

HBL Income Fund

Fund Manager's Report August 2010

Investment Objective:

The objective of the Fund is to provide a stable stream of income with a moderate level of risk by investing in fixed income securities.

Fund Information :

Fund Type	Open-end
Category	Income Fund
	(not categorized as per SECP categorization)
Launch Date	March 15, 2007
Net Assets	PKR 1.575 billion
NAV	PKR 99.04
Benchmark	1 M KIBOR
Dealing Days	Monday - Friday
Cut-off Time	9:00 AM - 3:00 PM
Pricing Mechanism	Forward pricing
Management Fee	1.50 % per annum
Front End /Back End Load	NIL / NIL
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM3 + (JCRVIS & Co.)
Fund Stability Rating	A (f) (JCRVIS & Co.)
Risk Profile of the Fund	Moderate
Members of Investment Committee:	<ul style="list-style-type: none"> • Mr. Shahid Ghaffar • Mr. Rehan N. Shaikh • Mr. Amir Khan • Mr. Umar Farooq • Mr. Noman Qurban

Asset Allocation (% of Total Assets)

	Aug 10	July 10
Cash	0.51%	0.80%
T-bills	30.98%	30.11%
PIBs	1.48%	1.52%
Tern Finance Certificates	63.74%	64.20%
Others	3.29%	3.37%

Leverage Nil Nil

Top Ten TFC Holdings/Sukuk (% of Total Assets)

Engro Chemical Perpetual I	12.15%	Orix Leasing Pakistan Limited	5.91%
UBL IV	9.93%	Faysal Bank Limited	3.75%
NIB Bank Limited	9.84%	Engro Chemical Perpetual II	2.07%
World Call Telecom Limited	6.99%	Maple Leaf Cement Sukuk	1.63%
Pakistan Mobile Com. Limited	5.94%	Al-Abbas Sugar Mills Limited	1.47%

Weighted Average time to maturity 2.98 Years

Fund Returns

	HBL IF	BM*
Year to Date (YTD)	11.40%	12.55%
Trailing 12-Month (Jul 09 – Jun 10)	13.35%	12.52%

* 1 M KIBOR

Details of non-compliant investments (securities below investment grade - Rs. In millions)

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held	Value of investment after provision	% of Net Assets	% of Gross Assets
Maple Leaf Cement Factory Limited	Sukuk	34.99	9.14	25.85	1.64%	1.66%
Maple Leaf Cement Factory Limited	Sukuk ii	1.31	1.31	0.00	0.00%	0.00%
Saudi Pak Leasing Co. Limited	TFC	7.50	2.04*	5.46	0.35%	0.35%
New Allied Electronics Industries	Sukuk	45.00	45.00	0.00	0.00%	0.00%
New Allied Electronics Industries	TFC	21.56	21.56	0.00	0.00%	0.00%
Eden Housing Limited	Sukuk	12.50	12.50	0.00	0.00%	0.00%
Agritech Limited	TFC	8.99	1.80	7.19	0.46%	0.46%

*Represents unrealized diminution in price

Fund Manager's Commentary

The Interbank market was mostly witnessed trading between 40 – 60 bps below the discount rate of 13.00%.

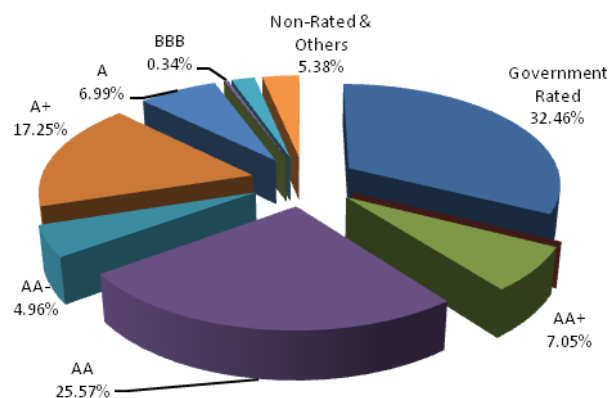
State Bank of Pakistan conducted the scheduled fortnightly T-Bills auction where a combined participation of PKR 309.6 billion was witnessed. The highest level of participation was witnessed in 3-Month T-bills with a combined participation of PKR 202.7 billion where as the participations in 6 month & 12 month T-bills remained low at PKR 63.9 & PKR 42.9 billion respectively. The total auction amounted to PKR 199.4 billion against the combined auction target of PKR 200 billion. It is important to note that out of the total auctioned amount of PKR 199.4 billion, PKR 169.24 billion were auctioned in 3-months tenor. The cut off rates for 3 month T-bills increased by 41 bps to 12.5171% where as the cut off rates for 6 and 12 month T-bills increased by 34 bps & 35 bps to 12.6976% and 12.7845% respectively.

