

VISION/MISSION/VALUES

OUR VISION

Enabling people to advance with confidence and success.

OUR MISSION

To make our Investor(s) prosper, our staff excel and create value for our stakeholders.

OUR VALUES

Our values are based upon the fundamental principles that define our culture and are brought to life in our attitude and behavior. It is our values that make us unique and stem from five basic principles

- **Excellence**

The markets in which we operate are becoming increasingly competitive and our investors now have an abundance of choice. Only through being the very best-in terms of the service we offer, our product and premises - can we hope to be successful and grow.

- **Integrity**

We are an Asset Management Company in Pakistan and our success depends upon the performance of the Fund(s) which are undermanagement and our investors and society in general expects us to possess an steadfastly adhere to high moral principle and professional standards.

- **Customer Focus**

We need to understand fully the need of our investors and to adopt our product and services to meet these. We must strive always to put the satisfaction of our investors first.

- **Meritocracy**

We believe in giving opportunities and advantage to our employees on the basis of their ability. We believe in rewarding achievement and in providing first class career opportunities for all.

- **Progressiveness**

We believe in the advancement of society through the adoption of enlightened working practice, innovative new products and processes and a spirit of enterprise.

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CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Chief Executive Officer	Mr. Shahid Ghaffar	(Executive Director)
Directors	Mr. Sohail Malik	(Non-Executive Director)
	Mr. Abid Sattar	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Audit Committee

Chairperson	Ms. Sadia Khan	(Independent Non-Executive Director)
Members	Mr. Sohail Malik	(Non-Executive Director)
	Mr. Abid Sattar	(Non-Executive Director)

Human Resource Committee

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Members	Mr. Shahid Ghaffar	(Chief Executive)
	Mr. Abid Sattar	(Non-Executive Director)

Company Secretary

Mr. Rehan N. Shaikh

Chief Financial Officer

Mr. Noman Ahmed Soomro

Fund Manager

Mr. Umar Farooq

External Auditors

A. F. Ferguson & Co., Chartered Accountants,
State Life Building No.1-C, I.I Chundrigar Road,
P.O. Box 4716, Karachi.

Internal Auditors

Ford Rhodes Sidat Hyder & Co., Chartered Accountants,
Progressive Plaza, Beaumont Road,
P.O. Box No.15541, Karachi 75530.

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B", S.M.C.H.S, Main Shahra-e-Faisal, Karachi

Legal Advisors

Mandviwalla & Zafar, Advocates and Legal Consultants,
Mandviwalla Chambers, C-15, Block2, Clifton, Karachi.

Bankers

Habib Bank Limited
Bank Al-Habib Limited
MCB Bank Limited
JS Bank Limited
The Bank of Punjab
Standard Chartered Bank (Pakistan) Limited
Bank Al Falah Limited
Faysal Bank Limited
Barclays Bank Plc Pakistan

Website

www.hblasasset.com

Head Office

8B, 8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi.

Registered Office

8B, 8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi.

FUND MANAGER REPORT

Type and Category of Fund

Open end Balanced Fund

Investment Objective and Accomplishment of Objective

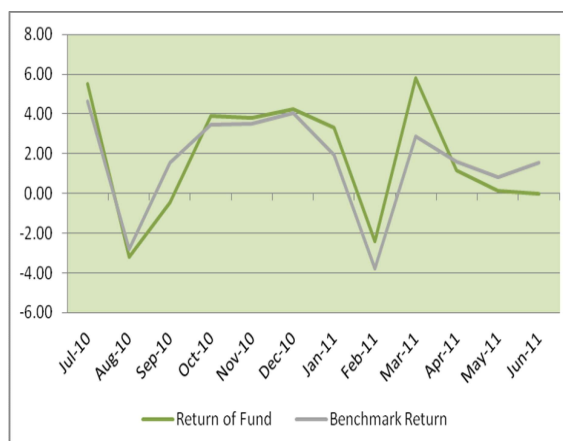
The investment objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes such as Equity, Equity related instruments, Fixed Income Securities, Continuous Funding. The objective of the Fund has been achieved.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 50% KSE 100-Index + 50% 1 Month KIBOR.

The comparison of the fund return with benchmark is given below:

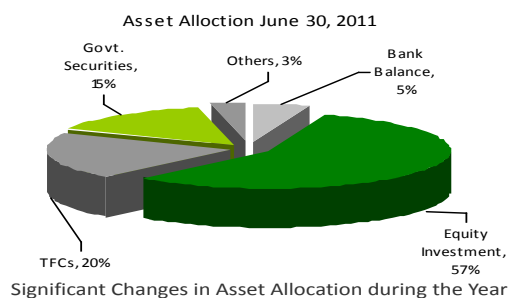
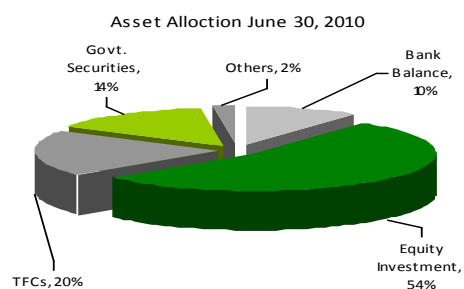
Month	Return of Fund	Benchmark
Jul-10	5.53%	4.61%
Aug-10	-3.20%	-2.82%
Sep-10	-0.47%	1.55%
Oct-10	3.90%	3.45%
Nov-10	3.80%	3.53%
Dec-10	4.25%	4.06%
Jan-11	3.33%	1.96%
Feb-11	-2.42%	-3.78%
Mar-11	5.81%	2.86%
Apr-11	1.17%	1.61%
May-11	0.15%	0.83%
Jun-11	0.00%	1.54%



Strategies and Policies employed during the Year

During the year under review the Fund slightly increased its exposure against equity. The exposure in equity was increased in view of better return expected from the equity market. The Fund also slightly increased its exposure in Government Securities to ensure liquidity.

Asset Allocation



Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund to total assets as on June 30, 2010 and June 30, 2011:

Sr. No.	Name of Sector	Sector Allocation as on	
		June 30, 2011	June 30, 2010
1	Oil and Gas	24%	22%
2	Chemicals	13%	12%
3	Electricity	10%	6%
4	Banks	9%	11%
5	Pharma and Bio Tech	-	1%
6	Others	1%	2%
	Total	57%	54%

Fund Performance

The total and net income of the Fund was Rs 61.76 million and Rs 51.21 million respectively for the year ended June 30, 2011. The Net Asset Value (NAV) per Unit of the Fund was Rs 80.46 per Unit as of July 1, 2010. The NAV of the Fund gradually increased and was Rs 99.4110 per Unit as on June 30, 2011. The Fund declared dividend / bonus of Rs 15.25 per Unit. This along with appreciation in Unit price gave an annualized return of 23.55% for the year ended June 30, 2011 as against a return of 19.17% in the previous year. The Fund has also over performed against the benchmark return (50% KSE – 100 index and 50% 1 Month KIBOR) of 20.81%. The size of the Fund as on June 30, 2011 was Rs 333 million.

