

RATING REPORT

HBL Asset Management Limited

REPORT DATE:

December 29, 2023

RATING ANALYSTS:

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RATING DETAILS		
Rating Category	Latest Rating	Previous Rating
	MQR	MQR
MQ Rating	AM1	AM1
Rating Outlook	Stable	Stable
Rating Action	Reaffirmed	Upgrade
Rating Date	December 29, 2023	December 30, 2022

COMPANY INFORMATION

Incorporated in 2006

External Auditors: KPMG Taseer and Hadi Co.

Unlisted Public Limited Company

Chairman of the Board: Mr. Shahid Ghaffar

Key Shareholders:

Chief Executive Officer: Mr. Mir Adil Rashid

Habib Bank Limited ~100%

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Asset Management Companies

<https://docs.vis.com.pk/docs/AMC-Methodology-201906.pdf>

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

HBL Asset Management Limited

OVERVIEW OF THE INSTITUTION

HBL Asset Management Limited (HBL AMC) was incorporated in 2006 as an unlisted public limited company under Companies Ordinance, 1984. It is licensed to conduct asset management and investment advisory services.

Profile of Chairman

Mr. Shabid Ghaffar serves as an independent director and chairman of HBL AMC. He has vast experience of working in capital markets including monitoring of projects, the debt/ fixed income portfolio, the equity portfolio and trading desk. Previously, he has served as a Managing Director of NIT. He has also served as CEO of HBL AMC for over six year 2005-12. Mr. Ghaffar holds an MBA Degree from Gomal University, D.I.Khan, Khyber Pakhtunkhwa (formerly NWFP), Pakistan.

Profile of CEO

Mr. Mir Adil Rashid held the CEO office since September 2019. Mr. Rashid possesses rich and diversified experience of approximately 20 years of portfolio management, brokerage along with managing retail & Institutional client relationships and investment portfolios. He has previously

RATING RATIONALE

HBL Asset Management Limited (HBL AMC) is a wholly-owned subsidiary of Habib Bank Limited (HBL) which is the largest commercial bank in Pakistan (in terms of its domestic deposit base). HBL AMC has a strong brand name and an extensive track record of around 16 years in asset management business. The AMC launched its first fund in 2007 and has since become one of the largest private fund management companies in Pakistan. At present it manages 23 funds, including Mutual Funds, Exchange Traded Funds, and Pension Funds.

During the review period, there were two management changes wherein Mr. Imad Ansari appointed as Head of Risk in place of Mr. Karim Khuwaja who has resigned. Secondly, Mr Faheem Ilahi appointed as Country Head Corporate Sales.

Key Rating Drivers:

Continued as a 3rd largest AMC despite subdued growth in AUM's compare to industry during the review period.

Table 1: Market Share

AUM's in Billion	Jun'22	Jun'23	Sep'23
HBL AMC	138	162	184
Industry	1,256	1,622	1,856
Market Share	11.0%	9.9%	9.9%

- During FY23, HBL AMC registered a growth of 17% Y/Y in its overall AUM's compared to the industry growth of ~29% during the same period. Resultantly, the market share of the AMC inched down to 9.9% as at Jun'23.
- During 1QFY24, the AMC's AUM's grew by further 14% which remained in line with the industry growth of ~15%, resulted in the market share to stay firm at 9.9% as at Sep'23.
- Cumulatively, HBL AMC witnessed a growth of 33% against an industry growth of 48% during 15 months period (Jul'22-Sep'23).

Table 2: Segmentation of AUMs

	AUMs in Million			Proportion		
	Jun-22	Jun-23	Sep-23	Jun-22	Jun-23	Sep-23
Money Market Funds	67,077	108,065	123,301	48.7%	68.1%	66.9%
Equity Funds	11,265	8,006	8,213	8.2%	5.0%	4.5%
Income Funds	55,317	37,954	47,775	40.1%	23.9%	25.9%
Others	4,193	7,664	4,962	3.0%	3.0%	2.7%
Total	137,852	161,689	184,251			

- The AMCs AUM growth has been driven by money market funds during the period under review wherein the proportionate of money market AUM's to total AUM's also increased to around 92% as at Jun'23 from 89% as at Jun'22. The same stood at around 93% as at Sep'23.
- In contrast, % share of equity funds in overall AUM declined to 5% from 8% in FY23 which further inched down to 4.5% as at Sep'23. Going forward, management expects the equity share to rebound amid current bullish performance of PSX.
- During FY23, around 93% of the total new investments has come from AMC's own branches/head office while only 6% of the new investments has been generated through bank channel.
- On the funds concentration front, the top 3 funds consist of around 74% (Jun'23: 77%, Jun'22: 71%) of the total AUMs as at Sep'23 which includes HBL Cash Fund, HBL Islamic Money Market Fund and HBL Financial Sector Income Fund Plan I.

served as Chief Executive Officer of erstwhile PICIC Asset Management Company Limited for 6 years.

