

HBL

ASSET MANAGEMENT

ايسيت مينجمنت

HBL Islamic Asset Allocation Fund

Quarterly Report
March 31, 2016
(Un-audited)

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CORPORATE INFORMATION

Management Company
HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Tawfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Rehan N. Shaikh	(Executive Director)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Mr. Ayaz Ahmed	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Audit Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salahuddin Manzoor	(Non-Executive Director)

Human Resource Committee

Chairperson	Ms. Sima Kamil	(Non-Executive Director)
Members	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants,
Sheikh Sultan Trust Building No 02
Beaumont Road, Karachi-75530, Pakistan

Internal Auditors

ERNST & YOUNG FORD RHODES SIDAT HYDER & Co.,
Chartered Accountants

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99- B, Block "B", S.M.C.H.S, Main Shahra-e-Faisal, Karachi

Legal Advisors

Mandviwalla & Zafar, Advocates and Legal Consultants,
Mandviwalla Chambers, C-15, Block 2, Clifton, Karachi.

Website

www.hblasset.com

Head Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

Registered Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

FUND INFORMATION

NAME OF FUND **HBL Islamic Asset Allocation Fund**

FUND MANAGER **Mr. Emmad Hashmi**

NAME OF AUDITORS

External Auditors **KPMG Taseer Hadi & Co., Chartered Accountants.**

Internal Auditors **ERNST & YOUNG FORD RHODES SIDAT HYDER & Co.,
Chartered Accountants**

NAME OF BANKERS

BankIslami Pakistan Limited
Habib Bank Limited
Dubai Islamic Bank Pakistan Limited

HBL ISLAMIC ASSET ALLOCATION FUND
Condensed Interim Statement of Assets and Liabilities
As At March 31, 2016

	<i>Note</i>	March 31, 2016 (Un-Audited) (Rupees in '000)
Assets		
Bank balances	4	208,687
Investments	5	920,854
Dividend receivable and accrued mark-up	6	6,088
Preliminary expenses and floatation costs		1,028
Total assets		1,136,657
Liabilities		
Payable to HBL Asset Management Limited - Management Company	7	11,151
Payable to Central Depository Company of Pakistan Limited - Trustee		184
Payable to Securities and Exchange Commission of Pakistan		111
Accrued expenses and other liabilities	8	290
Total liabilities		11,736
Net assets		1,124,921
Unit holders' fund (as per statement attached)		1,124,921
		(Number of units)
Number of units in issue		11,148,806
		(Rupees)
Net assets value per unit		100.9006

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

**For HBL Asset Management Limited
(Management Company)**

Chief Executive

Director

HBL ISLAMIC ASSET ALLOCATION FUND
Condensed Interim Income Statement (Un-Audited)
From January 11, 2016 to March 31, 2016

	From January 11, 2016 to March 31, 2016 (Rupees in '000)
Income	
Dividend income	458
Mark-up on deposits with banks	2,550
Mark-up / return on investments	3,212
Capital gain on sale of investments - net	97
	6,317
Expenses	
Remuneration of HBL Asset Management Limited - Management Company	2,532
Remuneration of Central Depository Company of Pakistan Limited - Trustee	314
Annual fee of Securities and Exchange Commission of Pakistan	111
Allocation of expenses related to registrar services, accounting, operation and valuation services	119
Amortisation of preliminary expenses and floatation costs	47
Settlement and bank charges	4
	3,127
Net income from operating activities	3,190
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	976
Provision for Workers' Welfare Fund	10
	-
Net income for the period before taxation	4,166
Taxation	11
	-
Net income for the period after taxation	4,166
Earning per unit	12

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

**For HBL Asset Management Limited
(Management Company)**

Chief Executive

Director

HBL ISLAMIC ASSET ALLOCATION FUND
Condensed Interim Statement of Comprehensive Income (Un-Audited)
From January 11, 2016 to March 31, 2016

	From January 11, 2016 to March 31, 2016 (Rupees in '000)
Net income for the period	4,166
Other comprehensive income for the period	
Net unrealised appreciation on remeasurement of investments classified as available for sale	4,657
Total comprehensive income for the period	<u><u>8,823</u></u>

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC ASSET ALLOCATION FUND
Condensed Interim Distribution Statement (Un-Audited)
From January 11, 2016 to March 31, 2016

	From January 11, 2016 to March 31, 2016 (Rupees in '000)
Undistributed income brought forward - realised	-
Net income for the period	4,166
Accumulated income carried forward - realised	<u><u>4,166</u></u>

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC ASSET ALLOCATION FUND
Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)
From January 11, 2016 to March 31, 2016

	From January 11, 2016 to March 31, 2016 (Rupees in '000)
Net assets at beginning of the period	-
Issu of 11,312,989 units	1,133,519
Redemption of 164,183 units	(16,445)
	1,117,074
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement - net	(976)
Net income for the period	4,166
Net unrealised (diminution) on remeasurement of investments classified as available for sale	4,657
Total comprehensive income for the period	8,823
Net assets at end of the period	1,124,921
[Rs. 100.9006 per unit]	

