

**Date:** January 19, 2016

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### Investment Objective

The investment objective of the Fund is to earn potentially high returns through dynamic asset allocation between Equities and Money Market based CIS while providing capital protection of the initial Investment Value, at completion of the duration of the fund.

UBL Principal Protected Fund III (UPPF-III) was launched in March'2014, for an investment horizon of 2 years. The fund follows a Constant Proportion Portfolio Insurance (CPPI) based strategy that features varying asset allocation between an equity fund, i.e. UBL Stock Advantage Fund (USF), and a money market fund i.e. UBL Liquidity Plus Fund (ULPF). Size of the fund stood at Rs. 1,579m at end-December'2015, while the fund size at launch amounted to Rs. 1,357m.

### Underlying Funds

Assigned investment parameters of UPPF- III do not contain any limitations on proportionate asset allocation towards each of the funds. Top-10 holdings of USF mainly feature sizable investments in blue-chip companies from various sectors including cement, pharmaceuticals, packaging, power generation & distribution and insurance. Underlying scrips and their proportionate allocation, with respect to net assets of USAF, are presented in the table below:

**Table 1: Scrips & Proportionate Allocation (as at end-December 2015)**

	Scrips	Allocation
1.	Packages Limited	5.7%
2.	Ferozsons Laboratories Limited	5.4%
3.	D.G. Khan Cement Co. Ltd	5.0%
4.	Cherat Packaging Limited	4.6%
5.	Fauji Cement Co. Limited	4.4%
6.	Adamjee Insurance Company Limited	4.3%
7.	Pakistan State Oil Co. Limited	4.1%
8.	Pioneer Cement Limited	3.6%
9.	Kohat Cement Co. limited	3.5%
10.	Pak Suzuki Co. Limited	3.2%
	Total	43.8%

UBL Principal Protected Fund III	
Rating Category	Initial
Principal Protection Score	CP2+
	January 18, '16
Management Company	UBL Fund Managers Ltd
Fund Manager	Amir Ibrahim Habib
External Auditors - Fund	KPMG Taseer Hadi and Co.
Trustee	Central Depository Company Ltd.
Front-end Load	3% (incl. Structuring fee)
Back-end Load	5%
Management Fee	1% p.a. (on the value of underlying Funds not managed by UBL Fund Managers)
Benchmark	Weighted Average Daily Return of KSE-100 Index and 3M Deposit Rates of AA- & above rated Banks based on the Fund's actual participation in the Equity & Debt/Income Component.

ULPF features sizable exposure in sovereign instruments and therefore has a considerably low exposure to credit risk. The fund has an assigned fund stability rating of AA(f) which indicates a high degree of stability in net asset value.

### Principal Preservation Ability

Since the launch of the fund in March'2014, size of UPPF-III slid below the principal amount in March 2014 when it dipped to Rs. 1,321m. However the ensuing uptick in the stock market has impacted the fund size positively. The fund's average allocation to USF since inception (till October'2015) amounted to 72.6%. Actual asset allocation to USF at end-December'2015 stood at 42%. Given the asset allocation and fund size at end-December'2015, the fund is protected to an extent that a 33.3% decline in the risky asset class may lead to the occurrence of a Gap Event.

Multiplier of the fund was in compliance with the maximum cap imposed by regulatory authority and stood at 4.0 at end-December'2015. Rebalancing frequency is based on 2% decline or weekly, whichever is earlier.

Management initiated a profit lock-in strategy in November 2014, as a part of 1% of the profits of the fund were directed towards fixed income portion, thereby enhancing capital protection element in the fund. At end December'2015, 6.5% of the profits were locked in by the management, signifying further increase in principal protection ability of the fund.

The fund also features an external credit enhancement in form of a guarantee from the management company that covers up to 5% of the subscription amount adding to the strength of the principal protection element of the fund. Given that the fund

has around 2.0 months left for maturity, adequate liquidity build-up and return of 11.61% since inception, the principal protection ability of the fund is considered high. JCR-VIS

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
RATING TYPE: Capital Protected Fund				
18-Jan-16	CP2+			Initial

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