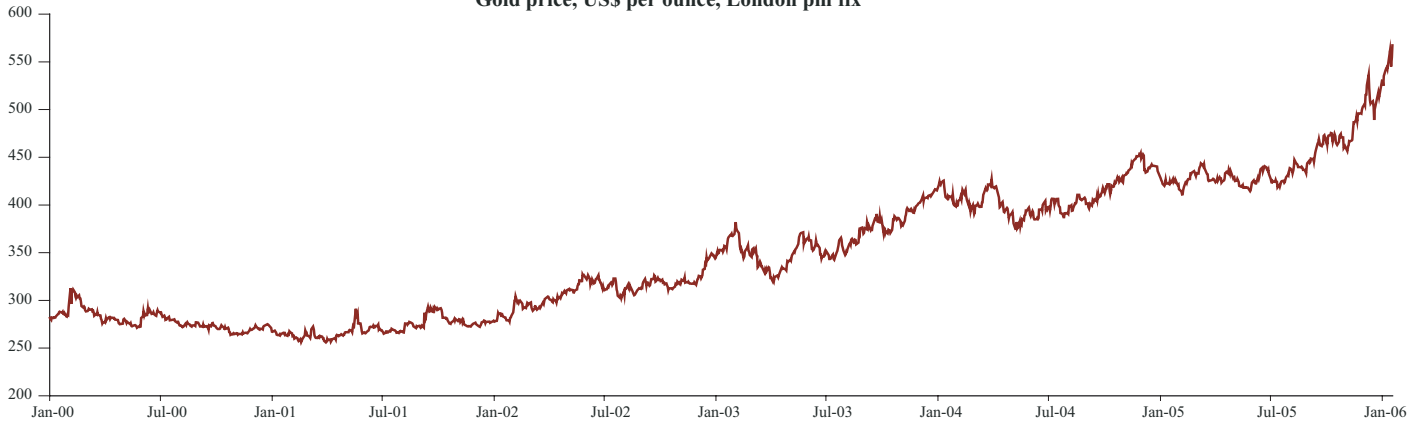


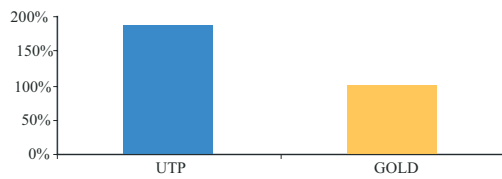


Better than Gold...

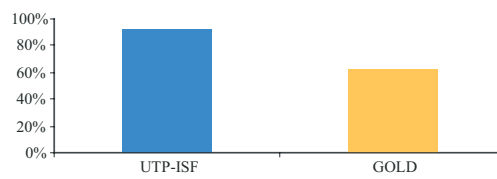
Gold price, US\$ per ounce, London pm fix



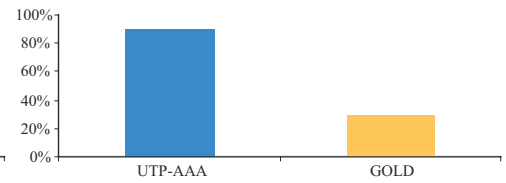
January 2000 - January 2006



December 2002 - January 2006



June 2005 - January 2006



(Gold Price Source: World Gold Council)

The last five years have seen a steady growth in gold prices and an increasing number of individuals are turning to this alternative investment. The absence of a functional commodity exchange in Pakistan prevents us from making accurate comparisons in Rupee terms.

Given London's reputation as the world's largest international bullion trading center, we have used gold prices from the London PM fix quoted in US dollars per ounce.

As the above graphs illustrate, UTP, UTP-Islamic Fund and UTP-Aggressive Asset Allocation Fund have produced higher returns than gold.

Since January 2000, Unit Trust of Pakistan has distributed Rs 6,225 per unit in the form of cash dividends and bonus units. Along with NAV appreciation, this amounts to a 187% total return compared to gold price appreciation of 102% over the same period.

In only seven months, UTP-Aggressive Asset Allocation fund (UTP-AAA) has increased 90%, whereas an investment in gold for the same time period would have produced a total return of 30%.

