

Date: January 13, 2017

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Investment Objective

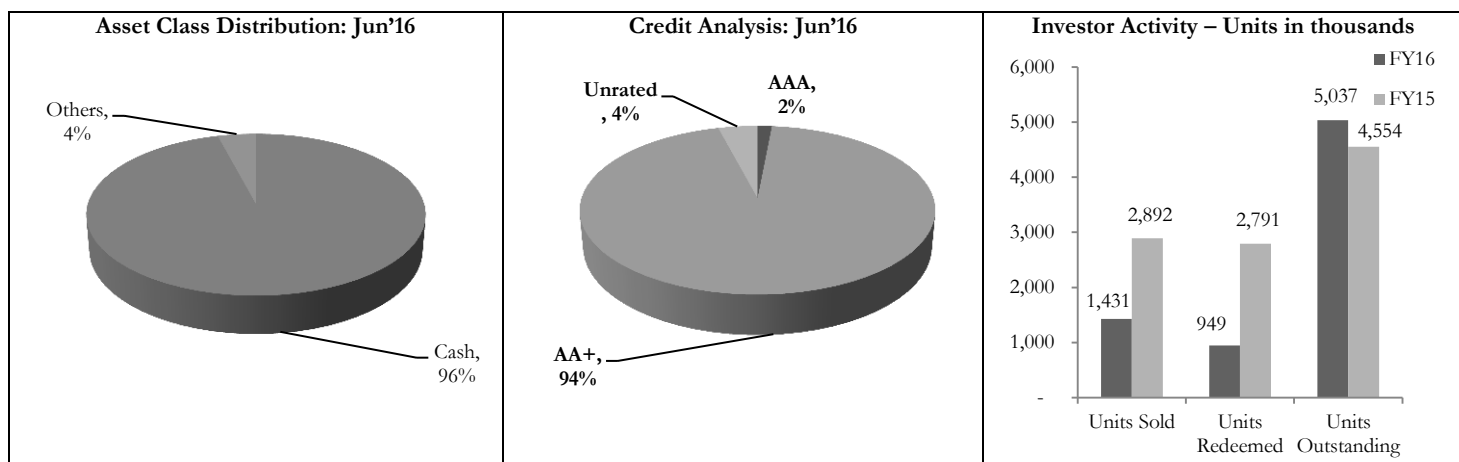
The objective of Islamic Money Market Fund is to seek high liquidity, competitive return and maximum possible preservation of capital for investors by investment in low risk Shariah compliant securities.

HBL Islamic Money Market Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA(f)	AA(f)
	<i>Jan 05, 2017</i>	<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	3 month deposit rate	

HBL IMMF		
	FY16	FY15
Type of Scheme	Shariah Compliant Money Market	
Return (%)	4.3%	6.7%
Benchmark (%)	5.4%	6.8%
Peer Average (%)	4.6%	6.9%
Relative Ranking	3 out of 3	2 out of 3
Fund Size (in Rs. m)	507	457
Retail (%)	15%	16%
Associates (%)	73%	78%
Number of Investors	798	737
Top 10 Investors / AUMs	88%	93%
WATM (<i>Weighted Average Time to Maturity</i>)	1 day	1 day
Duration	1 day	1 day
Asset Allocation (<i>at end June</i>)		
<i>T-Bills</i>	-	-
<i>PIBs</i>	-	-
<i>TFCs/Sukuks</i>	-	-
<i>Certificate of Investments</i>	-	-
<i>Cash</i>	96%	98%
<i>Banks & DFIs</i>	-	-
<i>MTS</i>	-	-
<i>Others (including receivables)</i>	4%	2%

JCR-VIS Credit Rating Company Limited

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



HBL Islamic Money Market Fund (HBL IMMF) is a Shariah compliant open ended fund which is designed to provide investors with maximum possible return and high liquidity while ensuring maximum capital preservation.

