

## HBL Income Fund

## Fund Manager's Report November 2009

### 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 2.91 billion
NAV	PKR 98.10
Benchmark	1 M KIBOR
Dealing Days	Monday - Saturday
Cut-off Time	9:00-15:00 (Mon-Fri) 9:00-12:00 (Sat)
Pricing Mechanism	Forward pricing
Management Fee	1.50 % per annum
Sales load Front End/Back End	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"> <li>• Mr. Shahid Ghaffar</li> <li>• Mr. Rehan N. Shaikh</li> <li>• Mr. Amir Khan</li> <li>• Mr. Umar Farooq</li> <li>• Mr. Noman Qurban</li> </ul>

### Asset Allocation (% of Total Assets)

	Nov 09	Oct 09
Cash	2.15%	0.15%
Term Deposits with Banks	6.13%	6.56%
T-bills	49.08%	47.05%
PIBs	0.83%	0.88%
Term Finance Certificates	39.93%	43.24%
Others	1.88%	2.12%

Leverage Nil Nil

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

Engro Chemical Perpetual I	6.61%	Worldcall Telecom Limited	3.74%
Pakistan Mobile Com.Ltd 3-Years	6.41%	Faysal Bank Limited	2.04%
UBL IV	5.24%	Engro Chemical Perpetual II	1.09%
NIB Bank Ltd.	5.13%	Maple Leaf Sukuk	1.08%
Orix Leasing Pakistan Limited.	3.98%	Al-Abbas Sugar Mills Limited	0.92%

Weighted Average time to maturity 2.00 Years

### Fund Returns

	HBL IF	BM*
Year to Date (YTD)	17.00%	12.55%
Trailing 12-Month (Dec 08 – Nov 09)	15.43%	12.89%

\* 1 M KIBOR

### Fund Manager's Commentary

For the month of November 2009, State bank of Pakistan conducted frequent open market operations to keep the market reasonably liquid. Banks and other institutions were mostly interested in taking positions in T-bills of longer maturities due to the strong expectations for a reduction in discount rate driven by the low inflation figure for the month of October 2009.

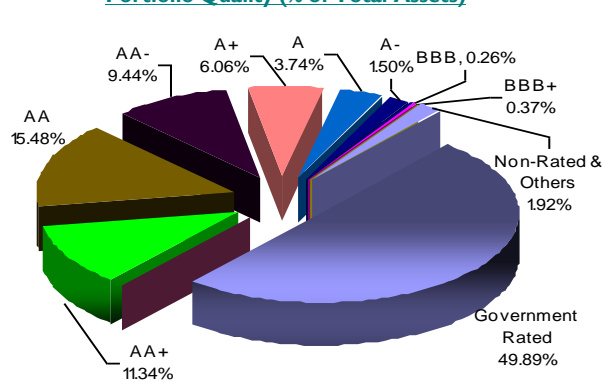
SBP conducted its fortnightly T-Bill auction on 5<sup>th</sup> Nov 2009; total participation of PKR 84.19 billion was witnessed with the highest participation of PKR 76.09 billion in 12 months tenor. SBP however auctioned a total of PKR 28.09 billion worth of T-Bills. Cut off Rates for 12 month T-bills were decreased by 9 bps to 12.5202%, whereas the cut off rates for 3-months & 6-months T-bills were reduced by 5 bps each to 12.4252% & 12.5517% respectively.

The second auction during the month was conducted on 19<sup>th</sup> Nov 2009, and a total participation of PKR 91.5 billion was witnessed against the auction target of PKR 20 billion. SBP auctioned PKR 26.42 billion worth of T-bills. Cut off rates for 3, 6 & 12 months T-bills declined by 5, 23 & 30 bps respectively. Strong anticipation of reduction in discount rate by 50 – 100 bps can be held responsible for the sharp decrease in T-bill cut offs.

