

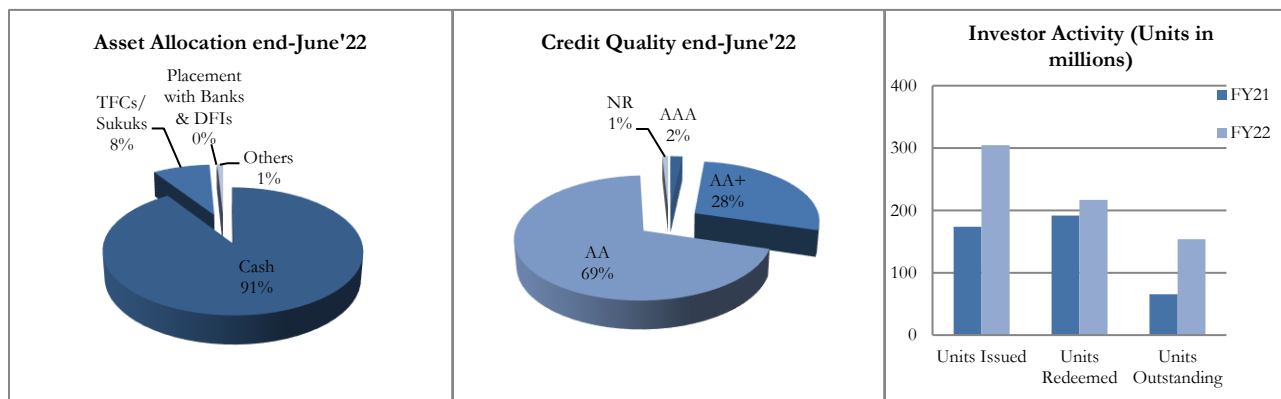
Date: December 29, 2022

Analyst: Musaddeq Ahmed Khan

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)
	Dec 29, '22	Jan 03, '22
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% to 0.30% 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. As at Jun'22, net assets of the fund registered a growth of 133% and amounted to Rs. 15.4 (Jun'21: Rs. 6.6b).

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
Cash and Cash equivalents: Shariah compliant Government Securities and Placement of riba free deposits with Islamic banks or Islamic financial institutions or with Islamic branches /windows of other banks or financial Institutions, excluding Term Deposits	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	AAA	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 Compliant securities listed or otherwise and traded outside Pakistan	As specified by Commission	0%-30% (cap of \$15m)
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%
Shariah Compliant Commercial Paper/ Sukuk	AA	0%-20%

Asset Allocation:

Table 2: Asset Class Distribution:

Asset Allocation	Average FY'21	Average FY'22	Jun'22
Cash adjusted for accruals	64%	69%	91%
TFCs/ Sukuks	9%	7%	8%
Commercial Papers	10%	10%	0%
Placement with Banks & DFI	15%	13%	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 sukuk.

Credit Quality:

Table 3: Credit Quality

Credit Quality	Monthly Average	Maximum	Minimum
AAA	48%	86%	2%
AA+	19%	49%	5%
AA	31%	70%	5%
NR	2%	14%	1%

The Investment Policy Statement (IPS) of the fund restricts exposure in 'AA or above rated' securities; there were no breaches witnessed throughout the year. On a month-on-month average analysis, around 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'. However, the VIS credit risk criteria for the assigned rating limits exposure in 'AA' rated instruments to 25% or less which was breached on multiple occasions during FY22.

Market Risk:

Weighted average maturity is capped at 90 days as per the fund's IPS. During FY22, Weighted Average Maturity (WAM) stood at 17 (FY21: 24) days with maximum duration of 28 days (FY21: 39 days).

Liquidity Profile:

As at Jun'22, investment by unrelated corporates increased to 70% (Jun'21: 67%) while the retail contribution stood at 30% (Jun'21: 31%). Hence, the top-10 investors' concentration is reported on the higher side at 61% (Jun'21: 60) which indicates significant need for improvement. Total number of investors increased to 3,435 (Jun'21: 2,878) at end-June'22.

Fund Performance:

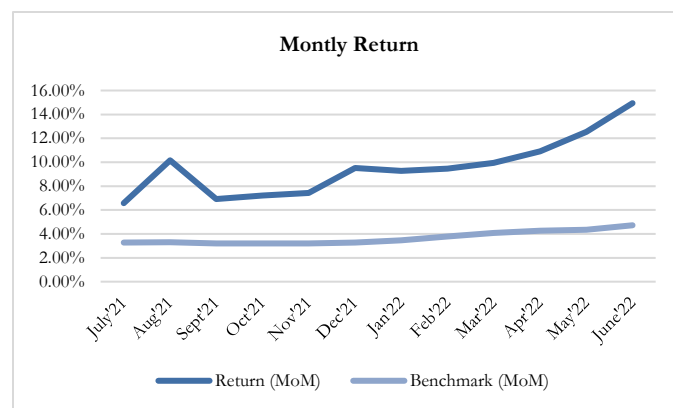


Table 4: Fund Performance:

Performance	FY21	FY22
Total Return	6.47%	9.99%
Peer Ranking	8/14	3/14
Benchmark Return	3.41%	3.68%
Peer Average	6.02%	9.69%

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 has ranked up to first quartile.

<u>BALANCE SHEET</u>	FY21	FY22
Paid Up Capital	-	-
Total Equity	-	-
<u>INCOME STATEMENT</u>		
Total Income	502	966
Profit Before Tax	453	947
Profit After Tax	453	947
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	-	-
Gearing (x)	-	-

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix I

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: FUND STABILITY RATING SCALE**AAA(f)**

Highest degree of stability in NAV. Risk is negligible with very low sensitivity to changing economic conditions

AA+(f), AA(f), AA-(f)

High degree of stability in NAV. Risk is modest but may vary slightly from time to time because of changing economics conditions

A+(f), A(f), A-(f)

Moderate degree of stability in NAV. Risk factors may vary with possible changes in the economy

BBB+(f), BBB(f), BBB-(f)

Adequate degree of stability in NAV. Risk factors are considered variable if changes occur in the economy

BB+(f), BB(f), BB-(f)

Low degree of stability in NAV. Risk factors are sensitive to changes in the economy

B(f)

Very low degree of stability in NAV. Risk factors are capable of fluctuating widely if changes occur in the economy

The FSR scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer ratings.

FSRs may be placed under 'Rating-Watch' if VIS views that the status of the assigned rating is uncertain and there are conditions present that necessitate re-evaluation of the assigned rating. VIS also designates direction, Positive, Negative or Developing, to ratings placed under 'Rating-Watch'. This shows VIS's opinion regarding the likely direction of a rating. Developments in factors other than those that necessitated the 'Rating-Watch' may result in a rating change, while the rating continues to be placed under 'Rating-Watch'.

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Fund	HBL Islamic Money Market Fund			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Fund Stability Rating (FSR)			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	29-Dec-22	AA+ (f)		Reaffirmed
	03-Jan-22	AA+ (f)		Reaffirmed
	31-Dec-20	AA+ (f)		Upgraded
	30-Dec-19	AA (f)		Reaffirmed
	26-Dec-18	AA (f)		Reaffirmed
	29-Jan-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
	1-Jan-13	AA (f)		Reaffirmed
30-Dec-11	AA (f)		Initial	
Instrument Structure	N/A			
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.			
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