

Date: March 7, 2018

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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.

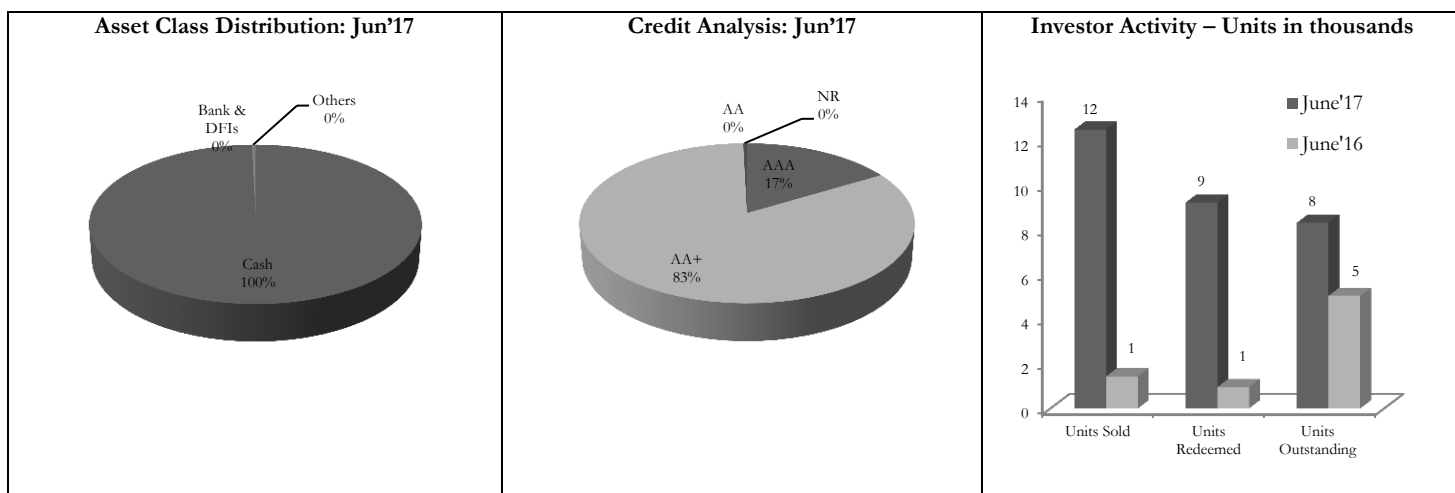
HBL Islamic Money Market Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA(f)	AA(f)
	Dec 29, 2017	Jan 05, 2017
AMC	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil & Co.	
Fund Managers	Mr. Faizan Saleem	
Trustee	Central Depository Company	
Front-end Load	-	
Back-end Load	-	
Management Fee	1% per annum	
Benchmark	3 month deposit rate of 3 AA rated Islamic Banks or Islamic Windows of Conventional Banks	

HBL IMMF		
	FY17	FY16
Type of Scheme	Shariah Compliant Money Market	
Return (%)	4.2%	4.3%
Benchmark (%)	3.2%	5.4%
Peer Average (%)	5.0%	4.6%
Relative Ranking	3/3	3 out of 3
Fund Size (in Rs. m)	835	506
Retail (%)	27%	15%
Associates (%)	46%	73%
Number of Investors	955	798
Top 10 Investors / AUMs	69%	88%
WATM (Weighted Average Time to Maturity)	1 day	1 day
Duration	1 day	1 day
Asset Allocation (at end June)		
<i>T-Bills</i>	-	-
<i>PIBs</i>	-	-
<i>TFCs/Sukuks</i>	-	-
<i>Certificate of Investments</i>	-	-
<i>Cash</i>	99%	96%
<i>Banks & DFIs</i>	-	-
<i>MTS</i>	-	-
<i>Others (including receivables)</i>	1%	4%

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HBL Islamic Money Market Fund (HBL IMMF) is a Shariah compliant open end fund which is designed to provide investors with maximum possible return and high liquidity while ensuring capital preservation. Permissible asset classes of the fund include deposits and money market instruments of Islamic financial institutions.

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%	98%-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%	-	AA
Any other Shariah compliant money market structure, instrument or security	0%-50%	-	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 Advisor, which	0-30%	-	As specified by

may be authorized by the Commission but does not include restricted investments			Commission
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The Investment Committee (IC) comprises CEO, Chief Investment Officer, Head of Research, Manager Risk, Head of Fixed Income and Senior fund manager-Fixed Income. Investment decisions are based on a consensus. Over FY17, net assets of HBL IMMF grew (FY17: Rs. 835m; FY16: Rs. 507m) with increase attributable to both corporates and retail investors.

Asset Allocation

Table 2: Asset Allocation

Assets	Jun'17	Jun'16	Average
Ijara Sukuks	-	-	-
Banks and DFIs	-	-	-
Cash	99%	96%	99%
TFC/Sukuks	-	-	-
Others	1%	4%	1%
Total	100%	100%	100%

Asset allocation of HBL IMMF did not undergo any substantial change over FY17. The fund continued to park almost all of its resources in saving accounts. Complying with the requirement, excess liquidity was maintained, nonetheless, restraining returns.

Credit & Market risk

Table 3: Credit Quality Summary- FY17

Credit Quality	Average	Maximum	Minimum
AAA	5%	16%	0%
AA+	87%	99%	0%

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AA	9%	97%	0%
NR	1%	2%	0%

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, approximately 76% of the portfolio was invested in ‘AA+’ rated issue/issuer on average. 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-FY17

	Average	Maximum	Minimum
WATM (days)	1	1	1
Duration (days)	1	1	1

Given liquid nature of investment, Weighted Average Time to Maturity (WATM) remained minimal (FY17: 1 day; FY16: 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'17, proportion of retail investors in total AUMs increased to 27% (FY16: 15%). As a result, granularity in the fund improved. Moreover, investor concentration, as reflected in top 10 investors, declined though remaining on the higher side (FY17: 70%, FY16: 88%; FY15: 93%). Furthermore, number of investors was reported higher at 955 (FY16: 796) as at end June'17.

Fund Performance

Figure 1: Monthly return Vs. Benchmark

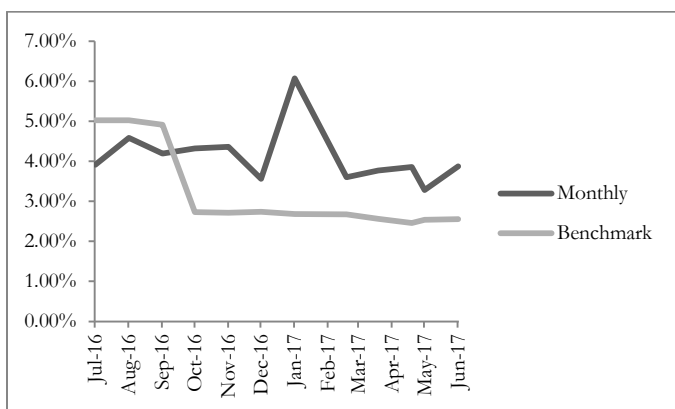


Table 5: Fund performance

	FY17	FY16
Return (%)	4.2%	4.3%
Benchmark (%)	3.2%	5.4%
Peer Average	5.0%	4.6%
Relative Ranking	3/3	3/3

Over FY17, the fund outperformed relative to its benchmark; it is defined as 3 month deposit rate of 3 AA rated Islamic banks or Islamic windows of conventional banks. However HBL IMMF continued to generate lowest return against peers (4.2% against peer average of 5.0%) primarily on account of higher management fee compared to peers ^{JCR-VIS}

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Rating History

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