State bank of Pakistan announced a 50 bps cut in discount rate in the monetary policy on 24<sup>th</sup> November 2009. As a result KIBOR plunged sharply and 1 Month KIBOR declined to 12.34% from 12.75% whereas the 1-Month KIBOR for the month of November 2009 started off at 12.80% and closed at 12.37%. The average 1-Month KIBOR decreased by 10 basis points to 12.70% as compared to 12.80 % in October 2009

TFC prices on selective securities showed increase, however the trading activity remained dull throughout the month. Funds exposure in TFC reduced from 43.24% to 39.93% of the Fund size, a decline of around 3.31%. This decrease was mainly due to increase in fund size from fresh investments.

### Portfolio Quality (% of Total Assets)



**HBL ASSET MANAGEMENT**

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## HBL Multi Asset Fund

## Fund Manager's Report November 2009

### 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 362.42 million
NAV	PKR 95.63
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"> <li>• Mr. Shahid Ghaffar</li> <li>• Mr. Rehan N. Shaikh</li> <li>• Mr. Amir Khan</li> <li>• Mr. Umar Farooq</li> <li>• Mr. Noman Qurban</li> </ul>

### Asset Allocation (% of Total Assets)

	Nov 09	Oct 09
Cash	4.33%	2.34%
Equity Shares	54.64%	50.48%
TFCs	34.62%	28.89%
PIBs	0.00%	3.77%
T-Bills	0.00%	11.43%
Others	6.41%	3.09%

Leverage Nil Nil

### Sector Allocation (% of Total Assets)

	Nov 09
Oil & Gas Exploration	18.57%
Fertilizer	12.31%
Commercial Banks	11.21%
Power Generation & Distribution	5.34%
Cement	1.39%
Others	5.82%

### Fund Returns

	MAF	BM*
Year to Date (YTD)	18.15%	20.62%
Trailing 12-Month (Nov 08 - Oct 09)	16.92%	6.31%

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

### Fund Manager's Commentary

For the month of November 2009, SBP conducted frequent open market operations to keep the market reasonably liquid. Banks and other institutions were mostly interested in taking positions in T-bills of longer maturities due to the strong expectations for a reduction in discount rate driven by the low inflation figure for the month of October 2009.

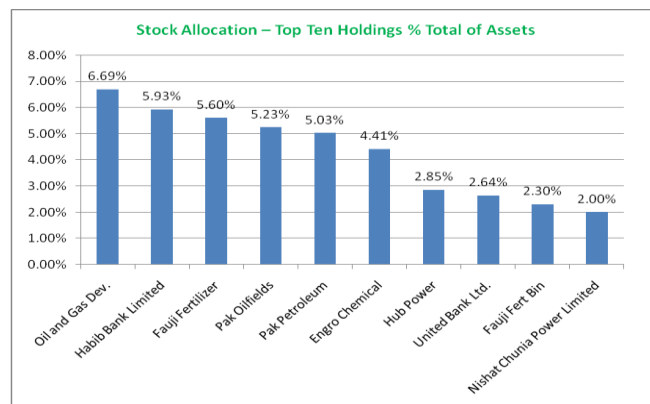
SBP announced a 50 bps cut in discount rate in the monetary policy on 24<sup>th</sup> November 2009. As a result KIBOR plunged sharply and 1 Month KIBOR declined to 12.34% from 12.75% whereas the 1-Month KIBOR for the month of November 2009 started off at 12.80% and closed at 12.37%. The average 1-Month KIBOR decreased by 10 basis points to 12.70% as compared to 12.80 % in October 2009

TFC prices on selective securities showed increase, however the trading activity remained dull throughout the month.

KSE-100 index traded in a band of almost 697 points throughout the month. It started the month at 9,159 and closed at 9,206, up by only 0.51%. Trading volume also remained thinner with 40% decline on MoM basis to 127.42 million shares in Nov 09 compared to 214.9 million shares in Oct 09.