Review of Market invested in

During the year under review the State Bank of Pakistan (SBP) opted for a tight monetary policy in the first five months as the policy rate was gradually increased during the period July – November 2010 from 12.5% p.a. at start of the year to 14% p.a. in November 2010. Thereafter, the discount rate was maintained at 14.00% for the remaining of year 2010 – 2011 on

six month KIBOR has increased from 12.39% in June 2010 to as high as 13.82 in February 2011 and closed at 13.78% in June 2011.

The stock market was mostly bullish during the year under review. The KSE – 100 Index which was 9,721 points at start of the year touched its highest level of 12,681 points during the year and closed at 12,496 points as on June 30, 2010. During the year the KSE – 100 index improved by 28.5%.

Distribution

The Fund has distributed dividend at Rs. 15.25 in the form of Bonus units for Class “A” and Class “B” Units and Cash Dividend of Rs. 15.25 per unit for Class “C” Units for the year ended June 30, 2011.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	8	500
101 – 500	18	3,983
501 – 1,000	6	3,701
1,001 – 10,000	33	100,851
10,001 – 100,000	4	118,426
100,001 – 500,000	0	0
500,001 – 1,000,000	0	0
1,000,001 – 5,000,000	1	3,125,678
Total	70	3,353,139

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

**HBL MULTI ASSET FUND
PERFORMANCE TABLE**

	For the year ended June 30,2011	For the year ended June 30,2010	For the year ended June 30,2009
NET ASSETS AND PRICES			
Net assets at the year/ period end (Rs '000)	333,339	360,909	578,824
Net asset value per unit at the period end (Rs)	99.4110	96.46	80.94
Selling price per unit at the period end (Rs)	101.3992	98.39	82.56
Repurchase price per unit at the period end (Rs)	99.4110	96.46	80.94
Earnings per unit (Rs) - (note 3.12)	-	-	-
Highest selling price per unit (Rs)	102.9004	104.93	93.03
Lowest selling price per unit (Rs)	82.0900	83.31	64.09
Highest repurchase price per unit (Rs)	100.8827	102.87	94.89
Lowest repurchase price per unit (Rs)	80.4800	81.68	65.37
RETURN (%)			
Total return	23.55	19.17	(13.22)
Income distribution	18.95	19.50	-
Capital growth	4.60	(0.32)	(13.22)
DISTRIBUTION			
Final dividend distribution	15.25	16.00	-
AVERAGE RETURNS (%)			
Average annual return	23.55	19.17	(13.22)
Average return since inception	6.11	0.29	(9.15)

Disclaimer:

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

TRUSTEE REPORT TO THE UNIT HOLDER

HBL MULTI ASSET FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The HBL Multi Asset Fund (the Fund), an open-end fund was established under a trust deed dated October 08, 2007, executed between HBL Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

- (i)☐ Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii)☐ The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii)☐ The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

We would like to draw attention of the unit holders towards the fact that the Fund has investment in Term Finance Certificates (TFCs) issued by Saudi Pak Leasing Company Limited (SPLCL) which are classified as performing by Mutual Fund Association of Pakistan (MUFAP). The Management Company considering the deteriorating financial condition of SPLCL understated the value of TFCs by Rs. 3.695 million due to recognition of provision and mark up income amounting to Rs. 1.991 million has also not been accrued, due to which the net asset value is understated by Rs. 5.455 million as at June 30, 2011. According to the requirements of Circular 1 of 2009 dated January 6, 2009 issued by the Securities and Exchange Commission of Pakistan, provision cannot be made against performing security rather these should be valued at the rates notified by MUFAP. Moreover it would be pertinent to note that subsequent to the year end SPLCL has shown its inability to fulfill its obligation with respect to coupon payment of the above TFCs due on October 13, 2011.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited
Karachi, October 25, 2011

AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Chapter XI of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

HBL Asset Management Limited, the Management Company, is not listed and hence, the Code is not applicable to it. However, HBL - Stock Fund (the Fund) being listed at the Lahore Stock Exchange comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

HBL Stock Fund is an open ended mutual fund and was listed on Lahore Stock Exchange on September 7, 2007. The units of the Fund have been offered for public subscription on a continuous basis from August 29, 2007.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. As on June 30, 2011 the Board consists of five directors with four non-executive directors including two independent directors.
2. None of directors is serving as a director in ten or more listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, Mr. R. Zakir Mahmood resigned from the Board as both the Chairman and member with effect from March 31, 2011.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the Directors and distributed to employees of the company.
6. The Board has developed a vision/mission statement, over all corporate strategy and significant policies of the company. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, when present and the Board met six times during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the members of the Board are well aware of operations of the fund and the Management Company, therefore no orientation courses were arranged during the year ended June 30, 2011.

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10. The Board has approved the appointment of CFO and Company Secretary including their remuneration and term and conditions of employment as determined by the CEO.
 11. Directors Report for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
 12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
 13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 20 to the financial statements "Transactions with Connected Persons".
 14. The Company has complied with the corporate and financial reporting requirements of the Code.
 15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors.
 16. The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the Fund, as required by the Code.
 17. The company has outsourced its internal audit function to a reputable firm of Chartered Accountants who is considered suitably qualified and experienced for the purpose.
 19. The Statutory Auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
 20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions, if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
 20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 21. We confirm that all other material principles contained in the Code have been complied with.

Shahid Ghaffar
Chief Executive Officer
Date: October 11, 2011
Place: Karachi

AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of HBL Asset Management Limited (the Management Company) for and on behalf of HBL Multi Asset Fund (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-regulation (xiii a) of the Listing Regulation No. 35 requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

Chartered Accountants
Karachi
Dated: October 24, 2011

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of HBL Multi Asset Fund which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As explained in note 5.7.2 to the financial statements, the Fund has recognised provision amounting to Rs. 9.561 million and has suspended mark-up income amounting to Rs. 2.304 million in respect of a performing Term Finance Certificate (TFC). Circular no. 1 of 2009 dated January 6, 2009 issued by the Securities and Exchange Commission of Pakistan (SECP), specifies that provisioning can only be made against non-performing debt securities and performing debt securities shall be valued in accordance with the methodology specified by the SECP.

