

FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

CEO CORNER
Salman Haider Sheikh, CEO
Email: salmansheikh@faysalbank.com

Fund Manager Report

KARACHI:

(021)279 5377
(021)279 5564

LAHORE:

(042)575 5190-4

ISLAMABAD:

(051)227 5096-9

PESHAWAR:

(091)527 0176-9

QUETTA:

(081)283 645-1

HYDERABAD:

(022)272 8356

GUJRANWALA:

(0553)730 301-4

FAISALABAD:

(041)4644 481-5

SIALKOT:

(052)429 2501-5

Political Euphoria – Light at the End of the Tunnel

Is politics going to overshadow the economy and the capital markets? It seems to be the case in the current scenario in the country. Political stability in Pakistan has been in focus on both local as well as international fronts. Pakistan is at the verge of a continued growth cycle in its economy. Political instability can dampen the hopes of the continuation of the sustainability of this economic growth. Politics has been in focus and it seems like an unending, over-shadowing cloud over the capital markets in the country. Such a cloud usually leads to uncertainty, which is one of the worst enemies of capital market growth.

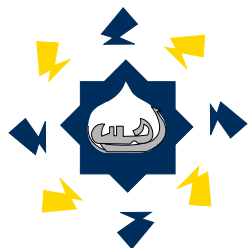
Lets focus on the REAL (economic) news:

Local Front: We witnessed decent corporate earnings growth during the last fiscal year and are expected to observe another 18% growth during this fiscal year. E&P sector witnessed investor's renewed interest after it showed signs of strength with their core earnings growth along with the increasing trend in the international oil prices. Fertilizer sector with the increased demand of DAP and the incremental increase in the pricing of its products poses a great investment opportunity in both short and long term. Cement sector at the back of export approval from the Indian authorities is estimated to increase its revenues and exports for the country. Such industrial export measures can further lead to the narrowing of the current account deficit. Increased foreign portfolio investment was visible in the SCRA account indicating rekindled foreign institutional interest amid political uncertainty in the country. Higher inflation data and high liquidity in the market are the immediate challenges being faced by the economic policy makers.

International Front: We witnessed yet another quarter point cut by the Federal reserve of the United States leading to an increased interest in their equity markets. International Oil prices touched U.S.\$ 96 per barrel at the back of international politics and drop in the U.S. supplies ahead of a possibly severe winter. International rate cuts are also expected to continue. These rate cuts usually support higher oil prices with a weakening U.S. dollar. The rate cut in the U.S. will also provide support for the slump in the U.S. housing market. Global equity markets have rallied despite the outflow worries by the Asian capital markets. The flight of capital towards equities continued on the international front during the summer into the fall season. Pakistani market could not post similar returns again due to the highlighted political scene in the country. The rise in price of Oil, Gold and other commodities vis-a-vis fixed income returns has been in focus by the international investors. In summation, the weakening dollar, declining international interest rate scenario, slump in the U.S. housing market have compelled investors to seek returns from the equity and commodity fronts.

Conclusion: "Smart Money" feels that the underlying economic indicators are still positive and if the political scenario in the upcoming months shows signs of improvement, we can see a sustainable interest in the Pakistani capital markets.

There is light at the end of the tunnel !!!



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

FAYSAL
BALANCED
GROWTH FUND

OCTOBER 2007

INVESTMENT OBJECTIVE	FUND INFORMATION			
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 TYPE	Open Ended-Balanced Fund	REGISTRAR	GANGJEES REGISTRAR SERVICES (PVT) LTD.
	FUND LAUNCH DATE	14th April 2004	TRUSTEES	CENTRAL DEPOSITORY COMPANY OF PAKISTAN
	PERFORMANCE BENCHMARK	KSE-100 INDEX	AUDITORS	FORD RHODES SIDAT HYDER & Co., CHARTERED ACCOUNTANTS
	RETURNS		PORTFOLIO CHARACTERISTICS	
	MONTH ON MONTH	5.29 %	P/E RATIO	10.13 %
YEAR TO DATE	5.16 %	DIVIDEND YIELD	2.95 %	
SINCE INCEPTION	77.42 %			
ANNUALIZED RETURN	21.89 %			

