



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS
IN INVESTMENT MANAGEMENT

Dear Investor,

UNCERTAINTY & CAPITAL MARKETS

Is uncertainty really that bad for the capital markets? It is evident from the movement of the KSE-100 index from July 07 to September 07. The index saw a mark higher than 14,000 and then witnessed a level lower than 12,000 marking over 15% decline. This decline was in contrast to the movement of the global markets. The main reason for this decline in the Pakistani equity markets was political uncertainty.

We witnessed sharp upside during the first half of the current calendar year. This sharp rise was due to the interest from foreign investors after the merger and acquisition frenzy within the financial sector. This positive interest was reversed amid the political uncertainty as the Presidential elections came closer. The equity market being the leading indicator discounted the current political uncertainty and offered discounts in the prices of equities across several sectors. These discounted prices transpired into demand from the institutional investors including foreign investors. Investors began bargain hunting and building positions in long term value opportunities.

Despite the OMO's as well as other actions taken by SBP we witnessed relatively high liquidity in the market. The recent rate hike of 50 bps (basis points) by the central bank did not have any short term impact on the liquidity present in the market. Due to Ramadan the food inflation could not be curtailed as well. The market is expected to remain fairly liquid in the upcoming month. On the commodity front gold prices reached record levels.

On the international front we witnessed the prices of Oil touching an all time record level of USD 84/bbl. The U.S. market witnessed issue relating to the sub-prime mortgage market and the investor sentiment showed some dampening. The Federal Reserve injected liquidity into the U.S. market and spurred investor interest through a 50 basis point cut in the interest rate. This action of the Fed led to a revitalized rally in the Dow Jones as well as other European and Asian markets. The domino effect led the European and Asian markets higher but the Pakistani markets showed an opposite trend. With the recent clarity on the political front after the Supreme Court's decision, we saw a euphoric rise in the KSE-100 index. The index gained over 9.1% or more than 1000 points in only a few trading sessions. This trend can continue with further clarity as we move closer to the Presidential elections and then the national elections. The growth in the corporate earnings along with a stable political and geo-political situation can bring back the bullish investor sentiment and we can witness rise of a few thousand points in the index. With this in perspective we recommend some allocation in equities and equity funds from the investors taking temporary cover in the income funds.

Salman Haider Sheikh
Chief Executive Officer

FUND 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.

PERFORMANCE

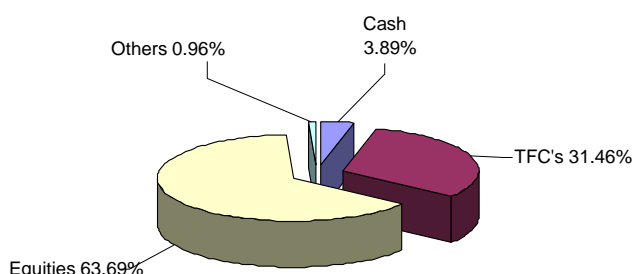
FBGF started the month with a NAV of Rs. 98.72 and closed the month at a NAV of Rs. 103.36 per unit. This translates into a month on month (MoM) return of 4.7%. The average year to date return (YTD) of open ended equity funds till end of September was -0.47% whereas FBGF's YTD return was -0.13% an out performance of 0.34%. Substantial change in asset allocation for the month was witnessed as exposure in equities was increased by 32.5% to 63.69%. Cash was reduced to 3.89% while TFC's were more or less maintained at the same level as last month's.

STOCK MARKET REVIEW

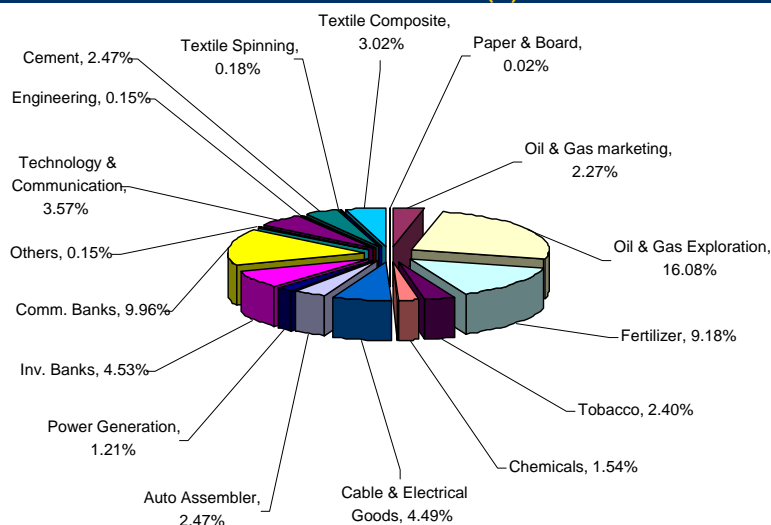
The KSE-100 index staged a good recovery during September as it recovered by 9.1% to close at 13,351.79 level. Major contributors to this rally were the refinery, insurance and cement sectors. Refinery sector improved on the back of increase in Gross Refinery Margins as oil prices touched all time highs. Cement stocks improved on the back of record cement dispatches, exports and increased cement prices while insurance sector improved on the back of expectations of improved insurance policy which is to be announced shortly. Average daily turnover increased by 26% to USD 359 Mio compared to last month's average of USD 285 Mio which showed investors interest in the market. Foreign investment also picked up during the month as a massive inflow of USD 156.6 Mio was registered in Special Convertible Rupee Accounts (SCRA) during the month of September taking the net outflow for the year to only USD 4.6 Mio.

