

*Date: December 31, 2019*

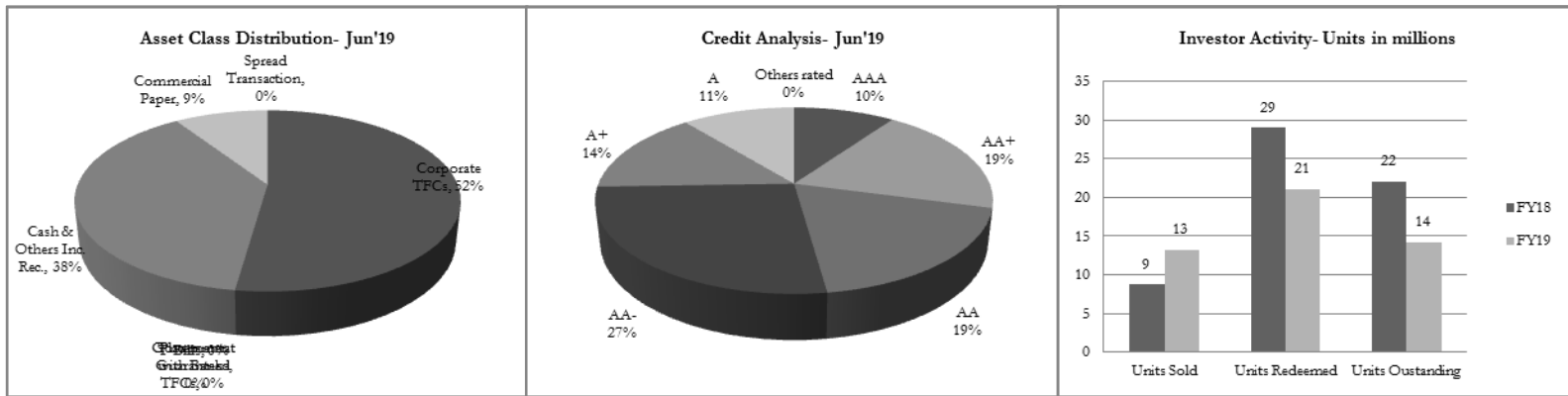
**Analysts:** Talha Iqbal  
Asfia Aziz

**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 Rating	<b>A(f)</b>	<b>A(f)</b>
	<i>Dec 30, 2019</i>	<i>Dec 26, 2018</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil, Chartered Accountants	
Fund Managers	Wamiq Sakrani	
Trustee	Central Depository Company	
Front-end Load	Upto 1.5%	
Back-end Load	-	
Management Fee	1.308%	
Benchmark	6 Month KIBOR	

	HIF	
	FY18	FY19
Type of Scheme	Income	
Return (%)	5.0%	8.8%
Benchmark (%)	6.4%	10.2%
Peer Average (%)	5.54%	8.5%
Relative Ranking	12 out of 20	8 out of 20
Fund Size (in Rs. m)	2,456	1,511
Retail (%)	42%	52%
Associates (%)	48%	14%
Number of Investors	875	940
Top 10 Investors / AUMs	60%	47%
Fund Stability Rating	A(f)	A(f)
Management fee	1.25-1.50%	1.25-1.50%
WATM (at end-June)	928	852
<b>Average Asset Allocation</b>		
<i>Corporate TFCs</i>	45%	61%
<i>Government backed / issued Securities</i>	0%	0%
<i>Others</i>	2%	0%
<i>Placements with Banks</i>	8%	0%
<i>Cash &amp; Others Inc. Rec.</i>	45%	39%



HBL Income fund is an open ended fund which aims to provide a stable stream of income while maintaining moderate level of risk by investing in fixed income securities and instruments. During FY19 the fund size witnessed a declining trend reporting at Rs. 1.5b (FY18 Rs. 2.5b) at end-June'19 due to higher redemptions.

