

# FUND MANAGER'S REPORT Feb' 11

## ECONOMIC OUTLOOK

Political turmoil both locally and internationally created negative sentiments in the market. The tensions were further intensified as macroeconomic indicators were not strong enough to convince International Monetary Fund in the 6th Review scheduled in March 2011.

On external side FDI for the month of Jan 2011 stood at US \$112mn as against US \$ 255mn in Dec 2010. Trade Deficit experienced a decline and stood at PKR 739mn, down 56% MoM. Due to an expectation of bumper crop in months to come, trade deficit would further slide down. However, in the absence of the monetary support from International bodies, Current Account posted a deficit of USD 62mn against the surplus of \$ 570mn shown in Dec 2010. The government is undertaking measures in order to boost the revenue generation and curtail the expenditure in order to meet the parameters set by IMF. Remittance declined further in the month of January and stood at USD 827mn as compared to USD 863mn in December 2010. Large scale manufacturing growth declined once again by 2.3%, implying negative growth in GDP.

Going forward, failure to implement reformed GST will be crucial in the Sixth Review of IMF for further disbursement of the funds under Standby Agreement. We also believe that the inflation numbers will slide down from Jan 2011 due to higher base effect. However the impact of higher base would be diluted with increase in oil prices.

## MONEY MARKET REVIEW:

The money market during the month of February 2011 remained mostly liquid between the levels of 12.25% to 13.25%. In last T-bill auction dated February 24, 2011, SBP given the cutoff of 13.48%, 13.68% and 13.74% in 3, 6 and 12 months respectively and accepted the amount of around Rs 150 billion against the maturity of the same. Due to no change in Policy Rate last month, money market participants opted for heavy investments in T-bill and preferred for a bit longer tenor investments to optimize on yields available on various instruments. The T-bills were trading at 13.38%, 13.62 and 13.75% in 3, 6 and 12 months respectively on the last day of the month. Further, we believe that the overnight money market rates will hover around 12.50% to 13.25%.

## EQUITY MARKET REVIEW:

February proved to be a bearish month as the KSE - 100 index tumbled 8.66% on MoM basis. The KSE-100 index started the month of February at 12,359.36 level and closed at 11,289.23 level. On an YTD basis the stock market closed up 16.12%. Foreign buying continued during the month as investor's continued to invest in the local bourses. According to the data provided by NCCPL, foreign investors remained net buyers for the month of February as well but their quantum decreased in comparison to the previous month as net buying decreased by 91.28% to USD 5.50 Mn compared to USD 63.10 Mn in the previous month. In Rupee terms foreigners bought shares worth PKR 4.49 Bn and sold shares worth PKR 4.02 Bn during the month of February thus resulting in net buying of PKR 472.78 Mn. Local investors remained net sellers as political unrest in MENA region triggered a rally in commodities, especially oil, raising concerns on Pakistan's macro economic situation. Pakistan imports oil worth USD 833 Mn on monthly basis. Investors also feared a run on the Rupee in anticipation of increasing import bill due to rising international oil prices thus putting further pressure on PKR against the USD. Political situation on the local front also remained dicey as PML (N) announced that they will be removing PPP from Punjab coalition government due to non implementation on their reform agenda. This also triggered panic selling in the market as investors feared midterm elections. With government financing a major chunk of its deficit from SBP and commercial banks thus crowding out private sector demand, we believe that government will push aggressively to pass RGST and flood tax bill so that IMF releases the last two tranches and gives much needed fiscal breathing space to the government. Also other donors have also set IMF green signal as a precondition for disbursement of funds.

With the government borrowing PKR 443 Bn from domestic sources during the first six months of the current fiscal year to finance budget deficit against an estimated PKR 166 Bn earmarked in the budget for the entire fiscal year and expected increase in local oil prices on account of increase in international oil prices we believe that inflationary pressures will persist for the time being. Hence we continue to favour high dividend yielding and growth stocks.

