

Date: March 7, 2018

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Investment Objective

To provide consistent returns to investors through active investments in a blend of short, medium and long term debt instruments and/or guaranteed by Government of Pakistan (GoP). The fund aims to provide superior risk adjusted returns through active duration and liquidity management tools.

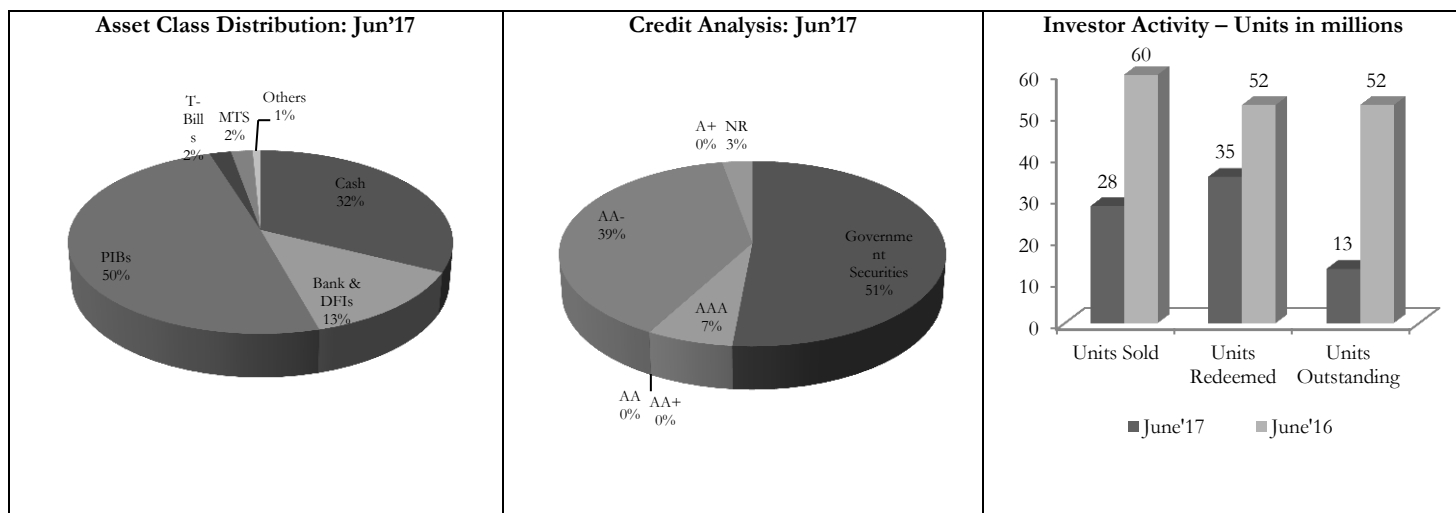
HBL Government Securities Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A+(f) <i>Jan 15, '18</i>	A(f) <i>Jan 05, '17</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil & Co.	
Fund Managers	Mr. Faizan Saleem	
Trustee	Central Depository Company	
Front-end Load	Upto 2%	
Back-end Load	-	
Management Fee	1.25% per annum	
Benchmark	6 months PKRV	

HBL GSF		
	FY17	FY16
Type of Scheme	Income	
Return (%)	5.5%	7.9%
Benchmark (%)	5.9%	6.3%
Peer Average (%)	5.9%	7.4%
Relative Ranking	18/27	8 out of 28
Fund Size (in Rs. m)	1,370	2,114
Retail (%)	28%	33%
Associates (%)	14%	14%
Number of Investors	259	326
Top 10 Investors / AUMs	78%	70%
WATM (Weighted Average Time to Maturity)	1.9 yrs	1.11 years
Duration	1.27 years	0.68 years
Asset Allocation (at end June)		
<i>T-Bills</i>	2%	3%
<i>PIBs</i>	50%	18%
<i>TFCs/Sukuk</i>	-	11%
<i>Certificate of Investments</i>	-	-
<i>Cash</i>	32%	45%
<i>Banks & DFIs</i>	13%	10%
<i>MTS</i>	2%	12%
<i>Others (including receivables)</i>	1%	1%

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During the on-going year, PICIC Income Fund (PICIC IF) was renamed to HBL Government Securities Fund (HBL GSF) post the amalgamation of PICIC Asset Management Company into HBL Asset Management Limited. HBL GSF aims to provide its investors superior risk adjusted returns through active duration and liquidity management tools.

Net Assets of HBL GSF decreased to Rs. 1.3b (FY16: Rs. 2.1b) as at end June'17; the reduction mainly resulted from fall in retail investment. Net Assets of the fund further reduced to Rs. 0.6m at end Nov-2017.

Asset Allocation

Table 2: Asset Allocation

Assets	Jun'17	Jun'16	Average
T-Bills	2%	3%	15%
Banks and DFIs	13%	10%	26%
Cash	32%	45%	27%
TFC & Corporate Sukuk	0%	11%	9%
PIBs	49%	18%	16%
MTS	2%	12%	5%
Others	1%	1%	1%
Total	100%	100%	100%

During FY17, the fund majorly deployed its assets in government securities. On a month end average basis, the fund maintained a significant exposure in government paper and cash & near cash instruments. Cash and deposits with banks together constituted 45% (FY16: 55%) at end-FY17. Moreover, the fund decreased its proportionate holding in margin transaction to 2% (FY16: 12%).

