

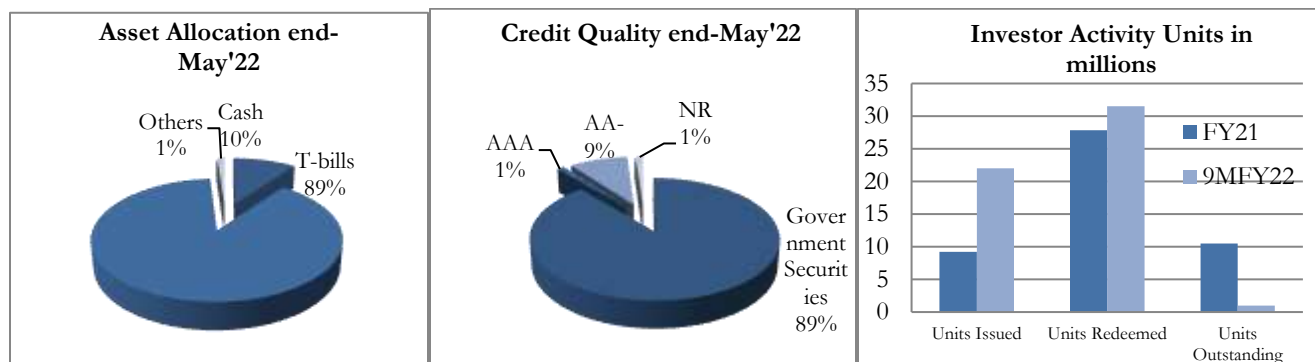
Date: August 1, 2022

Analysts: Syeda Batool Zehra Zaidi

Investment Objective

The objective of the scheme is to provide competitive returns by investing primarily in Government Securities

Faysal Government Securities Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA(f)	AA(f)
	1 Aug, 2022	18 May, 2021
AMC	Faysal Asset Management Company Limited	
External Auditors – Fund	A. F. Ferguson & Co., Chartered Accountants	
Trustee	Central Depository Company of Pakistan Limited	
Front-end Load	Up to 2% of NAV	
Back-end Load	Nil	
Management Fee	Upto 1% of Average Annual N.A. (Actual rate of management fee charged is 0.20%)	
Benchmark	Six Months PKRV Rate	



Faysal Government Securities Fund (FGSF) is an open-ended income fund with an aim to provide competitive returns to its investors by investing in primarily Government Securities.

The fund was launched in March 2020. As per the Offering Document (OD) of the fund, credit exposure has been limited to minimum AA- issue/issuer. Investment Committee (IC) comprises of Chief Executive Officer, Chief Investment Officer, Head of Risk and Director Research. All decisions are consensus based.

During FY22, fund size registered a decline from last year with average fund size of Rs. 525m in FY22 compared to average fund size of Rs 1.9b in FY21. For more than six months of the year, the fund size was about ~Rs. 100m which by end Jun 2022 was recorded slightly higher at Rs. 610m (Jun 21: Rs. 1.05b)

Offering document (extract)

Description	Minimum rating	Min- Max Limits
Government Securities issued and / or Guaranteed by GOP including Reverse Repo against Government Securities.	N/A	70%-100%
Cash in Bank Accounts (excluding TDR) and T-Bills & PIB not exceeding 90 days Maturity	AA-	0% -30%* in case of cash in bank accounts & 0% to 100% in case of T-bills of less than 90 days
Deposit with Scheduled Banks & DFI's including TDR's, Letter of Placement (LOP), Certificate of Deposit (COD) and Certificate of Musharakah (COM)	AA- for Banks and DFIs	0%-30%
Commercial Paper	AA-	0%-20%
TFC	AA-	0%-20%
MTS & Spread Transactions	NA	0%-20%
Any instrument / securities which is an authorized investment under the trust deed or which is allowed by the SECP	AA- or above	As may be allowed by the commission

Asset Allocation:

Table 2: Asset Class Distribution:

