

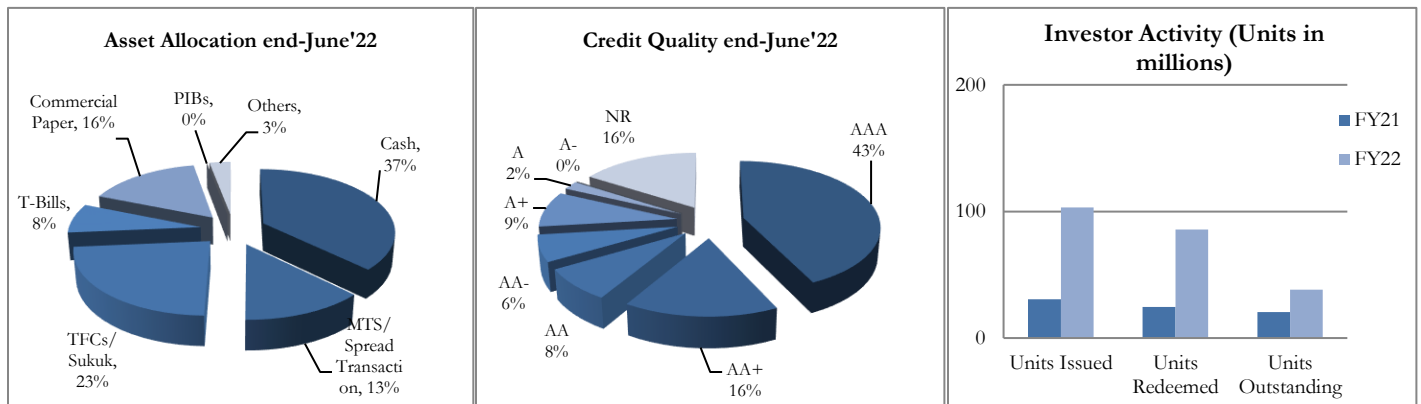
Date: December 29, 2022

Analyst: Musaddeq Ahmed Khan

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)
	Dec 29, '22	Jan 03, '22
AMC	HBL Asset Management Limited	
External Auditors – Fund	A.F.Ferguson & Co., Chartered Accountants	
Trustee	Central Depository Company	
Front-end Load	Up to 1.50%	
Back-end Load	Nil	
Management Fee	1.00%	
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 significantly to Rs. 4.2b (Jun'21: Rs. 2.3b) as of Jun'22.

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'21	Average FY'22	Jun'22
Cash adjusted for accruals	23%	46%	37%
Spread Transactions	14%	18%	13%
TFCs/Sukuks	21%	17%	23%
T-bills	17%	8%	8%
Commercial Paper	1%	8%	16%
PIBs	15%	0%	0%
Others	9%	4%	3%

During FY22, on an average basis, the fund's asset allocation was in compliance with the standards specified in the Offering Document (OD). The fund's net assets are primarily concentrated in cash on a monthly average basis followed by TFCs and Spread Transaction.

Credit Quality:

Table 3: Credit Quality

Credit Quality	Monthly Average	Maximum	Minimum
AAA	20%	50%	4%
AA+	11%	32%	1%
AA	2%	8%	0%
AA-	17%	47%	6%
A+	24%	34%	2%
A	4%	24%	1%
A-	0%	0%	0%
NR	21%	37%	10%

In order to cater to its mandate, the fund is required to invest in instruments that have a minimum credit quality rating of 'A-' or above. The fund complied with the requirements of the OD during the outgoing year. On a

monthly average basis, the fund parked around 74.0% (FY21: 77.0) of its assets in A+ 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, Weighted Average Maturity (WAM) of the fund remained within the specified limit of 4 years as per OD. Average monthly WAM was reported at 182 days. Moreover, baring July'21, the fund has remained compliant with the stipulated limits of modified duration.

Liquidity Profile:

Around half of the fund base is provided by retail investors as of Jun'22. Top-10 investors' concentration is on the higher side and stands at 44.8% (Jun'21: 46.8%) as of Jun'22 which indicates room for improvement. Total number of investors increased to 1,498 (Jun'21: 1,112).

Fund Performance:

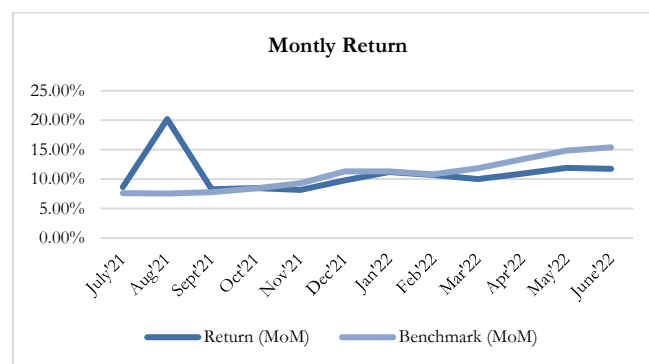


Table 4: Fund Performance:

Performance	FY21	FY21
Total Return	7.10%	11.43%
Peer Ranking	13/31	1/30
Benchmark Return	7.42%	10.81%
Peer Average	5.85%	9.38%

Benchmark of the fund is determined against six (6) months average KIBOR. Baring 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 highly favorable vis-à-vis peers and the fund ranked up to first quartile.

<u>BALANCE SHEET</u>	FY21	FY22
Paid Up Capital	-	-
Total Equity	-	-
<u>INCOME STATEMENT</u>		
Total Income	204	479
Profit Before Tax	146	437
Profit After Tax	146	437
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	-	-
Gearing (x)	-	-

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix I

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: FUND STABILITY RATING SCALE

AAA(f)

Highest degree of stability in NAV. Risk is negligible with very low sensitivity to changing economic conditions

AA+(f), AA(f), AA-(f)

High degree of stability in NAV. Risk is modest but may vary slightly from time to time because of changing economics conditions

A+(f), A(f), A-(f)

Moderate degree of stability in NAV. Risk factors may vary with possible changes in the economy

BBB+(f), BBB(f), BBB-(f)

Adequate degree of stability in NAV. Risk factors are considered variable if changes occur in the economy

BB+(f), BB(f), BB-(f)

Low degree of stability in NAV. Risk factors are sensitive to changes in the economy

B(f)

Very low degree of stability in NAV. Risk factors are capable of fluctuating widely if changes occur in the economy

The FSR scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer ratings.

FSRs may be placed under 'Rating-Watch' if VIS views that the status of the assigned rating is uncertain and there are conditions present that necessitate re-evaluation of the assigned rating. VIS also designates direction, Positive, Negative or Developing, to ratings placed under 'Rating-Watch'. This shows VIS's opinion regarding the likely direction of a rating. Developments in factors other than those that necessitated the 'Rating-Watch' may result in a rating change, while the rating continues to be placed under 'Rating-Watch'.

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Fund	HBL Income Fund			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Fund Stability Rating (FSR)			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	29-Dec-22	A+ (f)		Reaffirmed
	03-Jan-22	A+ (f)		Reaffirmed
	31-Dec-20	A+ (f)		Upgrade
	30-Dec-19	A (f)		Reaffirmed
	26-Dec-18	A (f)		Reaffirmed
	29-Dec-17	A (f)		Reaffirmed
	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	
Instrument Structure	N/A			
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
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