

HBL Income Fund

Fund Manager's Report January 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 2.007 billion |
| NAV | PKR 98.98 |
| 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 |
| 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: | Mr. Shahid Ghaffar Mr. Rehan N. Shaikh Mr. Amir Khan Mr. Umar Farooq Mr. Noman Qurban |

Asset Allocation (% of Total Assets)

| | Jan 10 | Dec 09 |
|---------------------------|--------|--------|
| Cash | 1.87% | 0.75% |
| Term Deposits with Banks | 0.00% | 10.83% |
| T-bills | 36.56% | 13.05% |
| PIBs | 1.20% | 1.45% |
| Term Finance Certificates | 56.34% | 69.62% |
| Others | 4.03% | 4.30% |
| Leverage | Nil | Nil |

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

| | | | |
|---------------------------------|-------|------------------------------|-------|
| Pakistan Mobile Com.Ltd 3-Years | 9.07% | Worldcall Telecom Limited | 5.45% |
| Engro Chemical Perpetual I | 8.85% | Faysal Bank Limited | 3.02% |
| UBL IV | 7.68% | Engro Chemical Perpetual II | 1.43% |
| NIB Bank Limited | 7.55% | Al-Abbas Sugar Mills Limited | 1.33% |
| Orix Leasing Pakistan Limited. | 5.77% | Maple Leaf Sukuk | 1.29% |

Weighted Average time to maturity 2.64 Years

Fund Returns

| | HBL IF | BM* |
|-------------------------------------|--------|--------|
| Year to Date (YTD) | 13.49% | 12.51% |
| Trailing 12-Month (Feb 09 – Jan 10) | 14.19% | 12.65% |

* 1 M KIBOR

Disclaimer:

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Fund Manager's Commentary

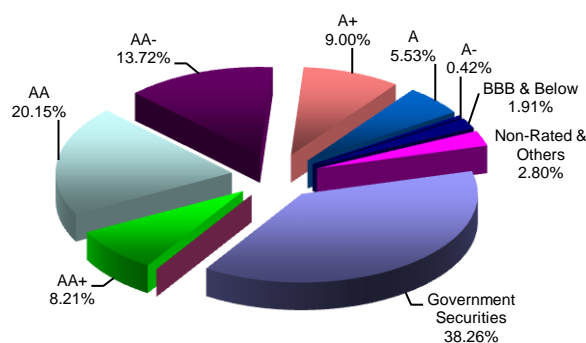
For the month of January 2010, inter bank market remained reasonably liquid as evident from the declining KIBOR and T-Bill yields.

State Bank of Pakistan conducted fortnightly T-bill auctions during the month of January 2010 with a combined auction target of PKR 45 billion. SBP auctioned a total of PKR 92.07 billion worth of T-Bills against a total participation of PKR 217.36 billion. Highest participation was witnessed in the 6 month T-bills with a total participation of PKR 103.88 billion. Heavy participation was also witnessed in the 12 month T-bills with a total participation of 71.28 billion where as the participation in the 3 months tenor remained comparatively low with a total participation of PKR 42.19 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 18 bps to 12.8742% where as the cut off rates for 6 & 12 months T-bills declined by 20 & 7 bps to 11.8970% and 12.0150% respectively.

1 Month KIBOR for the month of January started off at 12.44% and closed at 12.39% with a maximum of 12.44% and a minimum of 12.22% The average 1-Month KIBOR declined by 8 basis points to 12.36% as compared to 12.44 % in December 2009.

Trading activity in the TFC market remained moderate and mostly among banking TFCs. Fund's exposure in TFCs decreased from 69.62% to 56.34% of the Fund size. This decrease is due to the increase in Fund size and market valuation of some TFCs.

Asset Quality of Portfolio (% of Total Assets)



HBL Multi Asset Fund

Fund Manager's Report
January 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 360.85 million |
| NAV | PKR 95.61 |
| 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 (ICR-VIS Credit Rating Limited) |
| Risk Profile of the Fund | Moderate / High |
| Members of Investment Committee: | Mr. Shahid Ghaffar Mr. Rehan N. Shaikh Mr. Amir Khan Mr. Umar Farooq Mr. Noman Qurban |

Asset Allocation (% of Total Assets)

| | Jan 10 | Dec 09 |
|---------------|--------|--------|
| Cash | 13.22% | 12.43% |
| Equity Shares | 56.89% | 55.81% |
| TFCs | 25.82% | 27.27% |
| PIBs | 0.00% | 0.00% |
| T-Bills | 0.00% | 0.00% |
| Others | 4.07% | 4.49% |

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

Sector Allocation (% of Total Assets)

| | Jan 10 |
|-------------------|--------|
| Oil & Gas | 21.36% |
| Chemicals | 13.22% |
| Banks | 11.91% |
| Electricity | 5.54% |
| Pharma & Bio Tech | 1.15% |
| Others | 3.72% |

Fund Returns

| | MAF | BM* |
|-------------------------------------|--------|--------|
| Year to Date (YTD) | 18.12% | 23.44% |
| Trailing 12-Month (Jan 09 - Dec 09) | 40.87% | 43.60% |

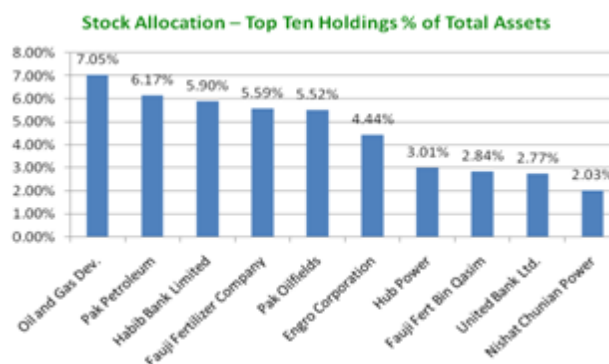
* 50% KSE-100 Index and 50% 1 Month KIBOR

Fund Manager's Commentary

For the month of January 2010, interbank market remained reasonably liquid as evident from the declining KIBOR and T-Bill yields. One Month KIBOR for the month of January started off at 12.44% and closed at 12.39% with a maximum of 12.44% and a minimum of 12.22%. The average 1-Month KIBOR declined by 8 basis points to 12.36% as compared to 12.44 % in December 2009. Trading activity in the TFC market remained moderate and mostly among banking TFCs.

