

INFOCUS

FUND MANAGER'S REPORT DECEMBER 2011

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2012

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ECONOMY AND CAPITAL MARKETS UPDATE

External account causing concern

December 2011 brought the worsening energy crisis and Pakistan's burgeoning current account deficit in bright limelight. Current account deficit came in at USD 478mn for the month of November (5MFY12 CAD: USD 2.1bn, +257% YoY), with trade deficit recorded at USD 1.1bn +21% YoY. As a result, FX reserves of the country remained under pressure and declined to USD16.8bn at year end. Inflation continued to hover close to the 10% mark as CPI basket reconstitution and high base of CPI in the later part of 2010 partially mitigated the impact of spiraling prices. Looking ahead, we believe Government will face a serious challenge in coping with the widening trade gap, as foreign flows (FPI and FDI) have been disappointing while recent dampening of ties with the US reduced prospects of foreign aid. With the recent hike in energy prices, inflationary pressures could re-emerge, with full trickle-down effect coming through with a lag of 2-3 months. However, we anticipate the central bank to adopt a wait and see approach in the January 2012 monetary policy by maintaining the discount rate at 12% as it will want key economic indicators (Inflation, Current Account and Fiscal Pressures) to stabilize first before finalizing its stance.

Money Market rates elevated

Money markets remained under duress on account of tight liquidity which was exacerbated by overbought positions in high duration T-bills. Year-end liquidity pressures and attractive rates on bank placements worsened conditions which led to trades over and above the discount rate. Consequently the demand for T-bills auction dipped to such lows that minimal participation was seen in T-bills and PIB auctions. Apart from T-bill maturities during the month, regular SBP intervention in the form of Open Market Operations maintained a steady supply of liquidity and offered some respite to participants. However, yields on T-bills and PIBs remained elevated throughout the month leading to valuation losses on portfolios. SBP conducted an Ijara Sukuk auction towards month end which attracted healthy participation, primarily from Islamic banks.

Lack of interest in equities though valuations highly attractive

The month brought little cheer for equity markets as low volumes and continuous foreign selling decimated investor sentiment. Volumes hit a fourteen year low (excluding the floor period in 2008) while the market witnessed an outflow of USD25mn (~USD157mn for 1HFY12). Volumes were hit by growing uncertainty regarding the status of the current political scenario as well as administrative issues related to collection of capital gains tax. We anticipate the market to improve gradually as stock valuations are highly attractive with KSE-100 Index trading at 2012E P/E of 5.58x and offering 2012E dividend yield of 8.61%. Moreover, clarity in the fertilizer sector relating to the price increase to compensate for gas surcharge on feed stock, gas flow numbers for the much talked about Zin Block, and some direction on the political set up could unlock valuations.

Economic Summary

	Last Reported Month	Current Month	Previous Month	YTD
CPI Inflation	Nov	10.19%	10.96%	11.10%
Trade Deficit (USD mn)	Nov	1,069	1,197	6,424
Remittances (USD mn)	Nov	925	1,018	5,240
Current A/C (USD mn)	Nov	(478)	(287)	(2,104)
FDI (USD mn)	Nov	80	57	420
Tax Collection** (PKR bn)	Dec	201	126	840
M2 Growth*	Dec	-	-	4.25%
FX Reserves* (USD bn)	Dec	-	-	16.77

* Latest monthly figures

** Provisional figures

Source: SBP, FBS

Government Bond

Govt. Bonds	6M	1yr	3yr	5yr	10yr
Yield Curve (%)	11.98	12.07	12.68	12.87	13.01

*As at December 30, 2011

Source: FMA

Equity Market Performance

	Dec-11	Nov-11	M/M	1yr Low	1yr High
KSE-100 Index	11,348	11,532	-1.6%	10,842	12,682
Avg. Daily Vol. (mn)	42	45	-6.7%	15	317
Avg. Daily Val. (USD mn)	20	27	-25.9%	7	169
2012 PE (x)	5.6				
2012 DY	8.6%				

