

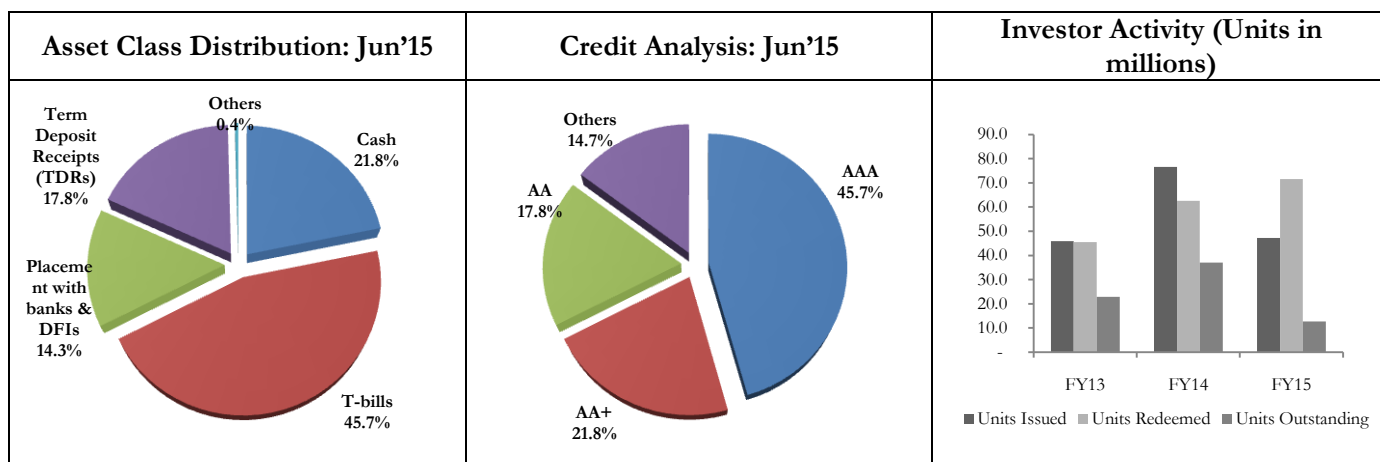
Date: September 10, 2015

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**Investment Objective**

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

First Habib Cash Fund		
Rating Category	Latest	Previous
Fund Stability Rating	<b>AA(f)</b> Sept 10, '15	<b>AA(f)</b> Dec 26, '14
AMC	Habib Asset Management Limited	
Chief Executive	Mr. Imran Azim	
External Auditors	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants	
Fund Manager	Mr. Junaid Kasbati	
Trustee	Central Depository Company of Pakistan Limited	
Sales Load	Nil	
Management Fee	0.85% per annum	
Benchmark	50% average of 3 months bank deposit rate of three 'AA' and above rated banks and 50% 3 month PKRV	



First Habib Cash Fund (FHCF) was launched on March 10, 2011 as an open-end fund. As per its mandate, FHCF is primarily designed to deploy assets in short term instruments while ensuring a certain level of liquidity is maintained. Investment decisions for the fund are made by the Investment Committee (IC) comprising personnel from top management and investment management department. In line with its ToRs, IC is convened on a monthly basis with a minimum of two members present.

Structured as a money market fund, FHCF is designed to invest in low risk avenues. As per the operational investment policy, the fund is required to maintain significant exposure in government securities, while remaining net assets can be deployed in other avenues,

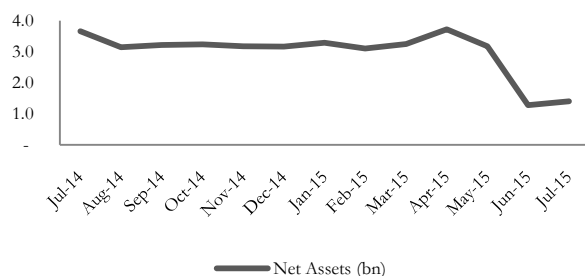
including deposits with scheduled banks/DFIs, reverse repo against government securities, CoD, CoI, CoM or commercial paper. Given that the fund is required to maintain a low risk profile, a minimum of 60% exposure is to be parked in T-bills. In terms of credit quality, the fund should invest in entities/instruments having a minimum rating of 'AA'. The fund may also take exposure in NBFCs and Modarabas with an outstanding rating of 'AAA'.

