

JCR-VIS Credit Rating Company Limited

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

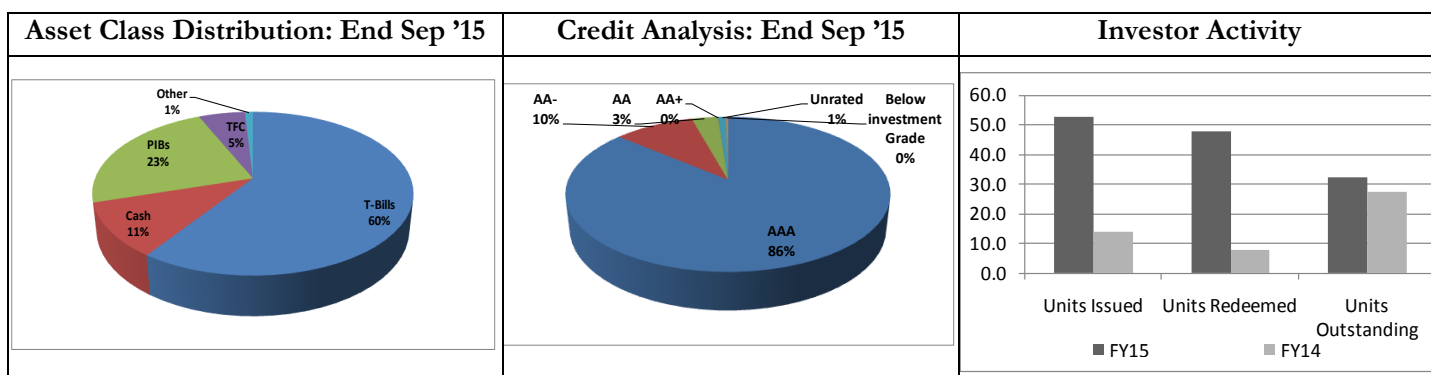
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Investment Objective

The investment 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 (HBL IF)		
Rating Category	Latest	Previous
Fund Stability Rating	A(f) Jan 14, 2016	A(f) Mar 13, 2015
Management Company	HBL Asset Management Limited	
Chief Executive	Mr. Rehan N. Shaikh	
Fund Manager	Mr. Fahad Aziz	
External Auditors – Fund	KPMG Taseer Hadi & Co	
Trustee	Central Depository Company	
Front-end Load	1.5%	
Back-end Load	-	
Management Fee	1.5% per annum	
Benchmark	6 Month Kibor	



HBL Income Fund (HBL IF) was launched in March 2007. On account of fresh investment, fund size increased to Rs. 3.4b at end-FY15 (end-FY14: Rs. 2.8b) and further to Rs. 5.3b by end-1Q16

As per the Internal Investment Policy (IPS), the fund is required to maintain atleast a quarter of the fund's assets in form of cash or cash equivalent. Exposure to PIBs is capped at 50% while exposure to corporate bonds is to be maintained within the range of 15%-40%. Credit risk exposures can be taken in investment grade instruments, indicating capacity to assume sizable credit risk. Allowable range of the fund as per the IPS is tabulated below

Table 1: HBL Income Fund Operational Limits

Asset Class	Range
T-Bills less than 90 days	0%-75%
T-Bills more than 90 days	0%-75%

Cash & cash equivalents	25%-70%
Corporate bonds including commercial paper	15%-40%
TDRs for less than six months	0%-50%
TDRs for more than six months	0%-15%
PIBs	0%-50%
COIs	0%-15%

Asset allocation of the fund remained conservative with investment in sovereign instruments representing more than 70% of fund's assets during FY15; these have increased further during 1QFY16. Exposure to corporate instruments averaged around 10% of net assets during FY15; these have reduced to 5.6% at end-1QFY16. Asset allocation of the fund is tabulated below

Asset	1Q16	Avg. FY15	Avg. FY14

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PIBs	23.1%	32.7%	29.5%
T-bills	59.6%	39.4%	42.0%
TFCs	5.6%	10.1%	14.3%
TDRs	-	2.7%	5.4%
Cash & Bank	10.7%	13.6%	6.1%
Other assets	0.9%	4.1%	2.6%

Proportion of corporate debt instrument remained low. The management has taken provisions against majority of the non-performing corporate debt exposures. Details of the corporate debt instruments at end-1QFY16 is tabulated below

Entity	Counterparty Rating	% of Total Assets
Engro Chemical Pakistan-P1	AA	3.1%
WAPDA	AAA	2.5%
SCB Pakistan	AAA	1.1%
Bank Al Habib		0.98%
Engro Chemical Pakistan-P1	AA	0.94%
Maple Leaf Cement	A	0.37%

As per IPS, Weighted Average Maturity (WAM) of the fund shall not exceed 4 years excluding sovereign instruments. WAM was reported at 1.34 year at end-Sep'15 and remained within the IPS limits during FY15.

Table 2: Market risk summary FY15

	Average	Maximum	Minimum
WAM (yrs)	1.7	2.5	1.07

Investment by retail investor improved to 33% of total investment at end-FY15 (end-FY14: 20%) translating into overall increase in number of unit holders to 874 (FY14: 402). Investment by HBL represented 40% (FY14: 46%) of total investment.

During FY15, HBL IF return stood at 12.4% higher than the peer group average return; government securities funds are also classified as peers. The funds return benefited from the successive discount rate cuts during the outgoing year translating into capital gains on fixed

income instruments. Sizeable volatility was noticed in the month-on-month returns of the fund. In terms of relative performance, fund's returns were ranked in the third quartile. During 1QFY16, the fund posted a return (annualized) of 9.3% with relative ranking improving to second quartile.

Table 5: Performance summary

	Sep'15	FY15	FY14
Total Return	9.28%	12.44%	9.91%
Peer Group Ranking	12 out of 28	16 out of 28	2 out of 27
Benchmark Return	6.97%	9.00%	9.82%
Maximum Return in Peer Group	12.49%	209.45%	16.52%

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability Management Quality</u>				
14-Jan-16	A(f)	-	-	Reaffirmed
13-Mar-15	A(f)	-	-	Reaffirmed
28-Oct-13	A(f)	-	-	Reaffirmed
1-Jan-13	A(f)	-	-	Reaffirmed