Source: KSE

FUND MANAGER'S COMMENTS

ABL-IF yielded an annualized compounded return of 7.00% for the month of December an underperformance of 4.98% against its benchmark rate and a decline of 3.25% over the previous month. Returns took a beating during the period due to valuation adjustments on T-bills and PIBs owing to year end pressures which led to some panic selling in the market. However, we expect returns to bounce back sharply next month as T-bill prices are recovering from the abnormal slide and the fund was able to lend to banks at attractive rates at year end (Bank placements now comprise 28.6% of the fund size). Fund size declined by 3.9% to Rs.7.70 billion owing to year end redemptions which are a norm at this time of the year. In light of the recent legal developments, the fund has stopped provisioning of WWF charges effective December 1st, 2011.

ABL-IF has been gradually increasing its investments in Term Finance Certificates issued by banks in order to diversify its investments while maintaining its high asset quality. The changed allocations along with placements with banks at high rates will help improve returns and offer return stability in 1Q 2012. Uncertain economic conditions have led ABL-IF to maintain a lower duration in order to remain insulated from any interest rate volatility in the near future.

INVESTMENT OBJECTIVE

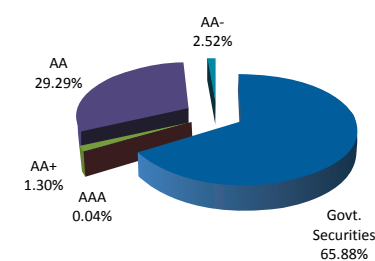
To earn superior risk adjusted rate of return by investing in a blend of short, medium and long term instruments, both within and outside Pakistan.

TOP TFC/SUKUK HOLDINGS (% OF TOTAL ASSETS)	DEC '11
HUBCO Short Term Sukuk	1.28%
Askari Bank - IV	1.15%
Bank Alfalah Fixed	0.82%
UBL TFC 4	0.80%

ASSET ALLOCATION (% OF TOTAL ASSETS)	NOV '11	DEC '11
Cash	24.51%	15.45%
Placements with Banks (TDRs)	0.00%	13.11%
Reverse Repo against all other securities	0.53%	0.54%
TFCs	1.64%	2.77%
T-Bills	66.62%	64.41%
PIBs	2.83%	1.47%
Spread Transactions	0.32%	0.00%
Short Term Sukuk	2.79%	1.28%
Others including Receivables	0.76%	0.97%

TECHNICAL INFORMATION	
Leverage	NIL
Weighted average time to maturity of net assets	194 days

CREDIT QUALITY OF PORTFOLIO



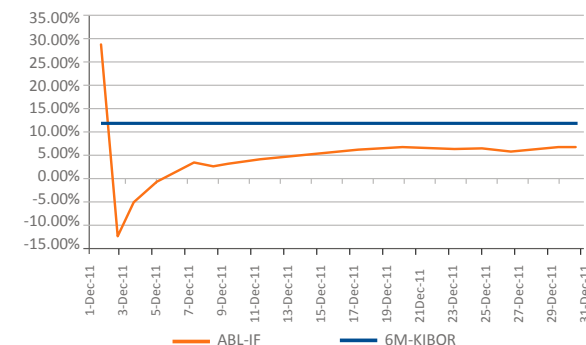
Other assets account for 0.97% of Total Assets

INVESTMENT COMMITTEE MEMBERS

1. Farid A. Khan, CFA – CEO
2. Muhammad Imran – CIO
3. Abid Jamal – Head of Research
4. Hammad Ali Abbas – Fund Manager
5. Kamran Aziz – Fund Manager

FUND RETURNS*	ABL-IF	6M-KIBOR
1HFY-2012	12.95%	12.78%
December	7.00%	11.98%
CY-2011	12.65%	13.25%

* Returns are net of management fee & all other expenses



BASIC FUND INFORMATION

Fund Type	Open-end
Category	Income Fund
Launch Date	September 20 th , 2008
Net Assets	PKR 7,699 mn as at December 31 st , 2011
NAV	PKR 10.0184 as at December 31 st , 2011
Benchmark	6 Month Kibor Average
Dealing Days	As per Banking Days
Cut-off time	4:00 pm
Pricing mechanism	Forward
Management Fee	1.5% p. a.
Front-end load	Nil
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM2- (JCR-VIS) (Stable Outlook)
Risk Profile of the Fund	Low
Fund Stability Rating	A+(f) (JCR-VIS)
Fund Manager	Hammad Ali Abbas

