

FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

CEO CORNER
Salman Haider Sheikh, CEO
Email: salmansheikh@faysalfunds.com

Fund Manager Report

KARACHI:

(021) 4230318
(021) 2017045
(021) 6706141
(021) 5857494
(021) 4315634-6
(021) 4555825
(021) 5838546
(021) 2585921

LAHORE:

(042) 5763409
(042) 5889810
(042) 5749171
(042) 5752108-9
(042) 5897712-7

ISLAMABAD:

(051) 4302265

FAISALABAD:

(041) 2644481-5

Yield Curve & Investments

Yield Curve is the relation between the interest rate and the time to maturity of the debt. It can also be explained as the term structure of interest rates. Yield on an investment is the annualized increase in terms of percentage of the underlying investment. Yields on longer term investments are usually higher than the shorter-term investments.

Yield Curve is analyzed to assess the forecasted interest rate scenario to arrive at optimal investment decision-making. There are several types of yield curve:

Normal Yield Curve:

A normal yield curve indicates that yields rise with the increase in the maturity profile on investments. The duration factor demands higher return and higher growth on a long-term basis. A tightening in the monetary policy is usually the stance in such a growth scenario with rising inflationary pressures on the economy due to rapid growth.

Steep Yield Curve:

When the rate of decline in short-term maturities is higher than the rate of decline in the longer-term maturities in a declining rate scenario it leads to a steep yield curve. Steepening of yield curve is usually an indicator of economic expansion or growth. In Pakistan we are currently witnessing steepening of yield curve indicating the possibility of the beginning of a growth cycle. The economic fundamentals are showing signs of improvement with an expansionary fiscal policy. The shift in the monetary policy will lead to growth in the three engines of the economy namely: industrial, services & agriculture.

Flat Yield Curve:

A flat yield curve means that the yield on various maturities is approximately similar. A flat yield curve is normally an indicative of a period of uncertainty in the economy. This uncertainty can be in the middle of an economic cycle moving in either direction.

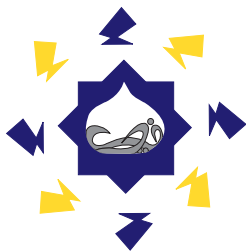
Humped Yield Curve:

A humped yield curve means that the short-term and long-term yields are similar while the medium-term yields are on the higher side, indicating investors' interest in the medium-term investments.

Inverted Yield Curve:

An inverted yield curve is formed when the long-term yields fall below short-term yields. If the investors feel that the economy will suffer a contraction in the longer run then they will settle for lower yields in similar maturity profiles. This will bring the longer-term maturity yields lower than the short-term maturity yields.

The yield curve is usually a good indicator for investors to predict the economic cycles as well as their investment maturity profiles to optimize their investment portfolio yields.



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

FAYSAL
BALANCED
GROWTH FUND

AUGUST 2009

INVESTMENT OBJECTIVE		FUND INFORMATION					
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.		FUND TYPE	OPEN ENDED-BALANCED FUND	REGISTRAR	GANGJEES REGISTRAR SERVICES (PVT) LTD.		
		FUND LAUNCH DATE	19 th APRIL 2004	TRUSTEES	CENTRAL DEPOSITORY COMPANY OF PAKISTAN		
		PERFORMANCE BENCHMARK	KSE-100 INDEX/ 6 M KIBOR	AUDITORS	FORD RHODES SIDAT HYDER & CO., CHARTERED ACCOUNTANTS		
		RATING	3 Star by JCR-VIS				
RETURNS		PORTFOLIO CHARACTERISTICS			RISK QUANTS		
MONTH ON MONTH	9.71%	P/E RATIO	8.69x	ALPHA	0.0004	VAR	1.10%
YEAR TO DATE	15.97%	DIVIDEND YIELD	6.38%	BETA	0.5731	R ²	0.5698
SINCE INCEPTION	48.42%			SHARPE	-0.0416	SORTINO	-0.0595
ANNUALIZED RETURN	7.63%			STD.DEV.	0.67%	KURTOSIS	1.6820

