

# Bachat Nama

Fund Manager's Report (October-2014)





### Macro-Environment Review and Outlook

Aided by lower oil and food prices, inflation fell to 5.8 percent -around 17-month low- in October, equating to average inflation of around 7.09 percent during the first four months of the current fiscal year. If oil prices, which eased down to a five-year low in October, sustain at the current level, inflation is likely to remain on the lower side during FY15.

Surge in imports, mainly petroleum products, along with a slowdown in exports, widened the country's current account deficit to \$ 5.86 billion during 1QFY15, significantly higher than the deficit of around \$4.30 billion incurred during the same period last fiscal year. Trade deficits are forecasted to narrow down in October, with oil imports accounting for one third of the country's total import bill.

Although anti-government activities have slowed down during the month, foreign inflows failed to pick up pace as evident from the reserves balance, which fell by around \$311 million during the month to \$13.2 billion as on 24th October, 2014. And for the same reason, rupee also remained in pressure against dollar.

The reserve position is expected to improve in November on the back of proceeds from privatization of OGDCL. Moreover, the market is expecting resumption in flow of foreign funds after the release of 4th and 5th tranche by IMF in December. Widening gap between interest rate and inflation further strengthens the case for monetary easing, however given the performance lags on IMF Program Benchmarks, the room for easing may remain constrained till visible improvement in external account.

### Equities Market Performance Review and Outlook

Stock Market's performance remained lackluster, with benchmark KSE-100 index closed the month at around 30,204 points, marking a growth of 1.6% in October. The drag in market performance was primarily caused by the poor performance of Oil and Gas sector.

Foreign investors took a cautious stance and remained net seller with a cumulative net outflow of US\$ 27.6 million in October, resulting in unimpressive performance of large-cap stocks.

Local investors stayed active. This can be gauged from the fact that the average turnover stood at 180 million shares in October as opposed to average turnover of 150 million shares during the previous month. Small-cap and mid-cap stocks remained in the limelight in light of lower commodity prices that may boost the profitability of manufacturing companies.

With the market expecting interest rates to remain stable and oil prices lower, profitability of power intensive companies such as: Cement and Textile companies are expected to improve. While banks will benefit from higher allocation in long tenure bonds.

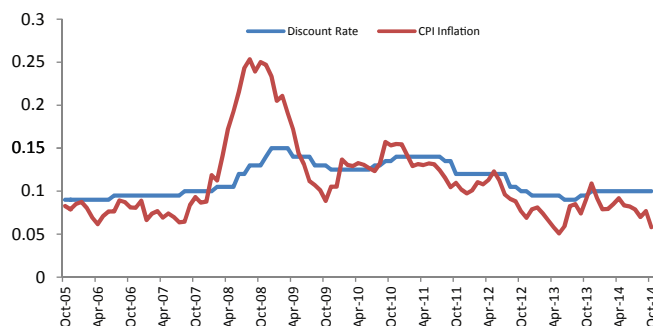
### Money Market Performance Review and Outlook

Money market remained quite active during October. In the recent PIB auction, the government raised only Rs 50 billion as against the participation of Rs 331 billion. Hence, yields went significantly downward with demand exceeding supply. The cut-off yield stood at 12.48%, 12.97% and 13.44 for 3-Year, 5-Year and 10 Year papers, respectively, in the latest auction.

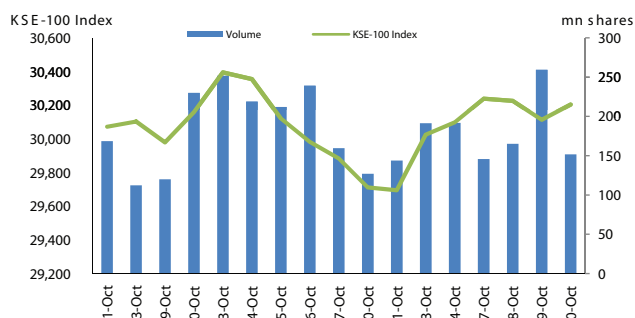
On the other hand, the government raised a total of Rs 194.5 billion in the recent T-bill auction, with participation mainly concentrated in 6-month and 12-month papers. The yields on 3-month, 6-month and 12-month paper adjusted downward to 9.89%, 9.93% and 9.98%, respectively.

The market will continue to remain active given that investors are holding longer tenure papers to benefit from growing sentiments that interest rate may decline down the line on the back of lower inflationary pressure.