Credit & Market risk

Table 3: Credit Quality Summary- FY17

Credit Quality	Average	Maximum	Minimum
Government Securities	27%	74%	0%
AAA	8%	17%	0%
AA+	6%	18%	0%
AA	11%	30%	0%
AA-	38%	65%	13%
A+	4%	9%	0%
A-	2%	6%	0%
NR	4%	9%	0%

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

Description	Min-Max limits	Min-Max Actual	Minimum Rating
Government Securities issued and / or Guaranteed by GoP including Reverse Repo against Government Securities	70%-100%	2%-74%	N/A
Cash in Bank Accounts (excluding term deposits)	0% - 30*%	6%-56%	AA- in case of cash in banks
Government Securities up to 90 days maturity	0% to 100%	-	
Reverse Repo (up to six months only) against Government Securities	0%-90%	-	N/A
Deposit with Scheduled Banks, DFI's and NBFC including TDR's, Letter of Placement (LOP), Certificate of Deposit and Certificate of Musharaka of less than 6 months	0%-30%	10%-48%	AA- (for Banks and DFIs) AA+ (for NBFCs)
Deposit with Scheduled Banks, DFI's and NBFC including TDR's, Letter of Placement (LOP), Certificate of Deposit and Certificate of Musharaka of greater than 6 months	0%-15%	-	AA- (for Banks and DFIs) AA+ (for NBFCs)
Authorized investments in overseas markets including mutual funds.	Cap of USD15m N/A	-	AA-
Spread Transactions and MTS	0%-10%	0%-16%	N/A
Commercial papers	0%-20%	-	A- (Entity) & A2 (Instrument)

* At times cash at bank may exceed the limit of 30%, as long as minimum investment limit of 70% in Government securities are maintained on quarterly average calculated on a daily basis.

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As per the Investment Policy Statement, investments are subject to a minimum credit rating of ‘A-’. Over FY17, the fund complied with respective stipulations and majority of assets were held in Government Securities.

Table 4: Risk Summary-FY17

	Average	Maximum	Minimum
WATM (years)	1.2	2.1	0.3
Duration (years)	0.8	1.9	0.1

Liquidity Profile

Over FY17, the fund maintained adequate liquid assets, specifically as deposits in bank saving accounts. Moreover, Weighted Average Time to Maturity (WATM) and duration remained under their specified limits of 4 years and 2 years, respectively. However, attributable to varied asset allocation, both duration (FY17: 1.27 years FY16: 0.68 years) and WATM (FY17: 1.2 years FY16: 1.11 years) were reported higher for FY17, as compared to preceding year. Management has revised its target duration downwards to 1.5 years from January 2018 onwards.

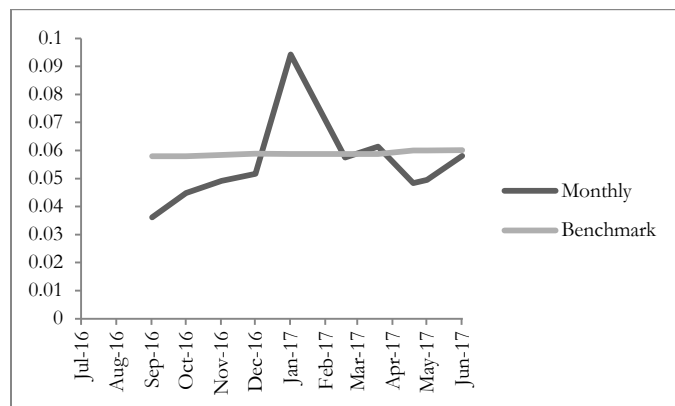
Along with reduction in retail proportion of the fund, investments in associates and un-related corporates also decreased. In line with investor movement, unit holding pattern altered with retail holding lower at 28% (FY16: 33%) and unrelated corporates’ share at 58% (FY16: 53%); associates’ investment remained unchanged at 14%. The company has developed a sales strategy in order to improve the granularity of the fund. Developments in this regard are yet to be seen.

Fund Performance

Table 5: Fund performance

	FY17	FY16
Return (%)	5.5%	7.9%
Benchmark (%)	5.9%	6.3%
Peer Average	5.9%	7.4%
Relative Ranking	18/27	8/28

Figure 1: Monthly return Vs. Benchmark



Fund performance is benchmarked against 6 months PKRV. The fund generated a return of 5.5%, underperforming both benchmark and peers. Relative to peers, fund’s ranking deteriorated as it was ranked 18 out of 27 funds (FY16: 8 out of 28) JCR-VIS

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Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
RATING TYPE: Fund Stability Management Quality				
15-Jan-18	A+(f)	-	-	Upgrade
05-Jan-17	A (f)	-	-	Reaffirmed
04-Jan-16	A (f)	-	-	Downgrade
25-Feb-15	A+ (f)	-	-	Reaffirmed
23-Dec-13	A+ (f)	-	-	Reaffirmed
17-Aug-12	A+(f)	-	-	Reaffirmed