

*Date: January 4, 2021*

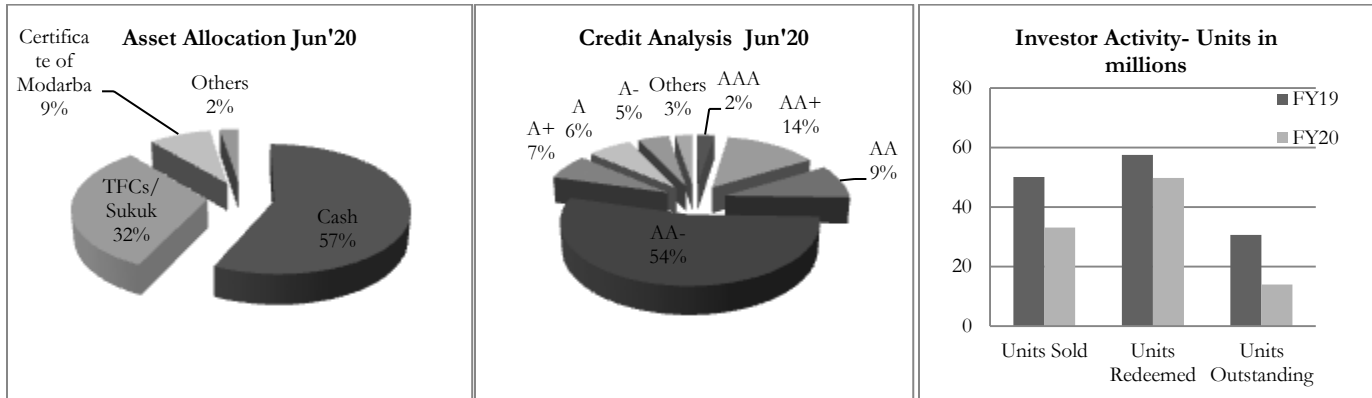
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### Investment Objective

Objective of the fund is to provide risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while rationalizing liquidity considerations.

HBL Islamic Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	<b>A+(f)</b>	<b>A+(f)</b>
	<i>Dec 30, 20</i>	<i>Dec 30, 19</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	BDO Ebrahim & Co. Chartered Accountants	
Fund Managers	Mr. Wamiq Sakrani	
Trustee	Central Depository Company	
Front-end Load	Up to 2.0%	
Back-end Load	-	
Management Fee	1.3850%	
Benchmark	6M average deposit rates of 3 A rated Islamic Banks or Islamic Widows of Conventional Banks as per MUFAP	

	HIIF	
	FY19	FY20
Type of Scheme	Islamic Income	
Return (%)	7.9%	10.3%
Benchmark (%)	3.7%	6.3%
Peer Average (%)	7.9%	10.8%
Relative Ranking	13 out of 21	17 out of 21
Fund Size (in Rs. m)	3,103	1,418
Retail (%)	18%	54%
Associates (%)	73%	4%
Number of Investors	553	147
Top 10 Investors / AUMs	81%	48%
Fund Stability Rating	A+(f)	A+(f)
Management fee	0.5-1.5%	1.3850%
WATM (at end-June)	412	371
<b>Average Asset Allocation</b>		
<i>Corporate Sukuk</i>	24%	32%
<i>Placements with Banks</i>	4%	0%
<i>Certificate of Modarba</i>	0%	9%
<i>Cash &amp; Others Inc. Rec.</i>	72%	59%



HBL Islamic Income Fund (HIIIF) was launched in May, 2014 as an open ended fund aiming to provide its investors with high liquidity and risk adjusted returns through various approved investment avenues comprising of short and long-term debt instruments. During FY20 net assets under management substantially declined to 1.4b (FY19 3.1b) attributable to lesser number of units sold and more number of units redeemed.

**Table 1: Approved Investment Avenues-Offering document (extract)**

Description	Min-Max limits	Min Rating
Shariah Compliant Government Securities > 90 days maturity	0%-75%	-
Shariah Compliant Government Securities (excluding Sukuk) < 90 days maturity and Cash at Bank (excluding TDR) with licensed Islamic Banks and/or Islamic Branches/Windows of Conventional Banks.	25%-100%	A-
Bank Deposits and placement of funds < 6 months with licensed Islamic Banks, Islamic Financial Institutions or	0%-100%	A-

