

## News.....In brief...

Rs. 1.02 paid out in cash dividends!!!	page 1
First retail branch launched	page 2
NIT heads for privatization	page 3

## Fund Performance Reviews

Unit Trust of Pakistan (UTP)	page 2
UTP - Income Fund	page 2
UTP - Islamic Fund	page 2

## Economic Snapshots

page 2

## Economy.....In brief...

Regulatory updates	page 3
Financial Markets - Review February 2005	page 4
Market Outlook	page 4

## Others.....

Glossary of Investment & Financial Terms	page 1
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## Glossary of Investment & Financial Terms

**Annuity:** a contract sold by life insurance companies that offers tax-deferral and, if elected, guaranteed payments to the annuitant (the beneficiary of these payments) for a specified period of time. Annuities are sold in units, not shares. A fixed annuity pays a fixed amount for the duration of the contract, while a variable annuity pays different amounts based on the performance of the underlying investments. The account value of an annuity is often at least partially guaranteed by the issuer.

**Appreciation:** an increase in the value of an asset such as a stock, bond, commodity or parcel of real estate.

**Asset:** anything with commercial or exchange value owned by a business, institution or individual. Examples include cash, real estate and investments. Mutual fund assets consist of the securities held in the fund's portfolio. The opposite of a liability.

**Asset allocation:** the mix of assets in which money is invested, including stock and fixed-income investments, cash equivalents, and tangible assets such as real estate and collectibles. A central concept in financial planning and investment management, asset allocation affects both risk and return: Investing in a combination of investments can reduce risk and enhance returns through diversification.

**Asset-backed security:** securities backed by payments received from a specified pool of receivables, such as mortgages, automobile loans or credit card accounts. The structure is intended to isolate the issuer of the securities from the bankruptcy risk of the originator of the receivables (for example, a bank or another provider of credit).

**Asset-based fee:** an annual fee charged by some broker-dealers for advice, which usually ranges from 0.5% to 3% of assets. This fee is typically charged instead of a transaction-based fee.

**Audit:** the examination of a mutual fund's accounting documents and financial statements by a professional accounting firm to verify their accuracy and conformity with generally accepted accounting principles.

## Record Breaking Interim Cash Dividends!!!

A total payout of Rs 1.02 billion was declared by ABAMCO Limited for the closed end funds under its management along with the results announced for the period ended December 31, 2004\*. The names of the certificate holders appearing on the books of the respective funds as on March 30, 2005 will be eligible for this payout. The weighted average yield based on the prices as of yesterday for the period July 1, 2004 till March 30, 2005 thus equates to 15.93% for an investor of the fund in ABAMCO managed closed end funds. This yield is superior to the return currently available on all types of fixed income instruments, and is indeed even higher than most equity investments.

In addition to the closed end funds, the company while making its figures for the open end funds results available to the public have stated an earnings of Rs 125 mn excluding un-realized income that works out to Rs 296.05 per unit for its balanced fund - Unit Trust of Pakistan (UTP). The net earnings exclusive of the unrealized gains for the other two funds viz. UTP-ISF and UTP-IF were recorded at Rs 31.03 million (Earnings per unit of Rs 18.72) and Rs 43.22 million (Earnings per unit of Rs 15.21) correspondingly.

ABAMCO Composite Fund (ACOF), the latest fund launched by the asset management company and subscribed by IFC and other local premier institutions of the country has announced a cash payout of Rs 411.93 million for the income earned to date. The cash dividend announced at the rate of 12.5 percent per certificate implies an annualized current yield of 18.64 percent for the fund that has been in operation approximately for the past ten months only.

BSJS Balanced Fund (BBF), the first mutual fund launched by ABAMCO has paid an interim dividend of Rs 148.22 million at the rate of 12.5 percent per certificate. This payout delivers an annualized current yield of 15.08 per cent for the period July 1, 2004 till March 30, 2005.

Similarly, ABAMCO has announced a payout of Rs 71.66 million, 131.25 million and 253.68 million for their other three equity funds namely Abamco Growth Fund - AGF (formerly 4th ICP), Abamco Stock Market Fund - ASMF & Abamco Capital Fund - ACF. The payout at the rate of 26 percent 15 percent and 12.5 percent by AGF, ASMF and ACF implies an annualized yield of 12.39 percent, 15.08 percent and 14.55 percent respectively.

