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Rated AM2- (AM TWO MINUS) by PACRA

MCB AMC

Fund Manager's Report

June 2010

Short-term parking for surplus liquidity



MCB
Dynamic
CASH FUND

MCB
Dynamic
STOCK FUND

MCB
Dynamic
ALLOCATION FUND

MCB
Cash Management
OPTIMIZER FUND

MCB
Sarmaya
mahfooz fund 1


MCB
ASSET MANAGEMENT

Macro-Environment Review & Outlook

The domestic political environment remained relatively stable during the month, while improving ties with India could be termed as the silver lining. On the macroeconomic front, external account continued to show improving trend with May'10 provisional number depicting a current account surplus of US\$ 136 million, taking the 11-month FY10 Current Account deficit to US\$ 3.0 billion (65.7% down YoY). Contained trade deficit, record-high remittances and decent inflows under logistic support have contributed towards a lower CAD. Barring external account, real economy, fiscal imbalances and inflationary pressures remained key concerns for the economic managers and would be instrumental in dictating SBP's monetary stance going forward. Though, improvement in large scale manufacturing (LSM), a key industrial segment, is a good sign for the economic growth, ongoing power outages continue to cast a shadow of doubt on its further growth moving forward. We continue to believe that the timely materialization of foreign inflows holds the key for re-igniting the country's economic engine. Rationalization of electricity tariff coupled with an alarming rise in government borrowing from central bank pose a serious threat of resurgence in inflationary pressures, which coupled with lack of foreign flows, could keep interest rates in higher region.

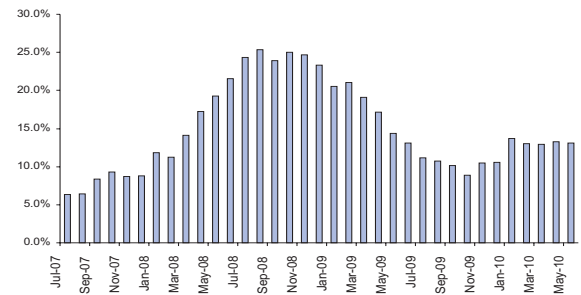
Equities Market Performance Review and Outlook

Equities market during June 2010 witnessed a volatile performance where the local investors remained jittery due to budget related concerns including implementation of the Capital Gains Tax (CGT), fiscal challenges and an expected shift in the monetary stance of the central bank. Foreign investors remained selective buyers during the month as well. The KSE-100 Index posted a return of 4.2% during the month with extremely thin turnover though. During FY10, the KSE-100 Index went up by 35.7%, majority of which came during the first half of the year driven by improving external account, easing inflationary pressures, cut in interest rates and significant inflows from foreign investors. Second half of the year was very volatile where significant inflows from foreign investors in heavy-weight stocks pushed the index upwards while local investors opted to remain cautious owing to the deteriorating fiscal position and interest rates outlook. During the year ahead, the market is likely to remain sensitive to the overall political and macroeconomic environment of the country where fiscal challenges are likely to dictate the monetary stance of the SBP and continue to hurdle the real economic growth. Immediate materialization of foreign pledges is crucial for handling the soaring fiscal imbalances.

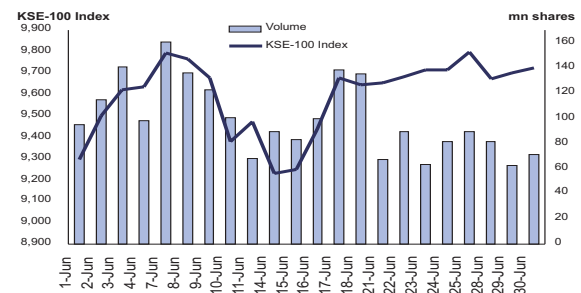
Money Market Performance Review and Outlook

