

**Date:** January 19, 2017

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**Investment Objective**

To provide competitive returns to investors through active investments in a blend of short, medium and long term debt instruments. The fund aims to preserve capital while maximizing returns through efficient utilization of investment and liquidity management tools.

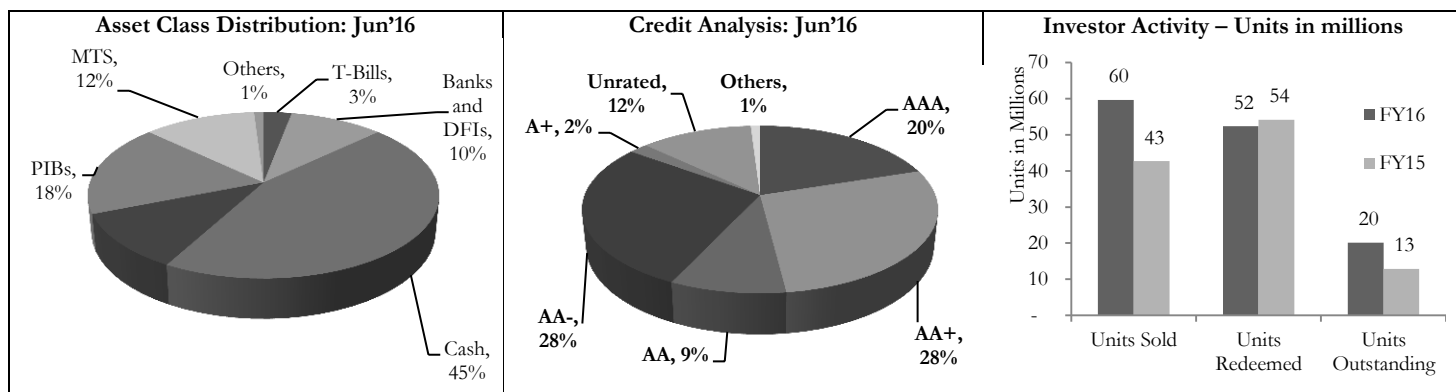
PICIC Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	<b>A(f)</b> <i>Jan 05, '17</i>	<b>A(f)</b> <i>Jan 04, '16</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil & Co.	
Fund Managers	Mr. Tauqir Shamshad	
Trustee	Central Depository Company	
Front-end Load	Class D: 1.25% of NAV	
Back-end Load	-	
Management Fee	1.25% per annum	
Benchmark	6 months KIBOR	

PICIC IF		
	FY16	FY15
Type of Scheme	Income	
Return (%)	7.9%	11.8%
Benchmark (%)	6.3%	8.7%
Peer Average (%)	7.4%	12.6%
Relative Ranking	8 out of 28	18 out of 27
Fund Size (in Rs. m)	2,114	1,326
Retail (%)	33%	36%
Associates (%)	14%	42%
Number of Investors	326	290
Top 10 Investors / AUMs	70%	71%
WATM (Weighted Average Time to Maturity)	1.11 years	2.80 years
Duration	0.68 years	1.58 years
Asset Allocation (at end June)		
<i>T-Bills</i>	3%	3%
<i>PIBs</i>	18%	61%
<i>TFCs/Sukuks</i>	11%	7%
<i>Certificate of Investments</i>	-	-
<i>Cash</i>	45%	24%
<i>Banks &amp; DFIs</i>	10%	-
<i>MTS</i>	12%	1%
<i>Others (including receivables)</i>	1%	4%

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PICIC Income Fund (PICIC IF) aims to provide investors maximum return through investing in debt instruments of varying maturities, along with ensuring preservation of initial capital.

**Table 1: Approved Investment Avenues-Offering document (extract)**

Description	Min-Max limits	Min-Max Actual	Min. Rating
Treasury Bills > 90 days, Pakistan Investment Bonds and any other Government Securities	0%-80%	18%-51%	-
Cash at Bank (excluding TDR) and short maturity T-Bills < 90 days maturity (Subject to minimum limit of 25%)	25%-80%	29%-67%	A-
Secured and listed debt securities issued by local governments/ government agencies	0%-70%	-	A-
Secured and unlisted debt securities issued by local governments/ government agencies	0%-60%	-	A
Unsecured and listed debt securities issued by local governments/ government agencies	0%-50%	-	A-
Unsecured and unlisted debt securities issued by local governments/ government agencies	0%-30%	-	A+
Secured, listed debt securities issued by public sector, private sector entities and/or financial institutions	0%-70%	-	A-

Secured, unlisted debt securities issued by public sector, private sector entities and/or financial institutions	0%-50%	-	A+
Unsecured, listed debt securities issued by public sector, private sector entities and/or financial institutions	0%-50%	-	A-
Unsecured, unlisted debt securities issued by public sector, private sector entities and/or financial institutions	0%-20%	4%-11%	A+
Sukuks, Convertible Bonds and other Asset Backed or Mortgage Backed Fixed Income Securities or Fixed Income Securities, including ready and future settlements	0%-50%	-	A-
Money Market Instruments, Commercial Paper, Certificates of Deposit, Certificates of Investments, Certificates of Musharika, Reverse Repo and Bankers' Acceptances > 6 months maturity	0%-15%	-	A
Deposits with Banks or financial institutions	0%-75%	0%-13%	A-
Reverse Repo transactions against Government Securities	0%-40%	-	A

