

# JCR-VIS Credit Rating Company Limited

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

February 02, 2016

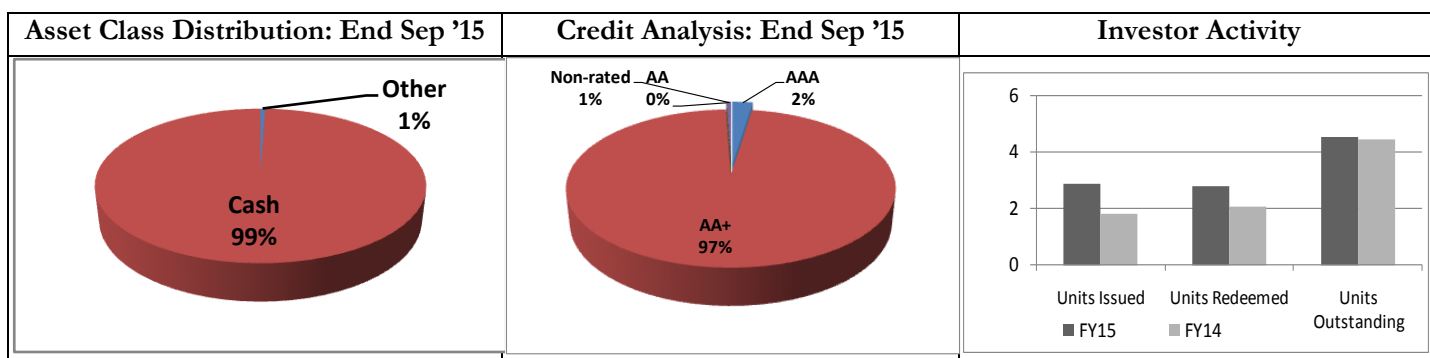
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Maham Qasim

## 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                    | <b>AA(f)</b><br><i>Jan 14, 2016</i> | <b>AA(f)</b><br><i>Dec 26, 2014</i> |
| Management Company                       | HBL Asset Management Limited        |                                     |
| Chief Executive                          | Mr. Rehan N. Shaikh                 |                                     |
| Fund Manager                             | Mr. Fahad Aziz                      |                                     |
| External Auditors – Fund                 | KPMG TaseerHadi& Co S               |                                     |
| Trustee                                  | Central Depository Company          |                                     |
| Front-end Load                           | -                                   |                                     |
| Back-end Load                            | -                                   |                                     |
| Management Fee                           | 1% per annum                        |                                     |
| Benchmark                                | 3 Month Bank Deposit Rate           |                                     |

banks and DFIs



HBL Islamic Money Market Fund (HBL IMMF) was launched as an Islamic open-end Money Market Fund in May 2011. The size of the fund remained relatively small and was reported at 470m (FY15: Rs. 457.2m; FY14: Rs. 446m) at end-Sep'15.

As per the investment policy, HBL IMMF can only invest in Shariah compliant securities rated at least “AA”. The fund can take exposure in bank deposits with Islamic banks and Islamic banking windows of commercial banks. The fund may invest up to a maximum of 50% in any other Shari’ah compliant money market instrument. Following table presents the investment restrictions of the fund as per IPS.

| Investments   | Minimum Issuer / Instrument Rating | Maximum Exposure as % of net assets |
|---|------------------------------------|-------------------------------------|
| Bank Deposits                                       | AA                                 | 100%                                |
| Shariah Compliant Money Market, COI with Commercial | AA                                 | 100%                                |

|  |   |                                   |
|--|---|-----------------------------------|
| Shariah Compliant Money Market, COI with NBFCs and Modarbah Companies  | AAA   | 100%                              |
| Any other Shariah compliant money market instrument  | AA  | 50%                               |
| Shariah Compliant Money Market issued by Fed Govt, ProvGovt, Local Govt, Autonomous Bodies traded outside Pakistan | As specified by Commissioner at time of authorization | 30% (subject to a cap of USD 15m) |
| Other Shariah Compliant investment not falling in above  | As specified by Commissioner at time of authorization | 30%                               |

Funds assets are primarily deployed in cash. Actual asset allocation of the fund is presented in the table below:

|               | 1QFY16 | Average FY15 | Average FY14 |
|---------------|--------|--------------|--------------|
| IjaraSukuk    | -      | -            | 22.1%        |
| Term Deposits | -      | -            | 19.7%        |
| Cash          | 99.5%  | 98.6%        | 56.3%        |
| Other assets  | 0.5%   | 1.4%         | 1.9%         |

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Given that assets are almost entirely invested in saving accounts, the fund's exposure to interest rate risk has remained almost non-existent. WAM of the fund was reported at 1 day at end-FY15. The inability of the fund to lock-in returns over the long term exposes the fund to re-investment rate risk which has heightened in the current declining interest rate scenario.

Investment by retail investor represented around 16% of total investment (FY14: 18%) while investment by HBL represented more than three-fourth of the total investment.

The fund's performance is benchmarked against 3-month deposit rates. On a timeline basis, the returns of the fund have declined on account of lower benchmark rates. During FY15, the fund posted a return of 6.7% against the peer group average of 7.46%. In terms of relative ranking, the fund was ranked 2<sup>nd</sup> out of 4 funds.

|                                     | Sep'15     | FY15       | FY14       |
|-------------------------------------|------------|------------|------------|
| <b>Total Return</b>                 | 4.84%      | 6.70%      | 6.86%      |
| <b>Peer Group Ranking</b>           | 2 out of 4 | 2 out of 4 | 2 out of 4 |
| <b>Benchmark Return</b>             | 5.72%      | 6.75%      | 6.62%      |
| <b>Maximum Return in Peer Group</b> | 4.85%      | 7.46%      | 8.23%      |

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| Rating Date                               | Medium to Long Term | Outlook | Short Term | Rating Action |
|---|---------------------|---------|------------|---------------|
| <b><u>RATING TYPE: Fund Stability</u></b> |                     |         |            |               |
| 16-Jan-16                                 | AA(f)               | -       | -          | Reaffirmed    |
| 26-Dec-14                                 | AA(f)               | -       | -          | Reaffirmed    |
| 21-Oct-13                                 | AA(f)               | -       | -          | Reaffirmed    |
| 01-Jan-13                                 | AA(f)               | -       | -          | Reaffirmed    |
| 30-Dec-11                                 | AA(f)               | -       | -          | Initial       |