

RATED AM3+ (Positive Outlook) - JCR-VIS

 **ABL Asset Management**  
Discover the potential

# INFOCUS

## FUND MANAGER'S REPORT AUGUST 2011

  
*Goes Green*



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For further details contact us at [contactus@ablamc.com](mailto:contactus@ablamc.com) or call our helpline 0800-225 26 to submit your email address.

Disclaimer: All investments in Mutual Funds are subject to market risks. The NAV of units may go up or down based on the market conditions. Past performance is not necessarily indicative of future results. Please read the Offering Document of the funds to understand the investment policies and the risks involved.

## Investment Objective

To earn superior risk adjusted rate of return by investing in a blend of short, medium and long term instruments, both within and outside Pakistan.

## Fund Manager's Comments

ABL-IF yielded an annualized compounded return of 13.19% for the month of August, a decline of 42 bps compared to the preceding month. Despite a boost in returns in the first half of the month by the unexpected rate cut, your fund had to brace rising yields and a tight market in the latter half which took away the gloss from the performance. As short term yields remained volatile, fund's duration was enhanced to stabilize returns.

Money market remained tight during the month despite continuous SBP intervention in the form of OMOs. Furthermore, acceptance of higher than targeted amounts in both PIB and T-bill auctions as well as Eid linked outflows adversely impacted money market liquidity. On the other hand PIBs yields declined drastically due to discount rate cut expectations by the market at large. Nevertheless, ABL-IF portfolio remained conservative with T-bills accounting for almost 81% of total assets whereas 7% assets were invested in TDRs to take advantage of high rates on account of Eid and 3rd Quarter crossing. Fund size improved by 3.97% during the month to close at Rs.5.495 billion.

Economic indicators remained shaky in August '11 with YoY CPI Inflation clocking at 13.8% and Pak Rupee coming under pressure towards the month end. Market's cheer from July's 50bps rate cut was short-lived as yields started to firm up after a brief dip. Although Government's borrowing from central bank is controlled, borrowing via banks is significant, which is impacting money market yields. This stance continues to crowd out private sector credit as well. The recent damage to crops caused by heavy rains in the Sindh province could pose further risks to economic revival and may cause a short term spike in inflation. Political instability and energy shortages continue to plague industrial output which already stands battered from global recession.

In light of the clear message given by the State Bank in the last monetary policy, we feel there is no imminent danger of an increase in interest rates in the near term. Thus ABL-IF will maintain its bias towards government securities entailing high duration. This will bode well for fund returns, especially in the instance of a discount rate cut. Moreover, better rates in longer duration T-bills will also benefit underlying yields.

## Basic Fund Information

<b>Fund Type</b>	Open-end
<b>Category</b>	Income Fund
<b>Launch Date</b>	September 20 <sup>th</sup> , 2008
<b>Net Assets</b>	PKR 5,495 mn as at August 31 <sup>st</sup> , 2011
<b>NAV</b>	PKR 10.2351 as at August 31 <sup>st</sup> , 2011
<b>Benchmark</b>	6 Month Kibor Average
<b>Dealing Days</b>	As per Local Stock Exchanges
<b>Cut-off time</b>	4:00 pm
<b>Pricing mechanism</b>	Forward
<b>Management Fee</b>	1.5% p. a.
<b>Front-end load</b>	Nil
<b>Trustee</b>	Central Depository Company of Pakistan Ltd. (CDC)
<b>Auditor</b>	A.F. Ferguson & Co. Chartered Accountants
<b>Asset Manager Rating</b>	AM3+ (JCR-VIS)
<b>Risk Profile of the Fund</b>	Low
<b>Fund Stability Rating</b>	A+(f) (JCR-VIS)
<b>Fund Manager</b>	Hammad Ali Abbas

## Technical Information

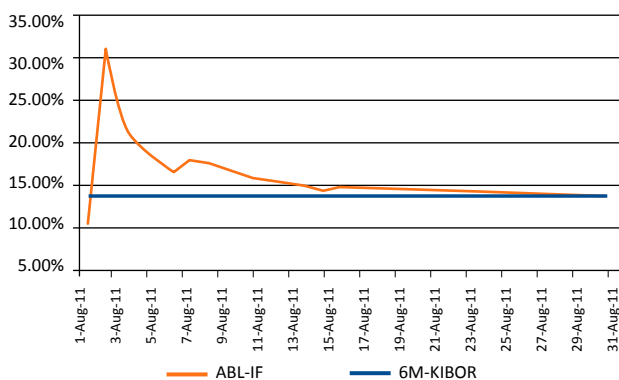
<b>Leverage</b>	NIL
<b>Weighted average time to maturity of net assets</b>	156 days