Supreme Court's much awaited decision regarding the dual offices of President Musharraf was announced on last Friday of the month as petitions against him were finally dismissed. This announcement has to a certain extent cleared the political uncertainty and has restored investor confidence. Going forward we believe that the political issues will be resolved and with the fundamentals of the market still intact we think market offers good upside potential from the current levels.

ASSET ALLOCATION (%)



SECTOR ALLOCATION (%)



RETURNS

Month on Month	4.70 %
Year To Date (YTD)	-0.13%
Since Inception	68.50%
Annualized Return	19.84%

PORTFOLIO CHARACTERISTICS

P/E	9.43 x
Dividend Yield	3.32 %

FUND INFORMATION

Fund Type	Open Ended Balanced Fund	Registrar	Gangjees Registrar (Pvt.) Ltd.
Fund Launch Date	14 April 2004	Trustees	Central Depository Company (CDC) of Pakistan Ltd.
Performance Bench Mark	KSE-100 INDEX	Auditors	A.F Ferguson a member firm of PWC

MANAGED BY



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Risk Disclosure: All investments in mutual funds and securities are subject to market risks. Therefore, the NAV based prices of units cannot be guaranteed. Prices of units and any dividends and returns thereon may go up or down based on market conditions & past performance of the fund is not necessarily indicative of future results. Please consult your legal/financial advisor & read clause 2.6 and 2.7 of the offering document available at our web site for understanding the investment policies & risks.

FUND OBJECTIVE

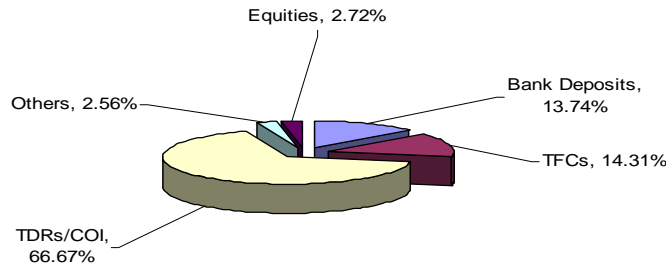
FIGF seeks to provide risk-averse investors an opportunity to earn a consistent market based income with conservative risk profile while maintaining security of principal as its prime objective.

PERFORMANCE

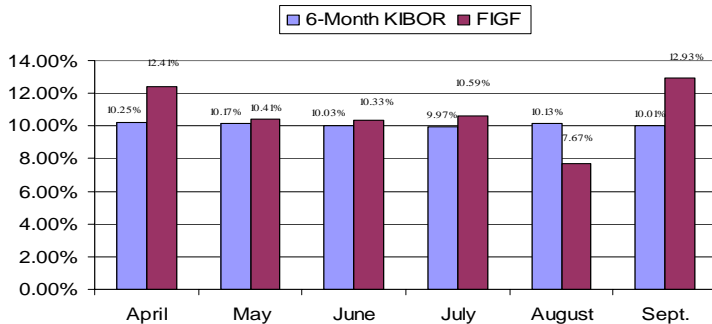
FIGF continuing its exceptional performance, achieved 12.93% MoM (September) and 11.23% since inception return thus outperforming the performance bench mark of 6 months KIBOR by a clear 1%. This performance has made FIGF the best performing fund for the month and 2nd best performing fund for the quarter ending Sept 30th 2007.

The fund management adopted an aggressive yet modest approach in fine tuning the asset allocation and enhanced its equity stake from 1.77% (Aug) to 2.72% (Sept.). This was done to benefit from capital gains by investing in high dividend yielding stocks. On fixed income side also we adjusted our asset allocation by enhancing focus on TFC investments and high yielding short term placements.

ASSET ALLOCATION (%)



FIGF vs. KIBOR (6M)



MONEY MARKET REVIEW

The market remained highly liquid during the month despite SBP's mopping of over Rs.110 billion through T bills and OMO options. These auction brought changes in the overnight inter-bank market, closing near the DR this month.

The banks showed no interest in short term (3 to 6 months) investments as a result SBP did not receive any bids in these tenors. On the contrary the banks expressed more interest in long term borrowing primarily due to the fact that long term (over 12 months) does not have CRR requirement, hence overall yield of the bank improves. Going forward also we envisage that the market will prefer short term placements since presently a 10 years PIB offer only 78bps better return when compared with one year TB.

The wheat crisis during Ramdan, hiked the inflation to an alarming levels and food inflation figures are expected to show significant increase from last month. Due to the prevailing political scenario privatization process has come to a stand still, however Foreign Direct Investments and remittances continue to show strong growth.

