

COTVs. CFS...

Badla is an informal source of financing, widely used in Pakistan's stock exchanges. This transaction is made when an investor, who lacks funds, commits to buy certain shares. A Badla financier provides financing against such shares at market determined premium. This short term collateralized lending is very similar to a repurchase agreement (repo) used in the inter bank market. In simple terms, badla is a credit line against securities, usually brokers and financial institutions provide such badla funds. For the Badla Financier, it provides as easy avenue of fixed return investment. The Badla Financier relies heavily on the credibility of the broker through which the transaction is processed.

The Continuous Funding System Regulations, 2005 came into force in August. According to the new system, Badla, which was capped at Rs12 billion has been raised under CFS to Rs25 billion to ease pressure on small and retail investors. Instead of a 30 day contract in the Badla system, the contract in CFS extends to 60, 90 and 120 days.

The Badla market opens after completion of regular market dealings. Investors with leveraged positions in the regular market participate in the Badla market in order to arrange for financing their trades. With the CFS in place, a parallel market for "loan able funds" works simultaneously and in tandem with the regular market, due to which the investors are appraised about the funds availability on real-time basis. CFS financees have to keep the continuous funding system financed securities in a separate account maintained with the CDC. By doing so, the financiers ensure that the securities are not being used for loaning against blank and short selling.

Margin Financing: The Basics...

Margin financing is a tool used by investors looking to increase their buying power, by borrowing against a portfolio of securities, which act as collateral for the "loan". Leverage is offered as a percentage of collateral value and interest is charged on the total financed amount.

Prior to the New York Stock Exchange crash of 1929, margin financing in the United States required investors to put in a small amount of money (which could have been in the form of securities). However, when markets experienced bearish runs, stock prices fell, forcing investors to sell their positions. This is not the case anymore with more rigid minimum margin requirements.

With a portfolio in place as collateral, an investor can use margin financing to buy additional securities, and make a profit, but securities purchased with borrowed money constitute a separate, independent portfolio. However, greater buying power means more exposure to volatility in the market and possibly greater losses.

When collateral securities, which happen to be supporting the loan, experience a decline in value, the financier faces the possibility of losing money. For this reason, a minimum margin requirement is set. The difference between the value of the securities and the loan, called the net value, must remain above the minimum margin requirement.

Margin financing allows investors to build larger portfolios, and with the extra profits, avail investment opportunities such as Initial Public Offerings (IPO's). On the flipside, poor investment decisions can increase the losses.

UTP - Fund of Funds: The First Review...

Since its launch on October 31, 2005, UTP-Fund of Funds has successfully constructed its investment portfolio. The core focus while investing in underlying mutual funds is to invest in funds with a high quality portfolio and management. Successful long term track records of management and marketability of underlying portfolios are the key drivers of investment decisions. The Fund follows a strict discipline based on historical and simulated market scenarios while building its positions. A quantitative ranking methodology for fund managers has been developed with a foreign affiliate and is used to benchmark the underlying investments.

As of 30th November, 2005, the fund's NAV has grown by 4.30 percent. By convention, if annualized, this return turns out to be 52.32 percent. The Fund has successfully invested a majority of its net assets in mutual funds, much of which went for towards Closed end funds. Money market operations and investments in CFS have roughly averaged 15 percent of NAV. Since the Fund aims to achieve superior risk weighted returns not only are underlying investments chosen on lower volatility but also money market funds are only placed through secure channels. In the near future, the Fund would start growing its exposure in Open end mutual funds to complete its theoretically optimal portfolio.

Market Reviews...

Foreign Exchange

Oil prices experienced a decline in November, however, the pressure on the rupee in the currency market slightly increased. The export growth of LSM shrunk while the import of relief goods and machinery kept creeping during the last month, offsetting the impact of decline in oil prices. The currency traded within a range of 59.72-59.87, with an average of 59.79/USD as against an average of 59.73/USD during October. The rupee is expected to undergo slight depreciation as oil prices may rise in December to boost the imbalance between import and export exchanges.

Equity

The market progressed on a steady uptrend during November with stock prices reaching new highs after the March crisis. Appreciating by 779 points or 9.4% during the month, the KSE-100 index breached the psychological barrier of 9,000 points to close at 9,026 points. Intra month high was 9,147 points which is also the highest index level reached after March 2005; but panic alarms need not go off!

