

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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

## MARKET REVIEW

### Money Market Review

After keeping interest rates on hold for a year, the SBP started loosening its monetary stance in November. 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. The government did not issue any IjarahSukuk during 1HFY15. Due to decreasing interest rate scenario and non-availability of IjarahSukuk the yields remained lower in the market.

### Stock Market Review

The KSE-100 Index posted a return of 8.4% in 1HFY15 and KMI 30 posted a gain of 6.4% in the first half of the fiscal year, 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%. 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 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 Pension Fund

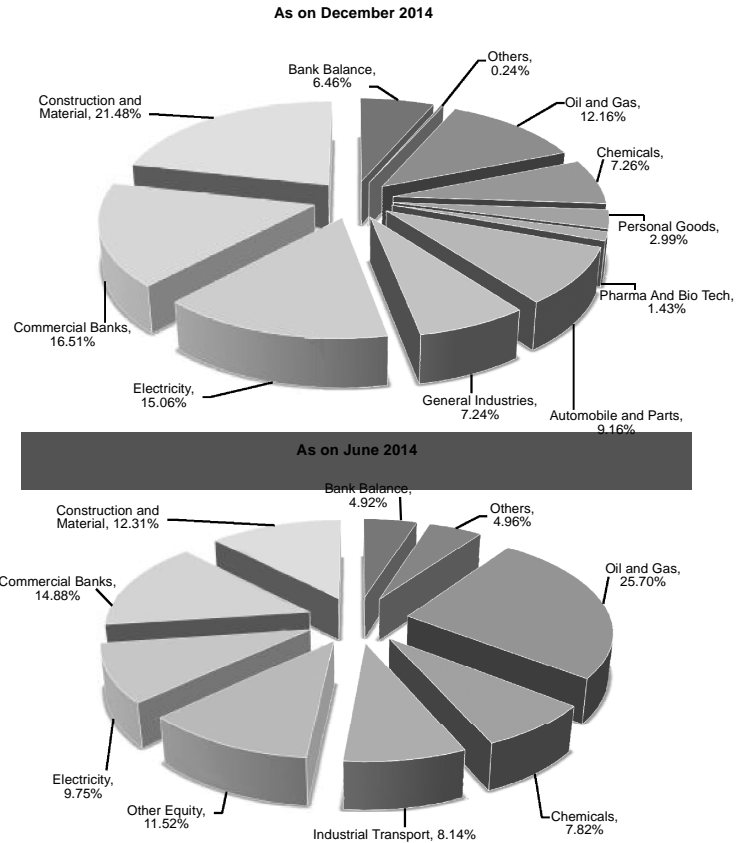
The Fund comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund.

The Fund as a whole earned total and net income of Rs. 20.68 million and Rs. 16.53 million respectively during the period under review. The fund size increased from Rs324.68 million to Rs. 347.32 million as at December 31, 2014 thereby showing a growth of 6.97% during the period under review. Performance review for each sub Fund is given below:

### Equity Sub-Fund

During the period under review, the Equity sub-fund earned total and net income of Rs. 9.17 million and Rs7.87million respectively. The net assets of the Equity sub-fund was Rs. 110.06 million representing Net Asset Value (NAV) of Rs. 260.9283 per unit as at December 31, 2014. The Sub Fund yielded a return of 16.71% for the period under review. The Fund is invested to the extent of 93.29% in equities.

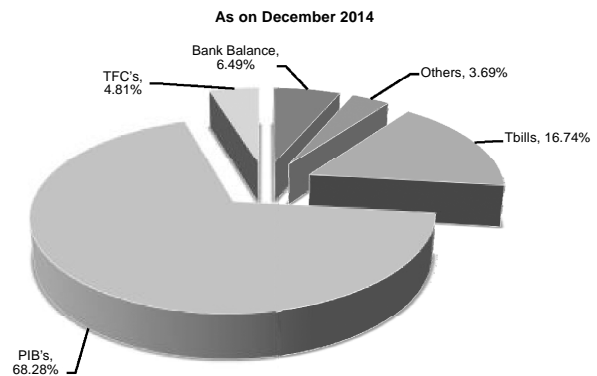
The asset allocation of the Fund in various sectors and asset classes as on December 31, 2014 and June 30, 2014 was as under:



