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Fund Managers' Report

February 2010

PACRA Upgrades MCB AMC Rating To 'AM2-'

MCB
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CASH FUND

MCB
Dynamic
STOCK FUND

MCB
Dynamic
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SHAPING INVESTMENTS


MCB
ASSET MANAGEMENT

Political and Economic Review & Outlook

The environment was severely stressed because of political scenario followed by the resignation by the finance minister. On the macroeconomic front, significant resurgence in YoY CPI inflation raised concerns on future and resultant direction of the interest rates. External current account deficit, although, continued to remain under control with 7M FY10 deficit at US\$ 2.5 billion, gradual MoM decline in workers remittances inflow has become a source of concern. FX reserves remained in the range of US\$ 14.3 – 14.5 billion during most part of the month. Release of, US\$ 350 million, tranche of ‘coalition support fund’ towards the end is estimated to have increased reserves slightly to around US\$ 14.7 billion. We believe that decent foreign inflows, in addition to IMF-related flows, are essential for rejuvenating the economic cycle of the country going forward. Alarming increasing payables including circular debt cast a shadow of doubt on liquidity projections for future.

Equities Market Performance Review and Outlook

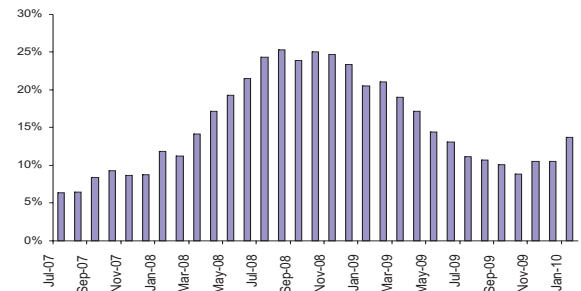
The equities market remained dull and moved in a narrow range with thin volumes during the month. Foreign investors continued to participate in the market with a net monthly inflow of US\$16.7mn. Even the positive surprises in earnings from few of the major blue-chip stocks, were not able to rejuvenate investors’ confidence in the market. The KSE-100 Index posted a marginal gain of 0.5% during the month. Low liquidity, uncertainty over interest rates direction, non-materialization of foreign inflows and Capital Gains Tax remained the key concerns for the market.

The market seems to be desperately waiting for positive triggers on the macroeconomic front to stimulate real growth and generate domestic liquidity.

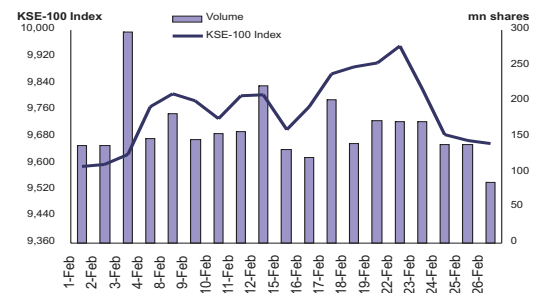
Money Market Performance Review and Outlook

Money market rates remained in the higher region during most part of the month amid tight liquidity in the market. Lack of foreign inflows, slowdown in M2 growth and rising trend in currency in circulation are amongst the few contributing factors towards this scenario. The central bank used frequent OMOs (injection) to calm down the market. 1 month KIBOR averaged 12.2% during the month, up by 7 bps on a month on month basis. Likewise, average 1 year PKRV also went up by 5 bps to 12.1%. Resurgence in inflationary pressures coupled with delays in the materialization of foreign inflows have been affecting the recovery of real economy as well as liquidity in the system, while adversely affecting the interest rates outlook going forward. Significant rise in cut-off yields of treasury bills in last auction of this month also indicates the same.

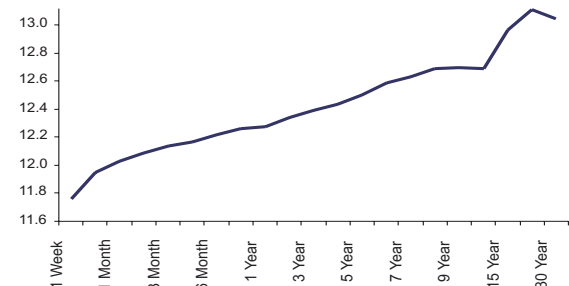
YoY CPI Inflation (in % age)



KSE During Feb.2010



Yield Curve (Feb. 26,2010)



