

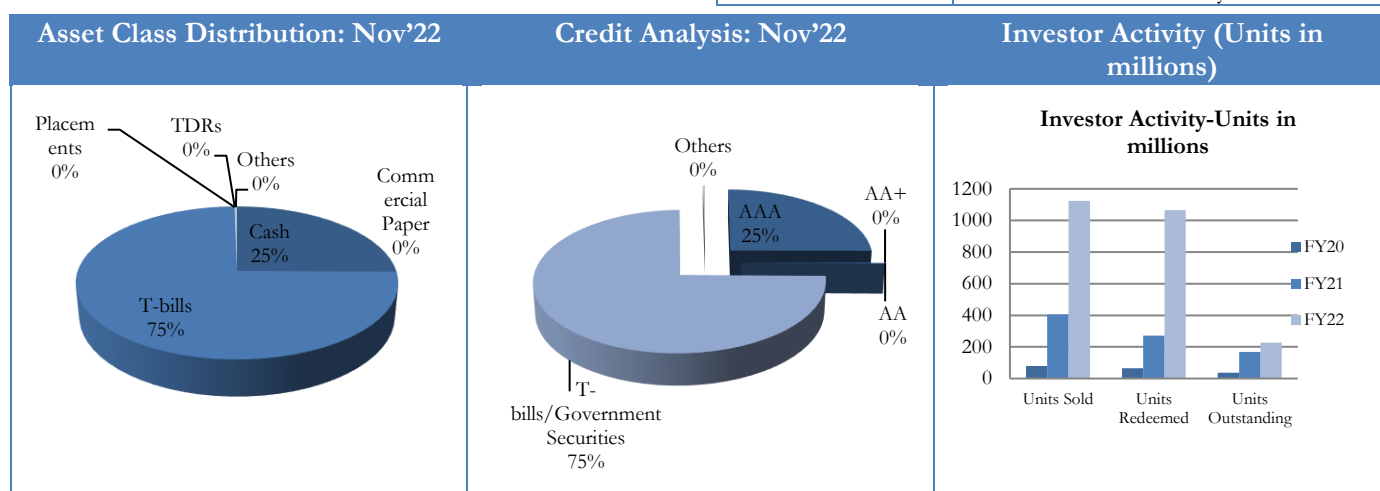
Date: December 30, 2022

Analysts: Sara Ahmed
Shaheryar Khan Mangan

Investment Objective

Launched in December 2021, AL Habib Money Market fund’s investment objective is to provide its unit-holders optimum returns from a highly liquid portfolio of very low risk and short duration assets.

AL Habib Money Market Fund		
Rating Category	Initial	Previous
Fund Stability Rating	AA+(f)	N/A
	<i>Dec 30, '22</i>	
AMC	AL Habib Asset Management Limited	
Chief Executive	Mr. Kashif Rafi	
External Auditors	EY Ford Rhodes & Co Chartered Accountants	
Fund Manager	Mr. Ahmed Abbas	
Trustee	Central Depository Company of Pakistan Limited	
Sales Load	3% (Management has the discretion to reduce or waive load on any transaction)	
Management Fee	Up to 10% of the gross earnings of the scheme	
Benchmark	70% three (3) months PKRV rates + 30% three(3) months average deposit rate of three (3) AA rated scheduled banks as selected by MUFAP	



The fund was launched on December 20, 2021 and have recently completed one year. It is an open-end money market fund designed to provide its investors with optimal returns while maintaining high liquidity by deploying assets in short-term very low risk debt instruments. Fund size initially started with Rs.451m Assets under Management (AUMs) in Dec 2021 and have increased to Rs.3.4b at the end of Nov 2022.

Investment decisions for the fund are made by the Investment Committee (IC) comprising personnel from top management and investment management department.

Table 1: Actual Asset Allocation

Investment policy	Ratings	Min-Max Exposure
Cash and Near Cash, GOP Ijara Sukuk, T-Bills not exceeding 90 days	AA	10-100%
Term Deposit Receipts (TDR) and clean placements with Banks	AA	0-90%
Letter of Placements/Certificate of Investment with DFIS	AA	0-90%
Certificate of Deposit, Certificate of Investment, Certificate of Musharaka with Microfinance Banks	AA	0%-25%
Certificate of Deposit, Certificate of Investment,	AAA	0-25%

Certificate of Musharaka with NBFCs /Modarbas		
Government Securities more than 90 days and equal to 6 months maturity	N/A	0-100%
Reverse Repo against government securities	AA –Bank /DSFI AAA- NBFC/Modarba	0-90%
Foreign Investments (in authorized money market instruments and other money market mutual funds)	AA rated by a reputed International Rating Agency	Upto 30% with a maximum limit capped at US \$15m
Any other investment as authorized by the commission from time to time	AAA for NBFC & Modaraba and AA & above for others	0-50%

The fund’s exposure in various sources of investment avenues have been stipulated in the Offering Document (OD) and Investment Policy Statement. In terms of credit quality, the fund cannot take exposure below ‘AA’ rated debt issue/issuer.

