

HBL Income Fund

Fund Manager's Report
May 2007

Investment Objective:

The objective of HBL Income 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 Income Fund
Currency	Pak Rupee (PKR)
Management Company	HBL Asset Management Ltd.
Registrar	HBL Asset Management Ltd.
Trustee	Central Depository Company of Pakistan Ltd.
Auditors	A. F. Ferguson & Co.
Sales Load	N I L
Minimum Investment	PKR 5,000
Management Fee	1.50%
NAV per Unit	101.92

Fund Manager Mr. Amir Khan

Size of Fund: 3.735 billion

Total Return: 9.47%
(Since inception 19th March 2007)

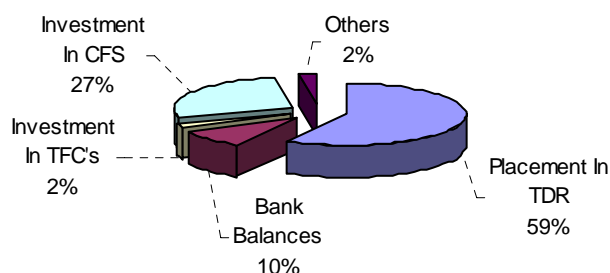
Fund Manager's Commentary:

Surplus liquidity dominated the money market for the month under review which kept interest and CFS rates under pressure. The Broad Money (M2) surpassed the target of 13.5% and touched its highest level of 13.99% on 12th May 2007 before coming down to 13.76% on 19th May 2007. The rise in M2 can be attributed to the increase in Net Foreign Assets (NFA) and higher government borrowings. With expected increase in NFA in the near future, the money market may continue to experience surplus liquidity in the short term. The average rate of one month KIBOR in May 2007 was 9.46% while the average rate of CFS was 11.73% in May 2007 as against 11.77% in April 2007.

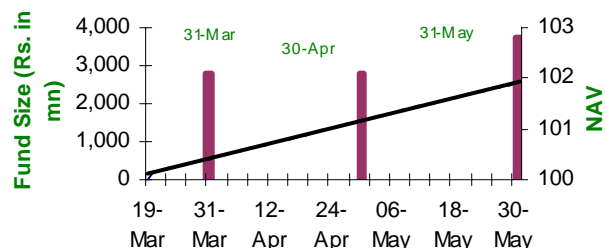
Due to low interest/CFS rates the return of the Fund was under pressure and the annualized return of the Fund upto 31st May 2007 was 9.47%. The size of the fund increased by 34% to Rs. 3.735 billion.

During the period under review the Fund increased its exposure in CFS from 22% to 27%. The Fund has made commitments in some of the upcoming TFCs and disbursements against these TFCs are expected by June/July 2007. This will help your Fund to increase its exposure in TFCs.

Asset Allocation (As on 31st May 2007)



NAV and Fund Size



HBL ASSET MANAGEMENT

Disclaimer:

All investments in mutual funds and securities are subject to market risk. The NAV based price of these units and any dividends and return thereon are dependant on forces and factors affecting the capital markets. These may go up or down on market conditions. Past performance is not necessarily indicative to future results. Please read the offering document to understand the investment policies and the risk involved.