

Date: July 13, 2018

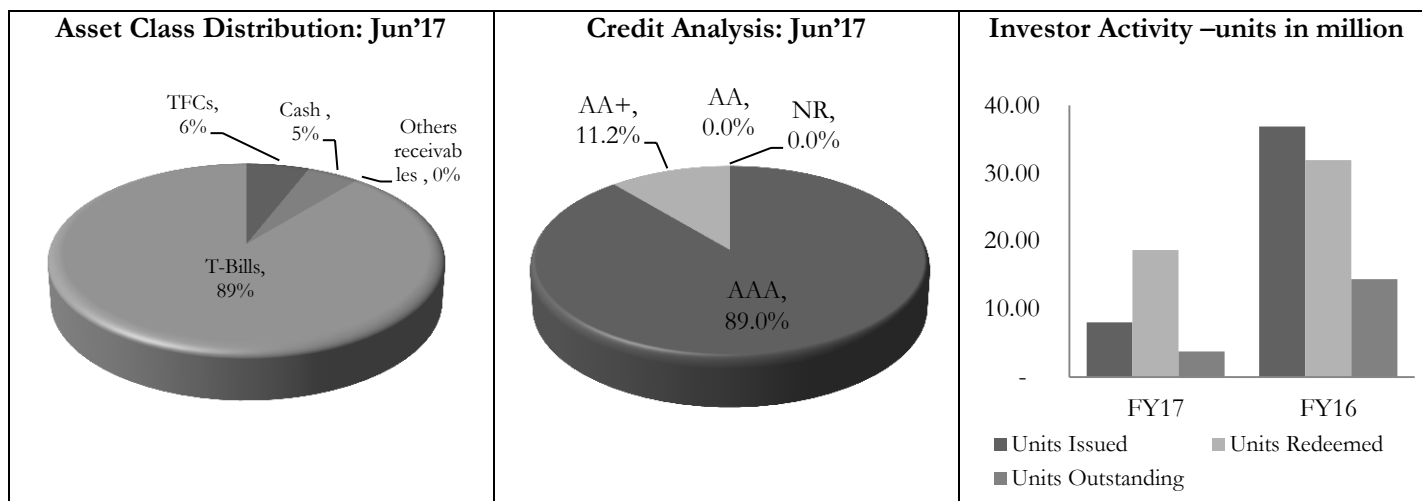
Analysts: Muniba Khan  
Muhammad Tabish

### Investment Objective

The aim of the fund is to generate relatively higher yield as compared to conventional bank deposits from a portfolio of sovereign and banking sector fixed income instruments and deposits.

Askari Sovereign Yield Enhancer		
Rating Category	Latest	Previous
Fund Stability Rating	<b>A+(f)</b> Jul 5, 2018	<b>A+(f)</b> Dec 30, 2016
Asset Management Company	Askari Investment Management Limited (AIML)	
External Auditor - Fund	KPMG Taseer Hadi & Co.	
Chief Executive	Mr. Adeel Ahmed Khan	
Fund Manager	Mr. Faisal Raza	
Trustee	Central Depository Company	
Front-end Load	1.25%	
Back-end Load	Nil	
Management Fee	1.35%	
Benchmark	Average 6 month PKRV	

In Rs. m	ASYE		
	FY17	FY16	FY15
Type of Scheme	Income		
Return (%) ( <i>Gross returns</i> )	4.83%	9.21%	10.74%
Benchmark (%)	6.10%	5.31%	8.33%
Relative Ranking	7 out of 8	1 out of 8	6 out of 7
Fund Size (in Rs. m)	386	1,464	918
Retail (%)	26.9%	22.3%	41.7%
Associates (%)	40.2%	10.5%	12.2%
Number of Investors	171	281	274
Top 10 Investors / AUMs	-	67.9%	56.9%
WATM ( <i>Weighted Average Time to Maturity</i> )	0.53	0.20	2.60
Duration (years)	0.11	0.04	2.00
Asset Allocation (average for the year)			
<i>TFCs</i>	5.9%	2.3%	19.1%
<i>GoP Ijarah Sukuk</i>	0.0%	0.0%	0.0%
<i>T-Bills</i>	88.9%	18.0%	39.8%
<i>PIBs</i>	0.0%	29.6%	33.8%
<i>Cash</i>	5.2%	34.9%	6.1%
<i>Others</i>	0.0%	15.2%	1.2%



Askari Sovereign Yield Enhancer (ASYE) was launched as open-end market scheme on May 07, 2012. Core objective of the fund is to offer investors healthier returns as compared to conventional bank deposits. The fund is managed by Pak Oman Asset Management Limited (POAML) since 2018; POAML has a management quality rating of AM3, representing good management quality. Prior to this, ASYE was managed by Askari Investment Limited.

