

2009

Exclusive Annual Edition

Mutual Fund

INVESTORS' GUIDE

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Featuring

- Mutual Fund Review CY08
- Fund Manager of the Year
- Fund of the Year
- Top Performing Funds
- Mufap's Viewpoint
- Exclusive Interviews & Articles
- Global Outlook of Mutual Funds
- Emerging Funds of 2009

Mutual Fund Investors' Guide

Declares Awards for CY08

Fund Manager of the Year

Faysal Asset Management Limited

Star Performers in Respective Categories

Open End Funds

Crosby Dragon Fund

KASB Balanced Fund

United Composite Islamic Fund

Meezan Islamic Income Fund

Category

Equity Fund

Balanced Fund

Islamic Fund

Islamic Income Fund

Fund of the Year

Faysal Saving Growth Fund

Rating Criteria for Mutual Fund

When rating the Mutual Fund, our evaluation committee considered both absolute and risk adjusted returns. For absolute return (providing 50% weightage) we have evaluated the performance of funds in CY08 in their respective categories. However, at the same time we emphasised on the level of risk (measuring of variability) and risk adjusted return. We normally used Sharpe ratio to evaluate the fund on risk adjusted return. However due to unexpected conditions both in equity market (index floor) and income fund (discounting of TFCs), the Sharpe ratio gave negative outcome. This led to improper evaluation of risk adjusted return so we used RAR (risk adjusted return) instead. We allocated 30% weightage while the remaining 20% was allocated to asset size in its respective category. This rating was applied only on the basis of historical trailing returns of 12-month performance but it doesn't guarantee the future performance.

Best Performing Fund Manager

Mutual Fund Investors' Guide (a publication of The Financial Daily Research) has announced the "Best Fund Manager" of the year award. While short listing Fund Managers of the Year, we looked at long and short term performance; strategies followed and returns posted by the players in the respective categories. These fund managers were able to achieve enhanced risk adjusted returns. No doubt 2008 was a tough year for fund managers. However, to get a clear profile of an organization's strengths and weaknesses fund managers were evaluated on the following attributes:

- Growth of AUM
- Performance of Fund
- Risk Management
- Clientele Network

The evaluation on the basis of stated attributes helped us reach the conclusion that "Faysal Asset Management Limited" is the best Fund Manager for the year CY08.

Growth of AUM

At the close of CY08 the cumulative size of assets under management reduced to almost 48% as compared to CY07. In this backdrop Faysal Asset Management (FAML) has shown fair amount of resilience as assets under its management declined by 14% as against an overall decline of 48% value of the assets. Despite of that FAML has delayed launching of a new fund. It was able to out perform rest of the fund managers operating in Pakistan.

Performance of Fund

FAML is currently managing three funds which are

1. Faysal Saving Growth Fund
2. Faysal Income & Growth Fund
3. Faysal Balanced Growth Fund

Faysal Saving Growth Fund emerged as the best fund in overall mutual fund industry in CY08 as well as in Income Fund Category, while other two funds Faysal Income & Growth Fund & Faysal Balanced Growth Fund came in the upper quartile in the respective categories.

Risk Management

Risk metrics extends its view of financial risk to include liquidity risk, legal risk, inflation risk, credit risk, exchange risk, spread risk, bond price risk, downgrade risk, default risk and during year CY08 the most contentious risk was settlement risk. Another tool utilized is value at risk (VAR) which measures the market risk of the funds. VAR is the maximum loss that may occur for a given probability over a specified investment horizon. Due to prudent fund management strategies followed by FAML especially for Faysal Saving Growth Fund kept VAR at 0.56% due to lower standard deviation which ultimately reduced tracking risk.

Clientele Network

The mutual fund industry growth, which has been consistently growing in last 5 years, registered an overall decline. As against this, FAML which emphasizes on retail network remained least affected and showed slow and consistent growth. We have also witnessed the strong correlation between retail network and variability in asset under management. Those asset management companies which give more importance to diversified network (retail vs. corporate) have provided low variability in assets under its management. The low variability in sale and redemption was witnessed because FAML followed disciplined approach towards investment and achieving objectives.