FAML following its investment strategy has positioned our portfolio in such a manner that FIGF now offers excellent opportunities for a long term (12 – 16 months) investor who is looking capital preservation and higher than bank deposit returns.

RETURNS

MoM Average Market Return	9.02%
Month on Month "FIGF"	12.93%
Year To Date (YTD)	10.42%
Since Inception	11.23%

MONEY MARKET RATES

KIBOR		T-BILLS	
3 Months	9.73%	3 Month	9.09%
6 Months	10.01%	6 Month	9.14%
12 Months	10.49%	12 Months	9.40%

FUND INFORMATION

Fund Type	Open Ended-Income Fund
Fund Launch Date	10 October 2005
Rating	A + by JCR-VIS
Performance Bench Mark	6 Months KIBOR

Registrar	Gangjees Registrar (Pvt.) Ltd.
Trustees	Central Depository Company (CDC) of Pakistan Ltd.
Auditors	Ford Rhodes Sidat Hyder & Co, Chartered Accountants

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FUND OBJECTIVE

FSGF seeks to 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.

PERFORMANCE

FSGF exhibited outstanding performance again this month and attained 10.03% MoM return which is much higher as compared to the MoM average market return that is 8.99%. The fund outperformed its benchmark of one month Kibor by 48bps (basis point). Money market rates, spreads transaction and CFS yields are not lucrative but FSGF performance provided a clear notion that management our well defined asset allocation strategy and investment philosophy makes it possible. Asset allocation in September, 2007 differed from the previous month as exposure in Bank deposit increased to 80.17% where as exposure in TFCs, TDRs/COIs and Others decreased to 8.59%, 9.92% and 1.32% respectively.

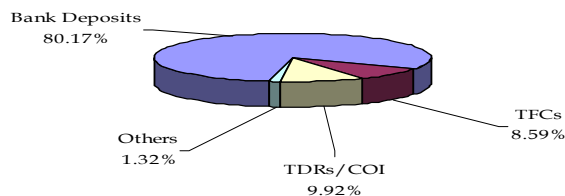
Market View

The average of 1-month kibar this month was 9.55% same as last month's average. Money market observed high levels in the overnight rates during the current month. The shortage pushed the inter-bank money rate at the peak of 9.9% just below the discount rate of 10%. The regular siphoning of liquidity by the State Bank to maintain tight monetary stance in accordance with the monetary policy, was another major reason for liquidity crunch which compelled banks to borrow Rs. 19 Bio from the discount window. Since the beginning of Ramadan, the inter-bank market was under pressure mainly because of heavy withdrawals. The inflow of liquidity is slow these days while the SBP continues to pick up the remaining liquidity through Open Market Operations (OMOs) which tightened the situation for the market.

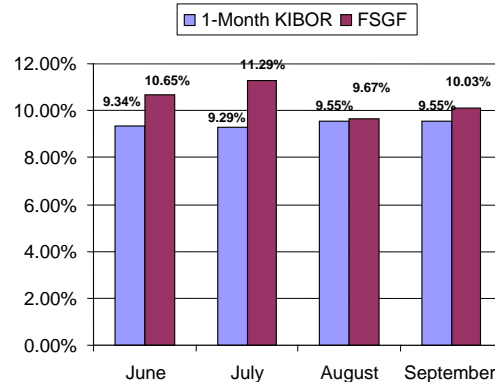
Non-performing loans of both commercial and specialized banks rose to Rs. 184 Bio at end-March 2007 from Rs. 173 Bio at end-December 2006- a rise of Rs. 11 Bio in just three months. The stock of non-performing loans net of provisioning also increased to Rs. 47 Bio from Rs 36.5 Bio. And as a result, the ratio of net NPLs to net loans climbed to 2% from 1.5 % over this period, the gross NPLs of commercial banks rose to Rs142.8 Bio from Rs134.5 Bio, and that of specialized banks increased to Rs41.3 Bio from about Rs 38.7 Bio. The increase in NPLs indicates that the private sector is finding it difficult to service bank debt on time. And in their race for earning profits, banks might ease their policies while evaluating credit quality.

FSGF being the best performing money market fund during the first quarter of the fiscal year offers an attractive investment opportunity to all investors who are looking for better yield and capital preservation.

ASSET ALLOCATION (%)



FSGF vs. KIBOR (1M)



RETURNS

MoM Average Market Return	8.99%
Month on Month	10.03%
Year to Date	10.42%
Since Inception	10.44%

MONEY MARKETS RATES

KIBOR	T-BILLS
1 Month	3 Month 9.09%
3 Month	6 Month 9.14%
6 Month	12 Month 9.40%

FUND INFORMATION

Fund Type	Open Ended-Money Market Fund	Registrar	Gangjees Registrar (Pvt.) Ltd.
Fund Launch Date	12 May 2007	Trustees	Central Depository Company (CDC) of Pakistan Ltd.
Rating	To Be Announced	Auditors	Ford Rhodes Sidat Hyder & Co, Chartered Accountants
Performance Bench Mark	1 Month Kibor		

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