

March 2007

### Snapshot

Fund Type	Open-ended money market
Inception Date	May 9, 2006
Listing	Karachi Stock Exchange
Fund Size (31-03-07)	PKR 2.58 bln
Current NAV (31-03-07)	PKR 108.22
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>11.00%</b> p.a.
Yield since inception	<b>10.77%</b> p.a.
Yield to date	<b>10.79%</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 SBP in its recently released half yearly report reiterated its stance of continuing with tighter monetary policy. The report expressed satisfaction on the general affairs of the economy but acknowledged upward pressure on reserve money as a concern. SBP seemed quite content over the management of current account deficit and inflation but termed recent excessive foreign inflows as a major challenge. However, SBP ruled out the possibility of a discount rate and reserve ratio hike in the short term in order to support slowing private sector growth and demand.

The two T-Bill auctions of the month saw SBP raise 3, 6 and 12 month cutoffs by a total of 4.5, 4.4 and 4.8 bps respectively. A total amount of PKR 72 billion was picked up against the participation of 61 billion with the bulk of activity seen in 12M tenor. PIB cutoff yields, as indicated through the secondary market activity and market expectations, registered a decline of 0.48%, 0.19% and 0.23% for 3, 5 and 10 yr bonds respectively in the March auction of PKR 15 billion conducted by SBP.

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:

The KSE index recorded a 0.60% increase on MoM basis and closed at 11,221 points. As the market consolidated and witnessed range bound activity, the volumes in CFS also

remained thin and rates dropped down to average around 12.5% mark.

### Fund Performance

The fund earned an annualized return of 11.00% for this month, higher than the benchmark 1M KIBOR of 9.68% and average deposit rates offered by the banks. The Assets under Management of the Fund also crossed 2.5 bln mark and closed the month at 2.58 bln. The fund benefited from continued growth of its TFC portfolio where it increased its exposure up to 19% of the portfolio. The fund on the other hand reduced its exposure from Placements and CFS where returns remained fairly low.

### Outlook

In the light of the current SBP report and other monetary policy indicators we maintain our outlook of sustained interest rate scenario. We believe the rates on placements and deposits will remain depressed till the excess liquidity remains in the system. We expect SBP to mop up surplus liquidity from the market through continued T-Bill auctions and regular OMOs, however we rule out any further hike in discount rate in near future. We also believe that yields in the secondary corporate debt market will also settle down after a recent run up as the demand supply gap will fill up with new debt issues coming out.

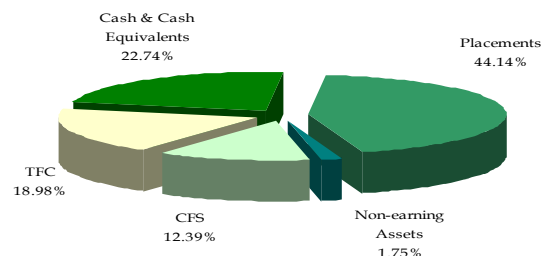
### Key Statistics (for March 2007)

	Over-Night	T-Bill (6-month)	KIBOR (6-month)
Month Avg. (p.a.)	9.10%	8.87%	10.43%

### 1 month average return – Benchmark Comparison

	Savings deposits*	KIBOR (1-month)	KASB Liquid Fund
Annualised Yield	1.50%	9.68%	11.00%

### Weighted Asset Allocation for March 2007



**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.