

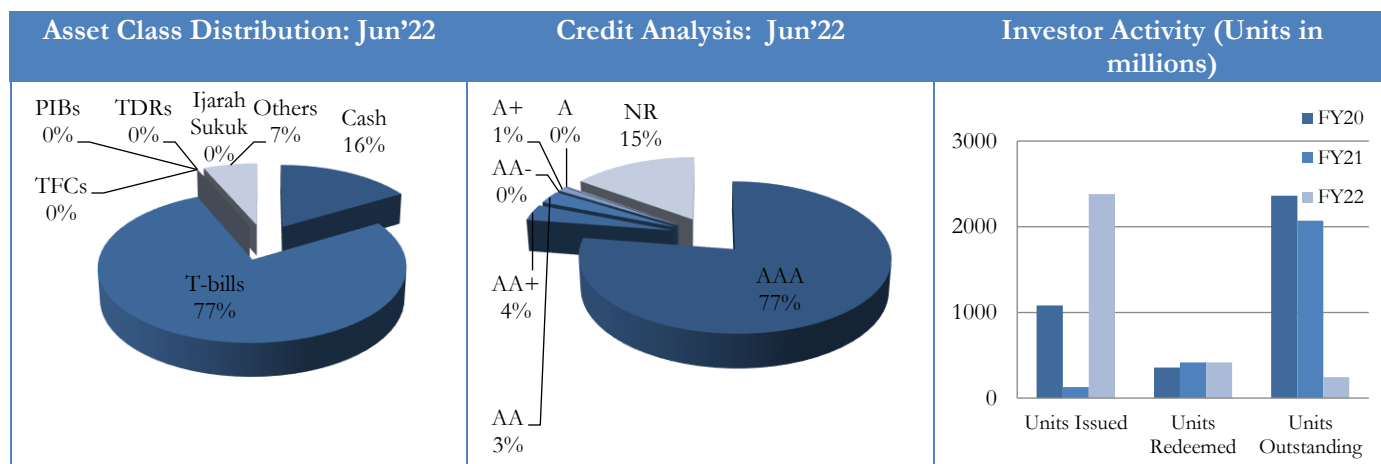
Date: January 04, 2023

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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 | AA-(f) | A+(f) |
| | Jan 04, 2023 | Mar 3, 2022 |
| 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 | Mr. Muhammad Zubair | |
| 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 committee is comprised of personnel from top management and investment management decision and are responsible for making investment decision. Asset base under management has exponentially declined to 25.16 as at Jun'22 (Jun'21: 213.19). Overall, asset base

under management has depicted a volatile trend. Asset base of the fund substantially declined from 184m at Dec'21 to 38.869 in Jan'22. It witnessed another notable decline at Mar'22, recorded at 25.19m and remained within this range until it declined further to 9.3m at Aug'22. Following this, a stellar improvement was depicted, with the asset base increasing to 233.7m at Sept'22.

Table 1: Actual Asset Allocation

| | Limits (%) | Min. Rating |
|--------------------------------|------------|-------------|
| Government Securities | 70% - 100% | N/A |
| Cash and near cash instruments | 25% - 100% | A+ |

| | | |
|--|--------|----|
| Term Deposits/placements with banks, Reverse repo transactions against government securities | 0%-30% | A+ |
| Term Finance Certificates/Sukuks | 0%-10% | A+ |
| Any investment authorized by regulatory approval in any foreign fixed instrument | 0%-30% | A+ |

Asset Allocation:

In order to cater to its mandate, the fund has to deploy a minimum of 70% and 25% in government securities and cash respectively. The fund did managed to comply with the offering document for most part of the year. On the other hand, the fund revised its investment policy, where fund can invest in securities with a minimum rating of A+.

Table 2: Actual Asset Allocation

| Asset Allocation | Avg. FY21 | Avg. FY22 | Oct'22 |
|---------------------|-------------|-------------|-------------|
| Cash | 21% | 22% | 8% |
| T-bills | 54% | 51% | 0% |
| PIBs | 23% | 15% | 88% |
| TFCs | 0% | 0% | 0% |
| TDRs | 0% | 0% | 0% |
| Ijarah Sukuk | 0% | 5% | 0% |
| Others | 2% | 7% | 4% |
| Total | 100% | 100% | 100% |

Liquidity:

The funds liquidity deteriorated from the previous year, with investment in cash, T Bills, and PIBs amount to around 88% from 96% on average basis. Investor concentration witnessed a slight improvement, with top 10 investors accounting for 96% of AUMs from 100% last year, albeit the risk remains high.

Credit Quality:

Exposure in 'AAA' rated instruments was diluted to 71%, while exposure in below 'A+' rated security stood at 12% in FY22 (FY21: 16%), however, increasing to ~20% on average over the last 12 months till Oct 2022.