Table 1: Offering document (extract)

Description	Limits (Max-Min)	Actual (Max-Min)	Min. Rating
Bank Deposits in licensed Islamic Banks & licensed Islamic Banking windows of conventional banks	0%-100%	96%-100%	AA
Shariah compliant money market instruments such as Certificate of Islamic Investments (COII), with Commercial banks and DFIs	0%-100%	-	AA
Shariah compliant money market instruments such as Certificate of Islamic Investments (COII), Certificate of Musharaka (COM) with NBFCs and Modaraba companies	0%-100%	-	AAA
Any other Shariah compliant money market structure, instrument or security	0%-50%	0%-4%	AA
Subject to SECP or other regulatory approvals the Scheme may seek to invest in Shariah Compliant securities listed or otherwise and traded outside Pakistan	0%-30% (cap of \$15 m)	-	As specified by Commission
Any Shariah compliant investment/structure approved by the Shariah	0-30%	-	As specified by

Advisor, which may be authorized by the Commission but does not include restricted investments			Commission
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The Investment Committee (IC) comprises CEO, Head of Research, Chief Investment Officer, Manager Risk, Head of Fixed Income and fund managers. Investment decisions are consensus based.

Over FY16, net assets of HBL IMMF slightly increased (FY1: Rs. 507m; FY15: Rs. 457m); the increase was attributable to corporates. Likewise, relative proportion of unrelated corporates (FY16: 12%; FY15: 6%) and associates (FY16: 78%; FY15: 73%) was reported higher.

Asset Allocation

Table 2: Asset Allocation

Assets	Jun'16	Jun'15	Average
Ijara Sukuks	-	-	-
Banks and DFIs	-	-	-
Cash	96%	99%	99%
TFC/Sukuks	-	-	-
Others	4%	1%	1%
Total	100%	100%	

Asset allocation of HBL IMMF did not undergo any substantial change over FY16. The fund continued to park almost all of its resources in saving accounts. Complying with the requirement, excess liquidity was maintained, nonetheless, restraining returns.

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Credit & Market risk

Table 3: Credit Quality Summary- FY16

Credit Quality	Average	Maximum	Minimum
AAA	18%	99%	0%
AA+	81%	99%	0%
Unrated	1%	4%	1%

As per the constitutive documents, the fund is allowed to invest in issue/issuer with a minimum rating of 'AA'. In compliance with the requirements, on average, approximately 80% of the portfolio was invested in 'AA+' rated issue/issuer. Given the asset allocation, fund is not exposed to interest risk; however, inability to secure long term returns makes it susceptible to re-investment risk.

Table 4: Risk Summary-FY16

	Average	Maximum	Minimum
WATM (days)	1	1	1

Given the liquid nature of investment, Weighted Average Time to Maturity (WATM) remained minimal (FY16: 1 day; FY15: 1 day). In light of asset allocation and liquidity requirement of the fund, it is expected to stay within the limit of 90 days.

Liquidity Profile

As at end June'16, retail investment stood at minimal 15% (FY15: 16%). Although investor concentration, as reflected in top 10 investors, slightly declined on a timeline basis, it remains on the higher side (FY16: 88%; FY15: 93%). Furthermore, number of investors was reported as 798 (FY15: 737) as at end June'16.

Fund Performance

Figure 1: Monthly return Vs. Benchmark

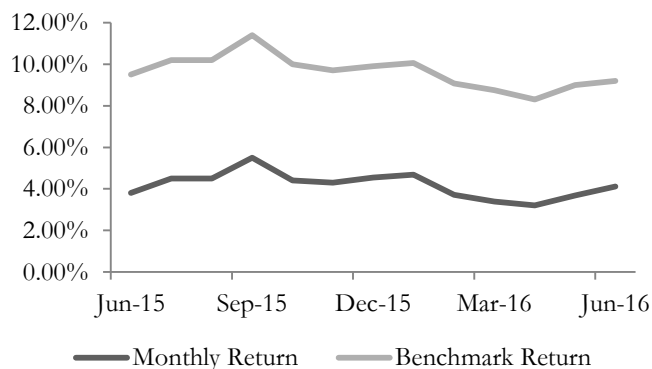


Table 5: Fund performance

	FY16	FY15
Return (%)	4.3%	6.7%
Benchmark (%)	5.4%	6.8%
Peer Average	4.6%	6.9%
Relative Ranking	3/3	2/3

Over FY16, the fund underperformed relative to both its benchmark and peers; HBL IMMF generated lowest return against peers (4.3% against peer average of 4.6%). Low return remains a cause of concern [\[JCR-VIS\]](#)

Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
05-Jan-16	AA(f)	-	-	Reaffirmed
16-Jan-16	AA(f)	-	-	Reaffirmed
26-Dec-14	AA(f)	-	-	Reaffirmed
21-Oct-13	AA(f)	-	-	Reaffirmed
01-Jan-13	AA(f)	-	-	Reaffirmed
30-Dec-11	AA(f)	-	-	Initial