

AL HABIB ASSET MANAGEMENT LIMITED

A wholly owned subsidiary of Bank AL Habib Limited



Fund Manager's Report

October 2021

Rated 'AM2' by PACRA





AL HABIB ASSET MANAGEMENT LIMITED

Risk Profile Of Collective Investment Schemes/Funds

S. No.	Fund Name	Fund Category	Fund Risk Profile	Risk of Principal Erosion
1	First Habib Cash Fund	Money Market	Very Low	Principal at very low risk
2	First Habib Income Fund	Income	Medium	Principal at medium risk
3	First Habib Islamic Income Fund	Islamic Income	Medium	Principal at medium risk
4	First Habib Asset Allocation Fund	Asset Allocation	High	Principal at high risk
5	First Habib Stock Fund	Equity	High	Principal at high risk
6	First Habib Islamic Stock Fund	Islamic Equity	High	Principal at high risk

Money Market Review

Yields in the secondary market have increased considerably when compared to month of September. The rise in shorter tenor yields was much sharper as they increased by an average of 70 bps while longer tenor yields increased by an average of 32 bps in anticipation of future interest rate hikes.

The monthly National CPI figures for October'21 clocked-in at 9.19% Year on Year (YoY) compared to 8.91% YoY in October'20 and 8.98% in September'21. On a Month on Month (MoM) basis, CPI was up by 1.9% in Oct'21 compared to an increase of 2.1% in Sep'21 and an increase of 1.7% in Oct'20. Monthly inflation was driven by a surge in the Food index (2.1% MoM), Housing index (2.4% MoM) and Transport index (5.3% MoM). CPI for 4MFY2022 was recorded at 8.74%.

SBP conducted a T-Bill and Floating Rate PIB auction on October 20, 2021. SBP accepted an amount of PKR 131.96 billion in the 3M tenor at a cut-off yield of 8.2498% and PKR 37.92 billion was received in non-competitive bidding. Whereas bids were rejected in the 6M and 12M tenor. Furthermore, SBP accepted an amount of PKR 107.73 billion in the 2-year floating rate bond against an auction target of PKR 25 billion. Auction for fixed coupon PIB bonds was held on October 28, 2021. SBP rejected bids in 3 years to 15 years tenor PIBs while no bids were received in the 20- and 30-year PIBs.

Pakistan's total liquid foreign exchange reserves decreased to USD 23.93 billion against USD 25.98 billion in the previous month. The foreign reserves held by SBP decreased from USD 19.25 billion in previous month to USD 17.14 billion in the current month while the foreign reserves held by the Commercial Banks slightly increased to USD 6.78 billion as compared to USD 6.72 billion in the previous month.

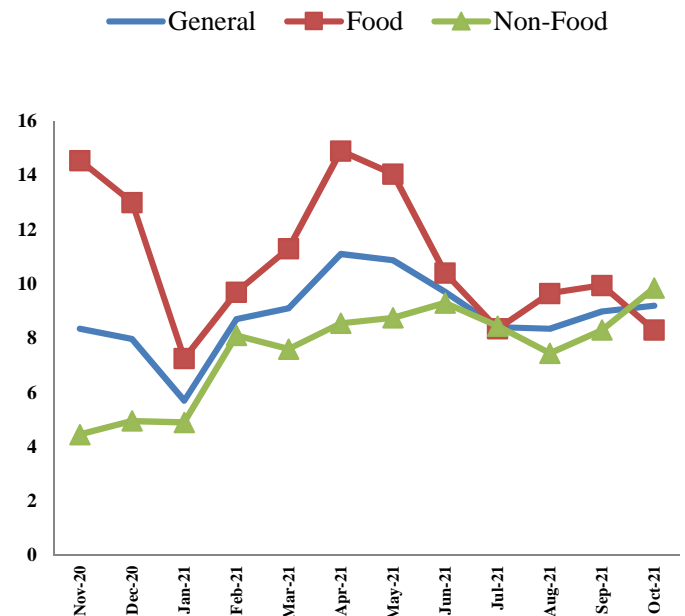
Equity Market Review

The benchmark KSE-100 remained under pressure at the start of the month as it shed 3.7% points primarily due to steep Rupee depreciation against the greenback and also due to the country's Finance Team's failure to reach a consensus with IMF team over key structural issues. However, markets subsequently recovered rising up by 1,319 points to close at 46,219 points up by 2.9% MoM. The market bounced back on the back of i) Current account deficit declining by 24% MoM to USD 1.1bn, ii) International coal prices started falling down after making an all-time high, iii) pledge of USD 4.2bn by Saudi Arabia to support Pakistan's economy (USD 3bn safe deposit and USD 1.2bn for Oil facility). Other developments during the month includes i) Large Scale Manufacturing Industries (LSMI) output witnessed an increase of 12.7% YoY during Aug'21 ii) FDI picked-up by 16% YoY during the month of September.