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Fund Information	Fund Type	Open Ended
	Category	Balanced Scheme
	Risk Profile	Moderate
	Launch Date	19-Apr-04
	Custodian/Trustee	CDC
	Auditor	Ernst & Young Ford Rhodes Sidat Hyder
	Management Fee	2%
	Front/Back end Load	2.25% (Front end Load)
	Min Subscription	PKR 5,000
	Benchmark*	KSE100 Index / 6M KIBOR
	Pricing Mechanism	Forward
	Dealing Days	Monday-Friday
	Cut-Off Timing	9am-5pm
	AMC Rating	AM2- (JCRVIS)
NAV per Unit (PKR)	71.94	
Net Assets (mn)	382.46	
Leverage	Nil	

\* weighted average of 6M KIBOR & percentage invested in equities

### Investment Objective

FBGF endeavors to provide investors with an opportunity to earn income and long-term capital appreciation by investing in a large pool of funds representing equity / non equity investments in a broad range of sectors and financial instruments.

Risk-quant	Alpha	-0.030%
	Beta	0.9252
	Sharpe	0.0678
	Standard Deviation	0.625%
	VaR	1.028%
	R <sup>2</sup>	0.5403
	Treynor	0.0063
	Kurtosis	1.1174

Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Mansoor Bughio	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
	Syed Qamar Abbas	Head of Research

### Non Compliance

Name of Instruments / Institutions	Rating Required	Existing Rating	Type of Instrument	Value of Investment Before provision	Provision (if any)	Value of investment after provision	% of Net Assets	% of Total Assets
Telecard	A-	BBB	TFC	30,434,655	-	30,434,655	7.96%	7.82%

### Single Entity Exposures

Attock Petroleum	Equity	44,032,590	-	44,032,590	11.51%	11.32%
Pak Electron	Preference Share	45,362,900	-	45,362,900	11.86%	11.66%

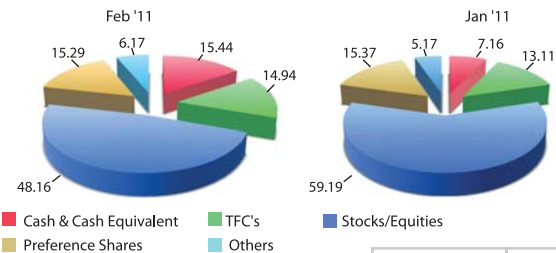
\*Exposure exceeded permissible limits due to increase in market price or decrease in net assets

### Performance review

FBGF started February at a NAV/unit of PKR 77.2 and closed the month at a NAV/unit of PKR 71.94, down 6.81% on a Month on Month (MoM) basis. In comparison FBGF's benchmark gave a negative return of 4.52% for the month of February. Comparing FBGF to its peer group, FBGF under performed the average return of the peer group by 311 bps (basis point) as the average peer group return for the month was negative 3.70%. The average return of balanced funds on Year to date (YTD) basis was 12.71% while FBGF yielded a return of 9.48% on YTD basis thus under performing the peer group by 323 bps on YTD basis. On the asset allocation side exposure in equities was reduced to 48.16% from previous month's level of 59.19%. Allocation in other asset classes was more or less maintained at last month's level.

	Feb' 11	Jan' 11	
Fund Returns	Month-on Month	-6.81	1.42
	FY11 to Date	9.48	17.49
	Since Inception	70.73	83.21
	Benchmark (YTD)	12.51	17.22

### Asset Allocation (% of Total Assets)



	Feb' 11	Jan' 11	
Sector Allocation (% of Total Assets)	Oil & Gas	22.91	24.14
	Personal Goods	7.10	1.95
	Electricity	6.72	6.05
	Banks	6.42	8.78
	Tobacco	5.01	5.41
	Others	-	12.86

Top Ten Equity Holdings (% of Total Assets)	Attock Petroleum	11.32%
	Pakistan Oilfields	9.02%
	Nishat Mills	7.10%
	HUB Power	6.72%
	Bank of Khyber	6.42%
	Pakistan Tobacco	5.01%
Pakistan Petroleum	2.58%	