STOCK MARKET REVIEW

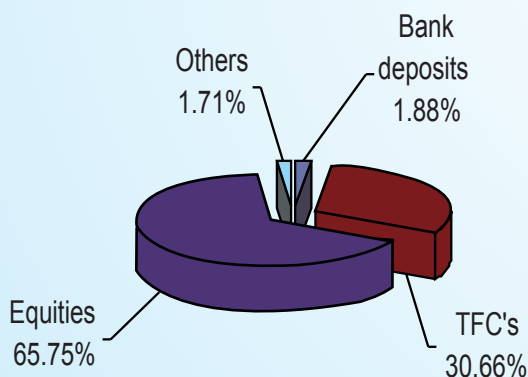
The stock market followed the previous month's performance and closed the month with the KSE-100 index at 14,319 (up 7.25% MoM). Investor activity increased during the month as average daily turnover increased by 81% this month to USD 651 Mio compared to last month's average turnover of USD 359 Mio. Fundamentals as well as improving political scenario all came into play as the KSE-100 index touched new highs during the month. Major contributors to the rally were the Oil and Gas Exploration, Banking, Cement and Insurance stocks. World oil prices hovering above USD 90/bbl and expectations of further rate cut by the Fed prompted foreign investors to take positions as well. As of 31st October foreign inflow of USD 296.34 Mio for the month was recorded in Special Convertible Rupee Accounts (SCRA), which indicates foreign portfolio investment.

Supreme Courts' decision on Musharraf's presidency is still awaited hence a cautious approach should be adopted till then. "Buy on dips" strategy should be adopted as we believe that once the political issues are resolved the market will show a bull run based on strong fundamentals.

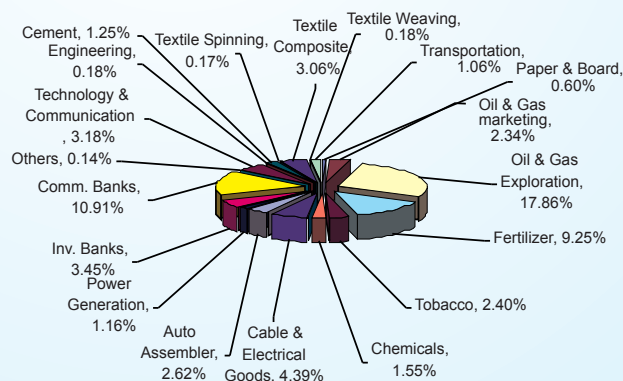
PERFORMANCE

FBGF started the month with a NAV per unit of Rs. 103.36 and closed the month at a NAV of Rs. 108.83 up 5.29% for the month. Average return of open ended balanced equity funds for the month was 3.73% while FBGF's return of 5.29% showed an out performance of 1.56%. On a year to date (YTD) basis FBGF gave a return of 5.16% while the YTD return of average open ended balanced equity funds was 3.57%. FBGF out performed this return as well by 1.72% which clearly highlights the management's proactive and sound investment management approach.

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. 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.



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

Faysal
Income & Growth Fund

OCTOBER 2007

INVESTMENT OBJECTIVE	FUND INFORMATION					
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 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		MONEY MARKET RATES			
	MONTH ON MONTH	12.38 %	KIBOR		T-BILLS	
YEAR TO DATE	11.00 %	3 M	9.80 %	3 M	9.0942 %	
SINCE INCEPTION	11.39 %	6 M	10.00 %	6 M	9.1426 %	
MOM AVG MKT RETURN	9.06 %	12 M	10.46 %	12 M	9.3990 %	

MONEY MARKET REVIEW

The overnight money market rates stayed around the average of 9.87 percent this month. SBP moved to drain liquidity from the market by the OMO operation and T-bill auctions. This liquidity crunch may add fuel to push up lending rates during this quarter. On the inflation front, SPI (Sensitive Price Index) reached at 11.85 percent posing an immediate alarming situation for the central bank. Food inflation was the main cause of this inflationary pressure. Moreover, international oil prices reached a recent record level of \$94 per barrel. This increase in the oil prices will have a negative economic impact as the cost will be passed to the end-consumer through inflationary pressure. The higher inflation numbers pose a challenge for the central bank in the near future and can lead to the continuation of further tightening in their monetary policy.

