

UBL Income Opportunity Fund (UIOF)

Managed By: UBL Fund Manager Limited

Fund Stability Rating

Latest Rating

AA-(f)
29-Dec-23

What is Fund Stability Rating

Fund Stability Rating (FSR) is a measure used to assess the stability and risk associated with a mutual fund or investment portfolio. The stability rating combines a comprehensive quantitative evaluation of the fund's portfolio with a qualitative assessment of fund management. This rating offers investors an impartial gauge of the primary areas of risk that income funds may face, including credit risk, liquidity risk, and interest rate risk.

Fund Information

Auditor	BDO Ebrahim & Co.
Trustee	Central Depository Company of Pakistan Limited
Front-end Load	Upto 1.5%
Back-end Load	Nil
Benchmark	Average of 6M KIBOR rates
MQR Rating	AM1 (VIS)
Mgt. Fee	Up to 2.5% of daily net assets not to exceed max. TER regulatory limit

Fund Overview

UBL Income Opportunity Fund (the Fund) is an open-end, income fund constituted under a Trust Deed entered into on March 29, 2013, between UBL Fund Managers Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

Investment Objective

The investment objective of the Fund is to provide a competitive rate of return to its investors by investing in quality TFCs / Sukuks, Government Securities, Bank Deposits, and short and long term debt instruments.

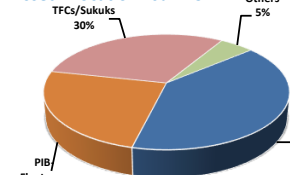
Offering Document (Extract)

Description	Minimum rating	Min- Max Limits
Government Securities	N/A	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	Investment Grade & Above	0%-75%
Term Deposit Receipts above 6 months	Investment Grade & Above	0%-15%
MTS & Spread Transaction	N/A	0%-40%
Cash and Near Cash instruments which include cash in bank account (excluding TDRs), Treasury Bills & GoP Ijara Sukuk not exceeding 90 days maturity	Investment Grade & Above	25%-100%
Non-Traded Securities including Reverse Repo, Bank Deposits, Money Market Placements, Certificate of Investment (COI), Certificate of Musharka (COM), Certificate of Deposit (COD) less than 6 months	Investment Grade & Above	0%-75%
Non-Traded Securities including Reverse Repo, Bank Deposits, Money Market Placements, Certificate of Investment (COI), Certificate of Musharka (COM), Certificate of Deposit (COD) above 6 months	Investment Grade & 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.	Investment Grade & Above	0%-30%

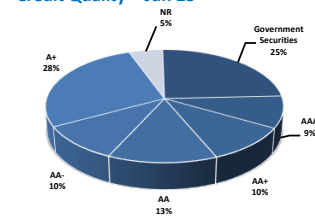
Net Assets

	Jun'21	Jun'22	Jun'23
Net Assets (In PKR' Millions)	2,204	2,111	668

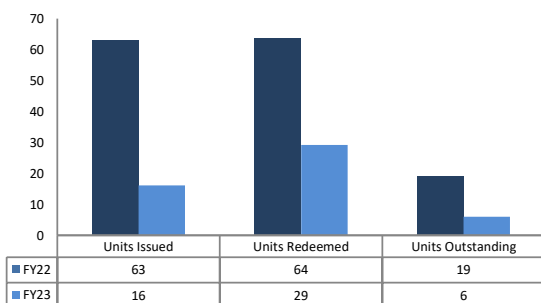
Asset Allocation - Jun'23



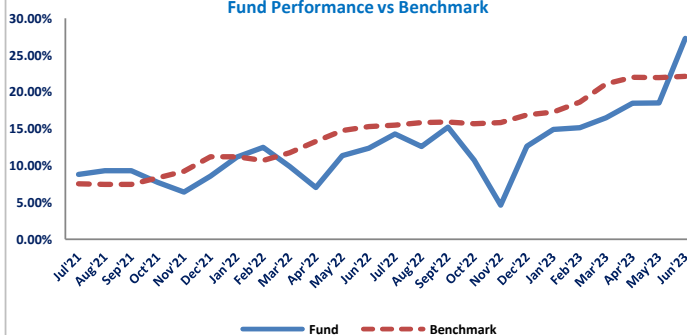
Credit Quality - Jun'23



Investor Activity (Units in Mn.)



