

HBL Income Fund

Fund Manager's Report
October 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 1.563 billion
NAV	PKR 100.50
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)

	Oct 10	Sep 10
Cash	0.16%	0.25%
T-bills	39.77%	31.82%
PIBs	1.45%	1.46%
Tern Finance Certificates	56.65%	64.29%
Others	1.97%	2.18%

Leverage Nil Nil

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

Engro Chemical Perpetual I	11.82%	Faysal Bank Limited	3.75%
UBL IV	10.32%	Engro Chemical Perpetual II	2.10%
NIB Bank Limited	9.99%	Maple Leaf Cement Sukuk	1.39%
World Call Telecom Limited	5.89%	Al-Abbas Sugar Mills Limited	1.47%
Orix Leasing Pakistan Limited	5.98%	Bank Al-Falah II	1.26%

Weighted Average time to maturity 2.92 Years

Fund Returns

	HBL IF	BM*
Year to Date (YTD)	9.61%	12.65%
Trailing 12-Month	11.96%	12.52%

* 1 M KIBOR

Details of non-compliant investments (securities below investment grade - Rs. In millions)

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held	Value of investment after provision	% of Net Assets	% of Gross Assets
Maple Leaf Cement Factory Limited	Sukuk	34.98	9.14	25.84	1.65%	1.65%
Saudi Pak Leasing Co. Limited	TFC	7.40	2.95*	4.46	0.29%	0.29%
New Allied Electronics Industries	Sukuk	45.00	45.00	0.00	0.00%	0.00%
New Allied Electronics Industries	TFC	21.56	21.56	0.00	0.00%	0.00%
Eden Housing Limited	Sukuk	12.50	12.50	0.00	0.00%	0.00%
AgriTech Limited	TFC	9.99	3.69	6.29	0.40%	0.40%

*This includes unrealized diminution in price amounting to Rs.138,525/-

Fund Manager's Commentary

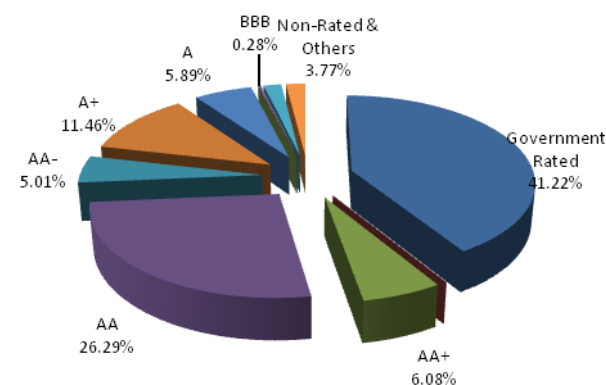
For the month of October 2010 State Bank of Pakistan allowed the market to remain liquid. Mop up open market operations were conducted at lower rates. This excess liquidity resulted in a limited increase in T-bill cut off rates.

State Bank of Pakistan conducted two fortnightly T-Bills auctions in a very liquid market which resulted in a very heavy combined participation of PKR 687 billion. Highest participation was once again witnessed in the 3 month tenor where the total participation amounted to PKR 309.9 billion. Improvement was seen in the participation trend in 6 month tenor where the participation amounted to PKR 136 billion. Participation in the 12 month tenor remained low PKR 16.1 billion representing markets concerns over further increase in discount rate. The total realized principal amount in the auctions was PKR 206 billion with a maximum amount of PKR 112.08 billion in 3 months tenor, PKR 84.86 billion in 6 month tenors & PKR 9.25 billion in 12 months. The cut off rates for 3 month T-bills increased by 5 bps to 12.7933% where as the cut off rates for 6 month T-bills increased by 23 bps to 12.1420%. The Cut off rates for 12 month T-Bills increased by 45 bps in the first auction, all bids in the 12 month tenor were rejected during the second auction for the month.

The average 1 Month KIBOR Rates during the month of October 2010 increased by only 5 bps to 12.78%.

TFC market remained illiquid with some trading activity in the banking TFCs. Fund's exposure in TFCs reduced from 64.29% in Sep to 56.65% in Oct. The reduction in exposure is due to the maturity of Pakistan Mobile communication Limited TFC.