Asset Quality (as % of Total Assets)	AA	22.45
	AA-	0.11
	BBB	7.82

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Fund Information	Fund Type	Open Ended
	Category	Aggressive Income Fund
	Stability Rating	A+(f) (JCRVIS)
	Risk Profile	Medium
	Launch Date	10-Oct-05
	Custodian/Trustee	CDC
	Auditor	M.Yousuf Adil Saleem & Co.
	Management Fee	1.50%
	Front End Load	1%
	Back End Load	Nil
	Min Subscription	PKR. 5,000
	Benchmark	90% 1 Yr KIBOR and 10% average of most recent published 3month deposit rates of top 3 scheduled Commercial Bank by deposit size
Pricing Mechanism	Forward	
Dealing Days	Monday-Friday	
Cut-Off Timing	9am-5pm	
AMC Rating	AM2- (JCRVIS)	
NAV per Unit (PKR)	102.88	
Net Assets (PKR mn)	634.78	
Leverage	Nil	

### Investment Objective

FIGF seeks to provide investors optimal yield through diversified portfolio consisting of both long-term fixed instruments as well as short-term money market instruments.

Risk-quant	Alpha	0.043%
	Sharpe	-2.4631
	Standard Deviation	0.179%
	VaR	0.294%
	Skewness	-1.7394
	Sortino	-1.5344
	Kurtosis	34.5105
	Weighted Average Days	19

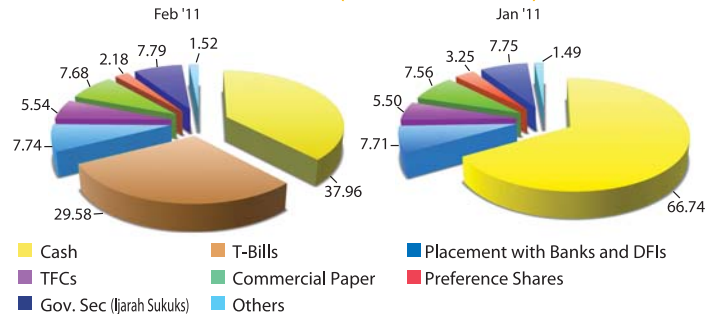
Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Mansoor Bughio	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
	Syed Qamar Abbas	Head of Research

### Performance review

Faysal Income and Growth Fund (FIGF) on year to date outperformed its peer group return by 9.07% as it yielded a return of 6.78% vs peer group average return of -2.29% YTD. However, it yielded -2.84% during the month as compared to its peer group that earned 7.83% on average. FIGF started February at the NAV/unit of PKR 106.13 and closed the month at the NAV/unit of PKR 102.88, after giving a payout of PKR 3.00 per unit to its valued investors. On the asset allocation side, our portfolio comprises of 45.70% in cash and placement with banks, 29.58% in T-Bills, 7.79% in GoP Ijarah Sukuk, 5.54% in TFCs, 7.68% in commercial paper and 2.18% in preference shares. Approximately 90% of the portfolio is invested in AA- or better rated instruments. The strategy remains to lookout for opportunities with high return potential while maintaining the fund's asset quality.

	Feb' 11	Jan' 11	
Fund Returns (% p.a.) (Annualized)	Month-on Month (CAGR)	-2.84	10.30
	FY11 to date (CAGR)	6.78	8.10
	Since Inception (CAGR)	9.89	10.09
	Benchmark (YTD)	13.11	13.01

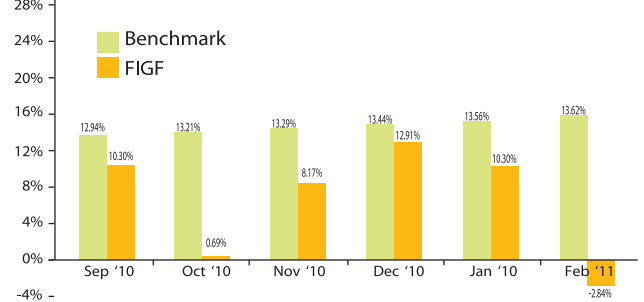
### Asset Allocation (% of Total Assets)



Asset Quality (as % of Total Assets)	Gov. Securities	37.37
	AA+	16.32
	AA	28.36
	AA-	8.70
	A-	0.01
	BBB	0.48
NR	5.06	

TFCs/SUKUK Holdings (% of Total Assets)	Kohat Cement	5.06%
	Telecard	0.48%

### FIGF Vs Benchmark



Monthly Return is calculated by Morning Star Method (CAGR) as per the requirement of MUFAP

