

May 2007

Snapshot

Fund Type	Open-ended money market
Inception Date	May 9, 2006
Listing	Karachi Stock Exchange
Fund Size (31-05-07)	PKR 4.98 bln
Current NAV (31-05-07)	PKR 110.09
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	9.81% p.a.
Yield since inception	10.84% p.a.
Yield to date	10.86% p.a.

Fund Objective

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

Money Market Review:

Continued inflow of Net Foreign Assets and increased liquidity within the domestic market, kept the pressure on money market rates to remain low. As demonstrated by latest SBP numbers, the M2 growth for the current fiscal year surpassed its target to register a growth of 14%. The key market indicators also made a clear signal of excess system liquidity with 6M KIBOR rates witnessing a further slide and closing at 10.10% p.a at month end.

In the scheduled two T-Bill auctions of the month SBP picked up a total of around PKR 29.25 billion against the target of PKR 23 billion and participation of PKR 45bn. The bulk of the participation was in favor of 12 month tenor. The cut-off yields across 3 and 6 month tenors remained same while a 2 bps increase was witnessed in 12 month issue. A PIB auction for settlement of 05 June 2007 was also announced by SBP with a target of PKR 15 bln.

Activity on the bank deposits and placements remained fairly thin as banks and FIs remained moderately cash rich and deposit rates witnessed a further slump with rates across all tenors dropping down by further 50 bps on average.

CFS Review:

The KSE index recorded a 4.79% increase on MoM basis and closed at 12,961 points. As the market rallied and witnessed activity, the volumes also picked up to register a daily average of 347 million shares. Rates on CFS however slipped down even further as excess liquidity prevailed from the financiers and averaged at around 11.78% mark for the month under review.

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 annualized return of 9.81% for this month, higher than the benchmark 1M KIBOR of 9.46% and average deposit rates offered by the banks. The fund's return for the month though registered a slight fall due to depressed rates on all asset classes; the AUM continued to grow remarkably on the back of funds' superior performance coupled with low risk and minimal volatility to close at PKR 4.98 billion. The fund also completed its first year this month with an annualized yield of 10.85% since inception. The fund continued to grow its exposure to TFCs and placements whereas keeping a low exposure to CFS where rates remained very low.

Outlook

We expect the cut-off rates in the upcoming PIB auction to come off a bit as indicated by the secondary market yields. The rates on deposits, placements and CFS are expected to remain at current levels as liquidity is still on the higher side despite SBP efforts to curtail it. SBP looks set to continue with aggressive open market operations to try to curb excess market liquidity. Furthermore, as half year end approaches, a few banks might seek to offer slightly improved rates on placements and deposits as they would aim to improve their deposit base.

Key Statistics (for May 2007)

	Over-Night	T-Bill (6-month)	KIBOR (6-month)
Month Avg. (p.a.)	9.23%	8.93%	10.17%

1 month average return – Benchmark Comparison

	Savings deposits*	KIBOR (1-month)	KASB Liquid Fund
Annualised Yield	1.56%	9.46%	9.81%

Weighted Asset Allocation for May 2007