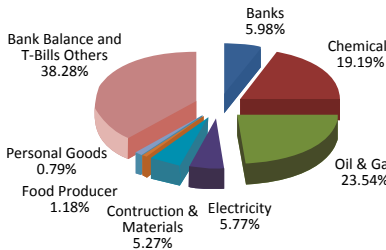
FUND MANAGER'S COMMENTS

ABL-SF lost 5.13% in Dec'11 against 5.75% decline in the benchmark KSE-30 index, which reflects an outperformance of 62 basis points. During the month, investment in Oil & Gas sector was reduced from 29.8% to 23.5% of the portfolio, exposure in Chemicals sector was reduced from 20.6% to 19.2% and investment in banks was also reduced from 8.7% to 6.0%. In view of the weak outlook, exposure to equities was reduced to cushion the fund. ABL-SF as of December 31st, 2011 is 61.7% invested in equities and remaining in T-bills and cash. In light of the recent legal developments, the fund has stopped provisioning of WWF charges effective December 1st, 2011.

Looking ahead to January, investors will closely track developments on foreign flows and CGT front. Result season, expected to kick off in late January, will too add to excitement as banking and fertilizer sectors announce their yearend results with hefty cash and bonus payouts (from leading names). Our strategy is to gradually build the positions in our top picks while holding reasonable cash (15-20%). We feel that the recent correction has opened up opportunities for opportunistic buying.

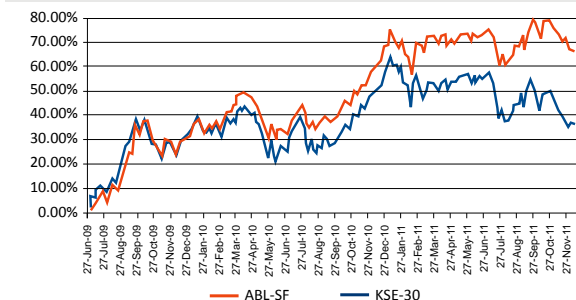
INVESTMENT OBJECTIVE

To provide higher risk-adjusted returns over the long term by investing in a diversified portfolio of equity instruments offering capital gains and dividends.

TOP TEN HOLDINGS (% OF TOTAL ASSETS)	Nov '11	Dec '11	SECTOR ALLOCATION (% OF TOTAL ASSETS)
Fauji Fertilizer Company Limited	9.91%	10.19%	
Pakistan Petroleum Limited	9.35%	7.68%	
Pakistan Oilfields Limited	9.37%	7.07%	
Attock Petroleum Limited	8.06%	6.55%	
United Bank Ltd	5.09%	5.98%	
Fatima Fertilizer Company Limited	6.12%	5.90%	
Lucky Cement Limited	6.55%	5.27%	
Hub Power Company Limited	9.55%	4.13%	
Engro Corp.	4.11%	3.11%	
Nishat Chunian Power Limited	1.66%	1.56%	
ASSET ALLOCATION (% OF TOTAL ASSETS)	Nov'11	Dec '11	INVESTMENT COMMITTEE MEMBERS
Stock/Equities	81.92%	61.71%	1. Farid A. Khan, CFA – CEO
Cash	15.22%	13.35%	2. Muhammad Imran – CIO
T-Bills	4.65%	4.96%	3. Abid Jamal – Head of Research
Others	-1.80%	19.98%	4. Hammad Ali Abbas – Fund Manager
Leverage	NIL	NIL	5. Kamran Aziz – Fund Manager

PERFORMANCE*	ABL-SF	KSE-30
Year to Date (YTD)*	-3.38%	-12.15%
Trailing 12 months*	1.07%	-12.16%
Month to Date (MTD)*	-5.13%	-5.75%

