

# AL HABIB ASSET MANAGEMENT LIMITED

A wholly owned subsidiary of Bank AL Habib Limited



# Fund Manager's Report

September 2021

Rated 'AM2' by PACRA



Money Market Review

SBP in its latest MPS Committee meeting increased the policy rate by 25bps to 7.25%. Therefore, Money market yields in both shorter and longer tenor promptly increased as the market participants were expecting a start of tightening policy.

The monthly National CPI figures for September'21 clocked-in at 8.98% Year on Year (YoY) compared to 9.00% YoY in September'20 and 8.35% in August'21. On a Month on Month (MoM) basis, CPI was up by 2.1% in Sep'21 compared to an increase of 0.6% in Aug'21 and an increase of 1.5% in Sep'20. Monthly inflation was driven by a surge in the Food index (4.0% MoM), Housing index (1.6% MoM) and Transport index (1.3% MoM). CPI for the first quarter of current fiscal year stands at 8.70%.

SBP conducted a T-Bill auction on September 22, 2021. SBP raised PKR 791.19 billion against the auction target of PKR 800 billion. SBP accepted bids worth PKR 678 billion and PKR 39.58 billion in 3M and 6M tenor at a cut-off yield of 7.6388% and 7.9798% respectively. Bids were rejected in the 12M tenor. PKR 73.58 billion was received in NCB. Auction for fixed coupon PIB bond was held on September 15, 2021. SBP raised PKR 90.28 billion against the auction target of PKR 125 billion. State bank of Pakistan accepted bids worth PKR 18.15 billion in 3 years, PKR 22.93 billion in 5 years, PKR 33.43 billion in 10 years and PKR 15 billion in 15.76 in 15 years at a cut off rate of 8.8800%, 9.1800%, 9.830% and 10.4000% respectively. No bids were received in other tenors.

Pakistan's total liquid foreign exchange reserves decreased to USD 26.15 billion against USD 27.10 billion in the previous month. The foreign reserves held by SBP decreased from USD 20.07 billion in previous month to USD 19.29 billion in the current month while the foreign reserves held by the Commercial Banks decreased to USD 6.85 billion as compared to USD 6.99 billion in the previous month.

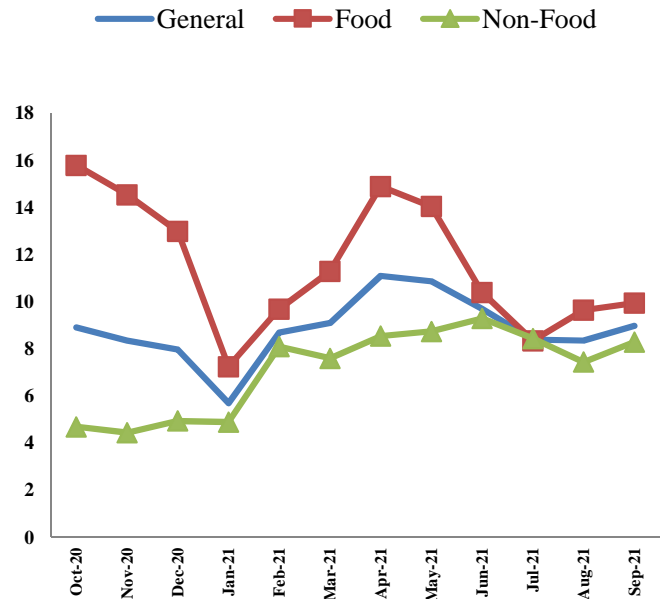
Equity Market Review

The benchmark KSE-100 plunged by 2,520 points, shedding 5.31% to close at 44,899.60 pts. MSCI in its latest review reclassified Pakistan from Emerging market to Frontier market which was long overdue due to deteriorating fundamentals of the Pakistani Capital Markets since last re-classification. Surging commodities prices in the international market coupled with uptick in local demand has pushed the Current account deficit to USD 1.5 bn in the month of August triggering Rupee to an all-time low of 171 against USD. To rein in on the rising aggregate demand, SBP in its latest MPS committee increased policy rate by 25bps to 7.25%. On geo-political front, an Anti-Pakistan bill was tabled in US senate demanding sanctions being levied on Pakistan for its role in Taliban's takeover of Afghanistan. ADB says Pakistan's economy to grow at 4% in FY22 while Fitch predicts Pakistan's economy to grow by 4.2% in FY22 and SBP projects a growth of 5% in FY22.

Average traded volume and value during Sep'21 went up by 14% to 414 mn shares and 7% to USD 83 mn respectively. On the local front, Individual, Bank/DFI and Insurance companies remained the largest accumulators amounting to USD 29.11, USD 16.75 and USD 16.33 million respectively while Mutual Funds, Brokers and Companies sold stocks worth USD 14.72, USD 10.25 and USD 7.93 million respectively. During the month under review, foreigners (FIPI) sold stocks worth USD 44.94 million. The only Positive contributions to index was provided by Miscellaneous sector, a contribution of 182 pts. Negative contribution to the index was led by Cement (-752pts), Fertilizers (-234pts) and E&Ps (-191pts).

