

HBL Income Fund

Fund Manager's Report March 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 2.186 billion
NAV	PKR 99.28
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:	<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)

	Mar 10	Feb 10
Cash	15.76%	2.16%
T-bills	28.79%	30.23%
PIBs	1.10%	1.32%
Tern Finance Certificates	52.24%	62.86%
Others	2.11%	3.43%

Leverage Nil Nil

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

Pakistan Mobile Com.Ltd 3-Years	8.37%	World Call Telecom Limited	5.09%
Engro Chemical Perpetual I	8.11%	Faysal Bank Limited	2.77%
UBL IV	7.23%	Engro Chemical Perpetual II	1.42%
NIB Bank Limited	7.09%	Al-Abbas Sugar Mills Limited	1.25%
Orix Leasing Pakistan Limited	5.25%	Maple Leaf Sukuk	1.18%

Weighted Average time to maturity 2.65 Years

Fund Returns

	HBL IF	BM*
Year to Date (YTD)	13.06%	12.46%
Trailing 12-Month (Apr 09 – Mar 10)	11.04%	12.68%

* 1 M KIBOR

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Fund Manager's Commentary

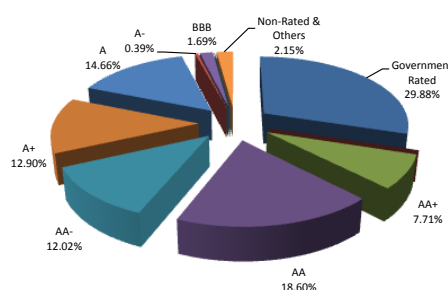
Inter bank market for the month of March 2010 during the first half of the month traded close to the discount rate, however in the latter half of the month the interbank market remained fairly liquid.

State Bank of Pakistan conducted two fortnightly T-bill auctions during the month of March 2010 with a combined auction target of PKR 160 billion. SBP auctioned a total of PKR 181.40 billion worth of T-Bills against a total participation of PKR 271.20 billion. Highest participation was witnessed in the 12 month T-bills with a total participation of PKR 115.04 billion. Where as the participation in the 3 months & 6 Month tenor remained comparatively low with a total participation of PKR 29.4 billion and PKR 36.90 billion respectively. Only a slight increase in cut off rates were witnessed 6 & 12 Month T-bills where the Cut offs increased by 6 bps to 12.3481 & 12.4062 respectively. The cut off rate for the 3 Month T-bills remained unchanged at 12.1954%.

1-Month KIBOR for the month of March 2010 started off at 12.44% and closed at 12.37% with a maximum of 12.51% and a minimum of 12.37%. The average 1-Month KIBOR increased by 5 basis points to 12.46% as compared to 12.41% in February 2010.

Trading activity in the TFC market remained moderate with most of the activity in banking and fertilizer sectors. Fund's exposure in TFCs declined from 62.86% to 52.24% of the Fund size. This decrease is due to an increase in Fund size and change in market valuation of some TFCs.

Asset Quality of Portfolio (% of Total Assets)



HBL ASSET MANAGEMENT

HBL Multi Asset Fund

Fund Manager's Report March 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 375.98 million
NAV	PKR 100.06
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:	<ul style="list-style-type: none"> • Mr. Shahid Ghaffar • Mr. Rehan N. Shaikh • Mr. Amir Khan • Mr. Umar Farooq • Mr. Noman Qurban • Mrs. Uzma Khan

Asset Allocation (% of Total Assets)

	Mar 10	Feb 10
Cash	10.74%	15.21%
T-Bills	12.82%	0.00%
Equity Shares	52.34%	55.77%
TFCs	19.24%	26.54%
Others	4.86%	2.48%

Leverage	Nil	Nil
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Sector Allocation (% of Total Assets)

	Mar 10
Oil & Gas	19.77%
Chemicals	12.36%
Banks	10.49%
Electricity	5.60%
Pharma & Bio Tech	1.11%
Others	3.02%

Fund Returns

	MAF	BM*
Year to Date (YTD)	23.62%	27.30%
Trailing 12-Month	22.86%	26.71%

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

Fund Manager's Commentary

Interbank market for the month of March 2010 during the first half of the month traded close to the discount rate however in the latter half of the month the interbank market remained fairly liquid.

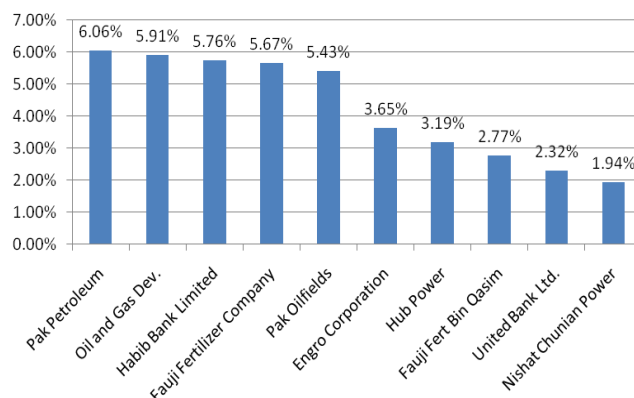
1-Month KIBOR for the month of March 2010 started off at 12.44% and closed at 12.37% with a maximum of 12.51% and a minimum of 12.37%. The average 1-Month KIBOR increased by 5 basis points to 12.46% as compared to 12.41% in February 2010.

