

**Date:** December 31, 2019

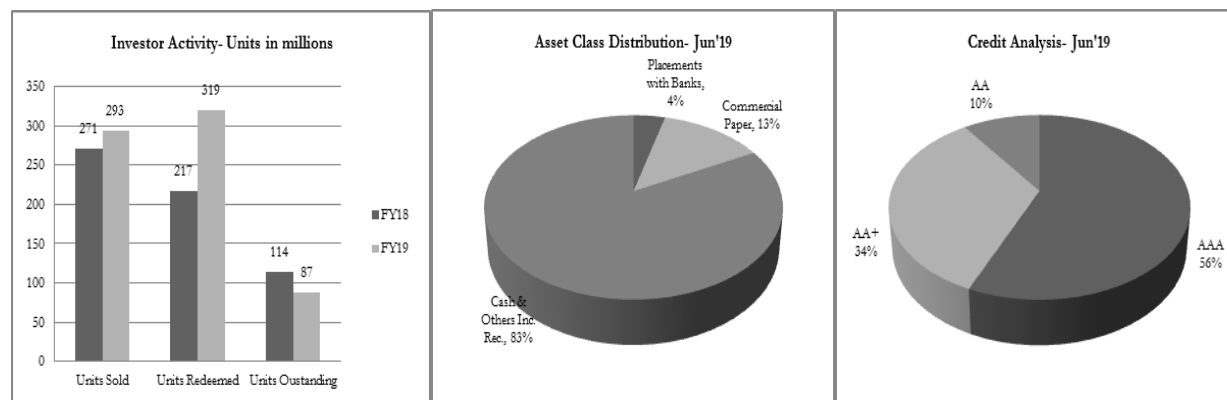
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**Investment Objective:**

The objective of the fund is to maintain a high liquidity profile and to provide competitive returns to investors through active investments having low risk portfolio of short duration. The fund aims to maximize its returns through efficient utilization of investment and liquidity management tools.

HBL Cash Fund		
Rating Category	Latest	Previous
Fund Stability Rating	<b>AA(f)</b> <i>Dec 30, 2019</i>	<b>AA(f)</b> <i>Dec 26, 2018</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	BDO Ebrahim & Co. Chartered Accountants	
Fund Managers	Mr. Wamiq Sakrani	
Trustee	Central Depository Company	
Front-end Load	Upto 1%	
Back-end Load	-	
Management Fee	0.6810%	
Benchmark	70% 3M PKRV & 30% 3M avg. deposits rate of 3 AA and above rated Banks	

	HCF	
	FY18	FY19
Type of Scheme	Money Market	
Return (%)	5.5%	8.9%
Benchmark (%)	5.4%	8.7%
Peer Average (%)	5.2%	8.7%
Relative Ranking	4 out of 22	9 out of 20
Fund Size (in Rs. m)	12,040	8,809
Retail (%)	12%	12%
Associates (%)	1%	1%
Number of Investors	831	1,051
Top 10 Investors / AUMs	65%	71%
Fund Stability Rating	AA(f)	AA(f)
Management fee	0.5-1.00%	0.5-1.00%
WATM (at end-June)	6	16
<b>Average Asset Allocation</b>		
<i>Corporate TFCs</i>	0%	0%
<i>Government backed / issued Securities</i>	0%	10%
<i>Others</i>	0%	13%
<i>Placements with Banks</i>	19%	4%
<i>Cash &amp; Others Inc. Rec.</i>	81%	73%



HCF is an open ended money market fund designed to offer competitive returns to its investors through the deployment of its resources comprising of cash and cash equivalents, government securities and money market placements. It was observed that net assets of the fund substantially decreased to Rs. 8.8b (FY 18: Rs. 12b) at end-June'2019 due to sizeable redemptions in the outgoing year. Asset base improved at end-Nov'19 with AUM reported at Rs. 11.3b.

In line with its mandate, the fund's exposure to various sources of risks has been maintained, by policy and as also manifested in actual asset allocation. As per investment policy, pre-defined exposure limits are in place for each investment avenue.