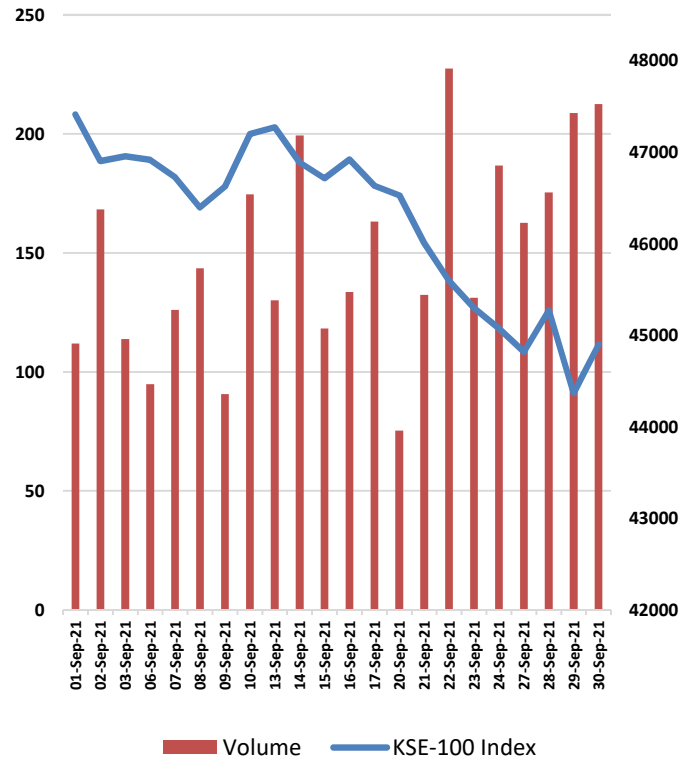
Going forward, we believe the market to continue to consolidate as rising global commodity prices specifically oil and coal continues to hurt the precarious external account position. Any silver lining for continuation of growth process is hinged on stellar performance of country's exports and its ability to attract remittances in line with previous year. However, in the medium to long run we believe the market to continue to rise to new highs as growth momentum continues with Current Account Deficit position currently in a manageable position and in line with SBPs forecast of 2-3% of GDP. The KSE-100 index is currently trading at a PER of 5.3x (2022) compared to Asia Pac regional average of 14.4x and offering a DY of ~8.2% versus ~2.3% 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".



## 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



# First Habib Income Fund (FHIF)

September 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 197bps as it posted a MTD return of 5.82% as against the benchmark of 7.79%. The Weighted Average Time to Maturity of Net Assets remained at 139 Days.

Fund Type	Open-ended
Fund Category	Income Scheme
Net Assets	Rs. 1.74 Billion (September 30, 2021)
NAV per Unit	Rs. 103.1060 per unit (September 30, 2021)
Total Expense Ratio	1.21% as on (September 30, 2021) (Including 0.13% Government Levies)
Trustee	Central Depository Company of Pakistan Ltd.
Auditors External	KPMG Taseer Hadi & 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
Investment Committee	Mr. Kashif Rafi Mr. Zahid Hussain Vasnani Mr. Talha A. Siddiqui Mr. Ahmed Abbas Mr. Muhammad Tahir Mr. Zeeshan Masroor Mr. Nabeel Zafar
Leverage	Nil

\*Actual Management Fee charged is 0.75% based on average net assets (annualized).

Asset Allocation	September 21	August 21
Cash	47.30%	57.95%
T-Bills	46.75%	Nil
TDR	3.03%	5.05%
TFC	1.86%	10.72%
Sukuk	0.62%	1.15%
PIBs	Nil	24.02%
Others Including receivables	0.44%	1.11%

FUND'S PERFORMANCE*	YTD	MTD	Trailing Twelve Months	Since Inception (10 Years basis)
<b>FHIF (Annualized)**</b>	9.00%	5.82%	8.01%	7.91%
<b>Benchmark ***</b>	7.66%	7.79%	7.57%	7.84%

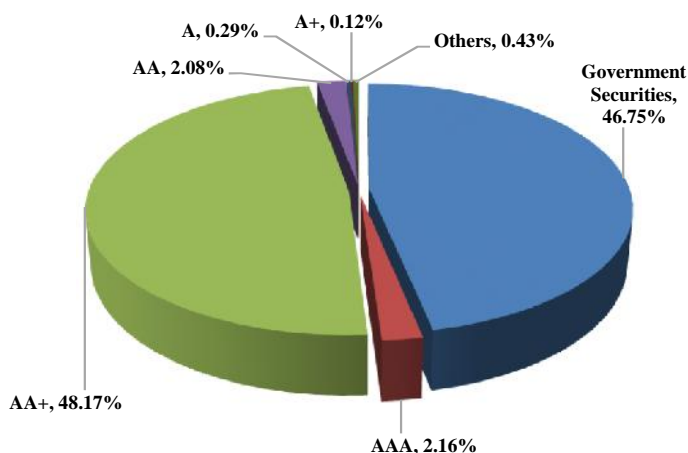
\*Performance data does not include the cost incurred directly by an investor in the form of sales loads.  
\*\*Basic computation of performance (i.e. NAV to NAV as with Dividend reinvested)  
\*\*\* Benchmark of the Scheme has been changed - vide SECP Direction # 27/16 dated June 25, 2016

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

TOP HOLDINGS (% of Total Assets)	
INVESTEE NAME	% OF TOTAL ASSETS
Askari Bank Ltd. - TFC (17-03-20)	1.86%
Ghani Chemicals Industries Limited-Sukuk (02-02-2017)	0.29%
International Brands Limited-Sukuk (15-11-2017)	0.22%
AGP Limited-Sukuk (09-06-2017)	0.11%

Top Holdings make 2.48% 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](mailto: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."

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