

FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

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MANAGING RISK

In the current economic and equity market conditions it is imperative to revert to Risk-Management tools in order to minimize and mitigate investment portfolio risk. Majority of investors believe that diversification alone can create risk-averse portfolios. This is not true in all cases. FAML has a dedicated front office risk desk which enables the department of investment management to proactively monitor financial risks, which includes exchange rate risk, bond price risk, inflation risk, credit - (settlement) risk of fixed income assets, yield curve risk, credit spread risk, equity price risk, model risk, pricing risk, liquidity risk, reputational risk, legal risk and fund performance risk etc.

The department undertakes broad based financial risk management in a hierarchical manner as given below:

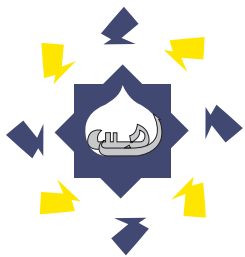
- Identification of Asset and Fund risks
- Measurement of Asset and Fund risks
- Management of Asset and Fund risks

One of the tools utilized by the company is Value at Risk, (VaR) which measures the market risk of our funds under management in comparison against their benchmarks. VaR is the maximum loss that may occur for a given probability over a specified investment horizon.

FAML Funds	Fund's VaR*%	BenchMark VaR*%
Faysal Balanced Growth Fund	2.04	2.21
Faysal Income Growth Fund	1.20	1.78
Faysal Savings Growth Fund	0.62	1.85

The above table clearly denotes lower than benchmark portfolio risk due to prudent fund management strategies utilizing various methodologies to mitigate portfolio risk. These strategies in a diversified portfolio mix within the Faysal funds family can enable a long-term investor to maximize risk-adjusted returns.

* The Value at Risk computed is based on a look-back period of the last one-year of returns using confidence interval of 95%. The method used to calculate Value at Risk is (VCV) Variance-Co-Variance approach.



FAYSAL ASSET MANAGEMENT LIMITED

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**FAYSAL
BALANCED
GROWTH FUND**

JULY 2008

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

FUND INFORMATION

FUND TYPE	Open Ended-Balanced Fund	REGISTRAR	GANGJEES REGISTRAR SERVICES (PVT) LTD.
FUND LAUNCH DATE	19th April 2004	TRUSTEES	CENTRAL DEPOSITORY COMPANY OF PAKISTAN
PERFORMANCE BENCHMARK	*KSE-100 INDEX/ 6 M KIBOR	AUDITORS	FORD RHODES SIDAT HYDER & Co., CHARTERED ACCOUNTANTS
RANKING	4 Star by JCR-VIS		
RETURNS		PORTFOLIO CHARACTERISTICS	
MONTH ON MONTH	-10.12 %	P/E RATIO	8.40 %
YEAR TO DATE	-10.12 %	DIVIDEND YIELD	4.7 x
SINCE INCEPTION	51.35 %		
SINCE INCEPTION ANN. RETURN	10.16 %		

*Proportional investment %ages in KSE-100 INDEX and 6M KIBOR

STOCK MARKET REVIEW

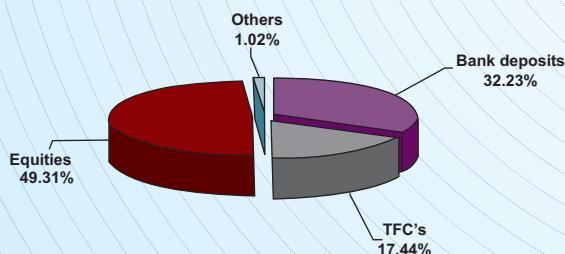
The local equity markets continued their downward trend amid unstable political environment and economic slowdown. The KSE-100 index started the month at 12,289 points and closed the month at 10,583 points thus falling by 13.88% for the month of July. Fear of global economic slowdown, fueled by economic recession in the U.S., which is the world's largest consumer economy, has dampened investor's sentiments across the globe. Also local political outlook has been worsening with visible cracks appearing in the coalition. Country's security problems remain largely unresolved with security situation in north-western Pakistan deteriorating sharply. The government has increased retail fuel prices to ease pressure on fiscal deficit however this has aggravated inflationary pressures. Week on week inflation has been hovering around 20% to 25%. With the holy month of Ramadan around the corner this is expected to get worse as food inflation usually increases during Ramadan. To counter this inflation and the continuous increase in food prices State Bank of Pakistan (SBP) increased the discount rate by another 100bps during July thus dampening the investors' sentiment. The increase in international oil prices and consumer price inflation has slowed down the economic growth in the country. Continued political instability and increased uncertainty has put a big question mark on long term investment. This has also slowed down foreign investment which is necessary for any third world economy to prosper.

We feel that under the current scenario of increasing twin deficits (trade and current), depreciating PKR and rising inflation The State Bank of Pakistan will continue with monetary tightening measures. Hence we maintain our cautious stance on the market. We believe that gradual accumulation at lower levels in growth and value stocks will pay off in the long run.

