

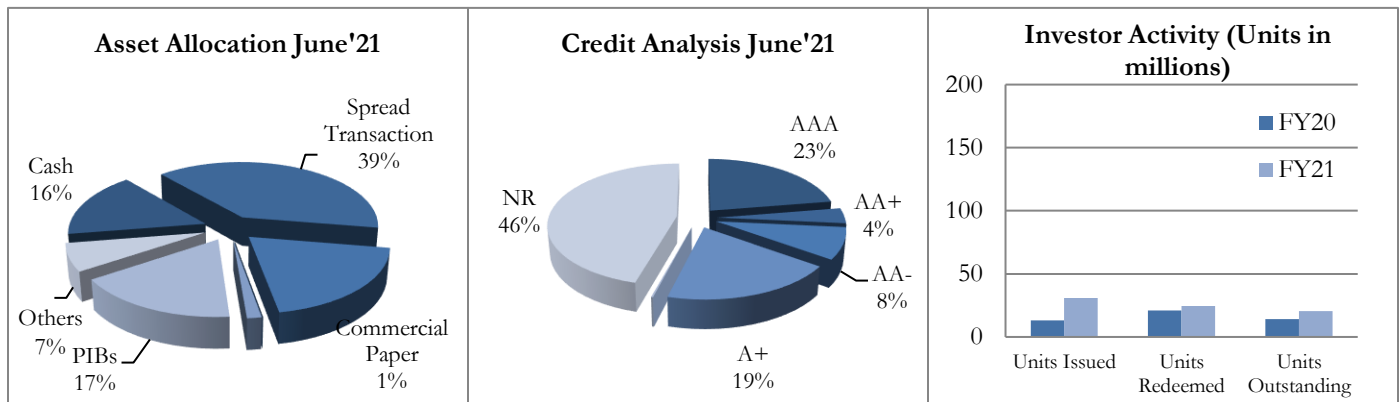
Date: January 03, 2022

Analyst: Muhammad Tabish

Investment Objective

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	A+ (f)	A+(f)
	Jan 03, '22	Dec 31, '20
AMC	HBL Asset Management Limited	
External Auditors – Fund	Yousuf Adil Pakistan	
Trustee	Central Depository Company	
Front-end Load	Up to 1.50%	
Back-end Load	Nil	
Management Fee	1.308%	
Benchmark	Six (6) months KIBOR average	



HBL Income Fund (HIF) is an open-ended fund and has an objective to provide a stable stream of income to its investors through investments in fixed income instruments. Net assets of the funds increased to Rs. 2.3b (FY20: Rs. 1.5b) at end-FY21.

Investment Committee (IC) comprises key personnel from top management including CEO, Head of Fixed Income, Acting Head of Research and Head of Risk. All investment decisions are consensus based.

The fund's exposure to various sources of risks has been maintained in actual asset allocation plan and credit quality requisites. As per investment policy, pre-defined exposure limits are in place for each investment avenue.

Table 1: Offering document (extract)

Description	Minimum Issuer Rating	Minimum Instrument Rating	Min-Max Limits
Secured, Unsecured & Unlisted debt securities issued by local governments, other government agencies, private or public sector entities or financial institutions	-	Investment Grade	0%-75%
Treasury bills (T-Bills), Pakistan Investment Bond, Federal Investment Bonds and other Government Securities;	-	-	0%-100%
Cash and near cash instruments including cash in bank accounts (excluding TDRs), T-Bills not exceeding 90 days maturity	Investment Grade	-	25%-100%
Non traded securities, including reverse repos, bank deposits, certificate of	Investment Grade	-	0%-15%

investments (COI) and certificate of Musharikas (COM) and anything over six months maturity which is not a marketable security			
Commercial papers	A-	A-2	0%-25%
Continuous Funding System (CFS) & Spread Transactions	-	-	0%-40%
Foreign fixed income securities issued; listed or otherwise	As specified by the Commission		0%-30% (cap of \$15m)

Asset Allocation:

Table 2: Asset Class Distribution:

Asset Allocation	Average FY'20	Average FY'21	Jun'21
Cash adjusted for accruals	38%	23%	16%
Spread Transactions	0%	14%	39%
TFCs/Sukuks	35%	21%	20%
T-bills	7%	17%	0%
Commercial Paper	3%	1%	1%
PIBs	12%	15%	17%
Others	4%	9%	7%

The fund's net assets primarily remained concentrated in cash and corporate TFCs/ Sukuks over the year on a monthly average basis followed by T-Bills, PIBs and spread transactions. Deviation in asset allocation was noted in June'21.

