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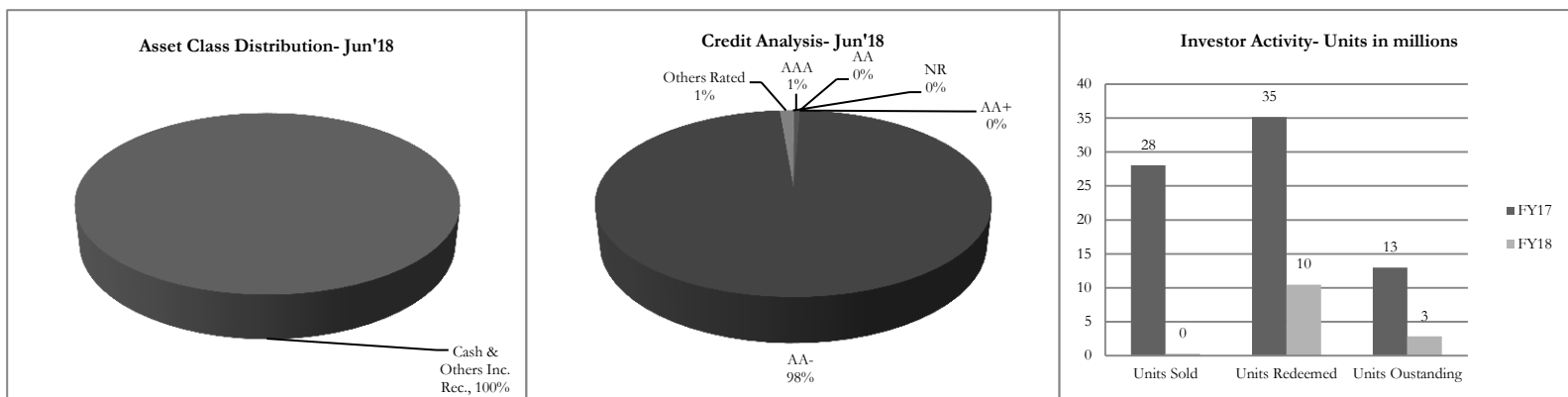
Investment Objective

To provide consistent returns to investors through active investments in a blend of short, medium and long term securities issued and/or guaranteed by Government of Pakistan (GoP). The fund aims to provide superior risk adjusted returns through active duration and liquidity management tools.

HBL Government Securities Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A+(f)	A+(f)
	<i>Dec 26, '18</i>	<i>Jan 15, '18</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	BDO Ebrahim & Co.	
Fund Managers	Mr. Faizan Saleem	
Trustee	Central Depository Company	
Front-end Load	Up to 2%	
Back-end Load	-	
Management Fee	12.5% of gross earning with - floor of 1% & cap of 1.25% of the avg. daily net asset of the scheme	
Benchmark	6 Month PKRV Rates	

	HGSF	
	FY17	FY18
Type of Scheme	Income	
Return (%)	5.5%	4.7%
Benchmark (%)	5.9%	6.2%
Peer Average (%)	5.9%	5.1%
Relative Ranking	17 out of 28	22 out of 28
Fund Size (in Rs. m)	1,370	314
Retail (%)	28%	54%
Associates (%)	14%	32%
Number of Investors	259	178
Top 10 Investors / AUMs	77%	64%
Fund Stability Rating	A (f)	A+(f)
Management fee	1.25%	1%-1.25%
WATM (at end-June)	714	1
Modified Duration (at end-June)	463.55	1
Average Asset Allocation*		
<i>Corporate TFCs</i>	3%	0%
<i>Government backed / issued Securities</i>	41%	36%
<i>Others</i>	4%	2%
<i>Placements with Banks</i>	21%	12%
<i>Cash & Others Inc. Rec.</i>	31%	51%

*- FY17: Six Months Average and FY18: Twelve Months Average



HBL Government Securities Fund (HGSF) is an open ended fund which aims to provide its investors superior risk adjusted returns through active duration and liquidity management tools. Fund size plunged to Rs. 314m (FY17: Rs. 1.4b at end-June'2018 on account of sizeable redemptions during the period.