* Returns are net of management fee & all other expenses



BASIC FUND INFORMATION

Fund Type	Open-end
Category	Equity Scheme
Launch Date	June 28 th , 2009
Net Assets	PKR 293.65mn as at December 31 st , 2011
NAV	PKR 9.7017 as at December 31 st , 2011
Benchmark	KSE-30
Dealing Days	As Per Local Stock Exchanges
Cut-off Time	4:00 pm
Pricing Mechanism	Forward
Management Fee	3% p. a.
Front-end Load	3%
Trustee	Central Depository Company of Pakistan Ltd.
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM2- (JCR-VIS) (Stable Outlook)
Risk Profile of the Fund	High
Performance Rating	MFR 5-Star (JCR-VIS) (Based on 2 year weighted average ranking)
Fund Manager	Kamran Aziz

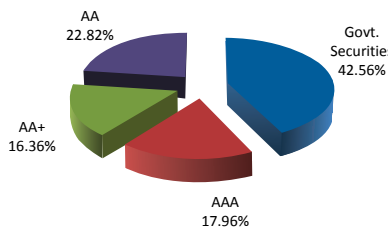
FUND MANAGER'S COMMENTS

ABL-CF yielded an annualized compounded return of 10.03% for the month of December, a decline of 0.38% over the previous month. However the fund continued to outperform against its benchmark. Decline in returns is attributable to valuation adjustments on T-bills which constitute 42.6% of total assets. Yearend liquidity pressures and better rates offered on bank placements made T-bills less attractive and led to heavy selling in the instrument. Your fund raised its allocation to bank deposits to 56.6% of total assets from 6.4% last month. Fund size declined by 45.4% to Rs.18.6 billion due to yearend redemptions. In light of the recent legal developments, the fund has stopped provisioning of WWF charges effective December 1st, 2011.

Going ahead we expect an improvement in returns due to placement with banks at high rates and valuation gains on T-bill holdings as yearend pressure subsides.

INVESTMENT OBJECTIVE

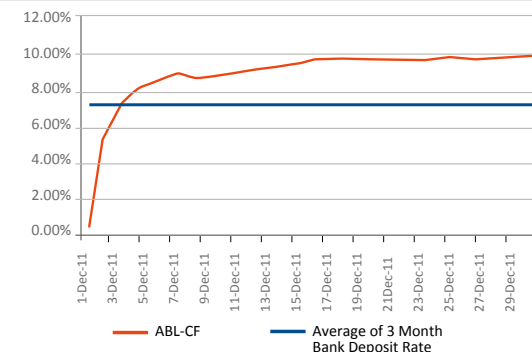
To provide investors, consistent returns with a high level of liquidity, through a blend of money market and sovereign debt instruments.

ASSET ALLOCATION (% OF TOTAL ASSETS)	Nov '11	Dec '11	CREDIT QUALITY OF PORTFOLIO
Cash	4.92%	20.23%	 <p>Other assets account for 0.30% of Total Assets</p>
Placements with Banks (TDRs)	1.46%	36.40%	
Placements with DFIs	4.72%	0.00%	
T-Bills	88.15%	42.56%	
HUBCO Short Term Sukuk	0.29%	0.51%	
Others Including Receivables	0.09%	0.30%	

TECHNICAL INFORMATION	INVESTMENT COMMITTEE MEMBERS
Leverage	NIL
Weighted average time to maturity of net assets	53 days
	<ol style="list-style-type: none"> 1. Farid A. Khan, CFA – CEO 2. Muhammad Imran – CIO 3. Abid Jamal – Head of Research 4. Hammad Ali Abbas – Fund Manager 5. Kamran Aziz – Fund Manager

FUND RETURNS*	ABL-CF	Average of 3 Month Bank Deposit Rate
1HFY-2012	12.02%	7.73%
December	10.03%	7.45%
CY-2011	12.20%	7.52%