ABAMCO Limited has over Rs 18.5 billion of assets under its management as of February 28, 2005 and is therefore the largest asset management company in the private sector of the country. During the period July 1, 2004 to February 28, 2005 the net assets have appreciated by 33.17% that depicts the confidence of the investors in our funds and our ability to provide them with superior returns.

\* This payout is from total income earned to date.

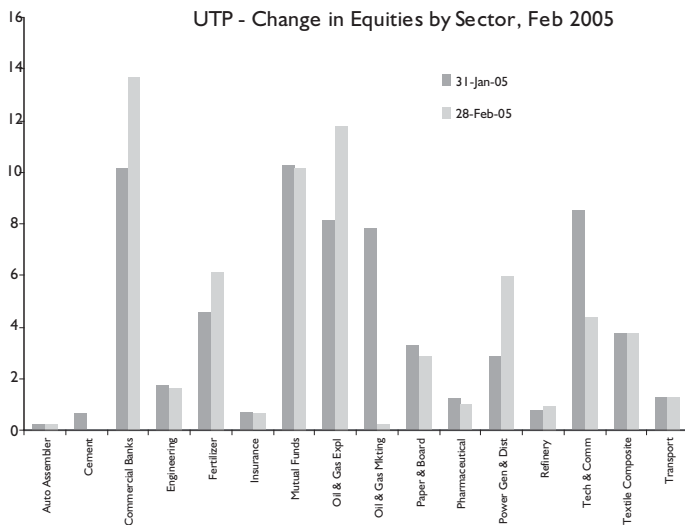
## NAV Variation

Fund	Jan 31' 05	Feb 28' 05	MoM Change (%)
UTP	7,970	8,671	+8.79
UTP - IF	526.00	530.25	+0.81
UTP - ISF	642.00	709.25	+10.47
BBF	15.03	16.27	+8.25
ASMF	19.38	20.42	+5.36
ACF	17.50	18.29	+4.51
AGF	34.85	37.84	+8.57
ACoF	11.17	12.08	+8.14

## Unit Trust of Pakistan

### Performance Review

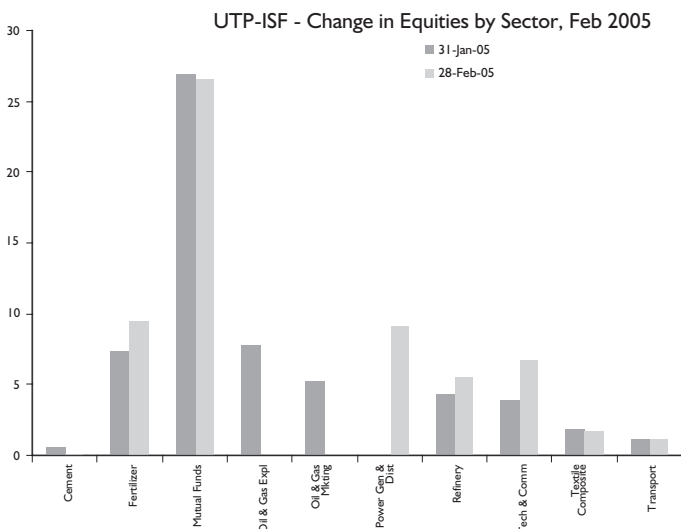
UTP performed very well during the month of February with an appreciation of 8.79% in the net asset value (NAV) of the fund. The investment strategy for the UTP fund was opportunistic given the volatility in the market and the asset allocation between equity and fixed income/COT varied on a daily basis. In general, our positive outlook in the Oil and Gas and the Fertilizer sectors has continued and, along with our bullish view of the Commercial Banking sector, has helped in the funds excellent performance. Badla rates remained high yet again this month as the market kept breaking new ground. This helped mitigate the volatility of the market somewhat for the fund.



## UTP-Islamic Fund

### Performance Review

The UTP Islamic fund had excellent performance during February with a NAV appreciation of 10.47% despite the choppiness in the market. Sector rotations and reweighing were continued as planned (please see graph) and within each sector, certain holdings were rotated based on our valuation analysis of each company. Opportunistic advantage was taken in the Oil & Gas sector throughout the month. To further diversify, new names and ideas for possible investment by the fund were sent to the Shariah board for approval. During the month, the exposure in the READY/FUTURES market was increased, leading to high returns for the fund.