**Table 1: Approved Investment Avenues-Offering document (extract)**

Description	Min-Max Limits	Min-Max Actual	Min Issuer Rating	Min Instrument Rating
Secured, Unsecured & Unlisted debt securities issued by local governments, other government agencies, private or public sector entities or financial institutions	0%-75%	27%-40%	N/A	IG*
Treasury bills (T-Bills), Pakistan Investment Bond, Federal Investment Bonds and other Government Securities;	0%-100%	0%	N/A	N/A
Cash and near cash instruments including cash in bank accounts (excluding TDRs), T-Bills not exceeding 90 days maturity	25%-100%	The fund has complied with the requirement on monthly average basis	IG*	N/A
Non traded securities, including reverse repos, bank deposits, certificate of investments (COI) and certificate of Musharikas (COM) and anything over six months maturity which is not a marketable security	0%-15%	-	IG*	N/A
Commercial papers	0%-25%	0%-4.2%	A-	A2

Continuous Funding System (CFS) & Spread Transactions	0%-40%	1%-5%	N/A	N/A
Foreign fixed income securities issued; listed or otherwise and	30% (< USD 15 m)	-	As specified by the Commission	

\*Investment Grade

Investment Committee (IC) comprises Chief Executive Officer, Chief Investment Officer, Head of Fixed Income, and Head of Research. All investment decisions are consensus based.

**Credit Risk**

**Table 2: Asset Allocation**

Asset Class Distribution	Jun'18	Jun'19
Corporate TFCs	40%	52%
Government Guaranteed TFCs	5%	0%
T-Bills	0%	0%
Placements with Banks	8%	0%
Cash & Others Inc. Rec.	45%	38%
Commercial Paper	0%	9%
Spread Transaction	2%	0%

The fund's asset allocation plan remained concentrated in bank deposits and corporate TFCs at end-June'19. The fund maintained to preserve 40% of its assets in corporate TFCs and the remaining chunk was allocated in cash, government securities, placements with banks and spread transactions. The fund complied with the specified requisites as stated in the offering document on a month-on-month average analysis.

**Table 3: Credit Quality**

Credit Quality	Average	Maximum	Minimum
AAA	9%	33%	0%
AA+	18%	31%	3%
AA	11%	19%	9%
AA-	28%	41%	12%
A+	16%	36%	11%
A	12%	21%	1%
Others rated	1%	6%	0%
NR	5%	14%	1%

The fund complied with the credit quality stipulations of the assigned rating. On an average basis the fund parked around 66% of its assets in AA- and above rated investment avenues (FY18 60%).

**Market Risk**

**Table 4: Modified Duration**

Month	Modified Duration (days)
	HIF
Jul'18	85
Aug'18	79
Sep'18	103
Oct'18	80
Nov'18	77
Dec'18	95
Jan'19	89
Feb'19	302
Mar'19	96
Apr'19	76
May'19	67
Jun'19	84

During FY19, modified duration remained within the specified limit of 365 days as per assigned ratings. Maximum and minimum duration was capped at 302 days end-Feb'19 and 67 days end-May'19 respectively.

**Liquidity Profile**

Contribution by retail investors revitalized during FY19 to 52% (FY18: 42%) depicting improving liquidity profile. Total number of investors increased to 940 (FY18: 875) at end-June'19. Contribution of assets from associates faced a major decline of 14% during the year (FY18: 48%). Top-10 investor concentration also witnessed improvement to 47% (FY18: 60%) of the fund asset base in FY19.

**Fund Performance**

**Table 5: Fund Performance**

	FY18	FY19
Return (%)	5.0%	8.8%
Benchmark (%)	6.4%	10.2%
Peer Average (%)	5.5%	8.5%
Relative Ranking	12 out of 20	8 out of 20

Performance of the fund is benchmarked against 6 months KIBOR. During FY19, HIF reported a return of 8.8% (FY18: 5.0%) which is higher than the peer average but lower than the benchmark. Relative to the peers the fund's performance improved from 12/20 to 8/20.

**Rating History**

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Fund Stability Management Quality</u></b>				
30-Dec-19	Λ(f)	-	-	Reaffirmed
26-Dec-18	Λ(f)	-	-	Reaffirmed
29-Dec-17	Λ(f)	-	-	Reaffirmed
11-Jan-17	Λ(f)	-	-	Reaffirmed
14-Jan-16	Λ(f)	-	-	Reaffirmed
13-Mar-15	Λ(f)	-	-	Reaffirmed
28-Oct-13	Λ(f)	-	-	Reaffirmed
1-Jan-13	Λ(f)	-	-	Reaffirmed

**FINANCIAL SUMMARY** *(amounts in PKR millions)*

<b><u>BALANCE SHEET</u></b>	<b>FY18</b>	<b>FY19</b>
Paid Up Capital	NA	NA
Total Equity	NA	NA
<b><u>INCOME STATEMENT</u></b>		
Total income	265	203
Profit Before Tax	187	160
Profit After Tax	187	160
<b><u>RATIO ANALYSIS</u></b>		
Net Cash Generated from Operating Activities	2,569	417
Current Ratio (x)	NA	NA
Gearing (x)	NA	NA