### Debt Sub-Fund

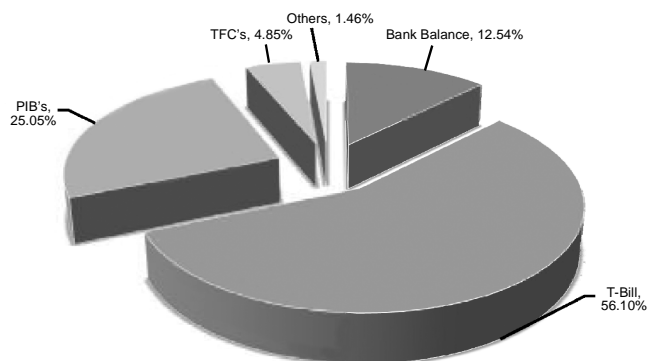
During the period under review, the Debt sub-fund earned total and net income of Rs. 5.87 million andRs. 4.55 million respectively. The net assets of the Debt sub-fund was Rs. 119.13 million representing Net Asset Value (NAV) of Rs. 130.9200 per unit as at December 31, 2014. The Fund yielded annualized return of 13.57% for the period under review. The Sub Fund is invested to the extent of 85.02% in Government Securities.

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



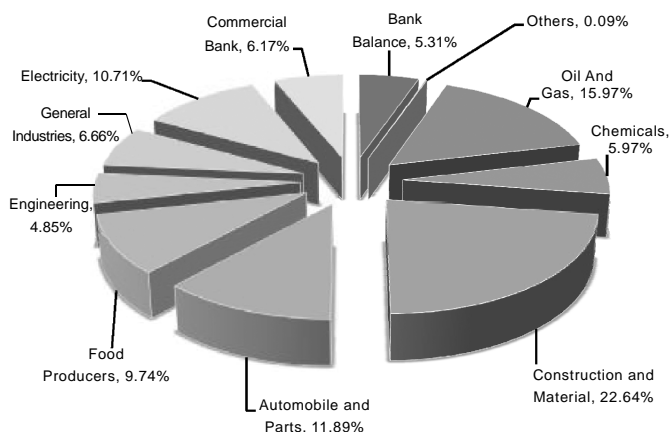
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As on June 2014



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

As on December 2014

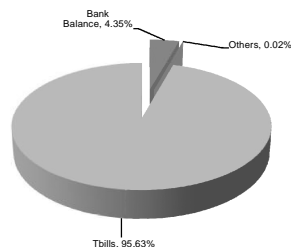


## Money Market Sub-Fund

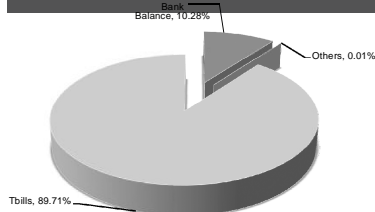
During the period under review, the Money Market sub-fund earned total and net income of Rs. 5.64 million and Rs. 4.20 million respectively. The net assets of the Money Market sub-fund was Rs. 118.12 million representing Net Asset Value (NAV) of Rs. 125.7413 per unit as at December 31, 2014. An annualized return of 7.30% was earned by the Fund for the period under review. The Fund has major investment to the extent of 95.63% in Government Treasury Bills.

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

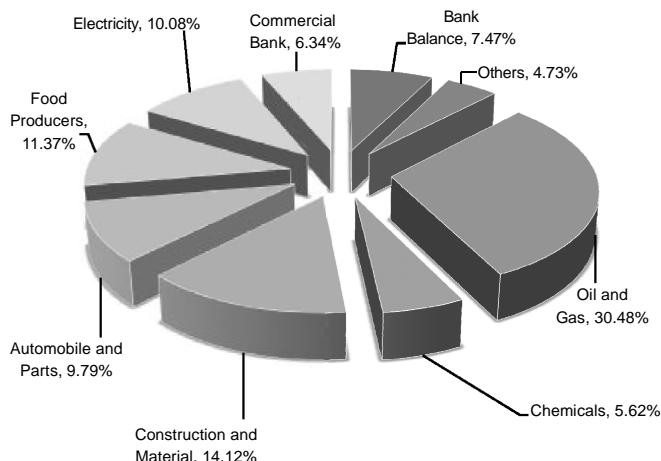
As on December 2014



As on June 2014



As on June 2014



## HBL Islamic Pension Fund

The Fund comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund.

