

FUND MANAGERS' REPORT

March 2008

KASB BALANCED FUND

FIXED INCOME MARKET PERFORMANCE

The month of March proved to be a volatile month for the fixed income market. Repo/Clean/TDR rates for various tenors inched up by about 0.5 to 1.0 percentage point during the month owing to the liquidity crunch. In the T-bill auctions, the central bank raised yields of 3-month to 12-month papers by about 9 basis points. In the PIB auction, the yields for various tenors' papers were raised by 18-60bps. Frequent discounting in the market was eventually followed by SBP's fund injection in the market. Owing to this liquidity crunch in the market, the CFS rates also rose by around 40bps to 11.40% during March as compared to February. The fund took advantage of the liquidity crunch and enhanced its Placements' portfolio. Moreover, the TFC portfolio is also being increased gradually to achieve optimal return with strong credit worthiness. The average 1-month KIBOR during the month stood at 10.01%.

EQUITY MARKET PERFORMANCE

The market largely remained range-bound during the month with the KSE-30 index recording a miniscule gain of 0.39% (rising from 18,367pts to 18,438pts). The top performing sectors during the month were Synthetics & Rayon, Insurance, and Investment Banks. On the other hand, Tobacco, Oil Refining, and Commercial Banks were the worst performing sectors. Unclear situation due to the shift in govt., change in economic scenario and volatility in regional markets kept the local equity market's rise in check during the month.

FUND PERFORMANCE

KBF again outperformed the benchmark during March by posting a return of 0.82% (non-annualized) versus the benchmark's return of 0.70%. Since inception, KBF has managed to outperform the benchmark by 1.07%. The rising positive Alpha has been a direct result of a research driven strategy combined with close monitoring of the equity and fixed income markets.

FUTURE OUTLOOK

The economic scenario has changed significantly as compared to last five years. The deficits are on the higher side coupled with rising inflation. Despite an increase in the policy rate, core inflation does not seem to be subsiding while food inflation continues its upward march. We maintain our earlier outlook of a tight money market for the upcoming months.

After a due breather in March, the equity market is likely to be volatile during the coming month. The risks of announcement of populist measures, depressed expected 1QCY08 banking sector results, shaky regional markets and country's not-so-comfortable economic situation can take their toll on the equity market. We continue to follow stock-specific, fundamentals driven strategy in order to outperform the benchmark.

Investment Objective

The 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-ended balanced

Benchmark

65% 1 month KIBOR + 35% KSE 30 Index

Fund Size

PKR 866 million

Current NAV

PKR 53.14 (31-03-08)

Load Structure

Front-end : 2.0%
Back-end : Nil

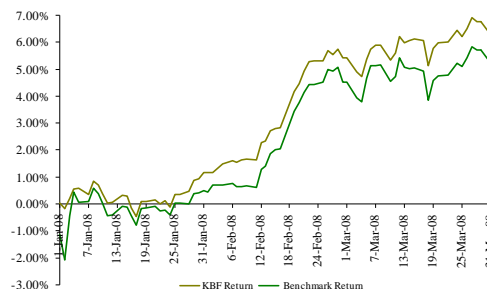
Fund's Return (Absolute)

	KBF	Benchmark
Since inception	6.28%	5.21%
For month	0.82%	0.69%
Last 15 days	0.15%	0.16%

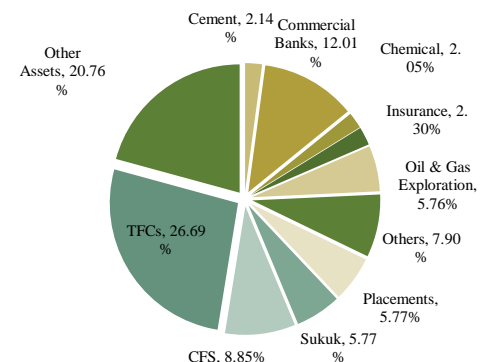
Disclaimer

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

KBF vs Benchmark



Asset Allocation as at March 31, 2008



FUND MANAGEMENT TEAM

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

DISTRIBUTORS

KASB Bank Limited – All Branches
Standard Chartered Bank Limited
– All Branches
IGI Fund Select – 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

