

HBL Income Fund (HBL IF)

Managed By: HBL Asset Management Limited

Fund Stability Rating

Latest Rating

A+(f)

2-Jan-24

What is Fund Stability Rating

Fund Stability Rating (FSR) is a measure used to assess the stability and risk associated with a mutual fund or investment portfolio. The stability rating combines a comprehensive quantitative evaluation of the fund's portfolio with a qualitative assessment of fund management. This rating offers investors an impartial gauge of the primary areas of risk that income funds may face, including credit risk, liquidity risk, and interest rate risk.

Fund Information

Auditor	A. F. Ferguson & Co., Chartered Accountants
Trustee	Central Depository Company of Pakistan Limited
Front-end Load	Up to 1.50%
Back-end Load	Nil
Benchmark	Six Months KIBOR average
MQR Rating	AM1 (VIS)
Mgt. Fee	1.00% p.a.

Fund Overview

HBL Income Fund (the Fund) is an open-ended mutual fund constituted under a Trust Deed entered into on March 17, 2007, between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

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.

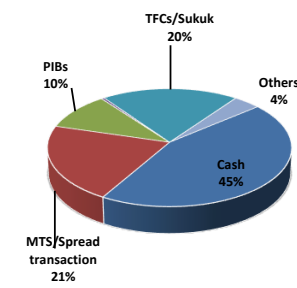
Offering Document (Extract)

Description	Minimum 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 investments (COI) and certificate of Musharikas (COM) and anything over six months maturity which is not a marketable security	Investment Grade	0%-15%
Commercial papers	A-/A-2	0%-25%
MTS & Spread Transactions	-	0%-40%
Foreign fixed income securities issued; listed or otherwise and traded outside Pakistan on such terms, guide lines and directions as may be issued by the Commission and State Bank of Pakistan from time to time.	As specified by the Commission	0%-30% (cap of \$15m)

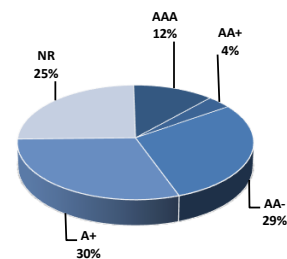
Net Assets

	Jun'21	Jun'22	Jun'23
Net Assets (In PKR' Millions)	2,264	4,186	2,106

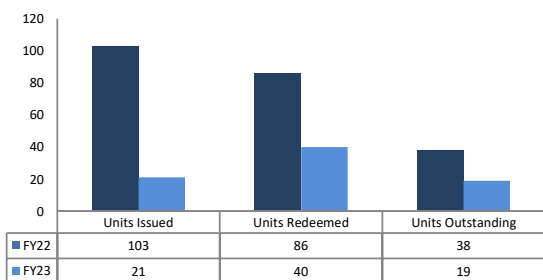
Asset Allocation - Jun'23



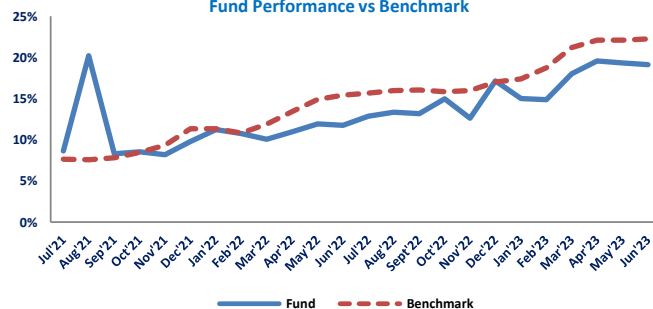
Credit Quality - Jun'23



Investor Activity (Units in Mn.)



Fund Performance vs Benchmark



Credit Quality (FY'23)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'22 Avg.	FY'23 Avg.
AAA	15.86%	45.09%	4.40%	Cash	45.99%	31.84%
AA+	11.29%	22.26%	3.31%	MTS/Spread transaction	17.73%	15.96%
AA	6.52%	16.06%	0.00%	PIBs	0.00%	8.34%
AA-	13.54%	29.15%	3.03%	T-Bills	7.71%	5.60%
A+	32.79%	37.46%	25.09%	TFCs/Sukuk	16.85%	30.12%
A	0.00%	0.00%	0.00%	Commercial paper	8.11%	3.15%
A-	0.00%	0.00%	0.00%	Others	3.62%	5.07%
NR	20.01%	26.69%	6.63%	Total	100.00%	100.00%
Total	100.00%	0.00%	0.00%			

Portfolio Maturity (FY'23)	Average	Maximum	Minimum	Fund Performance	FY'22	FY'23
WAM (In Days)	338	525	186	Total Return	11.43%	17.03%
Duration (In Days)	49	78	26	Benchmark Return	10.81%	18.33%
				Peer Average	9.56%	16.72%
				Peer Ranking	2 out of 21	13 out of 24

Fund Stability Analysis

The HBL Income Fund has been assigned a rating of A+(f). This rating indicates a moderate degree of stability in the Net Asset Value (NAV) of the fund. It suggests that the fund has exhibited a stable performance with a moderate level of risk. The rating may vary with possible changes in the economy.

Asset Allocation:

The fund has largely remained within the asset allocation parameters as identified in the offering document. The fund has decreased its cash allocation to 31.8% on average in FY23 (FY22: 46%) in order to increase exposure in TFCs/Sukuku which climbed up to 30.1% on average in FY23 (FY22: 16.8%). The third largest investment avenue in terms of % allocation is MTS transactions with 16.0% on average in FY23 (FY22: 17.7%). Remaining investment allocations includes PIBs, T-Bills and Commercial Papers.

Credit Quality:

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 Credit Risk Criteria of the fund falls within the guidelines stipulated in our methodology. The fund holds a diversified portfolio with investments in various credit rating categories, including AAA, AA+, AA- and A+. In FY23 the fund majorly invested in 'A+' securities making up 32.8% (FY22: 23.6%) of the total investment portfolio.

Market Risk:

During the review period, Average Duration of the fund came in at around 49 days which in remained within the specified limit of 365 days as per the Offering Document (OD).

Fund Performance:

As at Jun'23, the fund generated a YTD return of 17.0% underperforming the benchmark of 18.3%. However, the fund outperformed the peer average of 16.7% in FY23. Compared to peers the fund ranking is 13/24 in the relevant category as at Jun'23

Financial Snapshot			
BALANCE SHEET		FY22	FY23
Paid Up Capital		N/A	N/A
Total Equity		N/A	N/A
INCOME STATEMENT		FY22	FY23
Total Income		478.7	500.9
Profit Before Tax		436.5	430.7
Profit After Tax		436.5	430.7
RATIO ANALYSIS		FY22	FY23
Current Ratio (x)		N/A	N/A
Gearing (x)		N/A	N/A
FFO		N/A	N/A
Regulatory Disclosures			
Name of Rated Fund	HBL Income Fund	Sector	Mutual Funds
Type of Relationship	Solicited	Purpose of Rating	Fund Stability Rating (FSR)
Rating History			
Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	2-Jan-24	A+(f)	Reaffirmed
Fund Stability	29-Dec-22	A+(f)	Reaffirmed
Fund Stability	13-Jan-22	A+(f)	Reaffirmed
Fund Stability	31-Dec-20	A+(f)	Upgrade
Fund Stability	30-Dec-19	A(f)	Reaffirmed
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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Rating Scale	https://docs.vis.com.pk/docs/VISRatingScales.pdf		

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