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

Description	Min-Max limits	Min-Max Actual	Minimum Rating
Government Securities issued and / or Guaranteed by GoP including Reverse Repo against Government Securities	70%-100%	Over 70% of net assets were kept in Govt. Securities on Monthly Average	N/A
Cash in Bank Accounts (excluding term deposits)	0% - 30*%	13%- 99%	AA- in case of cash in banks
Government Securities up to 90 days maturity	0% to 100%	On average 70% of net assets were kept in Govt. Securities of Up-to 90 days	
Reverse Repo (up to six months only) against Government Securities	0%-90%	-	N/A
Deposit with Scheduled Banks, DFI's and NBFC including TDR's, Letter of Placement (LOP), Certificate of Deposit and Certificate of Musharaika of less than 6 months	0%-30%	0%-25%	AA- (for Banks and DFIs) AA+ (for NBFCs)
Deposit with Scheduled	0%-15%	-	AA- (for

Banks, DFI's and NBFC including TDR's, Letter of Placement (LOP), Certificate of Deposit and Certificate of Musharaika of greater than 6 months			Banks and DFIs) AA+ (for NBFCs)
Authorized investments in overseas markets including mutual funds.	Cap of USD15m N/A	-	AA-
Spread Transactions and MTS	0%-10%	0%-4%	N/A
Commercial papers	0%-20%	-	A- (Entity) & A2 (Instrument)

*At times cash at bank may exceed the limit of 30%, as long as minimum investment limit of 70% in Government securities are maintained on quarterly average calculated on a daily basis.

Investment Committee (IC) comprises Chief Executive Officer, Chief Investment Officer, Head of Fixed Income, Manager Risk, and Head of Research. All investment decisions are consensus based.

Credit Risk

Table 2: Asset Allocation

Asset Class Distribution	Jun'17	Jun'18
Corporate TFCs	0%	0%
T-Bills	2%	0%
PIBs	49%	0%
Spread Transaction	2%	0%
Placements with Banks	13%	0%
Cash & Others Inc. Rec.	33%	100%

During the year, the fund complied with the asset allocation requirement in its IPS whereby 70% in government securities was kept on rolling monthly and quarterly average basis.

Table 3: Credit Quality

Credit Quality	Average	Maximum	Minimum
AAA	48%	93%	1%
AA+	5%	52%	0%
AA	11%	82%	0%
AA-	34%	98%	0%
Others Rated	2%	6%	1%
NR	2%	5%	0%

As per the Investment Policy Statement, investments are subject to a minimum credit rating of ‘AA-’. Over FY18, the fund complied with respective stipulations and majority of assets were held in investments rated AA- and above. Moreover, the fund complied with the required credit quality criteria.

Market Risk**Table 4: Modified Duration**

Month	Modified Duration (Days)
Jul'17	102
Aug'17	77
Sep'17	50
Oct'17	15
Nov'17	40
Dec'17	28
Jan'18	20
Feb'18	67
Mar'18	14
Apr'18	222
May'18	4
Jun'18	1

During FY18, modified duration remained under the specified limit of 365 days as per the assigned ratings. Moreover, the fund complied with the requirements of its internal policy with its WATM not exceeding 4 years. Maximum duration during FY18 was reported at 222 days at end-April'2018.

Liquidity Risk

Over FY18, the fund maintained adequate liquid assets, specifically as deposits in bank saving accounts. Fund size witnessed attrition during FY18 on account of sizeable redemptions caused by decline in unrelated corporates,

retail and associates. In line with investor movement, unit holding pattern altered with retail holding improving to 54% (FY17: 28%) and unrelated corporates’ share diminishing to 14% (FY17: 58%); associates’ investment increased to 32% (FY17: 14%). Granularity of the fund improved with Top 10 investors contributing 65% to the fund base in FY18 as compared to 77% in the preceding year.

Fund Performance**Table 5: Fund Performance**

	FY17	FY18
Return (%)	5.5%	4.7%
Benchmark (%)	5.9%	6.2%
Peer Average (%)	5.9%	5.1%
Relative Ranking	17 out of 28	22 out of 28

Fund performance is benchmarked against 6 months PKRV. The fund generated a return of 5.5%, underperforming both benchmark and peers of Income Fund Category as they encompass funds with significant corporate exposures which is not allowed in Fund’s case. Relative to peers, fund’s ranking deteriorated as it was ranked 18 out of 27 funds (FY16: 8 out of 28) JCR-VIS

Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
RATING TYPE: Fund Stability Management Quality				
26-Dec-18	A+(f)	-	-	Reaffirmed
15-Jan-18	A+(f)	-	-	Upgrade
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