

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
Nov'09

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

Faysal Asset Allocation Fund (FAAF)

Faysal Asset Management (FAML) is launching a new fund under its family of funds for long-term investors looking to benefit from both asset classes, namely equity and fixed income. An asset allocation fund provides investors with a portfolio of a fixed or variable mix of the equity and fixed-income asset classes while giving the fund manager an option to choose the portfolio rebalancing approach to maximize return for investors.

It is widely agreed that asset allocation accounts for a large part of the variability in the return on a typical investor's portfolio. This is especially true if the overall portfolio is invested in multiple asset classes. Therefore, we believe that it is highly beneficial for prospect investors to move towards professionally diversified funds with timely portfolio rebalancing.

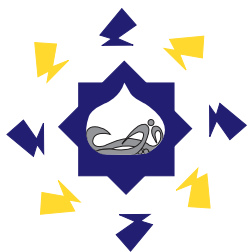
We have adopted a forward-looking return estimates approach for our asset allocation fund. We would like to begin by analyzing each asset class to determine its returns trend over the long term. As opposed to a backward looking approach, we would use a forward looking approach, and derive our return estimates from estimated trend growth, productivity and dividend / interest levels for each major asset class.

We would then analyze individual "risk" by measuring the volatility of each asset and then its correlation – or how they perform relative to each other. We look for assets that behave differently from other assets, allowing us to diversify returns. We believe about 75% of returns come from strategic or tactical asset allocation (diversified beta) while the underlying alpha from chosen asset classes, actively managed, contributes about 25% of added value over time.

Having calculated the likely return, correlation and risk factors for each individual asset class, our investment committee will finalize an asset allocation for the portfolio to meet the objectives, which is then reviewed and adjusted by the Fund Manager. We would call this the 1-3, 3-5 years optimal portfolio for the proposed asset allocation fund. We understand that instruments deliver returns unevenly through different business and economic cycles therefore we will tactically adapt the asset allocation to capture returns when they are available and then minimize risk exposure in a deteriorating environment. This helps reduce portfolio volatility compared to equities and achieve the desired returns for long-term investors. Analysts' underestimation of turning points in earnings cycles is a good example of a tactical opportunity in weakly efficient markets.

Based on our true market driven investment strategy we have no bias towards any asset and rely on solid research on each asset class and their likely future return, risk and cross correlations.

With a pre-defined strategy and structure in place, I invite you to invest in the upcoming fund to benefit as a long-term investor from a combination of both asset classes. You may contact our offices for further information and material.



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

FAYSAL
BALANCED
GROWTH FUND

NOVEMBER 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 | 2.48% | P/E RATIO | 11.09 | ALPHA | 0.0007 | VAR | 1.12% |
| YEAR TO DATE | 27.54% | DIVIDEND YIELD | 6.66% | BETA | 0.5355 | R ² | 0.4687 |
| SINCE INCEPTION | 63.23% | | | SHARPE | 0.0211 | SORTINO | 0.0324 |
| BENCHMARK RETURN (MoM) | 0.83% | | | STD.DEV. | 0.68% | KURTOSIS | 1.1860 |

STOCK MARKET REVIEW

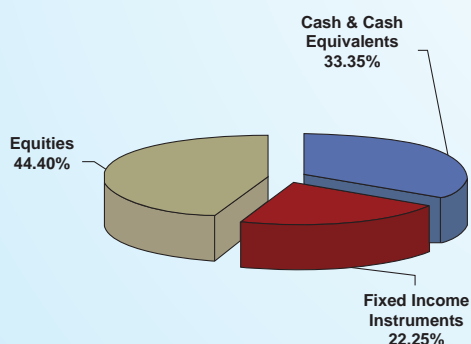
FBGF continued with its strong performance in the month of November as the fund outperformed the KSE-100 index on a MoM basis. The KSE-100 index started this month at a level of 9,159.18 and closed at 9,206.21 level, up 0.51% for the month. The stock market remained lack lustre for most part of the month and traded within a narrow range due to lack of positive news flow. Investors preferred to stay on the sidelines due to lack of clarity on the political front. Average daily trading volumes remained low during the month evident by the lack of investor interest in the market due to poor law and order and political situation in the country. However, foreign portfolio investment inflows continued to pour in the local markets even though local investors preferred profit taking. According to the data provided by NCCPL, in the month of November foreigners bought shares worth PKR 6.22 Bn and sold shares worth PKR 5.14 Bn thus resulting in net buying of PKR 1.08 Bn (USD 12.96 Mn). The State Bank of Pakistan (SBP) in its Monetary Policy review cut the discount rate by 50 bps to 12.50% in line with market expectations as YoY inflation declined to 8.87% due to high base effect. Inflation in the coming months is most likely to increase because of the expected increase in the gas and power tariffs. Apart from this, the increase in international commodity prices, especially oil, on the back of global economic recovery continues to pose serious threats to headline inflation. Balance of Payment (BoP) position has strengthened considerably with the decrease in current account deficit. However, the sustainability of BoP depends on resumption of foreign inflows. Delay in these flows can create liquidity risks.

