

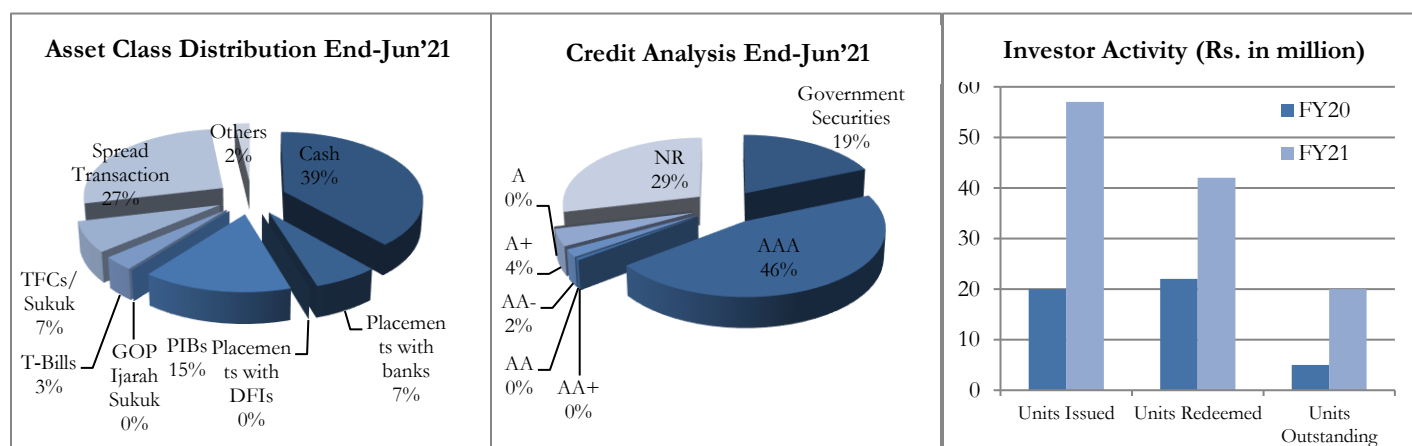
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Investment Objective

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

UBL Income Opportunity Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA-(f)	AA-(f)
	Jan 13, '22	Jan 6, '21
AMC	UBL Fund Managers Limited	
External Auditors – Fund	Ernst & Young Ford Rhodes Sidat Hyder & Co	
Trustee	Central Depository Company Ltd	
Front-end Load	1.5%	
Back-end Load	Nil	
Management Fee	10% of gross earnings (with min fee of 0.25% and max of 1.5% p.a)	
Benchmark	Average of 6M KIBOR rates	



UBL Income Opportunity Fund (UIOF) is an open-ended income fund with the objective of providing its investors with competitive returns through investments in short and long term debt instruments including government securities, bank deposits and Sukuks.

Net assets of the fund witnessed two folds growth with net assets recording at Rs. 2.02b at year end FY21 against Rs. 607m at the end of FY20. The growth momentum has continued in the ongoing year.

In addition to the credit quality metrics prescribed in the Offering Document, management has adopted a more conservative policy and defined thresholds in their internal investment policy whereby exposures are limited to 'A-' and above rated avenues while maximum duration is benchmarked at 1.25 years.

Offering document (extract)

Description	Minimum rating	Min-Max Limits
Government Securities	NA	0%-100%
Debt Securities including TFCs, Sukuks & Commercial Paper	AA & above	0%-75%
Debt securities including TFCs, Sukuks & Commercial paper	A-to AA-	0%-10%
Term Deposit Receipts less than 6 months	IG & above	0%-75%
Term Deposit Receipts above 6 months	IG & above	0%-15%
MTS & Spread Transaction	NA	0%-40%
Cash & Near Cash instruments which include cash in bank account (excluding TDRs), T-Bills & GoP Ijara Sukuk not exceeding 90 days maturity*	IG & above	25%-100%
Non-traded securities including Reverse Repo, Bank Deposits, Money Market Placements, Certificate of Investments (COIs), Certificate of Musharka (COM), Certificate of Deposit (COD) less than 6 months	IG & above	0%-75%
Non-traded securities including Reverse Repo, Bank Deposits, Money Market Placements, Certificate of Investments (COIs), Certificate of Musharka (COM), Certificate of Deposit (COD) above 6 months	IG & above	0%-15%
Any other securities or Instruments that may be permitted or approved under SECP Rules & Regulations or any other directive from time to time	IG & above	0%-30%

