

June 2007

### Snapshot

Fund Type	Open-ended money market
Inception Date	May 9, 2006
Listing	Karachi Stock Exchange
Fund Size (30-06-07)	PKR 6.48 bln
Current NAV (30-06-07)	PKR 111.08
Front-end Load	Nil
Back-end Load	Nil
Back-end Load (contingent)	0.50% (if redeemed within 15 days of investment)
Yield for the month	<b>10.94%</b> p.a.
Yield since inception	<b>10.92%</b> p.a.
Yield to date	<b>10.96%</b> p.a.

### Fund Objective

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

### Money Market Review:

The Finance Ministry presented its FY08 Federal Budget on June 9, 2007. The ministry has set an aggressive target for budget outlays at PKR 1.87 trillion against a tax revenue target of PKR 1.03 trillion (up 23% YoY). GDP growth is estimated at 7.0% on the back of strong rebound seen in the agriculture sector for the current year. However inflation was highlighted as a key concern which stood at uncomfortable levels and it was suggested that current monetary policies need to be implemented with greater effectiveness. As per SBP figures, money supply also rose by 16% primarily due to an increase in NFA and substantial slowdown in the private sector credit growth.

The two T-Bill auctions of the month saw marginal increase in the cut off yields with the bulk of participation coming in the 12 month tenor. PIB cutoff yields remained largely unchanged and cut-offs on average declined by 1-2 bps. Strong interest was seen in the auction with a broad based participation coming in the 3, 15, 20 & 30 year bonds.

Market remained fairly liquid with 6M KIBOR breaking the 10% mark temporarily. However, rates slightly improved towards the end of the month as SBP attempted to aggressively mop up liquidity through regular OMOs

### CFS Review:

The KSE index recorded 6% increase on MoM basis and closed at 13,772 points. Rates on CFS did not change much on the back of heavy supply and market uncertainty regarding imposition of taxes on mutual funds' CFS investment.

**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.

### Fund Performance

The fund earned an impressive return of 10.94% p.a this month, 160 bps higher than its benchmark 1M KIBOR rate of 9.34%. The fund size grew considerably and closed the year at PKR 6.48 billion. Overall, FY07 has been a good year for the fund with a return of 10.96% for the year (one of the highest in the industry) and more than 10 times assets growth for the year. The fund not only managed to provide superior returns to its valued investors but kept a high credit rated portfolio with investment in CFS remaining under 15% on average. Thus, the recent unrest in the market over budget proposal of levying taxes on mutual fund investment in CFS, failed to adversely affect our returns. As the size of the fund has grown, we continue to take more exposure towards placements and quality debt issues.

### Outlook

As seen over the last couple of months we expect SBP to continue to mop up surplus liquidity from the market through continued T-Bill auctions and regular OMOs. Rates on deposits and placements are expected to remain low where as spreads on corporate debt is also expected to remain thin. Moving forward these factors are expected to have a negative effect on the returns of money market and income funds.

### Key Statistics (for June 2007)

	Over-Night	T-Bill (6-month)	KIBOR (6-month)
Month Avg. (p.a.)	7.72%	8.94%	10.03%

### 1 month average return – Benchmark Comparison

	Savings deposits*	1M KIBOR	KASB Liquid Fund
Annualised Yield	1.46%	9.34%	10.94%

### Weighted Asset Allocation for June 2007

