

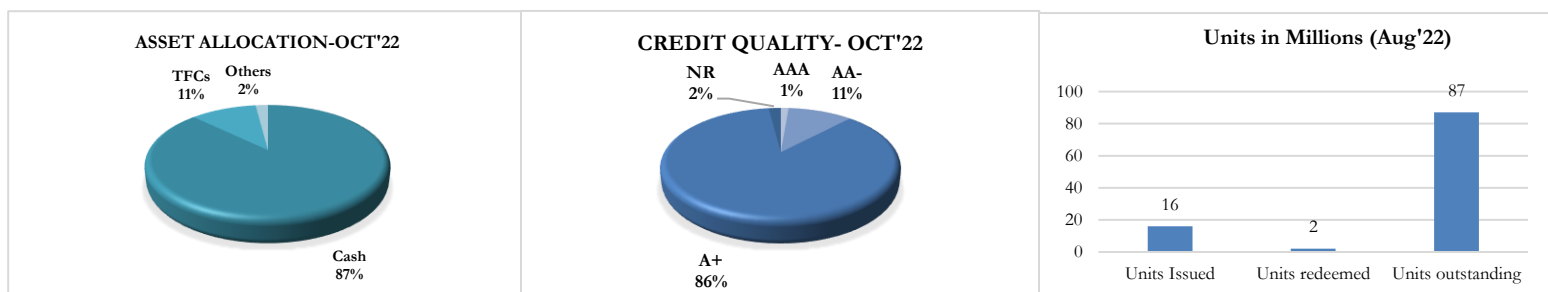
Date: December 30, 2022

Analyst: Asfia Aziz

Investment Objective

To generate returns through investment in strategic and financially sustainable social initiatives such as women empowerment, agriculture value chains, micro small medium enterprises development, and low-cost renewable energy etc. via microfinance banks/institutions/providers.

NIT Social Impact Fund	
Rating Category	Initial
Fund Stability Rating	A+(f)
	<i>December 30, 2022</i>
Asset Management Company	NIT Limited
External Auditor - Fund	A.F Ferguson & Co.
Fund Manager	Khurram Aftab
Head of Fixed Income	Shoaib A. Khan
Trustee	Central Depository Company
Front-end Load	Class A Units: Nil Class B Units: Up to 2% of NAV
Back-end Load	Class A Units: 3% for redemption during first year of investment & 1.5% for the second year of investment Class B Units: Nil
Management Fee	10% of gross earnings (subject to minimum 0.5% p.a and maximum 1.25% p.a of average annual net assets)
Benchmark	Average 6-month KIBOR



NIT Social Impact Fund (NIT - SIF) is an open-ended microfinance sector income fund scheme launched in May 2022 managed by National Investment Trust Limited (NIT). The fund's objective is to maximize financial returns for its impact investors by leveraging on the strength of rated asset pool of micro-finance sector.

Investment decisions for the fund are made by the Investment Committee (IC) comprising of MD, COO, Head of Finance, Head of Fixed Income, Head of Research, Fund Manager, Head of Compliance and Risk Management department. As of Oct'22, net assets under management grew to Rs. 1.1b (May'22: Rs. 737m) with further growth envisaged over the rating horizon.

Table 1: Offering Document (extract)

	Limits (%)	Min. Rating	Max Maturity
Investment in Micro Finance Sector			
TDRs	0% - 50%	BBB	6 months
Money Market Instruments e.g. COIs, LOPs, CODs	0% - 70%		6 months
Commercial Papers	0% - 50%		12 months
Reverse Repo against Government Securities	0% - 30%		6 months
Reverse Repo against authorized debt securities	0% - 15%		6 months
All categories of Debt Securities e.g. TFCs, Sukuks	0% - 70%		10 years
Investment in social impact instruments issued by other FIs			
Green Bonds and/or Social Impact Instruments issued by Financial Institutions	0% - 30%	BBB	4 years
Investment in cash and near cash instruments			