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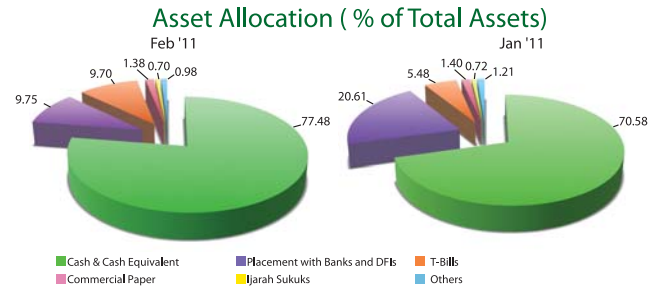
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Fund Information	Fund Type	Open Ended
	Category	Income scheme
	Stability Rating	A(f) (JCRVIS)
	Risk Profile	Low
	Launch Date	12-May-07
	Custodian/Trustee	CDC
	Auditor	Ernst & Young Ford Rhodes Sidat Hyder
	Management Fee	1.50%
	Front/Back end Load	-
	Min Subscription	PKR. 5,000
	Benchmark	75% 6M KIBOR & 25% 3M PKRV
	Pricing Mechanism	Forward
	Dealing Days	Monday-Friday
	Cut-Off Timing	9am-5pm
	AMC Rating	AM2- (JCRVIS)
NAV per Unit (PKR)	102.80	
Net Assets(PKR mn)	7,079	
Leverage	Nil	

	Feb' 11	Jan' 11	
Fund Returns (Annualized)	Month-on Month (CAGR)	11.97	11.67
	FY11 to Date (CAGR)	10.43	10.23
	Since Inception (CAGR)	11.34	11.32
	Benchmark (YTD)	13.16	13.07



### Investment Objective

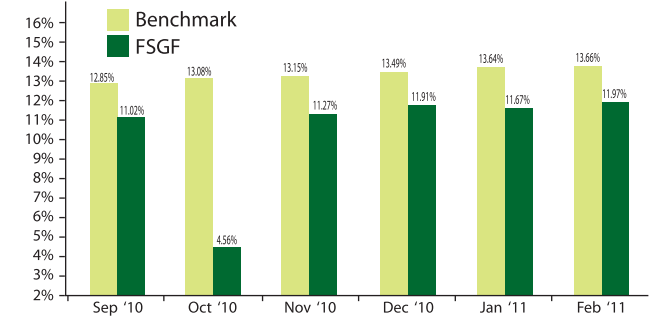
To generate competitive returns by investing primarily in debt and fixed income instruments having investment grade credit rating.

Risk-quant	Alpha	-0.007%
	Sharpe	-4.7171
	Standard Deviation	0.045%
	VaR	0.074%
	Skewness	-3.1310
	Sortino	-1.2247
	Kurtosis	39.8497
	Weighted Average Days	26

Asset Quality (as % of Total Assets)	Government Securities	10.40
	AA+	16.86
	AA	41.93
	AA-	29.82

Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Mansoor Bughio	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
	Syed Qamar Abbas	Head of Research

### FSGF Vs Benchmark



### Performance review

Faysal Savings Growth Fund's performance was impressive during the month of February 2011 as compared to its peer group performance. Your fund yielded 11.97% on MoM basis as compared to 11.67% last month registering an increase of 30 Bps. However, your fund yielded YTD return of 10.43% as compared to YTD return of 10.23% last month registering an increase of 20 Bps. Moreover, on asset allocation side, the fund is highly liquid with our portfolio comprised 77.48% of cash, 4.2% in short term TDR, 7% in short term placements in COI with AA rated banks & DFIs with maturity ranging from 30 days to 6 months, 9.70% in T-bills and 0.7% in GOP-Ijara Sukuks. This little alignment in asset allocation has not compromised our asset quality as almost 99% of our fund is invested in AA- rated instruments or better. We will continue with our investment strategy keeping the interest rate risk at lowest possible levels while ensuring highest credit quality within our portfolio and tap any short term opportunity in the market to pass on competitive returns to our unit holders.