Had the above security been valued based on the methodology specified by the SECP, profit after taxation for the year ended June 30, 2011 would have been higher by Rs. 11.628 million while the carrying value of investments, mark-up receivable, liability for Workers' Welfare Fund, unrealised diminution in value of investments classified as 'available for sale' and net asset value as at June 30, 2011 would have been higher by Rs. 3.695 million, Rs. 2.304 million, Rs. 0.237 million, Rs. 5.866 million and Rs. 5.762 million respectively.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants
Engagement Partner: Salman Hussain
Dated: October 24, 2011
Karachi

**HBL MULTI ASSET FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011**

	Note	June 30, 2011	June 30, 2010
------(Rupees in '000)-----			
ASSETS			
Bank balances	4	15,339	37,212
Investments	5	294,136	322,258
Dividend and profit receivable	6	3,282	4,672
Preliminary expenses and floatation costs	7	333	560
Advances, deposits, prepayments and other receivables	8	24,412	2,705
Total assets		337,502	367,407
LIABILITIES			
Payable to HBL Asset Management Limited - Management Company	9	961	4,419
Payable to Central Depository Company of Pakistan Limited - Trustee	10	60	122
Payable to Securities and Exchange Commission of Pakistan	11	317	393
Accrued expenses and other liabilities	12	2,825	1,564
Total liabilities		4,163	6,498
NET ASSETS		333,339	360,909
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		333,339	360,909
CONTINGENCIES AND COMMITMENTS	13		
		Number of units	
NUMBER OF UNITS IN ISSUE		3,353,139	3,741,480
		Rupees	
NET ASSETS VALUE PER UNIT	3.10	99.4110	96.46

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**HBL MULTI ASSET FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30,2011**

	Note	For the year ended June 30, 2011	For the year ended June 30, 2010
------(Rupees in '000)-----			
INCOME			
Dividend Income		15,679	16,299
Profit on bank deposits	14	2,592	2,683
Income from Term Finance Certificates		8,529	20,713
Income from Government Securities		10,427	4,984
Capital gain on sale of investments - net		43,860	67,513
		81,087	112,192
Unrealised appreciation in value of investments at fair value through profit or loss - net	5.6	-	917
Impairment loss on investments classified as 'available for sale'	5.7	(10,178)	(2,213)
Provision in respect of advance against subscription towards term finance certificates		-	(6,250)
Total income		70,909	104,646
OPERATING EXPENSES			
Remuneration of HBL Asset Management Limited - Management Company		7,460	9,256
Remuneration of Central Depository Company of Pakistan Limited - Trustee		749	926
Annual fee - Securities and Exchange Commission of Pakistan		317	393
Securities transaction cost		11	81
Auditors' remuneration	15	362	310
Settlement and bank charges		231	212
Amortisation of preliminary expenses and floatation costs		227	227
Legal and professional charges		8	96
Other expenses		149	140
Total operating expenses		9,514	11,641
Net income from operating activities		61,395	93,005
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(9,145)	(30,690)
Provision for Workers' Welfare Fund	16	(1,045)	(1,246)
Net income for the year before taxation		51,205	61,069
Taxation	17	-	-
Net income for the year after taxation		51,205	61,069
OTHER COMPREHENSIVE INCOME			
Net unrealised appreciation during the year in market value of securities classified as available-for-sale	5.7	19,324	12,535
Total comprehensive income for the year - net		70,529	73,604
Earnings per unit	3.12		

The annexed notes 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited
(Management Company)**

Chief Executive

Director

**HBL MULTI ASSET FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30,2011**

	For the year ended June 30, 2011	For the year ended June 30, 2010
	----- (Rupees in '000) -----	
Accumulated loss brought forward		
- Realised	(12,728)	(140,286)
- Unrealised	917	988
	<u>(11,811)</u>	<u>(139,298)</u>
Net income for the year	51,205	61,069
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing (loss) / income that form part of the unit holders' fund	7,440	66,418
Final distribution for the year ended June 30, 2010 : Rs 16 per unit (Date of distribution : July 7, 2010) [(2009: Rs Nil per unit)]		
- Cash distribution	(12,000)	-
- Bonus units 594,875 (2009: Nil bonus units)	(47,864)	-
	<u>(59,864)</u>	<u>-</u>
Net (loss) / income for the year less distribution	(1,219)	127,487
Accumulated loss carried forward	<u>(13,030)</u>	<u>(11,811)</u>
Accumulated loss carried forward		
- Realised	(13,030)	(12,728)
- Unrealised	-	917
	<u>(13,030)</u>	<u>(11,811)</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited
(Management Company)**

Chief Executive

Director

HBL MULTI ASSET FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the year ended June 30, 2010
		------(Rupees in '000)-----	
Net assets at beginning of the year		360,909	578,824
Issue of 19,784 units (2010: 3113 units)		1,947	295
Redemption of 1,003,000 units (2010: 3,412,783 units)		(97,191)	(322,504)
		265,665	256,615
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed			
- amount representing (income) / losses and capital (gains) / losses - transferred to Comprehensive income statement		9,145	30,690
- amount representing (income) / losses that form part of the unit holders' fund - transferred to Distribution Statement		(7,440)	(66,418)
		1,705	(35,728)
Net unrealised appreciation during the year in market value of securities classified as 'available-for-sale'- transferred from other comprehensive income	5.7	19,324	12,535
Capital gain on sale of investments		43,860	67,513
Net unrealised appreciation in value of investments 'at fair value through profit or loss' - net		-	917
Other net income / (loss) for the year after taxation		7,345	(7,361)
Distribution:			
Final distribution for the year ended June 30, 2010 : Rs 16 per unit (Date of distribution : July 7, 2010) [(2009: Rs Nil per unit)]			
- Cash distribution		(12,000)	-
- Bonus units 594,875 (2009: Nil bonus units)		(47,864)	-
		(8,659)	61,069
Final Distribution: Issue of 594,875 bonus units		47,864	-
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund		7,440	66,418
Net assets as at end of the year		333,339	360,909

The annexed notes 1 to 31 form an integral part of these financial statements.

HBL MULTI ASSET FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	For the year ended June 30, 2011	For the year ended June 30, 2010
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	51,205	61,069
Adjustments:		
Unrealised appreciation in value of investments at fair value through profit or loss - net	-	(917)
Amortisation of preliminary expenses and floatation costs	227	227
Dividend income	(15,679)	(16,299)
Impairment loss on investments classified as 'available-for-sale'	10,178	2,213
Provision in respect of advance against subscription towards term finance certificates	-	6,250
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	9,145	30,690
	55,076	83,233
(Increase) / decrease in assets		
Investments - net	37,268	203,133
Dividend and profit receivable	1,842	7,346
Advances, deposits, prepayments and other receivables	(21,707)	575
	17,403	211,054
Increase / (decrease) in liabilities		
Payable to HBL Asset Management Limited - Management Company	(3,458)	(380)
Payable to Central Depository Company of Pakistan Limited - Trustee	(62)	27
Payable to Securities and Exchange Commission of Pakistan	(76)	(146)
Accrued expenses and other liabilities	1,261	(21,087)
	(2,335)	(21,586)
Dividend Received	15,227	18,516
Net cash generated from operating activities	85,371	291,217
CASH FLOW FROM FINANCING ACTIVITIES		
Net payments against redemption of units	(95,244)	(322,209)
Distributions paid	(12,000)	-
Net cash outflow on financing activities	(107,244)	(322,209)
Net decrease in cash and cash equivalents during the year	(21,873)	(30,992)
Cash and cash equivalents at beginning of the year	37,212	68,204
Cash and cash equivalents at end of the year	15,339	37,212

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL MULTI ASSET FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

HBL Multi Asset Fund (the Fund) was established under a Trust Deed, dated October 08, 2007, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on September 28, 2007.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8B, 8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi, Pakistan.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Lahore Stock Exchange.

