

HBL Income Fund

**Fund Manager's Report
August 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 Limited
Registrar	HBL Asset Management Limited
Trustee	Central Depository Company of Pakistan Ltd.
Auditors	A. F. Ferguson & Co.
Sales Load	N I L
Min. Investment Amount	PKR 5,000
Management Fee	1.50% per annum
NAV per Unit	PKR 101.64

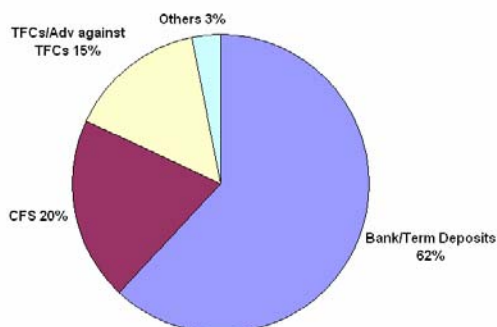
Fund Manager Mr. Amir Khan

Fund Size: PKR 6.10 billion

Fund Return:

Since Jul 01 to Aug 31, 07	9.18%
August 2007	8.75%
July 2007	9.53%

Asset Allocation as on August 31, 2007



Fund Manager's Commentary

The State Bank of Pakistan in the Monetary Policy Statement for July-December 2007 took a number of steps to contain inflation. The measures included changes in the CRR regime, increase in the discount rate by 50bps and changes in the Export Refinance Scheme (EFS) as a result of which commercial banks will finance the EFS to the extent of 30% from their own resources. Further the State Bank of Pakistan increased the cut off yields on Pakistan Investment Bonds (PIBs) in the auction on August 21, 2007. The yield on benchmark 10 year PIBs was raised to 10.35% from 10.12% and on 15 year PIBs to 11.15% from 10.98%.

In spite of above measures taken by central bank to arrest surplus liquidity, the pressure of surplus liquidity continued in the money market due to low credit take off. As a result the TDR/deposit rates continued to decline. Accordingly there was pressure on CFS rates which declined to as low as 10.60% in August 2007.

Due to low CFS rates and lesser demand, Fund's exposure in CFS was reduced to PKR 1,237 million or 20% of the total assets as on August 31, 2007, as against 24% in the last month. The Bank/Term Deposits stood at PKR 3,753 million or 62% of the total assets as on August 31, 2007. The exposure in TFCs/advance against TFCs increased marginally to PKR 898 million or about 15% of the total assets as on August 31, 2007 as against 14% on July 31, 2007. Spread transactions and other assets stood at PKR 208 million or 3% of the total assets as on August 31, 2007. The Fund has made commitments for subscriptions of various TFCs and disbursement against some TFCs is expected in September 2007. The fund size marginally declined from PKR 6.2 billion in July 2007 to PKR 6.10 billion in August 2007 due to redemptions.

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.

HBL ASSET MANAGEMENT