

**Date:** December 27, 2018

**Analysts:** Talha Iqbal  
Asfia Aziz

**Investment Objective**

The objective of Islamic Money Market Fund is to seek high liquidity, competitive return and maximum possible preservation of capital for investors by investment in low risk Shariah compliant securities.

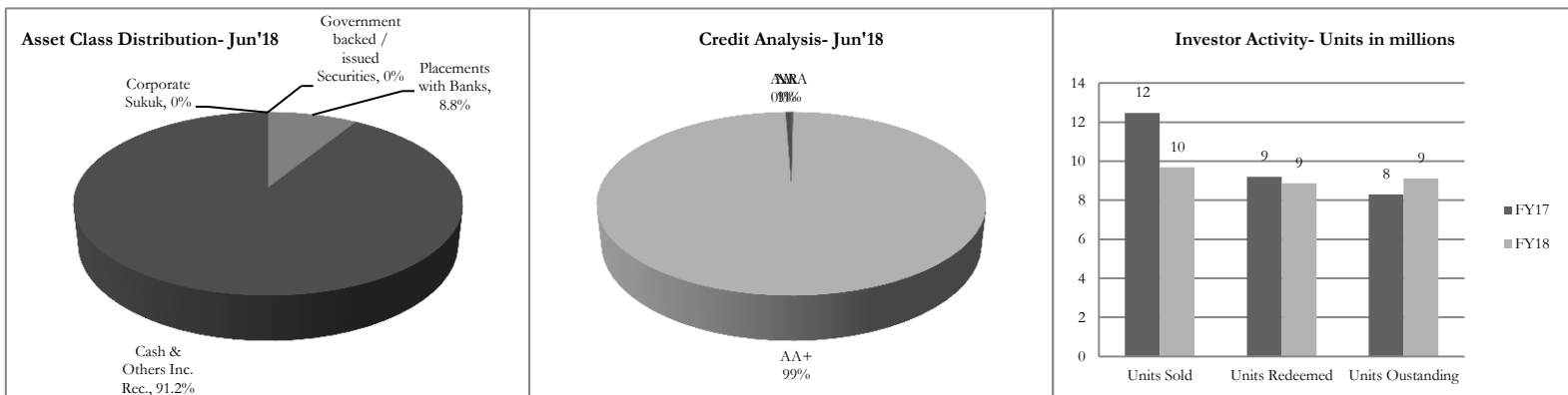
HBL Islamic Money Market Fund		
Rating Category	Latest	Previous
Fund Stability Rating	<b>AA(f)</b> <i>Dec 26, 2018</i>	<b>AA(f)</b> <i>Dec 29, 2017</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil & Co.	
Fund Managers	Mr. Faizan Saleem	
Trustee	Central Depository Company	
Front-end Load	-	
Back-end Load	-	
Management Fee	10% of gross earning with floor of 0.75% and cap of 1% of the avg. daily N A of the scheme	
Benchmark	Three months average deposit rates of three (3) AA rated Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP.	

	HIMMF	
	FY17	FY18
Type of Scheme	Islamic Money Market	
Return (%)	4.2%	4.3%
Benchmark (%)	3.2%	2.6%
Peer Average (%)	5.0%	4.7%
Relative Ranking	4 out of 4	3 out of 4
Fund Size (in Rs. m)	835	957
Retail (%)	29%	38%
Associates (%)	51%	32%
Number of Investors	954	1,204
Top 10 Investors / AUMs	77%	83%
Fund Stability Rating	AA(f)	AA(f)
Management fee	1%	0.75-1.00%
WATM (at end-June)	1	4
Modified Duration (at end-June)	4	4
<b>Average Asset Allocation*</b>		
<i>Corporate Sukuks</i>	0%	0%
<i>Government backed / issued Securities</i>	0%	0%
<i>Placements with Banks</i>	0%	6%
<i>Cash &amp; Others Inc. Rec.</i>	100%	94%

\*- FY17: Six Months Average and FY18: Twelve Months Average

# JCR-VIS Credit Rating Company Limited

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



HBL Islamic Money Market Fund (HIMMF) is a Shariah compliant open end fund which is designed to provide investors with maximum possible return and high liquidity while ensuring capital preservation. Permissible asset classes of the fund include deposits and money market instruments of Islamic financial institutions. Net assets of the fund increased to Rs. 957m (FY17: Rs. 835m) at end-FY18 with increase attributable to both retail and unrelated corporate investors.

