

FUND MANAGER'S REPORT May'10

Economic Outlook

Fiscal imbalances, worsening power crisis and gradual increase in inflation forced State Bank of Pakistan (SBP) to maintain status quo on its policy rate in its quarterly review on May 24, 2010. The move was largely in line with market expectations. In our opinion, Government borrowing from state bank which breached June end target of 1,130 billion by 180 billion has fueled inflationary pressures and restricted the SBP from moving ahead with a rate cut. This view was supported the CPI, which increased to 13.3% in April'10 from 12.91% in previous month fuelled by increases in prices of food, telecom and house rent. Consolidation was seen on the trade front in April'10 with exports (3.8% MOM decline), imports (8.3% MOM decline) and remittances (1% MOM decline) continuing a declining trend on month on month basis. We believe that with imports declining more than exports, country is well on path of narrowing current account deficit which has already dropped to \$3.060 billion in FY'10 till April, down 65% from the same period last year. Manufacturing activities in the country showed strong resilience to the energy crisis, law and order situation and rising commodity prices with LSM growing 9.6 per cent during the third quarter of the fiscal year 2010. Growth in this sector will be key determinant for achieving revised growth targets for current and next financial year.

Release of \$ 1.2 billion IMF's tranche and disbursement of \$468 million as a part coalition support fund have improved Pakistan's external account position with foreign exchange reserves of 15.954 billion as of May 31, 2010. Global recession and poor law and order situation is adversely affecting foreign investment with FDI decreasing 44.7%YOY to US\$ 1.77 billion in July to April period. However with Pakistan's CDS spread decreasing steadily, confidence of international investors in Pakistan is likely to return. Going forward we expect financial year to end with fiscal deficit of 5.5% of GDP forcing government to increase it borrowing from schedule banks which would likely put upward pressure on short term KIBOR rates. We also expect Budget 2010 to be tax heavy with implementation of VAT being a major challenge for economic managers of the country.

Money Market Review:

Increase in core inflation along with the persistent borrowing by the government for budgetary support and expected future borrowings for commodity operations has again restrained the central bank from considering a cut in the DR. In addition, the timing and quantum of FoDP pledges is still uncertain and has negatively impacted money supply growth. PKRV rates may increase going forward due to the liquidity constraints in the market as well as projected government borrowings. Money Markets during the month of May were quite volatile. Going forward these too will be dependent on Government borrowing requirements for commodity operations and for bridging the fiscal resource gap. Cutting development expenditures may provide short term relief but could hurt long terms growth targets. Reflecting the liquidity constraints the market has been experiencing, KIBOR rates across 1month, 6 months and 1 year tenors closed at the levels of 12.31%, 12.27% and 12.66% respectively as at May 31, 2010. Timely realization of foreign inflows including IMF's loan installment and Collation Support Fund slightly helped in improving the market liquidity and keeping SBP's foreign exchange reserves stable in the past month. The major challenge now is to improve business climate, which has suffered on account of power shortages and law and order situations. In our view the economy could see a prolonged transition from stabilization to growth phase.

Stock Market Review

KSE-100 index continued its historical trend of disappointing performances in month of May. Benchmark KSE 100 index closed the month at 9,326, down 10.6% from 10,428 at the start of this month. This was largest single decline in the market since December 2008 when the floor was lifted from the stock market. Greece crisis erupted at the start of the month, sending regional markets down and threatened outflow of foreign investment from the local market. This fear of foreign selling was proven wrong by NCCPL numbers, which showed that foreigners bought shares worth PKR 8.9 Bn and sold shares worth PKR 6.8 Bn, resulting in net buying of PKR 2.15 Bn (USD 25.6 Mn). Even though momentum of foreign buying slowed down considerably from USD 80.3 mn in April, 10, foreign buying under distress shows that they are still overweight on Pakistani market due to attractive valuations and cheap multiples compared to the region. There was no relief for bulls even after Greece crisis wavered off as uncertainties regarding upcoming budget played on investor's minds. Market was particularly worried about the imposition of capital gains tax in the next financial year. We believed investors were more worried about formalities relating to collecting of capital gains tax rather than the actual tax rate itself. Geo Politics and law and order concerns were back in the news this month with news about planned US strikes in North Waziristan and a terrorist attack on minority worship place in Lahore. We believe these events can create some political tension in the short term but are unlikely to persist due to Government's strong resolve in war against terror.

During the month of May KSE-100 Index was the worst performing in the region. We expect a technical bounce back in early June with long term direction of the will be driven by the outcome of the Budget. We continue to target high yielding and low multiple stocks to build up our portfolio.



