

Date: December 27, 2018

Analysts: Talha Iqbal
Asfia Aziz

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.

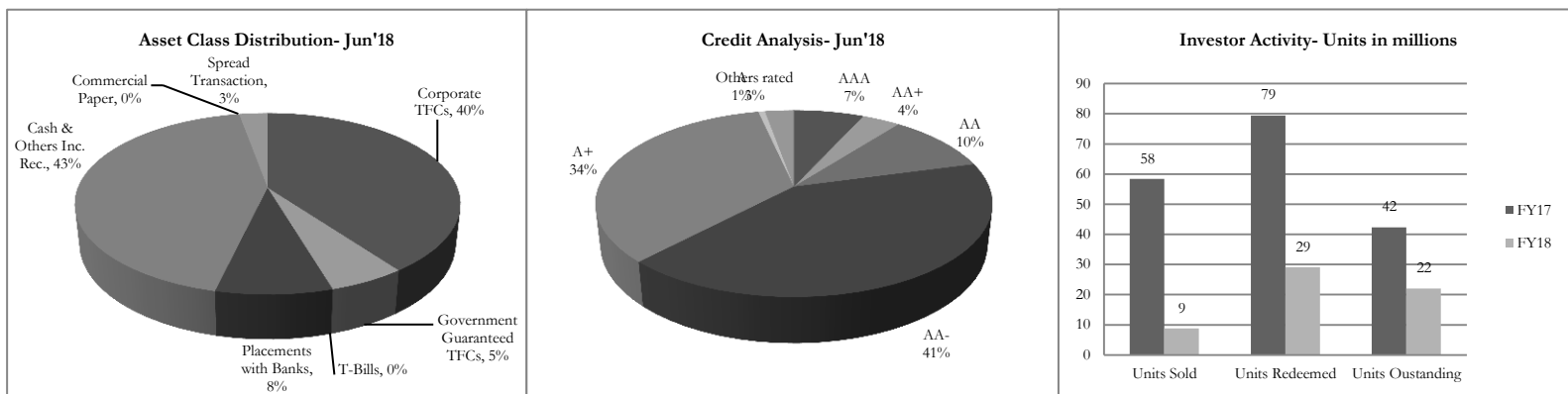
HBL Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f)	A(f)
	<i>Dec 26, 2018</i>	<i>Dec 29, 2017</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil & Co.	
Fund Managers	Mr. Faizan Saleem	
Trustee	Central Depository Company	
Front-end Load	Up to 1.5%	
Back-end Load	-	
Management Fee	12.5% of gross earning with - floor of 1.25% & cap of 1.50% of the avg. daily net asset of the scheme	
Benchmark	6 Month KIBOR	

	HIF	
	FY17	FY18
Type of Scheme	Income	
Return (%)	4.6%	5.0%
Benchmark (%)	6.1%	6.4%
Peer Average (%)	5.9%	5.1%
Relative Ranking	27 out of 28	15 out of 28
Fund Size (in Rs. m)	4,490	2,456
Retail (%)	49%	43%
Associates (%)	46%	48%
Number of Investors	1,166	875
Top 10 Investors / AUMs	56%	60%
Fund Stability Rating	A(f)	A(f)
Management fee	1.50%	1.25-1.50%
WATM (at end-June)	850	928
Modified Duration (at end-June)	58	100
Average Asset Allocation*		
<i>Corporate TFCs</i>	26%	34%
<i>Government backed / issued Securities</i>	4%	0%
<i>Others</i>	10%	6%
<i>Placements with Banks</i>	14%	24%
<i>Cash & Others Inc. Rec.</i>	46%	36%

*. FY17: Six Months Average and FY18: Twelve Months Average

JCR-VIS Credit Rating Company Limited

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



HBL Income Fund (HIF) 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. 2.5b (FY17: Rs. 4.5b), as at end-June' 2018.

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%	27%-40%	N/A	IG*
Treasury bills (T-Bills), Pakistan Investment Bond, Federal Investment Bonds and other Government Securities;	0%-100%	0%	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%	The fund has complied with the requirement on monthly average basis	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%-4.2%	A-	A2
Continuous Funding System (CFS) & Spread Transactions	0%-40%	1%-5%	N/A	N/A
Foreign fixed income securities issued; listed or otherwise and	30% (< USD 15 m)	-	As specified by the Commission	

*Investment Grade

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

Credit Risk

Table 2: Asset Allocation

Asset Class Distribution	Jun'17	Jun'18
Corporate TFCs	32%	40%
Government Guaranteed TFCs	0%	5%
T-Bills	0%	0%
Placements with Banks	19%	8%
Cash & Others Inc. Rec.	40%	43%
Commercial Paper	3%	0%
Spread Transaction	5%	3%

During FY18, the fund's asset allocation plan remained concentrated in cash balances and corporate TFCs. At

JCR-VIS Credit Rating Company Limited

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

end-June'2018, the fund deployed two fifth (FY17: 32%) of its asset base in corporate TFCs with the remaining invested in cash, government guaranteed debt instruments and spread transaction. The fund complied with the approved investment limits as per the offering document on the basis of monthly average basis.

Table 3: Credit Quality

Credit Quality	Average	Maximum	Minimum
AAA	16%	31%	6%
AA+	3%	7%	0%
AA	10%	19%	2%
AA-	32%	44%	11%
A+	31%	36%	22%
A	1%	1%	1%
Others rated	3%	12%	0%
NR	4%	10%	1%

On an average, the fund parked around 60% of its assets in 'AA-' and above rated avenues. Moreover, the fund largely complied with credit quality stipulations of the assigned rating barring few instances where the fund invested in other-rated instruments.

Market Risk

Table 4: Modified Duration

Month	Modified Duration (Days)
Jul'17	46
Aug'17	50
Sep'17	47
Oct'17	27
Nov'17	35
Dec'17	90
Jan'18	69
Feb'18	67
Mar'18	97
Apr'18	73
May'18	59
Jun'18	100

During FY18, modified duration remained under the specified limit of 365 days as per the assigned ratings.

Maximum duration during FY18 was reported at 100 days at end-June'2018.

Liquidity Profile

Contribution by retail investors declined in FY18 to 43% (FY17: 49%). Total number of investors witnessed attrition to 875 (FY17: 1,166) at end-June'2018. Moreover, contribution of assets from associates increased to 48% (FY17: 46%) at end-FY18. Top-10 investor concentration was reported at 60% (FY17: 56%) at end-FY18.

Fund Performance

Table 5: Fund Performance

	FY17	FY18
Return (%)	4.6%	5.0%
Benchmark (%)	6.1%	6.4%
Peer Average (%)	5.9%	5.1%
Relative Ranking	27 out of 28	15 out of 28

Performance of the fund is benchmarked against 6 months KIBOR. During FY18, HIF reported a return of 5.0% (FY17: 4.6%) which remains below both benchmark (6.4%) and peer average (5.1%). Relative to peers, the fund's performance improved with relative rank of the fund improving from 27/28 to 15/28 ^[JCR-VIS]

JCR-VIS Credit Rating Company Limited

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

Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability Management Quality</u>				
26-Dec-18	A(f)	-	-	Reaffirmed
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