

Fund Managers' Report

December 2007

Managed by:



Rated AM3+ by PACRA

KASB Liquid Fund

Investment Objective

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

Inception Date

May 9, 2006

Type of Fund

Open-end money market

Fund Size

PKR 9,547 million

Current NAV

PKR 105.30 (31-12-07)

Load Structure

Front-end : Nil
 Back-end : Nil
 Back-end : 0.50% (if redeemed (contingent) within 15 days)

Performance Return* (p.a. basis)

	KLF	KIBOR 1 month
Since Inception	10.58%	9.53%
1 year	10.14%	9.60%
6 month	9.76%	9.62%
3 month	9.41%	9.77%
1 month	9.58%	9.86%

* For comparison purposes only

Indicators (since inception)

Sharpe Ratio : 0.24461
 Standard Deviation : 0.0161%

Disclaimer

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

Market Performance

The inflation figures for the month of November 2007 were considerably lower than that of the previous years. This provided the State Bank with some breathing space but liquidity conditions remained relatively tight during December 2007. In the beginning of the month the government conducted frequent OMO's to wipe off the excess liquidity in the market. The banks looked to increase their deposit figures as the year end approached and Eid spending also limited the liquidity in the market. These were the major factors that contributed to tight liquidity conditions prevalent in the market. Overnight rates remained on the higher side throughout the month.

Two T-Bill auctions were conducted during the month and the first one witnessed a healthy participation of PKR 51.8bn of which PKR 48.3bn were accepted by the State Bank. The cut-off yield for 3-month, 6-month and 12-month T-bills were 9.14%, 9.25% and 9.45% respectively. The second auction had a smaller target of PKR 16bn but received participation worth only PKR 8.37bn due to lack of liquidity. The cut-offs for the 3-month, 6-month and 12-month T-bills were 9.12%, 9.26% and 9.44% which were slightly lower than the previous auction rates. No PIB auctions were conducted during the month.

CFS Review

During December, KSE 100 remained stable showing a MoM increase of 0.552%, while the index closed at 14,076. The average CFS volume decreased from 567mln to 562mln from last month, but the average CFS rates showed some improvement and closed at the level of 12.19%.

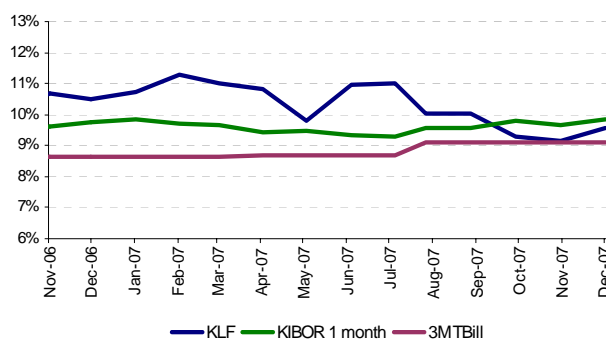
Fund Performance

The Fund considerably improved its performance over the last month and registered a return of 9.58% for the month of December. The fund increased its exposure to the TFC side in line with our strategy and also increased CFS exposure as significant improvement was seen in the rates for CFS.

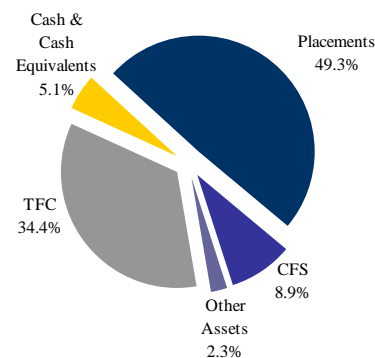
Outlook

We expect the money market to continue to remain tight. Inflation will be the primary concern for the State Bank. However, we do not anticipate an increase in the discount rate as a further hike will be detrimental to the GDP growth rate of the country. Since liquidity conditions are foreseen to be tight, high overnight rates are expected to endure. Excess liquidity will be mopped up through regular OMO's and T-Bill auctions while we do expect the yield on T-Bills to go up.

Return Comparison



Weighted Asset Allocation for December 2007



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Distributors

KASB Bank Limited – All Branches

- Karachi
- Lahore
- Islamabad
- Faisalabad
- Multan
- Sialkot
- Gujranwala
- Gujrat
- Rawalpindi
- Sukkur
- Hyderabad
- Quetta
- Mirpur
- Peshawar
- Nawabshah

Standard Chartered Bank Limited – All Branches

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