

Date: December 31, 2019

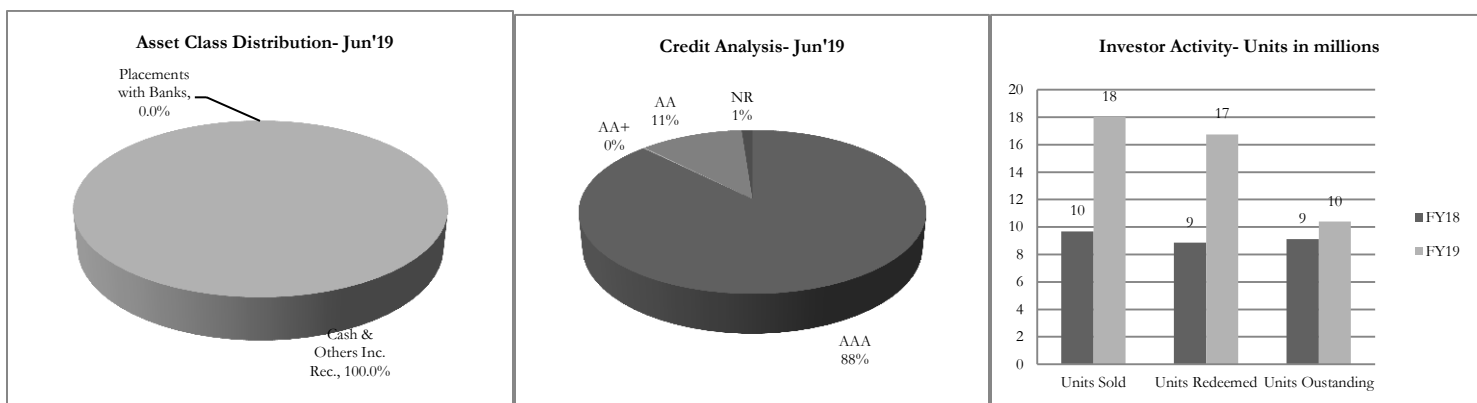
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Investment Objective

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 | AA(f) <i>Dec 30, 2019</i> | AA(f) <i>Dec 26, 2018</i> |
| AMC | HBL Asset Management Limited | |
| External Auditors – Fund | KPMG Taseer Hadi & Co., Chartered Accountants | |
| Fund Managers | Mr. Wamiq Sakrani | |
| Trustee | Central Depository Company | |
| Front-end Load | Up to 1% | |
| Back-end Load | - | |
| Management Fee | 10% of gross earning with floor of 0.75% and cap of 1% of the avg. daily Net Asset | |
| Benchmark | Three months average deposit rates of three (3) AA rated Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP. | |

| | HIMMF | |
|------------------------------------|----------------------|------------|
| | FY18 | FY19 |
| Type of Scheme | Islamic Money Market | |
| Return (%) | 4.3% | 8.1% |
| Benchmark (%) | 2.6% | 3.4% |
| Peer Average (%) | 4.5% | 8.1% |
| Relative Ranking | 2 out of 3 | 3 out of 4 |
| Fund Size (in Rs. m) | 957 | 1,050 |
| Retail (%) | 25% | 61% |
| Associates (%) | 32% | 22% |
| Number of Investors | 1,204 | 1,837 |
| Top 10 Investors / AUMs | 83% | 44% |
| Fund Stability Rating | AA(f) | AA(f) |
| Management fee | 0.75-1.00% | 0.75-1.00% |
| WATM (at end-June) | 4 | 8 |
| Average Asset Allocation | | |
| <i>Corporate Sukuk</i> | 0% | 0% |
| <i>Placements with Banks</i> | 8.8% | 0% |
| <i>Cash & Others Inc. Rec.</i> | 91.2% | 100% |



HBL Islamic Money Market Fund (HIMMF) is a Shariah-compliant open-end fund that was launched on May 10, 2010. The fund offers investment opportunities to investors with maximum possible return and high liquidity while ensuring capital preservation. Net assets of the fund increased to Rs. 1.05b (FY17: Rs. 0.96b) at end-FY19, emanating from both, retails and associates. Likewise, net assets of the fund also registered growth to Rs. 1.2b at end-Nov'19.

