

FUND MANAGER'S REPORT Jun'10

Economic Outlook



FAYSAL
BALANCED
GROWTH
FUND

Budget for FY'11 worth PKR 3.25trn was presented in the parliament with the tough task of balancing revenue mobilization and expenditure control to curtail the fiscal deficit at 4% of GDP. We believe that government is aiming to sustain a fragile recovery while limiting inflationary pressures. The GDP growth target was set at 4.5% and an ambitious amount of PKR 663 billion allocated to Public Sector Development Program (PSDP). The growth target is challenging as the growth rate of 4.1% in FY'10 was only achieved due to revision in the growth rate of prior years, resulting in low base effect. Furthermore similar to last year, the government's ability to meet its PSDP target is doubtful once again due to reliance on external flows. Implementation of VAT was delayed and an interim measure of increasing sales tax was taken to increase revenue. CPI inflation was 13.07% in May'10, surprisingly lower than expectations due to decrease in oil prices. Going forward we expect inflation to remain persistent as the budgetary measure of increasing sales tax is expected to drive up the prices of food and essential items. Trade deficit for May'10 increased to US\$ 1.6bn (25% increase MOM) due to seasonal increase in import bill. On a YoY basis trade deficit has shown improvement of 6% and further narrowing of the trade gap would depend on an increase in exports. On MoM basis remittances remained flat during May'10 with US\$ 758 million received, but an increase of 4.3% was seen on YoY basis and is expected to continue increasing depending on the performance of the global economy. For eleven months ending May'10, current account deficit declined sharply to US\$2.9bn, reflecting 65% decrease from the same period last year. Government's estimates for FY'10 show that large scale manufacturing (LSM) grew by 5.2% and continuation in this growth momentum would depend on availability of power for this sector as well as declining interest rates.



FAYSAL
INCOME &
GROWTH
FUND

After the receipt of the IMF tranche last month, foreign reserves remained stable at US\$ 15.7bn as of June 30, 2010. Reserves are expected to strengthen further when inflows of US\$ 710mn from Asian Development Bank and World Bank are received in first week of July'10. Reflecting strong reserve position, the Pak Rupee remained relatively stable with depreciation of only 5% in FY'10 as compared to decline of 18% in FY'09. FDI increased to USD\$225mn in May'10, up 5% from last month yet substantially lower compared to the previous year. To sum up, the economy progressed on both the growth and stability fronts in FY'10 after severe fiscal and trade imbalances of the prior years. Going forward we expect inflation to remain on higher side for the first half of the year due to seasonal implications of the month of Ramadan. We believe that to continue its reform process forward and continue with the IMF program, the government must meet its next deadline for implementation of VAT.



FAYSAL
SAVINGS
GROWTH
FUND

Money Market Review:

The Money markets during the month of June were fairly volatile as is the norm every June. The SBP continues to focus on efficient and proactive liquidity management as reflected by its multiple interventions during the past month to address the liquidity situation in the market through OMOs for different tenors. The market's liquidity was under pressure at the beginning of the month due to half year end for banks and fiscal year end for most corporates. However towards the end of the month the money markets eased resulting in SBP having to mop up excess liquidity in the system. Reflecting the liquidity constraints the market has been experiencing, KIBOR rates across 1 month, 6 months and 1 year tenors closed at the levels of 12.45%, 12.37% and 12.72% respectively as at June 30, 2010.



FAYSAL
ASSET
ALLOCATION
FUND

The SBP is targeting PKR 535 billion in T-bill auctions of 3, 6 and 12 month treasury bills in the first fiscal quarter of 2011, ending September 30, 2010. The targets show a rise of 7.00% compared to maturities of approx PKR 500 billion. There would be six auctions in the July-September quarter, with the first one on 14th July and having a target of 100 billion. The significant rise in T-Bill rates during the month was mainly due to the liquidity constraints and the rising inflationary figures. Going forward, timely realization of foreign inflows including IMF's loan installment will help improve market liquidity and keep SBP's foreign exchange reserves stable in the medium term. SBP is also developing Shariah-compliant products for its interbank money market to take advantage of the liquidity in the Islamic banking system. The product will provide some flexible and convenient mechanism for managing the surplus liquidity in the Islamic banking industry.