- HBL AMC is poised to expand its portfolio with introduction of various alternate asset classes under fund structure. Currently it’s managing Livestock Fund under sandbox testing with SECP.
- Separately Managed Account (SMA) portfolio has decreased to 6 clients with AUM’s of Rs. 1.95b as at Jun’23 compared to 17 clients as at Jun’22 with AUM’s of Rs.7.0b.

Improved proportion of retail AUMs, the same has further room for improvement

- The overall share of retail AUM’s has notably increased to 38% as at Jun’23 as compared to 24% as at Jun’22. The same has stood at 40% as at Sep’23. Going forward, the AMC is focusing both on corporate and retail front through both increasing of sales force and focus on digital onboarding.

Rating takes into account fund performance

- Fund performance posted mixed results as the proportion of AUMs in the first and third quartile decreased. As a result, concentration increased significantly in the second quartile as of Jun’23.
- HBL Cash fund (ranked 11/24) dropped to quartile 2 in Jun’23 from quartile 1 in Jun’22. HBL Islamic Money Market Fund (ranked 6/22) remained in quartile 1 as of Sep’23.
- Whereas, HBL Financial Sector Income Fund Plan 1, which was launched in Jan-2022 and is the third largest fund in terms of AUM size, remained in the top quartile (ranked 5/25) as of Sep’23.
- As of Sep’23 the total AUMs of the funds placed in the first two quartiles made up nearly ~86.0% (Jun’22: 79.9%) of the total AUMs which is viewed as satisfactory.

Table 4: Quartile wise breakup of AUMs (Ex. Fund of funds)

<i>Rs. In Million</i>	Jun-22	Jun-23	Sep-23
Q1	108,595 (78.8%)	54,511 (33.7%)	100,826 (54.7%)
Q2	712 (0.5%)	77,914 (48.2%)	57,709 (31.3%)
Q3	23,089 (16.7%)	4,302 (2.7%)	558 (0.3%)
Q4	4,282 (3.1%)	19,647 (12.1%)	23,023 (12.5%)
NR	1,174 (0.9%)	5,315 (3.3%)	2,135 (1.2%)
Total	137,852	161,689	184,251

HBL AMC’s risk profile improved due to equity injection by sponsoring entity. Increase in management fee income strengthened revenue base.

- In 2022, HBL injected equity of Rs. 1.4b into HBL AMC, enabling the AMC to repay its financial obligations. This resulted in an improved financial risk profile and business risk for the AMC.
- Increase in total income is observed during CY22 and during the ongoing year on the back of increased management fees from funds and higher dividend income received.
- Due to the growth in revenue, the efficiency ratio improved to 41.3% as at Sep’23 from 59.2% in CY22.

Table 5: Financial Snapshot

<i>(PkR Mn.)</i>	CY21	CY22	9M23
Profit & Loss			
Total Income	583	763	1,074
(Loss) / Profit Before Tax	(41)	241	622
(Loss) / Profit After Tax	(83)	176	414
Efficiency (%)	82.1%	59.2%	41.3%
Balance Sheet			
	Dec’21	Dec’22	Sep’23
Fixed Assets	3,034	3,030	3,164

<i>Investments</i>	50	408	724
<i>Total Assets</i>	3,206	3,677	4,239
<i>Lease Liabilities*</i>	207	203	268
<i>Long term Loans*</i>	1,200	-	-
<i>Total Liabilities**</i>	1,863	760	907
<i>Paid Up Capital</i>	600	2,000	2,000
<i>Accumulated Profit / (Loss)</i>	743	918	1,331
<i>Total Equity***</i>	1,343	2,918	3,331
<i>Gearing (x)</i>	0.89	-	-
<i>Leverage (x)</i>	1.39	0.26	0.27

**Includes current portion*

***Excluding Advance Against Issue of right issue*

****Includes Advance Against Issue of right issue*

Environmental and Social Governance (ESG):

- The AMC is working to develop and implement guidelines laid out by the SECP on ESG within its internal policies and procedures.

