

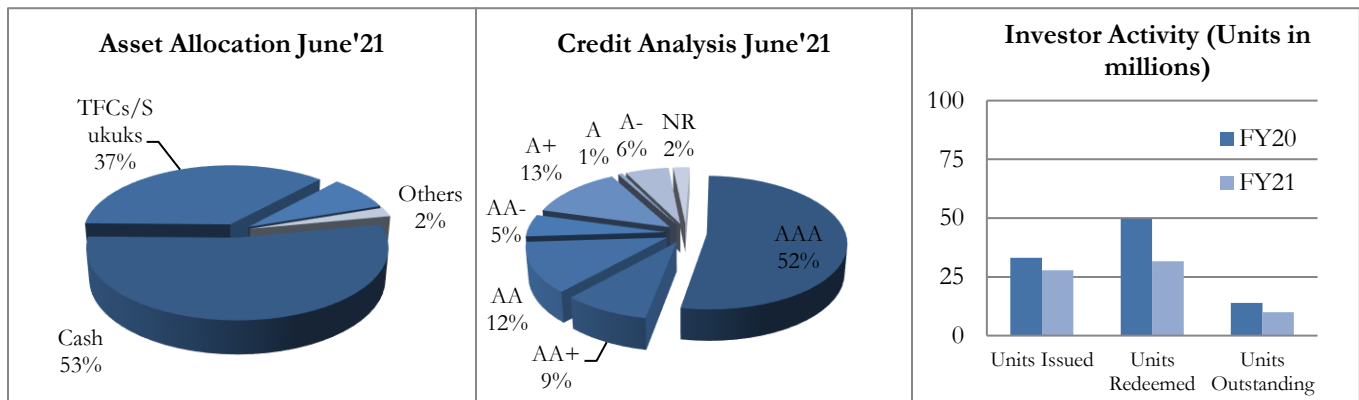
Date: January 03, 2022

Analyst: Muhammad Tabish

Investment Objective

To provide risk adjusted returns 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	A+ (f)	A+(f)
	Jan 03, '22	Dec 31, '20
AMC	HBL Asset Management Limited	
External Auditors – Fund	BDO Ebrahim & Co. Chartered Accountants	
Trustee	Central Depository Company	
Front-end Load	Up to 2.00%	
Back-end Load	Nil	
Management Fee	1.385%	
Benchmark	Six (6) months average deposit rates of 3 A rated Islamic Banks or Islamic Widows of Conventional Banks as per MUFAP	



HBL Islamic Income Fund (HIIF) is 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. Net assets of the funds decreased to Rs. 969m (FY20: Rs. 1.4b) at end-FY21.

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	Min Rating	Min-Max Limits
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.	A-	25%-100%
Bank Deposits and placement of funds < 6 months with licensed Islamic Banks, Islamic Financial Institutions or Islamic Branches/Windows of Conventional Banks	A-	0%-100%
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	-	0%-75%

Government Securities/ Government guaranteed /Sukuk		
Secured and unsecured, listed and/or privately placed Shariah Compliant debt Securities / Sukuk issued by corporate entities and or Financial Institutions	A-	0%-50%
Shariah Compliant non-traded securities with maturity of < 6 months	A-	0%-75%
Shariah Compliant non-traded securities with maturity of > 6 months	A-	0%-15%
Subject to approval, authorized Shariah Compliant Investments outside Pakistan including Islamic mutual funds	A	0%-30% (cap of \$15m)
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	A-	As allowed by commission
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	A-	0%-25%

Asset Allocation:

Table 2: Asset Class Distribution:

Asset Allocation	Average FY'20	Average FY'21	Jun'21
Cash adjusted for accruals	57%	61%	53%
TFCs/Sukuks	33%	32%	37%
Commercial Paper	4%	35	8%
GoP Ijara Sukuk	1%	1%	0%
Certificate of Modaraba	2%	0%	0%
Others	4%	2%	2%

More than 90% of the fund's net assets remained concentrated in cash placements and corporate TFCs/ Sukuks. Other investment avenues include commercial paper and certificate of modaraba. No breach was witnessed during the period under review.

Credit Quality:

Table 3: Credit Quality

Credit Quality	Monthly Average	Maximum	Minimum
AAA	24%	61%	1%
AA+	10%	15%	5%
AA	17%	55%	5%
AA-	23%	54%	0%
A+	11%	39%	6%

A	8%	13%	1%
A-	5%	6%	3%
NR	2%	5%	1%

IPS of the fund restricts exposure in minimum credit rating of 'A-' in order to maintain risk. On a monthly average basis, the fund parked more than 70% of its assets in AA- and above rated avenues.

Market Risk:

As per IPS, Weighted Average Maturity (WAM) is capped at 4 years while duration of the fund shall be no longer than 365 days. Since last review, both WAM and modified duration have remained compliant within the specified limit as per assigned ratings. Average WAM and duration stood at 400 days (1.1 year) and 41 days, respectively.

Liquidity Profile:

Around 60% of the fund base is provided by retail investors. Top-10 investors' concentration is moderate and stands at 31.0%. Total number of investors decreased to 668 (FY20: 715).

Fund Performance:

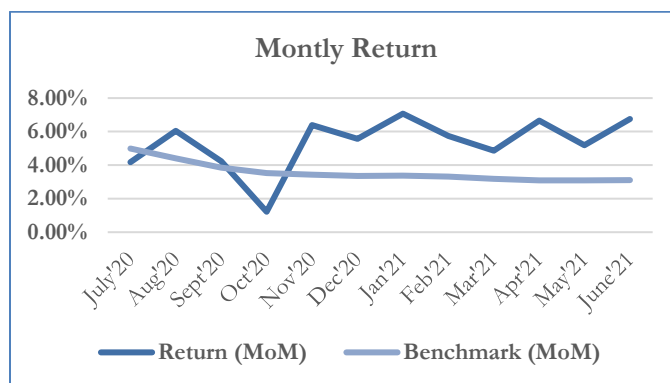


Table 4: Fund Performance:

Performance	FY20	FY21
Total Return	10.31%	5.45%
Peer Ranking	17/21	19/22
Benchmark Return	6.33%	3.56%
Peer Average	10.75%	5.99%

Baring 2 months in the outgoing fiscal year, the fund has outperformed vis-à-vis benchmark return rate. However, based on 365 days return, the fund's return compares

unfavorably in comparison to peers average. The relative ranking of the fund declined since last review and the fund remains in the fourth quartile.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	03-Jan-22	A+ (f)	Reaffirmed
Fund Stability	31-Dec-20	A+ (f)	Reaffirmed
Fund Stability	30-Dec-19	A+ (f)	Reaffirmed
Fund Stability	26-Dec-18	A+ (f)	Reaffirmed
Fund Stability	29-Dec-17	A+ (f)	Reaffirmed
Fund Stability	05-Jan-17	A+ (f)	Upgrade
Fund Stability	28-Dec-15	A (f)	Reaffirmed
Fund Stability	22-Dec-14	A (f)	Reaffirmed
Fund Stability	04-Aug-14	A (f)	Initial

<u>BALANCE SHEET</u>	FY20	FY21
Paid Up Capital	-	-
Total Equity	-	-
<u>INCOME STATEMENT</u>		
Total Income	199	95
Profit Before Tax	162	67
Profit After Tax	162	67
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	-	-
Gearing (x)	-	-