*on calendar year basis

Asset Allocation:

Table 2: Asset Class Distribution:

Asset Allocation	Avg'20	Avg'21	Jun' 21
Cash	44%	26%	39%
T-bills	21%	14%	3%
PIBs	12%	23%	15%
Placement with Banks/DFIs	6%	1%	7%
TFCs/Sukuk	6%	5%	7%
Spread transactions	1%	15%	27%
Others	10%	16%	2%
Total	100%	100%	100%

During FY21, the fund's asset allocation was in compliance with the standards specified in the Offering Document (OD). The fund's major holding on average during the year was engrossed in T-Bills and PIBs at 40% which reduced to 18% towards year end. Cash holdings on average accounted for 26% of the portfolio which depicted increase to 39% at June end '21. Spread exposure recorded a larger share of asset allocation relative to previous year, however remained limited to spread transactions. Maximum exposure in spread transactions was recorded at 35% in Feb 2021, within the 40% threshold prescribed in OD. Higher other receivables reflect amounts outstanding at month end against either spread transactions or sale of T-bills under T+2 settlement.

Credit Quality:

Table 3: Credit Quality

Credit Quality	Average	Maximum	Minimum
AAA	50%	81%	20%
AA+	3%	12%	1%
AA	2%	4%	0%
AA-	13%	39%	1%
A+	1%	4%	0%
NR	31%	47%	12%

In order to cater to its mandate, the fund is required to invest in instruments that have a minimum credit quality rating of 'A-' or higher. The fund majorly complied with the requirements of the offering document. Higher exposures in spread transactions was noted during the year, which

deviates from the benchmarks for the assigned rating. However, ratings are supported at existing level on account of low risk in spread transactions concentrated in mainly blue chip scrips.

Market Risk:

Weighted average time to maturity of the net assets shall not exceed 4 years and this condition shall not apply to securities issued by federal government. During FY21 maximum WAM was reported at 2.07 years. Duration is also internally capped at 1.25 years against which average modified duration was recorded at 64 days, well within the benchmark for assigned rating.

Liquidity:

Liquidity profile is adequate with 64% of assets invested in liquid securities mainly cash and government securities. Retail proportion in the fund accounts for 76% while top 10 investor concentration at 41% is on the higher side. Ability of the fund to meet redemptions is considered adequate.

Fund Performance:

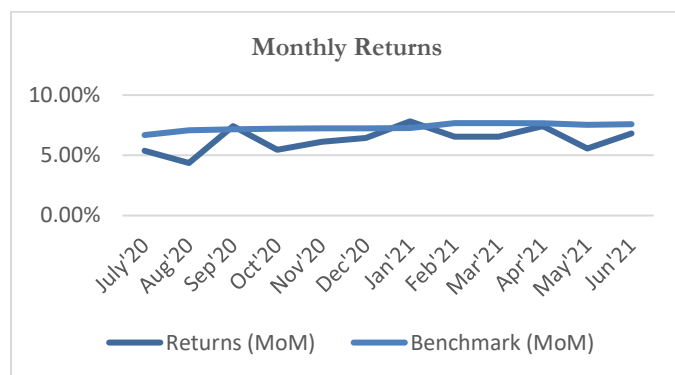


Table 5: Fund Performance:

Performance	FY20	FY21
Total Return	15.78%	6.37%
Benchmark Return	12.10%	7.31%
Peer Average	13.33%	5.85%
Peer Ranking	10/31	16/31

The fund during the outgoing year underperformed against its benchmark rate although against its peer average, returns were higher. In terms of relative ranking, the fund slipped

to 16th position of the 31 in the peer group. The fund was in the second quartile as of June '21 end. In the ongoing year, fund performance depicts a decline. Improvement in fund performance will be important for rating going forward.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	13-Jan-2022	AA-(f)	Reaffirmed
Fund Stability	6-Jan-2021	AA-(f)	Upgrade
Fund Stability	16-Oct-2020	A(f)	Upgrade
Fund Stability	31-Dec-2019	A-(f)	Reaffirmed
Fund Stability	31-Dec-2018	A-(f)	Reaffirmed
Fund Stability	29-Dec-2017	A-(f)	Reaffirmed
Fund Stability	30-Dec-2016	A-(f)	Reaffirmed
Fund Stability	07-April-2016	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	105	123
Profit Before Tax	92	95
Profit After Tax	91	93
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A