## Economic Indicators

Indicator	Position	Updated
GDP Growth	6.4%	
Industrial growth	13.4%	
Agricultural growth	2.6%	
Services sector growth	5.2%	
Fiscal Deficit (% of GDP)	3.3%	
Investment to GDP	18.1%	
Unemployment rate	8.3%	
Per capita income (USD)	652.00	
Average bank lending rate	6.2%	Oct '04
SBP Discount Rate	7.5%	Dec 25 '04
FX Reserves (USD bn)	12.67	Feb 12, '05
Total external debt (USD bn)	36.20	
Total internal debt (PKR bn)	2,028.40	
CPI Inflation	9.1%	

## ABAMCO Limited

### Retail Branch Inaugurated in Karachi...

As a reflection of what is a continuing expansion of operations, ABAMCO Limited has launched the first ever SECP approved retail branch in Pakistan's private sector asset management industry.

Mr. Jahangir Siddiqui, former Chairman of ABAMCO and founder of Jahangir Siddiqui Group formally inaugurated the branch at noon on February 5, 2005. The current Chairman, Mr. Munawar A. Siddiqui & Chief Executive, Mr. Najam Ali, along with other group company CEOs and employees were present at the occasion.

The retail branch, situated at Business Avenue, main Shahrah e Faisal, Karachi, is a fully functional and independent customer service, operations & retail marketing unit and has been approved by the Securities & Exchange Commission of Pakistan. This is the first amongst a series of many branches that the company intends to launch in the near future.

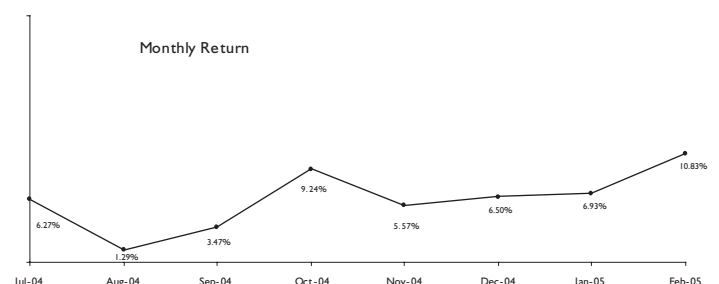
The launch of this branch has resulted in the actualization of ABAMCO's aspiration to be closer than ever to its valued clientele in order to provide them superior levels of customer support & service.

## UTP-Income Fund

### Performance Review

UTP-IF performance - Interest in the TFC market is dampening, with no new new issuances and investments in February. In light of the recent bull-run in the equity market, the weighted average COT rates continue to remain at highs of 17.35% (Feb '05).

Outlook - We continue to favor a higher return primarily due to the continued bull-run in the equity market and heavy COT investment. However, volumes and spreads have increased in the READY/FUTURES market with ample opportunity for higher returns.



## Regulatory Updates

### SECP unveils Voluntary Pension System Rules:

The Securities and Exchange Commission of Pakistan (SECP) on Friday announced the Voluntary Pension System Rules (VPSR), 2005, allowing asset management and life insurance companies to become pension fund managers.

Under the VPS, asset management companies and life insurance companies would be licensed to act as pension fund managers. In addition, life insurance companies would be authorised to offer annuity plans at the retirement age of the participants.

All Pakistani nationals, over 18 years of age and possessing a valid National Tax Number and who are not employed in any position entitling them to benefits under any approved occupational pension scheme, shall be eligible to contribute to the pension funds authorised by the SECP.

Pension fund managers will maintain separate pension accounts for each participant. The participant would be allowed to transfer the balance in his individual pension account maintained with a pension fund manager to another pension fund manager.

The balance in the pension fund would be invested in accordance with the criteria laid down by the SECP from time to time.

At the age of retirement, between 60 and 70 years or earlier (in case a participant develops disabilities), the participants would be allowed to withdraw 25 per cent of the amount in his individual pension account. The remaining amount would be used to buy an annuity contract from a life insurance company of his choice.