The current market rally bears significant fundamental differences from the artificial appreciation preceding the March crash. While the earlier rally had mainly been led by hype in three major scrips, namely OGDC, PTC and PPL, the current rally is being witnessed across the board primarily by the second tier stocks, backed by strong fundamentals, healthy macroeconomic indicators and sound corporate results. Another notable difference from the pre-crash scenario is that rather than steeply peaking, the market has grown gradually, punctuated by acceptable corrections and profit-taking. The Cement, Transport & Communication and Investment Banks have continued to perform brilliantly and are steadily reaching their fair valuations.

The steady rally in the market is supported by volumes which remained healthy and stable during November. Average daily volumes rose by a notable 28% over the previous month to 418mn. DGKC, PTC and FCCL stood as the volume leaders with average daily turnover of 38mn, 36mn and 35mn shares respectively, together constituting approximately 26% of the total volumes at the KSE.

Money Market

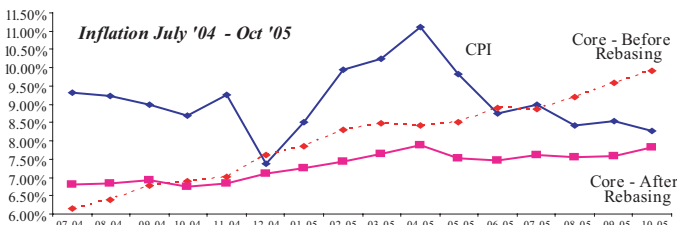
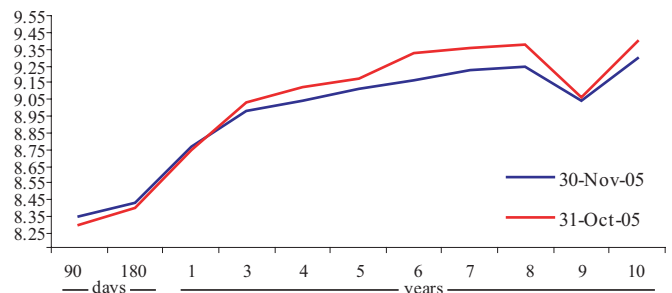
CPI or Inflation tapered off in Oct'05 to 8.27% YoY (Sept'05 8.53% YoY) mainly due to impact of lower food prices and continued monetary tightening by the SBP. However, as mentioned in our August Newsletter regarding Core Inflation, we reiterate that in order for inflation to come down, core inflation (non-food, non-oil) needs to be controlled. As clearly evident from the graph, Core inflation is still climbing. It is to be seen whether the SBP will continue with its current stance of stable interest rates, or a further tightening is in order in 2H'06.

On the money-market front, the SBP raised the cut-off yield on the 6M tenor to signal that rates continue to remain stable at present levels (given below). Activity was seen in the benchmark 10-Year bond and yields declined slightly to levels of 9.03% - 9.10%.

T-Bill Cut-off Yields

Tenor	November	October
03 Months	Unchanged	8.10%
06 Months	8.2910%	8.1388%
12 Months	Unchanged	8.79%

PKR Yield Curve



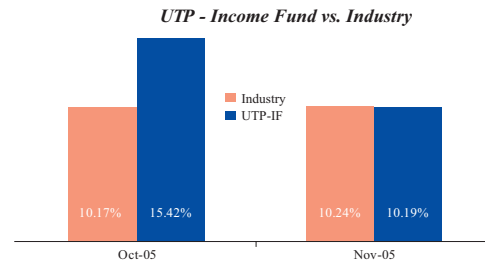
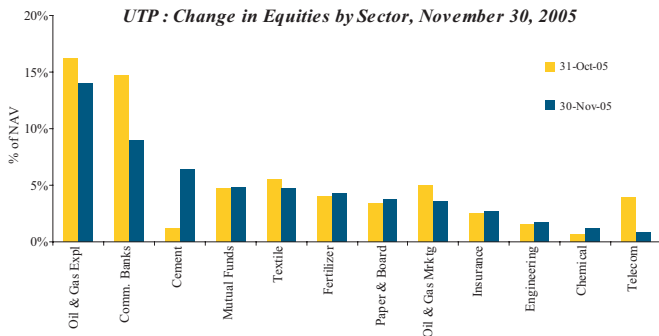
Future Outlook As major banking and oil & gas scrips reach their fair values, we expect the market to remain largely flat over the next few weeks. Up-thrusts brought about by sudden hypes might lead the market into the overbought region, to be immediately followed by corrections and profit taking. As seen during the previous month, we expect secondary stocks to attract investor interest. Although on a fundamental basis, the turnover is expected to remain stable, nevertheless, the new SECP directive of considering non member chairman of KSE may dampen the sentiments of the investors. In all, we expect to see most of the market movement upon news and rumors. On privatization front, finalization of the PTCL deal with Etisalat and further developments, especially with regard to OGDC, PPL and PSO are also expected to significantly impact the market sentiment.

