

**HBL Income Fund (HBL IF)**

*Managed By: HBL Asset Management Limited*

**Fund Stability Rating**

**Latest Rating**

**A+(f)**

**3-Mar-25**

**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**

<b>Launch Date</b>	March 17, 2007
<b>Fund Type</b>	Open End
<b>Category</b>	Income Scheme
<b>Risk Profile</b>	Medium
<b>Auditor</b>	Yousuf Adil & Co., Chartered Accountants
<b>Trustee</b>	Central Depository Company of Pakistan Limited
<b>Front-end Load</b>	Up to 2.00%
<b>Back-end Load</b>	Nil
<b>Benchmark</b>	Six Months KIBOR average
<b>MQR Rating</b>	AM1 (VIS)
<b>Mgt. Fee</b>	1.50% 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.

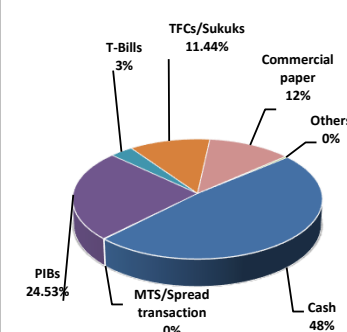
**Offering Document (Extract)**

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)

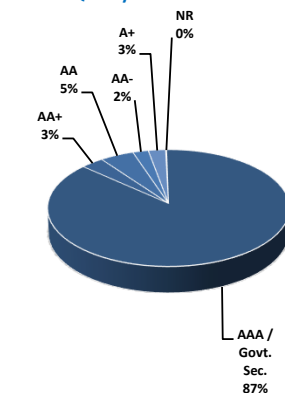
**Net Assets**

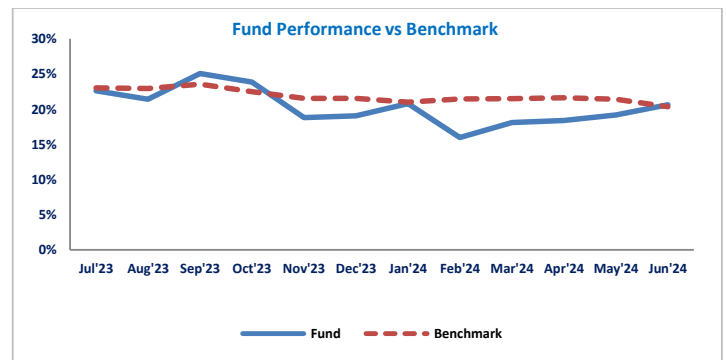
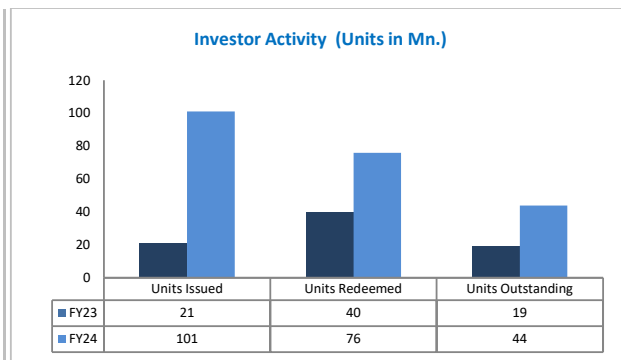
	Jun'22	Jun'23	Jun'24
Net Assets (In PKR' Millions)	4,186	2,106	4,973

**Asset Allocation - Jun'24**



**Credit Quality - Jun'24**





Credit Quality (FY'24)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'23 Avg.	FY'24 Avg.
AAA / Govt. Sec.	38.95%	86.91%	7.57%	Cash	31.84%	31.51%
AA+	1.22%	3.33%	0.00%	Gov. Backed/ Guaranteed Securities	0.00%	19.25%
AA	6.43%	24.30%	0.00%	MTS/Spread transaction	15.96%	9.07%
AA-	14.47%	35.95%	2.25%	PIBs	8.34%	5.18%
A+	20.46%	28.58%	2.48%	T-Bills	5.60%	8.45%
A	0.68%	3.12%	0.00%	TFCs/Sukuk	30.12%	14.89%
A-	0.00%	0.00%	0.00%	Placement with Banks & DFI	0.00%	5.86%
NR	17.78%	66.94%	0.14%	Commercial paper	3.15%	2.13%
Total	100.00%	0.00%	0.00%	Others	5.07%	3.67%