<b>Asset Allocation (% of Total Assets)</b>	<b>July '11</b>	<b>Aug '11</b>
Cash	5.15%	0.59%
Placement with Banks (TDRs)	0.00%	7.24%
Placement with NBFCs	3.76%	0.00%
Placement with DFIs	11.28%	0.00%
Reverse Repo against all other Securities	5.68%	6.14%
T-Bills	71.07%	80.87%
PIBs	0.45%	0.86%
Short Term HUBCO Sukuk	0.00%	1.81%
Short Term KAPCO Sukuk	2.35%	2.26%
Others including Receivables	0.26%	0.23%

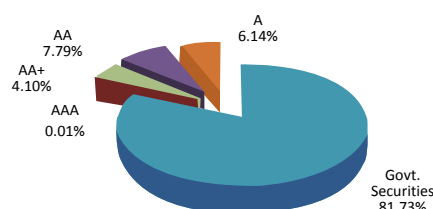
## Fund Returns\*

	<b>ABL-IF</b>	<b>6M-KIBOR</b>
<b>FY 2011 to date</b>	13.35%	13.59%
<b>Month to date (MTD)</b>	13.19%	13.37%

\* Returns are net of management fee & all other expenses



## Credit Quality of Portfolio (% of Total Assets)



## Investment Committee Members:

1. Farid A. Khan, CFA – CEO
2. Muhammad Imran – CIO
3. Abid Jamal – Head of Research
4. Hammad Ali Abbas – Fund Manager
5. Kamran Aziz – Fund Manager

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## Investment Objective

To provide higher risk-adjusted returns over the long term by investing in a diversified portfolio of equity instruments offering capital gains and dividends.

## Fund Manager's Comments

KSE-100 index closed 9.2% down amidst thin trading during August 2011. The market was hit by falling global equity markets and exacerbating violence in Karachi city. Robust corporate earnings failed to restore investor confidence leading to extremely low volumes (Average Daily Turnover of \$27 million) during the month. Foreigners continued to be net sellers (\$11.6 million outflow during the month) as US and European economic crisis prompted fund managers' exit from equity markets globally. Locals, too, followed suit and preferred cutting losses in anticipation of further foreign selling and worsening political situation.

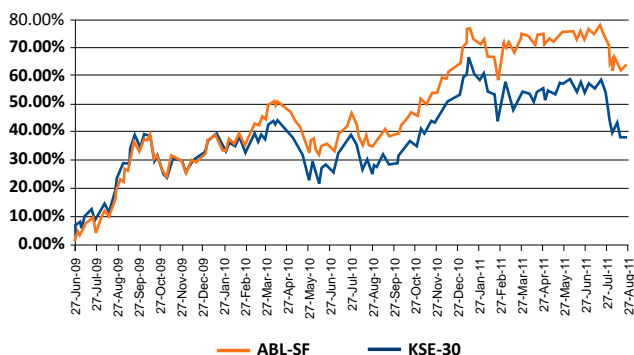
ABL-SF declined by 4.8% in August '11 against 8.8% decline in the KSE-30 index, which reflects an outperformance of 400 basis points. During the month, investment in Oil & Gas sector was decreased from 31.3% to 29.7% of the portfolio, exposure in Chemicals sector was increased from 17.7% to 21.3% and investment in banks was decreased from 16.55% to 13.85%. ABL-SF as of August 31, 2011 was 88.5% invested in equities and remaining in T-bills and cash.

Looking ahead, we expect activity in the market to pick up as investors digest higher level of political uncertainty and go for value hunting post-Ramadan. At current levels, market is trading at a forward PE of 6.5 times, which is a 23% discount from its historical average and at 54% discount to regional markets. Such attractive valuations cannot prevail for long, if history is any guide. We are gradually tilting our exposure from pure yield plays to highly attractive blue chips that have corrected sharply in the recent market selloff.

