

HBL Islamic Income Fund (HIIF)

Managed By: HBL Asset Management Limited

Fund Stability Rating

Latest Rating

A+(f)

2-Jan-24

What is Fund Stability Rating

Fund Stability Rating (FSR) is a measure used to assess the stability and risk associated with a mutual fund or investment portfolio. The stability rating combines a comprehensive quantitative evaluation of the fund's portfolio with a qualitative assessment of fund management. This rating offers investors an impartial gauge of the primary areas of risk that income funds may face, including credit risk, liquidity risk, and interest rate risk.

Fund Information

Auditor	Yousuf Adil & Co., Chartered Accountants
Trustee	Central Depository Company of Pakistan Limited
Front-end Load	Up to 2%
Back-end Load	Nil
Benchmark	6M avg deposit rates of 3 A-rated scheduled islamic banks or Islamic
MQR Rating	AM1 (VIS)
Mgt. Fee	0.68% p.a.

Fund Overview

Islamic Income Fund (the Fund) is an open-ended mutual fund constituted under a Trust Deed entered into on May 28, 2014, between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

Investment Objective

The Investment Objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short-term Shariah compliant debt instruments while taking in to account liquidity considerations.

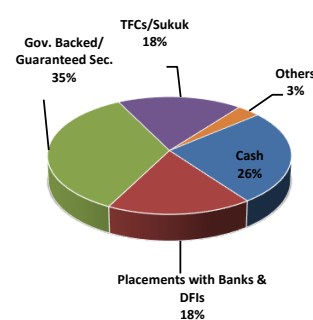
Offering Document (Extract)

Description	Minimum 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 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	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%
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-	(cap of \$15m)
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%

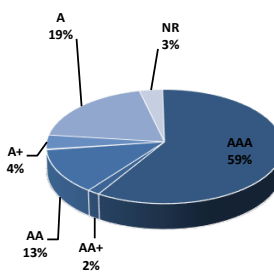
Net Assets

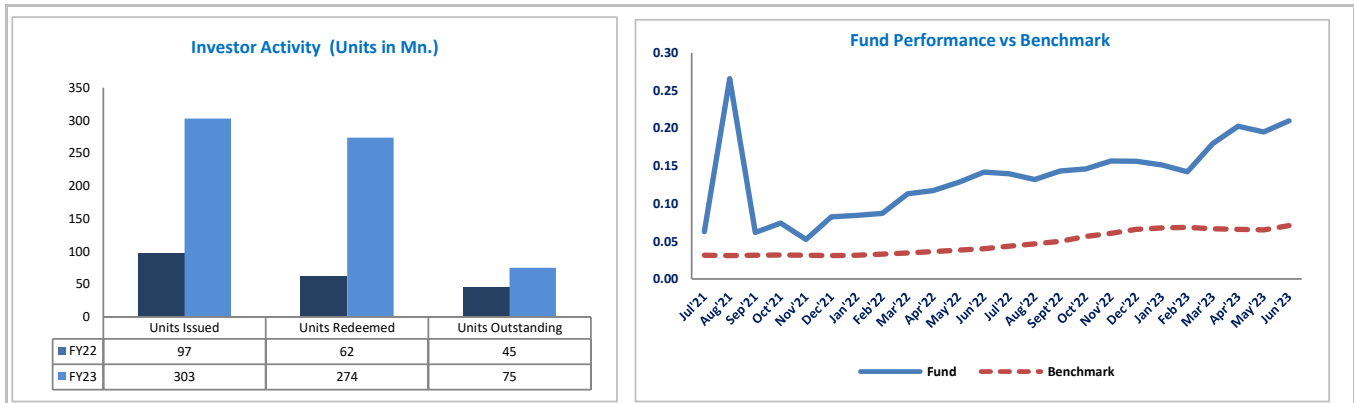
	Jun'21	Jun'22	Jun'23
Net Assets (In PKR' Millions)	969	4,670	7,643