The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes, such as equity securities, government securities, fixed income securities, continuous funding system, derivatives, money market instruments and other asset classes / securities / instruments.

JCR-VIS Credit Rating Agency (JCR-VIS) has assigned management quality rating of "AM3+" to the Management Company and 1 year fund performance ranking at MFR 3-Star, two year fund performance ranking at MFR 3-Star and three year fund performance ranking at MFR 4-star to the Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted:

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies relate to classification, valuation and impairment of financial assets (note 3.2).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value.

2.6 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years unless otherwise stated:

3.1 Cash and cash equivalents

Cash and cash equivalents include bank balances and short-term highly liquid investments having original maturities of three months or less.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale.

The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis. The classification depends on the purpose for which financial assets were acquired.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the assets.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available-for-sale are valued as follows:

a) Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No.1 of 2009 dated January 6, 2009. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

c) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the Income Statement.

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

a) Debt securities and other exposures

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

b) Equity Securities

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.4 Derivatives

Derivative instruments are initially recognised at cost and subsequently each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of five years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund.

3.6 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Taxation

The income of the Fund is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on the date on which the funds are actually realized against application. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.9 Element of income /(loss) and capital gains /(losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income /(loss) and capital gains /(losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

3.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed in the 'statement of assets and liabilities', is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.11 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.12 Earnings per unit (EPU)

Earnings per unit (EPU) has not been disclosed as, in the opinion of the management, determination of weighted average units for calculating earnings per unit is not practicable.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.
- Profit on bank deposits is recognised on an accrual basis.
- Profit on investments is recognised on an accrual basis.
- Income from government securities is accrued using the effective interest method.

3.14 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

	Note	June 30, 2011	June 30, 2010
4 BANK BALANCES		(Rupees in '000)	
Savings accounts		15,339	37,212
5 INVESTMENTS			
At fair value through profit or loss			
- Listed equity securities	5.1	-	3,855
Available-for-sale			
- Listed equity securities	5.2	193,302	193,736
- Term Finance Certificates - Listed	5.3.1	36,287	54,508
- Term Finance Certificates - Unlisted	5.3.2	14,781	21,067
- Government Securities	5.4	49,766	49,092
		<u>294,136</u>	<u>322,258</u>

5.1 Listed equity securities - at fair value through profit or loss

Shares of listed companies - fully paid up ordinary shares of Rs 10 each

Name of the investee company	Number of Shares					Market value at June 30, 2011	Market value as a percentage of		
	As at July 01, 2010	Purchases during the year	Bonus/ rights issue during the year	Sales during the year	As at June 30, 2011		total investment	net assets	paid-up capital of investee company
(Rupees in '000)									
Personal Goods									
Nishat Mills Limited	-	20,000	-	20,000	-	-	-	-	-
	-	20,000	-	20,000	-	-	-	-	-
Oil and Gas									
Pakistan Petroleum Limited	10,000	-	-	10,000	-	-	-	-	-
Pakistan State Oil Company Limited	7,000	-	-	7,000	-	-	-	-	-
National Refinery Limited	-	2,500	-	2,500	-	-	-	-	-
	17,000	2,500	-	19,500	-	-	-	-	-
Chemicals									
Engro Corporation Limited	-	-	-	-	-	-	-	-	-
Engro Polymer & Chemical Limited	19,125	-	-	19,125	-	-	-	-	-
	19,125	-	-	19,125	-	-	-	-	-
Total	36,125	22,500	-	58,625	-	-	-	-	-

Cost of investments as at June 30, 2011

-

5.2 Listed equity securities - available for sale

Shares of listed companies - fully paid up ordinary shares of Rs 10 each

Name of the investee company	Number of Shares					Market value at June 30, 2011	Market Value as a percentage of		
	As at July 01, 2010	Purchases during the year	Bonus/ rights issue during the year	Sales during the year	As at June 30, 2011		Total investment	Net assets	Paid-up capital of investee company
(Rupees in '000)									
Banks									
Allied Bank Limited	12,758	22,575	3,533	5,015	33,851	2,171	0.74%	0.65%	0.03%
Habib Bank Limited - related party	188,885	-	13,607	77,815	124,677	14,470	4.92%	4.34%	0.13%
MCB Bank Limited	50,000	22,000	4,200	35,000	41,200	8,211	2.79%	2.46%	0.10%
National Bank of Pakistan	22,522	65,000	15,000	62,522	40,000	2,017	0.69%	0.61%	0.01%
Habib Metropolitan Bank Limited	46,580	-	9,316	55,896	-	-	0.00%	0.00%	0.00%
United Bank Limited	130,000	19,595	-	85,000	64,595	3,999	1.36%	1.20%	0.03%
	450,745	129,170	45,656	321,248	304,323	30,868	10.50%	9.26%	
Personal Goods									
Nishat Mills Limited	23,925	25,000	-	13,925	35,000	1,762	0.60%	0.53%	0.05%
	23,925	25,000	-	13,925	35,000	1,762	0.60%	0.53%	
Life Insurance									
New Jubilee Life Insurance Company Limited - related party	11,500	-	-	11,500	-	-	0.00%	0.00%	0.00%
	11,500	-	-	11,500	-	-	0.00%	0.00%	
Construction and Materials									
D. G. Khan Cement Company Limited	62,248	43,000	15,049	80,000	40,297	926	0.31%	0.28%	0.02%
Lucky Cement Limited	14,600	17,189	-	14,600	17,189	1,218	0.41%	0.37%	0.04%
	76,848	60,189	15,049	94,600	57,486	2,144	0.72%	0.65%	
Electricity									
The Hub Power Company Limited	355,000	217,000	-	20,000	552,000	20,700	7.04%	6.21%	0.18%
Kot Addu Power Company Limited	90,000	15,645	-	40,000	65,645	2,797	0.95%	0.84%	0.03%
Nishat Chunian Power Limited	750,000	20,000	-	169,095	600,905	8,244	2.80%	2.47%	0.22%
Nishat Power Limited	-	71,197	-	-	71,197	1,099	0.37%	0.33%	0.03%
	1,195,000	323,842	-	229,095	1,289,747	32,840	11.16%	9.85%	