The money market remained fairly stable during the month with few exceptions where the market touched floor as a result of excess liquidity in the system courtesy CSF and circular debt related flows. Rising trend in government borrowing from SBP during most part of the month increased system's liquidity and hence the central bank had to mop-up excess liquidity to stabilize the market. 1 month KIBOR averaged 12.1% during the month, up by 26 bps on a MoM basis. Moreover, average 1 year PKRV also went up by 15 bps to 12.3%. Year to date growth in the money supply (M2) has been around 9.5%, which is primarily driven by the NDA growth as NFA accumulation remained marginal amid non-materialization of expected foreign inflows. Greater reliance on the domestic bank and non-bank borrowing for budgetary support is expected to keep interest rates in a higher region with electricity tariff adjustment continues to pose threat towards inflationary pressures. Achievement of IMF's quantitative and qualitative targets are also critical for the realization of foreign flows from other donors agencies, including WB and ADB, which coupled with committed flows from the US and FODP should help improve system's liquidity and thus could rejuvenate the economic growth of the country.

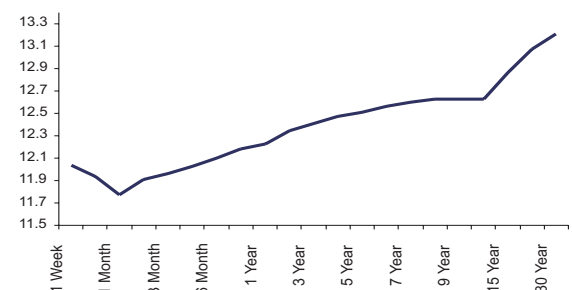
YoY CPI Inflation (in % age)



KSE During June 2010



Yield Curve (June 30, 2010)



General Information

Fund Type	An Open End Scheme
Category	Income Scheme (SECP categorization in process)
Stability Rating	A+(f) by PACRA
Risk Profile	Low
Launch Date	1-Mar-07
Fund Manager	Kashif Rafi
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 - Friday
Cut Off Timing	Mon-Fri (4:30 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 increased its exposure slightly in government papers as they were offering better yields. The fund divested a small portion of its TFCs holdings at better prices while exposure to money market placements was reduced to zero during the month. The fund increased its exposure to TDRs amid availability of better opportunities at June-end.

Well-timed accumulation of Treasury bills coupled with a healthy allocation in good quality TFCs is expected to contribute towards stable returns for the fund going forward.

Fund Facts / Technical Information

NAV per Unit (PKR)	103.4194
Net Assets (PKR M)	5.970
W/A Maturity (Years)	2.4
Sharpe Measure*	0.01
Correlation*	-2.6%
Standard Deviation	0.13%
Alpha*	0.00%
*as against benchmark	

Asset Allocation (%age of Total Assets)

	June-10	May-10
Cash	5.1%	2.4%
Term Deposits with banks	13.6%	9.6%
Placements with Banks & DFIs	0.0%	1.7%
TFCs	36.3%	43.2%
Govt Backed / Guaranteed Securities	1.6%	1.7%
T-Bills	41.5%	38.7%
Others	1.9%	2.6%
Leverage	Nil	Nil

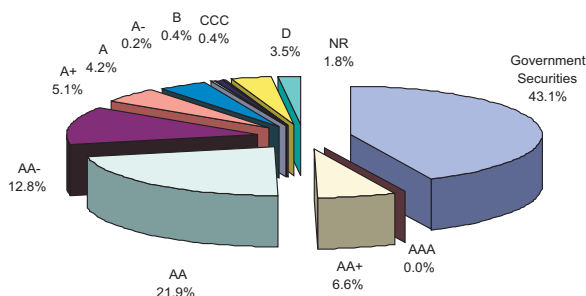
Members of the Investment Committee

Yasir Qadri
Kashif Rafi
Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

Top 10 TFC Holdings (%age of Total Assets)