Similarly, the return on UTP-Islamic Fund since inception is 92%, whereas the total return on Gold for the same period is 62%.

Market Reviews...

Foreign Exchange

The rupee depreciated considerably in January '06 as oil prices shot up globally by 25% during the month due to supply shortage in the wake of various political issues. The currency traded within a range of 59.80-59.89, with an average of 59.85/USD as against an average of 59.78/USD during December '05. We expect the rupee to further weaken in currency market during February as supply shortage may further continue to raise oil prices. Moreover, import bill may exceed the export bill in commodity market, which impact the current account balance negatively, consequently depreciating the rupee.

Equity

The calendar year started off on a rising note with KSE 100 index reaching an all time high surpassing the March, 05 peak. Appreciating by 891 points or 9.3% during the month, the KSE-100 index breached the psychological barrier of 10,000 points to close at 10,447 points on Friday, Jan 27.

Rising oil prices put pressure on interest rates to pull reins on rising inflation; however controlled food prices and other factors mitigate the effect of upsurge in transportation cost. Moreover, service sector growth will eliminate the effect, if any, of controlling inflation upon GDP growth. Interest rate may increase by minimum of 50-100 bps which would help banks to sustain spreads, though monetary policy supports hike in deposits rate. The announcement of construction of dams in the month further stimulated investor interest on hopes of rising aggregate demand, especially for construction materials and cement in the medium term, and agriculture and manufacturing sector growth in the long term. Oil & Gas sector would keep on flourishing on the back of rising oil prices in high aggregate demand era.

Average daily volumes rose by a magnificent 77% over the previous month to 435mn backed by the news of removing cap on CFS by SECP which has refueled investor interest. NBP, DGKC, OGDC and PTC stood as the volume leaders.

Money Market

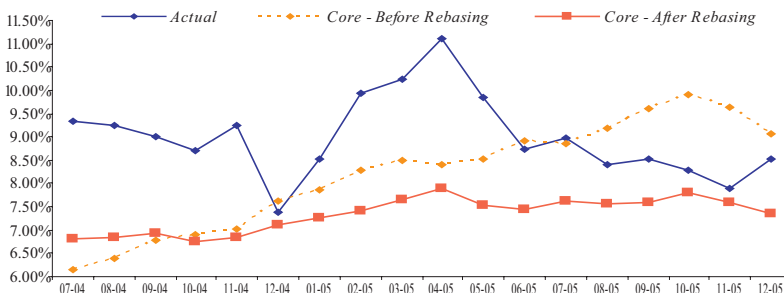
CPI or Inflation climbed up in Dec'05 to 8.51% YoY (Nov'05 7.89% YoY) mainly due to higher base impact. Core inflation is showing signs of cooling down from 7.59% to 7.56%, however, it is premature to say whether we can see an earlier than expected reversal in interest rates in the 1Q-CY'06

On the money-market front, the SBP successfully maintained the cut-off yields on all tenors. This coincides with the release of the much awaited Monetary Policy Statement (MPS) for Jan '06 - Jun '06 which offered little surprises to market participants. Activity was seen in the benchmark 10-Year bond and yields first climbed to levels of 9.35% - 9.50% then declined slightly to levels of 9.10% - 9.20%.

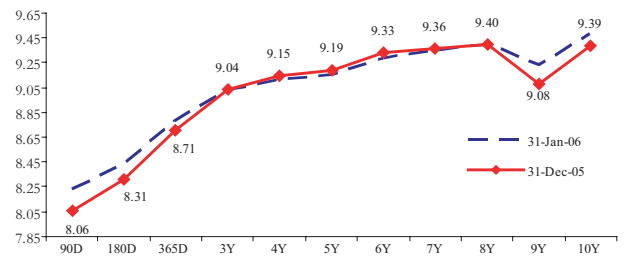
T-Bill Cut-off Yields

Tenor	January	February
03 Months	Unchanged	8.10%
06 Months	Unchanged	8.29%
12 Months	Unchanged	8.79%

Inflation July '04 - Dec '05



PKR Yield Curve



Future Outlook

Although major growth stories of companies have already translated into the prices, we expect buoyant investor interest due to upcoming yearly and quarterly results which will further heat up the market. However, on technical grounds as observed in the last few months, sudden hikes in index followed by cautious profit taking will continue. In essence, short run market movement is based on news which is immediately followed by opposite direction run.

