KASB FUNDS

November 07, 2008

Ref: KFL/R&C/08/363

The General Manager
Karachi Stock Exchange (Guarantee) Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Dear Sir,

Re: Suspension of Redemption of Units of KASB Islamic Income Fund

In view of the extraordinary circumstances prevailing in the financial and capital markets of the country in the recent past, the financial system has been under severe liquidity constraints.

The mutual fund industry has witnessed redemptions in income and money market funds of approximately 30% in the last one month. KASB Funds Limited has also witnessed redemptions of over 35% in KASB Islamic Income Fund ("KIIF" or "the Fund") since the beginning of October, 2008. To date all redemptions have been paid within the stipulated time period through internal cash generation and borrowing arrangements. As the redemptions continue and the situation in the financial and capital markets continue to deteriorate, it has led to circumstances which KASB Funds Limited deems to be extraordinary.

These circumstances have led to a situation where further redemptions would result in disposal of investments at prices which are not reflective of their asset quality. Therefore, distressed selling of investments would seriously prejudice the interest of the Fund and its Unitholders.

In view of this situation and keeping the interest of the Unitholders in the forefront, KASB Funds Limited, the Management Company of KIIF, has invoked Clause 13.2 of the Trust Deed of KIIF, Clause 4.11.2 of the Offering Document of KIIF and Regulations 66(9) and 66(10) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007 ("NBFC Regulations") and hereby announces suspension of redemption of units of KIIF with effect from November 7, 2008. A notice in this regard is also being issued in the newspaper.

We shall be intimating your office of the resumption of redemption transactions of KIIF in due course of time, in the manner prescribed in the applicable laws and regulations.

Please rest assured of our fullest co-operation within the parameters of the laws and regulations.

In case of any query, please do not hesitate to contact us.

Yours faithfully,

Irfan Saleem Awan
Company Secretary

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