

Faysal Government Securities Fund (FGSF)

Managed By: Faysal Asset Management Limited

Fund Stability Rating

Latest Rating

AA(f)

28-Oct-24

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

Launch Date	March 16, 2020
Fund Type	Open Ended
Category	Sovereign Income scheme
Risk Profile	Low
Auditor	EY Ford Rhodes
Trustee	Central Depository Company Pakistan Limited
Front-end Load	Upto 2.0% of NAV
Back-end Load	Nil
Benchmark	Six (6) months PKRV Rate
MQR Rating	AM1 (VIS)
Mgt. Fee	Upto 1% of Average Annual N.A. (Actual Rate of Management Fee Charged is 0.50%)

Fund Overview

Faysal Government Securities Fund (FGSF) (the Fund/the Scheme/ the Trust/ the Unit Trust/FGSF) has been established through a Trust Deed (the Deed) dated July 31, 2019 under the Trust Act, 1882, entered into and between Faysal Asset Management Limited, the Management Company, and Central Depository Company of Pakistan Limited, the Trustee.

Investment Objective

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

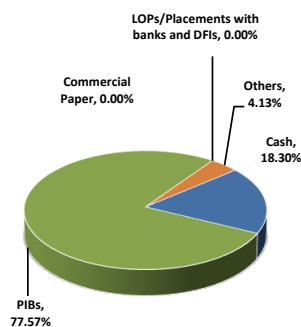
Offering Document (Extract)

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 & GOP Ijara Sukuk 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
Reverse Repo (up to six months only) against Government Securities	N/A	0% to 90%
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% to 30%
Deposits in Current, PLS Saving Deposit, Term Deposits Receipt (TDR), Certificate of Deposits (COD), Certificate of Investments (COI), Certificate of Musharakah (COM), Money Market Placement and Clean Placement with Microfinance Banks	(AA-)	0%-25%
Certificate of Deposits (COD), Certificate of Investments (COI), Certificate of Musharakah (COM), Money Market Placement and Clean Placement with NBFCs and Modarabas	(AA-)	0%-25%
Spread Transactions and MTS as approved by the Stock Exchanges and the SECP;	N/A	0%-20%
Commercial papers	(AA-)	0%-20%
Term Finance Certificates / Sukuk	(AA-)	0%-20%
Authorized investments in overseas markets including mutual funds. Overseas investments would be subject to prior	(AA-)	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 maybe allowed by the Commission

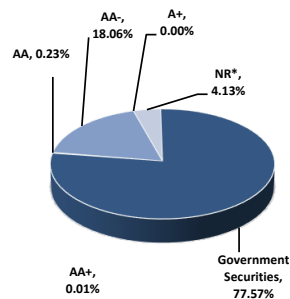
Net Assets

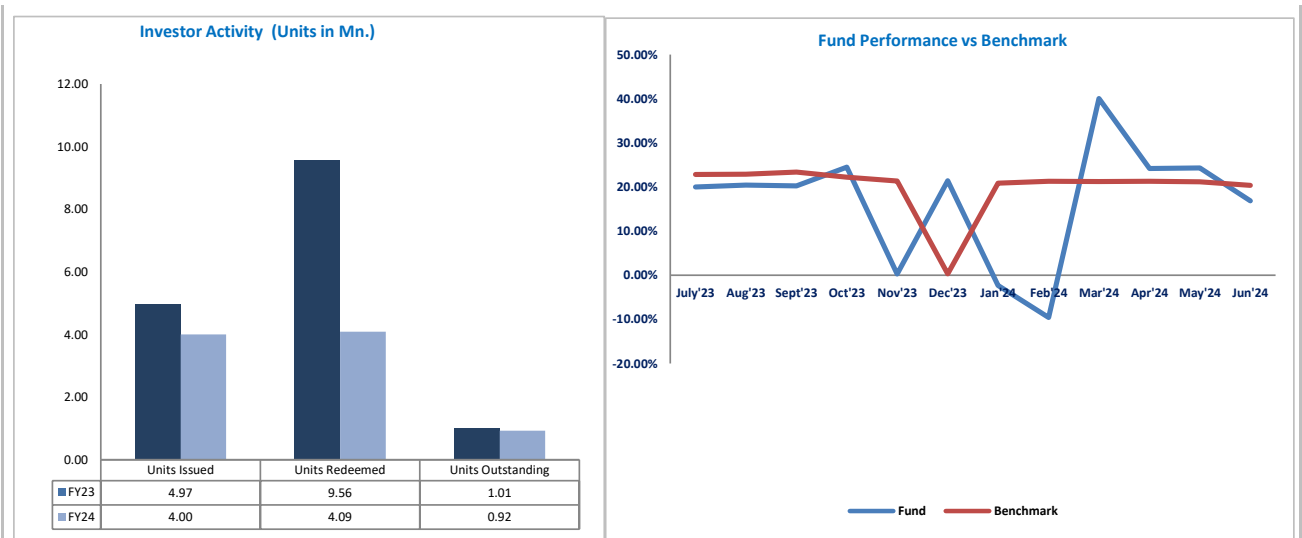
	Jun'22	Jun'23	Jun'24
Net Assets (In PKR' Millions)	610	127	116

