JCR-VIS Credit Rating Company Limited Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Date: January 13, 2017

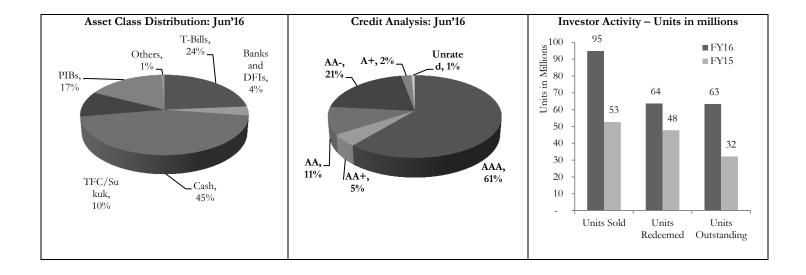
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Investment Objective The objective of the fund is to provide a stable stream of income with moderate level of risk by investing in fixed income securities.

HBL Income Fund				
Rating Category	Latest	Previous		
Fund Stability Dating	A(f)	A(f)		
Fund Stability Rating	Jan 11, 2017	Jan 14, 2016		
Asset Management	HBL Asset	Management		
Company	Limited			
External Auditors –	Deloitte Yousuf Adil & Co.			
Fund				
Fund Managers	Mr. Fahad Aziz			
Trustee	Central Depository Company			
Front-end Load	1.5%			
Back-end Load	-			
Management Fee	1.5% per annum			
Benchmark	6 month KIBOR			

	HBL IF		
	FY16	FY15	
Type of Scheme	Inc	Income	
Return (%)	6.1%	12.4%	
Benchmark (%)	6.5%	9.0%	
Peer Average (%)	7.4%	12.6%	
Relative Ranking	25 out of 28	15 out of 27	
Fund Size (in Rs. m)	6,726	3,376	
Retail (%)	64%	33%	
Associates (%)	26%	49%	
Number of Investors	1,768	870	
Top 10 Investors / AUMs	35%	70%	
WATM (Weighted Average Time to Maturity)	1.02 years	1.33 years	
Duration	0.80 years	0.69 years	
Asset Allocation (at end June)			
T-Bills	24%	39%	
PIBs	17%	29%	
TFCs/Sukuk	10%	9%	
Certificate of Investments	1%	-	
Cash	45%	15%	
Banks & DFIs	2%	-	
MTS	-	-	
Others (including receivables)	1%	7%	

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HBL Income Fund (HBL IF) is an open ended fund which aims to provide a stable stream of income with a moderate level of risk by investing in fixed income securities/instruments. The investment universe spans a variety of asset classes from government backed securities to spread transactions.

Table 1: Approved Investment Avenues-Offeringdocument (extract)

Bonds, Debentures and other debt instruments		
T-Bills, PIBs and other Government Securities		
Money Market Instruments, Certificates of Deposits and		
Bankers Acceptances		
Term Deposits in banks and other financial institutions		
Repurchase Transactions		
Margin Trading Scheme		
Convertible debt securities		
Convertible and non-convertible preference shares		
Certificates of Investments/Deposits		
Asset backed and Mortgage debt securities		
Commercial paper and other money market debt securities		
Spread Transactions		
Warrants, options and derivatives		
Foreign fixed income securities		
Any investment authorized by commission but does not include		
restricted investments		

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 fund increased to Rs. 6.7b (FY15: Rs. 3.4b) as at end June'16, largely emanating from retail investors. In line with investment pattern, retail holding was reported higher at 64% (FY15: 33%). Likewise, associates and unrelated corporate's contributions declined to 26% (FY15: 49%) and 10% (FY15: 19%) respectively.

Asset Allocation

Table 1	2: A	sset	Alloc	ation
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Assets	Jun'16	Jun'15	Average
T-Bills	24%	39%	46%
Banks and DFIs	4%	0%	6%
Cash	45%	15%	17%
TFC/Sukuk	10%	9%	6%
PIBs	17%	29%	24%
MTS	0%	0%	0%
Others	1%	7%	1%
Total	100%	100%	

Over FY16, the fund shifted its investment from government backed securities towards saving accounts. As at end June'16, 45% (FY15: 15%) of net assets were held as deposits in saving accounts and 41% (FY15: 68%) in government backed securities. Residual is invested in term deposits and TFCs.

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Credit & Market risk

Table 3: Credit Quality Summary- FY16

Credit Quality	Average	Maximum	Minimum
AAA	76%	94%	55%
AA+	2%	7%	0%
AA	4%	11%	0%
AA-	17%	33%	0%
A+	0%	2%	0%
Unrated	1%	3%	0%

The fund is required to invest in issue/issuer with a minimum of investment grade credit rating. Moreover, on average, over 90% of the investments were parked in 'AA-' and above rated securities.

Table 4: Risk Summary-FY16

	Average	Maximum	Minimum
WATM (years)	1.07	1.80	0.74
Duration (years)	0.82	1.41	0.58

Depending on asset allocation, Weighted Average Time to Maturity (WATM) of the fund varies. During FY16, the fund reported maximum WATM of 1.80 years. Moreover, duration (FY16: 0.80 years; FY15: 0.69 years) was reported slightly higher as at end June'16.

Liquidity Profile

Based on higher investment by retail investors, retail proportion increased to 64% (FY15: 33%) as at end June'16. Similarly, number of investors increased to 1,768 (FY15: 870). Attributable to change in unit holding, granularity in investment increased as reflected in lower top-10 investor concentration (FY16: 35%; FY15: 70%).

Fund Performance

Figure 1: Monthly return Vs. Benchmark

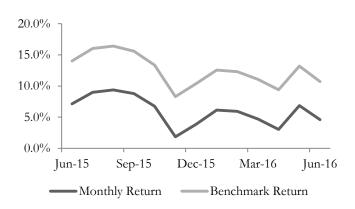


Table 5: Fund performance

	FY16	FY15
Return (%)	6.1%	12.4%
Benchmark (%)	6.5%	9.0%
Peer Average	7.4%	12.6%
Relative Ranking	25/28	15/27

HBL IF reported a return of 6.1% over FY16, which remains below both benchmark (6.5%) and peer average (7.4%). Relative to peers, the fund's performance deteriorated as its ranking reduced to 25^{th} out of 28 peers (FY15: 15^{th} out of 27) JCR-VIS

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Rating History

	Medium to			
Rating Date	Long Term	Outlook	Short Term	Rating Action
	RATING TYP	E: Fund Stability Manag	rement Quality	
11-Jan-17	A(f)	-	-	Reaffirmed
14-Jan-16	A(f)	-	-	Reaffirmed
13-Mar-15	A(f)	-	-	Reaffirmed
28-Oct-13	A(f)	-	-	Reaffirmed
1-Jan-13	A(f)	-	-	Reaffirmed