Portfolio Maturity (FY'24)	Average	Maximum	Minimum	Benchmark	Fund Performance	FY'23	FY'24
WAM (In Days)	526	762	189	1460	Total Return	17.03%	22.35%
Duration (In Days)	205	697	96	1460	Benchmark Return	18.33%	21.87%
					Peer Average	16.72%	21.38%
					Peer Ranking	13 out of 24	14 out of 26

## 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:

During FY24, the Fund's Assets Under Management recorded a significant growth of ~136%, closing at Rs. 5.0b as at Jun'24 (Jun'23: Rs. 3.6b). Over this period, the Fund's asset allocation strategy was largely in line with the guidelines outlined in the offering document. The Fund's investments were concentrated in Cash (~31%), Government-backed and Guaranteed Securities (~19%), TFCs/Sukuks (~15%), MTS/Spread Transactions (~9%), T-Bills (~8%), Placements with Banks and DFIs (~6%), and PIBs (~5%).

## Credit Quality:

The Fund's credit quality remained consistent with VIS benchmarks for the assigned rating. During FY24, ~39% of the Fund's portfolio was allocated to investments in Government Securities and AAA-rated avenues. A+ and AA- rated instruments constituted ~20% and ~14% of the Fund's assets, respectively, with the remaining exposures spread across AA, AA+, and A-rated securities. The "Not Rated" portion represents receivables against the sale of investments rated A+ and above, as well as accrued profit. Cash balances of the Fund were maintained in banks rated A+ and above.

## Market and Liquidity Risk:

The duration of the Fund's assets increased over time, with the average duration during FY24 recorded at 204 days. Going forward, maintenance of duration in line with the assigned rating will remain important. Additionally, the weighted average time to maturity (WAM) of the Fund remained within the defined limit outlined in the offering document, averaging 526 days against the capped limit of 1,460 days.

Liquidity profile of the Fund is considered sound, given liquid assets making up ~70% of total assets. Retail investors represented majority of the Fund's investment, constituting ~65% of the portfolio while corporate investors made up ~33% of the Fund's size, with a minimal portion held by associated. Additionally, the client concentration risk is considered manageable, with top ten investors comprising ~49% of the total AUM as at Jun'24.

## Fund Performance:

During FY24, the Fund yielded an annualized return of 22.4% outperforming its benchmark as well as the peer average, placing the Fund in the third quartile.

## Financial Snapshot

	FY23	FY24
<b>BALANCE SHEET</b>		
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
<b>INCOME STATEMENT</b>		
Total Income	500.9	997.5
Profit Before Tax	430.7	878.0
Profit After Tax	430.7	878.0
<b>RATIO ANALYSIS</b>		
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A
FFO	N/A	N/A

Regulatory Disclosures			
<b>Name of Rated Fund</b>	HBL Income Fund	<b>Sector</b>	Mutual Funds
<b>Type of Relationship</b>	Solicited	<b>Purpose of Rating</b>	Fund Stability Rating (FSR)
Rating History			
Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	3-Mar-25	A+(f)	Reaffirmed
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
<b>Statement by the Rating Team</b>	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.		
<b>Probability of Default</b>	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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<b>Rating Scale</b>	<a href="https://docs.vis.com.pk/docs/VISRatingScales.pdf">https://docs.vis.com.pk/docs/VISRatingScales.pdf</a>		

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Note: VIS' mutual fund rating is not a recommendation to buy, sell, or hold any fund, in as much as it does not comment as to suitability for a particular investor.