

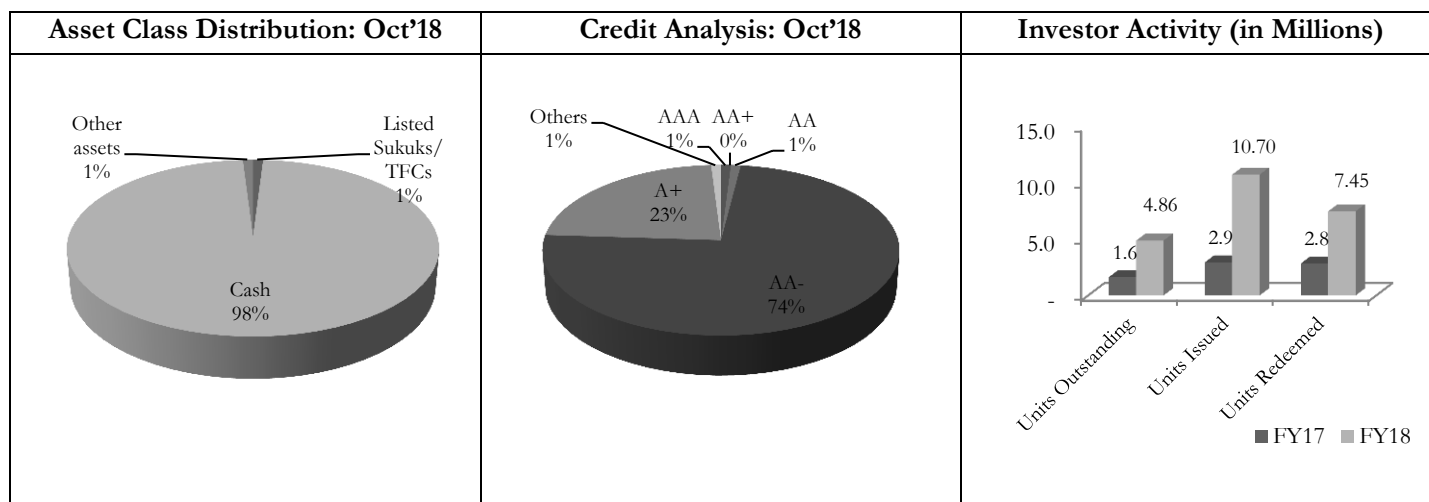
Date: January 21, 2019

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Investment Objective

To provide a competitive rate of return to its investors by investing in quality TFCs/Sukuk, Government Securities, Bank Deposits and short and long term debt instruments.

UBL Income Opportunity Fund (Formerly UBL Financial Sector Bond Fund)		
Rating Category	Latest	Previous
Fund Stability Rating	A-(f) <i>Dec 31, 2018</i>	A-(f) <i>Dec 29, 2017</i>
Management Company	UBL Fund Managers Limited	
Fund Manager	Mr. Syed Sheeraz Ali	
External Auditors – Fund	Ernst & Young Ford Rhodes Sidat Hyder & Co.	
Trustee	Central Depository Company	
Front-end Load	1.5%	
Management Fee	10% of gross earnings (with min fee of 0.25% and max of 1.5% pa of net assets)	
Benchmark	Average of 6M KIBOR rates	



UBL Income Opportunity Fund (UIOF) is designed as an income fund with an objective of generating competitive returns primarily through investment in cash & near cash instruments, government securities, bank deposits and TFC/Sukuk.

Net assets of the fund increased to Rs. 557m (FY17: Rs. 177m) during FY18 and subsequently increasing to Rs. 2,088m at end-October 2018.

In 2018, there have been certain amendments in the Investment Policy Statement (IPS) of UIOF. There have been additions in asset classes with newly defined limits for instruments along with their maximum maturity time.

Rating limits have been eased with investment grade securities as the minimum rating requirement.

Table 1: Investment Policy Statement

	Minimum Exposure	Maximum Exposure	Rating
Cash & Equivalents	25%	100%	Investment Grade & Above
Debt Securities (TFCs, Sukuks, Commercial Paper)	0%	75%	AA & Above
Debt Securities (TFCs, Sukuks, Commercial Paper)	0%	10%	A- to AA-
GOP Securities	0%	100%	N/A

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TDR < 6 months	0%	75%	Investment Grade & Above
TDR > 6 months	0%	15%	Investment Grade & Above
Spreads	0%	40%	N/A

Actual asset allocation has been in-line with the investment policy during the review period. During FY18, the fund has cut down its investment in PIBs and TFCs. Given the asset allocation, with cash holdings averaging more than half of the funds exposure over the year, credit risk exposure is considered manageable.

Table 2: Actual Asset Allocation

	End-June 2018	Average FY18
Sukuk/TFCs	4%	14%
Cash	57%	60%
Others	5%	3%
PIBs	0%	23%

Weighted Average Maturity (WAM) of the fund's assets has been capped at 4 years (excluding government securities), whereas duration of the fund can extend up to 1.5 years, signifying fund's ability to assume moderate interest rate risk. WAM of the fund has been within the established limits. The average duration of the fund has been 0.067 years (FY17: 0.40) during FY18.

The fund's return has been benchmarked against 6 month KIBOR. The fund underperformed its benchmark during FY18 with actual return of 4.31% (FY17: 4.73%) against a benchmark of 6.23% (FY17: 5.91%).

With exposure of the fund primarily in liquid avenues, liquidity profile of the fund is considered adequate. At end-June 2018, top-10 investors held 85% of the outstanding units ^{JCR-VIS}

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
31-Dec-18	A-(f)			Reaffirmed
29-Dec-17	A-(f)			Reaffirmed
30-Dec-16	A-(f)			Reaffirmed
07-April-16	A-(f)			Initial