

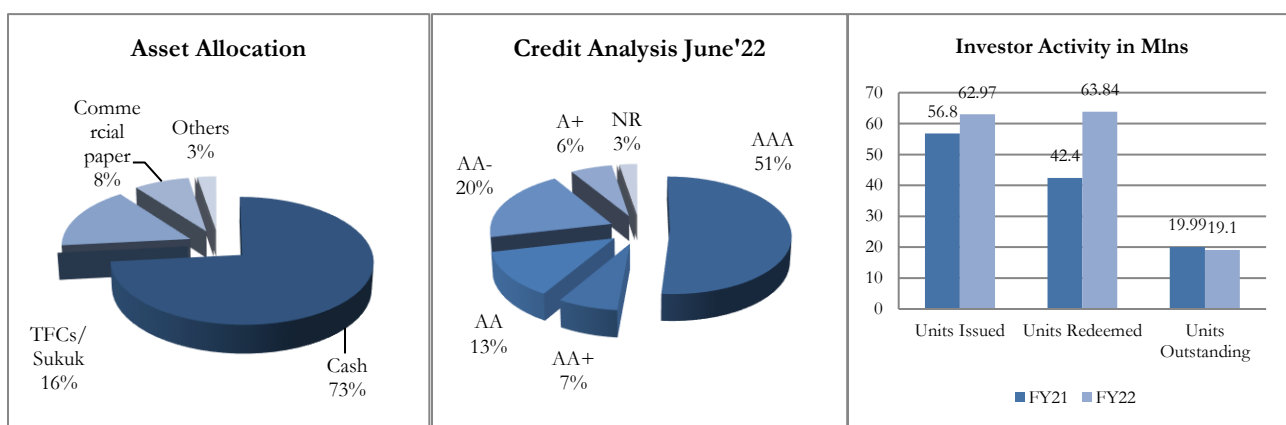
Date: December 29, 2022

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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)
	Dec 29, '22	Jan 13, '22
AMC	UBL Fund Managers Limited	
External Auditors – Fund	BDO Ebrahim & Co.	
Trustee	Central Depository Company Ltd	
Front-end Load	Upto 1.5%	
Back-end Load	Nil	
Management Fee	Upto 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 slightly decreased from Rs. 2.2 at year-end FY21 to Rs. 2.11b at year-end FY22. Fund size at end-Oct'22 was reported at Rs. 2.04b.

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 180 days.

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'21	Avg'22	Jun' 22
Cash	26%	41%	73%
T-bills	14%	21%	0%
PIBs	23%	15%	0%
Placement with Banks/DFIs	1%	3%	0%
TFCs/Sukuk	5%	12%	16%
Spread transactions	15%	2%	0%
Commercial Paper	0%	2%	8%
Others	16%	4%	3%
Total	100%	100%	100%

During FY22, the fund's asset allocation was majorly in compliance with the standards specified in the Offering Document (OD). The fund's major holding on average during the year was engrossed in cash at 41% and T-Bills and PIBs at 36% cumulatively. TFCs recorded a larger share of asset allocation relative to previous year, however remained limited to requisites outlined in the OD. Maximum exposure in TFCs was recorded at 16.30% in June 2022.

Credit Quality:

Table 3: Credit Quality

Credit Quality	Average	Maximum	Minimum
AAA	60%	81%	33%
AA+	5%	7%	2%
AA	8%	46%	0%
AA-	10%	27%	0%
A+	11%	29%	3%
NR	6%	29%	3%

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 'A+' instruments was noted during the year (Nov'21 till Feb'22), which deviates from the criteria (equal to or less than 15%) for the assigned rating.

Market Risk:

Weighted average time to maturity of the net assets as per IPS shall not exceed 4 years and this condition shall not apply to securities issued by federal government. During FY22 maximum WAM was reported at 1.28 years. Duration is also internally capped at 180 days against which average modified duration was recorded at 58 days in FY22, well within the benchmark for assigned rating.

Liquidity:

Liquidity profile is adequate with 87% of assets invested in liquid securities mainly cash and government securities. The same depicts adequate ability of the fund to meet redemptions. Retail proportion in the fund accounts for 84% while top 10 investor concentration at 35% is on the moderate side.

Fund Performance:

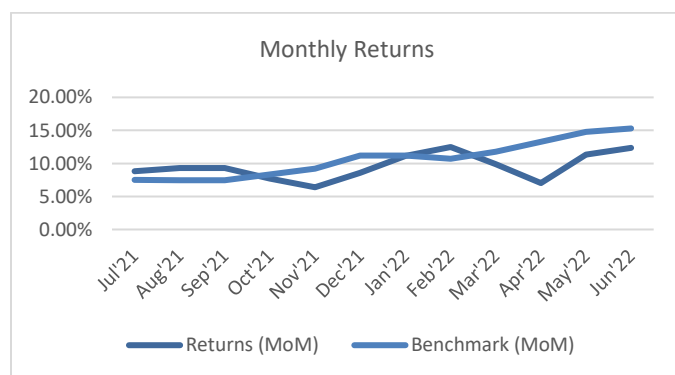


Table 5: Fund Performance:

Performance	FY21	FY22
Total Return	6.37%	9.20%
Benchmark Return	7.31%	10.69%
Peer Average	5.85%	9.38%
Peer Ranking	16/31	19/30

The fund during the outgoing year underperformed against its benchmark rate and the peer average. In terms of relative ranking, the fund's position went down to 19th of 30 in the peer group. The fund was in the third quartile in FY22. Improvement in fund performance will be important for rating going forward.

BALANCE SHEET	FY21	FY22
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
<u>INCOME STATEMENT</u>		
Total Income	123	274
Profit Before Tax	93	245
Profit After Tax	93	245
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A

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 Fund	UBL Income Opportunity Fund		
Sector	Mutual Funds		
Type of Relationship	Solicited		
Purpose of Rating	Fund Stability Rating (FSR)		
Rating History	Rating Date	Medium to Long Term	Rating Action
	29-Dec-2022	AA-(f)	Reaffirmed
	13-Jan-2022	AA-(f)	Reaffirmed
	6-Jan-2021	AA-(f)	Upgrade
	16-Oct-2020	A(f)	Upgrade
	31-Dec-2019	A-(f)	Reaffirmed
	31-Dec-2018	A-(f)	Reaffirmed
	29-Dec-2017	A-(f)	Reaffirmed
	30-Dec-2016	A-(f)	Reaffirmed
07-April-2016	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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