

HBL Income Fund

Fund Manager's Report December 2009

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 1.64 billion |
| NAV | PKR 98.33 |
| Benchmark | 1 M KIBOR |
| Dealing Days | Monday - Saturday |
| Cut-off Time | 9:00-15:00 (Mon-Fri) 9:00-12:00 (Sat) |
| Pricing Mechanism | Forward pricing |
| Management Fee | 1.50 % per annum |
| Sales load Front End/Back End | 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)

| | Dec 09 | Nov 09 |
|---------------------------|--------|--------|
| Cash | 0.75% | 2.15% |
| Term Deposits with Banks | 10.83% | 6.13% |
| T-bills | 13.05% | 49.08% |
| PIBs | 1.45% | 0.83% |
| Term Finance Certificates | 69.62% | 39.93% |
| Others | 4.30% | 1.88% |
| Leverage | Nil | Nil |

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

| | | | |
|---------------------------------|---------|------------------------------|-------|
| Engro Chemical Perpetual I | 11.74 % | Worldcall Telecom Limited | 6.65% |
| Pakistan Mobile Com.Ltd 3-Years | 10.69% | Faysal Bank Limited | 3.67% |
| NIB Bank Ltd. | 9.11% | Engro Chemical Perpetual II | 1.93% |
| UBL IV | 9.02% | Al-Abbas Sugar Mills Limited | 1.62% |
| Orix Leasing Pakistan Limited. | 7.06% | Maple Leaf Sukuk | 1.58% |

Weighted Average time to maturity 3.25 Years

Fund Returns

| | HBL IF | BM* |
|-------------------------------------|--------|--------|
| Year to Date (YTD) | 14.46% | 12.53% |
| Trailing 12-Month (Dec 08 – Nov 09) | 14.56% | 12.73% |

* 1 M KIBOR

Fund Manager's Commentary

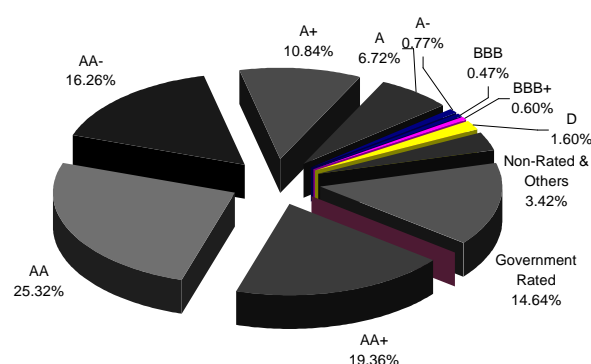
For the month of December 2009, interbank market remained reasonably liquid as evident from the declining KIBOR and T-Bill yields.

State Bank of Pakistan conducted three T-bill auctions during the month of December 2009 with a combined auction target of PKR 50 billion. SBP auctioned a total of PKR 59.8 billion worth of T-Bills against a total participation of PKR 182.42 billion. Highest participation was witnessed in the 12 month T-bills with a total participation of PKR 73.90 billion. Heavy participation was also witnessed in the 6 month T-bills with a total participation of 70.45 billion where as the participation in the 3 months tenor remained comparatively low with a total participation of PKR 38.06 billion. Declining trend in cut off rates was witnessed in all three auctions. The cut off rates for 3-month T-bills declined by a total of 32 bps to 12.1495% where as the cut off rates for 6 & 12 months T-bills declined by 22 & 13 bps to 12.2351% and 12.1913% respectively.

KIBOR for the month of December hovered in a short range representing the lesser volatility in the inter bank during the month. 1-Month KIBOR started off at 12.37% and closed at 12.46% with a maximum of 12.55% and a minimum of 12.33%. The average 1-Month KIBOR declined by 26 basis points to 12.44% as compared to 12.70 % in November 2009.

The trading activity in TFCs remained moderate during the month. Fund's exposure in TFCs increased from 39.93% to 69.62% of the Fund size. This increase is due to the reduction in fund size.

