

JCR-VIS Credit Rating Company Limited

Affiliate of Japan Credit Rating Agency, Ltd.

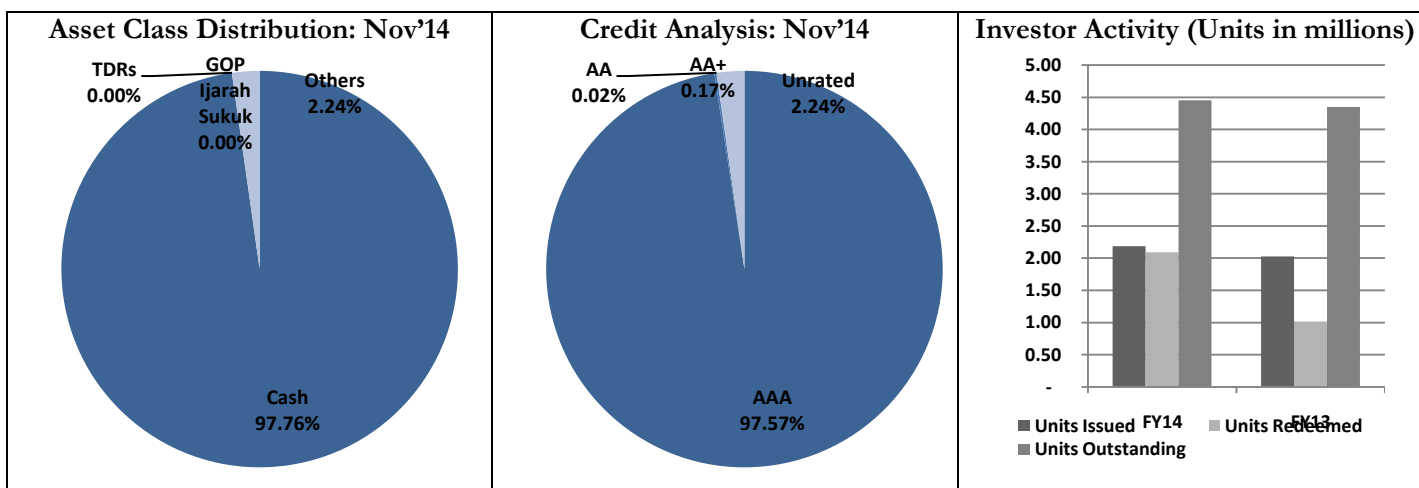
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Investment Objective

To seek high liquidity, competitive return and maximum possible preservation of capital for investors by investment in low risk Shariah compliant securities.

HBL ISLAMIC MONEY MARKET FUND (HBL IMMF)		
Rating Category	Latest	Previous
Fund Stability Rating	AA(f) Dec 26, 2014	AA(f) Oct 21, 2013
Management Company	HBL Asset Management Limited	
Chief Executive	Mr. Rehan N. Shaikh	
Fund Manager	Mr. Fahad Aziz	
External Auditors – Fund	KPMG Taseer Hadi & Co	
Trustee	Central Depository Company	
Front-end Load	-	
Back-end Load	-	
Management Fee	1% per annum	
Benchmark	3 Month Bank Deposit Rate	



HBL Islamic Money Market Fund (HBL IMMF) was launched in May 2011 as an Islamic open-end Money Market Fund. Size of the fund is relatively small in comparison to other funds being managed by the AMC. As at end-November 2014, net assets of the fund amounted to Rs. 473m, marginally higher than Rs. 446m reported at end-FY14.

Being a money market fund, the investment criterion is highly stringent; no exposure can be taken in issues/issuers rated below 'AA'. The fund can take exposure in bank deposits with Islamic banks and Islamic banking windows of conventional banks and Shari'ah compliant money market instruments. Furthermore, the fund may also invest up to a maximum of 50% in any other Shari'ah compliant money market instrument, as per the guidelines of the fund's Shari'ah Advisor.

Assets have primarily remained deployed with banks, given that other money market Shairah compliant instruments are not readily available. However, approaching maturities of previously issued long term GoP Ijarah Sukuk has made these instruments eligible over time. Actual asset allocation of the fund is presented in the table below:

Table 1: Asset Allocation

	November 2014	Average FY14
Cash	97.8%	56.3%
GoP Ijara Sukuk	-	22.1%
Others (including receivables)	2.2%	1.9%
TDRs	-	19.7%

Given the stringent limits, the fund's exposure to credit risk is considered minimal. Moreover, exposure to interest rate risk is also expected to remain low. Being a money market instrument, the fund's Weighted Average

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Maturity (WAM) is capped at 90 days. However, given that majority of the fund remained deposited with banks in savings accounts, the fund's WAM remained at a single day. The fund's WAM was reported slightly higher in 1QFY14 and during the period December – February 2014, as the fund had assumed exposure in TDRs and GoP Ijarah Sukuk. At end-November 2014, the fund's WAM was reported at 1 day.

Unit holding of the fund features sizable concentration with top-10 investors holding 87% of the outstanding units at end-November 2014 vis-à-vis 92% at end FY13. Major unit holder in the fund is the AMC's sponsoring institution i.e. HBL, that held 73% of the outstanding units at end-November 2014. Overall retail holding showcased a decline to 18% (FY13: 26%) by end FY14. Notwithstanding the unit-holder concentration levels, the fund is expected to be able to meet redemptions in a timely manner, given its asset composition.

In FY14, the fund posted a return of 6.86%; year-to-date annualized return until end-November 2014 has been higher at 7.52%. Return may come under pressure if policy rate declines further 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
01-Jan-13	AA(f)			Reaffirmed
30-Dec-11	AA(f)			Initial

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