

HBL Income Fund

Fund Manager's Report
July 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
Registrar	HBL Asset Management
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 100.89

Fund Manager

Mr. Amir Khan

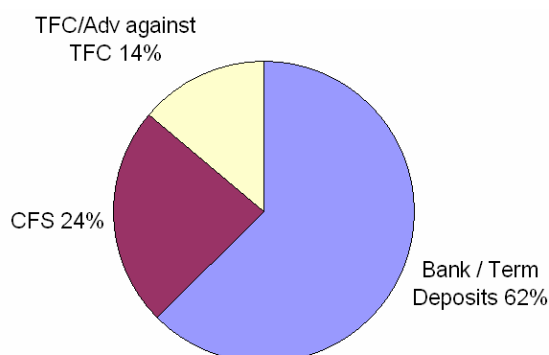
Fund Size:

PKR 6.20 billion

Fund Return:

July 2007	9.53%
June 2007	9.67%

Asset Allocation as on July 31, 2007



Fund Manager's Commentary

The M2 growth during FY 2007 accelerated to 19.30% against target of 13.50% owing to increase in Net Foreign Assets (NFA), higher government borrowings and the funds provided by the central bank to commercial banks for export refinancing schemes. As a result, the average one month KIBOR declined further from 9.42% to 9.31%

On July 31, 2007 the State Bank announced the Monetary Policy Statement for July-December 2007. Key highlights of the monetary policy include a 50bp discount rate hike to 10% and reduction in CRR to zero from 3% on Term Deposits of more than one year. In addition the central bank has modified financing arrangements in the Export Finance Scheme (EFS); the new export finance limit for FY08 will be fixed at the level of outstanding amounts as of June 30, 2007. The central bank will now only finance 70% of funds borrowed under the EFS scheme, whereas commercial banks will use their own resources to finance the remaining EFS target. This arrangement will help mopping up of surplus liquidity in the system. Going forward, we expect that measures taken in the monetary policy would help stabilize the interest rates.

The Fund's exposure in CFS stood at PKR 1,467 million or 24% of the Fund Size as on July 31, 2007 as against 12% on June 30, 2007. The Bank/Term Deposits stood at PKR 3,828 million or 62% of the Fund Size as on July 31, 2007 as against 79% on June 30, 2007. The exposure in TFCs/advance against TFCs was PKR 854 million or about 14% of the Fund Size as on July 31, 2007 as against 9% on June 30, 2007. The Fund has made commitments in TFCs and it is expected that exposure in TFCs will increase further. The funds under management stood at PKR 6.20 billion which was 23% higher than last month.

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.