STOCK MARKET REVIEW

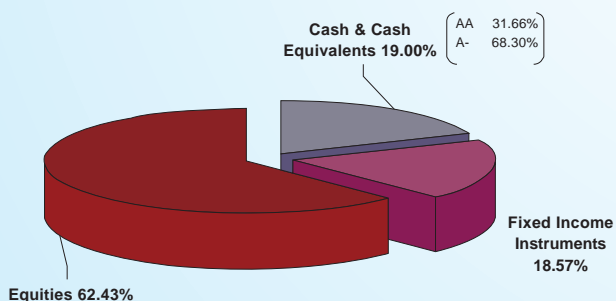
The stock market remained bullish for most part of the month and closed up 12.37% in August. The KSE-100 index started this month at a level of 7,720.93 and closed at a level of 8,675.67. Heavy buying was witnessed across the board with E&P and Oil Marketing sector amongst the top performers. Positive news flow was witnessed throughout the month starting with the IMF's approval of continued support to Pakistan. A 100 bps rate cut by the State Bank of Pakistan (SBP) and pledges of continued support by Friends of Pakistan further boosted the sentiments and a buying frenzy was witnessed at the local bourses. Net positive buying was witnessed by foreigners for the third consecutive month amid improving global economic conditions. Foreigners played a pivotal role and continued to invest in Pakistan due to improving economic and security situation in the country. According to the data provided by NCCPL, in the month of August foreigners bought shares worth USD 141.49 Mn and sold shares worth USD 46.86 Mn thus resulting in net buying of USD 95 Mn. Foreign buying also helped boost local sentiment as average daily volumes improved. Standard and Poor's raised Pakistan's sovereign rating by a notch to B-minus from CCC-plus, citing improvements in its external liquidity and reduction in its fiscal deficit. S&P added that ratings can be raised further if Pakistan can lower its fiscal and external deficits. Investors were of the view that rating improvement was in recognition of some of the policy measures that have been taken by the government to improve the economy. The decrease in yields on sovereign bonds issued by Pakistan also highlight the fact that foreigners perceive less risk in Pakistan now compared to a few months ago.

However, we believe that reducing inflation and controlling the Balance of Payment amid increasing international oil prices remain key risks to improvement in the economy. Further the decrease in manufacturing output due to electricity shortage and fiscal management issues due to debt servicing can hamper GDP growth forecasts. Hence we maintain a cautious stance at current levels.

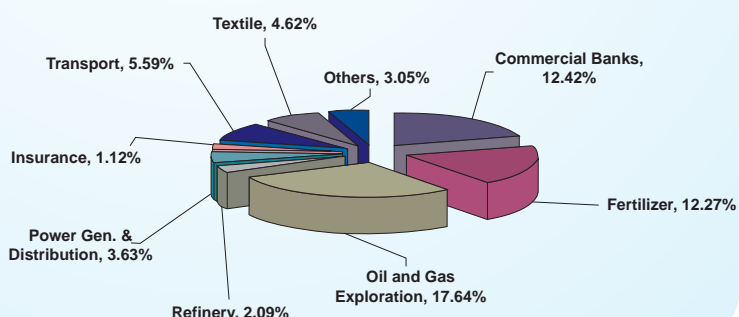
PERFORMANCE

FBGF continued with its good performance for the month of August and was the number one fund in the balanced funds category. FBGF started August at a NAV/unit of PKR 80.34 and closed the month at a NAV/unit of PKR 88.14, up 9.71% on a Month on Month (MoM) basis. In comparison FBGF's benchmark gave a return of 8.63% for the month. Hence FBGF outperformed the benchmark return by 108 bps (basis points). On a year to date (YTD) basis FBGF gave a return of 15.97%. Comparing FBGF to its peer group FBGF outperformed the average return of the peer group by 353 bps as the average peer group return for the month was 6.18%. The average return of balanced funds on YTD basis was 11.08% where FBGF again outperformed the average return by 489 bps. On the asset allocation side exposure in equities was reduced to 62.43% from previous month's level of 67.94%. Allocation in other asset classes were more or less maintained at last month's level.

