

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 Money Market Fund, HBL Income Fund, HBL Stock Fund and HBL Multi Asset 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. Investor interest in the T-Bill auctions improved compared to last year as the prospects for lower discount rates increased the likelihood of booking capital gains. Consequently, bids in the T-Bill auctions remained skewed towards the 12-month T-Bill, and its cut-off yield declined by 215 bps during the year. Meanwhile, cut-off yields in the 3 and 6-month T-Bills have fallen by 177 and 198 basis points respectively as they incorporated the impact of the lower discount rate.

Stock Market Review

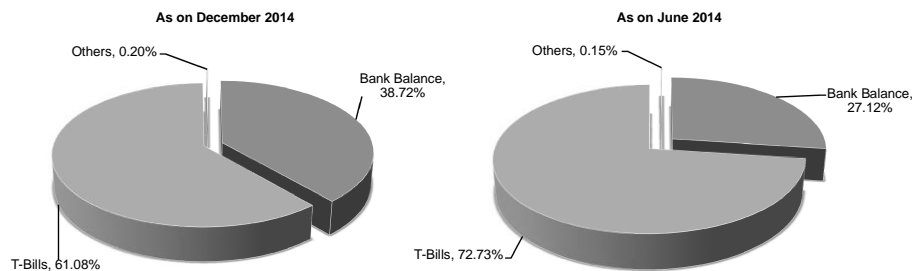
The KSE-100 Index posted a return of 8.4% in 1HFY15, driven by a substantial improvement in macro-economic data combined with increased interest from foreign investors. In CY14, the Index posted a return of 27%, lower than the 49% return posted in CY12 and CY13. Political instability dented the market's performance in 1QFY15, but since then the positive news flow from the macroeconomic front has rebuilt investor confidence. Furthermore, with Qatar and UAE being bumped up to Emerging Market status, Pakistan's weight in the MSCI Frontier Markets Index nearly doubled. As a result the KSE 100 Index saw a net inflow of USD 113 million from foreign buyers in 1HFY15 while local investors remained net sellers during the same period. Some companies were also brought to market via IPOs and offers-for-sale which were well received by investors.

FUND'S PERFORMANCE

HBL Money Market Fund

The total income and net income of the Fund was Rs. 471.20 million and Rs. 385.04 million respectively during the half year ended December 31, 2014. The Net Asset Value (NAV) of the Fund increased from Rs 100.4122 per unit at June 30, 2014 to Rs 104.6762 per unit as on December 31, 2014 thereby giving an annualized return of 8.47%. During the same period the benchmark return (50% 3 - Month PKRV + 50% 3 - Month Deposit Rate) was 8.75%. The size of the Fund decreased from Rs9.78 billion as on June 30, 2014 to Rs9.27 billion as on December 31, 2014.

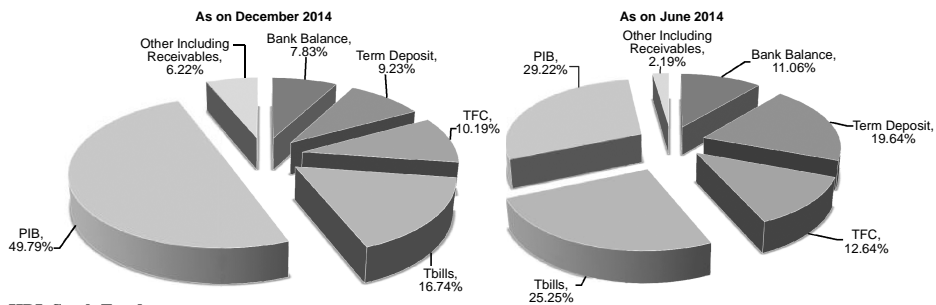
The asset allocation of the Fund in various sectors and asset classes as on December 31, 2014 and June 30, 2014 was as under:



HBL Income Fund

The total income and net income of the Fund was Rs.167.15 million and Rs. 132.48 million respectively during the half year ended December 31, 2014. The Net Asset Value (NAV) per unit of the Fund was Rs 101.3388 per unit as on June 30, 2014. The NAV of the Fund was Rs 108.1756 per unit as on December 31, 2014, thereby giving an annualized return of 13.41%. During the same period the benchmark (6 Month KIBOR) return was 10.05%. The size of Fund increased from Rs2.77 billion as on June 30, 2014 to Rs3.20 billion as on December 31, 2014.

