

HBL Income Fund

Fund Manager's Report
September 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 1.575 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)

	Aug 10	Aug 10
Cash	0.25%	0.51%
T-bills	31.82%	30.98%
PIBs	1.46%	1.48%
Tern Finance Certificates	64.29%	63.74%
Others	2.18%	3.29%

Leverage Nil Nil

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

Engro Chemical Perpetual I	12.36%	Orix Leasing Pakistan Limited	5.94%
UBL IV	10.11%	Faysal Bank Limited	3.87%
NIB Bank Limited	9.83%	Engro Chemical Perpetual II	2.11%
World Call Telecom Limited	7.14%	Maple Leaf Cement Sukuk	1.63%
Pakistan Mobile Com. Limited	5.97%	Al-Abbas Sugar Mills Limited	1.39%

Weighted Average time to maturity 2.92 Years

Fund Returns

	HBL IF	BM*
Year to Date (YTD)	13.05%	12.61%
Trailing 12-Month	13.81%	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	1.64%	1.64%
Saudi Pak Leasing Co. Limited	TFC	6.25	1.7*	4.55	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	8.99	1.80	7.19	0.46%	0.46%

*Represents unrealized diminution in price

Fund Manager's Commentary

During the month of September 2010 the Interbank market remained mostly liquid especially during the latter half of the month. The market did suffer some shortage of liquidity due to Eid withdrawals during the start of the month. The overall market condition however remained uncertain due to the expected hike in Discount Rate.

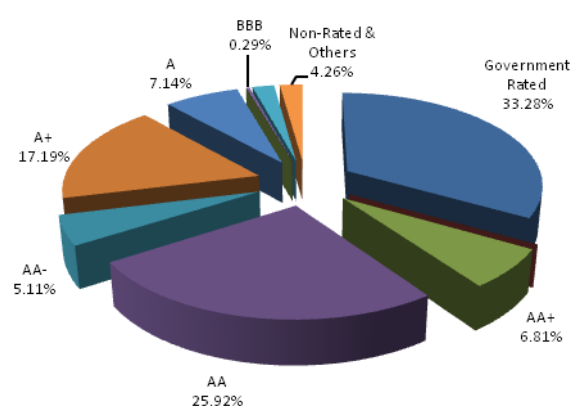
State Bank of Pakistan conducted the scheduled fortnightly T-Bills auction where a combined participation of PKR 179.06 billion was witnessed. Participation trend in 3-Month T-bills continued with the highest participation in both the auctions. A total of PKR 128.7 billion bids were received in 3-Month tenor, where as the participations continued to remain low in 6 month & 12 month T-bills with participations of PKR 33.85 billion & PKR 16.53 billion. The total auction amounted to PKR 137.80 billion against the combined auction target of PKR 150 billion. The cut off rates for 3 month T-bills increased by 23 bps to 12.7472% where as the cut off rates for 6 month T-bills increased by 18 bps to 12.8464%. The Cut off rates for 12 month T-Bills remained unchanged at 12.7873%.

Monetary Policy statement was announced on 29th September 2010 where the State Bank of Pakistan announced a 50 bps increase in Discount Rate. Cash & Statutory Liquidity Requirements remained unchanged.

The KIBOR Rates during the month of September 2010 decreased marginally by 1bps to 12.73%.

Activity in the TFC market remained low with some trading activity in banking sector. Fund's exposure in TFCs increased marginally by 0.55% to 64.29% in September 2010 from 63.74% of total assets in August 2010.

Asset Quality of Portfolio (% of Total Assets)



HBL ASSET MANAGEMENT

Disclaimer:

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HBL Multi Asset Fund

Fund Manager's Report September 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 345.57 million
NAV	PKR 81.78
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)

	Sep 10	Aug 10
Cash	0.56%	3.47%
T-Bills	36.56%	20.16%
Equity Shares	41.73%	46.04%
TFCs	19.27%	19.58%
Others	1.88%	10.75%

Leverage Nil Nil

Sector Allocation (% of Total Assets)

	Sep 10
Oil & Gas	16.43%
Chemicals	10.78%
Electricity	6.73%
Banks	6.37%
Pharma & Bio Tech	0.46%
Others	0.96%

Fund Returns

	MAF	BM*
Year to Date (YTD)	1.67%	3.08%
Trailing 12-Month	4.68%	10.91%

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

Fund Manager's Commentary

The negative move of the month of August 2010 was neutralized to some extent in September 2010 as the KSE100 moved from 9,813 points to 10,154 points during the first two weeks of the month. This was because of the changing investor expectation regarding the launch of Margin Trading System.

However, in later half of the month, the KSE 100 index lost its gains on the back of various factors including unstable political environment and the expectation of increase in interest rates in the upcoming monetary policy announcement near month end.

The index finally closed at 10,013 points with a gain of 2.04% on MoM basis. The magnitude of movement however in the month of Sep 2010 decreased to 489 points compared to 994 points in Aug 2010. Average daily volumes increased by 7.53% to 60.77mn shares compared to 56.51mn shares last month.

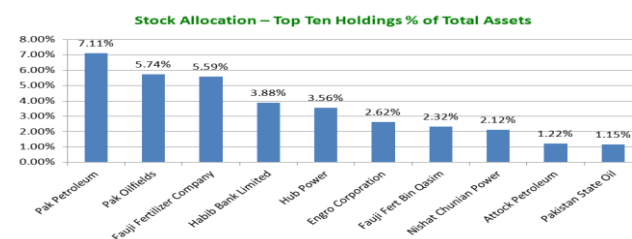
Due to uncertain economic growth coupled with political drama, foreign investment in this month registered portfolio investment of \$22 mn as compared to \$41 mn last month.