ASSET ALLOCATION (%)

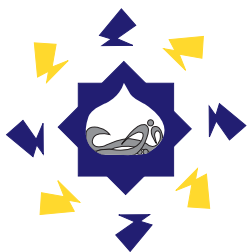


SECTOR ALLOCATION (%)



Risk Disclosure:

All investments in mutual funds are subject to market risks. The NAV of units may go up or down based on the market conditions. Past performance is not necessarily indicative of the future results. Please read the Offering Document for understanding the investment policies and the risks involved.



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT



AUGUST 2009

INVESTMENT OBJECTIVE		FUND INFORMATION							
FIGF seeks to provide risk-averse investors an opportunity to earn a consistent market based income with conservative risk profile while maintaining security of principal as its prime objective.		FUND TYPE		OPEN ENDED-INCOME FUND	REGISTRAR	GANGJEES REGISTRAR SERVICES (PVT) LTD.			
		FUND LAUNCH DATE		10 th OCTOBER 2005	TRUSTEES	CENTRAL DEPOSITORY COMPANY OF PAKISTAN			
		PERFORMANCE BENCHMARK		6 MONTH KIBOR	AUDITORS	FORD RHODES SIDAT HYDER & Co., CHARTERED ACCOUNTANTS			
		RATING		A+(f) by JCR-VIS					
RETURNS		MONEY MARKET RETURNS				RISK QUANTS			
MONTH ON MONTH	10.81%	KIBOR		T-BILLS		ALPHA	0.0003	VAR	0.20%
YEAR TO DATE	16.47%	3M	12.26	3M	12.08	BETA	-0.0108	R ²	0.0024
SINCE INCEPTION	10.14%	6M	12.27	6M	12.11	SHARPE	-0.0160	SORTINO	-0.0193
YTD AVG. MARKET RETURN	12.27%	12M	12.75	12M	12.11	STD.DEV.	0.12%	KURTOSIS	8.0450

ECONOMIC OUTLOOK

The first half of the month of August was spent in anticipation of the monetary policy announcement by the State Bank of Pakistan (SBP), which was announced on August 15. The SBP decided to decrease the discount rate by 100 basis points to 13%, which was a significantly more cautious move than what had been anticipated in the market. Prior to the announcement, most analysts had expected the central bank to cut the discount rate by between 150 and 200 basis points. A key announcement though was that monetary policy would be reviewed on a bimonthly basis, more frequent than the current quarterly reviews, which suggests that the central bank wants to be more proactive in maintaining the balance between pro-growth and anti-inflation policies.

Economic news kept on pointing towards a slow but steady recovery. The trade deficit in July was \$1.15 billion, which is 31% lower than the \$1.66 billion during the same period last year. Foreign exchange reserves stood at \$13.1 billion on August 28. Overseas Pakistanis' remittances in July amounted to \$747.2 million or 19% higher than the corresponding month over the previous year.

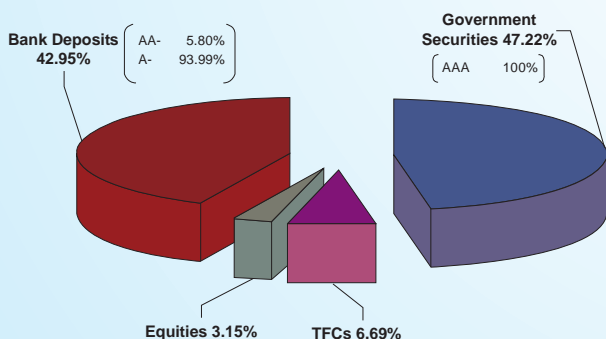
The provisional estimate of tax collection by the Federal Board of Revenue during July was Rs 74.07 billion, a 2.4% increase over the same period last year. Inflation also continued to decline, mainly due to the high base effect. But perhaps most surprising is that inflation kept its downward spiral despite the pre-Ramadan price hikes. The consumer price index (CPI) was up 11.2% for the month of July, while leading indicators such as the sensitive price index (SPI) and the wholesale price index (WPI) were at 9.7% and 0.5% respectively, suggesting that the decline in inflation is likely to continue over the coming months, further adding to the positive sentiment about the economy.