FAYSAL
ISLAMIC
SAVINGS
GROWTH
FUND

Stock Market Review

The KSE-100 index closed the year on a high note after last year's dismal performance. The KSE-100 started the year at 7,162.18 and closed at 9,721.91 up 35.74% on YTD basis. On a MoM basis the index closed up 4.24% for the month of June. Foreign buying continued to pour into local equity markets due to attractive valuations and cheap multiples relative to its regional peers. Although local investors remained net sellers due to liquidity issues, inflationary concerns and uncertainty regarding modalities related to Capital Gains Tax (CGT) however, interest by foreigners remained strong despite these problems. According to the data provided by NCCPL, foreign investors bought shares worth PKR 114.63 Bn and sold shares worth PKR 67.21 Bn during the outgoing year thus resulting in net buying of PKR 47.42 Bn (USD 555.95 Mn). The amendments in the finance bill finally cleared the uncertainty regarding implementation of CGT. According to the bill CGT will be applicable on sale of shares starting July 1 2010. Although according to local tax laws, tax losses can be carried forward for 6 years however the bill states that tax losses will be offset against gains in the same year and cannot be carried forward. We believe that this will dampen the sentiment as tax losses are allowed to be carried forward in majority of the countries. This can even cause foreign investment to slow down. Volumes are likely to remain thin as trading activities of individual investors will slow down due to CGT. Going forward we believe that State Bank of Pakistan (SBP) will maintain status quo in the upcoming monetary policy and continue to monitor inflation closely.

We believe that at current levels the market is undervalued based on P/E multiples and dividend yields relative to its peers. Introduction of a market leverage product, break through in negotiations with IMF and strong corporate results can revive the sentiments and bring the local investors back. However till that happens we prefer to remain on the sidelines as liquidity issues can cause the market to come under pressure. We continue to like high dividend yielding and defensive stocks as under the current scenario we believe they are likely to outperform.

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IN INVESTMENT MANAGEMENT

FAYSAL BALANCED GROWTH FUND

FUND MANAGER'S REPORT

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)	92.71	
Net Assets (mn)	516.30	

* 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.

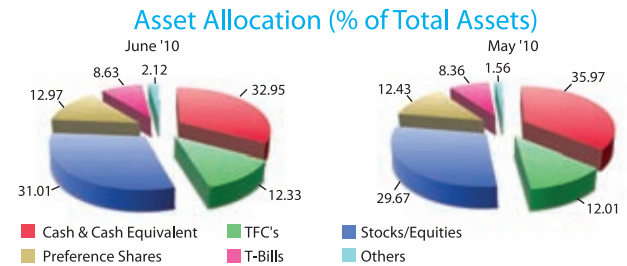
Risk-quant	Alpha	-0.013%
	Beta	0.9686
	Sharpe	0.7987
	Standard Deviation	0.780%
	VaR	1.283%
	R-Squared	0.5274
	Treynor	0.1018
	Kurtosis	6.8800

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

Performance review

FBGF started June at NAV/unit of PKR 92.58 and closed the month at NAV/unit of PKR 92.71, up 0.14% on a Month on Month (MoM) basis. In comparison FBGF's benchmark gave a positive return of 2.15% for the month of June while its peers were up 0.68% for the month. On a Year to Date (YTD) basis FBGF gave a return of 21.99% while the benchmark's return was 24.38%. Its peers averaged a return of 14.86%, thus FBGF massively outperformed its peers by 713bps (7.13%) on an YTD basis. On the asset allocation side exposure in equities was slightly increased by 1.34% to 31.01%. Allocation in other asset classes was more or less maintained at last month's level.

	June' 10	May' 10	
Fund Returns (% pa)	Month-on Month	0.14	-4.68
	FY10	21.99	21.82
	Since Inception	56.12	55.90
	Benchmark (YTD)	24.38	24.72



	June' 10	May' 10	
Sector Allocation (% of Total Assets)	Oil & Gas	7.87	7.92
	Fixed Line Communication	6.99	7.50
	Banks	5.27	5.52
	Tobacco	4.09	3.93
	Electricity	2.31	0.90
	Others	4.48	3.90

	June' 10	May' 10
Top Ten Equity Holdings (% of Total Assets)	PTC	6.99%
	APL	6.06%
	BOK	4.37%
	PAKT	4.09%
	HUBC	1.84%
	NML	1.74%
	PNSC	1.74%
	FFC	0.99%
	POL	0.93%
	BAFL	0.91%

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FAYSAL INCOME & GROWTH FUND

FUND MANAGER'S REPORT

Fund Information	Fund Type	Open Ended
	Category	Categorization in process
	Stability Rating	A+(f) (JCRVIS)
	Risk Profile	low to medium
	Launch Date	10-Oct-05
	Custodian/Trustee	CDC
	Auditor	Ernst & Young Ford Rhodes Sidat Hyder
	Management Fee	1.50%
	Front/Back end Load	1% (Front-end)
		(Slabs for back-end load)
		2% (For redemption in 1st Year)
		1% (For redemption in 2nd Year)
		1% (For redemption in 3rd Year)
		Nil (After 3 years of investment)
	Min Subscription	PKR. 5,000
Benchmark	6 Month KIBOR	
Pricing Mechanism	Forward	
Dealing Days	Monday-Friday	
Cut-Off Timing	9am-5pm	
AMC Rating	AM2- (JCRVIS)	
NAV per Unit (PKR)	104.12	
Net Assets (PKR mn)	746.97	

Investment Objective

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.