Faysal Saving Growth Fund

Key Facts

Fund Manager	Faysal Asset Management
Fund Type	Open End
Fund Launch\ Date	12 May 2007
Performance Benchmark	1 M KIBOR
Initial Public Offer	Rs 100
Current NAV (Dec08)	Rs 103.58
Trustee	CDC
Auditor	Ford Rhodes Sidat Hyder & Co

Investment Objectives

FSGF seeks to maximum possible preservation of capital and a reasonable rate of return via investing primarily in money market & debt securities having good credit rating and liquidity.

Return on Fund

CY08 Return (%)	11.9
Since Inception (%)	10.98

Risk Measure

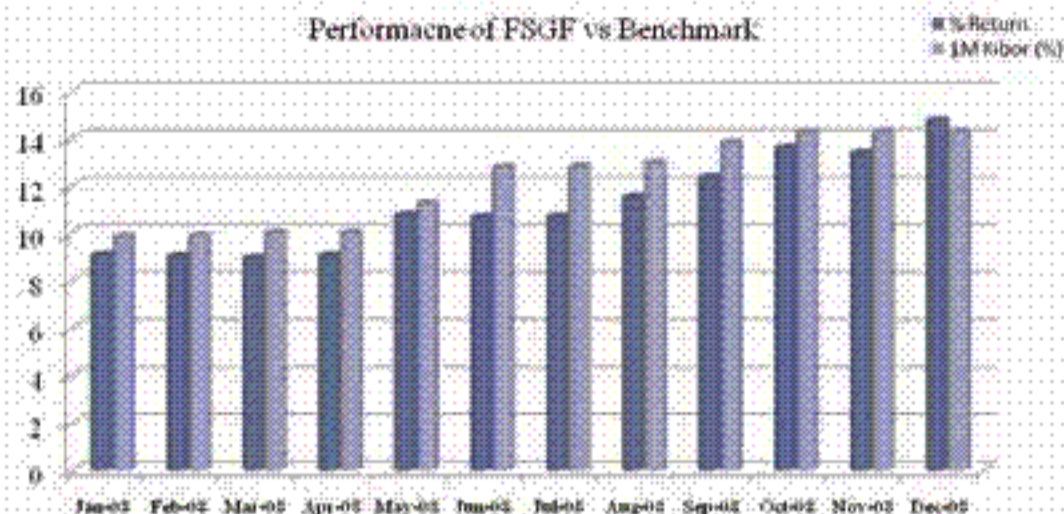
Maximum Draw down (%)	5.98
Tracking Error (%)	5.27
Fund VAR (%)	0.56

Asset Allocation

	Cash & Equivalent (%)	TFCs/CPs (%)*	TDR / COI (%)	COT & Rev Repo (%)	Others (%)
Jan-08	69.92	6.87	21.84	0.38	1.29
Feb-08	56.43	6.39	26.72	8.72	1.74
Mar-08	36.78	5.54	50.55	5.37	1.76
Apr-08	32.94	5.55	59.55	-	1.96
May-08	37.16	1.52	50.3	5.31	5.7
Jun-08	57.17	7.86	30.24	2.01	2.72
Jul-08	51.18	3.16	43.28	-	2.38
Aug-08	42.78	4.25	50.42	-	2.55
Sep-08	93.31	4.01	-	-	2.68
Oct-08	92.45	4.5	-	-	3.05
Nov-08	95.07	2.1	-	-	2.83
Dec-08	94.93	1.97	-	-	3.1