The offering document (OD) of the fund restricts exposure in AA rated or above Shariah-compliant securities.

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 | 0%-100% | - | AA |

| | | | |
|---|------------------------|---|----------------------------|
| Investments (COII), Certificate of Musharaka (COM) with NBFCs and Modaraba companies | | | |
| Any other Shariah compliant money market structure, instrument or security | 0%-50% | - | AA |
| 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, and Head of Fixed Income. Investment decisions are consensus based.

Credit Risk

Table 2: Asset Allocation

| Asset Class Distribution | Jun'18 | Jun'19 |
|---------------------------------------|--------|--------|
| Corporate Sukuk | 0% | 0% |
| Government backed / issued Securities | 0% | 0% |
| Placements with Banks | 8.8% | 0.0% |
| Cash & Others Inc. Rec. | 91.2% | 100.0% |

The investment policy statement (IPS) of HBL-IMMF restrict the fund to limit exposure in AA rated or above instruments. During FY19, the fund continued to park almost all of its resources in saving accounts and hence comply with the investment policy.

Table 3: Credit Quality

| Credit Quality | Average | Maximum | Minimum |
|----------------|---------|---------|---------|
| AAA | 59% | 99% | 0% |
| AA+ | 22% | 88% | 0% |
| AA | 18% | 92% | 0% |
| NR | 1% | 1% | 0% |

As per investment policy, the fund is allowed to invest in issue/issuer with a minimum rating of 'AA'. In compliance with the requirements, on an average around 59% of the portfolio was invested in 'AAA' rated issue/issuer during FY19. Given the high rated exposure, credit risk of the fund is considered low.

Market Risk

Table 4: Modified Duration

| Month | Modified Duration (Days) | Month | Modified Duration (Days) |
|--------|--------------------------|--------|--------------------------|
| Jul'18 | 1 | Apr'19 | 13 |
| Aug'18 | 21 | May'19 | 10 |
| Sep'18 | 22 | Jun'19 | 8 |
| Oct'18 | 17 | | |
| Nov'18 | 13 | | |
| Dec'18 | 8 | | |
| Jan'19 | 4 | | |
| Feb'19 | 1 | | |
| Mar'19 | 16 | | |

Given the liquid nature of the investment, on average modified duration remained minimal at 11 days, during FY19. Hence, the fund has complied with its minimum maturity requirements.

Liquidity Profile

Total number of investors increased and stood at 1,837 (FY18: 1,204) at end-June'19. During FY19, retail holdings also increased to Rs. 635m (FY18: Rs. 241m) indicating adequate liquidity profile. Top-10 investors declined to 44% (FY18: 83%) at the end- FY19.

Fund Performance

Table 5: Fund Performance

| | FY18 | FY19 |
|------------------|------------|------------|
| Return (%) | 4.3% | 8.1% |
| Benchmark (%) | 2.6% | 3.4% |
| Peer Average (%) | 4.5% | 8.1% |
| Relative Ranking | 2 out of 3 | 3 out of 4 |

During FY19, HBL-IMMF posted a return of 8.1% against the benchmark return of 3.4%. However, relative ranking of the fund weakened during FY19 to 3/4 from 2/3 in the preceding year.

Rating History

| Rating Date | Medium to Long Term | Outlook | Short Term | Rating Action |
|------------------------------------|---------------------|---------|------------|---------------|
| RATING TYPE: Fund Stability | | | | |
| 30-Dec-19 | AA(f) | - | - | Reaffirmed |
| 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 |

| FINANCIAL SUMMARY <i>(amounts in PKR millions)</i> | | |
|--|-------------|-------------|
| <u>BALANCE SHEET</u> | FY18 | FY19 |
| Paid Up Capital | NA | NA |
| Total Equity | NA | NA |
| <u>INCOME STATEMENT</u> | | |
| Total income | 47 | 102 |
| Profit Before Tax | 35 | 85 |
| Profit After Tax | 35 | 85 |
| <u>RATIO ANALYSIS</u> | | |
| Net Cash Generated from Operating Activities | 32 | -12 |
| Current Ratio (x) | NA | NA |
| Gearing (x) | NA | NA |