

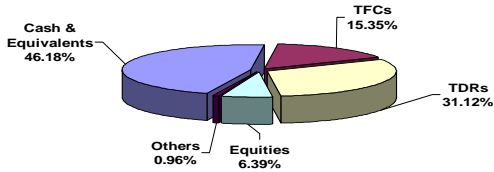
FUND OBJECTIVE

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.

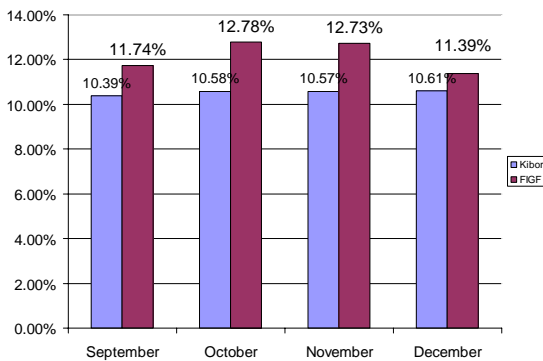
PERFORMANCE

Al Hamd-O-Lillah Faysal Income & Growth Fund (FIGF) was the best performing fund in the fixed income category in Pakistan for the half year ended December 31, 2006. FIGF has outperformed its performance benchmark of 6 months KIBOR by a clear 2% plus. The fund has been out performing the competition which clearly represents the funds proactive investment strategy. The fund achieved an annualized yield of 12.62% at the end of December, 2006 as compared to its benchmark Six months KIBOR 10.61%.

ASSET ALLOCATION (%)



FIGF vs KIBOR (6M)



MONEY MARKET REVIEW

The Interbank Money Market experienced excess liquidity in the first half of the month of December in shorter tenor. This trend reversed during the month resulting in lower liquidity towards the end of the month. In the T-Bill auction State Bank of Pakistan raised Rs. 34.27 Billion and maintained last cut-off yields in 3, 6 and 12 month T-bills at 8.64%, 8.81% and 9.00% respectively. The financial institutions did not show great interest in the 3 and 6 month T-Bills.

The Pakistan Investment Bond auction held during the month witnessed a realized amount of Rs.19.723 Billion. The PIBs for 3, 5, 10, 15 and 20 years had cut-off of 9.73%, 10.00%, 10.52%, 11.10% and 11.42% respectively. The 30 Year PIBs, issued for the first time, was over-subscribed and the cut-off was settled at 11.70%.

The Central Bank maintained a tight monetary policy during fiscal year 2006 in order to control the inflationary pressure on the economy. The recent statements of the Governor State Bank also indicated the continuation of the tight monetary policy with no expectation of any major change in the interest rates in the short term. However, an upward revision in Cash Reserve Ratio (CRR) cannot be ruled out here as the longer-term bond yields have nearly peaked out.

The State Bank also emphasized on the development of the fixed income market as its key agenda for the next phase of the financial sector reforms. The recent phenomenon of the issuance of the 30 years PIB gives an indication of the Government's inclination towards developing the long-term yield curve, in parallel to the set of Islamic Bonds such as *sukuk* in order to evolve a new SLR eligible shariah compliant government security.

Standard & Poor's ratings services affirmed its 'B+' foreign currency and 'BB' local currency long-term ratings and its 'B' short-term sovereign rating on Pakistan. S&P also revised the outlook on the local currency ratings to positive from stable.

The core inflation, measured both as non-food non-energy (NFNE) and 20 percent trimmed mean, declined in December to 5.6 percent and 6.1 percent, respectively, compared with 7.6 percent and 6.8 percent in the corresponding month of last year. The Consumer Price Index (CPI) in December went up to 8.07 percent from what it was 7.89 percent during the corresponding month of last year, while the inflation of five-month (July-November 2006) decreased to 8.29 percent over the corresponding period of last year (8.41 percent).

We maintained our portfolio similar to last month with preservation of capital & risk-adjusted capital appreciation in focus with a positive readjustment in the derivative market. The fund's portfolio highlights low interest rate risk as well as low duration risk thus resulting in reaffirmation of the fund's 'A+' stability rating by JCR-VIS.

RETURNS

| | |
|-----------------|--------|
| Month on Month | 11.39% |
| FY 06 - 07 | 12.62% |
| Since Inception | 10.03% |

BENCHMARK RATES

| KIBOR | | T-BILLS | |
|-----------|--------|-----------|-------|
| 3 Months | 10.33% | 3 Month | 8.64% |
| 6 Months | 10.61% | 6 Month | 8.81% |
| 12 Months | 10.95% | 12 Months | 9.00% |

FUND INFORMATION

Fund Type: Open Ended
Fund Launch Date: 10th October 2005

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