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COMMITTED TO SETTING NEW STANDARDS
IN INVESTMENT MANAGEMENT

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)	92.58	
Net Assets (mn)	526.17	

* 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

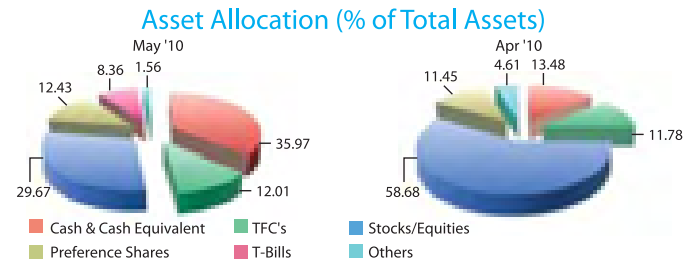
Risk-quant	Alpha	-0.013%
	Beta	0.9913
	Sharpe	0.9026
	Standard Deviation	0.817%
	VaR	1.343%
	R-Squared	0.5710
	Treynor	0.1097
	Kurtosis	5.8084

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 May at a NAV/unit of PKR 97.13 and closed the month at a NAV/unit of PKR 92.58, down 4.68% on a Month on Month (MoM) basis. In comparison FBGF's benchmark gave a negative return of -3.95% for the month of May while its peers were down 5.38% for the month. Thus FBGF reversed its performance from the prior month and beat its peer average by 70bps. On a year to date (YTD) basis FBGF gave a return of 21.82% while the benchmark returned 24.72% while its peers averaged a 13.37% return. The asset allocation of the fund had been very cautious since the middle of May due to our expectation of high volatility prior to the budget announcement. Thus we reduced our exposure in equities to 30% our lower limit. We also placed funds in government paper to take advantage of higher yields and asset quality. In the coming month we plan to increase our allocation in equities post the budget focusing on sectors most positively impacted.

Fund Returns (% pa)		May' 10	April' 10
	Month-on Month	-4.68	-1.56
	FY10 to Date	21.82	27.8
	Since Inception	55.90	63.56
	Benchmark (YTD)	24.72	29.85



Sector Allocation (% of Total Assets)		May' 10	April' 10
	Oil & Gas	7.92	21.78
	Fixed Line Communication	7.50	7.42
	Banks	5.52	13.08
	Tobacco	3.93	4.06
	Personal Goods	1.72	3.09
	Others	3.09	9.26

Top Ten Equity Holdings (% of Total Assets)	PTC	7.50%
	APL	6.15%
	BOK	4.22%
	PAKT	3.93%
	NML	1.72%
	PNSC	1.49%
	POL	0.91%
	HUBC	0.90%
	PPL	0.86%
	BAFL	0.84%



Disclaimer

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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)	103.25	
Net Assets (PKR mn)	743.87	

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	0.015%
	Sharpe	-0.4197
	Standard Deviation	0.164%
	VaR	0.269%
	Skewness	0.1687
	Sortino	-0.5550
	Kurtosis	3.3451
	Weighted Average Time to Maturity (Days)	48

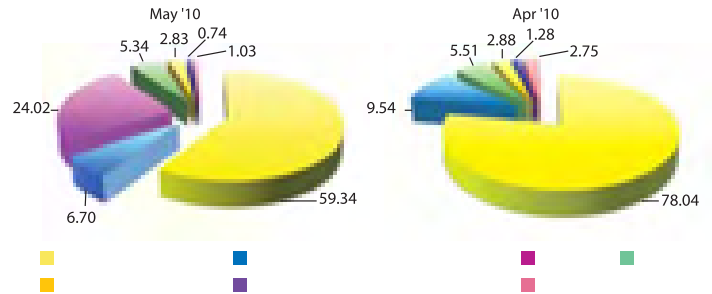
Investment Committee	Salman Haider Sheikh	Chief Executive Officer
	Tahir Sohail	Chief Operating Officer
	Shahid Usman Ojha	Chief Financial Officer
	Asad Iqbal	Chief Investment Officer
	Ayaz Mustafa Zuberi	Fund Manager- Fixed Income
	Omar Ehtisham Anwar	Fund Manager- Equity
	Syed Qamar Abbas	Head of Research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

Performance review

Month over Month Faysal Income and Growth Fund returned 7.47% outperforming its peer group that earned 3.68% on average. On a Year to date basis FIGF has been out performing its peers by 5.4% having yielded 11.14% as compared to peer average return of 5.74% YTD. FIGF started May at a NAV/unit of PKR 102.62 and closed the month at a NAV/unit of PKR 103.25. On the asset allocation side, our portfolio comprises of 66.04% in cash and money market placements, 24.02% in T-Bills, 5.34% in TFCs and 3.57% in equities and preference shares. Approximately 90% 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.

