

FUND MANAGERS' REPORT

February 2008

KASB BALANCED FUND

Investment Objective

KASB Balanced Fund seeks to generate regular income together with long term capital appreciation by investing in income bearing securities as well as equities.

Inception Date

December 31, 2007

Type of Fund

Open-end balanced

Benchmark

65% 1 month KIBOR + 35% KSE 30 Index

Fund Size

PKR 868 million

Current NAV

PKR 52.71 (29-02-08)

Load Structure

Front-end : 2.0%
Back-end : Nil

Fund's Return (Absolute)

	KBF	Bench mark
Annualised since Inception	32.97%	27.43%
Since inception	5.42%	4.51%
For month	4.21%	4.01%
Last 15 days	2.63%	2.56%

Disclaimer

All investments in mutual funds are subject to market risk. Past performance is not necessarily indicative of future results.

FIXED INCOME MARKET PERFORMANCE

Post the increase in Discount Rate and CRR by SBP during January, the fixed income market remained fairly tight in the month of February. Overnight rates remained high and frequent discounting from SBP window was reported. The central bank, as expected, raised the yield in the two T-bill auctions conducted during the month by 54 basis points for the 12-month paper. Average CFS rates were recorded at 11.02% during February. Relatively high rates were witnessed towards the end of the month due to CFS investment hitting its ceiling and a positive sentiment amongst the CFS financees. We are gradually enhancing the fixed income portfolio's yield by investing in financially sound corporates' TFCs while also taking advantage of lucrative CFS rates. The average 1-month KIBOR during the month stood at 9.89%.

EQUITY MARKET PERFORMANCE

Pre and post election rallies were witnessed in the equity markets as the local and foreign investors rejoiced the smooth conduction of polls. The KSE-30 index galloped from the 16,696 point level at the start of the month to 18,367 by the end, an increase of 10.01%. Insurance, OMCs and Fertilizers were amongst the top three performing sectors during the month. On the other hand, Miscellaneous, Tobacco and Oil Refining sectors bottomed the list. Apart from election euphoria, encouraging result announcements, increase in well-head gas prices, all-time high crude oil price and resumption of foreign inflows in the market helped push the index north.

FUND PERFORMANCE

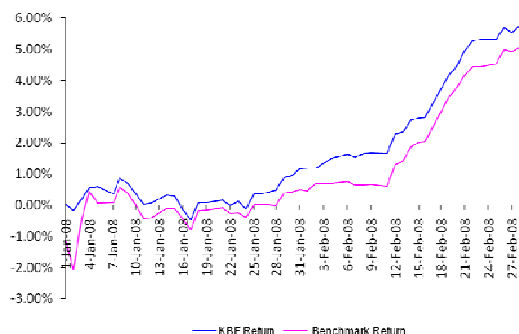
KBF again outperformed the benchmark during February by posting a return of 4.21% (non-annualized) versus the benchmark's return of 4.01%. Since inception, the fund has been able to outperform the benchmark by 0.91%. A research driven strategy combined with close monitoring of the equity and fixed income markets are the causes of positive Alpha.

FUTURE OUTLOOK

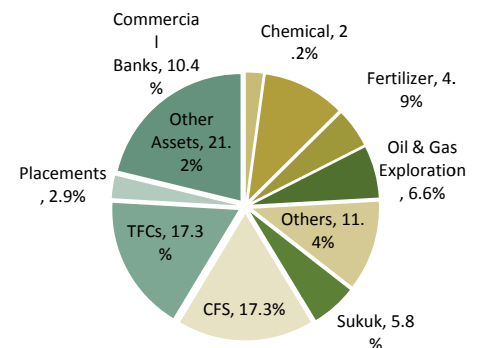
We maintain our outlook of a tight money market for the upcoming months. However, a lot depends upon the person who fills the Finance Minister seat. Whether SBP is able to continue its stance with the new government in place will also be the key issue to monitor.

After the bullrun in February, we expect the equity market to stay range bound for the upcoming month, allowing a due breather. We continue to follow stock-specific, fundamentals driven strategy in order to outperform the benchmark.

KBF vs Benchmark



Asset Allocation as at February 29, 2008



FUND MANAGEMENT TEAM

Muhammad Faisal Potrik
Mir Taimur Ali
Ali Hussain, CFA
Ali Sibtain
Khurram Bashir

DISTRIBUTORS

KASB Bank Limited – All Branches
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– All Branches

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