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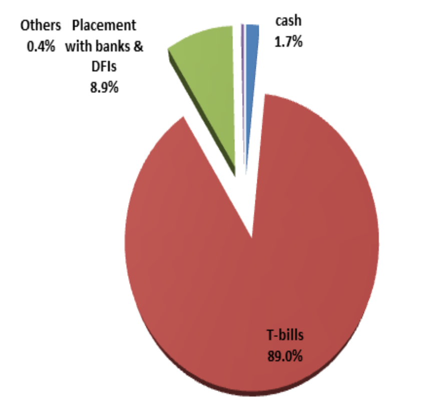
First Habib Cash Fund		
Rating Category	**Latest**	**Previous**
Fund Stability Rating	**AA(f)**	**AA(f)**
	Dec 26,'13	*Nov 20,'13*
AMC	Habib Asset Management Limited	
Chief Executive	Mr. Imran Azim	
External Auditors	Ernst & Young Ford Rhodes Sidat Hyder	
Fund Manager	Mr. Junaid Kasbati	
Trustee	Central Depository Company	
Sales Load	Nil	
Management Fee	0.85% per annum (Effective from Nov'14)	
Benchmark	50% average of 3 months bank deposit rate of three 'AA' and above rated banks and 50% 3 month PKRV	

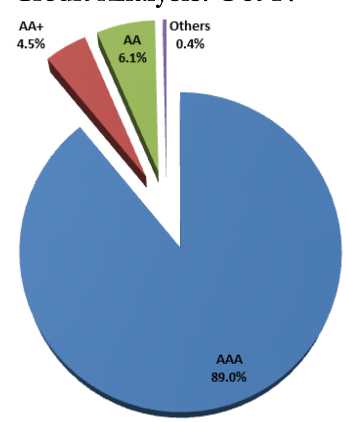
Investment Objective

To provide unit holders with competitive returns from a portfolio of low risk, short duration assets while maintaining high liquidity.

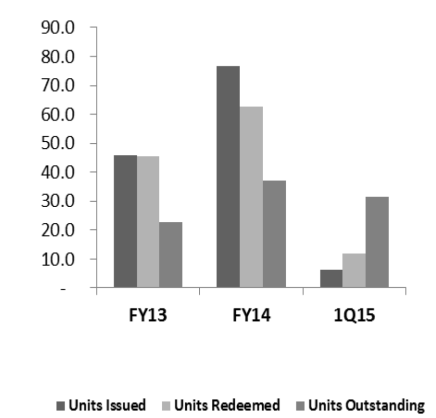
Asset Class Distribution: Oct'14



Credit Analysis: Oct'14



Investor Activity (Units in million)



Launched in March 2011, First Habib Cash Fund (FHCF) is an open-end money market fund with net assets of Rs. 3.2b as at end-October 2014. Size of the fund has featured some variation in FY14, rising to Rs. 5b by end-1HFY14 but subsequently declining to Rs. 3.7b by year end and further to Rs. 3.2b by end-October 2014.

In line with the fund's categorization, the investment policy in the Offering Document (OD) restricts exposure to various sources of risks. In order to contain maintain credit risk at low end of the risk spectrum, the policy prohibits investment in any asset rated below 'AA'; this threshold is higher at 'AAA' for issues/issuers from the NBFCs or Modaraba sector. The OD also limits exposure to term deposits with scheduled banks/ DFIs to 70% whilst there is no limit set for allocation towards Current & Saving Accounts (CASA). Further, Reverse Repo transactions may not exceed 50% of fund size and placements with financial institutions/NBFCs are capped at 20%. The operational Investment Policy Statement (IPS) places further restrictions on asset mix, as it dictates that exposure to Treasury Bills should not drop below 60% at any point of time.

Actual asset allocation has remained fairly conservative with average exposure to Treasury Bills having been maintained at 89% during FY14. Remaining assets largely remained deployed in TDRs and cash and bank balances. Actual asset mix of the fund has remained aligned with the operational investment policy, as evident from the month-end asset allocation data of the fund for the past twelve months. Average allocation to each asset class and current exposures are presented in the table below:

Table 1: Actual Asset Allocation

	Oct' 2014	FY14 (Avg.)
T-Bills	89%	89%
Placements with Banks/DFIs	9%	7%
Cash	2%	4%
Others	-	2%

Given the policy restrictions on permissible investments and the actual asset allocation, credit risk emanating from the portfolio is expected to remain minimal.

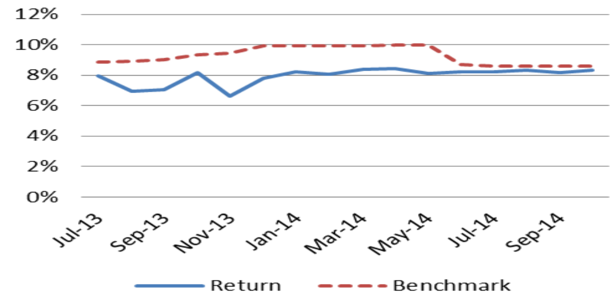
The fund's Weighted Average Maturity (WAM) is capped at 90 days, whilst single asset maturity may not exceed 6 months. Actual WAM of the fund has stayed well within the cap with average WAM during FY14 being 51 days. WAM was reported at 49 days, as at end-October 2014.

Unit holding of the fund features sizeable concentration with top-10 investors holding more than two-thirds of the units as at end-FY14; these mainly included related party investors and a few other corporate institutions. Total related party holding was 23%[1] of the units. Retail investors only hold 6% of the units. Given the liquid nature of the underlying instruments and sizable related part holdings, the fund's is expected to be able to manage any potential redemption pressures

Performance benchmark of the fund has been changed from average 3-month PKRV as it now incorporates an equal weightage of 3-month deposit rates of three 'AA' rated banks with the previous benchmark. While the return of the fund is more closely aligned with the benchmark, the benchmark does not reflect the actual asset mix of the fund. The new benchmark has become effective May 15, 2014.

The fund posted return of 8.12% in FY14 vis-à-vis benchmark return of 8.38%. For the period July to October 2014, FHCF's generated annualized return of 8.36% against a benchmark return of 8.59%. The graph below showcases the fund's monthly performance in comparison to benchmark.

Figure 1: Fund Performance (Actual vs Benchmark)



Gross return of the fund for the period July - October 2014 stood at 9.52% (annualized) which was in line with peer average. In order to enhance return to investors, the management has decided to reduce the fund's management fee from 1.0% of net assets to 0.85% of net assets. Overall, the fund's returns are expected to showcase stability, given the fund's low exposure to credit and market risk; further efforts may however need to be made towards broadening the investor base. JCR-VIS

[1] Includes Units held by Management Company