Fund Returns (Annualized) (% p.a.)		May' 10	April' 10
	Month-on Month (CAGR)	7.47	7.23
	FY10 to Date (CAGR)	11.14	11.58
	Since Inception (CAGR)	10.33	10.39
	Benchmark (YTD)	12.40	12.41

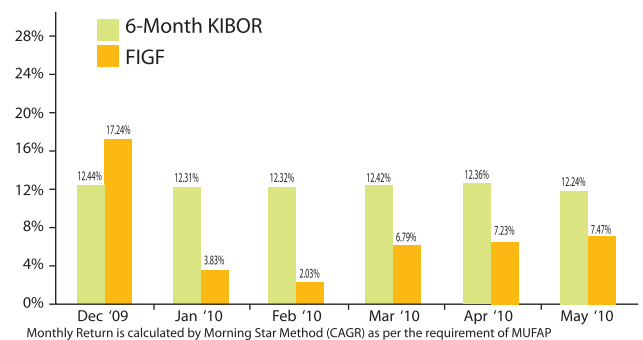
Asset Allocation (% of Total Assets)



Asset Quality (as % of Total Assets)	Government Securities	24.02
	AA+	0.01
	AA	57.66
	AA-	8.40
	BBB	0.50
	NR	4.84

TFCs/SUKUK Holdings (% of Total Assets)	Kohat Cement	4.84
	Telecard	0.50

FIGF Vs Benchmark



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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	1 Month KIBOR
	Pricing Mechanism	Backward
	Dealing Days	Monday-Friday
	Cut-Off Timing	9am-5pm
AMC Rating	AM2- (JCRVIS)	
NAV per Unit (PKR)	102.30	
Net Assets(PKR mn)	6,459	

* 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.

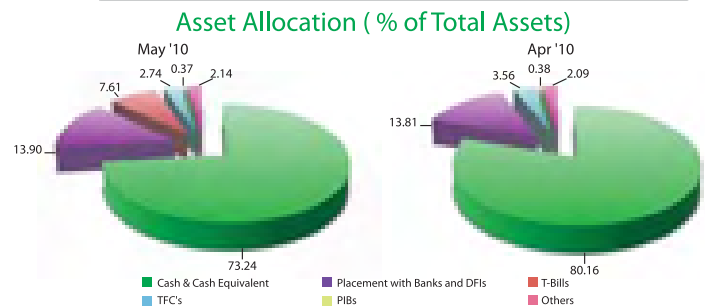
Risk-quant	Alpha	0.007%
	Sharpe	-1.8744
	Standard Deviation	0.039%
	VaR	0.064%
	Skewness	2.3800
	Sortino	-4.5421
	Kurtosis	9.5911
	Weighted Average Time to Maturity (Days)	21

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 May as it yielded 11.35% during the month as compared to its peer's average return of 3.68% On a Year to Date basis, FSGF is outperforming its peer group by 5.33% as it yielded a return of 11.07% vs. the industry average return of 5.74%. FSGF started May at a NAV/unit of PKR 101.37 and closed the month at a NAV/unit of PKR 102.30. On the asset allocation side, we would like to inform our valued investors that our fund is highly liquid with our portfolio consisting of cash and money market placements at 87.14%, government securities at 7.98% and TFC's of only 2.74%. 93% of our total assets are rated AA- or better. We intend to continue our investment strategy of minimizing interest rate risk and ensuring the highest credit quality within our portfolio.

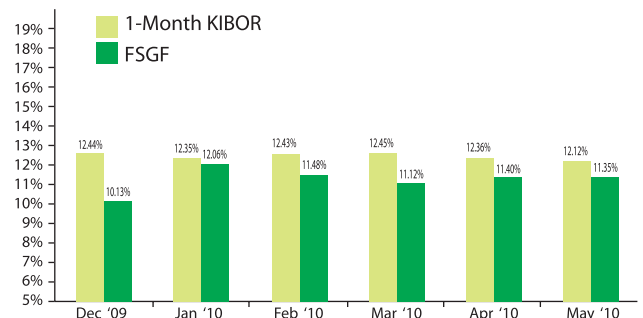
Fund Returns (Annualized)		May' 10	April' 10
	Month-on Month (CAGR)	11.35	11.40
	FY10 to Date (CAGR)	11.07	11.13
	Since Inception (CAGR)	11.55	11.56
	Benchmark (YTD)	12.44	12.48



Asset Quality (as % of Total Assets)	Govt Securities	7.98
	AA+	3.13
	AA	35.56
	AA-	46.55
	A	4.63

TFCs/SUKUK Holdings (% of Total Assets)	Bank Alfalah Limited	2.74
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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)	73.5161
Net Assets (mn)	305.12	

* 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.

