

HBL Income Fund

Fund Manager's Report
May 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 2.002 billion
NAV	PKR 99.66
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)

	May 10	Apr 10
Cash	2.03%	2.34%
T-bills	33.71%	42.06%
PIBs	1.20%	1.22%
Tern Finance Certificates	50.34%	52.64%
Others	12.72%	1.74%
Leverage	Nil	Nil

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

Engro Chemical Perpetual I	9.22%	Pakistan Mobile Comm. Ltd.	4.62%
UBL IV	7.98%	Faysal Bank Limited	3.05%
NIB Bank Limited	7.84%	Engro Chemical Perpetual II	1.59%
World Call Telecom Limited	5.06%	Maple Leaf Cement Sukuk	1.28%
Orix Leasing Pakistan Limited	4.66%	Al-Abbas Sugar Mills Limited	1.17%

Weighted Average time to maturity 2.46 Years

Fund Returns

	HBL IF	BM*
Year to Date (YTD)	13.05%	12.44%
Trailing 12-Month (Jun 09 – May 10)	11.80%	12.46%

* 1 M KIBOR

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Fund Manager's Commentary

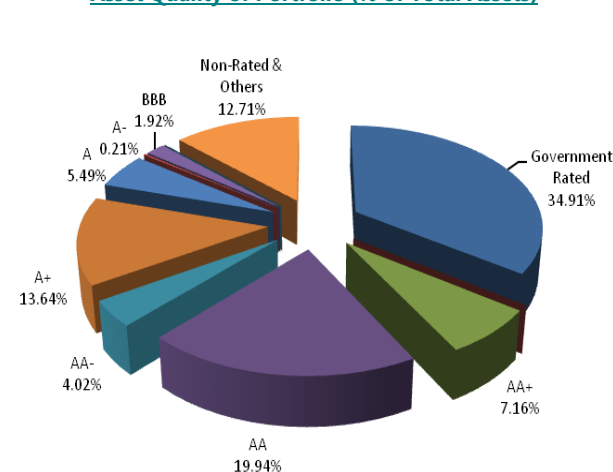
The interbank market remained fairly liquid throughout the month. The impact can be witnessed in the declining KIBOR and T-bill yields. State Bank of Pakistan announced the monetary policy and decided to maintain the policy rate at 12.50%.

A declining trend was witnessed in the T-bill auctions conducted during the month of May 2010. State Bank of Pakistan auctioned a total of PKR 159.9 billion against a combined auction target of PKR 135 billion. Total bids for PKR 388.8 billion were received for the two auctions combined together. Participants showed more interest in 12 month T-bills with a total participation of PKR 182.47 billion, whereas reasonable participation was witnessed in 3 months & 6 Month tenor with participations of PKR 94.8 billion and PKR 111.52 billion respectively. Declining trend in cut off rates continued from last month in T-Bills of all tenors. The cut off rate declined by 22, 18 & 16 basis points for 3 month, 6 month & 12 Month T-bills respectively.

The excess liquidity in the interbank market resulted in a sharp decline in KIBOR rates. Average 1-Month KIBOR declined by 27 bps to 12.10% from 12.37% in April 2010. 1M KIBOR started off at 12.13% and closed at 12.27% with a minimum of 11.92% and a maximum of 12.30%.

Activity in the TFC market remained moderate with majority trades taking place in the banking and fertilizer sectors. Fund's exposure in TFCs declined marginally to 50.34% in May 2010 from 52.64% of total assets in April 2010.

Asset Quality of Portfolio (% of Total Assets)



HBL Asset Management

HBL Multi Asset Fund

Fund Manager's Report
May 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 353.36 million
NAV	PKR 94.45
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 • Mrs. Uzma Khan

Asset Allocation (% of Total Assets)

	May 10	Apr 10
Cash	5.50%	10.40%
T-Bills	13.76%	12.82%
Equity Shares	58.14%	55.66%
TFCs	20.32%	19.48%
Others	2.28%	1.64%

Leverage Nil Nil

Sector Allocation (% of Total Assets)

	Apr 10
Oil & Gas	25.88%
Chemicals	12.09%
Banks	10.50%
Electricity	5.98%
Pharma & Bio Tech	0.97%
Others	2.72%

Fund Returns

	MAF	BM*
Year to Date (YTD)	16.69%	21.35%
Trailing 12-Month	24.52%	27.99%

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

Fund Manager's Commentary

The interbank market remained fairly liquid throughout the month. The impact can be witnessed in the declining KIBOR and T-bill yields. State Bank of Pakistan announced the monetary policy and decided to maintain the policy rate at 12.50%.

The excess liquidity in the interbank market resulted in a sharp decline in KIBOR rates. Average 1-Month KIBOR declined by 27 bps to 12.10% from 12.37% in April 2010. 1M KIBOR started off at 12.13% and closed at 12.27% with a minimum of 11.92% and a maximum of 12.30%.

Activity in the TFC market remained moderate with majority trades taking place in the banking and fertilizer sectors.