General Information

Fund Type	Open End
Category	Money Market Scheme (SECP categorization in process)
Stability Rating	Not rated
Risk Profile	Low
Launch Date	1-Mar-07
Fund Manager	M. Imran
Custodian / Trustee	CDC
Auditor	A. F. Ferguson & Co.
Management Fee	1.5% p.a.
Front / Back end Load	1.5% / 0%
Min. Subscription	
Growth Units	PKR 5,000
Cash Dividend Units	PKR 5,000
Income Units	PKR 100,000
Listing	Lahore Stock Exchange
Benchmark	1 Month KIBOR
Pricing Mechanism	Forward
Dealing Days	Monday - Saturday
Cut Off Timing	Mon-Fri (4:30 PM), Sat (1:00 PM)

Investment Objective

To provide an attractive return to short term investors or investors with a very low appetite for risk while taking into account capital security and liquidity considerations.

Manager's Comment

During the month, the fund significantly increased its exposure towards treasury bills while reducing its positions in TFCs. While strategically keeping its T-bills allocation lower initially, the fund gradually started to re-build its T-bills portfolio on attractive rates following the monetary policy decision and a relatively tight liquidity in the market. In a fast changing money market scenario, the fund capitalized on attractive market opportunities and hence maintained a decent exposure to money market placements almost throughout the month. Following the previous month's trend, fund's exposure to TDRs was reduced further to around 8% due to lack of attractive offers post Dec-year end.

Significant allocation in good-quality TFCs coupled with well-timed accumulation of treasury bills is expected to contribute towards stable returns for the fund going forward.

Fund Facts / Technical Information

NAV per Unit (PKR)	102.7835
Net Assets (PKR M)	6,343
W/A Maturity (Years)	2.7
Sharpe Measure*	0.00
Correlation*	-2.7%
Standard Deviation	0.14%
Alpha*	0.00%
*as against benchmark	

Asset Allocation (%age of Total Assets)

	Feb-10	Jan-10
Cash	14.3%	11.5%
Term Deposits with banks	7.9%	13.3%
Placements with Banks & DFIs	2.3%	6.4%
TFCs	47.1%	53.6%
Govt Backed / Guaranteed Securities	1.6%	1.7%
T-Bills	24.1%	10.7%
Others	2.9%	2.9%
Leverage	Nil	Nil

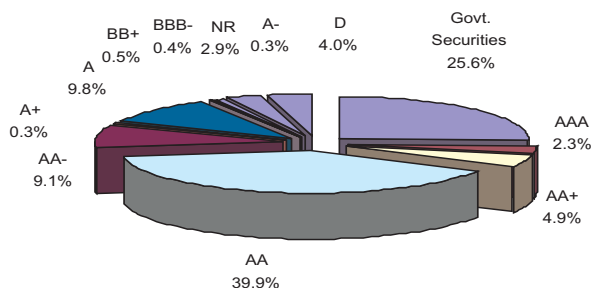
Members of the Investment Committee

Yasir Qadri
Muhammad Imran
Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

Top 10 TFC Holdings (%age of Total Assets)

Engro Perpetual-I	5.4%
NIB Bank	5.3%
Pak Arab Fertilizer	4.3%
Maple Leaf Cement Sukuk	4.0%
Askari Bank Limited-III	3.3%
World Call Limited-III	3.2%
Engro Chemical - IV	3.0%
Bank Al-Falah-IV	2.9%
Engro Chemical	2.0%
United Bank Limit - IV	2.0%

Asset quality (%age of Total Assets)



Performance Information (%)

	MCB DCF*	Benchmark
Last Month Return	12.1	12.2
Year to Date Return	11.3	12.3
Since inception**	10.1	11.4
*Morning Star Method		
**One off hit of 4% due to SECP directive on TFCs' portfolio		

General Information

Fund Type	Open End
Category	Equity Scheme (SECP categorization in process)
Stability Rating	N/A
Risk Profile	Moderate / High
Launch Date	1-Mar-07
Fund Manager	M. Asim, CFA
Custodian / Trustee	CDC
Auditor	A. F. Ferguson & Co.
Management Fee	3.0% p.a.
Front / Back end Load	2.5% / 0%
Min. Subscription	PKR 5,000
Listing	Lahore Stock Exchange
Benchmark	KSE 30
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut Off Timing	Mon-Fri (4:30 PM)

Investment Objective

MCB Dynamic Stock Fund is an equity fund and its objective is to provide long term capital appreciation.

