

UNIT PRICE as on 31<sup>st</sup> August 2009: Rs. 10.2007

## ABOUT

The objective of ABL Income Fund is 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 INCOME FUND

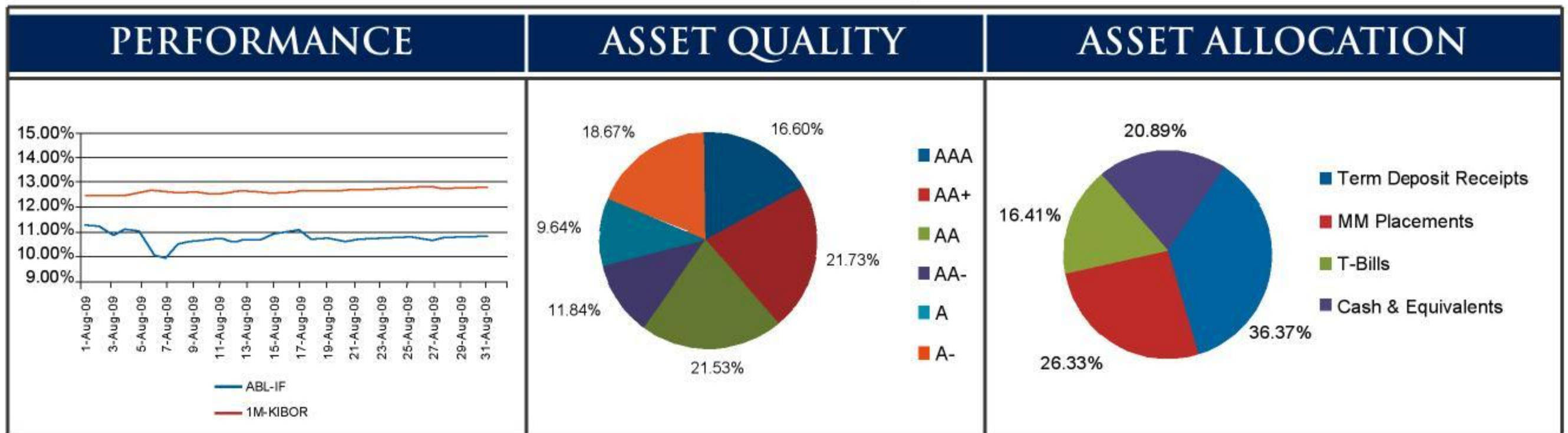
ABL-IF yielded an annualized return of 10.61% compared to 12.03% last month. The reduction in profit is due to a continuous fall in TDR rates during the period and increased volatility in Treasury Bills yields. The benchmark return increased to 12.50%, a 47 bps increase, due to liquidity shortages in the money markets on account of Ramadan Fiscal Outflows and Budgetary borrowing by the Government; however these had limited impact on TDR rates as banks showed reluctance in accepting expensive TDRs. Your fund, despite being liquid earned better returns as compared to the industry wide average of its peers.

A Discount Rate cut of 100 bps was announced in the much awaited Monetary Policy Statement (MPS) during the month under review. Although market sentiments had mellowed due to the delay in the initial MPS announcement from July to August, however improvements in latest inflationary figures led market pundits to contemplate a heavier cut, thus yields adjusted towards a probable cut of 150 bps. A cut of only 100 bps in the Discount Rate had an adverse impact and led to an immediate increase in yields thereby impacting mark to market prices of T-Bills. Furthermore, liquidity shortages exacerbated the situation thereby bestowing heavy volatility in the market. In the two auctions held during the month, 1-Year T-Bill cut offs increased by 56.73 bps, compared to the preceding months cut off.

Economic woes have led to a scenario where investment avenues have become meager and risks have multiplied. Thus on the back of heavy budgetary borrowing, Sovereign Debt instruments are the most secure and sought after investment product. Anticipated improvements in economic conditions on account of enhanced Foreign Inflows in the form of investments and support funds, predict a further cut in the Discount rate. This is likely to yield handsome gains on investments in Sovereign Debt instruments. ABL-IF is presently maintaining a conservative T-Bill portfolio and readily invests in the Money Markets in both clean and against Government Securities to various Financial Institutions.

PERFORMANCE			
ABL Income Fund	Since Launch	July 2009	August 2009
Annualized Performance (%) *	13.97%	12.03%	10.61%
Benchmark: (Average 1-Month KIBOR%)	13.26%	12.03%	12.50%
Profit on Rs. 100,000 invested <sup>***</sup>	13,200	969	860
Dividend %	10.598%		

\* Returns are net of management fee & all other expenses  
 \*\* Represents cumulative profit for the respective periods



## GENERAL INFORMATION

Launch Date	September 20 <sup>th</sup> , 2008
Fund Size	Rs. 8,029 million
Type	Open end, Fixed Income Fund
Fund Rating	A(f) - JCR-VIS
Risk Level	Low
Fund Manager	Hammad Ali Abbas
Listing	Karachi Stock Exchange
Custodian & Trustee	Central Depository Company (CDC)
Front/Back end Load	0%
Management Fee	1.5% per annum
Auditors	A.F. Ferguson & Co
Benchmark	1-Month KIBOR Average
Minimum Subscription	Growth Unit : Rs. 5,000/- Income Unit : Rs. 50,000/-

## TECHNICAL INFORMATION

Duration	87 Days
Standard Deviation	2.09%
Sharpe Ratio***	0.68

\*\*\*3M PKRV Rate used as Risk free rate of return

## TOPIC OF THE MONTH

SBP announced a less than expected cut of 100 bps in the Discount Rate in its Monetary Policy Statement (MPS). As a consequence T-Bill Yields increased across the market. It has also announced a bi-monthly review of its MPS, which will ensure more timely action by the SBP to counter inflation.