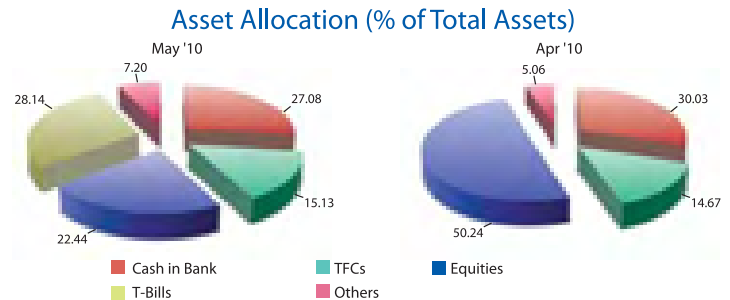
Risk-quant	Alpha	0.147%
	Beta	1.0751
	Sharpe	1.2090
	Standard Deviation	1.251%
	VaR	2.057%
	R-Squared	0.3688
	Treynor	0.1818
	Kurtosis	14.5310

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 April at a NAV/unit of PKR 77.75 and closed the month at a NAV/unit of PKR 73.51, down 5.45% on a Month on Month (MoM) basis. In comparison FAAF's benchmark gave a return of -4.77% for the month of April while its peers average a negative return of 6.96%. On a year to date (YTD) basis FAAF returned of 30.49% its peer group average 17.08% and the benchmark yielded 21.87% thus FAAF outperformed its peer group by 13.41% and its benchmark by 8.62%. The asset allocation of the fund had been very cautious since the middle of May due to our expectation of high volatility prior to the budget announcement. Thus we reduced our exposure in equities to 25%. We also placed funds in government paper to take advantage of higher yields and asset quality. In the coming month we plan to increase our allocation in equities post the budget focusing on sectors most positively impacted.

	May' 10	April' 10
Fund Returns (% p.a.)	Month-on Month	-5.45
	FY10 to Date	30.49
	Benchmark (YTD)	21.87



	May' 10	April' 10
Sector Allocation (% of Total Assets)	Fixed Line Telecommunication	6.12
	Construction & Materials	4.36
	Software & Compute Services	3.60
	Oil & Gas	3.02
	Personal Goods	2.50
	Others	2.83
	Others	17.03

	May' 10	April' 10
Top Ten Equity Holdings (% of Total Assets)	PTC	6.12
	DGKC	4.36
	NETSOL	3.60
	APL	3.02
	NCL	2.50
	NIB	1.04
	NPL	0.78
	UBL	0.63
	SBL	0.38
	Others	17.03

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FAYSAL ASSET MANAGEMENT LIMITED

Rating by JCR-VIS

"AM2"

(High Quality Management)

CONTACT US

Corporate Sales

Name	Branch	City	Contact Number
Agha Fahad Khan	Head Office	Karachi	021 32277309 0321 8280253
Shahzad Khalil	Head Office	Karachi	021 32275167 0321 8280258

South Region

Name	Branch	City	Contact Number
Abdul Sattar Abro	DHA Shahbaz Branch	Karachi	021 32277309 0321 8280253
Sheikh M Sajid Hassan	SITE Branch	Karachi	021 32585918 0321 8280255
Jahanzaib Khalid	Gulzar e Hijri	Karachi	021 4652143 0321 8280254
Adeel Shahzad	Gulshan Chowranghi	Karachi	021 34815319 0321 8280256
Hammad Sajjad	Head Office	Karachi	021 32275168 0332 3516161

North Region

Name	Branch	City	Contact Number
Asim Pirzada	M.M. Alam Road	Lahore	042 35763409 0321 8280251
Fahad Arshad	Liberty	Lahore	042 35752108-9 0321 8280266
Khawaja Anas	New Garden Town	Lahore	042 35889810 0321 8280268
Mohammad Umer Aslam	Bilal Road Civil Lines	Faisalabad	041 2644481 0322 6071581
Murtaza Akhter	F 11 Markaz	Islamabad	051 2224308 0334 5126606

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