

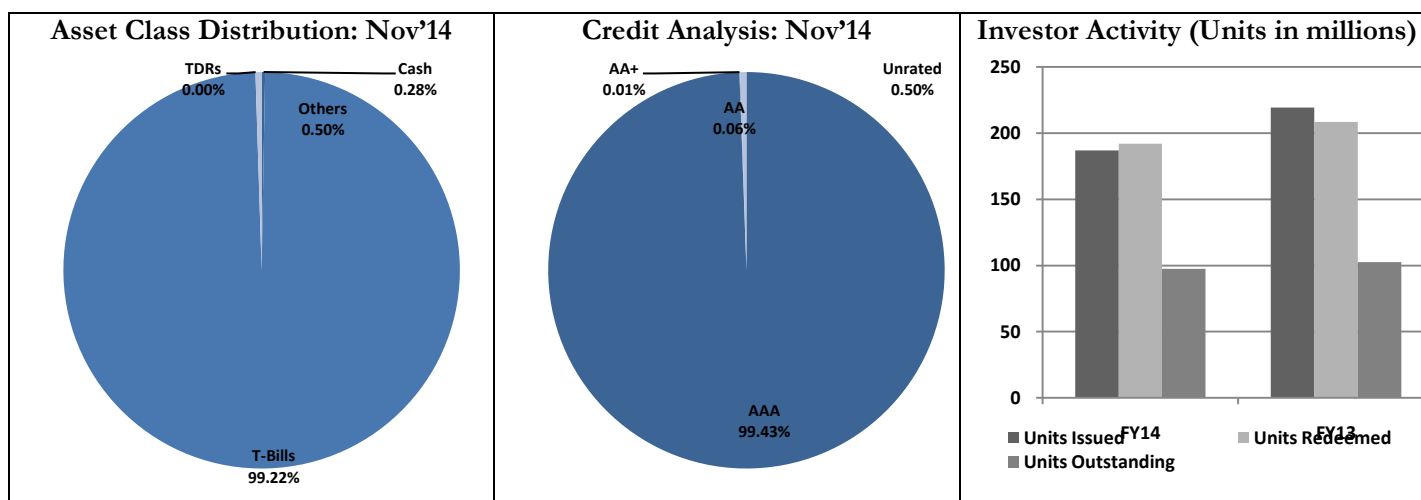
December 26, 2014

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Investment Objective

To seek high liquidity and comparative return for investors by investing in low risk securities of shorter duration and maturity

HBL Money Market Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA(f)	AA(f)
	Dec 26, 2014	Oct 21, 2013
Management Company	HBL Asset Management Limited	
Chief Executive	Mr. Rehan N. Shaikh	
External Auditors - Fund	KPMG Taseer Hadi & Co.	
Fund Manager	Mr. Fahad Aziz	
Trustee	Central Depository Company	
Front-end/Back-end Load	-	
Management Fee	1.0% per annum	
Benchmark	50% 3-m PKRV & 50% 3-m deposit rate	



HBL Money Market Fund (HBL MMF) was launched in July 2010 as an open-end money market fund. Size of the fund showcased volatility, specifically in the last quarter of FY14, when it reduced considerably. Management attributes withdrawals to the regulatory changes that now result in lower taxes on capital gains (realized on up to 12 months holding period) relative to dividend income. Accordingly, size of the fund, which had increased to Rs. 14.6b by March 2014, declined in the following quarter to Rs. 9.8b. The fund size at end-November 2014 stood at Rs. 10.1b.

In line with the fund’s investment objective, asset allocation parameters are also on the conservative side. The fund’s Offering Document (OD) prohibits investment in any issue/issuer where rating is below

‘AA’. The fund is allowed to invest in sovereign instruments or bank deposits, and there are no maximum or minimum thresholds for investment in these. The fund can enter into Reverse Repo transactions against government securities; allocation to these is capped at 50% of the fund size. In addition, the fund is also allowed to allocate 10% of assets to placements with banks/DFIs.

Actual asset allocation of the fund has remained fairly conservative with more than three quarters of the fund remaining invested in T-Bills on an average in FY14. The remaining assets are also being kept in highly liquid form i.e. TDRs and bank accounts. HBL MMF’s current exposures and average allocation during FY14 are presented in the table below:

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Table 1: Asset Allocation

	November 2014	Average FY14
Cash	0.3%	5.7%
T-Bills	99.2%	79.7%
TDR	0.0%	12.7%
Others (including receivables)	0.5%	0.7%
Investment in Reverse Repo	0.0%	1.2%

Given that the fund maintains majority of the exposure in sovereign instruments, the fund's exposure to credit risk is considered minimal. Asset quality is expected to be maintained, given the restrictions on credit risk that may be assumed by the fund.

The fund's Weighted Average Maturity (WAM) is capped at 90 days whilst single asset maturity may not exceed 6 months. Actual WAM of the fund has remained within the limits. Average WAM during FY14 stood at 52 days whilst WAM as at end-November 2014 was reported at 86 days.

With considerable redemptions in the outgoing year, the fund's unit-holder concentration has showcased an uptick; top-10 investors held 56% of outstanding units at end-November 2014 vis-à-vis 49% at end-FY13. Large investors primarily include corporate entities from various sectors. Retail holding in the fund was about 10%.

The fund's performance is benchmarked against a 50:50 break-up of 3-month PKRV and 3-month deposit rates of three 'AA' rated banks. In comparison to the benchmark return of 8.46%, the fund posted a return of 8.08% in FY14. The year-to-date return until end-November 2014 was reported at 8.57% vis-à-vis benchmark return of 8.80%. Given that exposure to T-Bills is maintained in excess of 50% during a major part of the year, the fund manager may consider adjusting the benchmark to include a higher share of 3-Month PKRV, thereby making the benchmark a better yardstick for comparing performance. The fund's return is expected to depict stability, given its low exposure to credit and market risks, barring any changes in the benchmark rate itself^[JCR-VIS]

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
26-Dec-14	AA(f)			Reaffirmed
21-Oct-13	AA(f)			Reaffirmed
29-Mar-12	AA(f)			Harmonized
15-Jul-10	AA+(f)			Initial

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