Asset Quality of Portfolio (% of Total Assets)



HBL ASSET MANAGEMENT

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HBL Multi Asset Fund

Fund Manager's Report October 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 359.06 million
NAV	PKR 84.99
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)

	Oct 10	Sep 10
Cash	0.83%	0.56%
T-Bills	35.42%	36.56%
Equity Shares	42.89%	41.73%
TFCs	18.90%	19.27%
Others	1.96%	1.88%

Leverage	Nil	Nil
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Sector Allocation (% of Total Assets)

	Oct 10
Oil & Gas	16.65%
Chemicals	10.76%
Electricity	7.22%
Banks	6.75%
Construction & Materials	0.56%
Others	0.95%

Fund Returns

	MAF	BM*
Year to Date (YTD)	5.63%	6.61%
Trailing 12-Month	8.35%	13.80%

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

Fund Manager's Commentary

The equity market generally remained bullish throughout the month of October 2010 and traded near the April 2010 peak of 10,731 points. However it closed at 10,598 points after touching a high of 10,772 points on October 28, 2010. On a MoM basis KSE 100 index gained 5.84%. Average daily volumes increased by 75.99% to 106.95mn shares compared to 60.77mn shares last month.

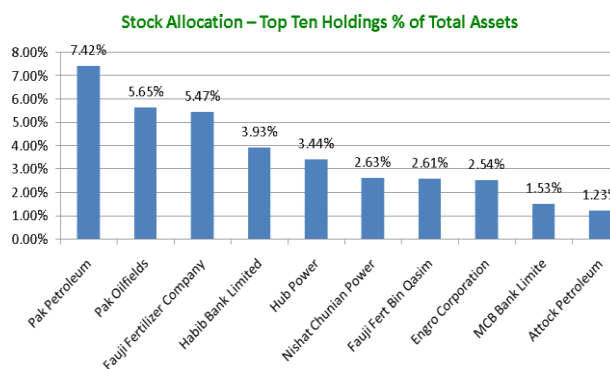
The magnitude of movement in the month of Oct 2010 increased to 779 points compared to 490 points in Sep 2010. This is reflective of increasing investor confidence as the Supreme Court verdict on the 18th amendment eased tensions between the government and the judiciary.

Foreign investment increased by 41.3% as it rose from \$22.5mn in Sept 10 to \$31.8mn in Oct 10.

For the month of October 2010 State Bank of Pakistan allowed the market to remain liquid. Mop up open market operations were conducted at lower rates. This excess liquidity resulted in a limited increase in T-bill cut off rates.

State Bank of Pakistan conducted two fortnightly T-Bills auctions in a very liquid market which resulted in a very heavy combined participation of PKR 687 billion. Highest participation was once again witnessed in the 3 month tenor where the total participation amounted to PKR 309.9 billion. Improvement was seen in the participation trend in 6 month tenor where the participation amounted to PKR 136 billion. Participation in the 12 month tenor remained low PKR 16.1 billion representing markets concerns over further increase in discount rate. The total realized principal amount in the auctions was PKR 206 billion with a maximum amount of PKR 112.08 billion in 3 months tenor, PKR 84.86 billion in 6 month tenor & PKR 9.25 billion in 12 months. The cut off rates for 3 month T-bills increased by 5 bps to 12.7933% where as the cut off rates for 6 month T-bills increased by 23 bps to 12.1420%. The Cut off rates for 12 month T-Bills increased by 45 bps in the first auction, all bids in the 12 month tenor were rejected during the second auction for the month.

TFCs Holdings (% of Total Assets)			
UBL IV	6.57%	NIB Bank Limited	3.93%
Orix Leasing PPTFC	5.00%	Saudi Pak Leasing	3.40%



Details of non-compliant investments (securities below investment grade - Rs. In millions)

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held	Value of investment after provision	% of Net Assets	% of Gross Assets
Saudi Pak Leasing Co. Limited	TFC	20.89	8.48*	12.41	3.46%	3.40%

*This includes unrealized diminution in price amounting to Rs. 386,044.

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HBL Stock Fund

Fund Manager's Report October 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 1.707 billion
NAV	PKR 87.22
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

Asset Allocation (% of Total Assets)

	Oct 10	Sep 10
Cash	0.20%	0.65%
T-Bills	25.30%	25.66%
Equity Shares	73.02%	72.51%
TFCs	0.00%	0.00%
Others	1.48%	1.18%
Leverage	Nil	Nil

Sector Allocation (% of Total Assets)

	Oct 10
Oil & Gas	26.58%
Chemicals	16.72%
Banks	12.68%
Electricity	8.96%
Personal Goods	2.09%
Others	5.99%

