

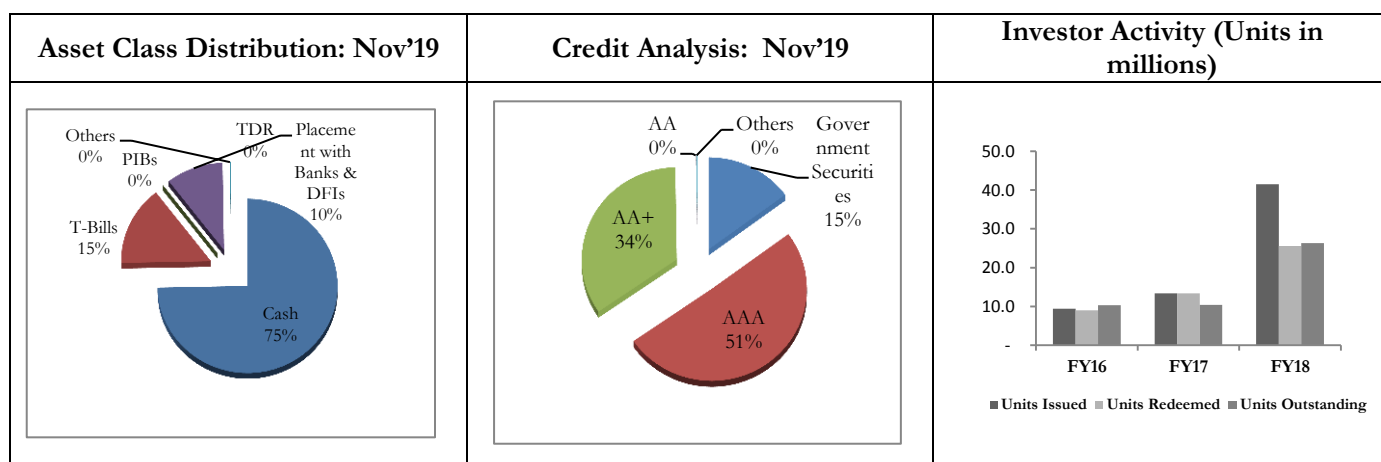
Date: January 9, 2020

Analysts: Muniba Khan, CFA

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 | AA(f) | AA(f) |
| | Dec 30, '19 | Dec 24, '18 |
| AMC | Habib Asset Management Limited | |
| Chief Executive | Mr. Imran Azim | |
| External Auditors | KPMG Taseer Hadi & Co Chartered Accountants | |
| Fund Manager | Mr. Ahmed Abbas | |
| Trustee | Central Depository Company of Pakistan Limited | |
| Sales Load | Nil | |
| Management Fee | 10% of net income of the Fund (min 0.50% p.a. & max 0.85% p.a) | |
| Benchmark | 70% three (3) months PKRV rates + 30% three(3) months average deposit rate of three (3) AA rated scheduled banks | |



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 that 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.

Table 1: Actual Asset Allocation

| Investment policy | Ratings | Min-Max Exposure |
|--|---|--|
| Deposits with scheduled banks/ DFIs | AA | 0%-70% |
| Government Securities | AAA | 0%-100% |
| Reverse Repo against government securities | AA and above | 0%-50% |
| Current & Savings Account | AA | 0%-100% |
| Certificate of Deposit, Certificate of Investment, Certificate of of Musharaka | AA, AAA (in case of NBFC or Modaraba) | 0%-20% |
| Commercial Paper | AA | 0%-10% |
| Foreign Investments (in authorized money market instruments and other money market mutual funds) | AA rated by a reputed International Rating Agency | Upto 30% with a maximum limit capped at US \$15m |

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As per the operational investment policy, there is no minimum exposure required to be maintained in government securities. 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. 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 showcased an upward trend closing in at 2.8b (FY18: Rs. 1.04b) at end-June 2019. Subsequent to year-end, fund size stood at Rs. 2.7b as at end-November 2019.

The fund has cut down its exposure in cash investments from 99.4% at end-June'18 to 74.70% at end-June'19. On the other hand it undertook exposure in T-Bills, placements with banks & DFIs and TDRs during several months. Actual asset allocation has remained conservative with average exposure in 'AA' and above rated investment avenues.

Table 2: Actual Asset Allocation

| | FY19 (Avg.) | Jul'19 | Jul'18 |
|------------------------------|-------------|--------|--------|
| Cash | 60.5% | 0.58% | 99.5% |
| T-bills | 32.4% | 70.47% | - |
| PIBs | 0.0% | - | - |
| Placement with banks & DFIs | 12.4% | 28.48% | - |
| Term Deposit Receipts (TDRs) | 0.4% | - | - |
| Others | 0.4% | 0.46% | 0.5% |

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 WAM of the

fund is capped at 60 days. At end-FY19, the WAM of the fund's assets was 11 days. During the period under review, maximum WAM at any month-end was reported as 65 days at end-February 2019.

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. During FY19, the fund outperformed the benchmark with a return of 5.42% (FY18: 6.56%) vis-à-vis benchmark of 5.39% (FY18: 5.27%).

Table 3: Fund Performance

| Performance | FY19 | FY18 |
|------------------------------|-------------|--------------|
| Total Return | 5.42% | 6.56% |
| Peer Group Return Ranking | 7 out of 21 | 12 out of 22 |
| Benchmark Return | 5.39% | 5.27% |
| Maximum Return in Peer Group | 5.62% | 9.38% |
| Peer Group Average | 5.17% | 6.52% |

Performance of the fund in relation to other funds in the peer group improved compared to preceding fiscal year. Gross return of FHCF was moderately higher than the peer group average. Ability of the fund to meet redemptions in a timely manner is considered sound as majority of the net assets are deployed in liquid avenues

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Rating History

| Rating Type | Rating Date | Medium to Long Term | Rating Action |
|----------------|-------------|---------------------|---------------|
| Fund Stability | 12/30/2019 | AA(f) | Reaffirmed |
| Fund Stability | 12/24/2018 | AA(f) | Reaffirmed |
| Fund Stability | 01/15/2017 | AA(f) | Reaffirmed |
| Fund Stability | 01/02/2016 | AA(f) | Reaffirmed |
| Fund Stability | 09/10/2015 | AA(f) | Reaffirmed |
| Fund Stability | 12/26/2014 | AA(f) | Reaffirmed |

| FINANCIAL SUMMARY | | <i>(amounts in PKR millions)</i> | |
|--|--|----------------------------------|-------------|
| BALANCE SHEET | | FY18 | FY19 |
| Paid Up Capital | | NA | NA |
| Total Equity | | NA | NA |
| INCOME STATEMENT | | | |
| Total income | | 129 | 244 |
| Profit Before Tax | | 109 | 211 |
| Profit After Tax | | 109 | 211 |
| RATIO ANALYSIS | | | |
| Net Cash Generated from Operating Activities | | (629) | 451 |
| Current Ratio (x) | | NA | NA |
| Gearing (x) | | NA | NA |