Net assets of the fund depicted stability during 10M15. Fund size amounted to Rs. 3.7b at end-April 2015. From April 2015 onwards, FHCF incurred significant redemptions including partial capital reallocation by unit holders towards First Habib Income Fund and First Habib Islamic Balanced Fund. Net assets of the fund

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consequently declined to Rs. 1.3b at end-FY15. Going forward, management expects its net assets to grow once unit holders re-shift their funds in FHCF.

Figure 1: Net Assets (In Rs. Billions)



During FY15, average allocation of T-bills was about 80%, though with significant redemptions towards the end of the financial year, it became non-compliant with their proportion declining to 46% by end-June 2015. Going forward, the management envisages increasing exposure in government paper to more than 60% which is the minimum required threshold as defined in investment policy. Remaining assets were largely held as placements with banks/DFIs and cash. From May 2015 onwards, funds were also placed in Term Deposit Receipts (TDRs); almost 18% of assets were parked in TDRs at end-FY15.

Table 1: Actual Asset Allocation

	FY15 (Avg.)	Jul'15	Jul'14
Cash	7.5%	11.9%	1.3%
T-bills	79.5%	88.0%	84.9%
Placement with banks & DFIs	10.5%	-	-
Term Deposit Receipts (TDRs)	2.1%	-	-
Others	2.1%	0.1%	13.8%

With all exposures subject to minimum counterparty rating of at least 'AA', exposure to credit risk remains low. Credit risk has been maintained largely in line with the envisaged operational investment policy.

To minimize losses in case of any adverse movement in discount rate, weighted average maturity (WAM) of the fund is capped at 90 days; while maturity of a single asset cannot exceed six months. Target duration of the fund is capped at 60 days. At end-FY15, the WAM and duration of the fund's assets was 45 days. During FY15, maximum WAM at any month-end was reported as 76 days at end-January 2015 and end-March 2015. At that time, the fund had built significant exposure in T-bills.

Performance of the fund is benchmarked against an equally weighted mean of average of 3 months bank deposit rate of any three 'AA' and above rated banks and 3 month PKRV. While the fund's performance showcased a downward trajectory from February onwards, it surpassed the benchmark on a monthly basis during second half of FY15.

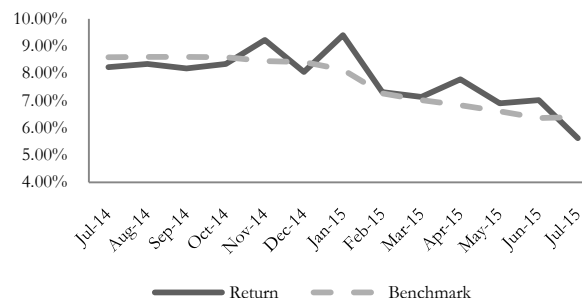


Table 2: Fund Performance

Performance	FY15	FY14
Total Return	8.3%	8.1%
Peer Group Return Ranking	18 out of 22	10 out of 21
Benchmark Return	7.8%	8.4%
Maximum Return in Peer Group	10.5%	8.9%
Peer Group Average	8.7%	8.3%

Performance of the fund in relation to other funds in the peer group had experienced weakening in FY15. Gross return of FHCF was moderately below the peer group average.

Total number of investors decreased to 188 (FY14: 336) by end-FY15. Given the reduction in investor base, unit holder concentration increased considerably with top 10 investors holding more than 88% (FY14: 69%) of outstanding units, at end-FY15. However, proportion of retail clients in the total number of investors improved to 12% (FY14: 6%) on account of higher redemption from corporate clients during June 2015. Related party holding marginally declined to 22% (FY14: 23%) for the year ending June 30, 2015. Ability of the fund to meet redemptions in a timely manner is considered sound as majority of the net assets are deployed in avenues having strong liquidity profile **JCR-VIS**

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

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### Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	09/10/2015	AA(f)	Reaffirmed
Fund Stability	12/26/2014	AA(f)	Reaffirmed
Fund Stability	11/20/2013	AA(f)	Reaffirmed
Fund Stability	4/2/2012	AA(f)	Harmonised
Fund Stability	5/3/2011	AA+(f)	Initial