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

Description	Min-Max limits	Min-Max Actual	Min. Rating
Cash in Bank Accounts	0%-100%	0.5%-90%	AA
Cash & Near Cash Instruments	10%-100%	-	-
Treasury Bills, Pakistan Investment Bonds and other Government Securities	0%-100%	0%-83%	-
Placements with Bank and DFI including Certificates of Deposit and TDR	0%-80%	8.5%-32%	AA

Commercial Paper	0%-10%	0%-1.4%	AA
Money Market placements, under LOP etc with Banks and DFIs.	0%-50%	-	AA
Placement of Funds with NBFCs and Modaraba under letter of placement(LOP), Certificates of Deposits/Investment (COD/I) and Certificate of Musharika (COM)	0%-25%	-	NBFC/Modaraba- AAA, Microfinance Bank- AA
Reverse Repo transactions against Government Securities or such securities with Banks and DFIs	0%-90%	-	AA
Reverse Repo transactions against Government Securities or such securities allowed under the Regulations from time to time with NBFCs and Modaraba	0%-90%	-	AAA
Foreign money market income Securities and any other instruments issued, listed and traded outside Pakistan	0-30% (cap of \$15m)	-	AA

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

### **Credit Risk:**

**Table 2: Asset Allocation**

<b>Asset Class Distribution</b>	<b>Jun'18</b>	<b>Jun'19</b>
Placements with Banks	19%	4%
Commercial Paper	0%	13%
Cash & Others Inc. Rec.	81%	83%

During FY19 asset allocation complied with the specified standards of the offering document. The fund's major holding at end June'19 was engrossed in cash and other receivables at 83% (FY18: 81%). Month-on-month average analysis exhibit that around 34% of the fund portfolio comprised investments in government securities in FY19 (FY18: 33%).

**Table 3: Credit Quality**

<b>Credit Quality</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
AAA	64%	94%	24%
AA+	20%	70%	0%
AA	13%	34%	0%
NR	3%	26%	0%

Complying with the specified limits stated in Investment Policy Statement (IPS), the fund substantially preserved its resources in high-rated issue/issuer. Exclusive of the month of (Jan'19) the fund adhered with the credit quality requisite of the assigned ratings during the outgoing year. On a month-on-month average around 64% of the fund's assets were parked in AAA rated instruments.

### **Market Risk:**

**Table 4: Modified duration**

<b>Month</b>	<b>Modified Duration (Days)</b>
Jul'18	56
Aug'18	25
Sep'18	9
Oct'18	46
Nov'18	24
Dec'18	48
Jan'19	14
Feb'19	11
Mar'19	21
Apr'19	23
May'19	18
Jun'19	16

During FY19, modified duration remained under the 90 day specified limit as per assigned ratings. Maximum duration during FY19 was accounted for at 56 days at end-July'19. The fund complied with its internal policy lying within 60 days.

### **Liquidity Risk:**

Portfolio contribution by retail investors remained at prior year levels at 12% during FY19, being on the lower side as compared to peers. Sizeable portion of around 87% of the fund base was provided by unrelated corporates at end-June'19. Top-10 investor concentration improved significantly to 1% during FY19, (FY18: 65%). Moreover, number of investors increased to 1043, (FY18: 831)

### **Fund Performance:**

	<b>FY18</b>	<b>FY19</b>
Return (%)	5.5%	8.90%
Benchmark (%)	5.4%	8.70%
Peer Average (%)	5.2%	8.65%
Relative Ranking	4 out of 22	9 out of 20

Benchmark of the fund is defined as a weighted average of 3 month deposit rate and 3 month

PKRV rate (net of expenses). Over FY19, HCF generated a return of 8.90% (FY18: 5.5%) which was higher than the benchmark and peer average. Although the fund generated higher returns and out-performed its peers, its relative ranking weakened from 4/22 to 9/20 in FY19.

**Rating History**

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b>RATING TYPE: Fund Stability Management Quality</b>				
30-Dec-19	AA(f)	-	-	
26-Dec-18	AA(f)	-	-	Reaffirmed
29-Dec-17	AA(f)	-	-	Reaffirmed
05-Jan-17	AA(f)	-	-	Reaffirmed
28-Dec-15	AA(f)	-	-	Reaffirmed
22-Dec-14	AA(f)	-	-	Reaffirmed
30-Dec-13	AA(f)	-	-	Downgrade
17-May-12	AA+(f)	-	-	Harmonized
07-Dec-10	AA+(f)	-	-	Preliminary

<b>FINANCIAL SUMMARY</b> <i>(amounts in PKR millions)</i>		
	<b>FY18</b>	<b>FY19</b>
<b><u>BALANCE SHEET</u></b>		
Paid Up Capital	NA	NA
Total Equity	NA	NA
<b><u>INCOME STATEMENT</u></b>		
Total income	669	1,141
Profit Before Tax	567	996
Profit After Tax	567	996
<b><u>RATIO ANALYSIS</u></b>		
Net Cash Generated from Operating Activities	27	392
Current Ratio (x)	NA	NA
Gearing (x)	NA	NA