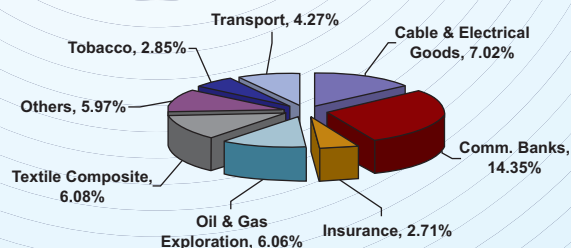
PERFORMANCE

FBGF started FY' 08-09 at a NAV of PKR 101.80 and closed the month at a NAV of PKR 89.88. Thus FBGF gave a negative return of 10.12% for the month. In comparison the stock market gave a negative return of 13.88% for the month of July. Hence FBGF out performed the KSE-100 index by 3.76%. FBGF's benchmark gave a negative return of 7.25% for the month of July. The average return of open-ended Balanced Asset allocation funds excluding FBGF for the month of July was negative 9.55%. On the asset allocation side FBGF reduced exposure in equities to 49.31% from previous month's level of 67.83%. This decision was inline with the market trend and shows good management and proactive decision making on behalf of Faysal Asset Management Limited.

ASSET ALLOCATION (%)

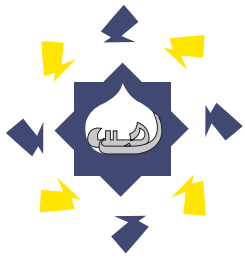


SECTOR ALLOCATION (%)



Risk Disclosure:

All investments in mutual funds and securities are subject to market risks. Therefore, the NAV based prices of units cannot be guaranteed. Price of unit 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.



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

Faysal
Income & Growth Fund

JULY 2008

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.

FUND INFORMATION

FUND TYPE	Open Ended-Income Fund	REGISTRAR	GANGJEES REGISTRAR SERVICES (Pvt) LTD.		
FUND LAUNCH DATE	10th October 2005	TRUSTEES	CENTRAL DEPOSITORY COMPANY OF PAKISTAN		
PERFORMANCE BENCHMARK	6 Month KIBOR	AUDITORS	FORD RHODES SIDAT HYDER & Co., CHARTERED ACCOUNTANTS		
RATING	A+ by JCR-VIS				
RETURNS			PORTFOLIO CHARACTERISTICS		
MONTH ON MONTH	6.66 %	KIBOR		T-BILLS	
YEAR TO DATE	6.66 %	3M	13.84 %	3M	12.19 %
SINCE INCEPTION	10.33 %	6M	14.10 %	6M	11.49 %
MOM AVG MKT RETURN	10.95 %	12M	14.47 %	12M	11.83 %

MONETARY POLICY

Money market rates in the Interbank market such as the 6-month KIBOR came down by 76 basis points – (bps), from 14.24% to 13.48%. Hence it seem obvious that the move to augment shorter end of the yield curve was mainly due to the sky rocketing rate of inflation, which has reached more than 30% and expected to further rise due to oil pass through affects in the macroeconomy. Hence Discount rate was inched upwards by 1% as a measured policy response by the regulator. This is the fourth increase in discount rate since July last year. The discount rate was 9.5% at the end of July 2007 and rate of inflation as 7.8%, since then it was raised by 50 bps on 31st July 2007.

This was followed by another 50 bps upward interest rate adjustment on the 1st of February, 2008 in the form of discount rate hike. The third hike of the same kind came in May FY' 08, when SBP raised discount rate by 150 bps taking the latter reach new highs of 12.00 %.

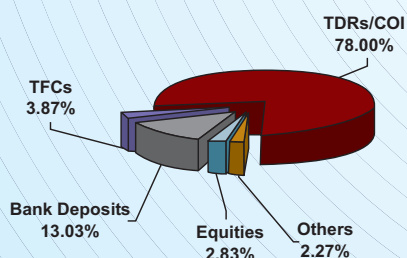
SBP has perpetually increased the discount rate in the economy to control both aggregate supply and demand side price pressures developing over business cycles. However to make such a policy produce positive results, the economy should have a lower fiscal deficit , such that the circulation of real balances can be controlled and the supply of necessary food items should also safely reach markets at appropriate timings.

PERFORMANCE

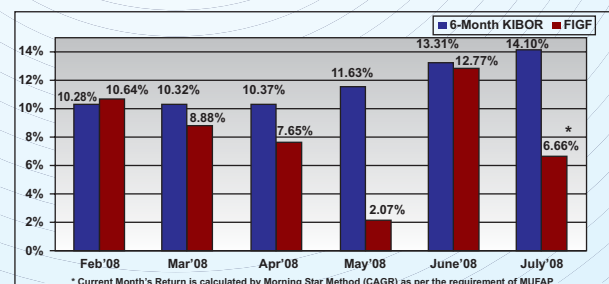
FIGF attained annualized return of 10.33% since its inception and the gross yield has reached at the level of 31.80% which is commendable at this point in time. Its MOM(month on month) and YTD (year to date)return reached at the level of 6.66% due to the free fall of an equity market price as a result of the political uncertainties and unrest in the country.