Average traded volume and value during Oct'21 went down by 33% to 276 mn shares and 30% to USD 58 mn respectively. On the local front, Insurance companies, Other Organization and Individual remained the largest accumulators amounting to USD 20.69, USD 10.03 and USD 5.73 million respectively while Companies sold stocks worth USD 18.78 million respectively. During the month under review, foreigners (FIPI) sold stocks worth USD 30.86 million. Paper sector was the best performing, posting a return of 11% followed by Chemicals (10%), Banks (9%), Vanaspati (8%). Negative returns were led by Technology (16%), Glass (12.6%), Textile Weaving (12.6%), Transport (9.8%), and Refinery (9.2%).

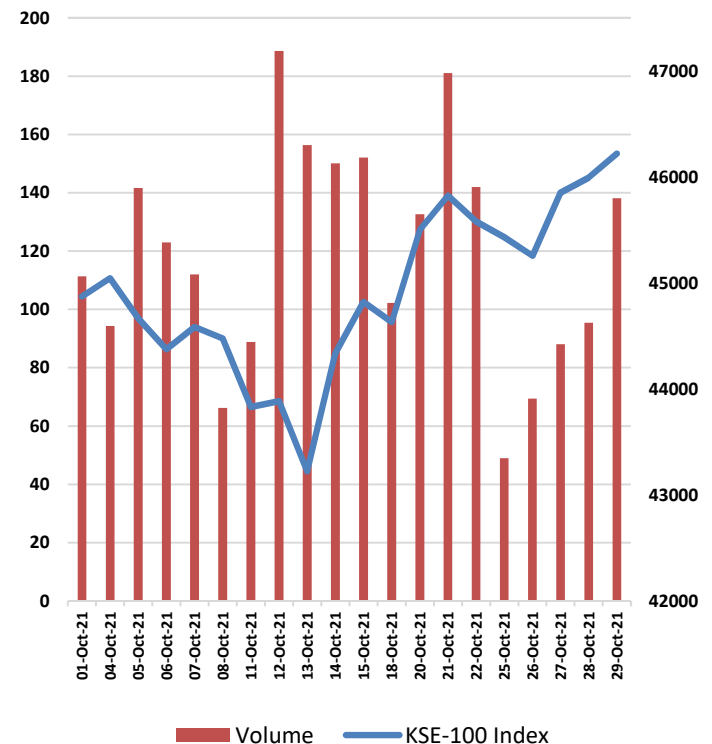
We believe that the long-term bullish outlook on the market remains intact primarily led by stellar corporate profitability, encouraging outlook on country's exports as textile exports have reached an all-time high of USD 6 bn in 4MFY22 and sanguine outlook on country's inward foreign remittances. However, in short to medium term we retain our cautious stance due to elevated CAD levels, persistent rise in CPI due to elevated international commodity prices. This can prompt the State Bank of Pakistan to raise country's interest rates in order to reign in on rising aggregate demand prevalent price levels. The KSE-100 index is currently trading at a PER of 5.3x (2022) compared to Asia Pac regional average of 14.6x and offering a DY of ~8.1% versus ~2.2% offered by the region.

CPI



Millions

KSE-100



Risk Disclosure: "This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any Fund. All investments in mutual funds are subject to market risk. The NAV based prices of units and any dividends/ returns thereon are dependent on forces and factors affecting the capital market. These may go up and down based on market conditions. Past performance is not necessarily indicative of future results".



First Habib Income Fund (FHIF)

October 2021

INVESTMENT OBJECTIVE

To provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the Unit Holders, along with facility to join or leave the fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

FUND MANAGER'S REVIEW

The Fund underperformed its benchmark by 52bps as it posted a MTD return of 7.94% as against the benchmark of 8.46%. The Weighted Average Time to Maturity of Net Assets remained at 177 Days.

Fund Type	Open-ended
Fund Category	Income Scheme
Net Assets	Rs. 2.17 Billion (October 31, 2021)
NAV per Unit	Rs. 103.8013 per unit (October 31, 2021)
Total Expense Ratio	1.33% as on (October 31, 2021) (Including 0.13% Government Levies)
Trustee	Central Depository Company of Pakistan Ltd.
Auditors External	EY Ford Rhodes & Co. Chartered Accountants.
Management Fee*	Up to 10% of the gross earnings of the Scheme
Front-end-Load	1.00% (Management has the discretion to reduce or waive load on any transaction)
Back-end-Load	Nil
Launch Date	June 02, 2007
Benchmark	Six (6) months KIBOR rates.
Dealing Days	Monday to Friday
Cut-off Timings	09:00 am to 4:30 pm
Pricing Mechanism	Forward Pricing
Minimum Subscription	Initial investment of Rs. 5,000/- Subsequently Rs. 1,000 per transaction.
AMC Rating	"AM2" by PACRA (September 15, 2021)
Fund Stability Rating	"AA (f)" by PACRA (September 04, 2021)
Risk Profile	Medium (Principal at medium risk)
Fund Manager	Mr. Ahmed Abbas Mr. Kashif Rafi Mr. Zahid Hussain Vasnani Mr. Talha A. Siddiqui
Investment Committee	Mr. Ahmed Abbas Mr. Muhammad Tahir Mr. Zeeshan Masroor Mr. Nabeel Zafar
Leverage	Nil

*Actual Management Fee charged is 0.81% based on average net assets (annualized).