Islamic Branches/Windows of Conventional Banks		
Spread Transactions as approved by the Shariah Advisors in eligible securities as declared by the Stock Exchanges and the SECP	0%-40%	-
Secured and unsecured, listed and/or privately placed Shariah Compliant Government Securities/ Government guaranteed /Sukuk	0%-75%	-
Secured and unsecured, listed and/or privately placed Shariah Compliant debt Securities / Sukuk issued by corporate entities and or Financial Institutions	0%-50%	A-
Shariah Compliant non-traded securities with maturity of < 6 months	0%-75%	A-
Shariah Compliant	0%-15%	A-

non-traded securities with maturity of > 6 months		
Subject to approval, authorized Shariah Compliant Investments outside Pakistan including Islamic mutual funds	0%-30% (cap \$15m)	A
Any other Shariah Compliant instruments/ securities that may be permitted or approved by the SECP and Shariah Advisor of the Scheme from time to time	As allowed by Commission	A-
Placement of Funds including TDR, PLS Saving Account, COD, COM, COI, Money Market Placements, and other clean placements with Islamic Micro Finance Banks, Islamic NBFCs and Modarabas.2	0%-25%	A-

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

### **Asset Allocation:**

**Table 2: Asset Allocation**

Asset Class Distribution	Jun'19	Jun'20
Corporate Sukuk	24%	32%
Certificate of Modarba	0%	9%
Placements with Banks	4%	0%

Cash & Others Inc. Rec.	72%	59%
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At end-June'20 the fund's asset allocation plan remained concentrated in cash placements and corporate Sukuk at 60% and 32% respectively. Remaining portion of the investment portfolio consisted of 9% Modarba holding. No breach was witnessed for the period; the fund complied with the stipulated standards of the offering document (OD) for the assigned ratings.

**Table 3: Credit Quality**

Credit Quality	Average	Maximum	Minimum
AAA	6%	32%	0.2%
AA+	6%	14%	0.0%
AA	24%	55%	5.9%
AA-	9%	54%	0.0%
A+	44%	80%	6.8%
A	5%	9%	0.0%
A-	4%	5%	0.0%
Government Securities	8%	10%	5.4%
NR	3%	6%	1.6%

Investment Policy Statement (IPS) of the fund restricts exposure in minimum credit rating 'A-' in order to maintain risk. The fund remained compliant with the stated criteria for the assigned ratings throughout the year.

### **Market Risk**

As per the fund's IPS, internal policy duration is capped at 365 days whereas WAM of the fund shall be no longer than 4 years. Modified duration and WAM of the fund remained compliant within the specified limit as per assigned ratings. Maximum and minimum durations were reported at 204 and 18 days at end-Apr'20 and end-Feb'20, respectively.

### **Liquidity Risk**

During FY20, portion held by retail investors increased amounting to 54% of the fund's asset base (FY19: 18%). However, proportion held by associates significantly declined to 4% (FY19: 73%). Top-10 investor contribution

declined to 48% from 81%, however, total number of investors increased to 715 (FY19: 553).

### **Fund Performance**

**Table 4: Fund Performance**

<b>Performance</b>	<b>FY19</b>	<b>FY20</b>
Return (%)	7.9%	10.3%
Benchmark (%)	3.7%	6.3%
Peer Average (%)	7.9%	10.8%
Relative Ranking	13 out of 21	17 out of 21

Benchmark of the fund is determined against six month average deposit rates of three 'A' rated Islamic Banks or Islamic windows of conventional banks. HIIIF registered a return of 10.31% higher than its benchmark of 6.33% The fund's relative ranking declined during the period under review and relative to its peers the fund was ranked 17th out of a total of 21 funds in the category.

## Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b>RATING TYPE: Fund Stability Management Quality</b>				
30-Dec-20	A+ (f)	-	-	Reaffirmed
30-Dec-19	A+ (f)	-	-	Reaffirmed
26-Dec-18	A+(f)	-	-	Reaffirmed
29-Dec-17	A+(f)	-	-	Reaffirmed
05-Jan-17	A+(f)	-	-	Upgraded
28-Dec-15	A(f)	-	-	Reaffirmed
22-Dec-14	A(f)	-	-	Reaffirmed
04-Aug-14	A(f)	-	-	Initial

<b>FINANCIAL SUMMARY</b>		<i>(amounts in PKR millions)</i>	
<b><u>BALANCE SHEET</u></b>		<b>FY19</b>	<b>FY20</b>
Paid Up Capital		NA	NA
Total Equity		NA	NA
<b><u>INCOME STATEMENT</u></b>			
Total income		380	199
Profit Before Tax		307	162
Profit After Tax		307	162
<b><u>RATIO ANALYSIS</u></b>			
Net Cash Generated from Operating Activities		791	513
Current Ratio (x)		NA	NA
Gearing (x)		NA	NA