The growing consensus about the macroeconomic stability in Pakistan has managed to attract international attention as well, with both Moody's and Standard & Poors upgrading Pakistan's sovereign credit rating. In the case of S&P, the rating went from CCC+ to B-. While this rating still places Pakistan at two ratings below investment grade, it had the positive effect of resulting in an automatic upgrade of Pakistani dollar-denominated corporate bonds, such as those of Mobilink. In addition to its impact, the upgrade represents a vote of confidence in the positive trajectory for the Pakistani economy.

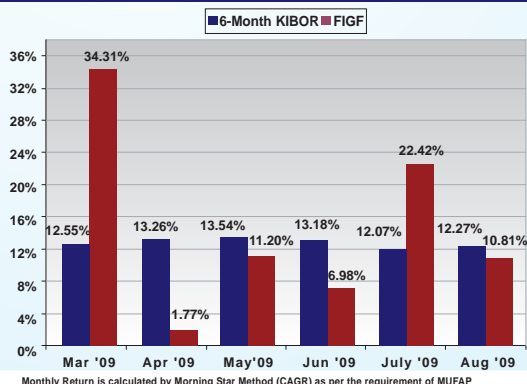
PERFORMANCE

FIGF's performance was excellent for the month of August it gave a MoM (month on month) return of 10.81%. The YTD (Year to date) return was at 16.47% as compared to the average YTD return of its peer group of 12.27%, an out performance of 4.20% by FIGF. FIGF started August at a NAV/unit of PKR 102.75 and closed the month at a NAV/unit of PKR 103.65. On the asset allocation side, we would like to inform our valued investors that our fund is quite liquid with a portfolio of 42.94% in Bank Deposits, 47.22% in Government Securities, 6.69% in TFCs and 3.15% in Equities. The strategy is to look for opportunities with good returns at acceptable medium risk level.

ASSET ALLOCATION (%)

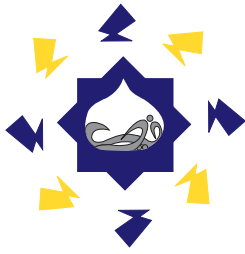


KIBOR (6 M) vs FIGF



Risk Disclosure:

All investments in mutual funds are subject to market risks. The NAV of units may go up or down based on the market conditions. Past performance is not necessarily indicative of the future results. Please read the Offering Document for understanding the investment policies and the risks involved.



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

FAYSAL SAVINGS GROWTH FUND

AUGUST 2009

INVESTMENT OBJECTIVE		FUND INFORMATION							
FSGF seeks to provide 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.		FUND TYPE		OPEN ENDED-MONEY MARKET FUND	REGISTRAR		GANGJEES REGISTRAR SERVICES (Pvt) LTD.		
		FUND LAUNCH DATE		7 th MAY 2007	TRUSTEES		CENTRAL DEPOSITORY COMPANY OF PAKISTAN		
		PERFORMANCE BENCHMARK		1 MONTH KIBOR	AUDITORS		FORD RHODES SIDAT HYDER & Co., CHARTERED ACCOUNTANTS		
		RATING		A(f) by JCR-VIS					
RETURNS		MONEY MARKET RETURNS				RISK QUANTS			
MONTH ON MONTH	8.95%	KIBOR		T-BILLS		ALPHA	0.0004	VAR	0.07%
YEAR TO DATE	11.05%	1M	12.51	3M	12.08	BETA	0.0059	R ²	0.0369
SINCE INCEPTION	11.57%	6M	12.27	6M	12.11	SHARPE	0.2413	SORTINO	0.2261
YTD AVG. MARKET RETURN	10.28%	12M	12.75	12M	12.11	STD.DEV.	0.04%	KURTOSIS	6.0745