PIB auction was held on 19th August 2010. Total participation of PKR 15.5 billion was witnessed during the auction with highest participation of PKR 8.00 billion in 10 years tenor. State Bank of Pakistan however rejected all bids in all tenors.

The KIBOR Rates during the month of Aug 2010 increased sharply. Average 1-Month KIBOR increased by 38 bps to 12.74% as compare to 12.36% during the month of July 2010. The reason for the sharp increase in KIBOR and T-bill cut off rates was due to the 50 bps increase in discount rate.

Activity in the TFC market remained low with some trading activity in banking sector. Fund's exposure in TFCs decreased marginally by 0.46% to 63.74% in August 2010 from 64.20% of total assets in July 2010.

Asset Quality of Portfolio (% of Total Assets)



HBL Asset Management

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HBL Multi Asset Fund

Fund Manager's Report August 2010

Investment Objective:

The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes such as Equity, Equity related instruments, Fixed Income Securities, Derivatives and money market instruments etc.

Fund Information :

Fund Type	Open-end
Category	Balanced Fund (Not categorized as per SECP categorization)
Launch Date	December 14, 2007
Net Assets	PKR 350.76 million
NAV	PKR 82.19
Benchmark	50% KSE-100 Index and 50% 1 Month KIBOR
Dealing Days	Monday – Friday
Cut-off Time	9:00 AM - 3:00 PM
Pricing Mechanism	Forward pricing
Management Fee	2.0 % per annum
Front End / Back End load	2.0% / Nil
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM3 + (JCR-VIS Credit Rating Limited)
Risk Profile of the Fund	Moderate / High
Members of Investment Committee:	<ul style="list-style-type: none"> • Mr. Shahid Ghaffar • Mr. Rehan N. Shaikh • Mr. Amir Khan • Mr. Umar Farooq • Mr. Noman Qurban

Asset Allocation (% of Total Assets)

	Aug 10	Jul 10
Cash	3.47%	8.44%
T-Bills	20.16%	13.26%
Equity Shares	46.04%	57.13%
TFCs	19.58%	19.27%
Others	10.75%	1.90%
Leverage	Nil	Nil

Sector Allocation (% of Total Assets)

	Aug 10
Oil & Gas	17.81%
Chemicals	11.47%
Banks	7.54%
Electricity	6.69%
Pharma & Bio Tech	0.91%
Others	1.62%

Fund Returns

	MAF	BM*
Year to Date (YTD)	2.15%	2.56%
Trailing 12-Month	5.09%	8.72%

* 50% KSE-100 Index and 50% 1 Month KIBOR

Fund Manager's Commentary

The magnitude of movement in the month of Aug 2010 was almost the same as Jul 2010 as the index range of almost about 994 points was witnessed in both months. The sentiment however was bearish which was totally opposite of July.

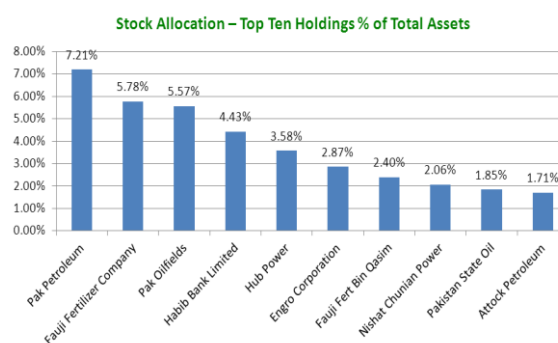
The KSE100 touched a high of 10,480 points on 4th day of Aug 10 followed by which the index continued to decline till 9,488 points. On MoM basis the KSE100 lost 6.71% and closed the month at 9,813 points. Average daily volumes remained lower than last month as they decreased by 17.85% to 56.51mn shares compared to 68.80mn shares last month.

