

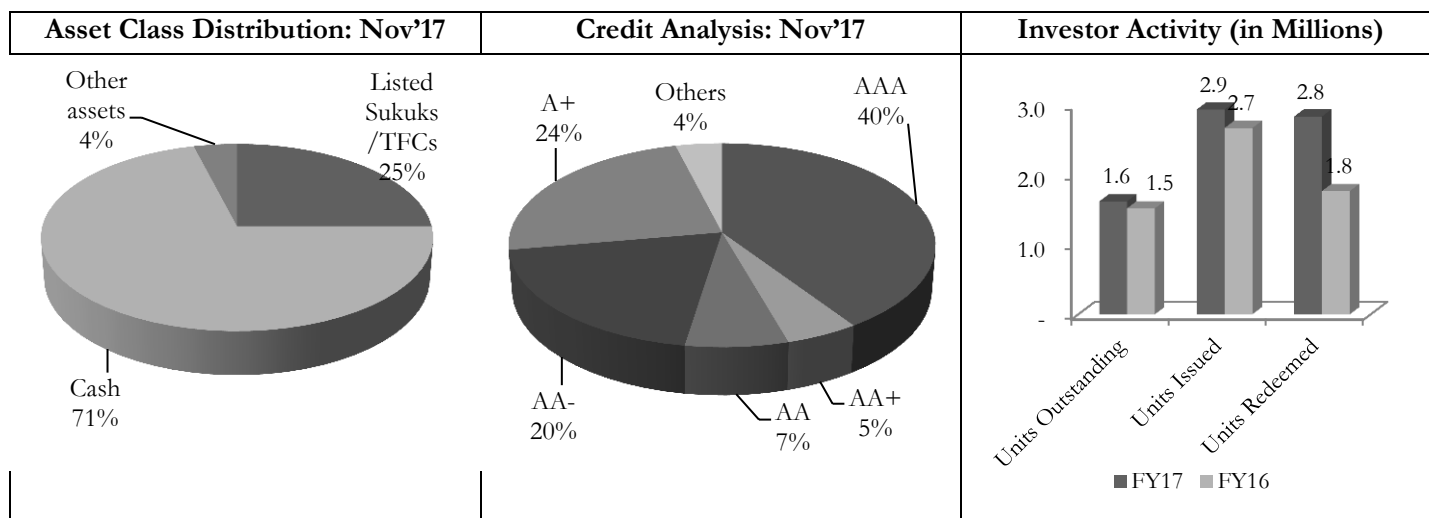
Date: January 8, 2018

Analysts: Talha Iqbal
 Mohammad Ibad Desmukh

Investment Objective

To provide a competitive rate of return to its investors by investing in quality TFCs/Sukuk, Government Securities, Bank Deposits and short and long term debt instruments.

UBL Income Opportunity Fund (Formerly UBL Financial Sector Bond Fund)		
Rating Category	Latest	Previous
Fund Stability Rating	A-(f) <i>Dec 29, 2017</i>	A-(f) <i>Dec 30, 2016</i>
Management Company	UBL Fund Managers Limited	
Fund Manager	Mr. Syed Sheeraz Ali	
External Auditors – Fund	Ernst & Young Ford Rhodes Sidat Hyder & Co.	
Trustee	Central Depository Company	
Front-end Load	1.5%	
Management Fee	1.5% p.a.	
Benchmark	Average of 6M KIBOR rates	



UBL Income Opportunity Fund (UIOF) is designed as an income fund with an objective of generating competitive returns primarily through investment in cash & near cash instruments, government securities, bank deposits and TFC/Sukuk.

Net assets of the fund increased to Rs. 300m by end-August 2016, though subsequently declining to Rs. 177m at end-FY17. Fund size further reduced to Rs. 147m by end-November 2017.

In 2017, there have been certain amendments in the Investment Policy Statement (IPS) of UIOF. These changes have become effective in July 2017. Cap of 30%

has been added on exposure in other securities. Credit risk exposure is capped at ‘A’ rated instruments apart from TFC/Sukuk where credit risk exposure is capped at ‘AA’ or higher. The asset allocation limits of the fund are as follows:

Table 1: Investment Policy Statement

	Minimum Exposure	Maximum Exposure
Cash & Equivalents	25%	100%
GOP Securities	0%	100%
TDR	0%	75%
TFCs	0%	50%
Spreads	0%	40%

Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS Credit Rating Company Limited (JCR-VIS) does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-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 in this report. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. JCR-VIS is paid a fee for most rating assignments. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. Copyright 2018 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.

Actual asset allocation has been in-line with the investment policy during the review period. During FY17, the fund reduced PIB exposure to nil while it increased its cash holdings. Over the course of the year, the fund also increased its investment in listed TFCs/Sukuk. Given the asset allocation, with cash holdings averaging more than a third of the funds exposure over the year, credit risk exposure is considered manageable.

Table 2: Actual Asset Allocation

	End-June 2017	Average FY17
Sukuk/TFCs	17%	8%
Cash	80%	84%
Others	3%	3%
PIBs	0%	6%

Weighted Average Maturity (WAM) of the fund’s assets has been capped at 4 years (excluding government securities), whereas duration of the fund can extend up to 1.5 years, signifying fund’s ability to assume moderate interest rate risk. A single breach of the duration limit of 1.5 years was noted based on month-end duration. The same has declined to 0.04 years at end-June’2017.

The fund’s return has been benchmarked against 6 month KIBOR. The fund underperformed its benchmark during FY17 with actual return of 4.73% against a benchmark of 5.91%.

With exposure of the fund primarily in liquid avenues, liquidity profile of the fund is considered adequate. At end-June 2017, top-10 investors held 91.2% of the outstanding units JCR-VIS

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
		<u>RATING TYPE: Fund Stability</u>		
29-Dec-17	A-(f)			Reaffirmed
30-Dec-16	A-(f)			Reaffirmed
07-April-16	A-(f)			Initial