Portfolio Quality (% of Total Assets)



HBL ASSET MANAGEMENT

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HBL Multi Asset Fund

Fund Manager's Report December 2009

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 360.48 million |
| NAV | PKR 95.31 |
| 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)

| | Dec 09 | Nov 09 |
|---------------|--------|--------|
| Cash | 12.43% | 4.33% |
| Equity Shares | 55.81% | 54.64% |
| TFCs | 27.27% | 34.62% |
| PIBs | 0.00% | 0.00% |
| T-Bills | 0.00% | 0.00% |
| Others | 4.49% | 6.41% |

Leverage Nil Nil

Sector Allocation (% of Total Assets)

| | Dec 09 |
|---------------------------------|--------|
| Oil & Gas Exploration | 33.93% |
| Fertilizer | 21.52% |
| Commercial Banks | 20.83% |
| Power Generation & Distribution | 9.92% |
| Cement | 2.47% |
| Others | 11.33% |

Fund Returns

| | MAF | BM* |
|-------------------------------------|--------|--------|
| Year to Date (YTD) | 17.75% | 21.90% |
| Trailing 12-Month (Nov 08 - Oct 09) | 46.67% | 34.85% |

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

Fund Manager's Commentary

The month started with market under pressure due to various reasons including Dubai World crisis. Market lost 2.1% on the first day of the month and closed with an increase of 1.96% in Dec-09. Negative sentiments in the market prevailed in the initial sessions of the month and the market touched its low for the month of 8,816 on Dec 08, 2009. The growing uncertainty on political and economic fronts kept investors interest low. The average trading volume for Dec 09 declined by 6.44% to 119.23 million shares compared to 127.42 million shares in Nov 09. Although growing political uncertainty and deteriorating law and order situation has also kept foreign investment near to the ground as during the month under review net foreign buying reduced to only \$ 0.115 billion from \$ 12.96 billion in Nov09, however the market did not break the low of 8,684 made in Nov-09 and started to recover. After facing resistance near November's high of 9,381, the KSE100 faced resistance multiple times, but near month end crossed above the 9,500 level

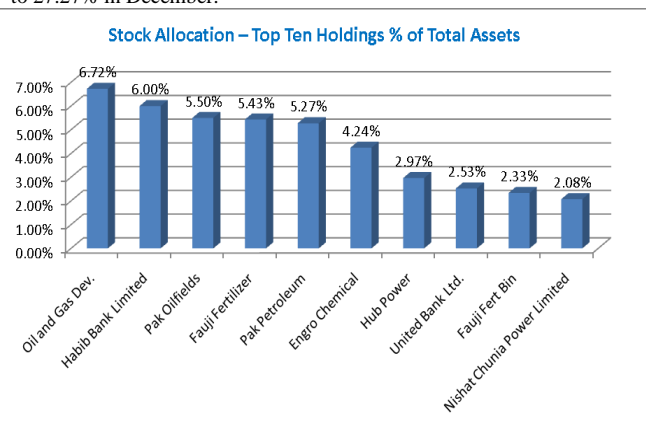
On macro economic front, latest data is giving mixed signals about the economy. In the first five months of current fiscal year, Current Account Deficit (CAD) has reduced by the significant margin of 81% to \$1.36 billion from \$7.32 billion reported in the corresponding period last year. This massive reduction in CAD can be mainly attributed to steep decline in imports as during this period imports declined by around 21% to \$12.374 billion compared to \$15.70 billion reported in the same period last year.

For the month of December 2009, inter bank market remained reasonably liquid as evident from the declining KIBOR and T-Bill yields.

The approval of \$1.2 billion (including \$ 400 million for budgetary support) tranche by IMF will improve the foreign exchange reserves position of the country that are expected to touch \$15 billion mark. Review of the country's macro economic performance indicates that is showing signs of recovery, but some risks remain with respect to poor law and order situation and lower tax base.

KIBOR for the month of December hovered in a short range representing the lesser volatility in the inter bank during the month. 1-Month KIBOR started off at 12.37% and closed at 12.46% with a maximum of 12.55% and a minimum of 12.33%. The average 1-Month KIBOR declined by 26 basis points to 12.44% as compared to 12.70 % in November 2009.

Your fund remained invested to the extent 55.81% in the equity market. The fund however reduced its exposure in TFCs from 34.62% in November 2009 to 27.27% in December.