Manager's Comment

A marginal out-performance during the month may be attributed to the re-alignment of the mix between defensive, growth and value stocks during the month while maintaining the overall equities allocations closer to 90%. Exposure to fertilizer, textile and power was reduced while funds were deployed in oil & gas, telecom, cement and autos on the back of improved outlook. Exposure to banking sector was maintained while increasing concentration to value stocks.

The fund is closely monitoring the macro environment for any signs of change in existing pace of economic recovery.

Fund Facts / Technical Information	MCB DSF	KSE-30
NAV per Unit (PKR)	101.9871	
Net Assets (PKR M)	630	
Price to Earning (x)*	8.3	8.6
Dividend Yield (%)	6.6	6.8
No. of Holdings	25	30
Wt. Avg Mkt Cap (PKR Bn)	102.41	143.80
Sharpe Measure**	0.01	-0.03
Beta	0.76	1.0
Correlation	91.0%	
Max draw up	126.2%	137.3%
Max draw Down	-60.4%	-76.7%
Standard Deviation	1.6%	1.9%
Alpha	0.06%	
*prospective earnings, **as against 3 Year PIB		

Performance Information (%)	MCB DSF	Benchmark
Last Month Return	0.1	0.0
Year to Date Return	34.3	32.9
Since inception	25.8	-28.4

Members of the Investment Committee

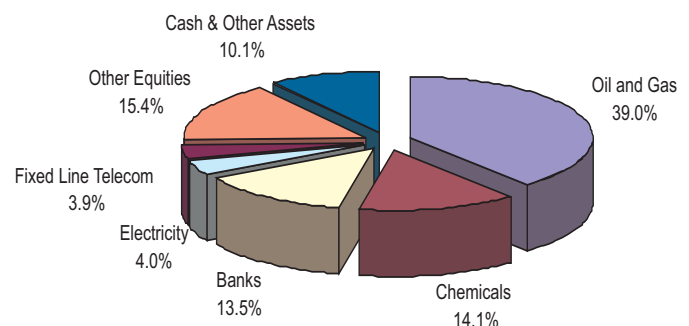
Yasir Qadri
Muhammad Imran
Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

Asset Allocation (%age of Total Assets)	Feb-10	Jan-10
Stock / Equities	89.9%	89.4%
Cash	6.4%	9.0%
Others	3.7%	1.6%
Leverage	Nil	Nil

Top 10 Equity Holdings (%age of Total Assets)

Pakistan State Oil	9.7%
Oil & Gas Development Co.	9.0%
Attock Petroleum Limited	8.3%
Engro Corporation Limited	7.5%
Pakistan Petroleum Limited	6.7%
Fauji Fertilizer Co.	6.7%
Pakistan Oil Fields	5.2%
Pakistan Telecommunication	3.9%
United Bank Limited	3.6%
Nishat Mills Limited	3.6%

Sector Allocation (%age of Total Assets)



General Information

Fund Type	Open End
Category	Asset Allocation Scheme (SECP categorization in process)
Stability Rating	N/A
Risk Profile	Moderate / High
Launch Date	17-Mar-08
Fund Manager	M.Imran/M.Asim, CFA
Custodian / Trustee	CDC
Auditor	A. F. Ferguson & Co.
Management Fee	1.5% p.a.
Front / Back end Load	3% / 0%
Min. Subscription	PKR 5,000
Listing	Lahore Stock Exchange
Benchmark	N/A
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut Off Timing	Mon-Fri (4:30 PM)

Investment Objective

MCB Dynamic Allocation Fund is an asset allocation fund and its objective is to aim at providing a high absolute return by investing in equity and debt markets.

Manager's Comment

The equities market remained flat during the month with KSE-100 posting a return of mere 0.5%. Money market rates, on the other hand, remained in a higher range amid tight liquidity situation in the market.

On the equities side, the fund maintained its overall exposure while aligning few scrips that had approached intrinsic values post result announcements. The Fund maintained its TFC holdings while liquidating the money market exposure to manage the change in fund size. By month-end, the fund was 37% invested in equities.