The 6-months KIBOR sustained at the average of 10 percent in October. Despite the liquidity crunch in the inter-bank money market, the market liquidity level is still high and the mutual funds are the main liquidity drivers-lending at low levels. Banks and DFIs are emphasizing on getting low cost deposit on long-term basis. In the current market the money market spreads and CFS transaction levels are increasing marginally in comparison to the last 3 months' levels.

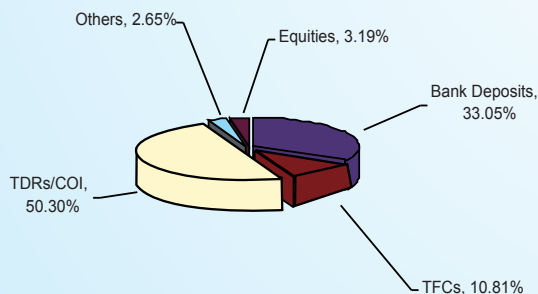
The fund management utilizing a pragmatic approach of balancing its fixed income and equity portfolio is managing FIGF with the preservation of capital as its focus. There is great emphasis on the credit quality of its investment portfolio. By implementing the investment strategies in a risk-averse manner, FIGF offers excellent opportunity for long-term investors, expecting capital preservation and superior yield in the fixed income fund category.

PERFORMANCE

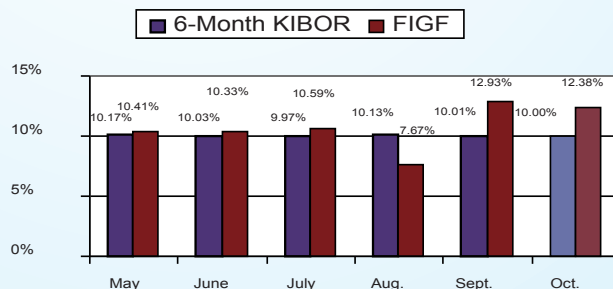
FIGF performed extremely well by achieving 12.38 percent MoM (October) and 11.39 percent since its inception. FIGF again outperformed its benchmark and peer's average return by 2.38 percent and 3.12 percent respectively. FIGF drew a clear line of distinction from the rest by carrying out such consistent performance

The fund management adopted aggressive approach by modifying the assets class and enhanced its equity stake from 2.72 percent (Sep) to 3.19 percent (Oct). This strategy was adopted to make maximum capital gains by investing in high dividend yielding stocks. The fixed income portfolio also yielded superior returns adding to the overall enhanced yield for the investors.

ASSET ALLOCATION (%)

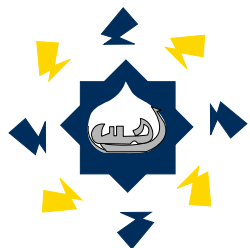


KIBOR (6 M) vs FIGF



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.



FAYSAL ASSET MANAGEMENT LIMITED

COMMITTED TO SETTING NEW STANDARDS IN INVESTMENT MANAGEMENT

FAYSAL SAVINGS GROWTH FUND

OCTOBER 2007

INVESTMENT OBJECTIVE	FUND INFORMATION					
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 TYPE	Open Ended-Money Market Fund	REGISTRAR	GANGJEES REGISTRAR SERVICES (PVT) LTD.		
	FUND LAUNCH DATE	12 May 2007	TRUSTEES	CENTRAL DEPOSITORY COMPANY OF PAKISTAN		
	PERFORMANCE BENCHMARK	1 Month KIBOR	AUDITORS	FORD RHODES SIDAT HYDER & Co., CHARTERED ACCOUNTANTS		
	RATING	To Be Announced Soon				
	RETURNS		MONEY MARKET RATES			
MONTH ON MONTH	9.62 %	KIBOR		T-BILLS		
YEAR TO DATE	10.28 %	1 M	9.79 %	3 M	9.0942 %	
SINCE INCEPTION	10.37 %	3 M	9.80 %	6 M	9.1426 %	
MOM AVG MKT RETURN	9.26 %	6 M	10.00 %	12 M	9.3990 %	

