

Investment Diversification – Key to Long-Term Success

The fiscal year 2007-2008 clearly indicated a slow down in the growth of the country's economic fundamentals. This slowdown was also witnessed internationally as the global economic slow down was initiated due to several factors. These factors include the housing and financial market crisis in the U.S. & Europe with trickle down effects reverberating on certain Asian economies. The rise in international Oil prices also initiated rise in global commodity prices and overall inflation. The rising inflationary pressure further impacted upward momentum in the interest rates in Pakistan. This decrease in broad money supply (M2) reduced buying euphoria in domestic equity capital market; however augmented yields across fixed-income asset classes.

Thus Investors with balanced and risk-averse portfolios were not negatively impacted due to sharp retardation in the equity market capitalization levels. Nevertheless this downward spiral in our equity markets was matched across the globe towards the end of the fiscal year 2007-2008.

The Real GDP growth was recorded at 5.8% in FY08 as compared to 6.8% in FY07. The average rate of economic growth in the country has been 6.6% in the past 5 years. The per capita income increased at an average rate of 13.5% per annum during the last 6 years rising from \$586 in FY03 to \$1085 in FY08. The main factor responsible for this sharp rise in per capita income includes acceleration in exports, Aggregate Investment to GDP Ratio, Aggregate Consumption to GDP ratio, cumulative Real GDP growth rates complimented by a stable nominal exchange rate, rising public finances (which as of date have crossed the Rs. 1 trillion mark) and a sharp increase in the inflows of workers' remittances. Total foreign direct investment during the first eleven months in FY08 witnessed a decrease of 37.2% recorded at \$3943.3 million. The foreign direct investment stood at \$3,881 million in the first eleven months of FY08 against \$4,520 million for the same period in FY07 indicating a decline of 14.1%. The special rupee convertible account (SCRA) was recorded at \$232.11 million for FY08. The amount of remittances received was \$5.9 billion. The economy witnessed a trade deficit of \$18.75 billion. These economic indicators are indicating a net slow down in the economic growth due to both internal and external factors.

The recent macro economic upheavals have contributed to the slow down, which concurrently got priced into the value of scrips listed on the KSE-100 index; hence the latter declined by 10.77% for the year. The market capitalization of the KSE on June 30th FY08 was recorded at Rs. 3,778 billion and the average turnover per day was recorded at 238 million shares. We also witnessed a sharp increase in the discount rate towards the end of FY08 along with other monetary policy tightening measures to curtail inflation. These actions pushed the interest rates higher and average 6-month KIBOR was recorded at 10.49% for the fiscal year.

Faysal Asset Management completed another successful year with over 53% growth in AUMs and over 64% growth in EPS and 45% growth in the number of investment clients indicating high level of trust in our products and services. The funds under management showed superior growth with respect to the average market performance and its benchmarks. The dividends for the fiscal year indicate this performance yet again and we thank all our investors and promise to work hard in achieving the investment objectives by providing superior risk-adjusted returns and quality services.

Funds	Annual Dividend	Average Market Return*
FBGF	3.4%	1.31%
FIGF	10%	9.41%
FSGF	10%	9.60%