Affiliate of Japan Credit Rating Agency, Ltd.

Date: March 13, 2015

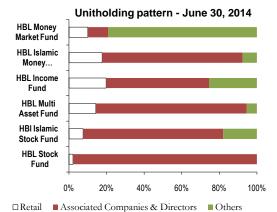
Analysts: Sobia Maqbool, CFA Mohammad Arsal Ayub

| | Latest | Previous |
|---------|-------------|-------------|
| Rating | AM2- | AM2- |
| | Mar 13, '15 | Oct 21, '13 |
| Outlook | Stable | Stable |

| | Performance Ranking | |
|------------------------|---------------------|--------|
| | Nov'14 | FY14 |
| | Money Market Funds | |
| HBL Money Market Fund | 13/21* | 15/21* |
| HBL Islamic Money | 1/4* | 2/4* |
| Market Fund | | |
| | Income Funds | |
| HBL Income Fund | 18/28 | 20/28 |
| | Balanced Fund | |
| HBL Multi-Asset Fund | 4/4 | 2/4 |
| | Stock Funds | |
| HBL Stock Fund | 19/22 | 20/23 |
| HBL Islamic Stock Fund | 7/9 | 3/9 |
| | Pension Funds | |
| HBL Pension Fund - MM | - | 5/6 |
| Debt | - | 4/6 |
| Equity | - | 6/6 |
| HBL Islamic Pension | - | 7/7 |
| Fund - MM | | |
| - Debt | - | 6/7 |
| - Equity | - | 2/7 |

*Ranking for Money Market Funds is based on Gross Returns i.e. adjusted for management fee and FED. For

November' 2014, money market returns have been annualized.



HBL Asset Management Company Limited

Chairman: Mr. Towfiq Chinoy; Chief Executive: Mr. Rehan N. Shaikh

Rating Rationale

HBL Asset Management Limited (HBL AMC) is a wholly owned subsidiary of Habib Bank Limited, the largest commercial bank in Pakistan. The company has a sound governance framework, emanating from the Board. The 7 member Board of Directors (BoD) of the company features personnel with significant experience in the financial services sector.

Overall control environment of the company is considered satisfactory. This assessment is based on the risk management framework introduced at the management level and the results of the internal audit exercise; the latter is outsourced to a reputable audit firm and scope of the same is comprehensive. Multiple risk related reports are generated by the management on a regular basis to monitor the exposure of funds under management to various sources of risks, that include credit, market and liquidity risks. In addition to this, management is also tracking operational risk factors, with responsibility for the same assigned to departmental heads for their respective areas.

The management team is lead by Mr. Rehan Sheikh who is a seasoned professional with rich experience of the buy-side. During FY14, turnover was witnessed at a few senior management positions that included the office of CFO, Head of Research and Head of Corporate Sales. While some of the vacancies have been filled internally, external hiring for others has been undertaken or is underway. Moreover, resources in fund management function may need to be strengthened in line with the company's future growth plans.

Risk profile of funds under management has broadly remained in line with pre-defined asset allocation parameters. In the income and money market categories, the company has been able to deliver largely competitive returns. However, performance of stock and multi-asset funds has weakened in relation to peers. Management attributes the same to a stringent stock selection criterion whereby major proportion of the fund remains allocated to top-tier stocks. Over the 5 year period ended December 2014, HBL Multi-Asset Fund was assigned MFR 2-Star Ranking and HBL Stock Fund was assigned MFR 1-Star Ranking; HBL Islamic Stock Fund also had a 1-Star Ranking over a 3 year period ended December 2014.

HBL AMC's market share reduced slightly in FY14 to 4.7% vis-à-vis 4.9% at end-FY13, despite showcasing healthy growth in size of income and stock funds; this can be attributed to delay in launch of new funds in addition to regulatory changes, introduced under Finance Act 2014-15, that lead to sizeable redemptions in case of money market fund, just prior to year end. Overall growth in Assets under Management (AUMs) was reported at 10%. About a third of the AUMs represent investment from HBL. All funds feature sizable unit holder concentration whilst retail investment remains limited at 10% in aggregate. Overall number of investors increased to 2,277* (FY13: 1,731*) by end-FY14, though falling short of the identified target of 2,500.

Business strategy of the company depicts aggressive growth targets for coming years; the same is projected to be achieved by way of launch of several funds and a redesigned distribution arrangement that has been rolled out in collaboration with HBL. The AMC will now distribute funds through dedicated sales personnel placed in 82 branches of HBL across Pakistan. The designated branches are expected to be increased in a phased manner depending on the effectiveness of the model.

*Excludes pension funds

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. The external auditors of HBL AMC for FY14 were M/s Ernst & Young Ford Rhodes Sidat Hyder ICR-VIS]