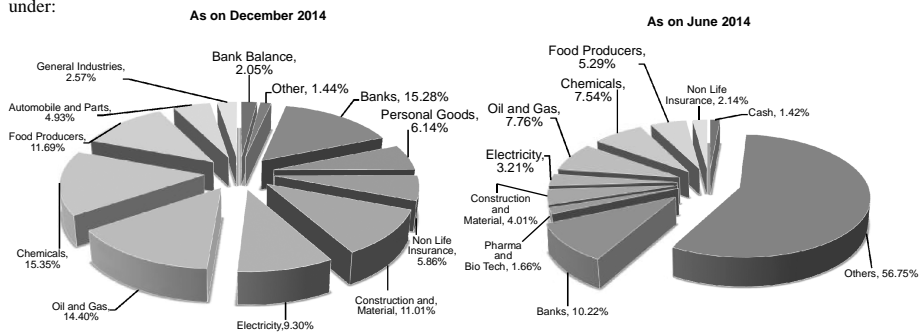
The asset allocation of the Fund in various sectors and asset classes as on December 31, 2014 and June 30, 2014 was



HBL Stock Fund

The total and net income of the Fund was Rs98.34 million and Rs35.89 million respectively for the half year ended December 31, 2014. The Net Asset Value (NAV) per Unit of the Fund was Rs105.1183 per Unit as of June 30, 2014. The NAV of the fund increased and was Rs 108.8058 per unit as on December 31, 2014 thereby giving a return of 3.41% for the period under review. During the same period the benchmark KSE - 100 Index gave a return of 8.36%. The size of the Fund as on as June 30, 2014 was Rs4.08 billion which increased to Rs4.22 billion as on December 31, 2014 showing an increase of 3.50%.

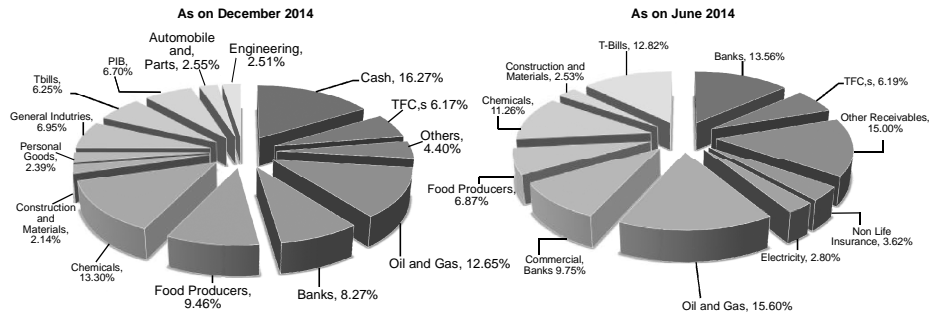
The asset allocation of the Fund in various sectors and asset classes as on December 31, 2014 and June 30, 2014 was as under:



HBL Multi Asset Fund

The total and net income of the Fund was Rs15.08 million and Rs2.30 million respectively for the half year ended December 31, 2014. The Net Asset Value (NAV) per unit of the Fund was Rs95.4504 per Unit as of June 30, 2014. The NAV of the fund increased and was Rs96.2735 per Unit as on December 31, 2014, thereby giving a return of 0.86% for the half year ended December 31, 2014. During the same period the benchmark return (50% KSE - 100 index and 50% 1 Month KIBOR) was 6.69%. The size of the Fund increased from Rs743.69 million as on June 30, 2014 to Rs757.86 million as on December 31, 2014 showing an increase of 1.90%.

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



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