## Performance\*

	ABL-SF	KSE-30
Year to Date (YTD)	-4.69%	-8.98%
Trailing 12 months	19.61%	8.72%
Month to Date (MTD)	-4.77%	-8.77%

\* Returns are net of management fee & all other expenses



## Basic Fund Information

Fund Type	Open-end
Category	Equity Scheme
Launch Date	June 28 <sup>th</sup> , 2009
Net Assets	PKR 634.17 mn as at August 31 <sup>st</sup> , 2011
NAV	PKR 9.5700 as at August 31 <sup>st</sup> , 2011
Benchmark	KSE-30
Dealing Days	As per Local Stock Exchanges
Cut-off Time	4:00 pm
Pricing Mechanism	Forward
Management Fee	3% p. a.
Front-end Load	3%
Trustee	Central Depository Company of Pakistan Ltd.
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM3+ (JCR-VIS)
Risk Profile of the Fund	High
Performance Rating	MFR 5-Star (JCR-VIS)
Fund Manager	Kamran Aziz

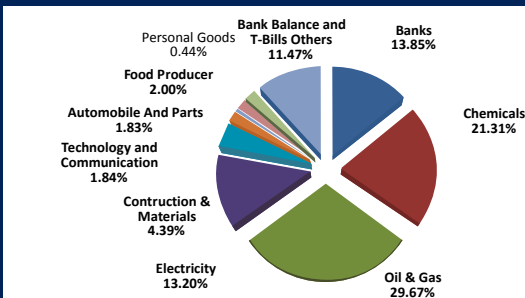
## Asset Allocation (% of Total Assets)

	Jul'11	Aug'11
Stock/Equities	83.64%	88.53%
Cash	4.26%	5.50%
T-Bills	9.27%	4.42%
Others	2.82%	1.55%
Leverage	NIL	NIL

## Top Ten Holdings (% of Total Assets)

	Jul'11	Aug'11
Hub Power Company Limited	8.28%	8.99%
Pakistan Oilfields Limited	8.62%	8.43%
Fauji Fertilizer Company Limited	9.79%	8.39%
Pakistan Petroleum Limited	8.65%	7.84%
Fatima Fertilizer Company Limited	3.73%	5.28%
Engro Corporation	1.87%	5.02%
Attock Petroleum Limited	4.21%	4.69%
Pakistan State Oil Co.Limited	4.29%	4.66%
Lucky Cement Limited	3.50%	4.20%
United Bank Limited	3.34%	3.54%

## Sector Allocation (% of Total Assets)



## Investment Committee Members:

1. Farid A. Khan, CFA – CEO
2. Muhammad Imran – CIO
3. Abid Jamal – Head of Research
4. Hammad Ali Abbas – Fund Manager
5. Kamran Aziz – Fund Manager

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## Investment Objective

To provide investors, consistent returns with a high level of liquidity, through a blend of money market and sovereign debt instruments.

## Fund Manager's Comments

ABL-CF yielded an annualized compounded return of 12.77% for the month of August, an improvement of 53 bps over the previous month and an outperformance of 4.64% over its benchmark. The cut in discount rate by 50bps towards end July led to capital gains on ABL-CF's T-bill portfolio. However as underlying yields have declined in concurrence with the Discount rate, returns are likely to adjust accordingly going forward. After a brief decline, short term yields rose again due to liquidity shortages in the money market despite SBP support in the form of regular OMO injections. Due to Eid and quarter end crossing, competitive rates were negotiated in TDRs and almost 9% of the fund is now invested in this asset class. However primary investments are in T-bills constituting 84% of total assets. Fund size declined by a meager 2.0% to close at Rs.14.572 billion due to Eid holiday linked outflows.

Economic indicators remained shaky in August '11 with YoY CPI Inflation clocking at 13.8% and Pak Rupee coming under pressure towards the month end. Market's cheer from July's 50bps rate cut was short-lived as yields started to firm up after a brief dip. Although Government's borrowing from central bank is controlled, borrowing via banks is significant, which is impacting money market yields. This stance continues to crowd out private sector credit as well. The recent damage to crops caused by heavy rains in the Sindh province could pose further risks to economic revival and may cause a short term spike in inflation. Political instability and energy shortages continue to plague industrial output which already stands battered from global recession.

Our strategy is to maintain a slightly higher level of duration in the fund due to better yields on longer tenor T-bills and probability of booking capital gains in the instance of a further cut in the discount rate. We expect market to remain tight and yields are likely to move in a narrow range. The monetary policy announcement towards end September will be the key event to watch next month.

