

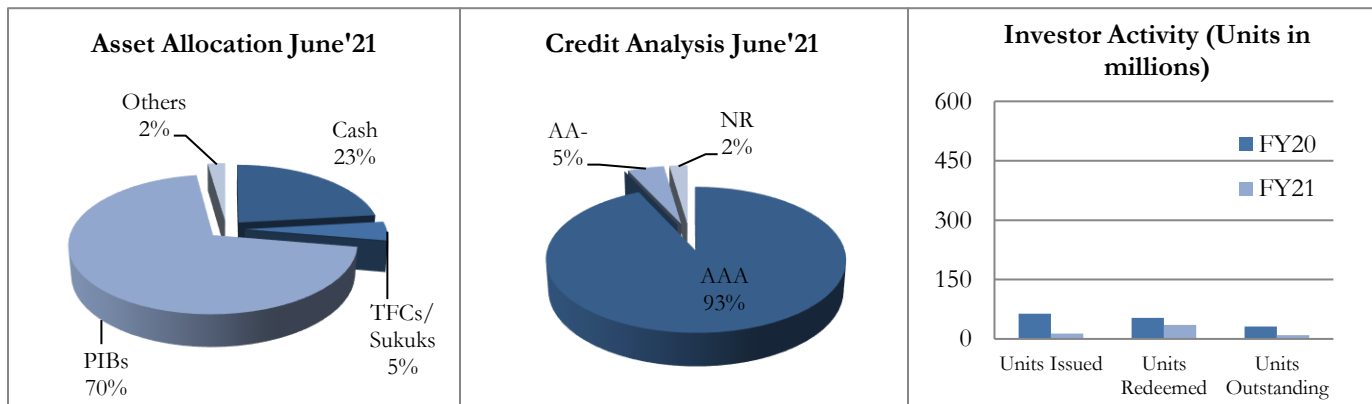
*Date: January 03, 2022*

**Analyst:** Muhammad Tabish

**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	AA(f)	AA(f)
	Jan 03, '22	Dec 31, '20
AMC	HBL Asset Management Limited	
External Auditors – Fund	BDO Ebrahim & Co. Chartered Accountants	
Trustee	Central Depository Company	
Front-end Load	Up to 2%	
Back-end Load	Nil	
Management Fee	1.25% per annum	
Benchmark	Six (6) months PKRV rates	



HBL Government Securities Fund (HG SF) is an open-ended fund with the objective of offering investment opportunities in a diversified portfolio comprising short and long term guaranteed instruments. Net assets of the funds decreased considerably in the outgoing fiscal year and amounted to Rs. 1.1b (FY20: Rs. 3.5b).

Investment Committee (IC) comprises key personnel from top management including CEO, Head of Fixed Income, Acting Head of Research and Head of Risk. All investment decisions are consensus based.

The fund’s exposure to various sources of risks has been maintained in actual asset allocation plan and credit quality

requisites. As per investment policy, pre-defined exposure limits are in place for each investment avenue.

**Table 1: Offering document (extract)**

Description	Minimum Rating	Min- Max Limits
Government Securities issued and / or Guaranteed by GoP including Reverse Repo against Government Securities	-	70%-100%
Cash in Bank Accounts (excluding term deposits)	AA- (in case of cash in Bank)	0%-30%
Government Securities up to 90 days maturity	-	0%-100%
Reverse Repo (up to six months only) against Government Securities	-	0%-90%

Deposit with Scheduled Banks, DFP's and NBFC including TDR's, Letter of Placement (LOP), Certificate of Deposit and Certificate of Musharika of less than 6 months	AA- (for Banks & DFIs), AA+ (for NBFCs)	0%-30%
Deposit with Scheduled Banks, DFP's and NBFC including TDR's, Letter of Placement (LOP), Certificate of Deposit and Certificate of Musharika of greater than 6 months	AA-	0%-15%
Authorized investments in overseas markets including mutual funds.	AA-	Cap of \$15m
Spread Transactions and MTS	AA-	0%-10%
Commercial papers	A2 (Instrument)	0%-20%

**Asset Allocation:**
**Table 2: Asset Class Distribution:**

Asset Allocation	Average FY'20	Average FY'21	Jun'21
Cash adjusted for accruals	30%	15%	23%
TFCs/Sukuks	3%	3%	5%
T-bills	24%	10%	0%
PIBs	41%	69%	70%
Others	2%	3%	2%

As per IPS, 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 monthly average calculated on a daily basis. In FY21, the fund managed to preserve around 80% of asset base in PIBs and T-bills on a monthly average basis. Deviations in asset allocation plan were noted for the months of Feb'21 and Mar'21.

