

**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, by the Grace of Almighty Allah, has performed well as compared to its equity benchmark the KSE-100 index. KSE-100 index started the month at 10,619.47, and ended at 10,040.50 marking a decline of 5.45% for the month of December 2006. FBGF started the month at Net Asset Value per unit of PKR. 104.37 and ended at PKR 100.63 marking 3.58% decline for the month of December.

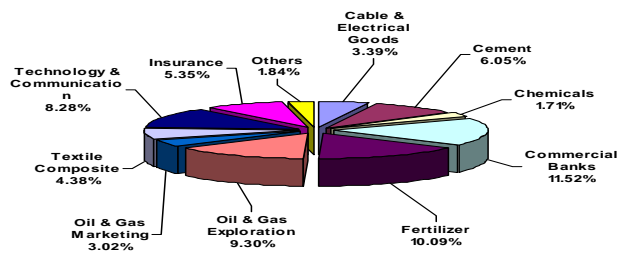
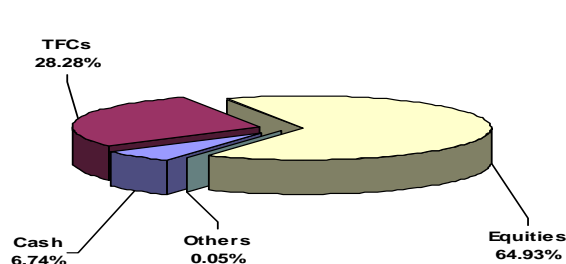
As per our forecast in the previous month's report, the equity market remained volatile during the month of December. KSE-100 index plunged to an intraday level of 9,696.71 during the month. The closing index value on the above mentioned day was 9,894 which was the lowest closing point for KSE-100 index in three months. In the calendar year 2006, we witnessed three major corrections in the equity market. The current decline of approximately 1600 points or 15% is the second most severe correction of the year. The KSE-100 index ended the half-year period of July 1st to December 31st at 0.51% return. FBGF posted 0.37% return for the same six-month period with an average equity exposure of only 62%. The investment banking activity also failed to show any positive signs, as there were only five equity offerings worth Rs. 1.9bn in 2006.

Considering the recent volatility in the equity market the fund maintained its relative cautious investment approach. The asset allocation of the fund remained similar to previous month with a slight increase in the holdings of some blue chip companies within the Oil & Gas exploration and Banking sectors. We also witnessed further decline in the price of OGDC as investors await another offering of 21.5 million shares. The GDR of OGDC closed its first month of trading at the London Stock Exchange at \$19.10. On the privatization front, the commission announced a new schedule for the privatization of PSO, according to which the last date to submit the SOQs is January 15th, 2007. The maturity of the OGDC GDR listing, recent successful exploration at the TAL block by POL and the PSO privatization can further spur investors' interest in the Oil & Gas sector. The ongoing M&A activity in the banking sector witnessed another positive move when another foreign-owned bank NIB announced the initiation of due diligence to acquire PICIC bank. Along with the news of withdrawal of subsidy on cement import by GoP and the rumors of restoration of cartel, the cement sector showed signs of support at the lowest levels of the year.

We expect the equity markets to remain volatile with lower investment interest amid the taxation concerns in the upcoming budget as well as the expectation of the announcements of elections in the country.

**ASSET ALLOCATION (%)**

**SECTOR ALLOCATION (%)**



**RETURNS**

Month on Month	(3.58 %)
Year To Date (YTD)	0.37 %
Since Inception	39.78%

**PORTFOLIO CHARACTERISTICS**

P/E	4.77 x
Dividend Yield	3.28 %

**FUND INFORMATION**

Fund Type	Open Ended	Registrar	Gangjees Registrar (Pvt.) Ltd.
Fund Launch Date	14 April 2004	Trustees	Central Depository Company (CDC) of Pakistan Ltd.
		Auditors	A.F.Ferguson & Co., Chartered Accountants

**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.