Foreign investors' interest in the KSE seemed slightly dipped as downside of 2.4% from \$42.33mn of July 10 to \$41.32mn of Aug 10 has been registered.

Extra ordinary monsoon rains in northern areas of Pakistan has caused devastating flood deteriorating economy and infrastructure in almost all provinces of Pakistan. Primarily all of the sectors remained negatively affected by gargantuan flood but among all agriculture; E&P and power sector hit the most. Massive flood has resulted in downward revision in macro economic indicators, cabinet meeting has revised GDP growth estimate for FY11 to 2.5% as compare to initial estimate of 4.5%, fiscal deficits to around 6-7% of GDP and inflation will may remain under the range from 15-20%.

The KIBOR Rates during the month of Aug 2010 increased sharply. Average 1-Month KIBOR increased by 38 bps to 12.74% as compare to 12.36% during the month of July 2010. The reason for the sharp increase in KIBOR and T-bill cut off rates was due to the 50 bps increase in discount rate.

TFCs Holdings (% of Total Assets)			
UBL IV	6.41%	Saudi Pak Leasing	4.52%
Orix Leasing PPTFC	4.73%	NIB bank Limited	3.93%



Details of non-compliant investments (securities below investment grade - Rs. In millions)

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held	Value of investment after provision	% of Net Assets	% of Gross Assets
Saudi Pak Leasing Co. Limited	TFC	21.13	4.76*	16.37	4.67%	4.52%

*Represents unrealized diminution in price

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HBL Asset Management

HBL Stock Fund

Fund Manager's Report August 2010

Investment Objective:

The objective of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities and equity related investment.

Fund Information :

Fund Type	Open-end
Category	Stock Fund (Not categorized as per SECP categorization)
Launch Date	August 27, 2007
Net Assets	PKR 1.617 billion
NAV	PKR 82.63
Benchmark	KSE-100 Index
Dealing Days	Monday-Friday
Cut-off Time	9:00 AM - 3:00 PM
Pricing Mechanism	Forward pricing
Management Fee	3.0 % per annum
Front End / Back End load	2.5% / Nil
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM3 + (ICR-VIS Credit Rating Limited)
Risk Profile of the Fund	High
Members of Investment Committee:	<ul style="list-style-type: none"> • Mr. Shahid Ghaffar • Mr. Rehan N. Shaikh • Mr. Amir Khan • Mr. Umar Farooq • Mr. Noman Qurban

Asset Allocation (% of Total Assets)

	Aug 10	Jul 10
Cash	2.57%	1.39%
T-Bills	15.24%	17.59%
Equity Shares	77.36%	79.99%
TFCs	0.00%	0.00%
Others	4.83%	1.03%

Leverage	Nil	Nil
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Sector Allocation (% of Total Assets)

	Aug 10
Oil & Gas	28.01%
Chemicals	17.88%
Banks	13.71%
Electricity	9.20%
Personal Goods	1.87%
Others	6.69%

Fund Returns

	HBL SF	BM*
Year to Date (YTD)	1.95%	0.94%
Trailing 12-Month	-0.08%	4.96%

* KSE 100- Index

Fund Manager's Commentary

The magnitude of movement in the month of Aug 2010 was almost the same as Jul 2010 as the index range of almost about 994 points was witnessed in both months. The sentiment however was bearish which was totally opposite of July.

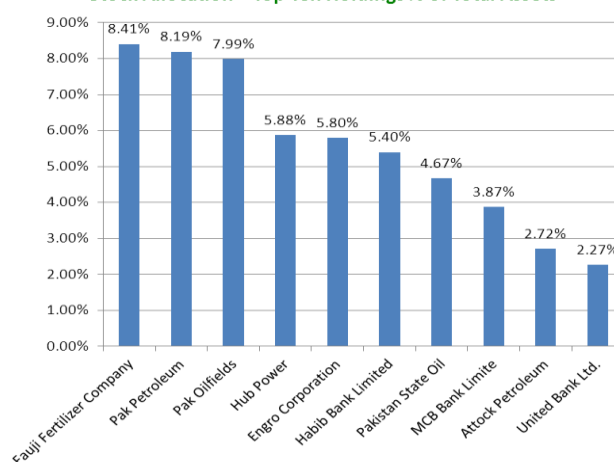
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Foreign investors' interest in the KSE seemed slightly dipped as downside of 2.4% from \$42.33mn of July 10 to \$41.32mn of Aug 10 has been registered.