* Returns are net of management fee & all other expenses



BASIC FUND INFORMATION

Fund Type	Open-end
Category	Money Market Fund
Launch Date	July 30 th , 2010
Net Assets	PKR 18,617 mn as at December 31 st , 2011
NAV	PKR 10.0246 as at December 31 st , 2011
Benchmark	Average 3 Month Deposit rates of AA and above rated Banks
Dealing Days	As Per Banking Days
Cut-off time	4:00 pm
Pricing mechanism	Backward
Management Fee	1.25% p. a.
Front-end load	Nil
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM2- (JCR-VIS) (Stable Outlook)
Risk Profile of the Fund	Low
Fund Stability Rating	AA+(f) (JCR-VIS)
Fund Manager	Hammad Ali Abbas



FUND MANAGER'S COMMENTS

In its first full month of operation, ABL GSF yielded an annualized compounded return of 9.04% - an underperformance of 1.55% against its benchmark rate. As per its mandate, the fund primarily invests in Government securities where its holdings were 66.9% in T-bills and 15.4% in GoP Ijara Sukuk. Year end selling pressures negatively impacted returns but valuation gains from GoP Ijara Sukuk investments and placement at high rates with banks mitigated the impact to some extent. Fund size closed at Rs.1.13 billion.

The fund will look to maintain a low to medium duration with bulk of its exposure in T-bills. With year end liquidity pressures behind us, we expect the fund to benefit from valuation gains to which will boost returns to competitive levels.

INVESTMENT OBJECTIVE

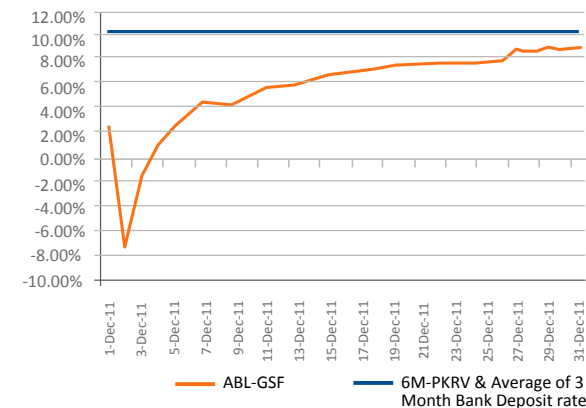
The objective of the scheme is to deliver optimal risk adjusted returns by investing mainly in mix of short to long term Government Securities and other debt Instruments.

ASSET ALLOCATION (% OF TOTAL ASSETS)	Dec '11	CREDIT QUALITY OF PORTFOLIO
Cash	11.03%	<p>Govt. Securities 82.31%</p> <p>AA 17.18%</p> <p>Other assets account for 0.51% of Total Assets</p>
Placements with Banks (TDRs)	6.15%	
T-Bills	66.89%	
GoP Ijara Sukuk IX	15.42%	
Others Including Receivables	0.51%	

TECHNICAL INFORMATION	INVESTMENT COMMITTEE MEMBERS
Leverage	NIL
Weighted average time to maturity of net assets	255 days
	<ol style="list-style-type: none"> 1. Farid A. Khan, CFA – CEO 2. Muhammad Imran – CIO 3. Abid Jamal – Head of Research 4. Hammad Ali Abbas – Fund Manager 5. Kamran Aziz – Fund Manager

FUND RETURNS*	ABL-GSF	6M-PKRV & Average of 3 Month Bank Deposit rate
December	9.04%	10.59%

* Returns are net of management fee & all other expenses



BASIC FUND INFORMATION

Fund Type	Open-end
Category	Income Fund
Launch Date	November 30 th , 2011
Net Assets	PKR 1,128 mn as at December 31 st , 2011
NAV	PKR 10.0286 as at December 31 st , 2011
Benchmark	70% average 6m-PKRV & 30% average 3 Months - deposit rates of AA- & above rated banks
Dealing Days	As per Banking Days
Cut-off time	4:00 pm
Pricing mechanism	Forward
Management Fee	Class-A unit 0.5%, Class-B unit 1.25%
Front-end load	Nil
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM2- (JCR-VIS) (Stable Outlook)
Risk Profile of the Fund	Low
Fund Stability Rating	A+F (JCR-VIS)
Fund Manager	Faizan Saleem