Asset Allocation:

Table 2: Actual Asset Allocation

	Avg. 11 Months *	Nov’ 22
Cash	50.4%	25.2%
T-bills	49.0%	74.5%
Others	0.6%	0.2%

*Since Inception

In order to cater to its mandate provided in the fund’s Investment Policy Strategy, it has maintained a very low exposure to risk. Fund’s assets largely remain vested in cash holdings or T-bills. While a larger proportion is maintained in T-bills, cash holding increases at quarter or half year ends as a cushion for possible redemptions. The fund’s asset allocation plan complied with the requisites of its offering document since the fund was incorporated.

Credit Quality:

Table 3: Actual Credit Quality

	Average 11 Months	Maximum	Minimum
AAA	99%	100%	0.42%
AA+	0%	0%	0%
AA	0.06%	0.2%	0%
Others	0.62%	1%	0%

The fund’s IPS follows a conservative strategy whereby it restricts exposure in below ‘AA’ rated issue/issuer. During FY22, average allocation in ‘AAA’ rated instruments was recorded at 99%, as most of the investments were in

Government securities. The fund maintained a very low risk profile in line with the credit quality requisites for the assigned rating.

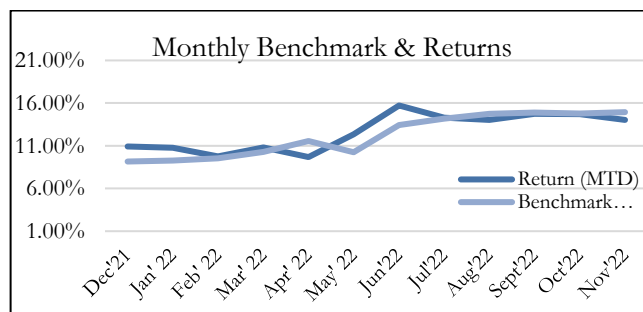
Liquidity:

The fund is dominated by corporates with top ten client of the fund accounting for 98% as of Jun’22, posing a high liquidity risk. Nonetheless, given that majority of the placements were in cash or T-bills of smaller tenors, liquidity of the fund is considered strong.

Modified Duration:

The average weighted maturity (WAM) of the fund is capped at 90 days in order to counter losses in case of any adverse movements in discount rate; while maturity of a single asset cannot exceed six months. During the 11 months of funds’ performance till Nov’ 22, WAM of the fund remained in line with the criteria on actual basis; highest WAM was reported at 70 days end-Apr’ 22 as around 97% were placed in T-Bills. Lowest WAM was reported at 1 day while average over 11 months was recorded at 31 days.

Fund Performance:



Fund performance is benchmarked against 30% three month average deposit rates of 3 ‘AA’ rated banks and 70% three month PKRV rates. The fund largely outperformed its benchmark return since its inception in Dec’21 till Jul ’22. Thereafter, performance has lagged with monthly returns underperforming benchmark returns, albeit with small differential. On Year to Date performance basis, vis-à-vis the peers, the fund ranked 17 out of 24 with year to date return of 14.73% slightly falling below the peer average of 14.77%.

Table 4: Fund Performance

Performance	YTD- Oct 2022
Total Return	14.71%
Peer Group Return Ranking	17 out of 24
Benchmark Return	14.66%
Peer Group Average	14.77%

FINANCIAL SUMMARY		<i>(amounts in PKR 000)</i>	
<u>BALANCE SHEET</u>		FY22	Q1'23
Paid Up Capital		NA	NA
Total Equity		NA	NA
<u>INCOME STATEMENT</u>			
Total income		166,397	119,510
Profit Before Tax		158,607	113,580
Profit After Tax		158,607	113,580
<u>RATIO ANALYSIS</u>			
Net Cash Generated from Operating Activities		121,781	133,441
Current Ratio (x)		NA	NA
Gearing (x)		NA	NA

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		
Name of Rated Entity	AL Habib Money Market 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	30/12/2022	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.			
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
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