MONEY MARKET REVIEW

During the month, The State Bank of Pakistan (SBP) announced Monetary Policy for the period July – Sep 2009, and in line with our expectations, cut the discount rate by 100bps to 13.0%. In addition SBP announced that the Monetary Policy would now be reviewed six times a year (instead of four). SBP also declared the formation of an independent Monetary Policy Committee (MPC), which would include experts from both, within and outside the SBP. The SBP is continuously focusing on efficient and proactive liquidity management. To improve the liquidity management and reduce volatility in the inter-bank market, an interest rate corridor has been established by the SBP. With the establishment of interest rate corridor, the reverse repo will be 300 bps lower than the repo rate of 13%. Interbank lending rates should now fluctuate between the 13% repo rate and 10% reverse repo rate.

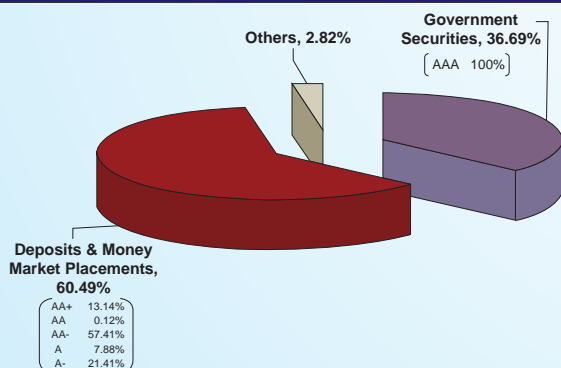
The SBP conducted two T-Bill auctions during August. Banks showed significant interest in one year T-Bills, as the declining interest rate scenario made longer term papers more attractive. However, inflationary pressures due to increasing electricity charges and the upside risk to international oil prices are still a threat to the economy, and may force SBP to remain cautious in easing its monetary stance. Due to the volatility in the money market particularly due to the liquidity situation, the cut off yield on 1year bill was raised to 12.44%. We are expecting more activities in T-bills and PIBs in the coming months. In spite of the declining Policy Rate, we believe that the market liquidity will remain under pressure in short to medium term. Reflecting the liquidity constraints the market has been experiencing, 1-Month KIBOR was closed at the level of 12.66%, while 3-Month and 6-Month KIBOR closed at the levels of 12.54% and 12.56% respectively as at August 31, 2009. The disbursement of the IMF aid package released pressure on Pak Rupee and also ensured the timely repayments of foreign currency loans. The foreign reserves also witnessed a positive change with this inflow along with restoring investor confidence.

PERFORMANCE

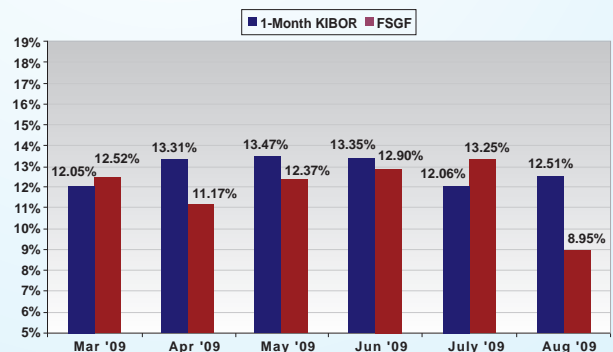
FSGF performed well during the month by giving a MOM (month on month) return of 8.95%. The YTD (Year to date) return was at 11.05% as compared to the average YTD return of its peer group of 10.28%, FSGF outperformed its peers by 0.77%.

The asset allocation comprises of 60.49% in Bank Deposits & Money Market Placements and 36.69% in Government Securities. FSGF started June at a NAV/ unit of PKR 101.23 and closed the month at a NAV/unit of PKR 101.97. The strategy will remain to mitigate interest rate risk and to give due consideration to the credit quality of the portfolio.

ASSET ALLOCATION (%)



KIBOR (1 M) vs FSGF



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

Risk Disclosure:

All investments in mutual funds are subject to market risks. The NAV of units may go up or down based on the market conditions. Past performance is not necessarily indicative of the future results. Please read the Offering Document for understanding the investment policies and the risks involved.