Name of the investee company	Number of Shares					Market value at June 30, 2011	Market value as a percentage of		
	As at July 01, 2010	Purchases during the year	Bonus/ rights issue during the year	Sales during the year	As at June 30, 2011		Total investment	Net assets	Paid up capital of investee company
(Rupees in '000)									
Oil and Gas									
Attock Petroleum Limited	25,000	35,700	2,515	28,215	35,000	13,099	4.45%	3.93%	1.90%
Attock Refinery Limited	-	7,500	-	7,500	-	-	0.00%	0.00%	0.00%
Mari Gas Company Limited	15,000	-	-	15,000	-	-	0.00%	0.00%	0.00%
Oil and Gas Development Company Limited	90,000	25,000	-	85,000	30,000	4,590	1.56%	1.38%	0.01%
Pakistan Oilfields Limited	105,000	85,500	-	109,500	81,000	29,080	9.89%	8.72%	1.23%
Pakistan Petroleum Limited	130,000	87,500	24,120	98,400	143,220	29,657	10.08%	8.90%	0.25%
Pakistan State Oil Company Limited	32,000	42,701	-	61,000	13,701	3,625	1.23%	1.09%	0.21%
National Refinery Limited	5,314	2,500	-	5,314	2,500	881	0.30%	0.26%	0.11%
	402,314	286,401	26,635	409,929	305,421	80,932	27.51%	24.28%	
Automobile and Parts									
Pak Suzuki Motor Company Limited	5,000	-	-	5,000	-	-	-	-	-
	5,000	-	-	5,000	-	-	0.00%	0.00%	
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited - A	80,000	-	-	80,000	-	-	0.00%	0.00%	0.00%
	80,000	-	-	80,000	-	-	0.00%	0.00%	
Pharma and Bio Tech									
Abbott Laboratories (Pakistan) Limited	23,081	-	-	23,081	-	-	0.00%	0.00%	0.00%
Glaxo Smithkline (Pakistan) Limited	20,230	-	1,638	21,868	-	-	0.00%	0.00%	0.00%
	43,311	-	1,638	44,949	-	-	0.00%	0.00%	
Chemicals									
BOC Pakistan Limited - related party	22,150	-	-	22,150	-	-	0.00%	0.00%	0.00%
Engro Corporation Limited	74,747	98,977	14,687	112,411	76,000	12,408	4.22%	3.72%	0.32%
Fauji Fertilizer Bin Qasim Limited	300,000	195,000	-	85,000	410,000	17,282	5.88%	5.18%	0.19%
Fauji Fertilizer Company Limited	197,430	52,500	30,541	180,264	100,207	15,066	5.12%	4.52%	0.18%
	594,327	346,477	45,228	399,825	586,207	44,756	15.22%	13.42%	
General Industrials									
Packages Limited - related party	22,000	2,500	-	24,500	-	-	0.00%	0.00%	0.00%
	22,000	2,500	-	24,500	-	-	0.00%	0.00%	
Total	2,904,970	1,173,579	134,206	1,634,571	2,578,184	193,302	65.71%	57.99%	

Carrying value of investments as at June 30, 2011

160,960

5.3 Term Finance Certificates - Available-for-sale

5.3.1 Term finance certificates - Listed

All Term Finance Certificates have a face value of Rs 5,000 each

Name of the investee company	Note	Number of certificates				Market / carrying value at June 30, 2011	Market value as a percentage of		
		As at July 01, 2010	Purchases during the year	Sales during the year	As at June 30, 2011		Total investment	Net assets	Issue size
(Rupees in '000)									
Banks									
NIB Bank Limited		3,000	2,400	-	5,400	25,995	8.84%	7.80%	0.65%
United Bank Limited		5,000	-	5,000	-	-	0.00%	0.00%	0.00%
		8,000	2,400	5,000	5,400	25,995	8.84%	7.80%	
Financial Services									
Saudi Pak Leasing Company Limited	5.7.2	6,000	-	-	6,000	10,292	3.50%	3.09%	1.37%
		6,000	-	-	6,000	10,292	3.50%	3.09%	
Total		14,000	2,400	5,000	11,400	36,287	12.34%	10.89%	

Carrying value of investments as at June 30, 2011

45,661

5.3.2 Term Finance Certificates - Unlisted

Name of the investee company	----- Number of certificates-----				Market / carrying value at June 30, 2011	Market value as a percentage of		
	As at July 01, 2010	Purchases during the year	Sales during the year	As at June 30, 2011		Total investment	Net assets	Issue size
(Rupees in '000)								
Financial Services								
Orix Leasing Pakistan Limited (Face value Rs. 100,000 each)	220	-	-	220	14,781	5.03%	4.43%	0.30%
					14,781	5.03%	4.43%	
Carrying value of investments as at June 30, 2011					14,667			

5.3.3 Significant terms and conditions of Term Finance Certificates outstanding as at June 30, 2011 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
NIB Bank Limited	4,994	1.15%+6 Month KIBOR	5-Mar-08	5-Mar-16
Saudi Pak Leasing Company Limited	3,531	6% Fixed Rate	13-Mar-08	13-Mar-17
Orix Leasing Pakistan Limited - Privately Placed	66,667	1.20%+6 Month KIBOR	15-Jan-08	15-Jul-13

5.4 Investment in Government Securities - Available - for - sale

Issue Date	Tenor	----- Face Value-----				Market value at June 30, 2011	Market Value as percentage of	
		As at July 01, 2010	Purchases during the year	Sales / Mature during the year	As at June 30, 2011		Total investment	Net assets
----- (Rupees in '000)-----								
Market treasury bills								
October 8, 2009	3 Months	50,000	-	50,000	-	-	-	-
February 25, 2010	6 Months	-	25,000	25,000	-	-	-	-
August 26, 2010	3 Months	-	75,000	75,000	-	-	-	-
August 13, 2010	3 Months	-	70,000	70,000	-	-	-	-
April 22, 2010	6 Months	-	25,000	25,000	-	-	-	-
November 04, 2010	3 Months	-	70,000	70,000	-	-	-	-
November 16, 2010	3 Months	-	35,000	35,000	-	-	-	-
October 21, 2010	3 Months	-	25,000	25,000	-	-	-	-
February 10, 2011	3 Months	-	55,000	55,000	-	-	-	-
March 10, 2011	3 Months	-	65,000	65,000	-	-	-	-
January 13, 2011	3 Months	-	5,000	5,000	-	-	-	-
June 06, 2011	6 Months	-	45,000	45,000	-	-	-	-
May 05, 2011	6 Months	-	15,000	15,000	-	-	-	-
April 04, 2011	6 Months	-	20,000	20,000	-	-	-	-
April 21, 2011	3 Months	-	50,000	-	50,000	49,766	16.92%	14.93%
		50,000	580,000	580,000	50,000	49,766	16.92%	14.93%

Carrying value of investments as at June 30, 2011

49,767

5.5 Investments include shares having market value aggregating to Rs. 51.693 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.

