

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Half Yearly Report of HBL Islamic Money Market Fund and HBL Islamic Stock Fund (the Funds) for the Half Year ended December 31, 2014.

MARKET REVIEW

Money Market Review

The SBP started loosening its monetary stance in November after keeping interest rates on hold for a year. In view of a 50% decline in international oil prices and its subsequent impact on domestic inflation and the external accounts position, the SBP has reduced the discount rate by a cumulative 200 basis points this fiscal year. The government did not issue any IjaraSukuk during 1HFY15 due to lack of availability of assets to back the issue. Because of the lack of investment options in Shariah-compliant money market instruments, the yields on offer in this segment continue to remain below their conventional peers.

Stock Market Review

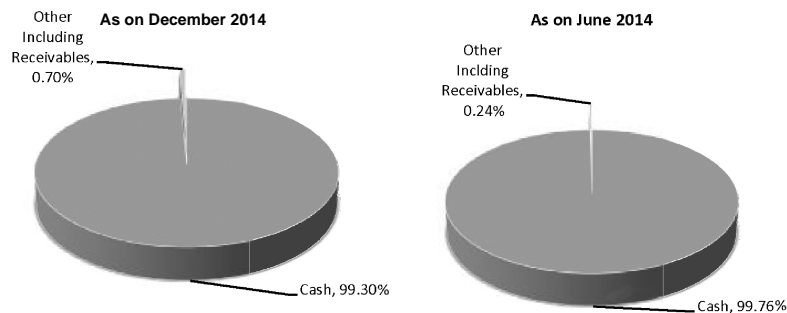
The KMI-30 Index posted a gain of 6.4% in the first half of the fiscal year; the gain was backed by a substantial improvement in macro-economic data combined with increased interest from foreign investors. In CY14, the KMI-30 Index posted a return of 20%. Political instability dented the market's performance in 1QFY15, but since then the positive news flow from the macroeconomic front has rebuilt investor confidence. Lower oil prices and surging foreign exchange reserves fuelled expectations of substantial cuts in the discount rate which nurtured interest in highly leveraged and dividend yielding sectors. Furthermore, with Qatar and UAE being bumped up to Emerging Market status, Pakistan's weight in the MSCI Frontier Markets Index nearly doubled by the month of November. As a result the local equity bourse saw a net inflow of USD 113 million from foreign buyers in 1HFY15 while local investors remained net sellers during the same period.

FUND'S PERFORMANCE

HBL Islamic Money Market Fund

The total income and net income of the Fund was Rs. 21.69million and Rs. 17.28 million respectively during the year ended December 31, 2014. The Net Asset Value (NAV) of the Fund increased from Rs100.1872 per unit on June 30, 2014 to Rs103.9747 per unit as on December 31, 2014 thereby giving an annualized return of 7.50%. During the same period the benchmark return (3 Month bank deposit rates) was 7.04%.

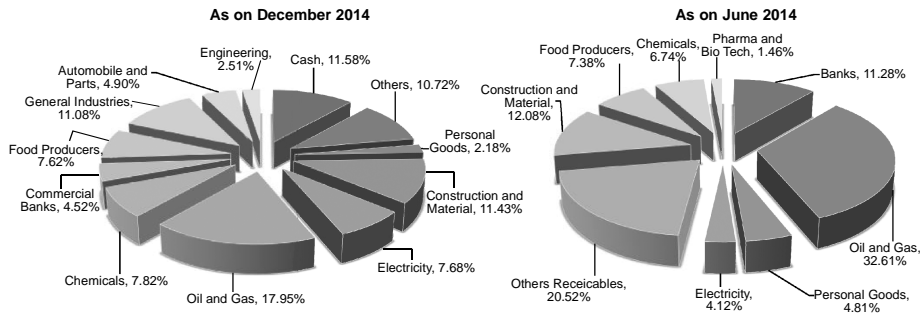
The asset allocation of the Fund in various sectors and asset classes as on December 31, 2014 and June 30, 2014 was as under:



HBL Islamic Stock Fund

The total income and net income of the Fund was Rs67.27 million and Rs53.67 million respectively during the year ended December 31, 2014. The Net Asset Value (NAV) of the Fund increased from Rs 131.9066 per unit as on June 30, 2014 to Rs 138.9226 per unit as on December 31, 2014 giving a return of 5.32% during the period against the benchmark return (KMI 30 Index) of 6.39%.

The asset allocation of the Fund in various sectors and asset classes as on December 31, 2014 and June 30, 2014 was as under:



Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and patronage. It would like to place on record its appreciation for the help and guidance provided by Securities & Exchange Commission of Pakistan, Central Depository Company of Pakistan as Trustee, the Lahore Stock Exchange and State Bank of Pakistan.

The Board also wishes to place on record its appreciation for the hard work and dedication shown by the staff.

On behalf of the Board of
HBL Asset Management Limited

Towfiq H. Chinoy
Chairman
Date: February 27, 2015
Place: Karachi