

# HBL Asset Management Company Limited

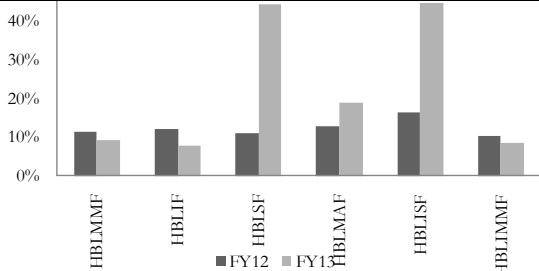
Chairman: Mr. Tawfiq Habib Chinoy; Chief Executive: Mr. Rehan N. Shaikh

Date: Dec 04, 2013

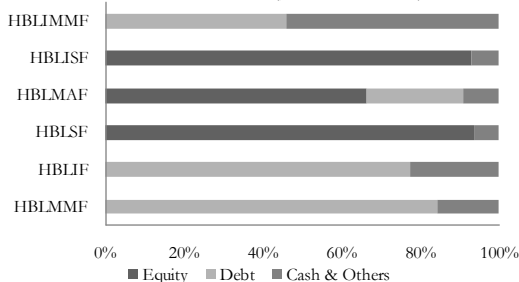
## Rating Rationale

**Analysts:** *Sobia Maqbool, CFA*  
*Waqas Munir, FRM*

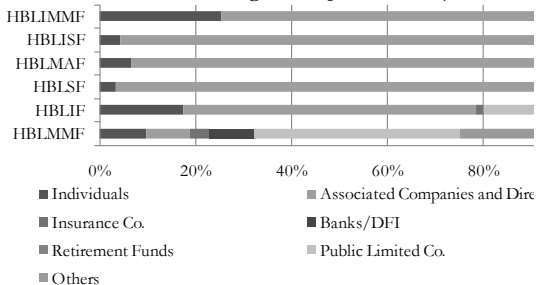
	Latest	Previous
<b>Rating</b>	<b>AM2-</b>	<b>AM3+</b>
<b>Outlook</b>	<b>Stable</b> <i>Oct 21, 2013</i>	<b>Positive</b> <i>Dec 26, 2012</i>



**Asset Allocation (June 30, 2013)**



**Unitholding Patter (June 30, 2013)**



HBL Asset Management Company (HBL AMC) offers a diversified set of collective investment schemes. Market share of the AMC in the industry, in terms of AUMs, increased to 4.8% by end-FY13 from around 3.9% at end-FY12, while its flagship fund, HBL Money Market Fund, remained the largest fund under management. The company is a wholly owned subsidiary of Habib Bank Limited (HBL), the largest commercial bank in Pakistan. The AMC also manages retirement funds of HBL. Holding of HBL in various funds is moderate at 29% at end-March, 13.

There is a structured investment process in place which is initiated by the portfolio manager. Research department generates daily reports covering fundamental and technical analysis as well as monthly macroeconomic reports, while the investment decisions are finalized after discussion at the Investment Committee (IC) level. Meetings of IC are held every week which is in line with the policy. In addition to the CEO and CIO, Head of research and Head of risk & compliance are also voting members while the fifth voting member is the respective fund manager. Compliance function ensures that decisions by the IC are executed by the portfolio management within the stipulated timeline. Moreover, compliance function monitors discretionary investment limits of the portfolio managers.

During the ongoing year, the Board of Directors has established a board level Risk Management Committee (RMC). With direct reporting of the risk and compliance function to the board level RMC, overall risk control framework is expected to be strengthened. While there is a process in place to monitor key risk metrics on an ongoing basis, risk management framework may be further strengthened with the implementation of various risk limits. Moreover, Risk Management Manual of the company has been revised and has yet to be approved by the board. The company may also benefit by segregating risk and compliance functions.

Management team at HBL AMC comprises experienced professionals. At senior management level, vacancies of Head of research and Head of sales and marketing were filled during FY13. In an effort to increase share of retail segment and reduce investor concentration, retail sales teams have been developed. Moreover, marketing infrastructure has been strengthened with the induction of additional resources. More than 400 retail clients have been added during 1H13 while the target is to increase the number of retail clients to 2,500 by end-FY14. The company has yet to leverage the widespread branch network and strong franchise of HBL. The AMC has implemented Customer Relationship Module which allows end to end monitoring of unit holders. The company has outsourced its IT operations to HBL under a service level agreement. Moreover, there is a mechanism in place to solicit unit holder feedback.

Performance of collective investment schemes under management has exhibited a mixed trend. Risk profile of both conventional and Islamic money market funds was aligned with policy return of HBL Money Market Fund featured in the top quartile whereas return of Islamic Money Market Fund was placed at second position out of three funds. Return of HBL Income Fund was adversely affected by provisioning requirement; future downside risk has however reduced. Performance of both conventional and Islamic stock fund remained weak in relation to peers. Performance of Multi-Asset Fund remained strong in relation to peers. The returns of sub-funds of pension funds were generally superior to the returns of comparative mutual funds managed by the company in similar asset class. Greater consistency in performance has yet to be established by the company.

## Overview of the Institution

HBL AMC was incorporated in February 2006 and has the license to undertake Investment Advisory and Asset Management services. The parent company, Habib Bank Limited (HBL), is the largest commercial bank in Pakistan. Changes were witnessed on the Board during the on-going year, effective April 30, 2013. The external auditors of HBL AMC for FY13 were M/s Ernst & Young Ford Rhodes Sidat Hyder and the auditors for the funds were M/s KPMG Taseer Hadi. JCR-VIS

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## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Management Quality</u></b>				
21-Oct-13	AM2-	Stable		Upgrade
26-Dec-12	AM3+	Positive		Reaffirmed
20-Oct-11	AM3+	Positive		Maintained
01-Apr-10	AM3+	Stable		Upgrade