### Action Against "Blank selling":

In line with the directives of the Securities and Exchange Commission of Pakistan (SECP) for increased front line regulations to discourage market manipulators, the Islamabad Stock Exchange (ISE) has issued show-cause notices to two brokerage houses and an individual, who failed to deliver the required number of shares on the settlement date.

### 15 Listed Companies Issued Show-Cause Notices:

The Securities and Exchange Commission of Pakistan (SECP) has maintained strict vigilance of companies and issued show-cause notices to 15 listed companies for violating various provisions of law in January 2005.

These notices were issued to the companies for failure to transfer shares, non-holding of annual general meetings (AGMs), non-circulation of quarterly accounts, misuse of employees' provident funds, failure to give proper reports by the auditors and non-submission of application for appointment of cost auditors. These cases would be decided in due course of time.

### SBP Clarification to Banks & DFIs:

The State Bank of Pakistan has clarified an order previously issued, which makes it clear and mandatory upon banks and Development Finance Institutions to establish a subsidiary to manage "Collective Investment Schemes", which includes Asset Management Services.

## Global Mutual Fund News

### Funds To Pump More Cash Into Asian Stocks In 2005

Money from funds is set to pour into Asian stocks for a third straight year in 2005, helped by a weaker US dollar and attractive valuations, funds industry experts say, according to a Reuters Report released on January 14, 2005.

The big winners will be India, whose stock market hit life highs this month as the economy powers ahead, and smaller markets such as Thailand, Malaysia and Singapore.

"Based on the heady inflows into the India country funds we track, there are a lot of institutions out there that are still scrambling to increase their targeted exposure to Indian equities," said managing director at Cambridge, Massachusetts-based Emerging Portfolio Fund Research, Brad Durham.

Mutual funds put a net \$10.8 billion into Asia in the first 11 months of last year, compared with \$12.9 billion in the whole of 2003 and a net outflow of \$2.4 billion in 2002.

"Provided the US dollar weakens gradually as it has in the last couple of years and doesn't collapse, which is probably a 20 per cent risk, then asset reflation plays and probably the whole region will perform well," says fund manager at First State Investments, Alistair Thompson.

### India Eyes Global Market For Mutual Funds:

Tata Mutual Fund is set to float its maiden offshore scheme in the third quarter to target the foreign investors.

Ved Prakash Chaturvedi, Managing Director, Tata Mutual fund, said that the foreign investors have shown great interest in India, and, therefore, they are tapping the market by launching the offshore fund in the early second half of 2005.

It is expecting to raise nearly \$100 million from its IPO and will invest in Indian equities.

### Derivative Fund Launched in India:

The benchmark mutual fund has launched India's first derivatives fund that will focus on generating returns from arbitrage, says a report from The Economic Times. The initial public offer (IPO) for the fund closed on Tuesday, December 14, 2004. The public float has mopped up funds in excess of Rs 3 billion.

Post-IPO, the fund opens only once a month for subscription and redemption. This means investors can redeem units held or subscribe to fresh units of the scheme only on the last working day of each month while the fund will generate returns through various types of arbitrage opportunities, such as the gaps between spot and future prices for equities.

## NIT Heads For Privatization

Pakistan's largest mutual fund, NIT, is headed for privatization, possibly by June this year.

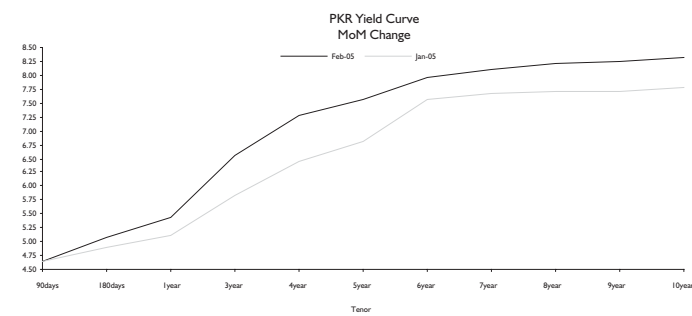
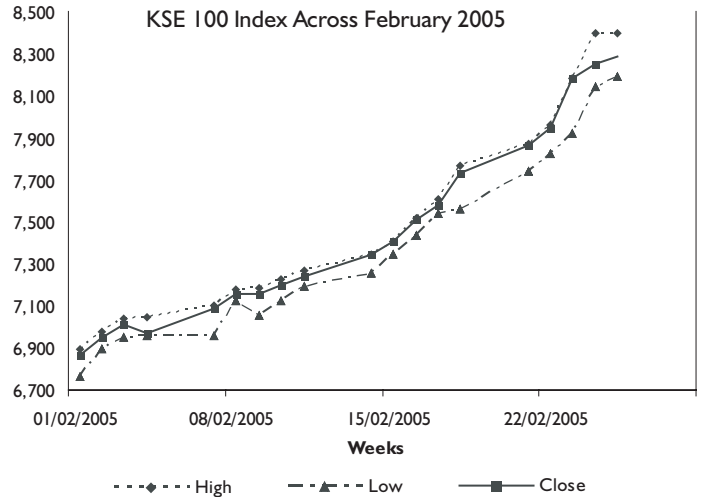
The total net assets of NIT are roughly Rs. 67 billion, which is more than 50% of the aggregate net assets of all open and closed end funds in the private sector.

