

Date: January 13, 2017

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Investment Objective

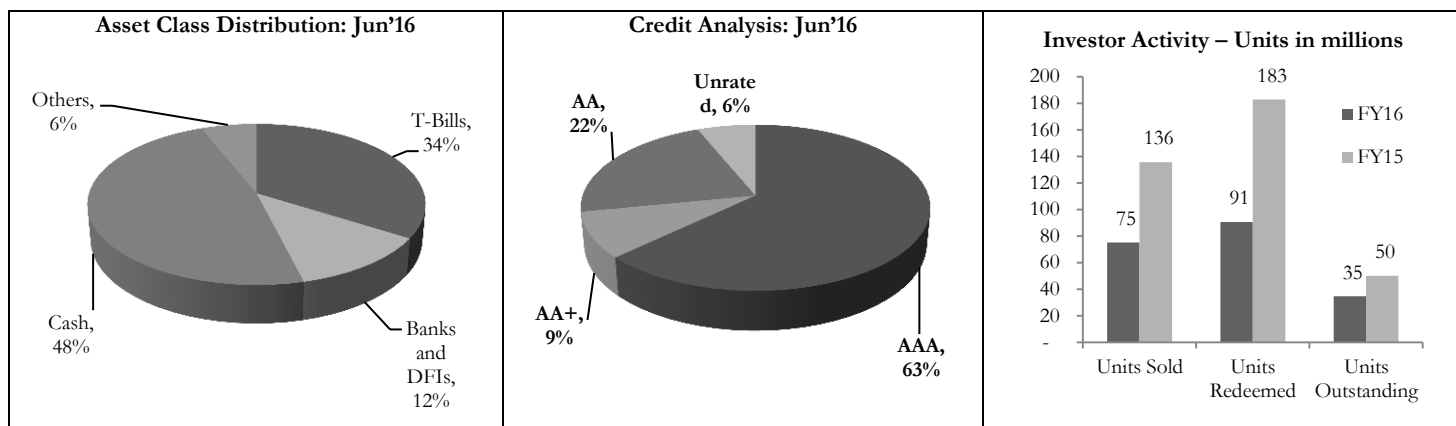
The objective of the fund is to seek high liquidity and comparative return for investors by investing in low risk securities of shorter duration and maturity.

| HBL Money Market Fund | | |
|------------------------------|---|-------------------------------------|
| Rating Category | Latest | Previous |
| Fund Stability Rating | AA(f) <i>Jan 05, 2017</i> | AA(f) <i>Jan 14, 2016</i> |
| AMC | HBL Asset Management Limited | |
| External Auditors – Fund | Deloitte Yousuf Adil & Co. | |
| Fund Managers | Mr. Fahad Aziz | |
| Trustee | Central Depository Company | |
| Front-end Load | - | |
| Back-end Load | - | |
| Management Fee | 1% per annum | |
| Benchmark | 70% 3 month PKRV & 30% 3 month deposit rate | |

| HBL MMF | | |
|---|--------------|-------------|
| | FY16 | FY15 |
| Type of Scheme | Money Market | |
| Return (%) | 5.1% | 8.8% |
| Benchmark (%) | 5.5% | 7.9% |
| Peer Average (%) | 5.5% | 8.6% |
| Relative Ranking | 19 out of 22 | 9 out of 21 |
| Fund Size (in Rs. m) | 3,523 | 5,081 |
| Retail (%) | 23% | 23% |
| Associates (%) | 20% | 58% |
| Number of Investors | 730 | 794 |
| Top 10 Investors / AUMs | 72% | 55% |
| WATM (<i>Weighted Average Time to Maturity</i>) | 13 days | 16 days |
| Duration | 13 days | 16 days |
| Asset Allocation (<i>at end June</i>) | | |
| <i>T-Bills</i> | 34% | 19% |
| <i>PIBs</i> | - | - |
| <i>TFCs/Sukuks</i> | - | - |
| <i>Certificate of Investments</i> | 2% | - |
| <i>Cash</i> | 48% | 56% |
| <i>Banks & DFIs</i> | 10% | 25% |
| <i>MTS</i> | - | - |
| <i>Others (including receivables)</i> | 6% | - |

JCR-VIS Credit Rating Company Limited

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



HBL Money Market Fund (HBL MMF) is an open ended fund which offers investors high liquidity by investing in shorter duration securities.