## Basic Fund Information

Fund Type	Open-end
Category	Money Market Fund
Launch Date	July 30 <sup>th</sup> , 2010
Net Assets	PKR 14,572 mn as at August 31 <sup>st</sup> , 2011
NAV	PKR 10.2213 as at August 31 <sup>st</sup> , 2011
Benchmark	Average 3 Month Deposit rates of AA and above rated Banks
Dealing Days	As per Banking Days
Cut-off time	4:00 pm
Pricing mechanism	Backward
Management Fee	1.25% p. a.
Front-end load	Nil
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM3+ (JCR-VIS)
Risk Profile of the Fund	Low
Fund Stability Rating	AA+(f) (JCR-VIS)
Fund Manager	Hammad Ali Abbas

## Technical Information

Leverage	NIL
Weighted average time to maturity of net assets	76 days

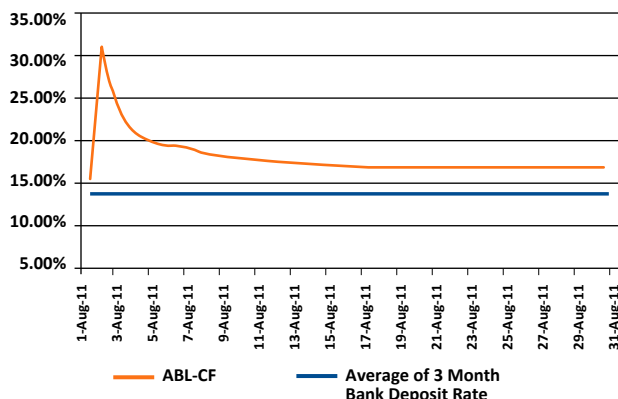
## Asset Allocation (% of Total Assets) Jul '11 Aug '11

Asset Allocation	Jul '11	Aug '11
Cash	2.45%	2.85%
Placement with Banks (TDRs)	0.00%	9.40%
Placement with DFIs	9.30%	1.85%
Reverse Repo against Govt. Securities	3.29%	0.00%
T-Bills	83.90%	84.11%
Short Term KAPCO Sukuk	0.83%	0.85%
Short Term HUBCO Sukuk	0.00%	0.68%
Others including Receivables	0.23%	0.26%

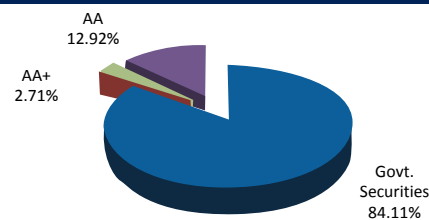
## Fund Returns\* ABL-CF Benchmark

FY 2011 to date	12.50%	7.95%
Month to Date (MTD)	12.77%	8.13%

\* Returns are net of management fee & all other expenses



## Credit Quality of Portfolio (% of Total Assets)



Other assets account for 0.26% of Total Assets.

## Investment Committee Members:

1. Farid A. Khan, CFA – CEO
2. Muhammad Imran – CIO
3. Abid Jamal – Head of Research
4. Hammad Ali Abbas – Fund Manager
5. Kamran Aziz – Fund Manager

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## Investment Objective

To seek maximum possible preservation of capital and offer steady rate of return by investing in liquid Shariah compliant instruments.

## Fund Manager's Comments

ABL-ICF yielded an annualized compounded return of 11.15% for the month of August, a decline of 24 bps over the previous month. However, the fund outperformed its benchmark by 2.80%. Despite significant volatility in money market yields, returns remained competitive thanks to ABL-ICF's conservative investment stance. Investment allocation remained in AA and above rated counters in the form of term placements and cash balance. This led to return consistency during the month whilst entailing a low risk profile. Returns were also boosted by placements in short term Sukuks.

Economic indicators remained shaky in August'11 with YoY CPI Inflation clocking at 13.8% and Pak Rupee coming under pressure towards the month end. Market's cheer from July's 50bps rate cut was short-lived as yields started to firm up after a brief dip. Although Government's borrowing from central bank is controlled, borrowing via banks is significant, which is impacting money market yields. This stance continues to crowd out private sector credit as well. The recent damage to crops caused by heavy rains in the Sindh province could pose further risks to economic revival and may cause a short term spike in inflation. Political instability and energy shortages continue to plague industrial output which already stands battered from global recession.