Asset Allocation	Average June '21	Average Jun'22	June'22
Cash adjusted for accruals	14.71%	28.53%	84.04%
T-bills	27.84%	50.52%	15.70%
PIBs	52.36%	2.29%	0.00%
Commercial Paper	0.00%	17.13%	0.00%
Others	5.09%	1.53%	0.26%
Total	100%	100%	100%

During FY22, the fund’s asset allocation complied with the standards specified in the OD. The fund’s major holding at end June 2022 was engrossed in cash (84%), which reflects only a year-end position whereby excess liquidity is maintained for possible redemptions. On average basis, for FY22, exposure in cash holdings was around 28% (FY21: 15%). With the shift in shift in yield curve, asset allocation from long-term investment avenues such as PIBs was shifted towards shorter tenor avenues mainly T-Bills. Average allocation in T-Bills in FY22 was recorded at 51% (FY21:28%), while PIBs accounted for 2.2% compared to 52% for last year. The Fund also invested in short term Commercial Paper to earn relatively higher returns without locking in longer tenors.

Credit Quality:

Table 3: Credit Quality

Credit Quality	Average	Maximum	Minimum
AAA	59%	93%	0.00%
AA	18%	85%	0.05%
AA-	22%	87%	0.05%

In order to cater to its mandate, the fund is required to invest in instruments that have a minimum credit quality rating of ‘AA-’ or higher. The fund majorly complied with the requirements of the offering document. During the year, on an average, 59% of the fund’s investment portfolio was held with AAA rated issue/issuer and the remaining was invested in AA (17.8%) and AA- (21.7%) exposures with a fractional investment in unrated instruments. In comparison, in FY21 by virtue of a larger share of PIB investments, credit quality of the portfolio was relatively higher.

Market Risk:

As per internal policy, WAM of the fund is capped at 4 years and target duration of the fund has been capped at 6 months. During the year, FGSF’s WAM and duration remained below the stipulated limits, highest WAM was reported at 142 days at end-April 2022.

Liquidity Profile:

Last year, fund was dominated by few corporates. Outflow of corporate funds in FY22 has reduced the fund size however, improved the overall liquidity profile. As of 9MFY22, the fund had a total of 9 investors, comprising of 8 retail investors and one corporate entity. Nevertheless, the customer base remains small and concentration remains on the higher side.

Fund Performance:

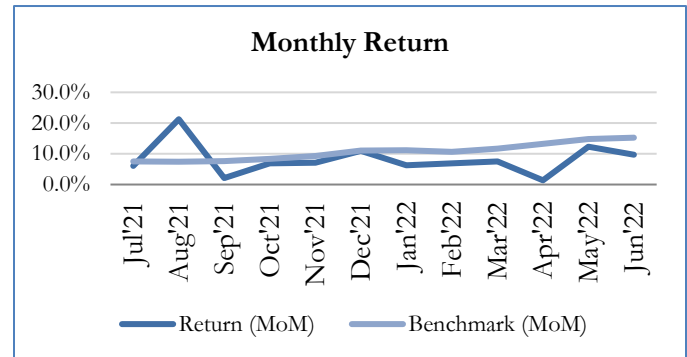


Table 5: Fund Performance:

Performance	FY20	FY21	FY22
YTD Return	N/A	6.80%	8.55%
Peer Ranking*	N/A	NA	28/33
YTD Benchmark Return	N/A	7.28%	10.67%
Peer Average*	N/A	NA	9.43%

*Based of 11MFY22

Benchmark of the fund is based on six-month PKRV rate. Over the past two years, the fund has largely underperformed its benchmark return. FGSF generated an annualized return of 8.55% for FY22, below its benchmark rate and peer average of 10.67% and 9.43% respectively. Relative to peers, the fund was in the fourth quartile based on fund performance.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	08/1/2022	AA(f)	Reaffirmed
Fund Stability	05/18/2021	AA(f)	Initial

<u>BALANCE SHEET</u>	FY21	9MFY22
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
<u>INCOME STATEMENT</u>		
Total Income	138.54	33.76
Profit Before Tax	129.13	34.48
Profit After Tax	129.13	34.48
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A