

## Fund Performance Reviews

Unit Trust of Pakistan (UTP)	page 1
UTP - Income Fund	page 2
UTP - Islamic Fund	page 2

## Economic Snapshots

page 2

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

Financial Markets - Review April 2005	page 3
Market Outlook	page 3

## Others.....

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

## NAV Variation

Fund	Mar '05	Apr '05	MoM Change (%)
UTP	8,070	7,956	-1.41
UTP - IF	540.63	544.50	+0.71
UTP - ISF	667.00	632.25	-5.21
BBF	14.16	14.86	+4.94
ASMF	16.86	16.27	-3.49
ACF	15.35	14.86	-3.19
AGF	33.07	31.95	-3.38
ACoF	10.25	10.15	-0.97

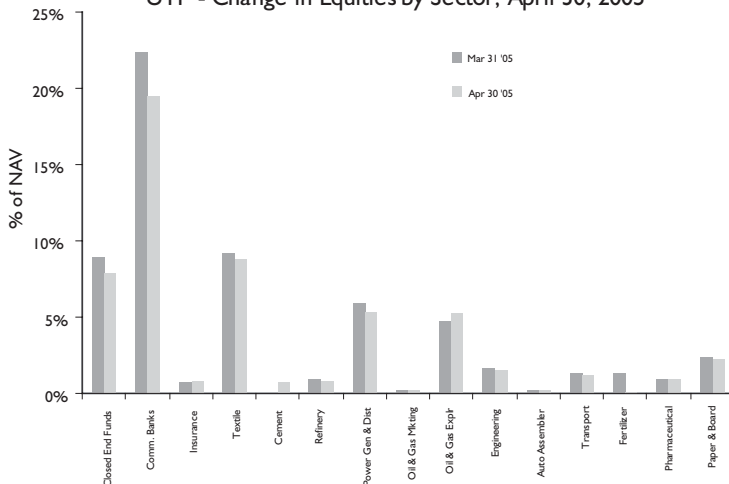
## Unit Trust of Pakistan

### Performance Review

The UTP fund for the month of April was 1.41% down as compared to a fall of 8.57% in the KSE 100 Index. Owing to structural and regulatory changes and uncertainty in the market, UTP's allocation to equities was further reduced to 55.7% from the previous month end level of 60.8%. Exposure in the Commercial Banks and Fertilizer sectors was reduced mainly with a profit taking objective. A position in the Cement sector was initiated in order to capitalize on selective investment opportunities.

Due to significantly lower COT rates as compared to the preceding month, exposure to Money Market instruments, such as Repos, and government securities was also undertaken.

UTP - Change in Equities by Sector, April 30, 2005



## Glossary of Investment & Financial Terms

**Balance sheet:** the portion of a mutual fund's financial statement that details the fund's net assets, equal to the assets minus the liabilities of the fund.

**Balanced fund:** a mutual fund which seeks to preserve capital and provide return to investors by holding a mix of bonds, stocks, commercial paper and other short-term securities. Long-term growth of capital and income is also an objective of a balanced fund.

**Basis point:** a unit used to measure changes in interest rates and bond yields. One basis point equals 0.01%, or 1/100 of 1%; 100 basis points equal 1%. A bond's yield that increased from 8.00% to 8.50% would be said to have risen 50 basis points.

**Bear market:** a prolonged period of falling prices, typically defined as a 20% or greater drop from a market peak. A bear market in stocks is usually prompted by investors anticipating a decline in economic activity, while a bear market in bonds is caused by rising interest rates.

**Benchmark:** an index or group of funds used to measure the performance of a mutual fund. Widely used benchmarks include the KSE 100 Index and the Jahangir Siddiqui Pakistan Government Bond Index (JS-PGBI) (Reuters: JSCP & Bloomberg: JSCL).

**Beneficiary:** a person designated to receive an annuity payment, an inheritance in a will, or the proceeds of a life insurance policy or trust after the death of the owner, policyholder or plan participant.

**Blue chip:** the stock of a nationally known company with a long record of profit growth and steady dividend payments, and a reputation for high-quality management, products and services. Examples of blue chip stocks include PTCL, Hubco, PSO etc.

**Board of directors:** a group of individuals elected by the shareholders of a mutual fund empowered to carry out certain tasks defined in the fund's charter, such as appointing senior management, issuing additional shares and declaring dividends.