Extra ordinary monsoon rains in northern areas of Pakistan has caused devastating flood deteriorating economy and infrastructure in almost all provinces of Pakistan. Primarily all of the sectors remained negatively affected by gargantuan flood but among all agriculture; E&P and power sector hit the most. Massive flood has resulted in downward revision in macro economic indicators, cabinet meeting has revised GDP growth estimate for FY11 to 2.5% as compare to initial estimate of 4.5%, fiscal deficits to around 6-7% of GDP and inflation will may remain under the range from 15-20%.

The fate of leverage product is still under shade as no concrete decisions has been taken by the incumbents. Moreover, reservation by the KSE chairman and other officials of SECP has dulled the direction of stock market.

Stock Allocation – Top Ten Holdings % of Total Assets



HBL Asset Management

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8B 8th Floor, Dolmen City, Executive Tower, Block 4, Clifton, Karachi. Phone: 021-35290171-86 Fax: 021-35290189

HBL Money Market Fund

Fund Manager's Report

August 2010

Investment Objective:

The objective of the Fund is to seek high liquidity and comparative return for investors by investing in low risk securities of shorter duration and maturity.

Fund Information :

Fund Type	Open-end
Category	Money Market
Launch Date	July 12, 2010
Net Assets	PKR 758.01 million
NAV	PKR 101.3676
Benchmark	50% 3-M PKRV & 50% 3-M Deposit rate
Dealing Days	Monday - Friday
Cut-off Time	9:00 AM - 3:00 PM
Pricing Mechanism	Forward pricing
Management Fee	1.00 % per annum
Front End /Back End Load	NIL / NIL
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM3 + (JCRVIS & Co.)
Fund Stability Rating	AA+ (f) (JCRVIS & Co.)
Risk Profile of the Fund	Low
Members of Investment Committee:	<ul style="list-style-type: none"> • Mr. Shahid Ghaffar • Mr. Rehan N. Shaikh • Mr. Amir Khan • Mr. Umar Farooq • Mr. Noman Qurban

<u>Asset Allocation (% of Total Assets)</u>	<u>Aug 10</u>	<u>July 10</u>
Cash	0.43%	0.47%
T-bills	49.03%	99.01%
Reverse Repo	50.37%	0.00%
Others	0.17%	0.52%

Leverage Nil Nil

Weighted Average time to maturity 12.35 Days

<u>Fund Returns</u>	<u>HBL MMF</u>	<u>BM*</u>
Year to Date (YTD)	10.40%	10.21%

* 50% 3-Month PKRV & 50% 3-Month Deposit Rate

Fund Manager's Commentary

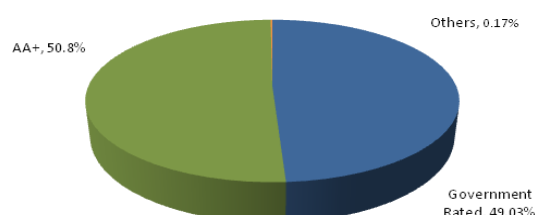
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State Bank of Pakistan conducted the scheduled fortnightly T-Bills auction where a combined participation of PKR 309.6 billion was witnessed. The highest level of participation was witnessed in 3-Month T-bills with a combined participation of PKR 202.7 billion where as the participations in 6 month & 12 month T-bills remained low at PKR 63.9 & PKR 42.9 billion respectively. The total auction amounted to PKR 199.4 billion against the combined auction target of PKR 200 billion. It is important to note that out of the total auctioned amount of PKR 199.4 billion, PKR 169.24 billion were auctioned in 3-months tenor. The cut off rates for 3 month T-bills increased by 41 bps to 12.5171% where as the cut off rates for 6 and 12 month T-bills increased by 34 bps & 35 bps to 12.6976% and 12.7845% respectively.

PIB auction was held on 19th August 2010. Total participation of PKR 15.5 billion was witnessed during the auction with highest participation of PKR 8.00 billion in 10 year tenors. State Bank of Pakistan however rejected all bids in all tenors.

Increase in cut off rates and higher interest in shorter tenor instruments by the market participants represents a rising interest rate scenario, therefore the Fund is maintaining a weighted average time to maturity of less than 30 days.

Asset Quality of Portfolio (% of Total Assets)



HBL Asset Management

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