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Fund Information	Fund Type	Open Ended
	Category	Asset Allocation Scheme
	Risk Profile	Moderate to High Risk
	Launch Date	24th July, 2006
	Custodian/Trustee	CDC
	Auditor	Ernst & Young Ford Rhodes Sidat Hyder
	Management Fee	3%
	Front/Back end Load	3.0% (Front end Load)
	Min Subscription	PKR. 5,000
	Benchmark*	KSE100 Index / 6M KIBOR
	Pricing Mechanism	Forward
	Dealing Days	Monday-Friday
	Cut-Off Timing	9am-5pm
	AMC Rating	AM2- (JCRVIS)
NAV per Unit (PKR)	68.53	
Net Assets (mn)	264.51	
Leverage	Nil	

\*\* weighted average of 6M KIBOR & percentage invested in equities

### Investment Objective

FAAF endeavors to provide investors with an opportunity to earn long-term capital appreciation optimizing through broad mix of asset classes encompassing equity, fixed income & money market instruments.

Risk-quant	Alpha	0.000%
	Beta	1.0404
	Sharpe	0.6484
	Standard Deviation	0.857%
	VaR	1.409%
	R <sup>2</sup>	0.3355
	Treynor	0.0765
Kurtosis	30.9653	

Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Mansoor Bughio	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
Syed Qamar Abbas	Head of Research	

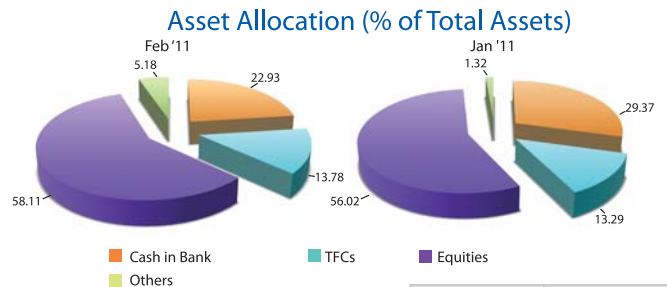
### Non Compliance

Name of Instruments / Institutions	Rating Required	Existing Rating	Type of Instrument	Value of Investment Before provision	Provision (if any)	Value of investment after provision	% of Net Assets	% of Total Assets
Maple leaf Cement	BBB	BB+	TFC	18,939,169	-	18,939,169	7.16%	7.04%

### Performance review

FAAF started February at a NAV/unit of PKR 71.90 and closed the month at a NAV/unit of PKR 68.52, down 4.69% on a Month on Month (MoM) basis. In comparison FAAF's benchmark gave a negative return of 5.25% for the month of February. Thus FAAF outperformed the benchmark on monthly basis. Comparing FAAF to its peer group, FAAF under performed the average return of the peer group by 43 bps (basis points) as the average peer group return for the month was negative 4.26%. The average return of asset allocation funds on Year to date (YTD) basis was 10.01% while FAAF yielded a return of 16.86% on YTD basis thus outperforming the peer group by 685 bps on YTD basis. On the asset allocation side exposure in equities was slightly increased to 58.11% from last month's level of 56.02%. Allocation in other asset classes was more or less maintained at last month's level.

	Feb' 11	Jan' 11	
Fund Returns	Month-on Month	-4.69	9.00
	FY11 to Date	16.86	22.61
	Benchmark (YTD)	12.08	15.61



	Feb' 11	Jan' 11	
Sector Allocation (% of Total Assets)	Oil & Gas	18.61	13.05
	Electricity	14.33	14.28
	Personal Goods	13.66	8.84
	Chemical	8.03	5.25
	Software & Computer Services	3.49	3.85
	Others	-	10.74

	Feb' 11	Jan' 11
Top Ten Equity Holdings (% of Total Assets)	Attock Petroleum	7.58%
	Nishat Chunian	6.85%
	Nishat Mills	6.81%
	Japan Power Generations	6.67%
	Pakistan Petroleum	5.59%
	Pakistan Oilfields	5.43%
	Fauji Fertilizer Bin Qasim	5.29%
	Nishat Chunian Power	4.09%
	NETSOL	3.49%
	Nishat Power	2.85%

	Feb' 11	Jan' 11
Asset Quality (as % of Total Assets)	AA	22.84
	AA-	0.09
	BBB	6.74
	BB+	7.04