	Note	June 30 2011	June 30 2010
5.6 Net unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' - net		(Rupees in '000)	
Market value of investments		-	3,855
Less: Cost of investments		-	(4,280)
		-	(425)
Net unrealised diminution in the value of investments at fair value through profit or loss at beginning of the year		(425)	(1,342)
Realised on disposal during the year		425	-
		-	917
5.7 Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'			
Market / carrying value of investments		294,136	318,403
Less: Cost of investments		271,055	306,681
		23,081	11,722
Impairment loss on listed equity securities classified as 'available-for-sale' - transferred to income statement	5.7.1	617	2,213
Provision against term finance certificates	5.7.2	9,561	-
		10,178	2,213
		33,259	13,935
Less: Net unrealised diminution in the fair value of investments classified as 'available-for-sale' at the beginning of the year		13,935	1,400
		19,324	12,535
5.7.1	As at June 30, 2011, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as available-for-sale and has determined that an impairment loss amounting to Rs. 0.617 million (2010: Rs 2.213 million) be charged to the Income statement.		
5.7.2	During the current year, the Issuer of TFCs defaulted towards payment falling due in September 2010. Accordingly, the exposure was classified as non-performing and provision was recognised in accordance with the SECP's provisioning guidelines.		
	Subsequently, on the request of the Issuer, TFC holders approved the restructuring of the facility by extending repayment period from 5 years to 9 years and by reducing markup rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the markup rate at 1 month KIBOR. Further, half of the accrued markup is to be paid in cash and the balance is being deferred.		
	Circular 1 of 2009 dated January 6, 2009 read with Circular 3 of 2010 dated January 20, 2010 issued by the SECP state that a debt security can be classified as performing once all arrears (principal & mark-up) have been received in cash and debt security is regular on all payments for the next two instalments. The above exposure has been classified as performing by the MUFAP as arrears due on the date of restructuring were rescheduled and the investee company has settled the next two instalments. The management, based on its assessment, maintains that provision should be retained against this company keeping in view factors like deterioration in liquidity and financial condition and other operating uncertainties.		
	Accordingly, based on management assessment, provision of Rs 9.561 million has been made against this exposure and mark-up income due amounting to Rs 1.991 million has also not been accrued.		
	Had the security been valued in accordance with the rates quoted by MUFAP, its carrying value would have been higher by Rs 3.695 million while an amount of Rs 5.866 million would have been recognised as unrealised diminution in value of investments.		
6 DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		816	364
Profit receivable on bank deposits		114	112
Income accrued on term finance certificates		2,352	4,196
		3,282	4,672
7 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance		560	787
Less: Amortisation during the year	7.1	(227)	(227)
		333	560
7.1	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund.		

	Note	June 30, 2011	June 30, 2010
8	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
		(Rupees in '000)	
		40,000	25,000
		3,016	2,500
		100	100
		-	105
		6,296	-
		49,412	27,705
		(25,000)	(25,000)
		24,412	2,705
8.1	This includes advance against subscription of privately placed Term Finance Certificates (TFCs) of Bank Al Habib Limited. The issue date of TFCs is June 30, 2011, however the units were credited in the Fund's CDC account subsequent to the year end. In addition, it also includes Rs 25 million in respect of a subscription as a pre IPO investment which has been fully provided as disclosed in note 8.2 to the financial statements.		
8.2	The Fund had subscribed towards the term finance certificates of an issuer as pre IPO investor on January 9, 2008. Under the agreement, the issuer was required to complete the public offering by October 9, 2008. However, no public offering has been carried out by the issuer as at June 30, 2011. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2011, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the management company.		
9	PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY		
		(Rupees in '000)	
		584	1,221
		351	598
		-	2,500
		-	100
		26	-
		961	4,419
9.1	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of two percent per annum of the average annual net assets of the Fund for the current year.		
10	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
		(Rupees in '000)	
		60	122
10.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears. Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:		
	Net Assets	Tariff per annum	
	Upto Rupees 1,000 million	Rupees 0.7 million or 0.20% p.a. of NAV, whichever is higher	
	On an amount exceeding Rupees 1,000 million	Rupees 2 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million	
11	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
		(Rupees in '000)	
		317	393
11.1	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.085% of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the management company.		

	Note	June 30, 2011	June 30, 2010
(Rupees '000)			
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		266	260
Payable to brokers		229	41
Provision for Workers' Welfare Fund	16	2,291	1,246
Other payables		39	17
		<u>2,825</u>	<u>1,564</u>

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and June 30, 2010.

		For the year ended June 30, 2011	For the year ended June 30, 2010
(Rupees in '000)			
14 PROFIT ON BANK DEPOSITS			
Income on savings deposits		1,001	2,683
Income on term deposit receipts		1,591	-
		<u>2,592</u>	<u>2,683</u>
15 AUDITORS' REMUNERATION			
Statutory audit fee		205	200
Half yearly review fee		100	75
Reporting on compliance with the Code of Corporate Governance		25	25
Out of pocket expenses		32	10
		<u>362</u>	<u>310</u>

16 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 2.291 million (including Rs. 1.045 million for the current year) in these financial statements.

17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part 1 of the second schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the year ended June 30, 2011 as the Management Company has distributed the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	June 30, 2011			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
Financial assets				
Bank balances	15,339	-	-	15,339
Investments	-	-	294,136	294,136
Dividend and profit receivable	3,282	-	-	3,282
Advances, deposits and other receivables	24,412	-	-	24,412
	<u>43,033</u>	<u>-</u>	<u>294,136</u>	<u>337,169</u>

	June 30, 2011			
	Liabilities at fair value through profit or loss	Amortised cost		Total
-----Rupees in '000-----				
Financial liabilities				
Payable to HBL Asset Management Limited - Management Company	-	961		961
Payable to Central Depository Company of Pakistan Limited - Trustee	-	60		60
Accrued expenses and other liabilities	-	534		534
	<u>-</u>	<u>1,555</u>		<u>1,555</u>

	June 30, 2010			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
Financial assets				
Bank balances	37,212	-	-	37,212
Investments	-	3,855	318,403	322,258
Dividend and profit receivable	4,672	-	-	4,672
Advances, deposits and other receivables	2,705	-	-	2,705
	<u>44,589</u>	<u>3,855</u>	<u>318,403</u>	<u>366,847</u>

	June 30, 2010			
	Liabilities at fair value through profit or loss	Amortised cost		Total
-----Rupees in '000-----				
Financial liabilities				
Payable to HBL Asset Management Limited - Management Company	-	4,419		4,419
Payable to Central Depository Company of Pakistan Limited - Trustee	-	122		122
Accrued expenses and other liabilities	-	1,564		1,564
	<u>-</u>	<u>6,105</u>		<u>6,105</u>

19 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and the Trustee.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Details of transactions with connected persons and balances with them, if not disclosed elsewhere in these financial statements are as follows:

	For the year ended June 30, 2011	For the year ended June 30, 2010
19.1 Details of the transactions with connected persons are as follows:	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee	7,460	9,256
Habib Bank Limited - Sponsor		
Bonus units issued: 518,462 units (2010: Nil)	41,716	-
Bank charges paid during the year	28	37
Profit on bank deposits including TDRs earned during the year	1,817	1,260
Profit on bank deposits including TDRs received during the year	1,839	1,220
Sale of shares: 77,815 ordinary shares (2010: 112,703 ordinary shares)	8,352	13,555
Directors and Executives of the Management Company and their relatives		
Bonus units issued: 11,406 units (2010: Nil)	918	-
OTHER ASSOCIATES		
BOC Pakistan Limited		
Purchase of shares: Nil (2010: 18,964 ordinary shares)	-	2,067
Sale of shares: 22,150 ordinary shares (2010: 25,614 ordinary shares)	1,819	2,936
International Industries Limited		
Sale of shares : Nil (2010: 27,940 ordinary shares)	-	1,723
Packages Limited		
Purchase of shares: 2,500 ordinary shares (2010: 17,655 ordinary shares)	301	2,361
Sale of shares: 24,500 ordinary shares (2010: 3,500 ordinary shares)	2,710	521
New Jubilee Life Insurance Company Limited		
Sale of shares: 11,500 ordinary shares (2010: Nil)	482	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	749	926
Central Depository Service charges	11	17
19.2 Transactions involving shares of connected persons:		
Loss on sale of shares of Habib Bank Limited	(2,683)	(4,409)
Loss on sale of shares of BOC Pakistan Limited	(1,344)	(3,141)
Loss on sale of shares of International Industries Limited	-	(1,058)
Loss on sale of shares of Packages Limited	(1,345)	-
Gain on sale of shares of New Jubilee Life Insurance Company Limited	214	-

19.3 Balances outstanding as at year end	June 30, 2011	June 30, 2010
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee payable	584	1,221
Sales load payable	26	-
Preliminary expenses and floatation costs payable	351	598
Security deposit paid by Management Company on behalf of the Fund to National Clearing Company of Pakistan Limited - payable	-	2,500
Security deposit paid by Management Company on behalf of the Fund to Central Depository Company Limited - payable	-	100
Habib Bank Limited - Sponsor		
Investment held in the Fund: 3,125,678 units (2010: 2,607,216 units)	310,727	251,492
Bank balances	6,959	12,024
Profit receivable on bank deposits	26	48
Directors and Executives of the Management Company and their relatives		
Investment held in the Fund: 68,764 units (2010: 57,358 units)	6,836	5,533
Associated Companies		
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	60	122
Shares held in associated undertakings		
Ordinary shares held in Habib Bank Limited: 124,667 ordinary shares (2010: 188,885 ordinary shares)	14,470	18,369
Ordinary shares held in New Jubilee Life Insurance Company Limited: Nil (2010: 11,500 ordinary shares)	-	449
Ordinary shares held in BOC Pakistan Limited: Nil ordinary shares (2010: 22,150 ordinary shares)	-	1,729
Ordinary shares held in Packages Limited: Nil ordinary shares (2010: 22,000 ordinary shares)	-	2,607

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follow:

-----2011-----				
	Designation	Qualification	Experience in years	
1	Mr. Shahid Ghaffar	Chief Executive Officer	MBA	34
2	Mr. Rehan N Shaikh	Chief Operating Officer	M.Com	16
3	Mr. Amir Khan	Fund Manger	MBA	18
4	Mr. Umar Farooq	Manager Research	MBA	11
5	Mr. Noman Qurban	Manager Compliance	ACA	3

20.1 Umar Farooq is the Manager of the Fund. He has obtained a Masters Degree in Business Administration. He is also the Fund Manager of HBL Stock Fund and HBL Islamic Stock Fund

21 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**Top ten brokers during the year ended June 30, 2011**

S.No	Name of broker / dealer
1	Al-Habib Capital Markets (Pvt.) Limited
2	BMA Capital Management Limited
3	Burj Capital Pakistan (Pvt.) Limited
4	Foundation Securities (Pvt.) Limited
5	Global Securities Pakistan Limited
6	IGI Finex Securities Limited
7	Invest and Finance Securities Limited
8	Invisor Securities (Pvt.) Limited
9	KASB Securities Limited
10	Pearl Securities (Pvt.) Limited

Top ten brokers during the year ended June 30, 2010

S.No	Name of broker / dealer
1	IGI Finex Securities Limited
2	JS Global Capital Limited
3	KASB Securities Limited
4	Pearl Securities (Pvt.) Limited
5	Al-Habib Capital Markets (Pvt.) Limited
6	Global Securities Pakistan Limited
7	Elixir Securities Pakistan (Pvt) Limited
8	BMA Capital Management Limited
9	Arif Habib Limited
10	Invisor Securities (Pvt.) Limited

22 PATTERN OF UNIT HOLDING

	----- As at June 30, 2011 -----		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	64	10,839	3.3%
Associated companies	1	310,727	93.2%
Directors	2	6,836	2.1%
Retirement funds	1	621	0.2%
Others	2	4,316	1.2%
	<u>70</u>	<u>333,339</u>	<u>100%</u>

	----- As at June 30, 2011 -----		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	80	17,377	4.8%
Associated companies	1	251,492	69.7%
Directors	2	5,533	1.5%
Bank / DFIs	1	10,060	2.8%
Retirement funds	2	604	0.2%
Others	3	75,843	21.0%
	<u>89</u>	<u>360,909</u>	<u>100%</u>

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 23rd, 24th, 25th, 26th, 27th and 28th board meetings were held on July 7, 2010, September 16, 2010, October 28, 2010, February 11, 2011, March 31, 2011 and April 25, 2011 respectively. Information in respect of attendance by Directors in the meetings are as follows:

Name of the director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. R. Zakir Mahmood *	5	4	1	26th meeting
2 Mr. Shahid Ghaffar	6	6	-	-
3 Mr. Sohail Malik	6	5	1	27th meeting
4 Mr. Abid Sattar	6	5	1	25th meeting
5 Mr. Towfiq H. Chinoy **	6	5	1	23rd meeting
6 Ms. Sadia Khan	6	5	1	23rd meeting

* Mr. R. Zakir Mahmood, Chairman has resigned from the Directorship of HBL Asset Management on 31 March 2011.

* Mr. Towfiq H. Chinoy has taken charge as Chairman of HBL Asset Management on 31 March 2011.

24 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, investment-grade debt securities, government securities, and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

24.1 Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises three types of risk ; currency risk, interest rate risk and other price risk.

24.1.1 Currency risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

24.1.2 Interest rate risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2011, the Fund holds KIBOR based interest bearing term finance certificates that expose the Fund to cash flow interest rate risk. In case of 100 basis points increase /decrease in KIBOR on June 30, 2011, with all other variables held constant, the net assets and net income of the Fund would have been higher/ lower by Rs 136,555. (2010: Rs 303,874).