International oil prices rebounded to touch US\$ 69.00 despite increase in US stockpiles, driven by supply fears from Iran. We maintain our inflation forecast to 8.50% for FY'06, with a likelihood of short term interest rates tapering off by the end of the financial year for the near term.

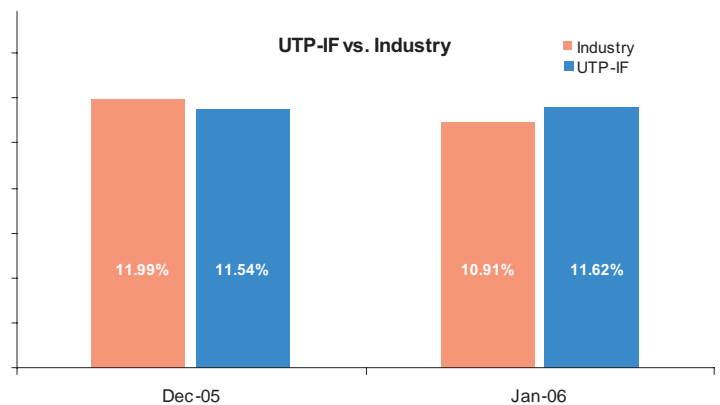
Fund Performance Reviews...

UTP During January 2006, the NAV per unit of UTP appreciated by 6.47% as against the 10.12% increase in the KSE-100. The month-on-month gain of 10.12% in KSE-100 is the highest in the preceding ten months since February 2005, when the same index skyrocketed by 22.42%. The Presidential address regarding the construction of new dams, appointment of the new SECP Chairman and a healthy earnings season proved quite well for the equities. Now, at an all-time high index level, the question stands as whether the market is about to peak or are we heading for new highs? In the immediate term, we believe it's more of a judgment call on the investor power than the earnings power. Additional liquidity has definitely found its way to the bourses in the recent days, be it in the form of new funds within the financial sector, new inflows from the foreign investors or switching from the existing assets into equities. The uncapping of the CFS limit is also on the cards which is likely to allow a continuation of the rally.

During the month, we increased our holdings in the financial services sector, mainly around banking and insurance stocks whereas we made an exit in Chemicals, while keeping the rest of the sector allocations almost unchanged from the previous month's allocation. All in all, we increased exposure in equities and fixed income to 70% and 18% from the previous month's 59% and 16% respectively. Going forward, we plan to maintain almost the exiting sector allocation while gradually realizing gains for the fund as the bandwagon continues to gather further momentum.

UTP-IncomeFund The KSE-100 Index further gained 967.55 points in Jan '06 setting a new all time high to close above the 10,500 level. Weighted average CFS rates increased to 17.71% in Jan '06 as compared to 16.90% for Dec '05. As stated in our Dec '05 Newsletter, UTP-IF increased its exposure in spread transactions to take advantage of relatively higher yields while monitoring risk, and thereby earning a double digit return.

As expected the MPS Jan - Jun '06 did not shed more light in the direction of interest rates, and did acknowledge that rise in interest rates would hamper current growth momentum. Keeping this in mind, and expected corporate results due in Feb '06 will keep volumes high on the KSE 100. We therefore, expect a double digit return.



UTP-IslamicFund The fund's NAV increased by 6.22% versus the 10.12% rise in the KSE-100 during January 2006. We would still like to reiterate that the key in the long run is earnings visibility, just like it was balance sheet turnaround stories couple of years back. On the same grounds, we have made some sector rotations for our portfolio mix based on the relative investment attractiveness of underlying stocks. Although, we agree to some extent that equities have really risen from being 'undervalued' to 'fair value' in general, there is still a bunch of high-quality stocks left in the market to gain investor attention. Yet, we intend to pursue risk aversion strategies rather than building more appetite for risk going forward at around prevailing levels. Overall, we believe the fund is likely to see continued rewards for a focus on growth, large as well as small caps, and defensive picks.