Risk-quant	Alpha	-0.014%
	Sharpe	-0.5134
	Standard Deviation	0.164%
	VaR	0.270%
	Skewness	0.1697
	Sortino	-0.6682
	Kurtosis	3.3160
	Weighted Average Time to Maturity (Days)	65

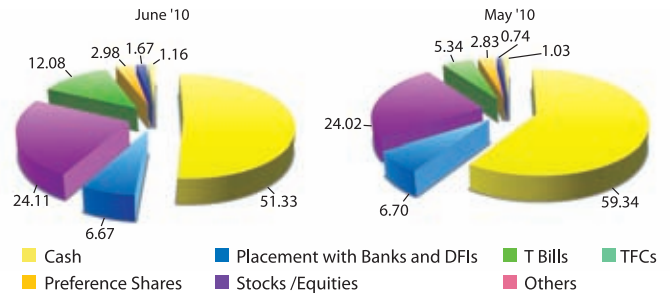
Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Tahir Sohail	Chief Operating Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
	Syed Qamar Abbas	Head of Research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

Performance review

Month over Month Faysal Income & Growth Fund returned 10.75% outperforming its peer group that earned 6.70% on average. Thus, FIGF surpassed its peer group by 405bps (4.05%) on MoM basis. On a Year to Date (YTD) basis FIGF had been out performing its peers by 5.01% having yielded 11.04% as compared to peer average return of 6.03% YTD. FIGF started June at NAV/unit of PKR 103.25 and closed the month at NAV/unit of PKR 104.12. On the asset allocation side, our portfolio comprises of 58% in cash and money market instruments, 24.11% in T-Bills, 12.08% in TFCs, 4.65% in equities and preference shares. Approximately 89% of the portfolio is invested in AA- or better rated instruments. The strategy remains to look out for opportunities with high return potential while maintaining our asset quality.

	June '10	May '10	
Fund Returns (% p.a.) (Annualized)	Month-on Month (CAGR)	10.75	7.47
	FY10 (CAGR)	11.04	11.14
	Since Inception (CAGR)	10.34	10.33
	Benchmark (YTD)	12.39	12.40

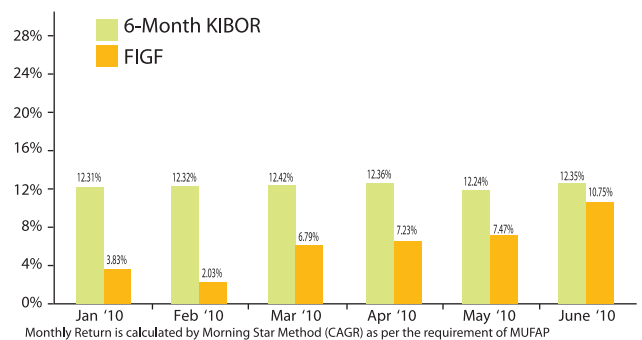
Asset Allocation (% of Total Assets)



Asset Quality (as % of Total Assets)	Government Securities	24.11
	AA+	0.01
	AA	16.76
	AA-	48.00
	BBB	0.50
	NR	4.83

TFCs/SUKUK Holdings (% of Total Assets)	Bank Alfalah	6.75
	Kohat Cement	4.83
	Telecard	0.50

FIGF Vs Benchmark



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FAYSAL SAVINGS GROWTH FUND

FUND MANAGER'S REPORT

Fund Information	Fund Type	Open Ended
	Category	Income scheme*
	Stability Rating	A(f) (JCRVIS)
	Risk Profile	Low
	Launch Date	7-May-07
	Custodian/Trustee	CDC
	Auditor	Ernst & Young Ford Rhodes Sidat Hyder
	Management Fee	1.50%
	Front/Back end Load	Nil
	Min Subscription	PKR. 5,000
	Benchmark	1 Month KIBOR
	Pricing Mechanism	Backward
	Dealing Days	Monday-Friday
	Cut-Off Timing	9am-5pm
AMC Rating	AM2- (JCRVIS)	
NAV per Unit (PKR)	103.17	
Net Assets(PKR mn)	7,070	

* Categorization in progress

Investment Objective

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.

