

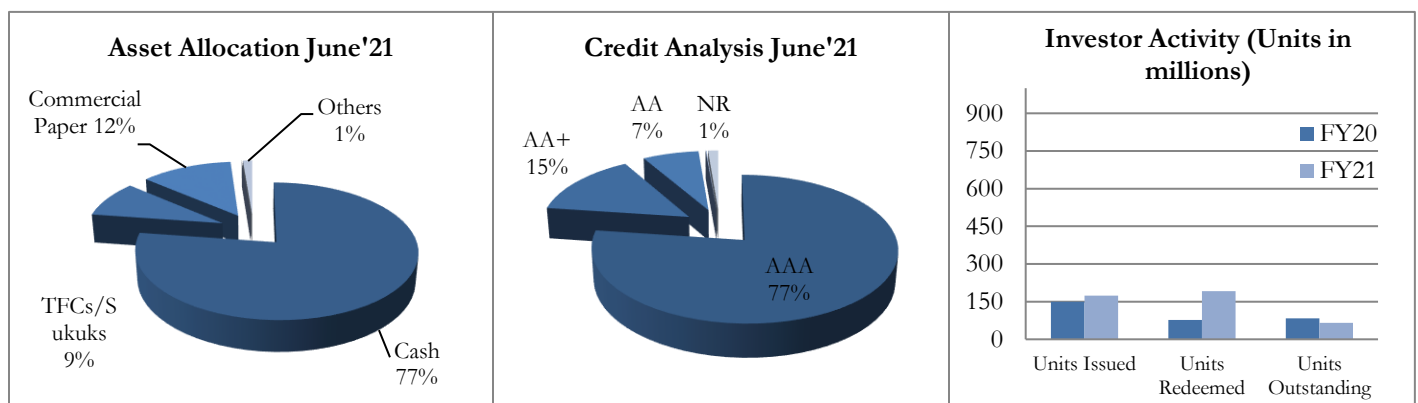
Date: January 03, 2022

Analyst: Muhammad Tabish

Investment Objective

To seek high liquidity, competitive returns 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)	AA+(f)
	Jan 03, '22	Dec 31, '20
AMC	HBL Asset Management Limited	
External Auditors – Fund	KPMG Taseer Hadi & Co., Chartered Accountants	
Trustee	Central Depository Company	
Front-end Load	Up to 1%	
Back-end Load	Nil	
Management Fee	0.20% per annum	
Benchmark	Three (3) months average deposit rates of three (3) AA rated Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP	



HBL Islamic Money Market Fund (HIMMF) is an open-ended Shariah Compliant fund which aims to provide investors with competitive returns through low risk Shariah Compliant instruments and capital preservation. In FY21, net assets of the fund registered a decline of ~27% and amounted to Rs. 6.6b (FY20: Rs. 8.4b).

Investment Committee (IC) comprises key personnel from top management including CEO, Head of Fixed Income, Acting Head of Research and Head of Risk. All investment decisions are consensus based.

The fund’s exposure to various sources of risks has been maintained in actual asset allocation plan and credit quality requisites. As per investment policy, pre-defined exposure limits are in place for each investment avenue.

Table 1: Offering document (extract)

Description	Minimum Rating	Min- Max Limits
Bank Deposits in licensed Islamic Banks & licensed Islamic Banking windows of conventional banks	AA	0%-100%
Shariah compliant money market instruments such as Certificate of Islamic Investments (COII), with Commercial banks and DFIs	AA	0%-100%
Shariah compliant money market instruments such as Certificate of Islamic Investments (COII), Certificate of Musharaka (COM) with NBFCs and Modaraba companies	-	0%-100%
Any other Shariah compliant money market structure, instrument or security	AA	0%-50%
Subject to SECP or other regulatory approvals the Scheme may seek to invest in Shariah	As specified by Commission	0%-30% (cap of \$15m)

Compliant securities listed or otherwise and traded outside Pakistan		
Any Shariah compliant investment/structure approved by the Shariah Advisor, which may be authorized by the Commission but does not include restricted investments	As specified by Commission	0%-30%

Asset Allocation:

Table 2: Asset Class Distribution:

Asset Allocation	Average FY'20	Average FY'21	Jun'21
Cash adjusted for accruals	89%	64%	77%
TFCs/ Sukuks	1%	9%	9%
Commercial Papers	8%	10%	12%
Placement with Banks & DFI	0%	15%	0%
Others	1%	1%	1%

The fund has remained compliant with the specified asset allocation in investment policy. Over the years, cash placements has consistently received the highest allocation of the fund's resources while remaining investments comprised commercial paper and TFCs/ corporate sukus.

