

**HBL Government Securities Fund (HBL GSF)**

*Managed By: HBL Asset Management Limited*

**Fund Stability Rating**

**Latest Rating**

**AA-(f)  
2-Jan-24**

**What is Fund Stability Rating**

Fund Stability Rating (FSR) is a measure used to assess the stability and risk associated with a mutual fund or investment portfolio. The stability rating combines a comprehensive quantitative evaluation of the fund's portfolio with a qualitative assessment of fund management. This rating offers investors an impartial gauge of the primary areas of risk that income funds may face, including credit risk, liquidity risk, and interest rate risk.

**Fund Information**

<b>Auditor</b>	BDO Ebrahim & Co. Chartered Accountants
<b>Trustee</b>	Central Depository Company of Pakistan Limited
<b>Front-end Load</b>	Up to 2%
<b>Back-end Load</b>	Nil
<b>Benchmark</b>	Six Months PKRV Rate
<b>MQR Rating</b>	AM1
<b>Mgt. Fee</b>	0.73% p.a

**Fund Overview**

HBL Government Securities Fund (the Fund) is an open-ended mutual fund constituted under a Trust Deed entered into on July 23, 2010, between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

**Investment Objective**

The investment objective of the Fund is to provide consistent returns to its investors through active investments in a blend of short, medium and long term securities issued and / or guaranteed by Government of Pakistan. The Fund will aim to provide superior risk adjusted returns through active duration and liquidity management tools.

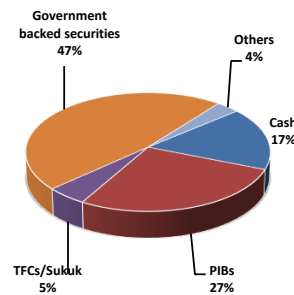
**Offering Document (Extract)**

Description	Minimum rating	Min- Max Limits
Government Securities issued and/ or Guaranteed by GoP including Reverse Repo against Government Securities	N/A	70%-100%
Cash in Bank Accounts (excluding term deposits) and Government Securities up to 90 days Maturity	'A' or above in case of cash in banks	10% - 30% in case of cash in bank accounts & 0% to 100% in case of T-bills of less than 90 days
Reverse Repo (up to six months only) against Government Securities	N/A	0-90%
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	A' or above	0-30%
Deposit with Scheduled Banks, DFI's and NBFC including TDR's, Letter of Placement (LOP), Certificate of Deposit and Certificate of Musharaika of greater than 6 months	A' or above	0-15%
Authorized investments in overseas markets including mutual funds. Overseas investments would be subject to prior approvals/guidelines of SECP and SBP;	A' or above	Cap of USD 15m
Spread Transactions and MTS as approved by the Stock Exchanges and the SECP;	N/A	0-10%
Commercial papers	A' or above	0-20%
Term Finance Certificates / Sukuk	A' or above	0-20%

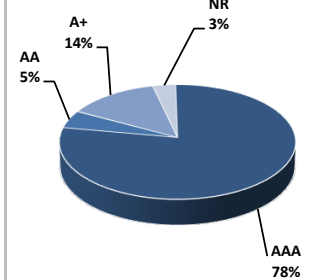
**Net Assets**

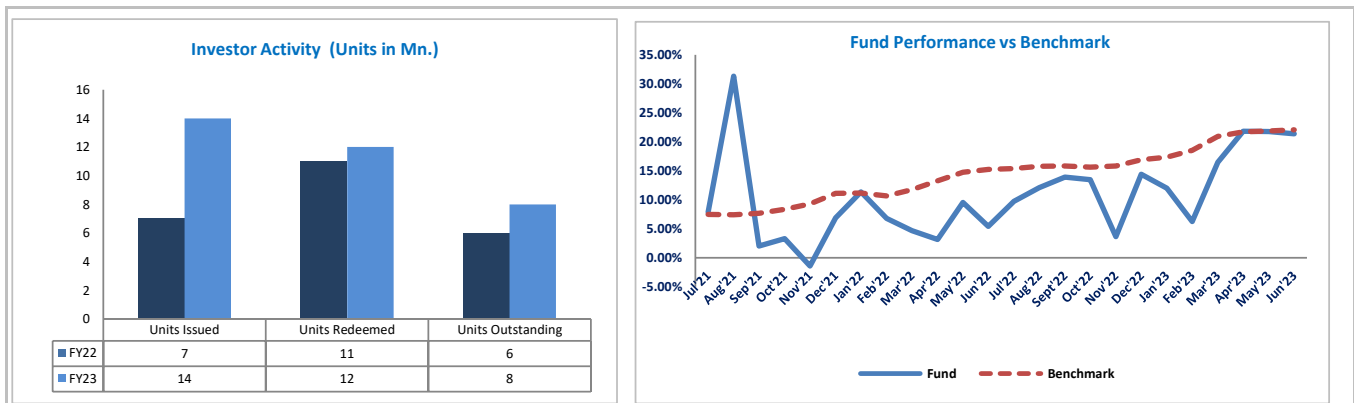
	Jun'21	Jun'22	Jun'23
Net Assets (In PKR' Millions)	1,071	631	776

