

**Fund Manager's Report
For the Quarter ended
June 30, 2006**

Fund Performance & Objective

Faysal Income & Growth Fund (FIGF) is an open-ended fixed income fund. This fund was launched on October 10, 2005 and presently stands at a total value of Rs. 1.501 Billion.

The fund has a strategy to make secured investments with optimum yield. Accordingly the fund maintains major exposure in Government securities or placement of funds with financial institutions.

Alhamd-O-Lillah, the fund performed well and achieved an annualized yield of 7.76% p.a as of June 30th, 2006 for its investors as tabulated below:

Fund Launch Date	October 10, 2005
Offer Price at Launch Date	100.00
Redemption Price on June 30 th , 2006	105.59
No. of Days since inception	264
Annualized yield	7.73% p.a.

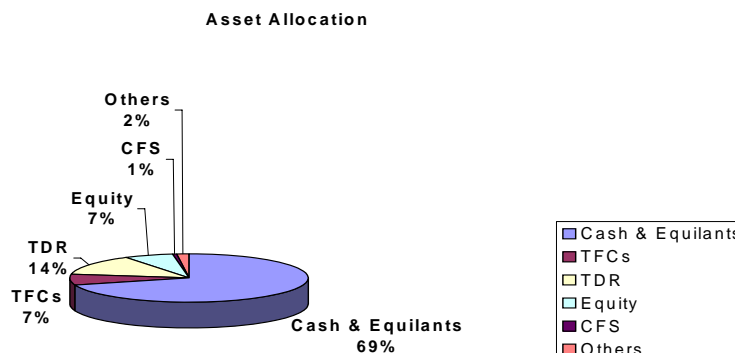
Investment Strategy

Being an Income Fund, the fund's emphasis is on managing interest rate risk and duration risk by keeping a short to medium-term investment portfolio.

Asset Allocation

Due to rising international oil prices, we are witnessing an increasing inflationary pressure in the economy. The State Bank of Pakistan is closely monitoring economic data to keep this inflationary pressure in check. Accordingly, market is anticipating a rise in interest rates in near future and in our view there might be a better opportunity for investment in Government Securities during the next quarter. The liquidity required for the investment in Government securities is presently held by the fund with various A-rated financial institutions.

The Asset Allocation of the fund as on June 30, 2006 is as follows:



Market Overview

Overall the State Bank of Pakistan continued to maintain its tight monetary policy stance. As before, the market was kept tight via OMOs and not the interest rate hike. The notable event during the quarter was the PIB Auction, which rejuvenated the dormant PIB market and drove the yield upwards, and then normalized the yield to a certain extent.

After the wait of almost two years; The Government of Pakistan conducted a PIB Auction in which it sold Rs. 10.16 Billion worth of PIBs against the total participation of Rs. 16 billion. The PIBs were issued at a discount as per market expectations. The coupon rates for the 3-year, 5-year and 10-year PIB were 9.10%, 9.30% and 9.60% respectively but the PIBs ultimately issued at the cut-offs of 9.45, 9.67 and 9.87 respectively. The total size of the 3-year PIB was 2.9 billion, 5-year PIB 4.01 Billion and 10-year PIB 3.2 Billion. The secondary market remained volatile during this period and market has witnessed an upward movement in the yields of PIBs.

Despite increasing inflationary pressure & tight monetary policy SBP maintained the cut-off yield on 12-month instrument at 8.79%. However, the cut-off yields of 3 & 6 months T-Bills increased to 8.32% and 8.44% respectively during the last quarter of this fiscal year.

The primary market remains non-liquid and we are witnessing low buying interest in any new TFC issue. The arrangers and advisors are facing difficulties

in placing new corporate papers with institutions as Bank deposits are offering reasonable returns and they are liquid as well. The market is also witnessing negligible activity in the secondary market of TFCs.

Future Outlook

Market participants are still positive about the rise in benchmark rates due to key economic indicators during the first quarter of next fiscal year. This change in benchmark rates will impact the Long-term Interest rates.

Rising oil prices and inflation are still a concern for fixed-income investment managers of the country and market is expecting the continuation of current fiscal policy by the central bank.