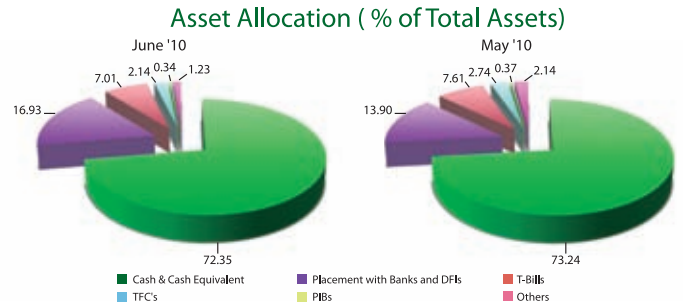
Risk-quant	Alpha	-0.001%
	Sharpe	-2.2771
	Standard Deviation	0.039%
	VaR	0.064%
	Skewness	2.4580
	Sortino	-5.4818
	Kurtosis	10.1028
	Weighted Average Time to Maturity (Days)	23

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

Performance review

Faysal Savings Growth Fund's performance was exceptional during the month of June as it yielded 10.85% during the month as compared to its peer's average return of 6.70%. On a Year to Date (YTD) basis, FSGF is outperforming its peer group by 4.95%, as it yielded a return of 10.98% vs. the industry average return of 6.03%. FSGF started June at NAV/unit of 102.3 and closed the month at NAV/unit of 103.17. On the asset allocation side, our fund is highly liquid with our portfolio consisting of cash and money market placements at 89.03%, government securities at 7.35% and TFC's of only 2.14%. Around 94% of our total assets is rated AA- or better. We intend to continue our investment strategy of minimizing interest rate risk and insuring the highest credit quality within our portfolio.

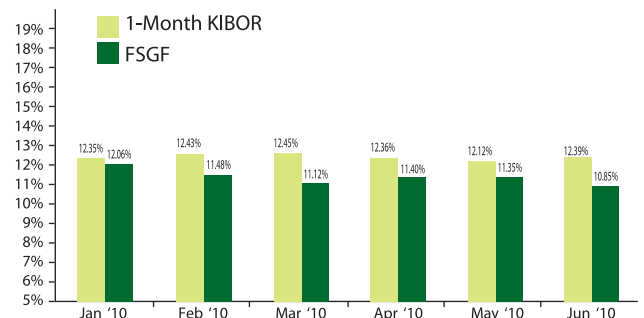
Fund Returns (Annualized)		June '10	May '10
	Month-on Month (CAGR)	10.85	11.35
	FY10 (CAGR)	10.98	11.07
	Since Inception (CAGR)	11.53	11.55
	Benchmark (YTD)	12.44	12.44



Asset Quality (as % of Total Assets)	Govt Securities	7.35
	AA+	2.82
	AA	48.05
	AA-	36.07
	A	4.23

TFCs/SUKUK Holdings (% of Total Assets)	Bank Alfalah Limited	2.14
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FSGF Vs Benchmark



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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) 5.0% (Back end Load)*
	Min Subscription	PKR. 5,000
	Benchmark	50% KSE100 / 50% 6M KIBOR
	Pricing Mechanism	Forward
	Dealing Days	Monday-Friday
	Cut-Off Timing	9am-5pm
	AMC Rating	AM2- (JCRVIS)
	NAV per Unit (PKR)	73.6389
Net Assets (mn)	305.51	

* 5% back end load applicable only to 'A' class unit holders.

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	0.150%
	Beta	1.2572
	Sharpe	1.1487
	Standard Deviation	1.204%
	VaR	1.981%
	R-Squared	0.3876
	Treynor	0.1477
	Kurtosis	16.6726

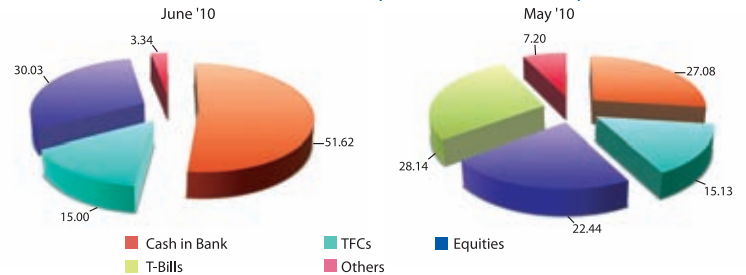
Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Tahir Sohail	Chief Operating Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
	Syed Qamar Abbas	Head of Research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