**Bond:** a debt instrument (IOU) issued by a corporation or government agency. In return for the use of the lender's money, the bond issuer promises to pay regular interest payments and return the principal upon maturity. A secured bond is backed by collateral which may be sold by the bondholder to satisfy a claim if the bond issuer fails to pay interest and principal. An unsecured bond, or debenture, is backed by the full faith and credit of the issuer but not by any specific collateral. Bondholders do not have any of the corporate ownership privileges of stockholders. Bonds are offered in a number of different forms, including convertible bonds, high-yield bonds, mortgage-backed bonds, municipal bonds and zero-coupon bonds.

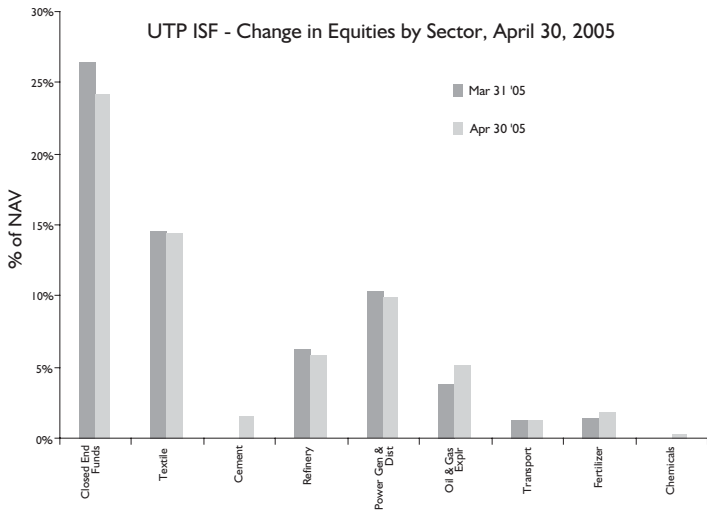
**Bond fund:** a mutual fund that primarily invests in bonds. Some bond funds specialize in a particular kind of bond, while others diversify across categories. Bond funds are an important part of a diversified investment portfolio and generally pay regular distributions, making them particularly appropriate for investors seeking current income. UTP-Income Fund is a prime example of a Bond Fund.

## UTP-Islamic Fund

### Performance Review

The UTP Islamic Fund was down by 5.21% at the end of April while investment levels unchanged from the previous month. The KSE 100 Index moved down 8.57% during the period under consideration. In line with ABAMCO's outlook on the Cement sector, a position was initiated in selective scrips. Exposure to the Closed End Funds Sector was reduced while some rebalancing was done in the Power Generation & Distribution and Oil & Gas Exploration sectors.

Ready-Future transactions were not entered into due to various regulatory issues and increased risk factors. Investments in such transaction will be initiated once the market stabilizes and Futures trading rules become clear.



### In the news...

#### Bidding for PTCL shares on June 10

The Privatization Commission on Wednesday announced the schedule for the bidding of Pakistan Telecommunication Company Limited. The bidding will be held on June 10 for 26 per cent shares of PTCL with management control as a wholly integrated telecom operator.

#### Reliance Industries eyes Pakistan for Investment:

Reliance Industries is likely to embark on India's largest ever investment in Pakistan. Negotiations are believed to be in advanced stages to acquire the petrochemicals business of ICI Pakistan for close to \$300 million, a report released by Press Trust of India and Economic Times of India said.

Reliance officials declined to comment on the deal but have not denied it. It said that Reliance, market leaders in polyester business in India, were keen to acquire the petrochemicals business of ICI Pakistan Ltd, which also manufactured soda ash, paints, chemicals and life science products.

#### JSIBL Ratings Maintained:

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and the short-term ratings of Jahangir Siddiqui Investment Bank Limited (JSIBL) at "A+" (single A Plus) and "A1" (A one) respectively. JSIBL is the sister concern of ABAMCO Limited.

These ratings are applicable to senior unsecured creditors of the company, and denote a low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments.

JSIBL's ratings reflect its robust performance, and the strengthening capital structure. The bank's affiliation with Jahangir Siddiqui Group, with its proven expertise in capital market operations, is also a critical rating factor.