Asset Allocation	October 21	September 21
Cash	53.47%	47.30%
T-Bills	40.53%	46.75%
TDR	Nil%	3.03%
TFC	2.61%	1.86%
Sukuk	2.94%	0.62%
Others Including receivables	0.45%	0.44%

FUND'S PERFORMANCE*	YTD	MTD	Trailing Twelve Months	Since Inception (10 Years basis)
FHIF (Annualized)**	8.78%	7.94%	8.08%	7.89%
Benchmark ***	7.86%	8.46%	7.66%	7.86%

*Performance data does not include the cost incurred directly by an investor in the form of sales loads.

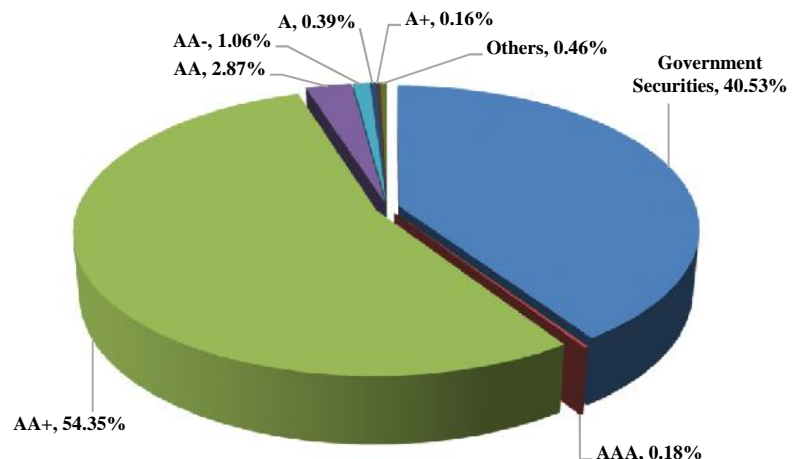
**Basic computation of performance (i.e. NAV to NAV as with Dividend reinvested)

*** Benchmark of the Scheme has been changed - vide SECP Direction # 27/16 dated June 25, 2016

FUND PERFORMANCE HISTORY	FY21	FY20	FY19	FY18	FY17
FHIF (Annualized) – YTD	6.43%	12.79%	8.09%	5.24%	6.29%
Benchmark (Annualized)	7.43%	11.94%	10.43%	6.39%	6.03%

TOP HOLDINGS (% of Total Assets)	
INVESTEES NAME	% OF TOTAL ASSETS
Askari Bank Ltd. - TFC (17-03-20)	2.61%
Meezan Bank Ltd. - Sukuk (09-01-20)	1.07%
Dubai Islamic Bank Pakistan Ltd. - SUK (14-07-17)	1.06%
Ghani Chemicals Industries Limited-Sukuk (02-02-2017)	0.39%
International Brands Limited-Sukuk (15-11-2017)	0.25%
AGP Limited-Sukuk (09-06-2017)	0.16%
Top Holdings make 5.55% of Total Assets	

Credit Quality of Portfolio (%age of Total Assets)



Provision against Sindh Workers' Welfare Fund's Liability: During the month of August 2021, provisioning against Sindh Workers' Welfare Fund by FHIF amounting to Rs. 7.49 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the FHIF by 0.56% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

Dispute Resolution/Complaints Handling: Investors may lodge their complaints to our Investor Services Department through any of the following options: Call us at (+92-21) 111-342-242, Email us at complaints@alhabibfunds.com or submit through our Website <https://www.alhabibfunds.com/>. In case your complaint has not been properly addressed by us, you may lodge your complaint with SECP at <https://sdms.secp.gov.pk/>. Please note that SECP will entertain only those complaints which were at first directly requested to be addressed by the Company and the Company has failed to address the same.

The FMR is as per MUFAP's Recommended Format.

Risk Disclosure: "This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any Fund. All investments in mutual funds are subject to market risks. Past performance is not necessarily indicative of future results. Please read the Offering Document to understand the investment policies and risks involved."

KARACHI

3rd Floor, Mackinnons Building
I. I. Chundrigar Road, Karachi
Tel: 021-32469115-19

LAHORE

Mezzanine Floor, Plot # 32 (C)
Block CCA, Lalik Jan Chowk
D.H.A Phase II-C, Lahore
Tel: 042-37199531 & 32

ISLAMABAD

3rd Floor, Roshan Centre
78-W, Blue Area, Islamabad
Tel: 051-2344505 & 06



021-111-342-242



www.alhabibfunds.com



info@alhabibfunds.com