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC ASSET ALLOCATION FUND
Condensed Interim Cash Flow Statement (Un-Audited)
From January 11, 2016 to March 31, 2016

	From January 11, 2016 to March 31, 2016
	<i>Note</i> (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES	
Net income for the period	4,166
Adjustments	
Amortisation of preliminary expenses and floatation costs	47
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	<u>(976)</u>
	3,237
(Increase) in assets	
Investments - net	<u>(916,197)</u>
Dividend receivable and accrued mark-up	<u>(6,088)</u>
Preliminary expenses and floatation costs	<u>(1,075)</u>
	(923,360)
Increase / (decrease) in liabilities	
Payable to HBL Asset Management Limited - Management Company	<u>11,151</u>
Payable to Central Depository Company of Pakistan Limited - Trustee	184
Payable to Securities and Exchange Commission of Pakistan	111
Accrued expenses and other liabilities	<u>290</u>
	11,736
Net cash (used in) operating activities	<u>(908,387)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Amount received on issue of Units	<u>1,133,519</u>
Payment against redemption of Units	<u>(16,445)</u>
Net cash generated from financing activities	1,117,074
Net increase in cash and cash equivalents	208,687
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	4 <u><u>208,687</u></u>

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC ASSET ALLOCATION FUND

Notes to the Condensed Interim Financial Information (Un-Audited)

From January 11, 2016 to March 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed, dated September 07, 2015, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on October 28, 2015.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis.

The units are transferable and can also be redeemed by surrendering to the Fund. The fund is to be listed on the Pakistan Stock Exchange. The units of the Funds were initially offered to public subscription at par from January 07, 2016 to January 08, 2016.

The primary objective of the Fund is to provide superior returns through investments in Shari'ah Compliant Equity Securities and Shari'ah Compliant income / Money Market Instruments.

JCR-VIS Credit Rating Agency (JCR-VIS) has assigned management quality rating of 'AM2-' to the Management Company while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of other funds under Management of the Company for the year ended June 30, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of other funds under Management of the Company for the year ended June 30, 2015.

		March 31, 2016
		(Rupees in '000)
4. BANK BALANCES	<i>Note</i>	
Savings accounts		<u>208,687</u>
5. INVESTMENTS		
Available for sale		
- Listed equity securities	<i>5.1</i>	228,186
Government of Pakistan		
- Ijara Sukuk	<i>5.2</i>	692,668
		<u>920,854</u>

5.1 Listed equity securities - Available for sale

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the Investee Company	Number of shares				As at March 31, 2016	Market value as at March 31, 2016	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2015	Purchases during the period	Bonus / Rights issue	Sales during the period			Total Investments	Net Assets	
(Rupees in '000)									
Cement									
Kohat Cement Limited	-	40,100	-	-	40,100	12,508	1.36%	1.11%	0.02%
D.G.Khan Cement Company Limited	-	90,000	-	-	90,000	15,644	1.70%	1.39%	0.02%
Lucky Cement Company Limited	-	46,000	-	-	46,000	24,753	2.69%	2.20%	0.00%
Pioneer Cement Limited	-	161,000	-	-	161,000	15,926	1.73%	1.42%	0.07%
Maple Leaf Cement Factory Limited	-	179,000	-	60,000	119,000	16,506	1.79%	1.47%	0.02%
	-	516,100	-	60,000	456,100	85,337	9.27%	7.59%	
Cable and Electrical Goods									
Pak Elektron Company Limited	-	220,000	-	-	220,000	13,303	1.44%	1.18%	0.00%
	-	220,000	-	-	220,000	13,303	1.44%	1.18%	
Textile Composite									
National Mills Limited	-	140,500	-	-	140,500	13,461	1.46%	1.20%	0.00%
	-	140,500	-	-	140,500	13,461	1.46%	1.20%	
Power Generation & Distribution									
K-Electric Limited (Rs. 3.5 each)	-	850,000	-	-	850,000	6,035	0.66%	0.54%	0.00%
Hub Power Company Limited	-	20,000	-	-	20,000	2,090	0.23%	0.19%	0.00%
	-	870,000	-	-	870,000	8,125	0.88%	0.72%	
Oil and Gas									
Pakistan State Oil Company Limited	-	62,800	-	-	62,800	22,058	2.40%	1.96%	-
	-	62,800	-	-	62,800	22,058	2.40%	1.96%	
Fertilizers									
Engro Corporation Limited	-	39,500	-	-	39,500	12,470	1.35%	1.11%	0.01%
Fatima Fertilizer Company Limited	-	240,000	-	-	240,000	7,987	0.87%	0.71%	-
	-	279,500	-	-	279,500	20,457	2.22%	1.82%	
Engineering									
Mughal Iron and Steel Limited	-	188,000	-	-	188,000	12,865	1.40%	1.14%	
Amreli Steel (Pvt.) Limited	-	250,500	-	-	250,500	13,068	1.42%	1.16%	
Crescent Steel & Allied Products Limited	-	165,100	-	-	165,100	19,412	2.11%	1.73%	0.21%
	-	353,100	-	-	353,100	45,346	4.92%	4.03%	
Pharmaceuticals									
Searl Company Limited	-	51,300	200	24,800	26,700	11,735	1.27%	1.04%	0.03%
GlaxoSmithKline Limited	-	34,500	-	-	34,500	8,364	0.91%	0.74%	0.01%
	-	85,800	200	24,800	61,200	20,099	2.18%	1.78%	
	-	2,167,300	200	84,800	2,082,700	228,186	24.79%	20.28%	
Cost of investments at March 31, 2016					225,396				

