

HBL Income Fund

**Fund Manager's Report
June 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
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 102.73

Fund Manager

Mr. Amir Khan

Fund Size:

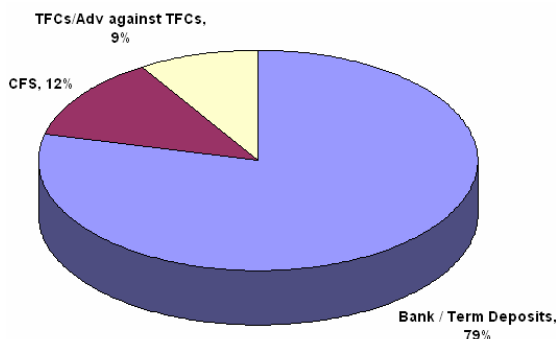
PKR 5.04 billion

Fund Return:

June 2007	9.67%
Since inception*	9.58%

* Since March 19, 2007

Asset Allocation As on June 30, 2007



Fund Manager's Commentary

The surplus liquidity continued to dominate the money market for the month under review. The average one month KIBOR rate declined further to 9.35% as against 9.47% in May 2007. The M2 growth which was 13.67% on May 19, 2007 increased sharply to 16.70% against government target of 13.50%. The increase in M2 is mainly attributable to increase in Net Foreign Assets (NFA) and higher government borrowing. The surplus liquidity is likely to have its bearing on interest rates at least in the short run.

During the period under review the Fund increased its exposure in TFCs to Rs. 220.30 million. Further a sum of Rs. 234.50 million was advanced against purchase of TFCs of various companies. The investment in TFCs /advance against TFCs was Rs.454.80 million which is 9% of the Fund as on June 2007 as against 2% of Fund in May 2007. The investment in CFS as on June, 2007 declined to Rs. 587.50 million or 12% of the Fund as against 1,000 million or 27% of the Fund in May 2007. The decline of Fund's exposure in CFS was due to imposition of tax on CFS on mutual funds investment in the Budget Proposals for the Year 2007-2008. As a result, the Fund reduced its exposure in CFS and increased its exposure in Term Deposits/ Bank Deposits from 69% in May 2007 to 79% in June 2007. The proposal to impose tax on CFS investment in mutual funds was subsequently withdrawn and Fund intends to increase its exposure in CFS investment. Further efforts would continue to increase exposure in TFCs.

Dividend Declaration

The Board of Directors of HBL Asset Management (The Management Company) for HBL Income Fund in their meeting held June 06, 2007 declared Bonus Distribution at Rs.2.65 per unit which entitles each eligible Unit Holder 0.02648 Bonus Unit for each existing unit held as on June 30, 2007.

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