Fund Facts / Technical Information

NAV per Unit (PKR)	80.8303
Net Assets (PKR M)	454
Sharp Measure*	-0.08
Beta**	0.41
Max draw up	55.7%
Max draw down	-48.6%
Standard Deviation	1.03%
Alpha	0.00%

*as against 3 Year PIB, ** against KSE30

Members of the Investment Committee

Yasir Qadri
Muhammad Imran
Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

Performance Information (%)

MCB DAF

Last Month Return	-0.6
Year to Date Return	20.6
Since inception	-19.2

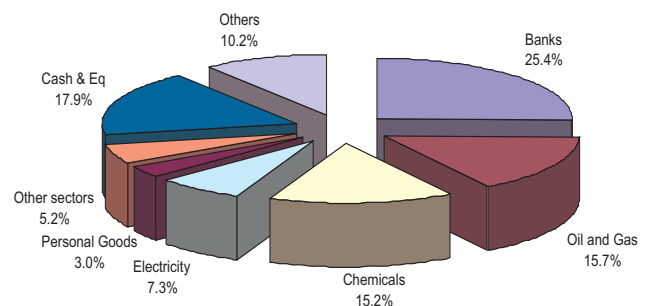
Asset Allocation (%age of Total Assets)

	Feb-10	Jan-10
Cash	17.9%	22.5%
Placements with Banks and DFIs	0.0%	9.4%
TFCs	35.3%	27.6%
Stocks / Equities	36.6%	37.7%
Others	10.2%	2.8%
Leverage	Nil	Nil

Top 5 Holdings (%age of Total Assets)

NIB Bank Ltd	TFC	12.9%
Engro Perpetual	TFC	11.4%
Askari Bank Limited	TFC	5.5%
Attock Petroleum Limited	Equity	5.3%
Pakistan State Oil	Equity	4.1%

Sector Allocation (%age of Total Assets)



General Information

Fund Type	Open End
Category	Money Market
Stability Rating	AA(f) by PACRA
Risk Profile	Low
Launch Date	1-Oct-09
Fund Manager	M. Imran
Custodian / Trustee	CDC
Auditor	A. F. Ferguson & Co.
Management Fee	10% of Gross earnings
Front / Back end Load	0%
Min. Subscription	
Growth Units	PKR 5,000
Cash Dividend Units	PKR 5,000
Income Units	PKR 100,000
Listing	Lahore Stock Exchange
Benchmark	Avg. 3 Month deposit rates of AA and above rated Scheduled banks, net of expenses
Pricing Mechanism	Backward
Dealing Days	Monday - Saturday
Cut Off Timing	Mon-Fri (4:30 PM), Sat (1:00 PM)

Investment Objective

To provide unit-holders competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

Manager's Comment

During the month, the fund gradually increased its exposure further towards short tenure government papers to around 55% with a major focus now on increasing its portfolio duration. The fund's exposure to TDRs was reduced further to 18% as compared to 21% last month owing to lack of attractive opportunities in the market post Dec-end. During the month, the fund kept average allocations of around 21% in money market instruments, while reducing its exposure in cash & bank deposits as the latter was replaced by government papers.

Going forward, your fund plans to keep a significant exposure in government papers with a focus on increasing duration, in order to take advantage from decline in yields amid better liquidity in the near term.

Fund Facts / Technical Information

NAV per Unit (PKR)	101.0845
Net Assets (PKR M)	6,822
W/A Maturity (Days)	64
Sharpe Measure*	0.96
Correlation*	0.04%
Standard Deviation	0.02%
Alpha*	0.01%
*as against benchmark	

Asset Allocation (%age of Total Assets)

	Feb-10	Jan-10
Cash	14.8%	12.3%
Term Deposits with banks	18.0%	20.9%
Placements with Banks & DFIs	4.4%	18.4%
Reverse Repo Against Govt. Securities	7.1%	7.2%
T-Bills	55.0%	40.4%
Others	0.7%	0.7%
Leverage	Nil	Nil

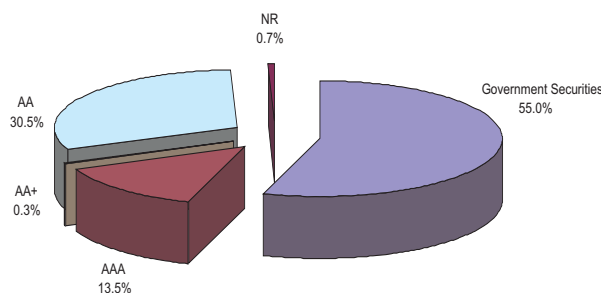
Members of the Investment Committee

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Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

Performance Information (%)

	MCB CMOP*	Benchmark
Last Month Return	10.7	7.2
Year to Date Return	N/A	N/A
Since inception	11.1	7.2
*Morning Star Method		

Asset quality (%age of Total Assets)



Asset-wise Maturity (No. of Days)