ABL-ICF will Insha'allah move into Income fund category during the month of September. This change will open up several new investment avenues for the fund and we will look to re-shuffle its portfolio by including GoP Ijara Sukuk and other money market instruments. We hope this change will benefit unit holders in the form of better returns and higher liquidity.

## Basic Fund Information

<b>Fund Type</b>	Open-end
<b>Category</b>	Islamic Money Market Fund
<b>Launch Date</b>	July 30 <sup>th</sup> , 2010
<b>Net Assets</b>	PKR 725.116 mn as at August 31 <sup>st</sup> , 2011
<b>NAV</b>	PKR 10.1997 as at August 31 <sup>st</sup> , 2011
<b>Benchmark</b>	Average of 3 Month Deposit rates of 3 Islamic Banks
<b>Dealing Days</b>	As per Local Stock Exchanges
<b>Cut-off time</b>	4:00 pm
<b>Pricing mechanism</b>	Forward
<b>Management Fee</b>	1.0% p. a.
<b>Front-end load</b>	Nil
<b>Trustee</b>	Central Depository Company of Pakistan Ltd. (CDC)
<b>Auditor</b>	A.F. Ferguson & Co. Chartered Accountants
<b>Asset Manager Rating</b>	AM3+ (JCR-VIS)
<b>Risk Profile of the Fund</b>	Low
<b>Fund Stability Rating</b>	AA(f) (JCR-VIS)
<b>Fund Manager</b>	Hammad Ali Abbas

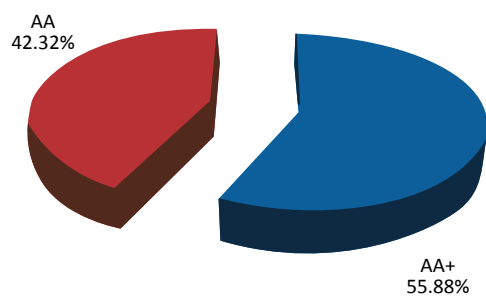
## Technical Information

<b>Leverage</b>	NIL
<b>Weighted average time to maturity of net assets</b>	21 days

## Asset Allocation (% of Total Assets) Jul '11 Aug '11

	Jul '11	Aug '11
Cash	44.72%	43.50%
Placements with Banks	36.24%	41.02%
Certificate of Islamic Investments	12.08%	0.00%
Short Term HUBCO Sukuk	0.00%	6.84%
Short Term KAPCO Sukuk	6.04%	6.84%
Others including Receivables	0.92%	1.80%

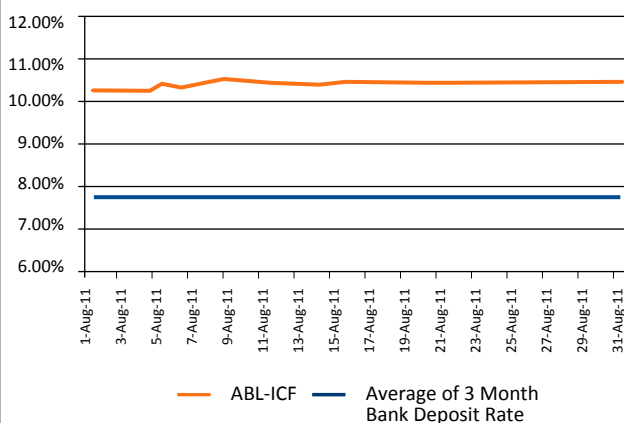
## Credit Quality of Portfolio (% of Total Assets)



## Fund Returns\* ABL-ICF Benchmark

<b>FY 2011 to date</b>	<b>11.27%</b>	<b>8.17%</b>
<b>Month to Date (MTD)</b>	<b>11.15%</b>	<b>8.35%</b>

\* Returns are net of management fee & all other expenses



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## 3 steps to Invest in ABL AMC FUNDS

### STEP ONE

#### Contact Us:

- ▶ Call us on our Toll Free number 0800-ABL-AM (225-26) to let our Investment Consultant guide you better or
- ▶ Visit any ABL Branch or for Expert Opinion, visit the 30 branches listed on your right which are facilitated by our Investment Consultants or
- ▶ Email us at: [contactus@ablamc.com](mailto:contactus@ablamc.com) and we will answer all your queries or
- ▶ Visit us on our website [www.ablamc.com](http://www.ablamc.com) for information and guidance