Trading activity in the TFC market remained moderate with most of the activity in banking and fertilizer sectors. Fund's exposure in TFCs declined from 62.86% to 52.24% of the Fund size. This decrease is due to an increase in Fund size and change in market valuation of some TFCs.

KSE 100 index finally managed to break the crucial resistance level of 10,000 during the month. Market remained volatile in this month starting with 9,662 it touched 10,284 on 31 March 2010 and went as low as 9,370 on 4th March 2010, showing a massive swing of around 10% (from the month low). Positive sentiments in the equity market are aided by \$ 113 million of foreign portfolio investment against an inflow of only \$ 16.82 million last month. Moreover, positive sentiment prevailed on the outcome of Pakistan-US strategic dialogue with the US announcing \$125 million assistance for Pakistan's water and power sectors along with commitment of speedy release of Competitiveness Support Fund.

Continued flow of foreign portfolio investment will remain the key market driver, along with political clarity after signing of the historic document of the draft of 18th Amendment. On the other hand Budget considerations, most notably the implementation of Capital Gain Tax can give some jitters to the market.

Stock Allocation – Top Ten Holdings % of Total Assets



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HBL Stock Fund

Fund Manager's Report March 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 1.775 billion
NAV	PKR 99.39
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 • Mrs. Uzma Khan

<u>Asset Allocation (% of Total Assets)</u>	<u>Mar 10</u>	<u>Feb 10</u>
Cash	0.14%	4.96%
T-Bills	14.70%	13.41%
Equity Shares	81.63%	79.33%
TFCs	0.00%	1.22%
Others	3.53%	1.08%
Leverage	Nil	Nil

<u>Sector Allocation (% of Total Assets)</u>	<u>Mar 10</u>
Oil & Gas	31.85%
Chemicals	18.91%
Banks	14.42%
Electricity	7.70%
Fixed Line Telecommunication	2.05%
Others	6.70%

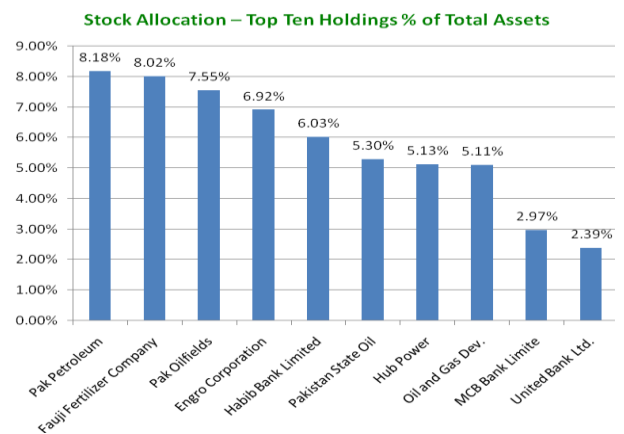
<u>Fund Returns</u>	<u>HBL SF</u>	<u>BM*</u>
Year to Date (YTD)	30.47%	42.11%
Trailing 12-Month	28.64%	40.78%
* KSE 100- Index		

Fund Manager's Commentary

KSE 100 index finally managed to break the crucial resistance level of 10,000 during the month. Market remained volatile in this month starting with 9,662 it touched 10,284 on 31 March 2010 and went as low as 9,370 on 4th March 2010, showing a massive swing of around 10% (from the month low). Positive sentiments in the equity market are aided by \$ 113 million of foreign portfolio investment against an inflow of only \$ 16.82 million last month. Moreover, positive sentiment prevailed on the outcome of Pakistan-US strategic dialogue with the US announcing \$125 million assistance for Pakistan's water and power sectors along with commitment of speedy release of Competitiveness Support Fund.

Meanwhile, Central Bank unveiled monetary policy opting to keep discount rate unchanged at 12.50% for Apr-May'10. Market was expecting some relaxation in interest rates, but persistent pressure on inflation along with weak fiscal position remain the main hurdle in reducing rates. Though inflationary pressures have reduced but still persist on the back of removal of subsidy on energy sector prices. Similarly delay in foreign flows, particularly from Friends of Democratic Pakistan, has made the fiscal outlook vulnerable. Though delay in the fifth IMF tranche of \$ 1.2 billion was not so positive for market, but continued Foreign investors interest kept the sentiment alive.

Continued flow of foreign portfolio investment will remain the key market driver, along with political clarity after signing of the historic document of the draft of 18th Amendment. On the other hand Budget considerations, most notably the implementation of Capital Gain Tax can give some jitters to the market.



HBL ASSET MANAGEMENT

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