The Fund as a whole earned total and net income of Rs. 14.07 million and Rs. 10.89 million respectively during the period under review. The fund size increased from Rs232.86 million to Rs. 254.17 million as at December 31, 2014 showing growth of 9.15%. Performance review for each sub Fund is given below:

### Equity Sub-Fund

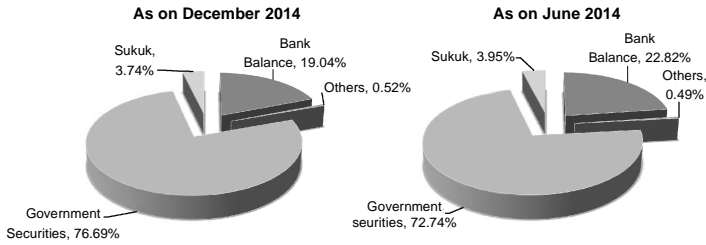
During the period under review, the Equity sub-fund earned total and net income of Rs. 8.45 million and Rs. 6.90 million respectively. The net assets of the Equity sub-fund was Rs. 131.53 million representing Net Asset Value (NAV) of Rs. 299.4860 per unit as at December 31, 2014. The Fund yielded a return of 15.05% for the period. The Sub Fund is invested to the extent of 94.60% in equities.

### Debt Sub-Fund

During the period under review, the Debt sub-fund earned total and net income of Rs.3.4 million and Rs. 2.86 million respectively. The net assets of the Debt sub-fund was Rs. 67.28 million representing Net Asset Value (NAV) of Rs. 122.9623 per unit as at December 31, 2014. The Fund yielded annualized return of 3.11% for the period under review. The Fund has major investment to the extent of 76.69% in Government Securities.

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

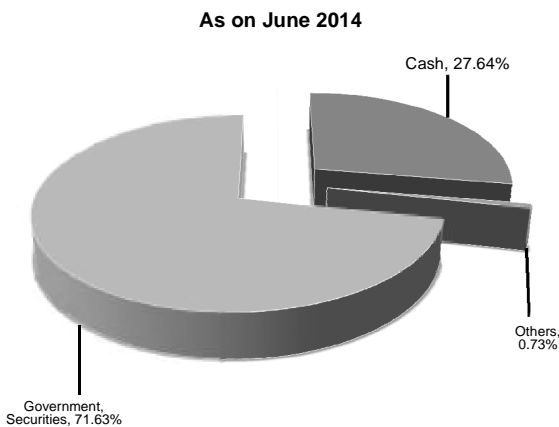
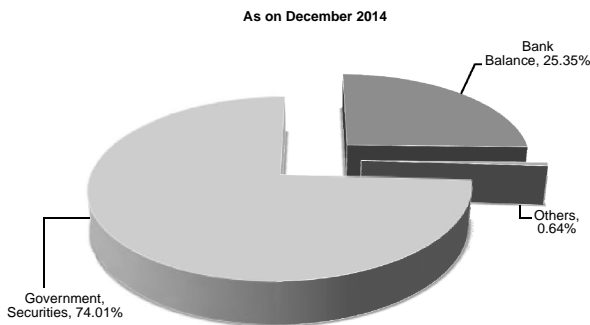
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## Money Market Sub-Fund

During the period under review, the Money Market sub-fund earned total and net income of Rs. 2.52 million Rs. 1.80million respectively. The net assets of the Money Market sub-fund was Rs. 55.36 million representing Net Asset Value (NAV) of Rs. 121.2962 per unit as at December 31, 2014. An annualized return of 2.93% was earned by the Fund for the period under review.

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