

Monthly Fund Manager's Report

KASB LIQUID FUND

Fund Management Team
(92 21) 111 535 535
funds@kasb.com

July 2007

Snapshot

Fund Type	Open-ended money market
Inception Date	May 9, 2006
Listing	Karachi Stock Exchange
Fund Size (31-07-07)	PKR 7.04 bln
Current NAV (31-07-07)	PKR 101.16
Front-end Load	Nil
Back-end Load	Nil
Back-end Load (contingent)	0.50% (if redeemed within 15 days of investment)
Yield since inception	10.82% p.a.
Yield for July 07	9.40% p.a.

Fund Objective

The Fund seeks to maximise current income, consistent with low levels of risk and high liquidity.

Money Market Review

In July 2007, SBP announced its monetary policy for 1HFY08 and strengthened the market belief by continuing to pursue its tight policy stance. The central bank increased discount rate by 50bps to 10% to curtail the on going surge in liquidity, where money supply grew by 19.3% YoY well above the pre-set target. This has largely been a product of an unexpected surge in NFAs and stronger than targeted budgetary borrowings by the GoP financed by the reserve money. The central bank has also removed the CRR requirement on time liabilities of the bank of over one year, to induce greater long term savings and to reduce pressure on current consumption and. Furthermore, continuing with its tight monetary stance, SBP raised the benchmark discount rate largely driven by the risk of resurgence of inflationary pressures further induced by the 40bps rise (5.1%) in core inflation witnessed in Jun07 along with a higher volatility observed in FY07 relative to FY06.

The two T-Bill auctions of the month saw a marginal increase in the cut off yields with participation coming in the 12 month KIBOR. A total amount of PKR 108 billion was picked up against the participation of 149 billion with the bulk of activity seen in 12 month KIBOR.

The rates on deposits and placements remained low with Banks and FIs and as the market remained fairly liquid on the back of heavy foreign inflows, increased local supply and decreased credit off-take.

CFS Review

KSE 100 recorded a 2.50% increase on MoM basis and closed at 13,739 points. As the market strengthened and picked momentum, excess system liquidity kept the CFS

Disclaimer: All investments in mutual funds are subject to market risk. Past performance is not necessarily indicative of future results. Please read the offering document of the fund to understand the investment policies and risks involved.

* based on the monthly saving rates offered by the banks.

rates under severe pressure which averaged around 11.54% for the month.

Fund Performance

The fund earned an annualized return of 9.40% for this month, higher than the benchmark 1M KIBOR of 9.29% but lower than last month's return. As excess liquidity in the market remained the main nemesis, rates on all asset classes dipped further and adversely affected the overall portfolio returns. Investments were pulled out of CFS and channeled towards placements and TFCs where yields were comparatively better. However, we remained fairly cautious in our investments towards corporate debt as we firmly believe in risk adjusted returns and do not want to be aggressive investors in high credit risk debt. The Assets under Management of the Fund continued to grow and we closed the month at PKR 7.041 bln.

Outlook

In the light of the current SBP monetary policy and on the back of hike in discount rate we expect a rise in KIBOR that would have a positive impact on the pricing of the TFCs. The rates on placements and deposits will remain depressed till excess liquidity remains in the system. The rates on the deposits will not see any immediate rise as banks have already increased deposit rates due to the rise in NSS rates post the announcement of Federal Budget FY08.

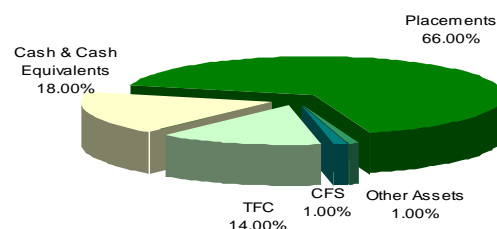
Key Statistics (for July 2007)

	Over-Night	T-Bill (6-month)	KIBOR (6-month)
Month Avg. (p.a.)	8.45%	8.92%	9.97%

1 month average return – Benchmark Comparison

	Savings deposits*	1M KIBOR	KASB Liquid Fund
Annualised Yield	1.50%	9.29%	9.40%

Weighted Asset Allocation for July 2007



11th Floor, Trade Centre
I.I. Chundrigar Road Karachi
UAN: (021) 111 535 535 Toll Free: 0800 5272 1
URL: www.kasbfunds.com Email: funds@kasb.com