Investments in treasury bills are not subject to cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund holds treasury bills which are classified as available-for-sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2011, with all other variables held constant, the net assets would have been lower by Rs. 21,318 (2010: Rs 76,245). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2010, with all other variables held constant, the net assets would have been higher by Rs. 13,961 (2010: Rs 71,642).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

----- As at June 30, 2011 -----					
----Exposed to interest rate risk----					
Interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to interest rate risk	Total
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	5% - 11.25%	15,339	-	-	15,339
Investments	6% - 15.00%	54,040	6,511	40,283	193,302
Dividend and profit receivable		-	-	3,282	3,282
Advances, deposits and other receivables		-	-	24,412	24,412
		69,379	6,511	40,283	220,996
					337,169
Financial liabilities					
Payable to HBL Asset Management Limited - Management Company				961	961
Payable to Central Depository Company of Pakistan Limited -Trustee				60	60
Accrued expenses and other liabilities				533	533
				1,554	1,554
On-balance sheet gap		69,379	6,511	40,283	219,442
					335,615
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-
----- As at June 30, 2010 -----					
----Exposed to interest rate risk----					
Interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to interest rate risk	Total
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	5% - 8.50%	37,212	-	-	37,212
Investments	13.14% - 13.93%	49,092	-	75,575	197,591
Dividend and profit receivable		-	-	4,672	4,672
Advances, deposits and other receivables		-	-	2,600	2,600
		86,304	-	75,575	204,863
					366,742
Financial liabilities					
Payable to HBL Asset Management Limited - Management Company				4,419	4,419
Payable to Central Depository Company of Pakistan Limited -Trustee				122	122
Accrued expenses and other liabilities				318	318
				4,859	4,859
On-balance sheet gap		86,304	-	75,575	200,004
					361,883
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-

24.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE 100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

Sectorwise Portfolio	As at June 30, 2011	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and Gas	41.9%	34.4%
Chemicals	23.1%	11.6%
Banks	16.0%	20.3%
Electricity	17.0%	3.1%
Fixed Line Telecommunication	0.0%	1.7%
Pharma and Bio Tech	0.0%	1.0%
Automobile and Parts	0.0%	1.3%
General Industries	0.0%	1.1%
Personal Goods	0.9%	3.8%
Construction and Materials	1.1%	1.9%
Life Insurance	0.0%	0.3%
Other Equity	-	19.5%
Total	100.0%	100.0%

Sectorwise Portfolio	As at June 30, 2010	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and Gas	41.3%	38.5%
Chemicals	21.8%	8.8%
Banks	19.5%	24.3%
Electricity	11.4%	3.4%
Fixed Line Telecommunication	0.7%	2.8%
Pharma and Bio Tech	1.9%	0.9%
Automobile and Parts	0.2%	1.4%
General Industries	1.3%	0.7%
Personal Goods	0.5%	2.3%
Construction and Materials	1.2%	2.1%
Life Insurance	0.2%	0.3%
Other Equity	-	14.5%
Total	100.0%	100.0%

In case of 5% increase / decrease in KSE 100 index on June 30, 2011, with all other variables held constant, the net assets of the Fund would increase / decrease by Rs. 16.84 million (2010: Rs 8.914 million) as a result of gains / losses on equity securities classified as available-for-sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

24.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's credit risk is primarily attributable to its investment in debt securities and government securities, balances with banks and advances, deposits and other receivables. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through the assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company.

The analysis below summarises the credit quality of the Fund's investment in bank balances and term finance certificates as at June 30, 2011 and June 30, 2010:

Bank balances by rating category	June 30,	June 30,
	2011	2010
	Rs in'000	
A1+	15,339	37,212
Term finance certificates by rating category		
AA+	14,781	-
AA	-	30,313
A+	25,995	18,372
A	-	26,890
Non-investment grade	10,292	-
	<u>51,068</u>	<u>75,575</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets.

An analysis of the financial assets that are individually impaired as per the requirements of Circular No. 1 dated January 6, 2009 and Circular No. 13 dated May 4, 2009 issued by the Securities and Exchange Commission of Pakistan are as under:

Term Finance Certificates	Cost	
	2011	2010
	(Rupees in '000)	
15 to 89	25,573	25,000
90 to 179	937	-
180 to 270	937	-
270 to 365	937	-
over 365	17,801	-

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

24.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units. The Management Company manages the liquidity risk by monitoring maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

-----As at June 30, 2011-----				
Total	Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to HBL Asset Management Limited – Management Company	961	961	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	60	60	-	-
Accrued expenses and other liabilities	533	533	-	-
	1,554	1,554	-	-

-----As at June 30, 2011-----				
Total	Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to HBL Asset Management Limited – Management Company	4,419	4,419	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	122	122	-	-
Accrued expenses and other liabilities	1,564	1,564	-	-
	6,105	6,105	-	-

UNITS HOLDERS' FUND RISK MANAGEMENT

25

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' funds.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowing arrangements (which can be entered if required) or disposal of investments where necessary.

FAIR VALUE OF FINANCIAL INSTRUMENTS

26

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares, treasury bills etc) are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the values quoted by MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 1 of 2009 dated January 6, 2009 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 1 of 2009 issued by the SECP.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

According to the amendments to IFRS 7, the Fund shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Investment of the Fund carried at fair value are categorised as follows:

Assets	-----As at June 30, 2011-----			Total
	Level 1	Level 2	Level 3	
	-----Rs in '000-----			
Financial assets available for sale				
- Equity securities	193,302	-	-	193,302
- Term finance certificates and sukus	-	40,776	10,292	51,068
- Government treasury bills	-	49,766	-	49,766

Assets	-----As at June 30, 2010-----			Total
	Level 1	Level 2	Level 3	
	-----Rs in '000-----			
Financial assets designated at fair value through profit or loss				
- Equity securities	3,855	-	-	3,855
Financial assets available-for-sale				
- Equity securities	193,736	-	-	193,736
- Term finance certificates and sukus	-	75,575	-	75,575
- Government treasury bills	-	49,092	-	49,092

27 DISCLOSURE UNDER CIRCULAR NO. 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORIZATION OF OPEN END SCHEME

The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the said circular. The HBL Asset Management Limited (Management Company) classified HBL Multi Asset Fund (the Fund) as 'Balanced Scheme' in accordance with the said circular. As at June 30, 2011, the Fund is compliant with all the requirements of the said circular except for clause 2(iv) which requires that the rating of any debt security in the portfolio shall not be lower than A- (A Minus). However, the following investment had a rating below the minimum specified rating.

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
-----Rs in '000-----						
Saudi Pak Leasing Company Limited	TFC	19,853	9,561	10,292	3.09%	3.05%

28 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their meeting held on July 07, 2011 has declared final dividend at Rs. 15.25 per unit in the form of bonus units for Class 'A' and Class 'B' units and cash dividend of Rs. 15.25 per unit for Class 'C' unit for the year ended June 30, 2011. The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of the final dividend which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

29 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There were no significant reclassifications made in the current year.

30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 11, 2011.

31 GENERAL

Figures have been rounded off to the nearest thousand rupees.

**For HBL Asset Management Limited
(Management Company)**

Chief Executive

Director