

FUND MANAGERS' REPORT

January 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 1,057 million

Current NAV

PKR 50.58 (31-01-08)

Load Structure

Front-end : 2.0%
Back-end : Nil

Fund's Return (Absolute)

| | KBF | Bench mark |
|----------------------------|--------|------------|
| Annualised since Inception | 13.66% | 5.88% |
| For Month | 1.16% | 0.50% |
| Last 15 Days | 1.30% | 0.94% |

Disclaimer

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

FIXED INCOME MARKET PERFORMANCE

During January, the overnight rates remained high (above 8%) except for a few odd days where the maturities pushed the rates down to 1-2%. In addition to the OMOs, one PIB and three T-bill auctions were conducted during the month in order to finance the burgeoning fiscal deficit. Cut-off yields were increased both in the T-bill and PIB auctions. Finally, but not surprisingly, SBP also raised its discount rate by 50bps and CRR (for deposits of maturity less than a year) by 100bps. Average CFS rates plummeted from the high levels of 15% at the start of the month (owing to 2007 year-end liquidity crunch) to 10.8% during the month. KBF started with investments in high-yield, strong credit companies' TFCs. Investments in CFS were also at a high level to take advantage of the rates. The average 1-month KIBOR during the month stood at 9.83%.

EQUITY MARKET PERFORMANCE

The equity market remained highly volatile during the month, with the KSE-30 index oscillating between 15,715 and 16,923 points. Investment Banks & Securities Companies, Miscellaneous and OMCs were amongst the top three performing sectors during the month. On the other hand, Insurance, Autos and Chemicals & Pharmaceuticals were amongst the worst performers. Developments post the tragic incident of Ms. Bhutto's assassination, deferral of elections, massive fall in the international equity markets, increase in discount rate and economic worries limited the index from posting a positive monthly return. The KSE-30 index posted a negative return of 0.13% during the month.

FUND PERFORMANCE

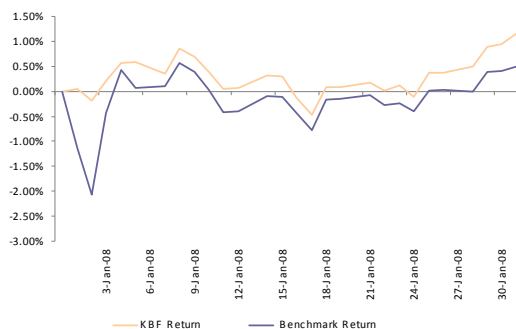
KBF posted a return of 1.16% (non-annualized) during January versus the benchmark's return of 0.50%. The out-performance was a direct result of careful monitoring of the equity and fixed income markets and making investments that maximize the return with an optimum level of risk.

FUTURE OUTLOOK

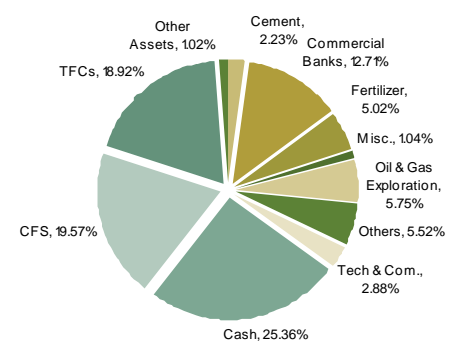
The money market is expected to be kept tight by SBP through frequent OMOs. Yields on T-bills are expected to rise considering the government's borrowing needs and the increased room between the discount rate and T-bill yields.

Now that the uncertainty is gradually fading, we expect the equity market to regain its strength should the elections be conducted smoothly. Nonetheless, the fundamentally strong scrips have shown their strength and are expected to continue doing so. KBF is following stock-specific, fundamentals driven strategy in order to outperform the benchmark.

KBF vs Benchmark



Asset Allocation as at January 31, 2008



FUND MANAGEMENT TEAM

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

DISTRIBUTORS

KASB Bank Limited – All Branches
Standard Chartered Bank Limited
– All Branches

KASB FUNDS LIMITED

Corporate & Sales Office
5th Floor, Trade Centre,
I.I. Chundrigar Road, Karachi
UAN: (021) 111 535 535
Fax: (021) 262 4635

url: www.kasbfunds.com
email: funds@kasb.com