Since July 2016, the fund has witnessed a significant downward trend in its size; AUMs declined from Rs. 1.5b at end-June 2016 to Rs. 180m at end-March 2018.

As per the constitutive document of ASYE, the investment criteria are as shown below:

- At least 70% of the net assets to be invested in government securities
- Minimum 10% of net assets to be maintained as cash or cash equivalents which include government securities of maturity less than 90 days

Figure 1: Offering Document (Extract)

	Limits (%)	Min. Rating
Government Securities	70% - 100%	N/A
Cash and near cash instruments	10% - 100%	A-
Term Deposits/placements with banks	0%-15%	A+
Term Finance Certificates/ Sukuks	0%-10%	A+
Reverse repo transactions against government securities	0%-15%	A+
Any investment authorized by regulatory approval	0%-30%	A-

**Asset Allocation**

On month-end average basis, a large chunk of funds were parked in government paper while almost 14% of assets were deployed in cash, during FY17. As of March 31, 2018, exposure remained largely in short term government paper and term deposits. Barring a few months, the fund has complied with the defined policy limits.

**Figure 2: Asset Allocation**

Assets	Mar'18	Jun'17	Jun'16	Average
Cash	2.60%	5.23%	34.93%	13.97%
TFCs	9.13%	5.98%	2.26%	6.86%
T Bills (Govt. sec)	74.20%	88.96%	18.03%	61.07%
PIBs	0.0%	0.0%	29.61%	9.87%
Term Deposits	9.27%	0.00%	0.0%	2.98%
Others	4.80%	0.00%	15.17%	5.31%
Total	100%	100%	100%	100%

**Credit & Market risk**

In accordance with the prevailing policy, ASYE can only invest in securities with minimum A- rated securities. Barring two instances, the fund maintained the compliance with the specified stipulated credit rating limits throughout the period.

**Figure 3: Credit Quality Summary - For period ending March 2018**

Credit Quality	Average	Maximum	Minimum
AAA	77.2%	91.5%	49.7%
AA+	6.6%	27.6%	0.00%
AA	0.2%	3.9%	0.00%
AA-	4.6%	16.2%	0.00%
A+	9.0%	28.1%	0.00%
A	1.2%	13.4%	0.00%
A-	0.2%	2.7%	0.00%
NR	1.6%	11.0%	0.00%

To minimize losses in case of any adverse movement in discount rate, weighted average maturity (WAM) of the fund is capped at 4 years. Target duration of the fund is capped at 3 years. At end-FY17, the WAM and duration of the fund’s assets was 0.4 years and 0.07 years respectively. During the period under review, maximum WAM at any month-end was reported as 2.9 years at end-October 2016.

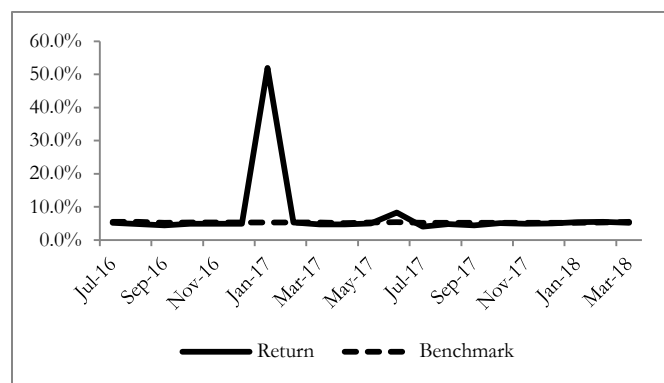
**Figure 4: Risk Summary- For period ending March 2018**

	Limit	Average
Duration	<3 years	0.5 years
WATM	<4 years	1.0 years

**Fund Performance**

Performance of the fund is benchmarked against an equally weighted mean of average of 6 months PKRV. Given the decline in asset size, annual return posted by the fund stood lower at 4.83% (FY16: 9.21%) in FY17 vis-à-vis benchmark return of 6.10% (FY16: 5.31%).

**Figure 5: Fund return vs. benchmark return**



Investor concentration in the fund remains significant as top ten investors contributed more than half of the total fund size. During the same period, contribution from retail clients increased to 27.0% (FY16: 22.3%) and related parties contribution to 40.2% at end-FY17 (FY16: 10.5%). This was on account of higher redemptions from corporate clients resulting in a lower investor base of 171 clients vis-à-vis 281 in the previous year. The fund must ensure granularity in tandem with future growth prospects JCR-VIS

## Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	07/05/2018	A+ (f)	Reaffirmed
Fund Stability	12/30/2016	A+ (f)	Reaffirmed
Fund Stability	12/31/2015	A+ (f)	Initial