

Date: January 13, 2017

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Investment Objective

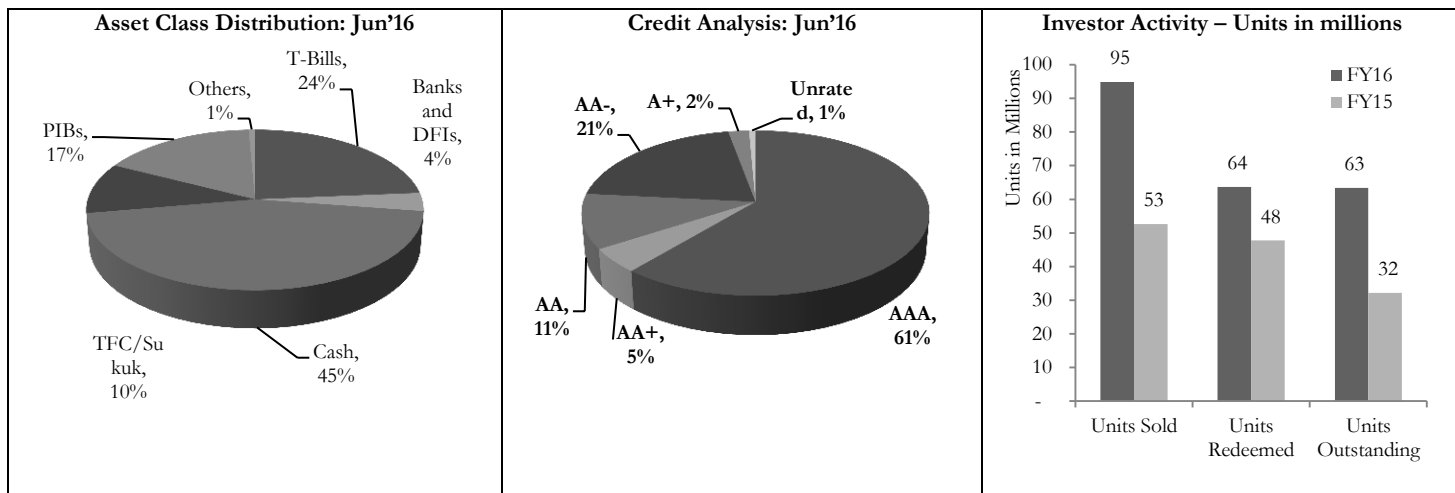
The objective of the fund is to provide a stable stream of income with moderate level of risk by investing in fixed income securities.

HBL Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f) <i>Jan 11, 2017</i>	A(f) <i>Jan 14, 2016</i>
Asset Management Company	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil & Co.	
Fund Managers	Mr. Fahad Aziz	
Trustee	Central Depository Company	
Front-end Load	1.5%	
Back-end Load	-	
Management Fee	1.5% per annum	
Benchmark	6 month KIBOR	

	HBL IF	
	FY16	FY15
Type of Scheme	Income	
Return (%)	6.1%	12.4%
Benchmark (%)	6.5%	9.0%
Peer Average (%)	7.4%	12.6%
Relative Ranking	25 out of 28	15 out of 27
Fund Size (in Rs. m)	6,726	3,376
Retail (%)	64%	33%
Associates (%)	26%	49%
Number of Investors	1,768	870
Top 10 Investors / AUMs	35%	70%
WATM (<i>Weighted Average Time to Maturity</i>)	1.02 years	1.33 years
Duration	0.80 years	0.69 years
Asset Allocation (<i>at end June</i>)		
<i>T-Bills</i>	24%	39%
<i>PIBs</i>	17%	29%
<i>TFCs/Sukuk</i>	10%	9%
<i>Certificate of Investments</i>	1%	-
<i>Cash</i>	45%	15%
<i>Banks & DFIs</i>	2%	-
<i>MTS</i>	-	-
<i>Others (including receivables)</i>	1%	7%

JCR-VIS Credit Rating Company Limited

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



HBL Income Fund (HBL IF) is an open ended fund which aims to provide a stable stream of income with a moderate level of risk by investing in fixed income securities/instruments. The investment universe spans a variety of asset classes from government backed securities to spread transactions.

Net Assets of the fund increased to Rs. 6.7b (FY15: Rs. 3.4b) as at end June'16, largely emanating from retail investors. In line with investment pattern, retail holding was reported higher at 64% (FY15: 33%). Likewise, associates and unrelated corporate's contributions declined to 26% (FY15: 49%) and 10% (FY15: 19%) respectively.