NIB Bank Limited	4.8%
Engro Fertilizer Ltd Perpetual-I	3.8%
Maple Leaf Cement Sukuk-I	3.5%
Askari Bank Limited-III	3.4%
Engro Fertilizer Ltd - IV	3.3%
World Call Telecom Limited-III	3.2%
Bank Al-Falah-IV	3.1%
United Bank Limited-IV	2.8%
Jahangir Siddiqui Company - V	1.9%
United Bank Limited-III	1.2%

Asset quality (%age of Total Assets)



Performance Information (%)

	MCB DCF*	Benchmark
Last Month Return	11.6	12.1
Year to Date Return***	11.0	12.2
Since inception**	10.1	11.5
*Morning Star Method		
**One off hit of 4% due to SECP directive on TFCs' portfolio		
***Adjustment of accumulated WWF since July 1, 2008		

General Information

Fund Type	An Open End Scheme
Category	Equity (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

During the month the fund reduced its overall equity allocation marginally to 91% owing to uncertainty regarding budgetary impacts. The fund reduced its exposure in fertilizer, textiles, OMC's and Telecom sectors due to sector specific risks and relatively matured valuations. The fund, however marginally increased its allocation in banking and E&P sectors that were offering relatively attractive risk/return profile.

Factors including implications of Finance Bill FY11 and margin financing are likely to induce volatility in the shorter term. The fund would continue to capitalize on attractive opportunities in the market.

Fund Facts / Technical Information	MCB DSF	KSE-30
NAV per Unit (PKR)	96.6847	
Net Assets (PKR M)	651	
Price to Earning (x)*	7.1	7.7
Dividend Yield (%)	7.8	6.9
No. of Holdings	28	30
Wt. Avg Mkt Cap (PKR Bn)	75.62	181.36
Sharpe Measure**	0.00	-0.03
Beta	0.77	1.0
Correlation	95.2%	
Max draw up	138.4%	145.6%
Max draw Down	-60.4%	-76.7%
Standard Deviation	1.5%	1.8%
Alpha	0.06%	
*prospective earnings, **as against 3 Year PIB		

Performance Information (%)	MCB DSF	Benchmark
Last Month Return	0.8	3.4
Year to Date Return*	27.3	26.2
Since inception	19.3	-32.0
*Adjustment of accumulated WWF since July 1, 2008		

Members of the Investment Committee

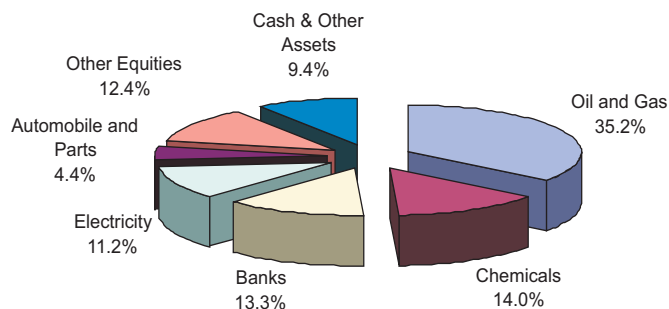
Yasir Qadri
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Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

Asset Allocation (%age of Total Assets)	June-10	May-10
Stock / Equities	90.6%	92.0%
Cash	3.6%	3.0%
T-Bills	3.8%	3.6%
Others	2.0%	1.4%
Leverage	Nil	Nil

Top 10 Equity Holdings (%age of Total Assets)

Hub Power Company	9.8%
Pakistan Petroleum Limited	9.5%
Pakistan Oil Fields	8.9%
Attock Petroleum Limited	7.4%
Engro Corporation Limited	6.2%
Pakistan State Oil	5.6%
Fauji Fertilizer Co.	5.2%
MCB Bank Limited	4.5%
United Bank Limited	4.4%
Nishat Mills Limited	3.7%

Sector Allocation (%age of Total Assets)



General Information

Fund Type	An Open End Scheme
Category	Asset Allocation (SECP categorization in process)
Stability Rating	N/A
Risk Profile	Moderate / High
Launch Date	17-Mar-08
Fund Manager	Kashif Rafi/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

During the month, the fund reduced its allocation towards equities due to the rising concerns on fiscal position besides added uncertainty over the changes in regulatory environment implied from the proposed finance bill FY11. On the money market side, fund reduced its exposure to TFCs at favorable yields while increased its exposure to TDRs to exploit higher rates offered by Banks at fiscal year-end.