KSE lackluster performance can be attributed to uncertainty on the political front especially on NRO and expected discount rate cut by State Bank of Pakistan. These factors kept foreign investment down by 66% on MoM basis with inflow at only \$12.96 million in Nov 09 compared to \$38.34 million in Oct 09.

On macroeconomic front some key indicators are depicting mixed trend. Although on YoY basis inflation continued its downward trend in Nov 09 and came to the level of 8.87%, however on MoM basis inflation was up by 1.00% compared to 0.45% reported in the October 09. At current level inflation is widely considered to have bottomed out on the back of expected increase in power and gas tariffs in the months ahead along with rising international oil prices.



HBL ASSET MANAGEMENT

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### HBL Stock Fund

### Fund Manager's Report November 2009

#### 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 1.691 billion
NAV	PKR 92.13
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"> <li>• Mr. Shahid Ghaffar</li> <li>• Mr. Rehan N. Shaikh</li> <li>• Mr. Amir Khan</li> <li>• Mr. Umar Farooq</li> <li>• Mr. Noman Qurban</li> </ul>

#### Asset Allocation (% of Total Assets)

	Nov 09	Oct 09
Cash	3.73%	0.46%
Term Deposits	0.00%	0.00%
T-Bills	16.08%	18.35%
Equity Shares	75.57%	77.64%
TFCs	2.26%	2.23%
Others	2.36%	1.32%
Leverage	Nil	Nil

#### Sector Allocation (% of Total Assets)

	Nov 09
Oil & Gas Exploration	21.35%
Fertilizer	15.06%
Commercial Banks	13.91%
Power Generation & Distribution	6.95%
Oil & Gas Marketing	5.96%
Others	12.34%

#### Fund Returns

	HBL SF	BM*
Year to Date (YTD)	20.94%	28.54 %
Trailing 12-Month (Nov 08 – Oct 09)	18.63%	-0.30%

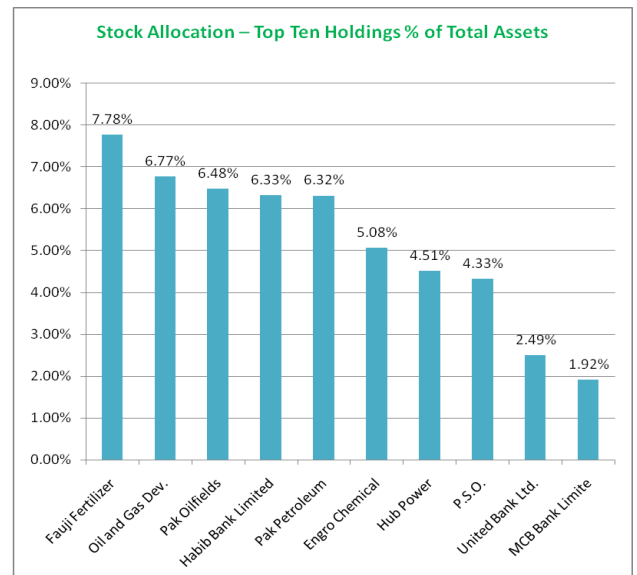
\* KSE 100- Index

#### Fund Manager's Commentary

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KSE lackluster performance can be attributed to uncertainty on the political front especially on NRO and expected discount rate cut by State Bank of Pakistan. These factors kept foreign investment down by 66% on MoM basis with inflow at only \$12.96 million in Nov 09 compared to \$38.34 million in Oct 09.

In the recent monetary policy, SBP opted for gradual monetary easing by cutting the policy rate by only 50bps to 12.50%. On macroeconomic front some key indicators are depicting mixed trend. Although on YoY basis inflation continued its downward trend in Nov 09 and came to the level of 8.87%, however on MoM basis inflation was up by 1.00% compared to 0.45% reported in the October 09. At current level inflation is widely considered to have bottomed out on the back of expected increase in power and gas tariffs in the months ahead along with rising international oil prices.



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