## Economic Indicators

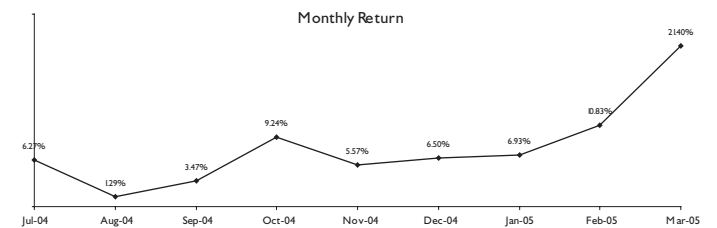
Indicator	Position	Updated
GDP Growth	6.4%	
Industrial growth	13.4%	
Agricultural growth	2.6%	
Services sector growth	5.2%	
Fiscal Deficit (% of GDP)	3.3%	
Investment to GDP ratio	18.1%	
Unemployment rate	8.3%	
Per capita income (USD)	652.00	
Average bank lending rate	6.2%	Oct '04
SBP Discount Rate	9.0%	Apr 12 '05
FX Reserves (USD bn)	13.00	Apr 30 '05
Total external debt (USD bn)	36.20	
Total internal debt (PKR bn)	2,028.40	
CPI Inflation	9.9%	

## UTP-Income Fund

### Performance Review

April '05 saw a sharp dip in COT and Money Market rates, primarily due to low COT volume and a relatively ill-liquid money market. Our portfolio shift from COT to money market repos has resulted in giving a stable return. Little interest was shown in the TFC market, as almost all public offers being under-subscribed.

Outlook - Given the current volatility in the KSE 100, negligible volume in spread transactions and lower return on COT, we expect to maintain a stable single digit return.



### JSCL Ratings Maintained:

The Pakistan credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Jahangir Siddiqui & Co. Ltd at 'AA+' (Double A Plus) and "A1+" (A One Plus), respectively. These ratings are applicable to senior unsecured creditors of the company. The ratings of the two unsecured listed TFC issues of Rs 500 million each are also maintained at "AA+" (Double A plus). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

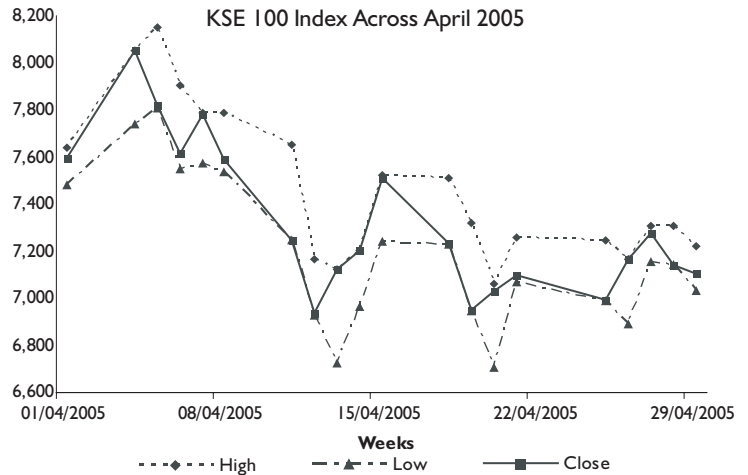
The ratings reflect the solid capital structure of the company, which, supplemented by a highly liquid profile of assets, has engendered a very strong risk absorption capacity. Although JSCL's earnings are exposed to volatility due to sizable exposure to the stock market, the management has demonstrated its ability to manage the vulnerability. The ratings also recognize the efficacy of the company's strategy, which is directed towards adding stable and diversified sources of revenue.

Jahangir Siddiqui & Co. Ltd., a listed company, was established in 1991. Starting as a traditional securities firm, JSCL is now acquiring the character of a holding company. With its considerably expanded equity and asset base, the company has embarked upon new initiatives while retaining its status as the 'flagship' company of the Jahangir Siddiqui Group.