Cash in Bank (including microfinance banks) Accounts (Excluding TDR) and other near cash instruments like T-Bills and GOP Ijara with maturity not exceeding 90 days	25% - 100%	BBB	90 days
Investment in other instruments			
Govt. Securities: Pakistan Investment Bonds, Treasury Bills, GOP Ijara Sukuks and other Government Securities	0% - 30%	n/a	n/a
Debt Securities issued by provincial/ local governments, or government agencies or government owned/controlled entities	0% - 30%	n/a	n/a

Asset Allocation:

The scheme aims to deploy assets in TDRs, Money Market Placements (COIs, LOPs, CODs), Commercial Papers, Repo/Reverse Repo, TFCs/Sukuks with all microfinance banks, Social Impact Instruments issued by other FIs and Government Debt Securities. During the previous four months, the fund's actual asset allocation majorly remained compliant to the requisites of the offering document. On a six-month average since inception, 92% of the fund's investment portfolio remained in cash balances, with the remainder deployed in TFC (U Microfinance Bank TFC rated as AA-).

Table 2: Actual Asset Allocation

Asset Allocation	Oct'22	6M Average Since Inception
Cash	87.3%	92.2%
TFCs	10.7%	5.9%
Others	2.0%	1.9%

Credit Quality:

The fund's operational policy requires it to invest in instruments and investment avenues rated at least 'BBB'. Since its inception, credit quality requirements have remained consistent with the operational policy, with the majority of the fund's size concentrated in 'A+' rated issue/issuers.

Table 3: Actual Credit Quality

Credit Quality	6M Average Since Inception	Max	Min
AAA	1.38%	3.3%	0.0%
AA+	-	-	-
AA	-	-	-
AA-	5.9%	14.3%	-
A+	91.5%	99.2%	80.3%
Other Assets	1.7%	2.5%	0.8%

Modified Duration:

As per IPS, weighted average maturity (WAM) of the fund shall not exceed 4 years other than government securities; while in terms of single asset, the criteria is given in the table above. On average WAM of the fund for the past six months since inception stood at 60 days, which is consistent with the investment policy.

Liquidity:

As of end-Sep'22, the fund had 190 investors, 96% of whom were retail investors and the rest included corporates and related party associates. Top-10 investors AUMs constituted ~79% of total investment portfolio, indicating high concentration risk; however, given that majority of the assets are placed in cash balances, ability to meet redemptions is considered sound.

Fund Performance:

Performance of the fund is benchmarked against average 6-month KIBOR. As of end-Oct'22, the fund had a YTD return of 15.4%, outperforming its benchmark and all other peers (ranking 9 out of a total of 34 funds in income fund category). The fund's performance against its benchmark and peer average will continue to be important for the rating in the future.

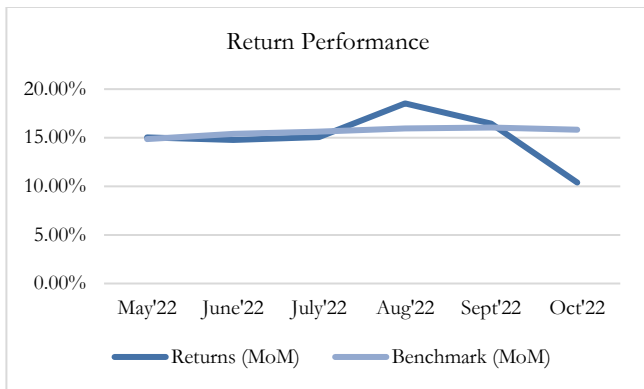


Table 4: Fund Performance

Performance	Oct'22 (YTD)
Total Return	15.4%
Peer Ranking - YTD	9 out of 34
Benchmark Return	15.9%
Peer Group Average – YTD	14.1%

BALANCE SHEET		Oct'22
Paid Up Capital		NA
Total Equity		NA
INCOME STATEMENT		
Total income		NA
Profit Before Tax		NA
Profit After Tax		NA
RATIO ANALYSIS		
Net Cash Generated from Operating Activities		NA
Current Ratio (x)		NA
Gearing (x)		NA

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	NIT Social Impact Fund			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Fund Stability Rating (FSR)			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	30-Dec-22	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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