HBL Asset Management Limited

FINANCIAL SUMMARY (AUMs are reported as gross)			Appendix I
<u>HBL Money Market Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	12,837	15,599	13,224
Return (%)	6.84%	10.26%	16.66%
Benchmark (%)	6.71%	9.28%	16.92%
Retail Proportion (% of Net assets)	69%	61%	78%
Ranking Against Peers	14 out of 22	16 out of 21	24 out of 24
<u>HBL Islamic Money Market Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	6,640	15,540	44,532
Return (%)	6.47%	9.99%	17.24%
Benchmark (%)	3.41%	3.68%	6.23%
Retail Proportion (% of Net assets)	31%	30%	28%
Ranking Against Peers	6 out of 14	3 out of 14	6 out of 22
<u>HBL Cash Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	26,449	36,066	50,334
Return (%)	6.97%	10.97%	17.56%
Benchmark (%)	6.71%	9.28%	16.92%
Retail Proportion (% of Net assets)	10%	17%	24%
Ranking Against Peers	5 out of 22	6 out of 21	10 out of 24
<u>HBL Income Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	2,264	4,186	2,108
Return (%)	7.10%	11.43%	17.03%
Benchmark (%)	7.42%	10.81%	18.33%
Retail Proportion (% of Net assets)	61%	51%	76%
Ranking Against Peers	7 out of 19	2 out of 31	10 out of 25
<u>HBL Financial Sector Income Fund Plan-I</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	-	45,830	27,434
Return (%)	-	13.26%	18.26%
Benchmark (%)	-	13.11%	18.33%
Retail Proportion (% of Net assets)	-	8%	46%
Ranking Against Peers	-	1 out of 31	5 out of 25
<u>HBL Government Securities Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	1,071	631	706
Return (%)	5.10%	7.89%	14.88%
Benchmark (%)	7.28%	10.67%	18.14%
Retail Proportion (% of Net assets)	84%	82%	47%
Ranking Against Peers	8 out of 12	30 out of 31	4 out of 10

<u>HBL Islamic Income Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	969	4,671	7,643
Return (%)	5.45%	11.14%	17.55%
Benchmark (%)	3.56%	3.34%	6.06%
Retail Proportion (% of Net assets)	61%	41%	53%
Ranking Against Peers	21 out of 22	2 out of 21	6 out of 27
<u>HBL Stock Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	951	225	157
Return (%)	29.83%	-35.84%	-3.15%
Benchmark (%)	36.49%	-10.44%	4.41%
Retail Proportion (% of Net assets)	29%	63%	61%
Ranking Against Peers	21 out of 26	24 out of 26	14 out of 26
<u>HBL Energy Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	775	431	236
Return (%)	19.73%	-17.70%	-0.38%
Benchmark (%)	36.49%	-10.44%	4.41%
Retail Proportion (% of Net assets)	36%	37%	60%
<u>HBL Equity Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	2,213	794	323
Return (%)	39.47%	-45.08%	-8.46%
Benchmark (%)	37.58%	-12.28%	-0.21%
Retail Proportion (% of Net assets)	28%	27%	46%
Ranking Against Peers	6 out of 26	26 out of 26	17 out of 26
<u>HBL Growth Fund (Class A)</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	6,844	5,500	4,238
Return (%)	33.50%	-19.63%	-22.95%
Benchmark (%)	37.58%	-12.28%	-0.21%
Retail Proportion (% of Net assets)	51%	15%	57%
Ranking Against Peers	17 out of 26	13 out of 26	24 out of 26
<u>HBL Growth Fund (Class B)</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	1,861	1,047	908
Return (%)	30.86%	-35.22%	-5.03%
Benchmark (%)	37.58%	-12.28%	-0.21%
Ranking Against Peers	20 out of 26	23 out of 26	10 out of 26
<u>HBL Investment Fund (Class A)</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	2,492	1,998	1,506
Return (%)	35.08%	-19.83%	-24.64%

Benchmark (%)	37.58%	-12.28%	-0.21%
Retail Proportion (% of Net assets)	45%	51%	70%
Ranking Against Peers	14 out of 26	15 out of 26	25 out of 26
<u>HBL Investment Fund (Class B)</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	1,387	713	451
Return (%)	29.66%	-36.76%	-6.17%
Benchmark (%)	37.58%	-12.28%	-0.21%
Ranking Against Peers	22 out of 26	25 out of 26	20 out of 26
<u>HBL Islamic Stock Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	760	411	159
Return (%)	32.38%	-28.67%	-11.83%
Benchmark (%)	39.32%	-10.25%	2.88%
Retail Proportion (% of Net assets)	57%	53%	68%
Ranking Against Peers	14 out of 16	18 out of 19	19 out of 20
<u>HBL Islamic Equity Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	572	146	97
Return (%)	35.46%	-33.40%	-5.88%
Benchmark (%)	39.32%	-10.25%	2.88%
Retail Proportion (% of Net assets)	51%	98%	87%
Ranking Against Peers	7 out of 16	19 out of 19	14 out of 20
<u>HBL Islamic Asset Allocation Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	388	202	101
Return (%)	11.59%	-3.92%	-6.31%
Benchmark (%)	12.81%	-1.46%	2.03%
Retail Proportion (% of Net assets)	41%	64%	86%
Ranking Against Peers	7 out of 12	6 out of 12	9 out of 12
<u>HBL Islamic Asset Allocation Fund Plan I</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	2,474	2,423	1,929
Return (%)	7.42%	9.09%	16.54%
Benchmark (%)	2.33%	2.34%	4.16%
Retail Proportion (% of Net assets)	-	-	-
Ranking Against Peers	12 out of 12	3 out of 12	3 out of 12
<u>HBL Islamic Asset Allocation Fund Plan II</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	-	-	494
Return (%)	-	-	19.75%
Benchmark (%)	-	-	3.88%
Retail Proportion (% of Net assets)	-	-	-