Asset Allocation - Jun'23



Credit Quality - Jun'23





Credit Quality (FY'23)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'22 Avg.	FY'23 Avg.
AAA	26.40%	58.96%	0.09%	Cash	47.02%	37.57%
AA+	9.22%	22.63%	1.59%	Placements with Banks & DFIs	2.11%	13.28%
AA	20.84%	47.21%	9.83%	Gov. Backed/ Guaranteed Sec.	0.22%	17.69%
AA-	6.37%	16.04%	0.12%	TFCs/Sukuk	32.96%	27.56%
A+	11.18%	32.65%	1.58%	CP	16.01%	0.53%
A	22.62%	62.27%	0.15%	Others	1.68%	3.38%
A-	0.00%	0.00%	0.00%	Total	100.00%	100.00%
NR	3.38%	10.04%	1.58%			
Portfolio Maturity (FY'23)	Average	Maximum	Minimum	Fund Performance	FY'22	FY'23
WAM in year(s)	375	728	131	Total Return	11.14%	17.55%
Duration (In Days)	49	88	28	Benchmark Return	3.34%	6.06%
				Peer Average	8.91%	15.75%
				Peer Ranking	2 out of 21	3 out of 23

Fund Stability Analysis

The HBL Islamic Income Fund has been assigned a rating of A+(f), indicating a moderate degree of stability in Net Asset Value (NAV). This rating suggests that the fund has demonstrated a level of consistency in delivering returns to its investors, with a moderate level of risk factors that may vary with possible changes in the economy.

Asset Allocation:

According to the offering document, the fund is required to adhere to specific asset allocation parameters. The fund has remained within these parameters as identified in the offering document. During FY23, the average allocation was majorly in cash (37.6%), TFC/Sukuks (27.6%), Government backed securities (17.7%) and Placements in Banks and DFIs (13.3%).

Credit Quality:

The Credit Risk Criteria of the fund falls within the guidelines stipulated in our methodology. The fund has maintained an average credit quality in line with the fund's investment policy, with holdings primarily in AAA (including government securities), AA+, AA, and A rated securities.

Market Risk:

As per Investment Policy Investment (IPS), Weighted Average Maturity (WAM) is capped at 4 years while duration of the fund shall be no longer than 365 days. During the review period, both WAM and modified duration have remained compliant within the specified limit as per assigned ratings. Average WAM and duration stood at 375 days (FY22:358 days) and 49days (FY22: 44 days), respectively.

Fund performance:

The fund has demonstrated a strong performance, generated a YTD of 17.6% as of Jun'23 outperforming both the benchmark return of 6.1% and the peer average of 15.8%. Amongst peers the fund continues to be placed in the first quartile with 23 funds in the category.

Financial Snapshot			
BALANCE SHEET		FY22	FY23
Paid Up Capital		N/A	N/A
Total Equity		N/A	N/A
INCOME STATEMENT		FY22	FY23
Total Income		253.6	1,398.8
Profit Before Tax		241.0	1,308.9
Profit After Tax		241.0	1,308.9
RATIO ANALYSIS		FY22	FY23
Current Ratio (x)		N/A	N/A
Gearing (x)		N/A	N/A
FFO		N/A	N/A
Regulatory Disclosures			
Name of Rated Fund	HBL Islamic Income Fund	Sector	Mutual Funds
Type of Relationship	Solicited	Purpose of Rating	Fund Stability Rating (FSR)
Rating History			
Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	2-Jan-24	A+(f)	Reaffirmed
Fund Stability	29-Dec-22	A+(f)	Reaffirmed
Fund Stability	3-Jan-22	A+(f)	Reaffirmed
Fund Stability	31-Dec-20	A+(f)	Reaffirmed
Fund Stability	30-Dec-19	A+(f)	Reaffirmed
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Rating Scale	https://docs.vis.com.pk/docs/VISRatingScales.pdf		

Lead Analyst	Analyst
Amin Hamdani	Vernon Joseph Vellozo
amin.hamdani@vis.com.pk	vernon.joseph@vis.com.pk

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