The government is likely to slash the development budget in Public Sector Development Program (PSDP) by PKR 200 Bn if funds from Friends of Democratic Pakistan (FoDP) fail to materialize. The Finance Ministry is expected to face additional burden due to military expenses in South Waziristan putting pressure on the fiscal side. Inflation is likely to increase in the coming months as the high base effect bottoms out. Hence we continue to maintain a cautious stance on the market at current levels.

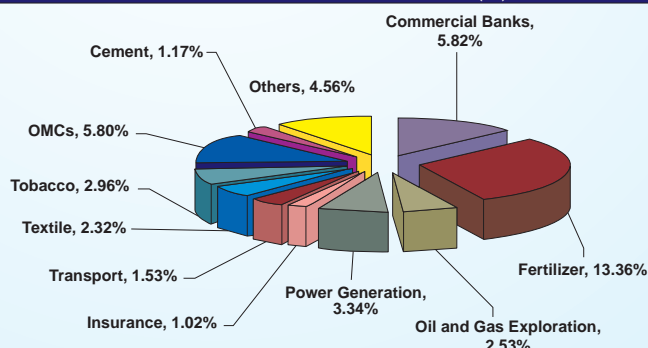
PERFORMANCE

FBGF started November at a NAV/unit of PKR 94.58 and closed the month at a NAV/unit of PKR 96.93, up 2.48% on a Month on Month (MoM) basis. In comparison FBGF's benchmark gave a return of 0.83% for the month of November. On a year to date (YTD) basis FBGF gave a return of 27.54%. Comparing FBGF to its peer group, FBGF outperformed the average return of the peer group by 82 bps (basis points) as the average peer group return for the month was 1.66%. The average return of balanced funds on YTD basis was 15.34% where FBGF again outperformed the average return by 1220 bps (12.20%). On the asset allocation side exposure in equities was slightly decreased to 44.40% from previous month's level of 44.83%. Allocation in other asset classes was more or less maintained at last month's level.

ASSET ALLOCATION (%)

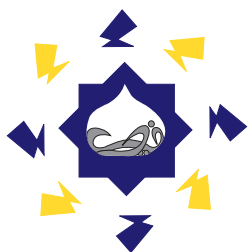


SECTOR ALLOCATION (%)



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

Faysal
Income &
Growth Fund

NOVEMBER 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 | 25.78% | KIBOR | | T-BILLS | | ALPHA | 0.0004 | VAR | 0.21% |
| YEAR TO DATE | 15.91% | 3M | 12.65% | 3M | 12.28% | BETA | -0.0163 | R ² | 0.0013 |
| SINCE INCEPTION | 10.67% | 6M | 12.68% | 6M | 12.28% | SHARPE | 0.0352 | SORTINO | 0.0532 |
| YTD AVG. MARKET RETURN | 7.67% | 12M | 13.01% | 12M | 12.27% | STD.DEV. | 0.13% | KURTOSIS | 2.4514 |

ECONOMIC OUTLOOK

The month of November was spent in anticipation of the monetary policy announcement by the State Bank of Pakistan (SBP), which was announced on November 24. The SBP has continued with its cautious approach and reduced the policy discount rate by 50bps to 12.5%, in line with consensus expectations. Key macro data has shown marked improvement in 1QFY10 (Jul-Sep 09), however, progress and growth in the real economy remains somewhat uncertain according to the Central Bank given pressure on fiscal account coupled with present security situation and persistence of inflation. Headline inflation (CPI) declined to single digit at 8.87% in October-09. Inflation will be likely to head towards double digit again from November-09 with recent surge in fuel prices. Besides this as per IMF direction Government announced electricity prices hike from January-2010 to pass on subsidy and expected gas price revision from January-2010.