Performance review

FAAF started June at a NAV/unit of PKR 73.52 and closed the month at NAV/unit of PKR 73.64, up 0.17% on a Month on Month (MoM) basis. In comparison, FAAF's benchmark gave a return of 2.63% for the month of June, while its peer's averaged a return of 0.11% on MoM basis. On a Year to Date (YTD) basis, FAAF returned 30.70%, its peer group averaged 16.98% and FAAF's benchmark yielded 24.07%. Thus FAAF outperformed its peer group by an amazing 1372 bps (13.72%) and the benchmark by 663 bps (6.63%). In June we increased our exposure in equities to 30.03% from 22.44%, an increase of 7.59% from May, focusing on sectors most positively impacted by the budget.

	June '10	May '10	
Fund Returns (% p.a.)	Month-on Month	0.17	-5.45
	FY10	30.70	30.49
	Benchmark (YTD)	24.07	21.87

Asset Allocation (% of Total Assets)



	June '10	May '10	
Sector Allocation (% of Total Assets)	Oil & Gas	7.84	3.02
	Fixed Line Telecommunication	5.66	6.12
	Construction & Materials	4.88	4.36
	Software & Computer Services	3.52	3.60
	Electricity	3.10	0.78
	Others	5.04	4.56

Top Ten Equity Holdings (% of Total Assets)	PTC	5.66%
	DGKC	4.88%
	NETSOL	3.52%
	POL	3.43%
	APL	2.95%
	NCL	2.74%
	NPL	1.58%
	HUBC	1.52%
	PPL	1.46%
	NIB	0.95%



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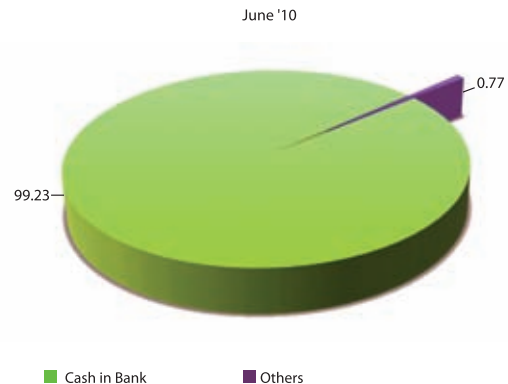
FAYSAL ISLAMIC SAVINGS GROWTH FUND

FUND MANAGER'S REPORT

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	Nil
	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)	100.38
Net Assets (PKR mn)	333.58	

Fund Returns (% p.a.)		June '10
	Month-on Month (CAGR)	9.04
	FY10 (CAGR)	9.04
	Since Inception (CAGR)	9.04
	Benchmark (YTD)	7.70

Asset Allocation (% of total Assets)



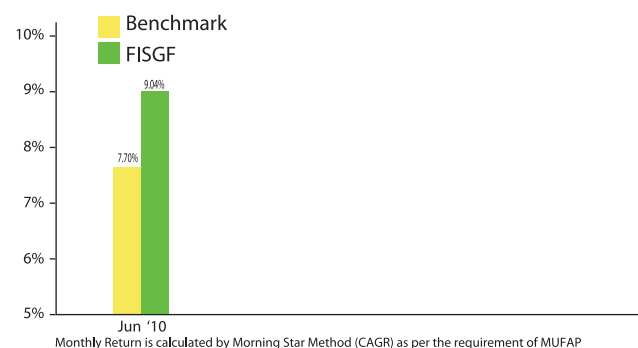
Investment Objective

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	0.000%
	Sharpe	-10.9111
	Standard Deviation	0.019%
	VaR	0.032%
	Skewness	0.8146
	Sortino	N/A
	Kurtosis	-0.0182
	Weighted Average Time to Maturity (Days)	1

Asset Quality (as % of Total Assets)	AAA	30.08%
	AA+	0.003%
	A	69.15%

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



Performance review

Faysal Islamic Savings Growth Fund's (FISGF) launched during the month of June. The performance of FISGF was exceptional during the month of June as it yielded 9.04% during the month as compared to the benchmark return of 7.70%, outperforming the benchmark by 1.34%. FISGF launched on June 14th, 2010 at a NAV/unit of PKR 100.00 and closed the month at a NAV/unit of PKR 100.38. On the asset allocation side, we would like to inform our valued investors that our fund is highly liquid with 30% invested in AAA rated and 69% invested in A rated banks. Going forward we look to maximize the return on the fund by investing in Shariah compliant instruments that enhance our yield while minimizing our risk.

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