During the month, we reduced our holdings in Oil & Gas Downstream in favor of Upstream (exploration) stocks and build fresh positions in Cements and Fertilizers, while also increasing our holdings in selected Textile picks. Whereas, on a month-on-month basis, our exposure in equities stood at 94%, up from 80% on Dec 31st 2005.

UTP-Aggressive Asset Allocation Fund The fund's NAV appreciated by 10.68%, whereby outperforming the KSE-100 by 0.56% during the month. The fund mainly increased holdings in the Cements, Fertilizers, Textiles, Telecom and Oil & Gas Exploration stocks, whereas, it started building fresh positions in the Auto sector. On the other hand, your fund reduced exposure in banking stocks at strength. However, on a month-on-basis, we significantly increased the fund's exposure in Equities to 97% from last month's 56%.

The strong out-performance of UTP-AAAF vis-à-vis other funds in the market was mainly driven by its inherent aggressive investment policy. In this regard, we not only managed to book healthy trading gains during the month but also made timely entry in selected picks that resulted in decent return for the fund. The reward for identifying underpriced stocks, after all, is to earn the superior return from the market's subsequent upward revaluation to a price consistent with the intrinsic value. As always, diversification remains the investor's logical means of averaging favorable and unfavorable surprises in the emerging components of the stock's fundamental model. UTP-AAAF consistently seeks to diversify and hunt for growth picks and value stocks based on intensive research and effective risk management practices.

Investor Education...

Trades Explained

Have you ever wondered what happens when you buy or sell a stock through a stockbroker? Trading might be as simple as clicking a mouse or making a phone call, but it is actually quite a complicated matter behind the scenes. When entering an equity order on your computer or through your broker, you are, on some occasions, trading with another person through an exchange, but on other occasions you are only making a trade with your broker.

The deals involve the search for and transfer of securities between clients of different brokerages. The increasing number of participants in the securities market and the need for extremely accurate bookkeeping, clearing, settlement and reconciliation make ensuring the smooth flow of the securities markets quite a task.

The transaction is comprised of two distinct parts. First, your brokerage needs to bring your request to the appropriate market in order to find a party wishing to assume the opposite position. So, if you wish to buy at a certain price, the broker needs to find someone wishing to sell at the same price and vice versa. Once both parties are found, the exchange records the transaction, and an exchange of money and securities between the parties occurs on settlement.

The Exchange itself, has a client-order system that is now completely automated, so thankfully brokers and their agents do not have to search for buyers and sellers. All required orders are simply punched into the trading system, which then locates the shares while retaining anonymity of the buyer and seller to keep the market free and fair.

The second portion of the agency transaction occurs after the trade is completed and has been properly documented on the exchange. This portion is commonly referred to as clearing. While all brokers maintain individual books recording the entire amount of buy and sell orders transacted by clients, the actual act of clearing these transactions is handled by a larger institution. In Pakistan, the National Clearing Company of Pakistan Limited (NCCPL) handles all the clearing duties in respect of stock trades through the National Clearing & Settlements System (NCSS), where as safekeeping duties are performed by the Central Depository Company of Pakistan (CDC), through the Central Depository System (CDS).

The basic act of clearing involves matching buys and sells. Once the transactions are executed on the exchange, details of the trades are sent to the NCCPL, and are subsequently recorded and matched for accuracy by the CDS. After all the trades sent by member firms to the NCCPL are matched for buys and sells, the NCCPL then notifies all member firms of their associated obligations, and arranges the transfer of appropriate funds and securities. Thus, rather than having individual brokers dealing with one another after every trade on a securities exchange, the NCCPL acts as middleman collecting all transactions and streamlining the transfer of stocks and cash. This reduces the amount of time required for delivery and receipt of obligations and provides flexibility for brokerages in choosing dealing partners. This entire clearing process usually takes three days to complete.

It is important to note that the NCSS not only facilitates but also guarantees delivery. If one party fails to deliver the securities or cash to the other, the NCSS will step in and fulfill the obligations of the failing party.

Conclusion

Although this information might not make you any more money in the market, it is important for investors to understand the process of filling orders. These two ways of transacting orders not only help reduce the risk for investors, but also give brokerage clients a relatively liquid and efficient way of placing and executing trades.

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