

*Date: January 15, 2018*

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**Investment Objective**

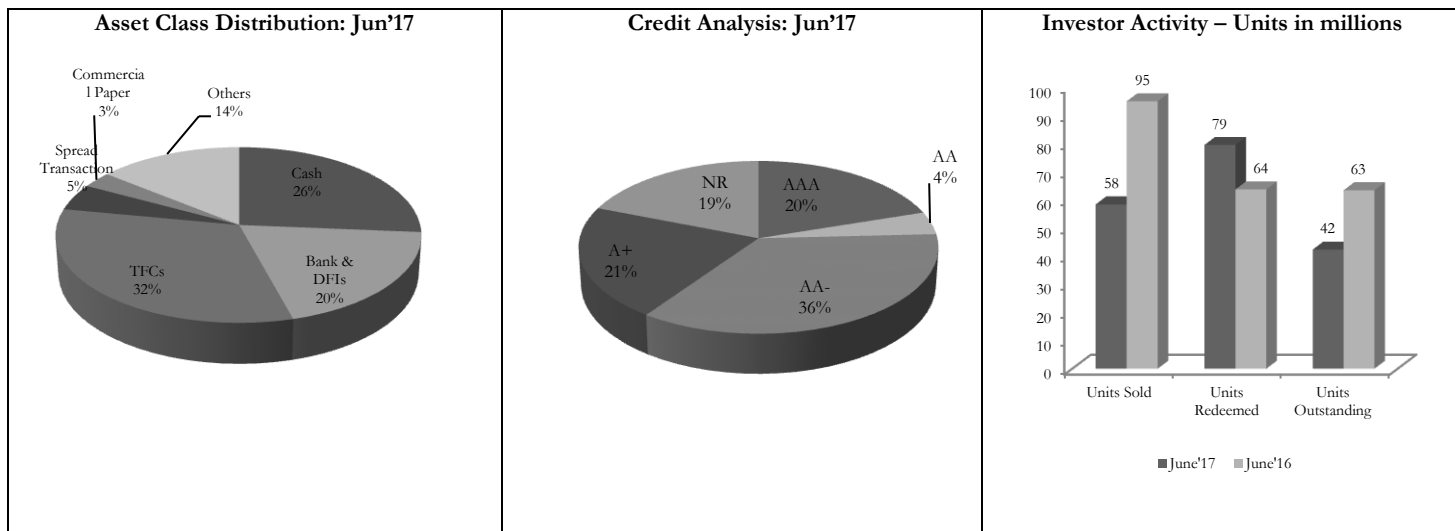
The objective of the fund is to provide a stable stream of income with moderate level of risk by investing in fixed income securities.

<b>HBL Income Fund</b>		
<b>Rating Category</b>	<b>Latest</b>	<b>Previous</b>
	<b>A(f)</b>	<b>A(f)</b>
Fund Stability Rating	<i>Dec 29, 2017</i>	<i>Jan 11, 2017</i>
Asset Management Company	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil & Co.	
Fund Managers	Mr. Faizan Saleem	
Trustee	Central Depository Company	
Front-end Load	1.5%	
Back-end Load	-	
Management Fee	1.5% per annum	
Benchmark	6 month KIBOR	

<b>HBL IF</b>		
	<b>FY17</b>	<b>FY16</b>
Type of Scheme	Income	
Return (%)	4.6%	6.1%
Benchmark (%)	6.1%	6.5%
Peer Average (%)	5.9%	7.4%
Relative Ranking	26/27	25/28
Fund Size (in Rs. m)	4,490	6,726
Retail (%)	49%	64%
Associates (%)	46%	26%
Number of Investors	1,170	1,760
Top 10 Investors / AUMs	56%	35%
WATM ( <i>Weighted Average Time to Maturity</i> )	2.3 yrs	1.02 years
Duration	0.16 years	0.80 years
Asset Allocation ( <i>at end June</i> )		
<i>T-Bills</i>	-	24%
<i>PIBs</i>	-	17%
<i>TFCs/Sukuk</i>	32%	10%
<i>Certificate of Investments</i>	-	1%
<i>Cash</i>	26%	45%
<i>Banks &amp; DFIs</i>	20%	2%
<i>MTS</i>	5%	-
<i>Commercial Paper</i>	3%	
<i>Others (including receivables)</i>	14%	1%

# 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 while maintaining a moderate level of risk. Acceptable asset class of the fund includes fixed income securities/instruments and its investment universe spans from government backed securities to spread transactions. Fund size decreased to Rs. 4.5b (FY16: Rs. 6.7b), as at end June 2017; assets further reduced to Rs. 4.0b, at end-Nov 2017.

