

# FUND MANAGERS' REPORT

March 2008

## 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-ended money market

### Fund Size

PKR 9,636 million

### Current NAV

PKR 107.82 (31-03-08)

### Fund Rating

5 Star by PACRA

### 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	10.52%	9.58%
1 year	9.51%	9.64%
6 month	9.62%	9.84%
3 month	9.60%	9.92%
1 month	9.13%	10.01%

\* For comparison purposes only

### Indicators (since Inception)

Sharpe Ratio : 0.174  
 Standard Deviation : 0.015%

### Disclaimer

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

### MARKET PERFORMANCE

The month started with money market rates remaining volatile on the back of central bank interventions to mop up liquidity in the market. For the better half of the month, the market participants found themselves short on liquidity and borrowed funds at higher rates and approached the discount window a few times. The first T-bill auction of the month saw SBP pick up an amount of PKR 28.2 billion against the target of PKR 50 billion. The yields of 3, 6 and 12 months paper stood raised by 9, 7 and 10 bps respectively to close at 9.55%, 9.87% and 10.14%. However, the second auction of the month got rejected other than a PKR 10 million pick up in the 12 month paper. Participation remained thin and offers were received at very aggressive levels. As a result of excess system liquidity, market rates came down towards the end of the month. The final highlight for the month was the PIB auction conducted on the 29<sup>th</sup> where a total of PKR 4.51 was raised against the total participation of PKR 11 billion. As expected, bond cutoffs were raised to 10.60%, 10.80%, 11.45%, 11.99%, 12.13% and 12.50% for 3, 5, 10, 15 and 20 yr bonds respectively.

### CFS REVIEW

During March, the stock market remained range bound and closed slightly positive with the KSE-30 index showing a MoM increase of 0.39%. The average CFS volume increased from 550mln to 553mln from last month and the average CFS rates also registered an increase closing at an average of 11.40%.

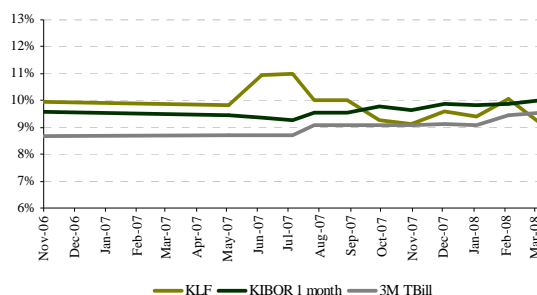
### FUND PERFORMANCE

The fund registered a return of 9.13% for the month, down from last month. This was primarily due to funds consistency in keeping a conservative portfolio and shying away from all risky investment/ placement opportunities. The fund reduced its exposure in certain counter parties it felt can be detrimental to fund returns in the longer run and generally maintained its target asset allocation.

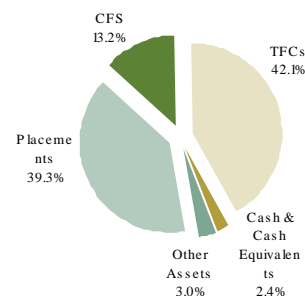
### OUTLOOK

The SBP in its second quarterly report has trimmed down its GDP growth target to 6-6.5% while raising its estimate on current account and fiscal deficit. We believe under the current environment the interest rate scenario will remain more or less same with central bank keeping its screws tight. However we believe any further measures to control burgeoning inflation can only be brought about through subsidies and administrative measures rather than further hike in policy rates. Having said this, we feel there is still room in bond yields to go further up from current rates to market determined levels.

### Return Comparison



### Weighted Asset Allocation for March 2008



**FUND MANAGEMENT TEAM**

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