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**ABL Asset Management**

Discover the potential

## ABOUT US

ABL-SF aims to provide higher risk-adjusted returns to the investors by investing in diversified portfolio of equity instruments offering capital gains and dividends. The fund is benchmarked to KSE-100 index. In case the Management Company expects the stock market to drop, based on the analysis of macroeconomic factors such as interest rates, economic growth rates, political climate, corporate earnings and stock market valuations the Management Company may temporarily allocate assets to other Authorized Investments, subject to the prescribed regulatory limits.

## FUND MANAGER'S COMMENTS - ABL STOCK FUND

August 2009 turned out to be a very good month for local stock market with KSE-100 rising by 955 points or 12.4% to close at 8,677. Your fund yielded a return of 11.14% during the month under review thereby achieving an inception to date return of 18.4%. Exceptionally strong foreign inflows were the highlight for the month with total inflows crossing \$95 mn mark, an eighteenth month high. Multitude of factors caused this sudden upsurge in foreign buying. Moody's, a reputed international rating agency, upgraded Pakistan's credit rating from B3 negative to B3 stable on August 17th, 2009. This was followed by a rating increase by S&P on August 24th from CCC+ to B-. On August 28th, Credit Default Swap on Pakistan's debt fell to 825 bps from 5,106 bps in October reflecting reduced risk on Pakistan's bond. All these factors were in turn an effect of enhanced IMF lending secured by the government earlier during the month.

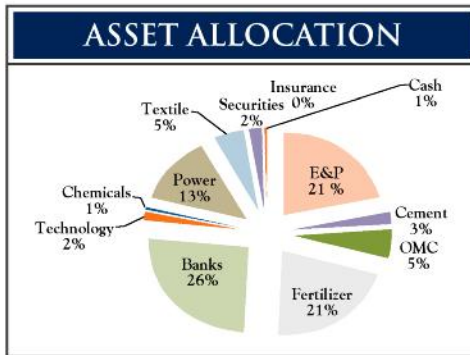
KSE-100 was mainly buoyed by the blue chip stocks in this rally, which we rightly predicted in our last month's FMR. E&P sector, in particular, led the rally during the month under review on back of heightened foreign interest, several fuel discoveries and healthy corporate results. Banking sector, although came into limelight later during the month, could not match the pace with the Oil & Gas Sector. Fertilizers, another sector in which your fund is heavily exposed, too could not rise in line with the general market as activity was chiefly concentrated in the E&P sector. Finally Power, yet another sector that we favor, gave decent returns during the month under review.

Your fund continues to be heavily invested into defensive and value sectors like Power, Fertilizers and E&P with low PERs and high dividend yields. Banking Sector, nevertheless, remains our top sector for this month as well. We believe that investors' interest will shift from Oil and Gas Sectors to broader market going forward as valuation differentials become more pronounced. In accordance with our broad strategy we will modify fund's exposures in specific sectors as and when economic and business cycles take a turn.

PERFORMANCE		
	Since Launch	August
ABL - SF*	18.38%	11.14%
Benchmark (KSE-100)	21.12%	12.37%
Profit on Rs. 100,000 invested <sup>3**</sup>	18,380	11,140

\* Returns are net of management fee & all other expenses  
 \*\* Represents profit earned by investing Rs. 100,000 in ABL-SF

TOP FIVE HOLDINGS (ALPHABETICAL ORDER)	
1	Engro
2	Hubco
3	MCB
4	POL
5	PPL



KEY STATISTICS	
Information Ratio <sup>3**</sup>	n/a
P.E-2009*	6.71 x
P.E-2010*	6.14 x
Dividend Yield - 09*	5.10%
Dividend Yield - 10*	6.40%

\*Based on average sell-side estimates and represents 75% of the portfolio  
 \*\* Not applicable as it was below zero

## GENERAL INFORMATION

Launch Date	June 28 <sup>th</sup> , 2009
Fund Size	297 mn
Type	Open end, Equity Fund
Risk Level	Medium
Fund Manager	Kamran Aziz
Listing	Karachi Stock Exchange
Custodian & Trustee	Central Depository Company (CDC)
Front end Load	3%
Management Fee	3% per annum
Auditors	A.F. Ferguson & Co
Benchmark	KSE-100 Index
Minimum Subscription	Growth Unit : Rs. 5,000/-

## FUTURE OUTLOOK

We expect foreign interest in local bourses to sustain in the upcoming month. International markets have moved up significantly in past few months on renewed hopes of global recovery. Not only has this increased risk appetite of global investors but also made our market appear more attractive in terms of relative valuation. Karachi Stock Exchange was trading at 39% discount to regional markets on month's close whereas historically this discount has been around 30%. Inflation numbers for August are expected to touch single digits, which will be a welcome change and a possible impetus for further interest rate cut in upcoming monetary policy. Finally re-launch of CFS financing will continue to attract attention in the coming month. As also highlighted in our last month's FMR it is necessary for volumes to pick up in order to make recovery witnessed this month sustainable.

## QUOTE OF THE MONTH

"Many shall be restored that now are fallen and many shall fall that are now in honor"  
 Benjamin Graham

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