Fund Returns

	HBL SF	BM*
Year to Date (YTD)	7.61%	9.02%
Trailing 12-Month	6.86%	15.12%

* KSE 100- Index

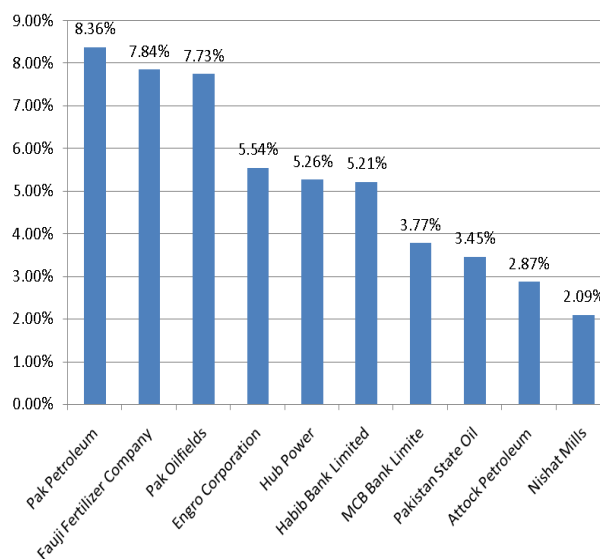
Fund Manager's Commentary

The market generally remained bullish throughout the month of October 2010 and traded near the April 2010 peak of 10,731 points. However it closed at 10,598 points after touching a high of 10,772 points on October 28, 2010. On a MoM basis KSE 100 index gained 5.84%. Average daily volumes increased by 75.99% to 106.95mn shares compared to 60.77mn shares last month.

The magnitude of movement in the month of Oct 2010 increased to 779 points compared to 490 points in Sep 2010. This is reflective of increasing investor confidence as the Supreme Court verdict on the 18th amendment eased tensions between the government and the judiciary.

Foreign investment increased by 41.3% as it rose from \$22.5mn in Sept 10 to \$31.8mn in Oct 10.

Stock Allocation – Top Ten Holdings % of Total Assets



HBL Money Market Fund

Fund Manager's Report

October 2010

Investment Objective:

The objective of the Fund is to seek high liquidity and comparative return for investors by investing in low risk securities of shorter duration and maturity.

Fund Information :

Fund Type	Open-end
Category	Money Market
Launch Date	July 12, 2010
Net Assets	PKR 1.450 billion
NAV	PKR 103.2459
Benchmark	50% 3-M PKRV & 50% 3-M Deposit rate
Dealing Days	Monday – Friday
Cut-off Time	9:00 AM - 3:00 PM
Pricing Mechanism	Forward pricing
Management Fee	1.00 % 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	AA+ (f) (JCRVIS & Co.)
Risk Profile of the Fund	Low
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)

	Oct 10	Sep 10
Cash	0.19%	0.99%
T-bills	99.73%	98.86%
Reverse Repo	0.00%	0.00%
Others	0.08%	0.15%

Leverage Nil Nil

Weighted Average time to maturity 54.54 Days

Fund Returns

Year to Date (YTD) **HBL MMF** 10.87% **BM*** 10.49%

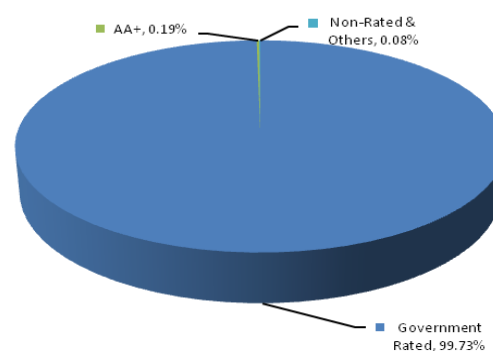
* 50% 3-Month PKRV & 50% 3-Month Deposit Rate

Fund Manager's Commentary

For the month of October 2010 State Bank of Pakistan allowed the market to remain liquid. Mop up open market operations were conducted at lower rates. The excess liquidity resulted in a limited increase in T-bill cut off rates despite a 50 bps change in discount rate.

State Bank of Pakistan conducted two T-Bill auctions in the month of October 2010 in a very liquid market which resulted in a very heavy combined participation of PKR 687 billion. Highest participation was once again witnessed in the 3 month tenor where the total participation amounted to PKR 309.9 billion. Improvement was seen in the participation trends in 6 month tenor where the participation amounted to PKR 136 billion. Participation in the 12 month tenor remained low at PKR 16.1 billion representing market concerns over further increase in discount rate. The principal amount picked up by SBP during the two auctions amounted to PKR 206 billion with a maximum amount of PKR 112.08 billion in 3 months tenor, PKR 84.86 billion in 6 month tenor & PKR 9.25 billion in 12 months. The cut off rates for 3 month T-bills increased by 5 bps to 12.7933% where as the cut off rates for 6 month T-bills increased by 23 bps to 12.1420%. The Cut off rates for 12 month T-Bills increased by 45 bps in the first auction, all bids in the 12 month tenor were rejected during the second auction for the month.

Asset Quality of Portfolio (% of Total Assets)



HBL ASSET MANAGEMENT

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