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HBL Stock Fund

Fund Manager's Report December 2009

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 1.713 billion |
| NAV | PKR 93.32 |
| 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 - (JCR-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 |

| <u>Asset Allocation (% of Total Assets)</u> | <u>Dec 09</u> | <u>Nov 09</u> |
|---|---------------|---------------|
| Cash | 7.75% | 3.73% |
| Term Deposits | 0.00% | 0.00% |
| T-Bills | 13.73% | 16.08% |
| Equity Shares | 74.78% | 75.57% |
| TFCs | 2.19% | 2.26% |
| Others | 1.55% | 2.36% |

| | | |
|----------|-----|-----|
| Leverage | Nil | Nil |
|----------|-----|-----|

| <u>Sector Allocation (% of Total Assets)</u> | <u>Dec 09</u> |
|--|---------------|
| Oil & Gas Exploration | 28.12% |
| Fertilizer | 18.66% |
| Commercial Banks | 18.63% |
| Power Generation & Distribution | 9.48% |
| Oil & Gas Marketing | 8.89% |
| Others | 16.22% |

| <u>Fund Returns</u> | <u>HBL SF</u> | <u>BM*</u> |
|-------------------------------------|---------------|------------|
| Year to Date (YTD) | 22.50% | 31.06 % |
| Trailing 12-Month (Nov 08 – Oct 09) | 58.90% | 56.97% |

* KSE 100- Index

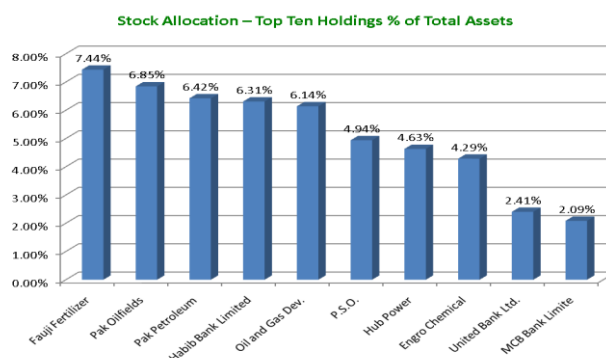
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The month started with market under pressure due to various reasons including Dubai World crisis. Market lost 2.1% on the first day of the month and closed with an increase of 1.96% in Dec-09. Negative sentiments in the market prevailed in the initial sessions of the month and the market touched its low for the month of 8,816 on Dec 08, 2009. The growing uncertainty on political and economic fronts kept investors interest low. The average trading volume for Dec 09 declined by 6.44% to 119.23 million shares compared to 127.42 million shares in Nov 09. Although growing political uncertainty and deteriorating law and order situation has also kept foreign investment near to the ground as during the month under review net foreign buying reduced to only \$ 0.115 million from \$ 12.96 million in Nov09, however the market did not break the low of 8,684 made in Nov-09 and started to recover. After facing resistance near November's high of 9,381, the KSE100 faced resistance multiple times, but near month end crossed above the 9,500 level.

On macro economic front, latest data is giving mixed signals about the economy. In the first five months of current fiscal year, Current Account Deficit (CAD) has reduced by the significant margin of 81% to \$1.36 billion from \$7.32 billion reported in the corresponding period last year. This massive reduction in CAD can be mainly attributed to steep decline in imports as during this period imports declined by around 21% to \$12.374 billion compared to \$15.70 billion reported in the same period last year. Furthermore, Pakistan received only \$774 million in the category of Foreign Direct Investment in July-Nov 09 compared to \$1.62 billion received in the corresponding period last year, reflecting a steep decline of 52%.

The approval of \$1.2 billion (including \$ 400 million for budgetary support) tranche by IMF will improve the foreign exchange reserves position of the country that are expected to touch \$15 billion mark. Review of the country's macro economic performance indicates that is showing signs of recovery, but some risks remain with respect to poor law and order situation and lower tax base.

Your fund was invested to the extent of 75% in equities, 14% in t-bills, 8% in cash and 3% in TFCs and others. We remain focused at cautiously monitoring the stock market and continue to look for investment opportunities.



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