It is apparent that NIT will be split into five units, of which three would be sold under public auction, while the remaining two would be distributed amongst institutions holding the "Letter of Comfort".

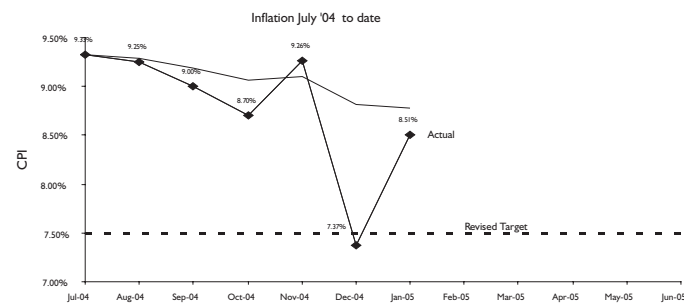
The arrangement for privatization of NIT is expected to be finalized and approved by the end of March 2005.

## Financial Markets Review - February 2005

**KSE-100 Index - 22% up...:** February 2005 proved to be a record breaking month for KSE. The index broke the two major barriers of 7,000 and 8,000 to close at 8,260 points. Overall the index increased by 1513 points, or 22% during the month. Average daily trading volume was 700m shares as compared to 676 million in January 05. Major rally was seen in the E&P sector which was led by PPL following its privatization news. The government called for Eols (Expressions of interest) in the company which sent the price of the stock skywards. Its stock price rose by astonishing 84% while OGDCL gained 45% and Pakistan Oilfields (POL) rose 35%. Further downstream, PSO, another market heavyweight, gained 33% during the month, also on privatization related optimism. Besides energy sector picks banking and cement sectors also contributed to this rally. NBP, Bank of Punjab and Askari Bank witnessed 44.4%, 33.9% and 19.7% appreciation in their respective share values. Fauji Cement and DG Khan Cement were among top performers in the cement sector.



**Money Market:** Interest rates saw a major hike in the month of February with the State bank increasing the rates on both the 6 month and 12 month T-bill rates. The benchmark 6 month T-bill rate was raised by more than 100 basis points to 5.20% while on 12 months T-bills was raised by 53 basis points to 5.49%. Rising inflation rates was the major cause behind this rise. Inflation for the month of January was 8.51%. Badla rates at the Karachi Stock Exchange remained at its cap of 18% almost throughout the month. This is because primarily because of the increasing badla volumes at the KSE. Going forward we could see further tighter monetary policy and hike in interest rates on account of rising inflation and higher than expected credit growth.



**Future Outlook:** The market is currently in a buying frenzy and is guided by primarily the privatization news of different government entities in the E&P sector. Over the last couple of months the index has risen sharply by over 54% and hence a major correction might be forthcoming. However Sentiment remains bullish, the upward momentum is strong, and upcoming corporate events such as bonus share and dividend payouts will keep investor interest high. Economic performance remains robust with strong growth in both the industrial and agricultural sectors. Higher inflation and increasing trade deficit though remains a cause for concern.

**Foreign Exchange Market:** The Rupee remained stable against dollar in the month of February despite increasing trade deficit and rising oil prices. An inflow of \$600 million in February on account of the Sukuk bond launched by Pakistan helped rupee remained stable throughout the month. The dollar traded at an average of 59.35 during the month with a high of 59.39 and a low of 59.32.



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