



Rating Action

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PACRA MAINTAINS STABILITY RATING OF FIRST HABIB INCOME FUND

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of First Habib Income Fund (FHIF) at '**AA- (f)**' (**Double A minus - fund rating**), an open-end income fund. The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

The objective of the fund is to provide reasonable rate of return along with concern for safety of principal amount by investing in a diversified portfolio of T-Bills, term finance certificates (TFCs), deposits with scheduled banks and money market placements. The rating incorporates very strong credit quality of the fund's assets and a sound liquidity profile, emanating from the current asset mix, in which more than 80% the assets are invested in short term government securities. The remainder of the fund is invested in TFCs, TDRs and deposits with banks mainly rated 'AA' or higher. At the same time, the rating incorporates fund's moderate exposure to interest rate volatility, attributed to duration of 59 days at end-Mar11. A high concentration in unit holding pattern keeps the fund vulnerable to redemption pressure. However, this is mitigated to a large extent by group companies having significant investments.

Although the fund by policy can allocate assets in any minimum investment grade avenue, it plans to maintain majority of its exposure in government securities followed by high credit quality debt instruments. Any change in the fund's credit quality impacting its asset-mix and/or liquidity, though permitted under investment policy, would have implications for the rating.

About the Management Company

Habib Asset Management Limited (HAML), incorporated in September 2005, is a part of Habib group - the oldest and distinguished name in Pakistan's banking circle, with interest in insurance, sugar, textile, auto, food, and trade sectors. Habib family members and associates own around 90% of shareholding in the company. Bank AL Habib Limited (BAHL) with 30% ownership stake is the single largest shareholder.

HAML has three funds under management - First Habib Income Fund, First Habib Stock Fund and recently launched money market fund - First Habib Cash Fund (FHCF), to cater risk averse investor base. The company had net assets of around PKR 2.2bln at end Apr11.

Mr. Imran Azim has been the company's CEO since its inception. He carries a diverse experience of corporate and financial sectors. The Fund Manager of FHIF, Mr. Junaid Kasbati, has an extensive experience in local money market; he has been managing the fund for around four years.

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