**Asset Allocation - Jun'23**



**Credit Quality - Jun'23**





Credit Quality (FY'23)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'22 Avg.	FY'23 Avg.
AAA	69.40%	85.40%	41.61%	Cash	28.37%	22.00%
AA+	5.00%	16.55%	0.00%	PIBs	53.03%	49.98%
AA	4.41%	9.95%	0.02%	T-Bills	9.85%	5.76%
AA-	3.37%	22.35%	0.11%	TFCs/Sukuk	4.67%	8.07%
A+	15.10%	24.88%	0.35%	Commercial paper	2.43%	0.00%
A	0.00%	0.01%	0.00%	Government backed securities	0.00%	11.62%
A	0.00%	0.01%	0.00%	Others	1.65%	2.58%
NR	2.71%	5.78%	1.41%	Total	100.00%	100.00%

Portfolio Maturity (FY'23)	Average	Maximum	Minimum	Fund Performance	FY'22	FY'23
WAM in year(s)	1215.3	2043.0	448.0	Total Return	7.89%	14.88%
Duration (In Days)	75.3	127.0	25.0	Benchmark Return	10.67%	18.14%
				Peer Average	9.56%	15.46%
				Peer Ranking	30 out of 31	7 out of 9

**Fund Stability Analysis**

HBL Government Securities Fund has been assigned a fund stability rating of AA-(f). This rating indicates a high degree of stability in the net asset value (NAV) of the fund. The risk associated with the fund is modest but may vary slightly due to changing economic conditions.

**Asset Allocation:**

AUMs size has increased from Rs. 631m as at Jun'22 to Rs. 776m as at Jun'23. However, when compared to Rs. 1,071m as at Jun'21 it has decreased significantly. The fund has remained within the asset allocation parameters as identified in the offering document. Major asset allocation includes government securities, with an average 50.0% of the portfolio invested in Pakistan Investment Bonds (PIBs). Other allocations include Cash (22.0%) and others.

**Credit Quality:**

The fund is required to invest in instruments that have a minimum credit quality rating of 'A' or higher. During the year FY23, on an average, 69% (FY22: 72%) of the fund's investment portfolio was held with 'AAA' (or government securities) rated issue/issuer. Remaining exposure stayed in 'A+' rated securities and above.

**Market Risk:**

As per Offering Document, Weighted Average Maturity (WAM) shall not exceed 4 years whereby duration of the fund shall be under 365 days. In FY23, monthly average WAM registered at 1,215 (FY22: 1,493) days while no breaches were noted in modified duration during the period.

**Fund Performance:**

The fund has achieved a total return of 14.88% in June 2023, underperforming the benchmark return of 18.14%. However, when considering the ranking, the fund moved to the third quartile in FY23 from the last quartile in FY22.

Financial Snapshot			
<b>BALANCE SHEET</b>		<b>FY22</b>	<b>FY23</b>
Paid Up Capital		N/A	N/A
Total Equity		N/A	N/A
<b>INCOME STATEMENT</b>		<b>FY22</b>	<b>FY23</b>
Total Income		72.5	87.9
Profit Before Tax		71.0	74.9
Profit After Tax		71.0	74.9
<b>RATIO ANALYSIS</b>		<b>FY22</b>	<b>FY23</b>
Current Ratio (x)		N/A	N/A
Gearing (x)		N/A	N/A
FFO		N/A	N/A
Regulatory Disclosures			
<b>Name of Rated Fund</b>	HBL Government Securities Fund	<b>Sector</b>	Mutual Funds
<b>Type of Relationship</b>	Solicited	<b>Purpose of Rating</b>	Fund Stability Rating (FSR)
Rating History			
Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	2-Jan-24	AA-(f)	Reaffirmed
Fund Stability	29-Dec-22	AA-(f)	Downgrade
Fund Stability	3-Jan-21	AA(f)	Reaffirmed
Fund Stability	31-Dec-20	AA(f)	Upgrade
Fund Stability	30-Dec-19	A+(f)	Reaffirmed
<b>Statement by the Rating Team</b>	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.		
<b>Probability of Default</b>	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.		
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2023 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.		
<b>Rating Methodology</b>	<a href="https://docs.vis.com.pk/docs/FundstabilityRating.pdf">https://docs.vis.com.pk/docs/FundstabilityRating.pdf</a>		
<b>Rating Scale</b>	<a href="https://docs.vis.com.pk/docs/VISRatingScales.pdf">https://docs.vis.com.pk/docs/VISRatingScales.pdf</a>		

Lead Analyst	Analyst
<b>Amin Hamdani</b>	<b>Vernon Joseph Vellozo</b>
<a href="mailto:amin.hamdani@vis.com.pk">amin.hamdani@vis.com.pk</a>	<a href="mailto:vernon.joseph@vis.com.pk">vernon.joseph@vis.com.pk</a>

Note: VIS' mutual fund rating is not a recommendation to buy, sell, or hold any fund, in as much as it does not comment as to suitability for a particular investor.