Table 1: Offering document (extract)

| Description | Min-Max limits | Min-Max Actual | Min Rating |
|---|--------------------|----------------|------------|
| Treasury Bills and other Government Securities | 0%-100% | 11%-91% | - |
| Reverse Repo against Government Securities or other authorized investments | 0%-50% | - | AA |
| Deposits with / Lending (under LOP) to scheduled banks | 0%-100% | 2%-98% | AA |
| Securities issued by Government owned, controlled or managed entities provided that such securities are backed by an irrevocable and unconditional Government guarantee | 0%-20% | - | AA |
| Deposits with / Lending (under LOP) to DFIs | 0-10% | - | AA |
| Certificate of Deposits (CODs), Certificate of Investment (COIs), Certificate of Musharaka | 0-10% | - | AAA |
| Foreign Money Market Investments | 30% (cap of \$15m) | - | AA |

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.

Net Assets of the funds reduced to Rs. 3.5b (FY15: Rs.5.1b); the decline is attributable to all investors. Thus relative contribution was maintained at previous year's levels; retail holding stood at 23% and associates were maintained at 20%.

Asset Allocation

Table 2: Asset Allocation

| Assets | Jun'16 | Jun'15 | Average |
|----------------|-------------|-------------|---------|
| T-Bills | 34% | 19% | 65% |
| Banks and DFIs | 12% | 25% | 14% |
| Cash | 48% | 56% | 17% |
| PIBs | - | - | 1% |
| Others | 6% | - | 2% |
| Total | 100% | 100% | |

As compared to preceding year, the fund altered its asset allocation; higher proportion was invested in T-bills in lieu of holding deposits with banks. As at end June'16, 34% (FY15: 19%) of net assets were allocated to T-Bills and 48% (FY15: 56%) deposited in saving accounts.

Credit & Market risk

Table 3: Credit Quality Summary- FY16

| Credit Quality | Average | Maximum | Minimum |
|----------------|---------|---------|---------|
| AAA | 72% | 96% | 24% |
| AA+ | 10% | 43% | 0% |
| AA | 15% | 39% | 0% |

The fund is allowed to invest in issuer/issue with a minimum credit rating of ‘AA’. Complying with the requirements, the fund invested in AA and above rated instruments/entities. Since a major portion of the portfolio was invested in T-bills, which are deemed to be AAA rated, the credit quality remains adequate.

Table 4: Risk Summary-FY16

| | Average | Maximum | Minimum |
|-------------|---------|---------|---------|
| WATM (days) | 54 | 86 | 13 |

Over FY16, Weighted Average Time to Maturity remained under the specified limit of 90 days. Given greater investment in T-Bills, WATM was reported lower as compared to last year (FY16: 13 days; FY15: 16 days).

Liquidity Profile

Retail holdings remained on the lower side; it was maintained at 23% (FY15: 23%) over FY16. Owing to redemptions, granularity declined and top 10 investor concentration increased to 72% (FY15: 55%) as at end June’16. Likewise, number of investors declined to 730 (FY15: 794).

Fund Performance

Figure 1: Monthly return Vs. Benchmark

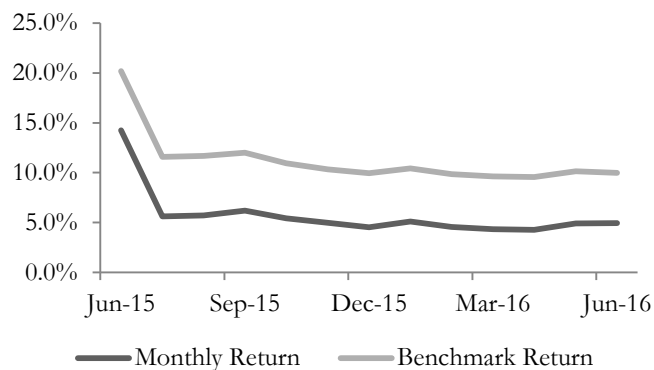


Table 5: Fund performance

| | FY16 | FY15 |
|------------------|-------|------|
| Return (%) | 5.1% | 8.8% |
| Benchmark (%) | 5.5% | 7.9% |
| Peer Average | 5.5% | 8.6% |
| Relative Ranking | 19/22 | 9/21 |

Against benchmark defined as 70% 3 month PKRV & 30% 3 month deposit rate, the fund underperformed. Returns remained low owing to low interest rate scenario; however HBL MMF generated a return of 5.1%, below peer average of 5.5%. Relative to peers, fund’s ranking deteriorated to 19th out of 22 peers (FY15: 9th out of 21 peers) 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</u> | | | | |
| 05-Jan-17 | AA(f) | - | - | Reaffirmed |
| 14-Jan-16 | AA(f) | - | - | Reaffirmed |
| 26-Dec-14 | AA(f) | - | - | Reaffirmed |
| 21-Oct-13 | AA(f) | - | - | Reaffirmed |
| 29-Mar-12 | AA(f) | - | - | Harmonised |