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

Description	Min-Max Limits	Min-Max Actual	Min Issuer Rating	Min Instrument Rating
Secured, Unsecured & Unlisted debt securities issued by local governments, other government agencies, private or public sector entities or financial institutions	0%-75%	10%-32%	N/A	IG*
Treasury bills (T-Bills), Pakistan Investment Bond, Federal Investment Bonds and other Government Securities;	0%-100%	0%-66%	N/A	N/A
Cash and near cash instruments including cash in bank accounts (excluding TDRs), T-Bills not exceeding 90 days maturity	25%-100%	16%-66%	IG*	N/A
Non traded securities, including reverse repos, bank deposits, certificate of investments (COI) and certificate of Musharikas (COM) and anything over six months maturity which is not a marketable security	0%-15%	-	IG*	N/A
Commercial papers	0%-25%	0%-7%	A-	A2
Continuous Funding System (CFS) & Spread Transactions	0%-40%	0%-22%	N/A	N/A
Foreign fixed income securities issued; listed or otherwise and	30% (< USD 15 m)	-	As specified by the Commission	

\*Investment Grade

The Investment Committee (IC) comprises Chief Executive Officer, Chief Investment Officer, Head of Research, Manager Risk, Head of Fixed Income and Senior Fund Manager – Fixed Income. All investment decisions are achieved through consensus.

## Asset Allocation

**Table 2: Asset Allocation**

Assets	June'17	June'16	Average
T-Bills	0%	24%	7%
Banks and DFIs	19%	4%	21%
Cash	26%	45%	32%
TFC/Sukuk	32%	10%	20%
PIBs	0%	17%	10%
MTS	5%	0%	5%
Commercial Paper	3%	0%	2%
Others	14%	1%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Actual asset allocation has varied considerably over time on account of the redemptions faced by the fund. Over FY17, the fund's investment majorly hovered around cash and debt instruments. The fund also maintained assets as placements with financial institutions during FY17. Residual assets were parked in MTS, commercial paper and other form of investments.

## Credit & Market risk

**Table 3: Credit Quality Summary-FY17**

Credit Quality	Average	Maximum	Minimum
Government Securities	9%	65%	0%
AAA	18%	39%	0%
AA+	7%	26%	0%
AA	7%	20%	0%

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AA-	32%	60%	11%
A+	14%	81%	0%
A	1%	5%	0%
A-	0%	0%	0%
NR	9%	23%	1%

According to the fund’s internal policy, assets may be placed as/with an issue/issuer having at least an investment grade credit rating. In line with this policy, the fund parked almost three-fourths of its assets in ‘AA-’ and above rated avenues.

Table 4: Risk Summary-FY16

	Average	Maximum	Minimum
WATM (years)	1.4	2.3	0.1
Duration (years)	0.7	2.2	0.0

Depending on asset allocation, Weighted Average Time to Maturity (WATM) of the fund varies. During FY17, the fund reported a maximum WATM of 2.3 years vis-à-vis a target WATM of four years. Moreover, duration (FY16: 0.80 years; FY15: 0.69 years) was reported higher as at end June 30, 2017.

## Liquidity Profile

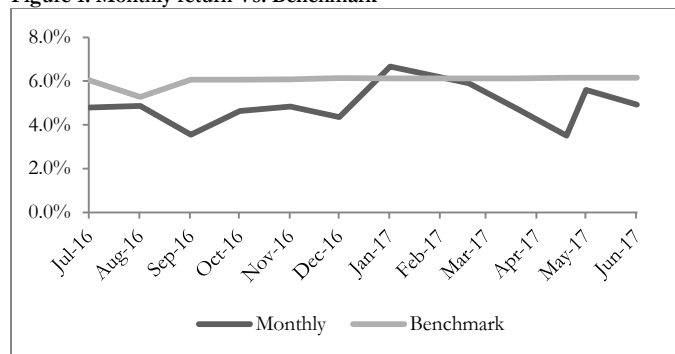
Given significant redemptions from retail investors during the period under review, number of investors declined to 1,171 (FY16: 1,768). Likewise, retail and unrelated corporates contributions declined to 49% (FY16: 64%) and 5% (FY16: 10%) respectively, in FY17. With change in unit holding, granularity in investments decreased as reflected in higher top-10 investor concentration of the fund (FY17: 56%, FY16: 35%). Moreover, contribution of assets from associates increased to 46% (FY16: 26%) in FY17.

## Fund Performance

Table 5: Fund performance

	FY17	FY16
Return (%)	4.6%	6.1%
Benchmark (%)	6.1%	6.5%
Peer Average	5.9%	7.4%
Relative Ranking	26/27	25/28

Figure 1: Monthly return Vs. Benchmark



Performance of the fund is benchmarked against the 6 months KIBOR. During FY17, HBL IF reported a return of 4.6% (FY16: 6.1%) which remains below both benchmark (6.1%) and peer average (5.9%). Relative to peers, the fund’s performance was in the last quartile with its ranking reducing to 26<sup>th</sup> out of 27 peers (FY16: 25<sup>th</sup> out of 28 peers) JCR-VIS

## JCR-VIS Credit Rating Company Limited

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### Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Fund Stability Management Quality</u></b>				
29-Dec-17	A(f)	-	-	Reaffirmed
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