The trade deficit in October was \$1.4billion, which is 29% YoY lower during the same period last year mainly due to contraction in imports and surge in exports especially from textile sector. However, MoM trade deficit was up by 53% in October-2009. Remittances during July-October-09 increased to \$3.1 billion which is higher by 32% compared to same period last year. Similarly, Current Account Deficit (CAD) declined by 84% YoY to \$1.1 billion. However it worsened in October-09 with deficit of \$541 million against \$174 million surplus in September-09. Foreign exchange reserves stood at \$13.9 billion in November including \$10.7 billion with central bank. FDI declined by 20% MoM to \$150 million in October. Foreign portfolio investment also declined by 66% to net at \$13 million. IMF is likely to sanction \$1.2 billion tranche in review meeting held in December-2009. Government was also planning to float Eurobonds in early next year but after Dubai debt crisis, risk appetite of investor reduced and CDS spreads widened which might cause some delays.

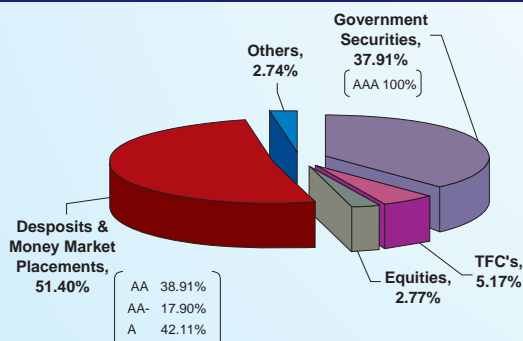
A sluggish growth in tax revenues was witnessed during 1Q FY10 on the back of slow economic recovery. Taxes collected by FBR amounted to Rs 262.6billion, reflecting flat growth from corresponding period of last year and falling short of quarterly target by Rs 23.4billion. As expected, spending under Public Sector Development Program (PSDP) failed to meet the target of Rs 109bn for 1Q FY10.

PERFORMANCE

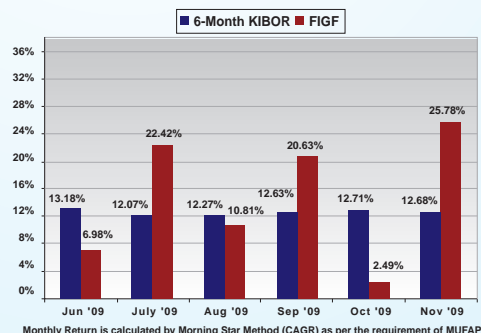
FIGF performed exceptionally well during the month of November by giving a MoM (month on month) return of 25.78% as compared to its benchmark return of 12.68%, thus outperforming the benchmark by 13.1%. YTD (year to date) return was at 15.91%.

FIGF started November at a NAV/unit of PKR 102.68 and closed the month at a NAV/unit of PKR 104.70. On the asset allocation side, we would like to inform our valued investors that our fund is quite liquid, having a portfolio of 51.40% in Bank Deposits, 37.91% in Government Securities, 5.17% in TFCs and 2.77% in Equities. The strategy remains to lookout for opportunities with good return at acceptable risk levels.