During the month of September 2010 the Interbank market remained mostly liquid especially during the latter half of the month. The market did suffer some shortage of liquidity due to Eid withdrawals during the start of the month. The overall market condition however remained uncertain due to the expected hike in Discount Rate.

State Bank of Pakistan conducted the scheduled fortnightly T-Bills auction where a combined participation of PKR 179.06 billion was witnessed. Participation trend in 3-Month T-bills continued with the highest participation in both the auctions. A total of PKR 128.7 billion of bids were received in 3-Month tenor, where as the participations continued to remain low in 6 month & 12 month T-bills with participations of PKR 33.85 billion & PKR 16.53 billion. The total auction amounted to PKR 137.80 billion against the combined auction target of PKR 150 billion. The cut off rates for 3 month T-bills increased by 23 bps to 12.7472% where as the cut off rates for 6 month T-bills increased by 18 bps to 12.8464%. The Cut off rates for 12 month T-Bills remained unchanged at 12.7873%.

Monetary Policy statement was announced on 29th September 2010 where the State Bank of Pakistan announced a 50 bps increase in Discount Rate. Cash & Statutory Liquidity Requirements remained unchanged.

TFCs Holdings (% of Total Assets)			
UBL IV	6.73%	NIB Bank Limited	4.05%
Orix Leasing PPTFC	4.88%	Saudi Pak Leasing	3.61%



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	17.4	4.74*	12.67	3.51%	3.45%

*Represents unrealized diminution in price

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HBL Stock Fund

Fund Manager's Report September 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 1.631 billion
NAV	PKR 83.35
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)

	Sep 10	Aug 10
Cash	0.65%	2.57%
T-Bills	25.66%	15.24%
Equity Shares	72.51%	77.36%
TFCs	0.00%	0.00%
Others	1.18%	4.83%
Leverage	Nil	Nil

Sector Allocation (% of Total Assets)

	Sep 10
Oil & Gas	26.73%
Chemicals	16.76%
Banks	12.53%
Electricity	8.79%
Personal Goods	1.95%
Others	5.75%

Fund Returns

	HBL SF	BM*
Year to Date (YTD)	2.84%	3.00%
Trailing 12-Month	2.60%	9.33%

* KSE 100- Index

Fund Manager's Commentary

The negative move of the month of August 2010 was neutralized to some extent in September 2010 as the KSE100 moved from 9,813 points to 10,154 points during the first two weeks of the month. This was because of the changing investor expectation regarding the launch of Margin Trading System.

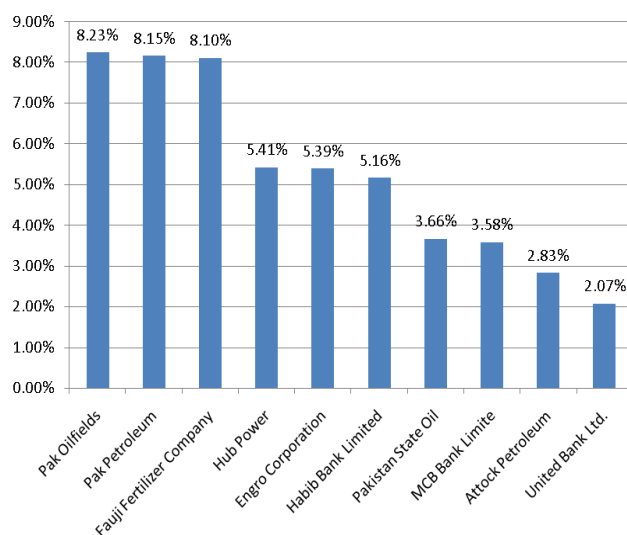
However, in later half of the month, the KSE 100 index lost its gains on the back of various factors including unstable political environment and the expectation of increase in interest rates in the upcoming monetary policy announcement near month end.

The index finally closed at 10,013 points with a gain of 2.04% on MoM basis. The magnitude of movement however in the month of Sep 2010 decreased to 489 points compared to 994 points in Aug 2010. Average daily volumes increased by 7.53% to 60.77mn shares compared to 56.51mn shares last month.

Due to uncertain economic growth coupled with political drama, foreign investment in this month registered portfolio investment of \$22 mn as compared to \$41 mn last month.

The month ended with a crucial decision of SBP to increase the policy rate by 50 bps to 13.5% for the next two months.

Stock Allocation – Top Ten Holdings % of Total Assets



HBL Money Market Fund

Fund Manager's Report

September 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 780.00 million
NAV	PKR 102.2806
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)

	Sep 10	Aug 10
Cash	0.99%	0.43%
T-bills	98.86%	49.03%
Reverse Repo	0.00%	50.37%
Others	0.15%	0.17%

Leverage Nil Nil

Weighted Average time to maturity 47.54 Days

Fund Returns

	HBL MMF	BM*
Year to Date (YTD)	10.68%	10.30%

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

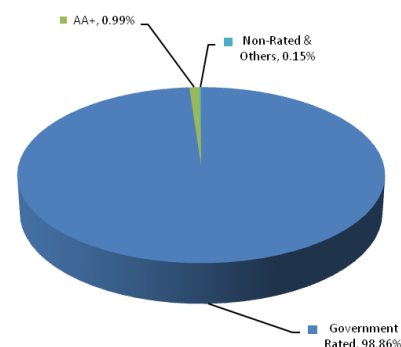
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Asset Quality of Portfolio (% of Total Assets)



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