Ranking Against Peers	-	-	2 out of 12
<u>HBL Multi Asset Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	202	104	104
Return (%)	21.99%	-17.52%	4.05%
Benchmark (%)	26.94%	-5.42%	5.54%
Retail Proportion (% of Net assets)	49%	61%	55%
Ranking Against Peers	3 out of 4	4 out of 4	1 out of 4
<u>HBL Financial Planning Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	167	165	111
Return (%) – Active Allocation Plan	20.65%	-35.98%	14.20%
Return (%) – Conservative Allocation Plan	6.37%	-3.04%	11.47%
Return (%) – Strategic Allocation Plan	2.82%	-	-
<u>HBL Islamic Financial Planning Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	105	124	103
Return (%) – Active Allocation Plan	21.53%	-24.74%	14.65%
Return (%) – Conservative Allocation Plan	5.11%	-20.91%	17.43%
Return (%) – Strategic Allocation Plan	-	-	-
Return (%) – Islamic Capital Protection Plan	-	-	-
<u>HBL Mehfooz Munafa Fund Plan 2</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	-	-	2,914
Return (%)	-	-	20.63%
Benchmark (%)	-	-	21.90%
Retail Proportion (% of Net assets)	-	-	59.26%
Ranking Against Peers	-	-	-
<u>HBL Total Treasury Exchange Traded Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	-	-	122
Return (%)	-	-	17.83%
Benchmark (%)	-	-	18.01%
Retail Proportion (% of Net assets)	-	-	-
<u>HBL Dedicated Equity Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	-	-	-
Return (%)	7.85%	-	-
Benchmark (%)	39.32%	-10.25	2.88%
Retail Proportion (% of Net assets)	-	-	-
Ranking Against Peers	-	-	-
<u>HBL Pension Fund</u>	FY21	FY22	FY23
Fund Size (in Rs. millions)	665	831	1,141
Return (%) -Debt	4.69%	9.67%	17.87%
Return (%) –Money Market	5.25%	10.13%	18.06%
Return (%) -Equity	33.60%	-27.86%	-3.55%
<u>HBL Islamic Pension Fund</u>	FY21	FY22	FY23

Fund Size (in Rs. millions)	348	343	642
Return (%) -Debt	5.28%	8.84%	17.16%
Return (%) –Money Market	4.34%	8.75%	16.94%
Return (%) -Equity	35.57%	-24.16%	-7.82%

FINANCIAL SUMMARY		<i>(amounts in PKR millions)</i>		
<u>BALANCE SHEET</u>		2020	2021	2022
Paid Up Capital		600	600	2,000
Total Equity		1,425	1,343	2,918
<u>INCOME STATEMENT</u>				
Total income		610	583	763
Profit Before Tax		80	(41)	242
Profit After Tax		9	(83)	177
<u>RATIO ANALYSIS</u>				
Net Cash Generated from Operating Activities		325	212	272
Current Ratio (x)		1.02	0.26	2.01
Gearing (x)		1.27	1.05	0.07

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	HBL Asset Management Limited			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Rating Outlook	Rating Action
	12/29/2023	AM1	Stable	Reaffirmed
	12/30/2022	AM1	Stable	Upgrade
	12/31/2021	AM2++	Positive	Maintained
	12/31/2020	AM2++	Stable	Upgrade
	12/31/2019	AM2+	Positive	Reaffirmed
	12/28/2018	AM2+	Positive	Maintained
	12/29/2017	AM2+	Stable	Upgrade
	12/30/2016	AM2	Positive	Maintained
	5/4/2016	AM2	Stable	Harmonized
	1/14/2016	AM2-	Stable	Reaffirmed
	3/13/2015	AM2-	Stable	Reaffirmed
	10/21/2013	AM2-	Stable	Upgrade
	12/26/2012	AM3+	Positive	Reaffirmed
10/20/2011	AM3+	Positive	Maintained	
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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Due Diligence Meeting Conducted	Name	Designation	Date	
	Mr. Noman Qurban	Chief Financial Officer	1 st December, 2023	
	Mr. Faheem Elahi	Head of Corporate Sales		
	Mr. Muhammad Ali Ansari	Head of Retail Sales		
	Mr. Imad Ansari	Head of Risk		