### STEP TWO

#### Investment Process

##### Forms

- ▶ Our investment advisors will help you fill the required forms:
  - ▶ Form 1 – Account Opening Form
  - ▶ Form 2 – Investment Form
  - ▶ Know Your Customer Form

##### Payment Mode

- ▶ Payments can be made through Cheques / Demand Drafts or Pay Orders
- ▶ Payments shall be made in favor of: "CDC-Trustee ABL \_\_\_\_\_ FUND"

##### Documents to be attached

- ▶ **For Individuals:**
  - ▶ Copy of CNIC (In case of Joint Application, CNIC of all applicants is required)
  - ▶ Zakat Affidavit (In case of exemption from Zakat)
  - ▶ Know Your Customer Form
- ▶ **For Corporate:**
  - ▶ Memorandum and Articles of Association/Bye Laws/Trust Deed
  - ▶ Power of Attorney or other document authorizing the authorized signatory(ies) to sign the application
  - ▶ Board Resolution authorizing the Investment
  - ▶ Copy of CNIC(s) of the Authorized Signatory(ies)

### STEP THREE

#### Submission of Documents

- ▶ You may submit your documents / investment amount at any branch of ABL or drop them / courier them at ABL AMC's Head Office: First Floor, 11-B, Lalazar, MT Khan Road, Karachi

Once we receive the documents / investment amount a registration number will be generated and allotted. An introductory letter will be dispatched to confirm your investment in ABL AMC Funds.

### For further details please contact:

Any branch of Allied Bank  
 ABL AMC Head Office: 021-111-ABL AMC (225-262)  
 ABL AMC Helpline: 0800 ABL-AM (0800 225 26)

Name	Contact No.	Branches with Investment Consultants
<b>Karachi</b>		
Furqan Ali Dakhan	0321-2014622	Clifton Branch
Shoaib Shoukat	0333-5473547	Foreign Exchange Branch
Raheel Khawar Kamal	0345-2584931	S.I.T.E. Branch
Mushtaq Ur Rehman	0300-2417978	Hyderi Branch
Muhammad Naeem	0321-2393830	Hassan Square Branch
Farhana Masood	0300-3340640	Shahrah-e-Faisal Branch
Shahid Ali Chishti	0300-2127537	Karimabad Branch
Syed Muneeb Hassan	0345-3149239	Bath Island Branch
Muna Sakhawat	0300-2701349	Rashid Minhas Road Branch
Faizan Ali Hakro	0334-2763986	Korangi Industrial Area Branch
Danish Abdul Rauf	0345-2121623	Tariq Road Branch
<b>Lahore</b>		
Muhammad Yasir	0333-4306795	Y-Block, DHA Branch
Waqar Ahmad Paracha	0300-8840151	Kashmir Road Branch
Malik Faisal Faryad	0300-4619625	Mall Road Branch
Aamir Aslam	0321-4175607	PAF Base Branch
Zahra Sabahat	0321-9440359	Brandreth Road Branch
<b>Islamabad</b>		
Iftikhar Hameed Khan	0333-5607962	Blue Area Branch
Zahir Mehmood Khan	0346-9273633	I-8 Markaz Branch
M. Rashid Qayyum	0345-5923766	F-6 Markaz Branch
Arif Raza	0333-8505435	Chaklala Branch
<b>Multan</b>		
Hafiz Tariq	0301-7570040	Chowk Rasheed Branch
Fizza Hassan	0321-4339404	Abdali Road Branch
Saira Habib	0342-7012691	Multan Cantt. Branch
<b>Faisalabad</b>		
Mughees Ahmad Sheikh	0332-8663525	Peoples Colony Branch
<b>Gujranwala</b>		
Sidra Iqbal	0336-4655633	Zia Plaza Branch
<b>Hyderabad</b>		
Haider Abbas	0321-3051874	Civic Center Branch
<b>Sahiwal</b>		
Asif Mehmood	0314-3600421	High Street Branch
<b>Quetta</b>		
Imran Hassan Khan	0345-8165666	Jinnah Road Branch
<b>Sargodha</b>		
Tanzel Maqbool	0331-7660756	New Queens Road Branch

#### CONTACT US:

Helpline: 0800 ABL-AM (0800 225 26)  
 UAN: (021) 111-ABL-AMC (111-225-262)  
 Email: [contactus@ablamc.com](mailto:contactus@ablamc.com)  
 Website: [www.ablamc.com](http://www.ablamc.com)