We believe that the focus should be kept on real-economic developments while remaining vigilant on the short-term triggers both for equities and money market.

Fund Facts / Technical Information

NAV per Unit (PKR)	78.2252
Net Assets (PKR M)	403
Sharp Measure*	-0.08
Beta**	0.50
Max draw up	60.5%
Max draw down	-48.6%
Standard Deviation	0.93%
Alpha	-0.02%

*as against 3 Year PIB, ** against KSE30

Members of the Investment Committee

Yasir Qadri
Kashif Rafi
Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

Performance Information (%)

MCB DAF

Last Month Return	1.3
Year to Date Return*	16.7
Since inception	-21.8

*Adjustment of accumulated WWF since July 1, 2008

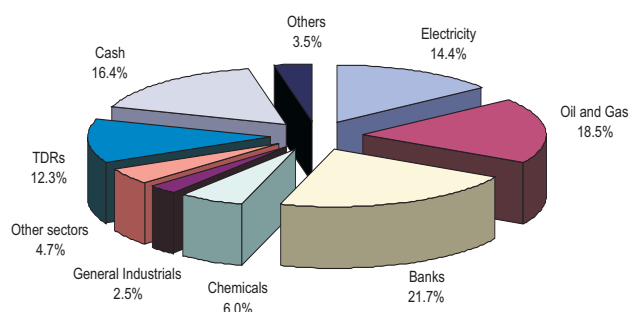
Asset Allocation (%age of Total Assets) June-10 May-10

Cash	16.4%	3.1%
Term Deposits with Banks	12.3%	0.0%
T-Bills	0.0%	14.7%
TFCs	12.4%	12.5%
Stocks / Equities	55.4%	67.5%
Others	3.5%	2.2%
Leverage	Nil	Nil

Top 5 Holdings (%age of Total Assets)

Hub Power Company	Equity	8.8%
Askari Bank Limited-III	TFC	6.1%
Attock Petroleum Ltd	Equity	6.1%
Pakistan Petroleum Limited	Equity	5.5%
Pakistan Oilfields Limited	Equity	4.5%

Sector Allocation (%age of Total Assets)



General Information

Fund Type	An Open End Scheme
Category	Money Market
Stability Rating	AA(f) by PACRA
Risk Profile	Low
Launch Date	1-Oct-09
Fund Manager	Kashif Rafi
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 - Friday
Cut Off Timing	Mon-Fri (4:30 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 reduced its exposure in government papers to around 65% while slightly increasing its duration. The fund increased its allocations to TDRs during the month by reducing exposure to T-bills as the former was offering better returns amid June-end.

The fund would continue to exploit attractive opportunities in the market for trading purposes in this fast changing market liquidity scenario.

Fund Facts / Technical Information

	MCB CMOP	Benchmark
NAV per Unit (PKR)	101.8903	
Net Assets (PKR M)	6,525	
W/A Maturity (Days)	57	
Sharpe Measure*	0.10	-2.37
Correlation*	-21%	21%
Standard Deviation	0.02%	0.00%
Alpha*	0.01%	-0.01%

*as against 3 month PKRV net of Expenses

Asset Allocation (%age of Total Assets)

	June-10	May-10
Cash	7.0%	6.7%
Term Deposits with banks	27.7%	21.1%
T-Bills	65.1%	71.7%
Others	0.2%	0.5%
Leverage	Nil	Nil