**Table 1: Offering document (extract)**

Description	Limits (Max-Min)	Actual (Max-Min)	Min. Rating
Bank Deposits in licensed Islamic Banks & licensed Islamic Banking windows of conventional banks	0%-100%	91%-100%	AA
Shariah compliant money market instruments such as Certificate of Islamic Investments (COII), with Commercial banks and DFIs	0%-100%	-	AA
Shariah compliant money market instruments such as Certificate of Islamic Investments (COII), Certificate of Musharaka (COM) with NBFCs and Modaraba companies	0%-100%	-	AA
Any other Shariah	0%-50%	-	AA

compliant money market structure, instrument or security			
Subject to SECP or other regulatory approvals the Scheme may seek to invest in Shariah Compliant securities listed or otherwise and traded outside Pakistan	0%-30% (cap of \$15 m)	-	As specified by Commission
Any Shariah compliant investment/structure approved by the Shariah Advisor, which may be authorized by the Commission but does not include restricted investments	0-30%	-	As specified by Commission

The Investment Committee (IC) comprises Chief Executive Officer, Chief Investment Officer, Head of Research, Manager Risk, and Head of Fixed Income. Investment decisions are consensus based.

## Credit Risk

**Table 2: Asset Allocation**

Asset Class Distribution	Jun'17	Jun'18
Corporate Sukuk	0%	0%
Government backed / issued Securities	0%	0%
Placements with Banks	0.0%	8.8%
Cash & Others Inc. Rec.	100.0%	91.2%

Asset Allocation of the fund remained in line with the investment policy during FY18 with majority of the resources parked in saving accounts consequently maintaining excess liquidity.

**Table 3: Credit Quality**

Credit Quality	Average	Maximum	Minimum
AAA	1%	2%	0%
AA+	94%	99%	88%
AA	4%	10%	0%
NR	1%	1%	0%

The fund complied with its internal investment policy through investing in instruments and entities which have a credit rating of AA and above. However, assigned ratings require the fund to park a minimum of 25% in AAA rated instruments. The fund failed to comply with the same during FY18. However, credit quality improved from July'2018 onwards remaining in line with the minimum requirements for the assigned ratings.

**Market Risk****Table 4: Modified Duration**

Month	Modified Duration (Days)
Jul'17	1
Aug'17	8
Sep'17	5
Oct'17	8
Nov'17	10
Dec'17	9
Jan'18	3
Feb'18	1
Mar'18	1
Apr'18	1
May'18	1
Jun'18	4

Weighted Average Time to Maturity (WATM) remained minimal (FY18: 4 days; FY17: 1 day) and in line with the internal investment policy of 90 days. Moreover, modified duration of the fund also remained in line with the requirements of the assigned ratings i.e. 90 days. Maximum duration during the year was reported in November'2017 at 10 days.

**Liquidity Profile**

As at end-June'2018, proportion of retail investors in total AUMs of the fund increased to 38% (FY17: 29%) and proportion of associates witnessed a decline to 32% (FY17: 51%). Top 10 investor concentration was reported at 83% (FY17: 77%) remaining on the higher side. Furthermore, number of investors was reported higher at 1,204 (FY17: 954) as at end June'18. Liquidity profile draws support from the existing asset mix of the fund.

**Fund Performance****Table 5: Fund Performance**

	FY17	FY18
Return (%)	4.2%	4.3%
Benchmark (%)	3.2%	2.6%
Peer Average (%)	5.0%	4.7%
Relative Ranking	4 out of 4	3 out of 4

During FY18, the fund outperformed relative to its benchmark; it is defined as 3 month deposit rate of 3 AA rated Islamic banks or Islamic windows of conventional banks. However HIMMF generated lower return against peers (4.3% against peer average of 4.7%) <sup>[JCR-VIS]</sup>

**Rating History**

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Fund Stability</u></b>				
26-Dec-18	AA(f)	-	-	Reaffirmed
29-Dec-17	AA(f)	-	-	Reaffirmed
05-Jan-17	AA(f)	-	-	Reaffirmed
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