## Financial Markets Review - April 2005

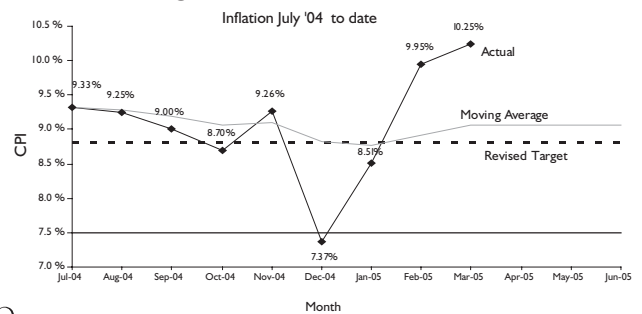
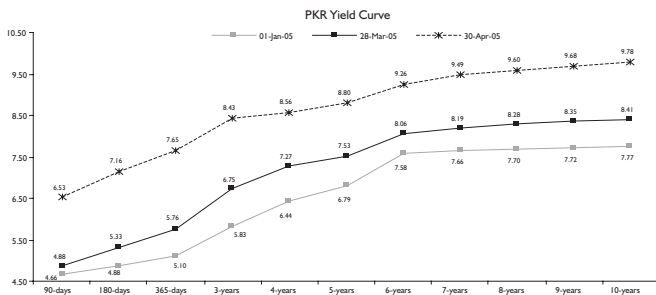
**Equity Market:** KSE-100 fell by 9% or 666 points in April following the settlement crisis that emerged in the preceding month. Price volatility remained high on back of brokers' apprehension over the SECP's revised exposure rules relating to the Futures Market on one hand and the issue pertaining to COT phase-out on the other. Average daily turnover of 243mn shares in April depicts a decline of 52% over the volumes during March, which postures investors' haziness concerning the bearish stock market. Moreover, a strong earnings season also failed to drive the market sentiments out of the blue, whereas the increase in the SBP's discount rate on April 11th proved to be another dampener for the market as it plunged by 349 points on the same day. Corporate earnings for Jan-Mar 2005 stood strong particularly in case of Banking, Fertilizers, Cement, E&P, Refineries and Oil Marketing sectors. And accordingly, these sectors outperformed the index during the month with few exceptions like NBP, OGDC and PPL. Top out-performers in the Banking sector were MCB, Faysal Bank and Union Bank showing an out-performance of 26%, 16% and 11% respectively over the KSE-100. Whereas, PTC, OGDC and FFBL were the volume leaders with average daily volumes of 62mn, 30mn and 16mn shares respectively.

**Foreign Exchange Market:** The rupee continued its gradual fall against the dollar. It traded at an average of 59.41 in April as against an average of 59.36 in March. The rupee depreciation is attributed to the importers' demand for dollar. However, the SBP has been keeping a steady supply of dollars in the market. The rupee escaped any sharp falls also because of the fact that the SBP was providing dollars for the oil payments from its own reserves. The increase in the SBP's discount rate to check the rising inflation in the economy helped rupee maintain its value in the range of 59.37 - 59.47 during the month.



**Money Market:** Inflation and oil prices remained high, with Mar '05 CPI touching a record 10.25% YoY. The SBP has again revised the inflation target for FY05 from 7% to 8.8%. Keeping inline with the continued tightening policy stance by the SBP, the key benchmark rate was increased from 7.50% to 9.00% on April 11, 2005. This resulted in the cut-off yields on 3, 6 & 12M T-bills rising by 130 bps to 6.39%, 7.18% & 7.24% respectively. Yields on the benchmark 10Y bond reacted negatively to discount rate increase and higher than anticipated cut-off yields, and traded as high as 10.15%. The SBP also conducted OMO throughout the month with little success in keeping the interbank rates tight. However, the SBP successfully conducted a 4-week OMO and sucked up PKR 17.25 bn. We stick with our forecast for inflation to be 9.00% for the full year, with a further increase of 100bps in SBP discount rate quite likely by June 2005.

**Future Outlook:** Given the recent developments on the regulatory front and the phasing out of the COT in the coming months, the stock market is likely to remain range bound unless any progress on the privatization follows through. Change often instills resistance and that is what can be the best guess on the market going forward in the face of low trading volumes at the bourses. However, a growing economy and improved Indo-Pak relations, besides strong fundamentals provide good enough reasons for the market to come out of its sloppy trend. Interest rates are again likely to follow a rising path, particularly this time around the long term maturities in the bond market.



**Credits:** Editor: Imtiaz Noor Mohammad (imtiaz.noor@abamco.com) Market Reviews: Syed Hussain Haider (hussain.haider@abamco.com) Fund Management Reports: Azeem Akhtar (azeem.akhtar@abamco.com) & Nabil Daud ur Rahman (nabil.rahman@abamco.com). For circulation queries, please contact the editor.

**Head Office:**  
7th Floor, The Forum,  
Block 9, Khayaban e Jami, Clifton  
Fax: 536 1727

**Lahore Office**  
2nd Floor, Associated House,  
Building # 3, 7-Egerton Road  
Fax: 630 9720

**Islamabad Office:**  
Shop 6-7, 1st Floor,  
Razia Sharif Plaza, Blue Area  
Fax: 580 2096

**Web:**  
Website: www.abamco.com  
E-mail: info@abamco.com

**Disclaimer:** This newsletter is for informational purposes only. The correctness of information in this newsletter cannot be guaranteed, however, the publishers have made their best attempt to keep the information provided here as correct as possible. ABAMCO Limited cannot be held responsible for any losses or gains arising upon actions, opinions and views created by this newsletter.

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.