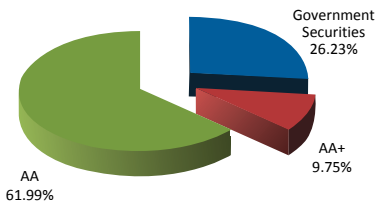
FUND MANAGER'S COMMENTS

ABL-IIF yielded an annualized compounded return of 13.11% for the month of December - an improvement of 1.67% over its previous month's return and a 563bps outperformance over its benchmark. This impressive performance is attributable to GoP Ijara Sukuk linked valuation gains and high profit on bank placements due to year end crossing. Fund size increased by 19.8% to Rs.701.1 million due to high yet stable returns. In light of the recent legal developments, the fund has stopped provisioning of WWF charges effective December 1st, 2011.

ABL-IIF will continue its current allocation whilst exploring other shariah compliant avenues in order to maintain return competitiveness. We see resumption of Ijara Sukuk sales as a big positive for funds' returns.

INVESTMENT OBJECTIVE

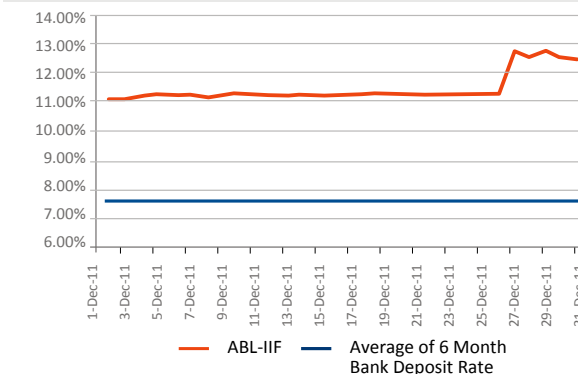
To provide investors with an opportunity to earn higher income over the medium to long-term by investing in a diversified portfolio consisting of different money market and debt instruments permissible under the Shariah principles.

ASSET ALLOCATION (% OF TOTAL ASSETS)	Nov '11	Dec '11	CREDIT QUALITY OF PORTFOLIO
Cash	80.15%	64.67%	 <p>Other assets account for 2.03% of Total Assets</p>
KAPCO Short Term Sukuk	8.46%	0.00%	
HUBCO Short Term Sukuk	8.46%	7.07%	
GoP Ijara Sukuk IX	0.00%	26.23%	
Others Including Receivables	2.93%	2.03%	

TECHNICAL INFORMATION	INVESTMENT COMMITTEE MEMBERS
Leverage	NIL
Weighted average time to maturity of net assets	292 days
	<ol style="list-style-type: none"> 1. Farid A. Khan, CFA – CEO 2. Muhammad Imran – CIO 3. Abid Jamal – Head of Research 4. Hammad Ali Abbas – Fund Manager 5. Kamran Aziz – Fund Manager

FUND RETURNS*	ABL-IIF	Average of 6 Month Bank Deposit Rate
1HFY-2012	11.64%	7.98%
December	13.11%	7.48%
CY-2011	11.27%	7.81%

* Returns are net of management fee & all other expenses



BASIC FUND INFORMATION

Fund Type	Open-end
Category	Islamic Income Fund
Launch Date	July 30 th , 2010
Net Assets	PKR 701.123 mn as at December 31 st , 2011
NAV	PKR 10.0387 as at December 31 st , 2011
Benchmark	Average of 6 Month Deposit rates of 3 Islamic Banks
Dealing Days	As Per Banking Days
Cut-off time	4:00 pm
Pricing mechanism	Forward
Management Fee	1.0% p. a.
Front-end load	Nil
Trustee	Central Depository Company of Pakistan Ltd. (CDC)
Auditor	A.F. Ferguson & Co. Chartered Accountants
Asset Manager Rating	AM2- (JCR-VIS) (Stable Outlook)
Risk Profile of the Fund	Low
Fund Stability Rating	A+F (JCR-VIS)
Fund Manager	Hammad Ali Abbas

To Invest, Please Contact Any Branch of Allied Bank

ABL AMC Head Office: **021-111-ABL AMC (225-262)**, ABL AMC Helpline: **0800 ABL-AM (0800 225 26)**