Our management is continuously in a rebalancing act, where asset classes that provide maximum return are included within the portfolio at acceptable risk tolerance levels. And as soon as the equity market recovers, we will be on the safer side. FIGF performed reasonably well throughout the year. FIGF started at Rs.103.43 - NAV, while closing at Rs.100.64-NAV. On the asset allocation side exposure in TDRs/COIs, equities, and others increased to 78%, 2.83% and 2.28% respectively while exposure in Bank Deposit and TFCs decreased to 3.87% respectively.

ASSET ALLOCATION (%)

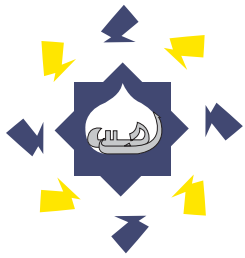


KIBOR (6 M) vs FIGF



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FAYSAL ASSET MANAGEMENT LIMITED

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FAYSAL SAVINGS GROWTH FUND

JULY 2008

INVESTMENT 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.

FUND INFORMATION

FUND TYPE	Open Ended-Money Market Fund	REGISTRAR	GANGJEES REGISTRAR SERVICES (Pvt) LTD.			
FUND LAUNCH DATE	7th May 2007	TRUSTEES	CENTRAL DEPOSITORY COMPANY OF PAKISTAN			
PERFORMANCE BENCHMARK	1 Month KIBOR	AUDITORS	FORD RHODES SIDAT HYDER & Co., CHARTERED ACCOUNTANTS			
RATING	A by JCR-VIS					
RETURNS			PORTFOLIO CHARACTERISTICS			
MONTH ON MONTH	10.69 %	KIBOR		T-BILLS		
YEAR TO DATE	10.69 %	1M	12.82 %	3M	12.19 %	
SINCE INCEPTION	10.24 %	6M	14.10 %	6M	11.49 %	
MOM AVG MKT RETURN	10.69 %	12M	14.47 %	12M	11.83 %	

MONEY MARKET REVIEW

Inter-bank money market closed around the average of 9.78 % during this month. Despite presence of ample liquidity in the banking system, contractionary interbank rates prevailed within the money markets. Thus due to appropriate measures taken by the SBP, short term rates came down which again is a clear manifestation of the commitment by the regulator and economic policy managers to support going business confidence and investment profitability, stock market sentiment, economic growth and long term capital formation rates.

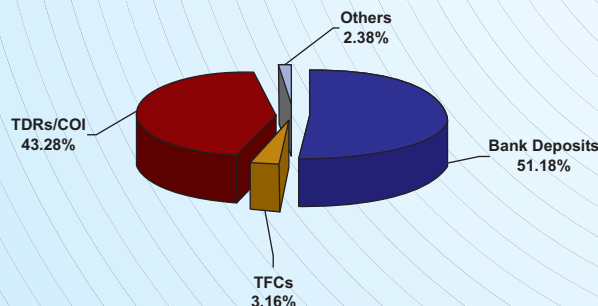
At the Treasury Bills auction on July 30, the SBP sold Rs39.95 billion of 3-month paper, at a cut off yield of 12.19%, having risen from 11.78% in the previous auction. The central bank did not receive any bids for the 6-month paper. The SBP rejected bids received for 12 months T-bills. On July 31, the State Bank of Pakistan sold Rs.15 billion of T-bills under 2-day repo at 10.30 per cent to mop up funds from the money market.

PERFORMANCE

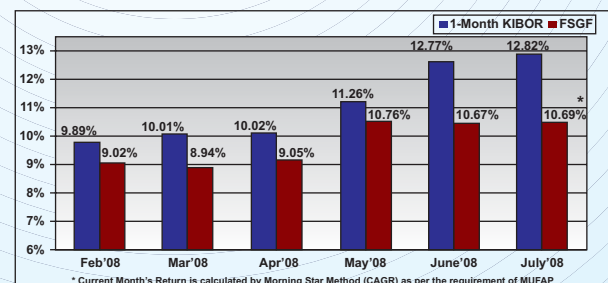
FSGF performed well during this month by giving a since inception return of 10.24% and YTD (year-to-date) return of 10.69%. FSGF attained 10.69% return on month-on-month basis.

On the asset allocation side TDRs/COIs increased to 43.28 % while exposure in Bank Deposit, TFCs, Others and Spread transactions decreased to 51.18%, 3.16%, 1.44% and 0.93% respectively. This month FSGF started at Rs. 103.58- NAV and closed at Rs.101.03- NAV.

ASSET ALLOCATION (%)



KIBOR (1 M) vs FSGF



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