Credit Quality:

Table 3: Credit Quality

Credit Quality	Monthly Average	Maximum	Minimum
AAA	37%	63%	13%
AA+	4%	6%	3%
AA	1%	3%	0%
AA-	26%	49%	8%
A+	8%	19%	5%
A	0%	0%	0%
A-	1%	2%	0%
NR	22%	46%	1%

On a monthly average basis, the fund parked around 69% of its assets in AA- and above rated avenues. Moreover, significant exposures were taken in spread transactions

constituting "Margin Trading System" and "Ready Buy Future Sale" during the year.

Market Risk:

During the review period, WAM of the fund remained within the specified limit of 4 years as per assigned ratings. Average monthly WAM was reported at 472 days (1.3 years). Moreover, barring 2 months (July'20 and July'21), the fund has remained compliant with the stipulated limits of modified duration.

Liquidity Profile:

Around 60% of the fund base is provided by retail investors. Top-10 investors' concentration is on the higher side and stands at 46.8% which indicates room for improvement. Total number of investors increased to 1,112 (FY20: 974; FY19: 940).

Fund Performance:

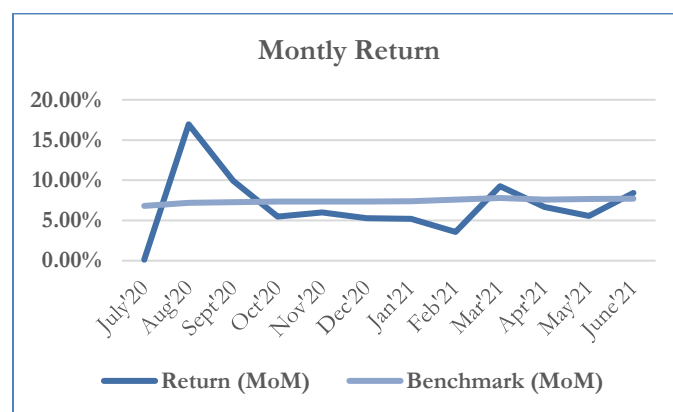


Table 4: Fund Performance:

Performance	FY20	FY21
Total Return	13.28%	7.10%
Peer Ranking	10/19	13/31
Benchmark Return	12.22%	7.42%
Peer Average	13.33%	5.85%

Benchmark of the fund is determined against six (6) months average KIBOR. Barring 4 months in the outgoing fiscal year, the fund has under-performed compared to its benchmark rate. However, based on 365 days return, the fund's return compares favorably vis-à-vis peers and the fund remained in second quartile.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	03-Jan-22	A+ (f)	Reaffirmed
Fund Stability	31-Dec-20	A+ (f)	Upgrade
Fund Stability	30-Dec-19	A (f)	Reaffirmed
Fund Stability	26-Dec-18	A (f)	Reaffirmed
Fund Stability	29-Dec-17	A (f)	Reaffirmed
Fund Stability	11-Jan-17	A (f)	Reaffirmed
Fund Stability	14-Jan-16	A (f)	Reaffirmed
Fund Stability	13-Mar-15	A (f)	Reaffirmed
Fund Stability	28-Oct-13	A (f)	Reaffirmed
Fund Stability	1-Jan-13	A (f)	Reaffirmed

<u>BALANCE SHEET</u>	FY20	FY21
Paid Up Capital	-	-
Total Equity	-	-
<u>INCOME STATEMENT</u>		
Total Income	228	204
Profit Before Tax	190	146
Profit After Tax	190	146
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	-	-
Gearing (x)	-	-