With international oil prices stabilizing below US\$ 60 a barrel and reports of a relatively milder winter, international aid for the earthquake stricken received an overwhelming response of US\$ 5.80Bln which is set to increase the SBP's Reserves, we however, maintain our inflation forecast to be 9.00% for FY'06, with a likelihood of short term interest rates tapering off by end-2H'06 for the near term.

Fund Performance Reviews...

UTP During November 2005, the NAV per unit of UTP appreciated by 6.21% as against the 9.44% increase in the KSE-100. The market gained momentum on healthy volumes owing to the optimism on the privatization front and exceptional corporate earnings expectations, particularly regarding the Cement and Banking sectors. Interestingly, there has also been strong rally in the second and third tier stocks, which by and large helped develop a positive market sentiment. During the month, we increased our holdings in selective stocks in the Cement Fertilizer, and Chemical sector, whereas we exited some of our holdings in Oil & Gas Exploration and Marketing, Banking, Textiles and Telecom sector.

All in all, we reduced our exposure in equities to 58% from the previous month's 64%, while we also brought down our investment in fixed income market to 15% from 20% as of last month. Looking forward while continuing with our defensive strategy, we aim to gradually rebuild positions in quality stocks on dips, and maintain adequate exposure to catch the general market trend.

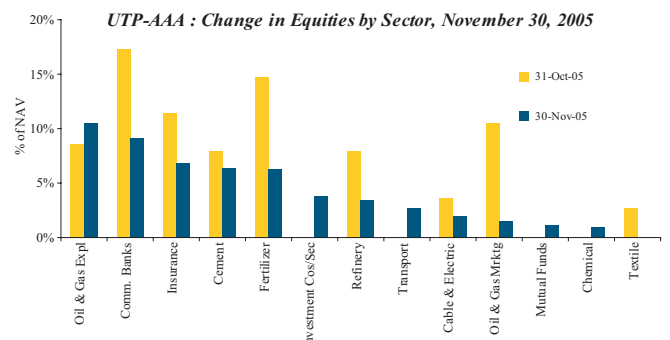
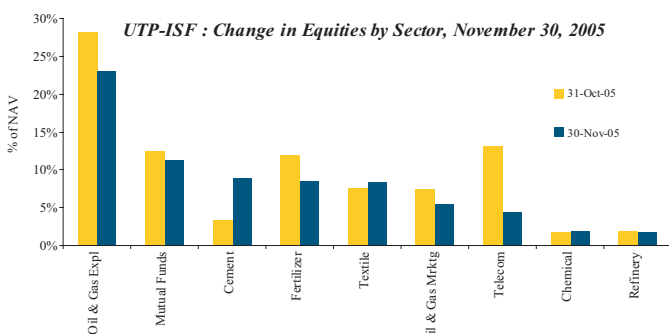


UTP-IncomeFund The KSE-100 Index extended its bull-run gaining over 780 points in Nov'05. Weighted average CFS rates rose towards the last week from 16.58% to close at 16.83% p.a. We maintained our cautious stance by further decreasing our allocation in spread transactions given the volatility to ensure minimum risk to the portfolio, thereby earning a lower return.

Based on current levels, and the year-end approaching for most companies/ banks and the need for window dressing, our shift from CFS/ Spread transactions to Bank placements will increase given the higher returns offered vis-à-vis CFS, with little or almost negligible risk, thus ensuring a higher return in December '05.

UTP-IslamicFund The fund's NAV increased by 8.08% versus the 9.44% rise in the KSE-100 during November 2005. Although, the market pulled back from its previous month's range bound behavior, we still feel that it was not much broad based enough, except in few sectors which extended their returns for another month. We expect a technical correction around the current levels, from where onwards we foresee the market rebound to be dominated by the underperformers, i.e. mainly Oil stocks. However, the issues pertaining to the appointment of the non-member Chairman of the KSE Board as well as the pending Etisalat payment may carry on the negatives in the market which can potentially result in some downside going forward.