KSE 100 index started with a positive sentiment as the market gained almost 2.87% in the first two trading sessions of the month. The market crossed 10,000 index level barrier twice during the month on intraday basis. After facing resistance at this level due to negative news flow on the political front, index failed to close above this critical level and started to decline. The KSE100 index then touched a low of 9,413 on January 28, 2010, where strong recovery was witnessed and the month closed at 9,614 with a minor gain of 2.42%.

The average trading volume for Jan 10 increased by 57.00% to 187.17 million shares compared to 119.22 million shares in Dec 09. However, towards the month end volumes declined and the KSE 100 index also witnessed a declining trend. This can be attributed to the growing political uncertainty after the detail judgement of Supreme Court over the NRO, unavailability of any leverage product in the market and selling pressure and dip in the regional markets. Added to the woes was a statement by the Finance Minister that capital gains tax would be implemented from July 10 onwards.



HBL ASSET MANAGEMENT

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Fund Manager's Report

HBL Stock Fund

January 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 1.735 billion |
| NAV | PKR 94.64 |
| 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: | Mr. Shahid Ghaffar Mr. Rehan N. Shaikh Mr. Amir Khan Mr. Umar Farooq Mr. Noman Qurban |

Asset Allocation (% of Total Assets)

| | Jan 10 | Dec 09 |
|---------------|--------|--------|
| Cash | 2.95% | 7.75% |
| Term Deposits | 0.00% | 0.00% |
| T-Bills | 13.36% | 13.73% |
| Equity Shares | 80.87% | 74.78% |
| TFCs | 2.05% | 2.19% |
| Others | 0.77% | 1.55% |

Leverage Nil Nil

Sector Allocation (% of Total Assets)

| | Jan 10 |
|------------------------------|--------|
| Oil & Gas | 31.36% |
| Chemicals | 17.66% |
| Banks | 15.08% |
| Electricity | 7.27% |
| Fixed Line Telecommunication | 1.68% |
| Others | 7.82% |

Fund Returns

| | HBL SF | BM* |
|-------------------------------------|--------|---------|
| Year to Date (YTD) | 24.23% | 34.24 % |
| Trailing 12-Month (Jan 09 - Dec 09) | 54.07% | 74.56 % |

* KSE 100- Index

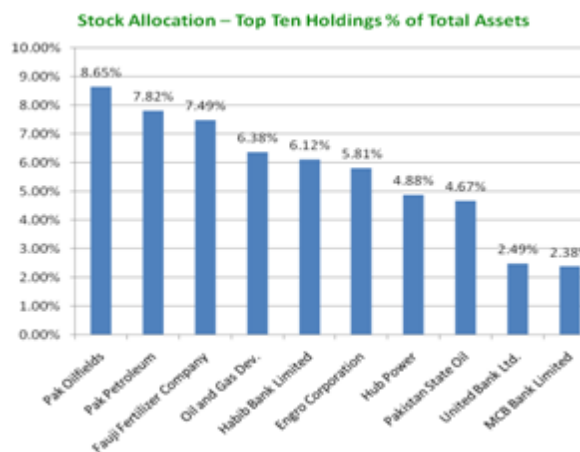
Fund Manager's Commentary

The month started with a positive sentiment as the market gained almost 2.87% in the first two trading sessions of the month. The market crossed 10,000 index level barrier twice during the month on intraday basis. After facing resistance at this level due to negative news flow on the political front, index failed to close above this critical level and started to decline. The KSE100 index then touched a low of 9,413 on January 28, 2010, where strong recovery was witnessed and the month closed at 9,614 with a minor gain of 2.42%

The average trading volume for Jan 10 increased by 57.00% to 187.17 million shares compared to 119.22 million shares in Dec 09. However, towards the month end volumes declined and the KSE 100 index also witnessed a declining trend. This can be attributed to the growing political uncertainty after the detail judgement of Supreme Court over the NRO, unavailability of any leverage product in the market and selling pressure and dip in the regional markets. Added to the woes was a statement by the Finance Minister that capital gains tax would be implemented from July 10 onwards.

On macro economic front, the current account deficit showed significant improvement as it had narrowed by more than Rs. 6 billion in the first half of current fiscal year through July 09 due to increase in remittances and fall in imports. Remittances during the first 6 months of current fiscal year had surged to \$ 4.53 billion from \$ 3.64 billion reported during the same period last year whereas imports recorded decline of approx. 18% during this period to \$ 15.02 billion from \$ 18.30 billion reported in the corresponding period last year. Despite improvements on the external side, the Rs/\$ exchange rate remained under pressure in Jan 10.

Your fund was invested to the extent of 80.87% in equities, 13.36% in T-bills, 2.95% in cash and 2.82% in TFCs and others.



HBL ASSET MANAGEMENT

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