3 steps to Invest in ABL AMC FUNDS

STEP ONE

- ▶ Call us on our Toll Free number 0800-ABL-AM (225-26) to let our Investment Consultant guide you better or
- ▶ Visit any ABL Branch or for Expert Opinion, call 11 Business development manager listed on your right or
- ▶ Email us at: contactus@ablmc.com and we will answer all your queries or
- ▶ Visit us on our website www.ablmc.com for information and guidance

STEP TWO

Investment Process

Forms

- ▶ Our investment advisors will help you fill the required forms:
 - ▶ Form 1 – Account Opening Form
 - ▶ Form 2 – Investment Form
 - ▶ Know Your Customer Form

Payment Mode

- ▶ Payments can be made through Cheques / Demand Drafts or Pay Orders
- ▶ Payments shall be made in favor of: "CDC-Trustee ABL _____ FUND"

Documents to be attached

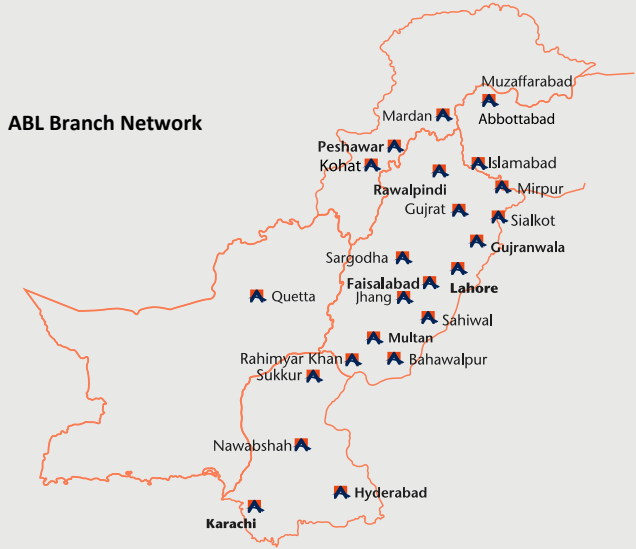
- ▶ **For Individuals:**
 - ▶ Copy of CNIC (In case of Joint Application, CNIC of all applicants is required)
 - ▶ Zakat Affidavit (In case of exemption from Zakat)
 - ▶ Know Your Customer Form
- ▶ **For Corporate:**
 - ▶ Memorandum and Articles of Association/Bye Laws/ Trust Deed
 - ▶ Power of Attorney or other document authorizing the authorized signatory(ies) to sign the application
 - ▶ Board Resolution authorizing the Investment
 - ▶ Copy of CNIC(s) of the Authorized Signatory(ies)

STEP THREE

Submission of Documents

- ▶ You may submit your documents / investment amount at any branch of ABL or drop them / courier them at ABL AMC's Head Office: First Floor, 11-B, Lalazar, MT Khan Road, Karachi
- Once we receive the documents / investment amount a registration number will be generated and allotted. An introductory letter will be dispatched to confirm your investment in ABL AMC Funds.

ABL Branch Network



Name	Contact No.	Branches with Business Development Managers
Karachi		
Furqan Ali Dakhan	0321-2014622	Clifton Branch
Shoaib Shoukat	0333-5473547	Foreign Exchange Branch
Danish Abdul Rauf	0345-2121623	Tariq Road Branch
Lahore		
Muhammad Yasir	0333-4306795	Y-Block, DHA Branch
Waqar Ahmad Paracha	0300-8840151	Kashmir Road Branch
Islamabad		
Iftikhar Hameed Khan	0333-5607962	Blue Area Branch
Zahir Mehmood Khan	0346-9273633	I-8 Markaz Branch
M. Rashid Qayyum	0345-5923766	F-6 Markaz Branch
Faisalabad		
Mughees Ahmad Sheikh	0332-8663525	Peoples Colony Branch
Hyderabad		
Haider Abbas	0321-3051874	Civic Center Branch
Quetta		
Imran Hassan Khan	0345-8165666	Jinnah Road Branch

CONTACT US:

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 Website: www.ablmc.com