ASSET ALLOCATION (%)

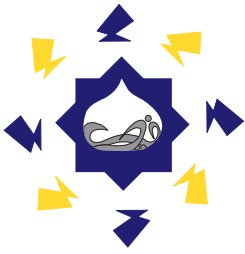


KIBOR (6 M) vs FIGF



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

NOVEMBER 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 | 11.78% | KIBOR | | T-BILLS | | ALPHA | 0.0004 | VAR | 0.06% |
| YEAR TO DATE | 11.53% | 1M | 12.65% | 3M | 12.28% | BETA | 0.0047 | R ² | 0.0050 |
| SINCE INCEPTION | 11.61% | 6M | 12.68% | 6M | 12.28% | SHARPE | 0.2510 | SORTINO | 0.7546 |
| YTD AVG. MARKET RETURN | 9.23% | 12M | 13.01% | 12M | 12.27% | STD.DEV. | 0.04% | KURTOSIS | 6.4074 |

MONEY MARKET REVIEW

The State Bank of Pakistan (SBP) has announced its monetary policy for the next two months. In-line with our expectations, the discount rate has been reduced by 50bps to 12.5%. Several improvements in key macro economic indicators are being observed since the previous monetary policy: inflation has fallen to 8.9% in October 2009, external account has improved considerably with current account deficit down to USD1.1Bn in the first four months of FY10, and government borrowings from the SBP remain within the quarterly targets.

Acknowledging the support required for real economic recovery whilst monitoring risks to macro stability, the SBP has opted for a gradual monetary easing stance. Hence, the SBP has tried to strike a balance between monetary and financial stability and economic growth. In addition, fading base effect highlights risk of inflation resumption. Fiscal consolidation is expected to put further pressure on energy prices i.e. reducing subsidies on electricity coupled with increase in gas tariff would adversely impact inflation. Furthermore, the increase in oil prices remains a threat to the balance of payment and fiscal consolidation. The deteriorating law and order situation and uncertainties on the front of foreign inflows is expected to impact the liquidity situation, for which SBP remained the major source of provisioning through frequent OMOs for different tenors. Budgetary requirement coupled with uncertainty over foreign inflows would have negative implications for liquidity management.

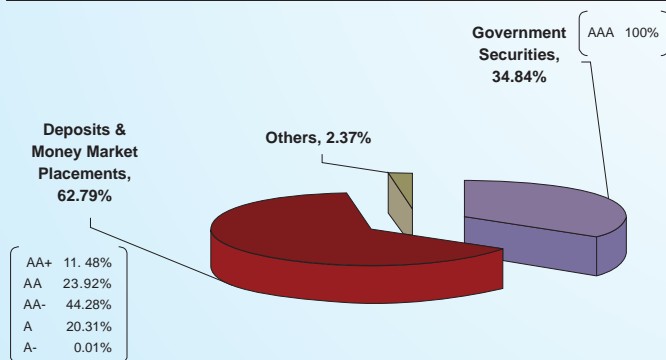
Therefore, expected adjustment in KIBOR is limited due to the liquidity constraints in the market. This translates into no major relief for highly leveraged corporates, with the risk of default along with higher financial charges broadly staying intact. Since the money market had already anticipated a rate cut, as witnessed since the last T-bill auction in November, subsequent impact on market interest rates is likely to be muted, with a 20-25 bps decline expected across all tenors. However, the high demand for government securities in general is being driven by the banking sector's reluctance to lend to the corporate sector.

PERFORMANCE

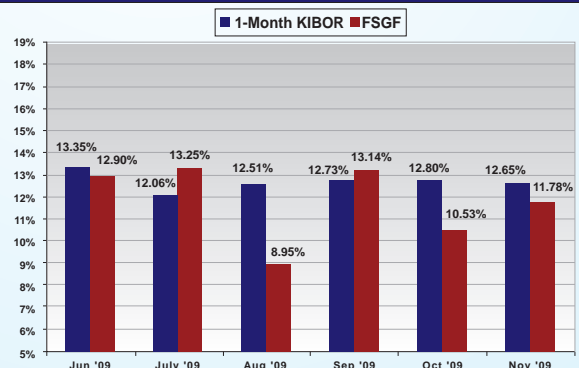
FSGF displayed superb performance during the month of November. It secured MOM (month on month) return of 11.78% and YTD (year to date) return at 11.53% as compared to average YTD return of its peer group of 9.23%. Thus FSGF outperformed the peer group by 2.3%.

The asset allocation comprises of 62.79% in Deposits & Money Market Placements and 34.84% in Government Securities. FSGF started November at a NAV/ unit of PKR 101.18 and closed the month at a NAV/unit of PKR 102.11. The strategy will remain to mitigate interest rate risk and 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.