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and debt securities < 6 months maturity			
Any other Fixed Income Securities that may be allowed by the Commission, the NBFC Rules from time to time	0%-40%	-	A-
Subject to approval, the Fund may seek to invest in foreign Fixed Income Securities and any other instruments	0%-30% (cap \$15m)	-	A
Subject to approval, investment in warrant(s), option(s) derivative	Subject to approval by Commission	-	-
Continuous Funding System (CFS), Margin Financing, Spread transaction or any other such replacement subject to Commission approval	0%-40%	1%-13%	-

The Investment Committee (IC) comprises CEO, Head of Research, Chief Investment Officer, Manager Risk, Head of Fixed Income and fund managers. Investment decisions are consensus based.

Net Assets of PICIC IF increased to Rs. 2.1b (FY15: Rs. 1.3b) as at end June'16. The increase was driven by investment from retail investors and unrelated corporates; redemption by associates offset the otherwise higher investment. In line with investor movement, unit holding pattern altered; associates' investment declined to 14% (FY15: 42%), unrelated corporates' share increased to 53% (FY15: 22%) and retail holdings was reported slightly lower at 33% (FY15: 36%).

### Asset Allocation

**Table 2: Asset Allocation**

Assets	Jun'16	Jun'15	Average
T-Bills	3%	3%	23%
Banks and DFIs	10%	0%	5%
Cash	45%	24%	19%
TFC & Corporate Sukuk	11%	7%	6%
PIBs	18%	61%	39%
MTS	12%	1%	7%
Others	1%	4%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	

During FY16, the fund shifted its exposure from government securities (FY16: 21%; FY15: 64%) towards

deposits with banks (FY16: 45%; FY15: 24%). Moreover, it increased its proportionate holding in margin transaction to 12% (FY15: 1%).

### Credit & Market risk

**Table 3: Credit Quality Summary- FY16**

Credit Quality	Average	Maximum	Minimum
AAA	62%	75%	20%
AA+	5%	28%	0%
AA	1%	9%	0%
AA-	19%	36%	8%
A+	5%	9%	2%
Unrated	7%	13%	0%
Others	2%	3%	0%

As per the Investment Policy Statement, investments are subject to a minimum credit rating of 'A-'. Over FY16, the fund complied with respective stipulations and majority of assets were held in AAA rated issue/issuer.

**Table 4: Risk Summary-FY16**

	Average	Maximum	Minimum
<b>WATM (years)</b>	1.89	2.55	1.11
<b>Duration (years)</b>	1.25	1.92	0.68

### Liquidity Profile

Over FY16, the fund maintained adequate liquid assets, specifically deposits in bank saving accounts. Moreover, Weighted Average Time to Maturity (WATM) and duration remained under their specified limits of 2 years and 4 years respectively. However, attributable to varied asset allocation, both duration (FY16: 0.68 years; FY15: 1.58 years) and WATM (FY16: 1.11 years; FY15: 2.80 years) were reported lower for FY16, as compared to preceding year.

### Fund Performance

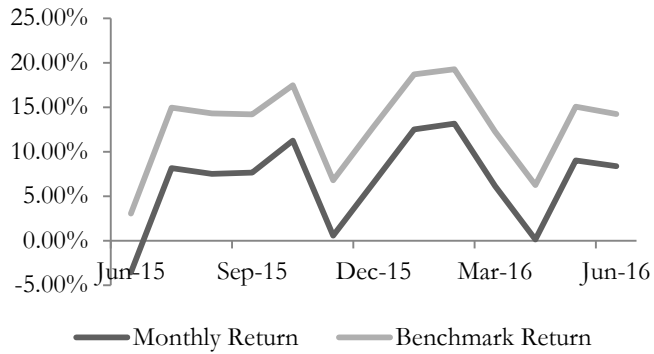
**Table 5: Fund performance**

	FY16	FY15
<b>Return (%)</b>	7.9%	11.8%
<b>Benchmark (%)</b>	6.3%	8.7%
<b>Peer Average</b>	7.4%	12.6%
<b>Relative Ranking</b>	8/28	18/27

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Figure 1: Monthly return Vs. Benchmark



Fund performance is benchmarked against 6 months KIBOR. Returns remained volatile over FY16; the fund generated a return of 7.9%, outperforming both benchmark and peers. Relative to peers, fund's ranking improved as it ranked 8th out of 28 funds (FY15: 18th out of 27 funds) JCR-VIS

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### Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Fund Stability Management Quality</u></b>				
05-Jan-17	A (f)	-	-	Reaffirmed
04-Jan-16	A (f)	-	-	Downgrade
25-Feb-15	A+ (f)	-	-	Reaffirmed
23-Dec-13	A+ (f)	-	-	Reaffirmed
17-Aug-12	A+(f)	-	-	Reaffirmed