MONEY MARKET REVIEW

The average of 1-month KIBOR showed an increasing trend and reached the level of 9.79 percent this month as compared to 9.55 percent last month. The short-term investment avenues continued yielding lower rates due to the high liquidity in the market. The inflation data observed double-digit growth i.e. 11.85% due to rising food inflation. Although inter-bank money market is in a liquidity crunch, the overall market contains high liquidity. High inflation, decreasing trend in FDI, and high imports bill can trigger off the lending rates during this quarter. High international oil prices may lead to high inflation and further hike is expected in fuel price in coming months.

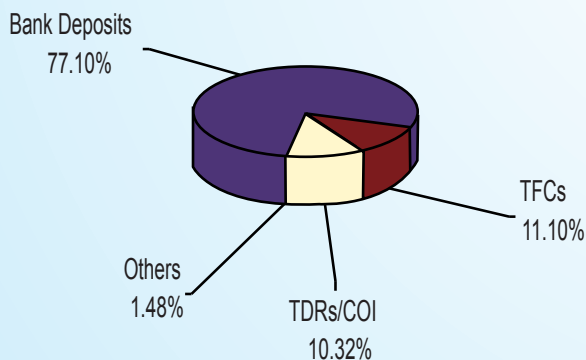
The profit of the banking industry continued to rise during the first nine months of the current calendar year proving it the most vibrant sector of the economy. The State Bank in its annual report mentioned that the banking sector played a key role in services sector, which reached over 53 per cent of Gross Domestic Product (GDP). The growth in the deposit base reflected growth of 15 per cent against 6 per cent of the previous year. Interest earned ratio had also increased to 48 per cent in the nine months against 44 per cent in the corresponding period last year. Non-interest income witnessed an impressive growth of 39 per cent to Rs. 45bn. Major growth was witnessed in the capital gains head. Banks took advantage of bullish market trend and booked heavy capital gains.

FSGF outperformed all other money market funds in the open-ended category in the country. FSGF provides an excellent opportunity for both short-term cash management needs of the corporate sector and the long-term savings growth for individual and institutional retirement plans.

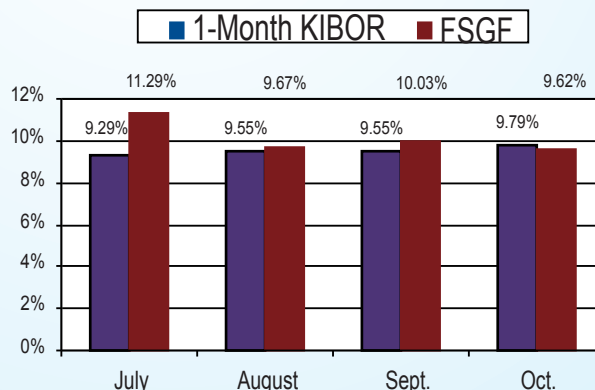
PERFORMANCE

FSGF carried out excellent performance again this month by achieving 9.62 percent MoM (Oct) and 10.37 percent since inception return which is much higher than its peer's average return of 9.26 percent. These performance indicators clearly reflect the management's pragmatic fund management approach, simply by following its well defined asset allocation strategies and investment philosophies. Asset allocation in October differed from the previous month as exposure in the bank deposit decreased to 77.10 percent where as exposure in TDRs/COIs and TFCs increased to 10.32 percent and 11.10 percent respectively. The fund management is seeking all possible investment avenues to ensure maximum yield for investors while minimizing its risk exposure.

ASSET ALLOCATION (%)



KIBOR (1 M) vs FSGF



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.