5.1.1 Investments include shares having market value aggregating to Rs. 12.126 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

5.2 Government of Pakistan - Ijarah Sukuks

GoP Ijarah Sukuks - having face value of Rs. 100 each	Issue date	Face value			As at March 31, 2016	Market value as at March 31, 2016	Market value as a percentage of	
		As at July 1, 2015	Purchases during the period	Sales / matured during the period			Total investments	Net assets
						(Rupees in '000)		
GoP Ijarah Sukuk	June 26, 2014	-	500,000	250,000	250,000	252,650	27.44%	22.46%
GoP Ijarah Sukuk	February 15, 2016	-	29,500	-	29,500	29,813	3.24%	2.65%
GoP Ijarah Sukuk	March 29, 2016	-	200,000	-	200,000	200,100	21.73%	17.79%
GoP Ijarah Sukuk	March 29, 2016	-	210,000	-	210,000	210,105	22.82%	18.68%
		-	939,500	250,000	689,500	692,668	75.22%	61.57%

Cost of investments at March 31, 2016 690,801

These carry mark-up at the rate from 5.59% to 6.1% per annum receivable semi-annually in arrears with different maturing dates.

5.3 Net unrealised appreciation on remeasurement of investments classified as available for sale

Note **March 31, 2016**
(Rupees in '000)

Market value of investments	5.1	920,854
Cost of investments		<u>(916,197)</u>
		<u><u>4,657</u></u>

6. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

Dividend receivable	458
Mark-up accrued on deposits with banks	2,418
Mark-up / return accrued on Investment -Ijara Sukuk	<u>3,212</u>
	<u><u>6,088</u></u>

7. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management fee	7.1	1,358
Sindh Sales Tax	7.2	201
Preliminary expenses and floatation costs		1,075
Allocation of expenses related to registrar services, accounting, operation and valuation services		119
Sales load payable		<u>8,398</u>
		<u><u>11,151</u></u>

7.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on November 25, 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding one and half percent of average annual net assets. The Management Company has charged its remuneration at the rate of one and half percent per annum.

7.2 The Sindh Government has levied Sindh Sales Tax at the rate of 14% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

8. ACCRUED EXPENSES AND OTHER LIABILITIES	<i>Note</i>	March 31, 2016 (Rupees in '000)
Federal Excise Duty	9.1	<u>290</u>
		<u>290</u>

- 8.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of law. In 2014, the Honourable High Court of Sindh in a Constitutional petition relating to levy of FED on Mutual Fund has granted a stay order for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision aggregating to Rs. 0.2900 million. Had the provision not been made, the Net Asset Value per unit of the Fund as at March 31, 2016 would have been higher by Rs. 0.0260 per unit

9. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES

Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated November 25, 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.

10. PROVISION FOR WORKERS' WELFARE FUND

After the exclusion of the Mutual Funds from federal statute on Workers Welfare Fund, from 1st July 2015, the Mutual Fund industry has discontinued making the provision in this regard. Hence, no provision is made in the respective fund for the workers welfare Fund.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year ended June 30, 2016 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

12. EARNINGS PER UNIT (EPU)

Earnings per unit (EPU) has not been disclosed as, in the opinion of the management, determination of weighted average units for calculating earnings per unit is not practicable.

13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the condensed interim financial information are as follows:

14.1 Transactions during the period	From January 11, 2016 to March 31, 2016
HBL Asset Management Limited - Management Company	
Management fee	2,532
Allocation of expenses related to registrar services, accounting, operation and valuation services	119
Habib Bank Limited - Sponsor	
Profit on bank deposits	2,359
Profit received on bank deposits	2,294
Bank charges paid	4
Units issued: 1,000,000 units	100,000
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	314
14.2 Amounts outstanding as at period end	March 31, 2016 (Rupees in '000)
HBL Asset Management Limited - Management Company	
Management fee	1,358
Sindh Sales tax	201
Preliminary expenses and flotation costs payable	1,075
Allocation of expenses related to registrar services, accounting, operation and valuation services	119
Sales load payable	8,398
Habib Bank Limited - Sponsor	
Investment Held in the Fund 1,000,000	100,900
Bank balances	143,027
Profit receivable on bank deposits	65
Central Depository Company of Pakistan Limited - Trustee	
Remuneration payable	184

15. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **April 29, 2016**.

16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

**For HBL Asset Management Limited
(Management Company)**

Chief Executive

Director

(021) 111-425-262 www.hblasset.com

HBL Asset Management Limited



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