Table 1: Approved Investment Avenues-Offering document (extract)

Bonds, Debentures and other debt instruments
T-Bills, PIBs and other Government Securities
Money Market Instruments, Certificates of Deposits and Bankers Acceptances
Term Deposits in banks and other financial institutions
Repurchase Transactions
Margin Trading Scheme
Convertible debt securities
Convertible and non-convertible preference shares
Certificates of Investments/Deposits
Asset backed and Mortgage debt securities
Commercial paper and other money market debt securities
Spread Transactions
Warrants, options and derivatives
Foreign fixed income securities
Any investment authorized by commission but does not include restricted investments

Asset Allocation

Table 2: Asset Allocation

Assets	Jun'16	Jun'15	Average
T-Bills	24%	39%	46%
Banks and DFIs	4%	0%	6%
Cash	45%	15%	17%
TFC/Sukuk	10%	9%	6%
PIBs	17%	29%	24%
MTS	0%	0%	0%
Others	1%	7%	1%
Total	100%	100%	

Over FY16, the fund shifted its investment from government backed securities towards saving accounts. As at end June'16, 45% (FY15: 15%) of net assets were held as deposits in saving accounts and 41% (FY15: 68%) in government backed securities. Residual is invested in term deposits and TFCs.

The Investment Committee (IC) comprises Chief Executive Officer, Head of Research, Chief Investment Officer, Manager Risk, Head of Fixed Income and fund managers. Investment decisions are consensus based.

Credit & Market risk

Table 3: Credit Quality Summary- FY16

Credit Quality	Average	Maximum	Minimum
AAA	76%	94%	55%
AA+	2%	7%	0%
AA	4%	11%	0%
AA-	17%	33%	0%
A+	0%	2%	0%
Unrated	1%	3%	0%

The fund is required to invest in issue/issuer with a minimum of investment grade credit rating. Moreover, on average, over 90% of the investments were parked in 'AA-' and above rated securities.

Table 4: Risk Summary-FY16

	Average	Maximum	Minimum
WATM (years)	1.07	1.80	0.74
Duration (years)	0.82	1.41	0.58

Depending on asset allocation, Weighted Average Time to Maturity (WATM) of the fund varies. During FY16, the fund reported maximum WATM of 1.80 years. Moreover, duration (FY16: 0.80 years; FY15: 0.69 years) was reported slightly higher as at end June'16.

Liquidity Profile

Based on higher investment by retail investors, retail proportion increased to 64% (FY15: 33%) as at end June'16. Similarly, number of investors increased to 1,768 (FY15: 870). Attributable to change in unit holding, granularity in investment increased as reflected in lower top-10 investor concentration (FY16: 35%; FY15: 70%).

Fund Performance

Figure 1: Monthly return Vs. Benchmark

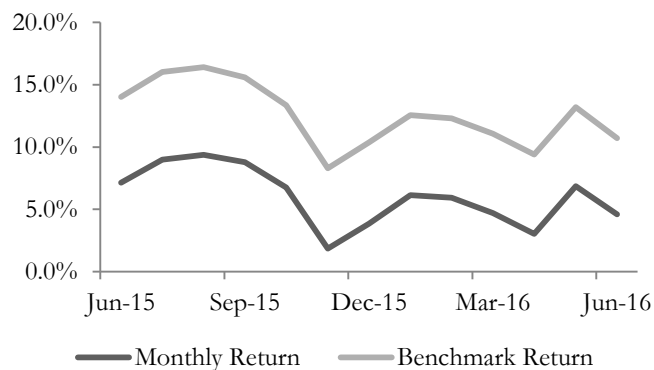


Table 5: Fund performance

	FY16	FY15
Return (%)	6.1%	12.4%
Benchmark (%)	6.5%	9.0%
Peer Average	7.4%	12.6%
Relative Ranking	25/28	15/27

HBL IF reported a return of 6.1% over FY16, which remains below both benchmark (6.5%) and peer average (7.4%). Relative to peers, the fund's performance deteriorated as its ranking reduced to 25th out of 28 peers (FY15: 15th out of 27) JCR-VIS

Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
RATING TYPE: Fund Stability Management Quality				
11-Jan-17	A(f)	-	-	Reaffirmed
14-Jan-16	A(f)	-	-	Reaffirmed
13-Mar-15	A(f)	-	-	Reaffirmed
28-Oct-13	A(f)	-	-	Reaffirmed
1-Jan-13	A(f)	-	-	Reaffirmed