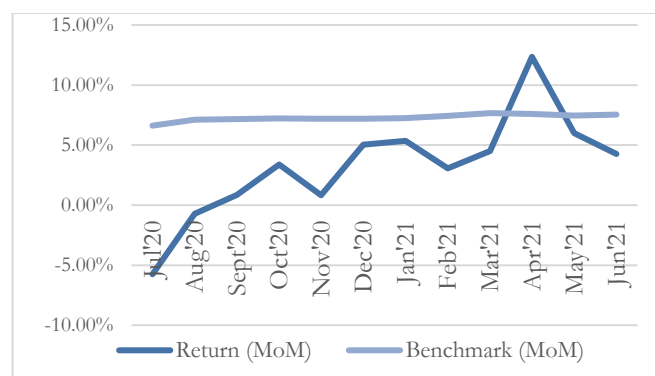
Credit Quality	Average	Max	Min
AAA	79.1%	96%	58%
AA+	4.8%	38%	0%
AA-	0.0%	0%	0%
A+	5.4%	27%	0%
A	8.3%	27%	0%
NR	2.3%	4%	1%

Modified Duration:

To minimize losses in case of any adverse movement in discount rate, weighted average maturity (WAM) of the fund is capped at 4 years; while modified duration cannot exceed 3 years as per the IPS. Maturity of a single asset in the portfolio cannot exceed 10 years. Compared to last year, WAM of the portfolio increased on account of relatively larger proportion of PIB holdings during the year. On average WAM and duration of the fund for FY21 both stood at 1.9 years. Maximum and minimum WAM was reported at 3.51 and 1.16 years at end-Mar'21 and end-Dec'20 respectively.

Fund Performance:

Performance of the fund is benchmarked against an equally weighted average of 6 months PKRV rates. On average basis, the fund generated an annual return of 3.26%, underperforming the benchmark by almost 4%. Fund underperformance was noted consistently throughout the year except for April '21 driven by a significant shift in asset allocation towards shorter tenor investments.


Table 4: Fund Performance

Performance	FY19	FY20	FY21
Total Return	6.16%	14.02%	3.29%
Peer Ranking	9/10	16/30	31/31
Benchmark Return	10.02%	12.07%	7.28%
Peer Group Average	7.63%	12.95%	5.81%

The fund also underperformed relative to its peer average of 5.81%. The fund was ranked lowest amongst its peers on the basis of 365-day annualized return at end-Jun'21. Improved and sustained fund performance will be important for ratings going forward.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	03/03/2022	A+(f)	Downgraded
Fund Stability	12/31/2020	AA- (f)	Upgraded
Fund Stability	11/26/2019	A+(f)	Reaffirmed
Fund Stability	05/07/2018	A+(f)	Reaffirmed
Fund Stability	12/30/2016	A+ (f)	Reaffirmed
Fund Stability	12/31/2015	A+ (f)	Initial

FINANCIAL SUMMARY	<i>(Amounts in PKR millions)</i>		
<u>BALANCE SHEET</u>	FY20	FY21	*1QFY22
Paid Up Capital`	NA	NA	NA
Total Equity	NA	NA	NA
<u>INCOME STATEMENT</u>			
Total income	33.5	13.6	8.2
Profit Before Tax	27.9	7.5	6.5
Profit After Tax	27.9	7.5	6.5
<u>RATIO ANALYSIS</u>			
Net Cash Generated from Operating Activities	(50.1)	81.3	46.6
Current Ratio (x)	NA	NA	NA
Gearing (x)	NA	NA	NA

*Un-audited accounts