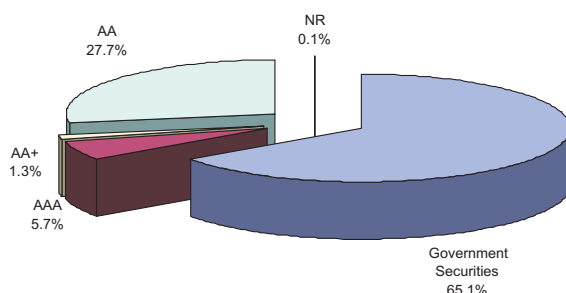
Members of the Investment Committee

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Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

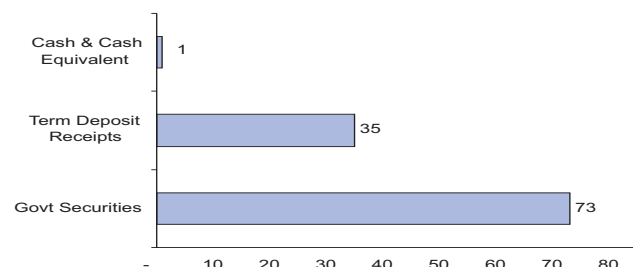
Performance Information (%)

	MCB CMOP*	Benchmark
Last Month Return	10.7	7.4
Year to Date Return**	N/A	N/A
Since inception	10.9	7.2
*Morning Star Method		
**Adjustment of accumulated WWF since Oct 1, 2009		

Asset quality (%age of Total Assets)



Asset-wise Maturity (No. of Days)



General Information

Fund Type	An Open End Scheme
Category	Capital Protected
Stability Rating	N/A
Risk Profile	Low
Launch Date	14-Jun-10
Fund Manager	M. Asim, CFA
Custodian / Trustee	CDC
Auditor	A. F. Ferguson & Co.
Management Fee	2.25% p.a
Front / Back end Load	0%/5%
Min. Subscription	PKR 5,000
Listing	Lahore Stock Exchange
Benchmark	1 year Term Deposit of AA+ rated bank for the same amount and KSE-30 Index in the weightings of Capital Protected Segment and Investment Segment of the Fund.
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut Off Timing	Mon-Fri (4:30 PM)

Investment Objective

The primary objective of MCB SMF 1 is to protect the Initial Investment Value of investors at maturity with secondary objective of providing growth over the period.

Manager's Comment

During its first operational month, the fund allocated around 92% in TDRs, which constitutes the capital protection segment of the fund. Out of the remaining amount available for investment/growth segment, the fund invested mere 0.2% in equities market due to uncertainty regarding capital gains tax (CGT) while 6.7% was kept in cash.

Considering the market scenario, the fund aims at gradually building its exposure towards equities with a balance of defensive-value and high-beta growth stocks.

Fund Facts / Technical Information	MCB SMF-1	Benchmark
NAV per Unit (PKR)	100.2654	
Net Assets (PKR M)	630	
Sharpe Measure*	-1.68	0.21
Beta	0.42	1.0
Correlation*	21%	0%
Standard Deviation	0.00%	0.00%
Alpha*	0.00%	0.00%
*as against 1 year PKRV		

Members of the Investment Committee

Yasir Qadri
Kashif Rafi
Muhammad Asim, CFA
Shahab Farooq
Syed Akbar Ali

Asset Allocation (%age of Total Assets)	June-10	May-10
Cash	6.7%	N/A
Term Deposits with banks	91.8%	N/A
Stock / Equities	0.2%	N/A
Others	1.3%	N/A
Leverage	Nil	Nil

Performance Information (%)	MCB SMF-1	Benchmark
Last Month Return	N/A	N/A
Year to Date Return	N/A	N/A
Since inception	0.3	0.6

Top Equity Holdings (%age of Total Assets)

National Bank	Equity	0.1%
Hub Power Company	Equity	0.1%
Nishat Power Limited	Equity	0.0%

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TO INVEST PLEASE CALL

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