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Fund Information	Fund Type	Open Ended
	Category	Islamic Income Scheme
	Stability Rating	NA
	Risk Profile	low
	Launch Date	14-Jun-10
	Custodian/Trustee	CDC
	Auditor	Ernst & Young Ford Rhodes Sidat Hyder
	Management Fee	1.50%
	Front/Back end Load	-
	Min Subscription	PKR 5000
	Benchmark	Average 6M deposit rate of 3 Islamic Banks
	Pricing Mechanism	Forward
	Dealing Days	Monday-Friday
	Cut-Off Timing	9am-5pm
	AMC Rating	AM2- (JCRVIS)
NAV per Unit (PKR)	102.67	
Net Assets (PKR mn)	187.00	
Leverage	Nil	

### Investment Objective

FISGF seeks to provide maximum possible preservation of capital and a reasonable rate of return via investing in Shariah Compliant money market and debt securities having good credit quality rating and liquidity.

Risk-quant	Alpha	0.011%
	Sharpe	-6.2107
	Standard Deviation	0.037%
	VaR	0.061%
	Skewness	3.7847
	Sortino	N/A
	Kurtosis	22.2758
	Weighted Average Days	61

Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Mansoor Bughio	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
	Syed Qamar Abbas	Head of Research

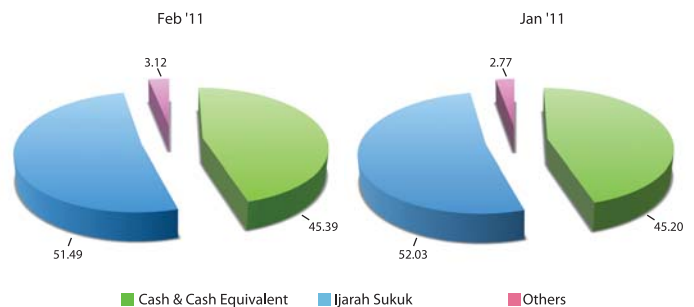
### Performance review

The performance of Faysal Islamic Savings Growth Fund (FISGF) was excellent during the month of February as it yielded 10.62% during the month as compared to the benchmark return of 8.78%, hence FISGF outperformed the benchmark by 1.84%. On year to date, FISGF outperformed its benchmark return by 1.28% as it yielded a return of 10.15% vs the benchmark return of 8.87%. FISGF also surpassed its peer group by 29 bps that earned 9.86% YTD on average.

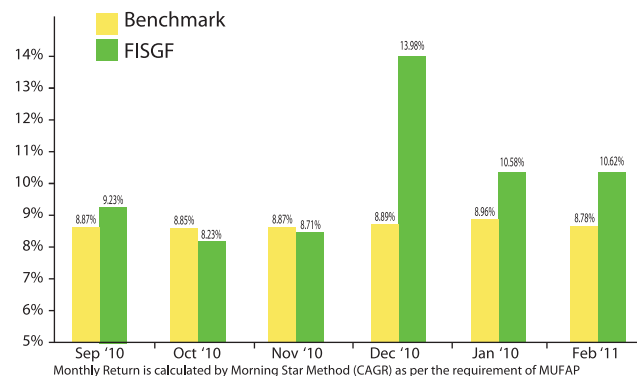
FISGF started February at NAV/unit of PKR 105.86 and closed the month at NAV/unit of PKR 102.67, after giving a payout of PKR 4.00 per unit to its valued investors. On asset allocation side, the fund is highly liquid with our portfolio comprised 45.39% in cash at bank and 51.49% in GoP Ijara Sukuk. Approximately 97% of the portfolio is invested in AA or better rated instruments. We intend to continue our investment strategy to look out for Shariah Compliant opportunities with competitive return at acceptable risk levels.