* Oct08, Nov08 & Dec08 the allocation is in CPs

Performance of FSGF vs Benchmark

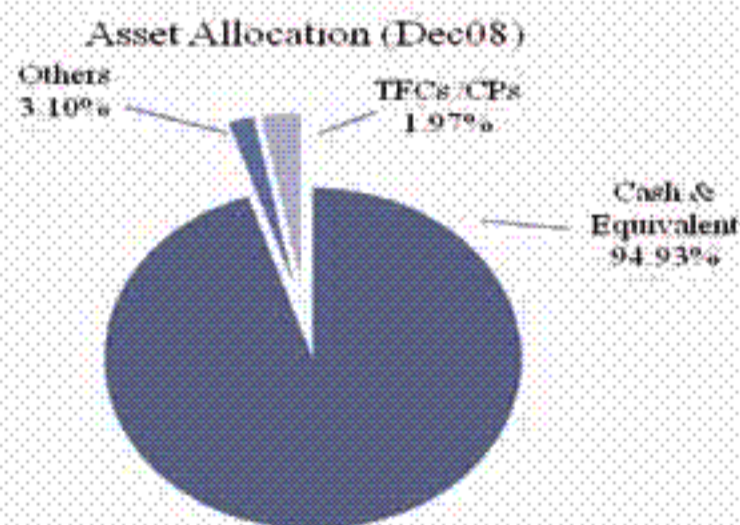


Monthly Returns

	% Return*	1M Kibor%	%excess Return
Jan-08	9.07	9.86	-0.79
Feb-08	9.02	9.89	-0.87
Mar-08	8.94	10.01	-1.07
Apr-08	9.05	10.02	-0.97
May-08	10.76	11.26	-0.5
Jun-08	10.67	12.77	-2.1
Jul-08	10.69	12.82	-2.13
Aug-08	11.52	12.96	-1.44
Sep-08	12.34	13.81	-1.47
Oct-08	13.59	14.25	-0.66
Nov-08	13.37	14.29	-0.92
Dec-08	14.74	14.29	0.45

* Annualized Return

Source: TFD Research & Fund Manager Report



Performance Review

Faysal Saving Growth Fund (FSGF) emerged as the best fund in money market & income fund category; it is not only an outperformer in the category but also posted the highest return in the overall mutual fund industry. In our view, its prudent asset allocation proved the best when SECP took necessary action and discounted TFCs rates. The decision sent NAVs of all income funds plunging when they incorporated the change in TFCs prices. Faysal Saving Growth Fund is a top rated fund taking a negligible impact on its NAV, a feat made possible only by vastly working in cash & cash equivalent. (Short-term instrument)

Liquidity-not a Key Concern for FSGF

The manager continuously changed the asset allocation with changing times. It efficiently reduced the allocation in TFCs before the SECP's discounting of the same took affect. The fund manager is keenly focused on risk adjusted returns always looking to outperform the benchmark (1M KIBOR). In addition to abovementioned strategic maneuvers it is looking to manage the overall risk

of portfolio by keeping in mind the leading economic indicators involving portfolio more and more with short term duration instrument.

Asset Allocation

The fund manager has allocated almost 95% in cash & Equivalent; more emphasize in liquidity and risk adjusted return and reduce their allocation in short term duration. The FSGF portfolio is a true reflection of its investment policy. The average duration and liquidity duration of the fund remained well within the international guidelines of 90 days to qualify as a true money market fund. The fund management approach has been to deploy investments in the short term high credit quality money market instruments to achieve portfolio optimization.

Increasingly dominating in market share

The market share of FSGF (asset size growth) increased from 2.57% (open end income fund industry) in the start of CY08 to close at 5.55% at end-CY08. The time when industry faced a massive redemption, FSGF retained its existing clients due to optimum portfolio. Fund manager maintains its strategy of investing in more high liquid instruments.

	Fund Size (Rs in Mn)	Market share as % of open end Income fund
Jan-08	4120	2.57%
Feb-08	3700	2.29%
Mar-08	3447	2.04%
Apr-08	3430	1.99%
May-08	3065	2.08%
Jun-08	4045	2.88%
Jul-08	4043	2.98%
Aug-08	4260	3.14%
Sep-08	4525	3.42%
Oct-08	4034	3.99%
Nov-08	4058	4.75%
Dec-08	4313	5.55%

Source: Fund Manager Report