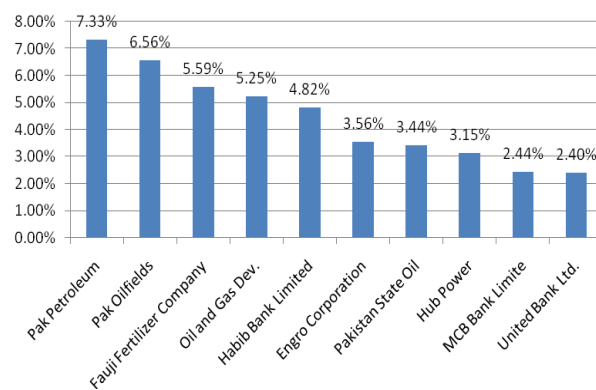
The month of May 2010 was very volatile as the KSE100 Index moved in a range of about 1,300 points. On MoM basis the KSE100 lost 10.56% and touched a low of 9,295 points on May 31, 2010 and closed at 9,326 points. Volumes remained depressed as they decreased by 48.19% to 100.68mn shares compared to 194.31mn shares last month. Furthermore, foreign portfolio investment reduced to USD 25.62 mn during the month as compared to USD 80.28 mn invested in April 2010, a drop of 68%.

Your fund was invested to the extent of 58.14% in equities, 13.76% in T-bills, 20.32% in TFCs and 7.78% in cash and others.

TFCs Holdings (% of Total Assets)

UBL IV	6.52%	Saudi Pak Leasing	4.51%
Orix Leasing PPTFC	5.33%	NIB bank Limited	3.96%

Stock Allocation – Top Ten Holdings % of Total Assets



HBL Asset Management

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HBL Stock Fund

Fund Manager's Report May 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 1.565 billion
NAV	PKR 89.69
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

Asset Allocation (% of Total Assets)

	May 10	Apr 10
Cash	1.25%	2.80%
T-Bills	12.53%	13.78%
Equity Shares	85.15%	82.68%
TFCs	0.00%	0.00%
Others	1.07%	0.74%

Leverage	Nil	Nil
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Sector Allocation (% of Total Assets)

	May 10
Oil & Gas	33.53%
Chemicals	19.20%
Banks	14.64%
Electricity	8.53%
Fixed Line Telecommunication	2.10%
Others	7.15%

Fund Returns

	HBL SF	BM*
Year to Date (YTD)	17.73%	30.22%
Trailing 12-Month	29.96%	43.31%

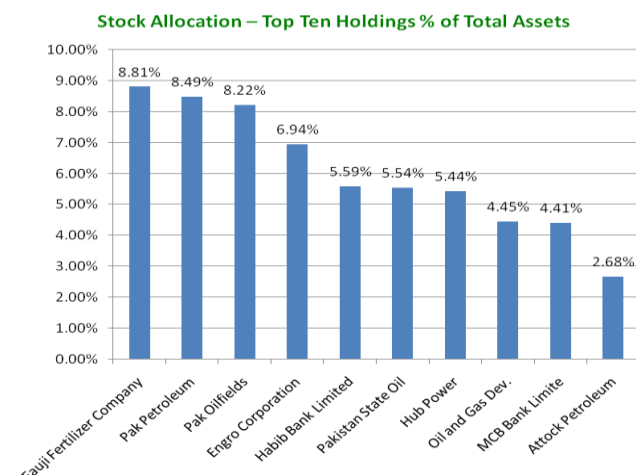
* KSE 100- Index

Fund Manager's Commentary

The month of May 2010 was very volatile as the KSE100 Index moved in a range of about 1,300 points. On MoM basis the KSE100 lost 10.56% and touched a low of 9,295 points on May 31, 2010 and closed at 9,326 points. Volumes remained depressed as they decreased by 48.19% to 100.68mn shares compared to 194.31mn shares last month. Furthermore, foreign portfolio investment reduced to USD 25.62 mn during the month as compared to USD 80.28 mn invested in April 2010, a drop of 68%.

Looking at the domestic side, numerous factors contributed in determining investors' sentiments. On negative front, uncertainty about imposition of CGT and VAT, deteriorating law and order situation around and within the borders, and double digit inflation numbers have hampered current economic recovery path. Moreover, due to unclear decisions in federal budget FY11 like expected removal of subsidies on power and imposition of additional taxes on banking sector have further dampen local investors' confidence. Besides these negatives, the economy has shown few signs of recovery like improvement in current account deficit (CAD) position to USD 3.06 bn in 10 months FY10 from USD 8.98 bn in 10 months FY09, depicting a decline of 66%. Key reasons behind improving CAD position are: 1) sharp increase in remittances which stood at USD 7.3bn in 10MFY, up by 15% YoY and 2) significant decrease in trade deficits as it stood at USD 9.09bn, down by 18.4% YoY.

Your fund was invested to the extent of 85.15% in equities, 12.53% in T-bills, 2.32% in cash and others.



HBL Asset Management

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