During the month, we reduced our holdings in Telecom, Oil & Gas Exploration and Marketing, and Fertilizers in favor of Cements and Textiles. Whereas, on a monthly basis, our exposure in equities stood at 73% as compared to 87% on Oct 31st.



UTP-Aggressive Asset Allocation Fund The fund's NAV appreciated by 8.63%, as compared to the 9.44% rise in the KSE-100 during the month. The fund mainly increased holdings in the Oil & Gas Exploration whereas it started building fresh positions in the Investment Companies/ Securities, Transport, Closed End Funds and Chemical sector. However, on a monthly, we reduced the fund's exposure in equities to 56% from 85% on Oct 31st, as we trimmed positions in Oil & Gas Marketing, Banking, Insurance, Fertilizers and Textiles stocks at strength.

We remain generally upbeat on equity valuations on likelihood that corporate profits will continue to remain strong, which will hopefully be supporting the rising index levels in the future. With that in mind, we look forward to adopt a stock picking strategy to develop a concentrated portfolio in order to achieve the Fund's objective.

Investor Convenience...

QuickClicks Here's a list of quick crisp websites that may help you when you are thinking about money.

Pakistan Board Of Investment (BOI)

<http://www.pakboi.gov.pk>

The Government of Pakistan established the Board of Investment (BOI) as the central investment promotion and facilitation agency. The purpose of the BOI is to streamline and co-ordinate the process of investment and to create an investor friendly culture in the country. The site provides valuable industry wise information, policies, legislative framework and guidelines for every possible business avenue.

Central Board Of Revenue (CBR)

<http://www.cbr.gov.pk>

The site provides information on customs and taxes, federal budgets, different notices and reforms. It also allows download of forms such as income tax return forms, sales tax form etc. The biggest achievement of CBR site is the introduction of online National Tax number (NTN) verification system through which anyone can verify their NTN numbers by entering their personal details.

Privatisation Commission (PC)

<http://www.privatisation.gov.pk>

The Ministry of Privatization was created in November 2000, with a view to enhance the stature of privatization and facilitating transactions. The website offers sector wise information on the privatized units as well as privatization schemes that are in the pipeline. In addition to this it also educates people about rationale and policy for privatization and also discusses the overall privatization process.

Securities And Exchange Commission Of Pakistan (SECP)

<http://www.secp.org.pk>

SECP helps to promote fair, efficient & transparent regulatory frame work for the corporate sector and the capital market in Pakistan. The web site contains information and regulations regarding the Non Banking Financial Sector such as Investment Financial services, Leasing Companies, Housing Finance Services, Venture Capital Investment, Discounting Services, Investment Advisory Services and Asset Management Services, Specialised Companies Division etc.

Mutual Fund Association Of Pakistan (MUFAP)

<http://www.mufap.com>

MUFAP was formed in 1996. It plays an important role in promoting the mutual fund sector in Pakistan by acting as a facilitator between the market participants and regulators. It disseminates essential information on various funds, fund managers, stock market, as well as the regulatory environment under which open and closed-end funds operate. The site has information regarding asset management companies, daily prices (NAVs), funds payouts and historical data about mutual funds.

State Bank Of Pakistan (SBP)

<http://sbp.org.pk>

As the central bank of Pakistan, State bank is responsible for regulating the monetary policy. The site is highly informative and contains information on laws, regulations, economic statistics and the overall monetary policy of the state. A Help desk is also available on the web-site through which queries can be resolved.

ABAMCO Limited

<http://www.abamco.com>

Abamco Limited is the first asset management company in the private sector of Pakistan. Abamco's fund family contains five closed-end and five open-end funds. The site contains basic information and a glossary for investors. Various forms and financial information can be downloaded.

About.com

<http://mutualfunds.about.com>

The site provides basic information regarding mutual funds. A number of articles are available for educating investors about investment strategies and the kinds of mutual funds available.

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All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends /returns thereon are dependent on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.

Please read the "Risk" & "Disclaimer" clauses of the respective funds' offering document and consult your investment /legal adviser for understanding the investment policies and risks involved.