



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), an open-end income fund, at 'AA-(f)' (Double A Minus ; fund rating). The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

The investment mandate of the fund is to provide reasonable rate of return to its unit holders while ensuring capital preservation by investing in a diversified portfolio of T-Bills, term finance certificates (TFCs), deposits with scheduled banks, and money market placements.

The rating reflects the fund's strong risk profile. The fund has largely remained invested in Government securities and banks. At end-Sept16, majority of the fund's assets were invested as cash (63%) and TDRs (8%). This exposure is with banks rated 'AA+' (9%) and 'A+' (62%). The remaining assets of the fund were invested as spread transactions (i.e. 23%). The fund has high concentrated unit holding pattern, with top10 investors representing 64% of the fund size at end-Sep16, which makes fund vulnerable to redemption pressure.

Going forward, the management intends to increase funds allocation towards Government securities, while the remaining assets would be invested in good quality corporate debt instruments and cash and term placements. Material changes in the fund's asset allocation strategy, which could negatively impact the fund's credit quality and exposure to interest rate risk, remain critical for the rating.

About the Management Company:

Habib Asset Management Limited (HAML), the management company of FHIF is rated 'AM3+' by PACRA. HAML, incorporated in September 2005, is a part of Habib group - the oldest and distinguished name in Pakistan's banking circle. 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 four funds under management with cumulative assets under management of around PKR 2.68bln at end Sep-16.

Mr. Imran Azim has been the company's CEO since its inception. He carries extensive experience in the asset management industry. The fund manager, Mr. Junaid Kasbati, is an MBA in Banking & Finance and possesses over 13 years of rich and valuable experience in Money/ Capital market.

Applicable Criteria and Related Research

- Mutual Funds | Oct-16
- Fund Stability Rating Methodology

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