Fund Returns (% p.a.)		Feb' 11	Jan' 11
	Month-on Month (CAGR)	10.62	10.58
	FY11 to Date (CAGR)	10.15	10.09
	Since Inception (CAGR)	10.44	10.02
	Benchmark (YTD)	8.87	8.88

### Asset Allocation (% of total Assets)



Asset Quality (as % of Total Assets)	Gov.Securities	51.50%
	AA+	0.01%
	AA	45.23%
	A	0.15%



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Fund Information	Fund Type	Open Ended
	Category	Money Market Scheme
	Stability Rating	AA+(f) (JCRVIS)
	Risk Profile	low
	Launch Date	13-Dec-10
	Custodian/Trustee	CDC
	Auditor	Ernst & Young Ford Rhodes Sidat Hyder
	Management Fee	10% of Gross Earning or minimum 1.25% of Net Assets
	Front/Back end Load	-
	Min Subscription	PKR 5000
	Benchmark	50% 3 month T-Bills and 50% Average 3 months deposit rate of AA rated and above banks
	Pricing Mechanism	Backward
	Dealing Days	Monday-Friday
	Cut-Off Timing	9am-5pm
	AMC Rating	AM2- (JCRVIS)
NAV per Unit (PKR)	101.97	
Net Assets (PKR mn)	496.97	
Leverage	Nil	

### Investment Objective

Faysal Money Market Fund (FMMF) is to provide stable and competitive returns in line with the money markets exhibiting low volatility consistent with capital preservation by constructing a liquid portfolio of low risk short term investments yielding competitive returns.

Risk-quant	Alpha	0.000%
	Sharpe	-4.8009
	Standard Deviation	0.029%
	VaR	0.047%
	Skewness	1.6114
	Sortino	N/A
	Kurtosis	2.5297
	Weighted Average Days	58

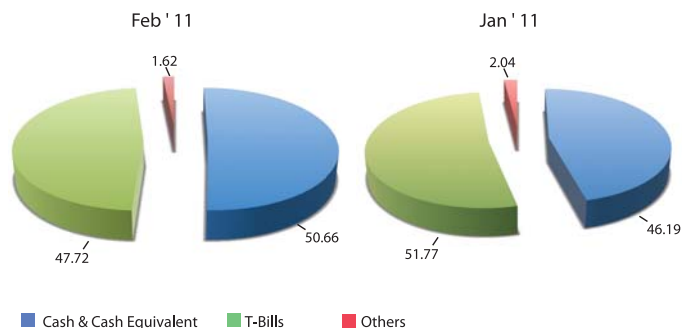
Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Mansoor Bughio	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
	Syed Qamar Abbas	Head of Research

### Performance review

The performance of FMMF was impressive during the month of February 2011 as the fund yielded MoM return of 12.22% as compared to its benchmark return of 10.24% hence beating it by over 198 Bps. While on YTD basis your fund yielded 11.59% against the YTD bench mark of 10.18% up by 141 Bps. Due to our proactive approach, your fund registered an increase of 103 Bps on MoM basis and 35 Bps on YTD basis. However, on asset allocation side, the fund is highly liquid with our portfolio comprised almost 51% of cash in AA rated or better banks and 48.5% in T-bills. We will continue with our investment strategy keeping the interest rate risk at lowest possible levels while ensuring highest credit quality within our portfolio and tap any short term opportunity in terms of capital gains in the money market to pass on competitive and consistent returns to our unit holders.

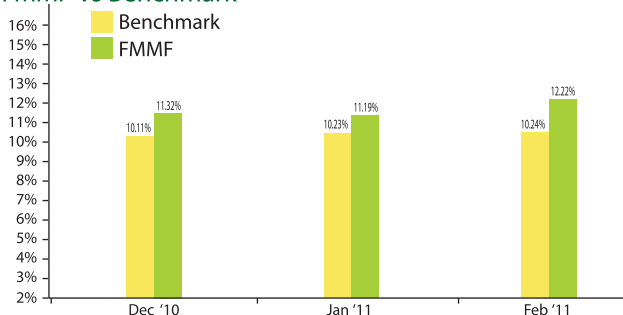
	Feb' 11	Jan' 11
Month-on Month (CAGR)	12.22	11.19
FY11 to Date (CAGR)	11.59	11.24
Since Inception (CAGR)	11.59	11.24
Benchmark (YTD)	10.18	9.87

### Asset Allocation (% of total Assets)



Asset Quality (as % of Total Assets)	Government Securities	47.72%
	AA+	14.41%
	AA	36.25%

### FMMF Vs Benchmark



### Disclaimer

This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependant on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.



FAYSAL ASSET MANAGEMENT LIMITED  
Rating by JCR-VIS

“ AM2 ”  
(High Quality Management)

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