Asset Allocation - Jun'24



Credit Quality - Jun'24





Credit Quality (FY'24)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'23 Avg.	FY'24 Avg
Government Securities	54.49%	95.45%	0.00%	Cash	31.81%	42.20%
AAA	0.02%	0.15%	0.01%	T-bills	66.87%	26.40%
AA+	0.02%	0.10%	0.01%	PIBs	0.00%	28.09%
AA	2.49%	22.66%	0.04%	Others	1.72%	3.31%
AA-	39.67%	93.97%	0.70%			
A+	0.00%	0.00%	0.00%			
NR*	3.31%	13.25%	0.93%			

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

Portfolio Maturity (FY'24)	Average	Maximum	Minimum	Benchmark	Fund Performance	Jun'23	Jun'24
WAM in year(s)	1.42	4.69	0.00	4.00	Total Return	15.19%	16.06%
Duration Actual (In Days)	57	110	0	1460	Benchmark Return	18.15%	21.88%
					Peer Average	17.00%	21.47%
					Peer Ranking	6 out of 9	43 out of 44

Fund Stability Analysis

Faysal Government Securities Fund ('FGSF' or 'the fund') has been assigned a fund stability rating of AA(f). This rating indicates a high degree of stability in Net Asset Value; Risk is modest but may vary slightly from time to time because of changing economic conditions.

Asset Allocation:

During the review period, the Assets Under Management (AUM) of the fund has remained stagnant. During the year, the AUM of the Fund dropped to Rs. 6m in Dec'23, before rebounding to Rs. 106m in Jan'24. It has remained at similar levels thereafter, reaching Rs. 116m by Jun'24. As per the offering document (OD), at least 70% of AUMs should be invested in Government Securities. While the Fund adhered to this requirement for most of the year, a breach of the mandate was observed in Nov'23, Dec'23, Jan'24, and Feb'24. On average, investments in government securities remained below the defined threshold, accounting for 54.5% of the Fund's portfolio, with PIBs comprising 26.40% of the investment exposures while T-Bills making up 26.40%. During FY24, the fund shifted its asset allocation strategy to increase its average proportion of cash holdings to 42.20% (FY23: 31.81%), indicating a cautious risk approach.

Credit Quality:

During the review period, the Fund's credit quality exposures remained in line with the parameters as laid out in the offering document, which stipulates investment in instruments rated AA- and above. On average, about 54.5% of exposures were invested in government securities followed by 39.7% of investments in AA-, while remaining exposures were in AA and not rated securities.

Market and Liquidity Risk:

As stated in the Investment Policy Statement (IPS), the Weighted Average to Maturity (WAM) of the fund shall not exceed 04 years and this condition shall not apply to Government Securities. On average, WAM of the Fund stood at 1.42 years, well below the prescribed limit. On the other hand, the average modified duration was reported to be around 57 days.

Liquidity profile of the Fund is considered sound, in view of the quantum of liquid investments. FGSF's clientele is dominated by retail investors, representing nearly 94.4% of the Fund's AUM. Additionally, client concentration is considered high, given top ten investors accounted for 99.99% of the fund's portfolio.

Fund Performance:

During FY24, the Fund has underperformed both its benchmark and peer average, with negative returns reported in Jan'24 and Feb'24. The Fund is placed in the fourth quartile relative to peers.

Financial Snapshot

	FY23	FY24
BALANCE SHEET		
Paid Up Capital	-	-
Total Equity	-	-
INCOME STATEMENT	FY23	FY24
Total Income	16.5	N/A
Profit Before Tax	14.6	N/A
Profit After Tax	14.6	-
RATIO ANALYSIS	FY23	FY24
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A
FFO	N/A	N/A

Regulatory Disclosures			
Name of Rated Fund	Faysal Government Securities 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	28/10/2024	AA(f)	Reaffirmed
Fund Stability	4/10/2023	AA(f)	Reaffirmed
Fund Stability	1/8/2022	AA(f)	Reaffirmed
Fund Stability	18/05/2021	AA(f)	Initial
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.		
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Rating Scale	https://docs.vis.com.pk/docs/VISRatingScales.pdf		

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