**Credit Quality:**
**Table 3: Credit Quality**

Credit Quality	Monthly Average	Maximum	Minimum
AAA	82%	94%	55%
AA+	0%	1%	0%
AA	0%	0%	0%
AA-	15%	44%	4%
NR	3%	10%	1%

The fund is restricted to take exposure in government securities and AA- rated or above. There were no breaches witnessed during the period. During the year, on an average,

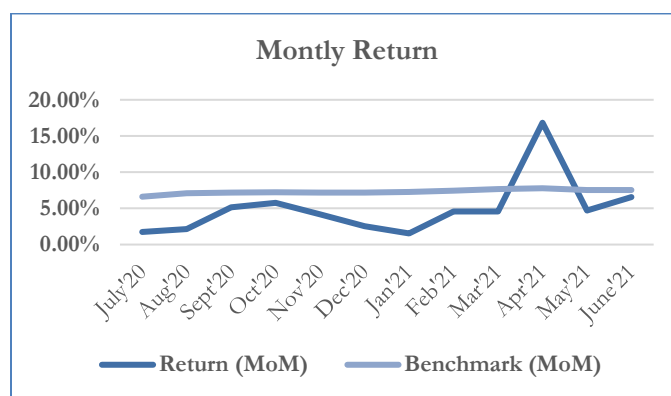
82% of the fund's investment portfolio was held with 'AAA' (or government securities) rated issue/issuer.

**Market Risk:**

As per IPS, Weighted Average Maturity (WAM) shall not exceed 4 years whereby duration of the fund shall be 1 year. In the outgoing fiscal year, monthly average WAM amounted to 1,519 days (4.16 years) while breaches were noted in modified duration during the period from July'20 to Oct'20. Maximum duration during the period under review stood at 393 days in July'20.

**Liquidity Profile:**

More than four-fifth of the fund base is provided by retail investors. Top-10 investors' concentration is moderate and stands at 30.4%. The total number of investors decreased to 887 (FY20: 1,372).

**Fund Performance:**

**Table 4: Fund Performance:**

Performance	FY20	FY21
Total Return	16.02%	5.10%
Peer Ranking	8/11	25/31
Benchmark Return	12.07%	7.28%
Peer Average	13.33%	5.85%

Benchmark of the fund is determined against six (6) months PKRV rates. During FY21, the fund generated a return of 5.10% higher than its benchmark of 7.28% and lower than peer average 5.85%. Based on 365 days return, the fund has remained in the last quartile over the last two years.

**Rating History**

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	03-Jan-22	AA (f)	Reaffirmed
Fund Stability	31-Dec-20	AA (f)	Upgrade
Fund Stability	30-Dec-19	A+ (f)	Reaffirmed
Fund Stability	26-Dec-18	A+ (f)	Reaffirmed
Fund Stability	15-Jan-18	A+ (f)	Upgrade
Fund Stability	05-Jan-17	A (f)	Reaffirmed
Fund Stability	04-Jan-16	A (f)	Downgrade
Fund Stability	25-Feb-15	A+ (f)	Reaffirmed
Fund Stability	23-Dec-13	A+ (f)	Reaffirmed
Fund Stability	17-Aug-12	A+ (f)	Reaffirmed

<u>BALANCE SHEET</u>	FY20	FY21
Paid Up Capital	-	-
Total Equity	-	-
<u>INCOME STATEMENT</u>		
Total Income	609	127
Profit Before Tax	521	82
Profit After Tax	521	82
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	-	-
Gearing (x)	-	-