Fund Performance vs Benchmark



Credit Quality (FY'23)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'22 Avg.	FY'23 Avg.
Government Securities	38.78%	66.10%	24.52%	Cash	41.54%	29.55%
AAA	6.01%	9.15%	3.13%	Commercial Papers	1.21%	2.81%
AA+	12.43%	23.86%	7.35%	T-Bills	21.21%	8.79%
AA	7.16%	13.11%	1.73%	Placement with Banks	3.33%	2.33%
AA-	16.46%	38.94%	5.44%	PIB-Fixed	0.00%	1.91%
A+	14.39%	27.40%	6.37%	PIB-Floaters	14.79%	28.08%
A	0.00%	0.00%	0.00%	Spread Transaction	1.97%	0.09%
A-	0.00%	0.00%	0.00%	TFCs/Sukuks	11.93%	21.79%
BBB+	0.00%	0.00%	0.00%	Others	4.03%	4.65%
BBB	0.00%	0.00%	0.00%			
BBB-	0.00%	0.00%	0.00%			
NR*	4.77%	7.19%	2.30%			

*Non-rated includes receivables/accruals from securities having a credit rating of not less than A+

Portfolio Maturity (FY'23)	Average	Maximum	Minimum	Fund Performance	FY'22	FY'23
WAM in year(s)	1.76	2.97	1.00	Total Return	9.20%	16.13%
Duration (In Days)	62	193	22	Benchmark Return	10.69%	18.21%
				Peer Average	9.38%	16.72%
				Peer Ranking	19/30	17/24

Fund Stability Analysis

The UBL Income Opportunity Fund has been assigned a rating of AA-(f) for fund stability. This rating indicates a high degree of stability in Net Asset Value (NAV) with a modest level of risk that may vary slightly due to changing economic conditions.

Asset Allocation:

Asset Under Management (AUMs) of the fund has abridged significantly and stood at Rs. 668m (June'22: Rs. 2.1b) as at June'23. The fund failed to comply as per the Investment Policy Statement with minimum cash and near cash requirement of 25% as it breached the aforementioned stipulation on two occasions – Jul'22 and Nov'22. On monthly average basis, the fund's investment were majorly engrossed in cash (29.6%), PIB-Floater (28.1%) and TFCs/Sukuks (21.8%).

Credit Quality:

The fund has also adhered to the minimum rating as stipulated in the Offering Document. The fund holds a significant proportion of assets in investment-grade with highest allocation on monthly basis are AAA (44.8%), AA+ (12.4%), AA- (16.5%) and A+ (14.4%).

Market and Liquidity Risk:

The Weighted Average Maturity (WAM), as stipulated in the Investment Policy Statement (IPS), must not surpass 4 years, with an exemption granted to securities issued by the federal government. The maximum WAM stands at 2.97 years in June'23. The Duration has also adhered to the prescribed threshold, not exceeding 180 days.

A predominant 79.9% of the fund's size is attributed to retail portion, while the concentration of the top 10 investors (35.6%) is considered moderate. However, the fund's liquidity has noticeably weakened due to significant shift in investment directed towards TFCs and Sukuks.

Fund's Performance:

During FY23, the fund's return failed to surpass its benchmark and peer average while placed in the third quartile relative to peers.

☐

Financial Snapshot		
BALANCE SHEET	FY22	FY23
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
INCOME STATEMENT	FY22	FY23
Total Income	273.5	232.1
Profit Before Tax	245.1	206.2
Profit After Tax	245.1	206.2
RATIO ANALYSIS	FY22	FY23
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A
FFO	N/A	N/A

Regulatory Disclosures			
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 Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability Rating	29-Dec-23	AA-(f)	Reaffirmed
Fund Stability Rating	29-Dec-22	AA-(f)	Reaffirmed
Fund Stability Rating	13-Jan-22	AA-(f)	Reaffirmed
Fund Stability Rating	6-Jan-21	AA-(f)	Upgrade
Fund Stability Rating	16-Oct-20	A(f)	Upgrade
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.		
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, 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. Copyright 2023 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.		
Rating Methodology	https://docs.vis.com.pk/docs/FundstabilityRating.pdf		
Rating Scale	https://docs.vis.com.pk/docs/VISRatingScales.pdf		

Lead Analyst	Analyst
M. Amin Hamdani	Syed Ilyas Afridi
amin.hamdani@vis.com.pk	ilyas.afridi@vis.com.pk

Note: VIS' mutual fund rating is not a recommendation to buy, sell, or hold any fund, in as much as it does not comment as to suitability for a particular investor.