Table 3: Actual Credit Quality

| Credit Quality | Average | Max | Min |
|----------------|---------|-----|-----|
| AAA | 71% | 90% | 52% |
| AA+ | 8% | 42% | 1% |
| AA | 3% | 29% | 0% |

| | | | |
|------------|----|-----|----|
| AA- | 6% | 41% | 0% |
| A+ | 3% | 33% | 0% |
| A | 0% | 0% | 0% |
| NR | 9% | 19% | 0% |

Modified Duration:

To minimize losses in case of any adverse movement in discount rate, weighted average maturity (WAM) of the fund is capped at 5 years; while modified duration cannot exceed 3 years as per the IPS. Maturity of a single asset in the portfolio cannot exceed 10 years. WAM of the portfolio stands at 1.29 years, fairly in line with the standards.

Fund Performance:

The performance benchmark of the fund would be 70% average 6 month PKRV plus 3 month average deposit rate of 3 banks having A+ or above. The fund generated an annual return of 8.71% against the benchmark return of 10.67%, underperforming by almost 2%. Fund underperformed throughout the year except for Aug'21 and Mar'22.

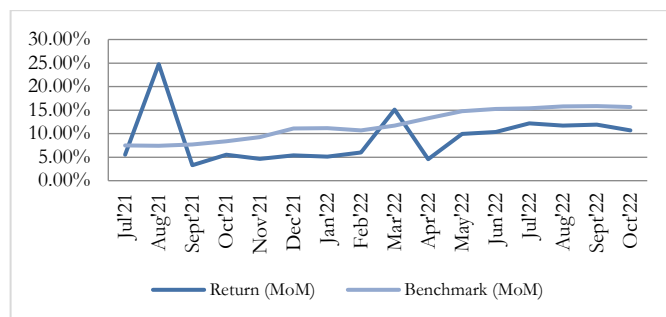


Table 4: Fund Performance

| Performance | FY20 | FY21 | FY22 |
|---------------------------|--------|-------|--------|
| Total Return | 14.02% | 3.29% | 8.71% |
| Peer Ranking | 16/30 | 31/31 | 15/33 |
| Benchmark Return | 12.07% | 7.28% | 10.67% |
| Peer Group Average | 12.95% | 5.81% | 5.67% |

However, the fund outperform its peer average of 5.67%. On the basis of YTD, the fund was ranked 15th out of 33 funds. Improvement and sustainability of fund performance will remain important for ratings, going forward.

| FINANCIAL SUMMARY | | | |
|--|-------------|-------------|----------------|
| <i>(Amounts in PKR millions)</i> | | | |
| <u>BALANCE SHEET</u> | FY21 | FY22 | *1QFY23 |
| Paid Up Capital | NA | NA | NA |
| Total Equity | NA | NA | NA |
| <u>INCOME STATEMENT</u> | | | |
| Total income | 13.6 | 14.7 | 1.6 |
| Profit Before Tax | 7.5 | 10.1 | 1.0 |
| Profit After Tax | 7.5 | 10.1 | 1.0 |
| <u>RATIO ANALYSIS</u> | | | |
| Net Cash Generated from Operating Activities | 81.3 | 146.2 | 15.1 |
| Current Ratio (x) | NA | NA | NA |
| Gearing (x) | NA | NA | NA |

*Un-audited account

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix I

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: FUND STABILITY RATING SCALE

AAA(f)

Highest degree of stability in NAV. Risk is negligible with very low sensitivity to changing economic conditions

AA+(f), AA(f), AA-(f)

High degree of stability in NAV. Risk is modest but may vary slightly from time to time because of changing economics conditions

A+(f), A(f), A-(f)

Moderate degree of stability in NAV. Risk factors may vary with possible changes in the economy

BBB+(f), BBB(f), BBB-(f)

Adequate degree of stability in NAV. Risk factors are considered variable if changes occur in the economy

BB+(f), BB(f), BB-(f)

Low degree of stability in NAV. Risk factors are sensitive to changes in the economy

B(f)

Very low degree of stability in NAV. Risk factors are capable of fluctuating widely if changes occur in the economy

The FSR scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer ratings.

FSRs may be placed under 'Rating-Watch' if VIS views that the status of the assigned rating is uncertain and there are conditions present that necessitate re-evaluation of the assigned rating. VIS also designates direction, Positive, Negative or Developing, to ratings placed under 'Rating-Watch'. This shows VIS's opinion regarding the likely direction of a rating. Developments in factors other than those that necessitated the 'Rating-Watch' may result in a rating change, while the rating continues to be placed under 'Rating-Watch'.

| REGULATORY DISCLOSURES | | Appendix | | | |
|-------------------------------------|---|-----------------------|--------------------|----------------------------|----------------------|
| Name of Rated Entity | Askari Sovereign Yield Enhancer | | | | |
| 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 | 01/04/2023 | AA-(f) | Upgraded |
| | | 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 |
| Instrument Structure | N/A | | | | |
| 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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