Credit Quality:

Table 3: Credit Quality

Credit Quality	Monthly Average	Maximum	Minimum
AAA	54%	77%	19%
AA+	23%	41%	11%
AA	21%	62%	5%
NR	1%	2%	1%

The Investment Policy Statement (IPS) of the fund restricts exposure in AA or above rated securities; no breaches were witnessed throughout the year. On a month-on-month average analysis, around one-half of fund's assets were deployed in 'AAA' (or government securities) rated issue/issuer while the remaining half was invested in 'AA+' and 'AA'.

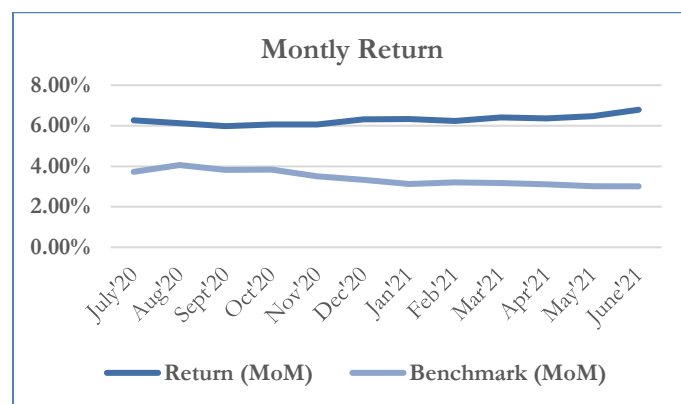
Market Risk:

Weighted average maturity is capped at 90 days as per the fund's IPS. During FY21, Weighted Average Maturity (WAM) stood at 24 days with maximum duration of 39 days.

Liquidity Profile:

In FY21, investment by unrelated corporates comprised the significant proportion (67%) while the retail contribution stood at 31% (FY20: 17%). Top-10 investors' concentration is reported on the higher side at 61% which indicates room for improvement. Total number of investors increased to 2,878 (FY20: 2,363; FY19: 1,837) at end-June'21.

Fund Performance:


Table 4: Fund Performance:

Performance	FY20	FY21
Total Return	11.38%	6.47%
Peer Ranking	4/9	8/14
Benchmark Return	5.37%	3.41%
Peer Average	10.88%	6.02%

The fund has consistently outperformed vis-à-vis benchmark return and peer average in the outgoing fiscal year. In terms of relative ranking, the fund remained in the second quartile.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	03-Jan-22	AA+ (f)	Reaffirmed
Fund Stability	31-Dec-20	AA+ (f)	Upgraded
Fund Stability	30-Dec-19	AA (f)	Reaffirmed
Fund Stability	26-Dec-18	AA (f)	Reaffirmed
Fund Stability	29-Jan-17	AA (f)	Reaffirmed
Fund Stability	05-Jan-17	AA (f)	Reaffirmed
Fund Stability	16-Jan-16	AA (f)	Reaffirmed
Fund Stability	26-Dec-14	AA (f)	Reaffirmed
Fund Stability	21-Oct-13	AA (f)	Reaffirmed
Fund Stability	1-Jan-13	AA (f)	Reaffirmed
Fund Stability	30-Dec-11	AA (f)	Initial

<u>BALANCE SHEET</u>	FY20	FY21
Paid Up Capital	-	-
Total Equity	-	-
<u>INCOME STATEMENT</u>		
Total Income	313	502
Profit Before Tax	284	453
Profit After Tax	284	453
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	-	-
Gearing (x)	-	-