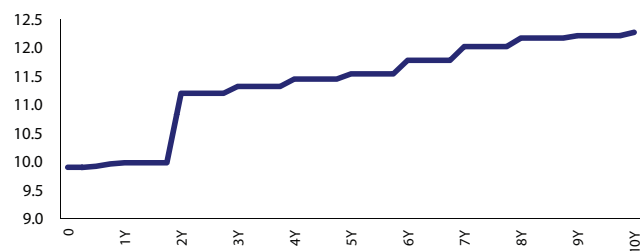
Discount Rate vs. CPI Inflation



KSE During October 2014



Yield Curve (October 31, 2014)



# Pakistan International Element Islamic Asset Allocation Fund

October 31, 2014

NAV - PKR 52.43



## General Information

Fund Type	An Open End Scheme
Category	Shariah Compliant Islamic Asset Allocation Scheme
Asset Manager Rating	AM2 (AM Two) by PACRA (10-Apr-14)
Stability Rating	Not Applicable
Risk Profile	Moderate to High
Launch Date	2-May-2006
Fund Manager	Manal Iqbal, CFA
Trustee	Central Depository Company of Pakistan Limited
Auditor	KPMG Taseer Hadi & Co., Chartered Accountants
Management Fee	Type A & B: 2% Type C & D: 1.33%
Front end Load *	Type A: Transaction less than or equal to Rs 15m 2% Transaction more than Rs 15m Nil For corporate Nil
Back end Load*	Type B, C & D: None Type A: None
Min. Subscription	Type B, C & D: Yr 1: 3%, Yr 2: 2%, Yr 3: 1% A & B PKR 5,000 C & D PKR 10,000,000
Listing	Karachi Stock Exchange, Lahore Stock Exchange, Islamabad Stock Exchange.
Benchmark	70% KMI-30 Index + 30% DJIM-World Index
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut off Timing	Mon-Fri (9:00 AM to 5:00 PM)
Leverage	Nil
Subject to government levies	Nil

## Investment Objective

The objective of the fund is to provide medium to long term capital appreciation through investing in Shariah compliant investments in Pakistan and Internationally.

## Manager's Comment

The fund generated a return of 3.51% as against its benchmark return of 0.68% during the month. Exposure in equities was increased to 77.7% compared to 74.1% the previous month. Major sector level increase was witnessed in Construction & Materials, whereas, exposure in Oil & Gas was decreased.

## Provision against WWF liability

PIEIF has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs 6.25 million, if the same were not made the NAV per unit of PIEIF would be higher by Rs. 0.8405 and YTD return would be higher by 1.70%. For details investors are advised to read Note 5 of the latest Financial Statements for the quarter ended September 30, 2014 of PIEIF.

Fund Facts / Technical Information	PIEIF	KMI-30
NAV per Unit (PKR)	52.43	
Net Assets (PKR M)	390	
Price to Earning (x)	8.71	10.66
Dividend Yield (%)	3.6%	6.3%
No. of Holdings - Equity	27	30*
Wt. Avg Mkt Cap (PKR Bn)	84.33	219.95
Sharpe Measure	0.03	0.06
Beta	0.64	1.00
Correlation	80.7%	
Max draw up	226.1%	503.1%
Max draw Down	-28.9%	-39.6%
Weighted average time to maturity (year)	0.77	0.97
Alpha	0.0028%	
*prospective earnings		

Performance Information (%)	PIEIF	Benchmark
Year to Date Return	6.35	2.20
Month to Date Return	3.51	0.68
180 Days Return	8.68	5.90
365 Days Return	21.64	22.70
Since inception	136.86	254.82

Asset Allocation (%age of Total Assets)	Oct-14	Sep-14
Cash	10.3%	15.6%
Stock /Equities	77.7%	74.1%
Sukuk	8.7%	8.3%
Others including receivables	3.3%	2.0%

## Top 10 Holdings (%age of Total Assets)

Engro Fertilizers Limited (09-Jul-14)	Sukuk	8.7%
Pakistan Petroleum Limited	Equity	7.7%
Lucky Cement Limited	Equity	7.6%
Attock Petroleum Limited	Equity	7.0%
Pakistan Oilfields Limited	Equity	5.8%
Indus Motors Company Limited	Equity	5.3%
Millat Tractors Limited	Equity	3.9%
Nishat Mills Limited	Equity	3.6%
Attock Cement Pakistan Limited	Equity	3.6%
Thal Limited	Equity	3.5%

## Members of the Investment Committee

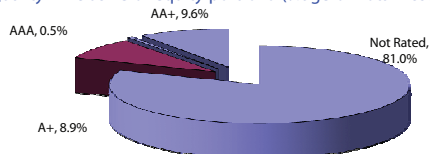
Yasir Qadri	Chief Executive Officer
Muhammad Asim, CFA	Chief Investment Officer
Saad Ahmed	Sr. Manager Fixed Income
Mohsin Pervaiz	VP - Investments
Manal Iqbal, CFA	Head of Research

	2010	2011	2012	2013	2014
Benchmark (%)	30.47	40.60	11.00	46.60	28.51
PIEIF (%)	6.95	15.10	15.70	28.40	18.89

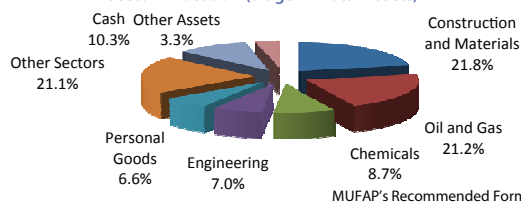
## Details of non-compliant investments with the investment criteria of assigned category (Rs. in millions)

Name & Type of Non-Compliant Investment	Outstanding face value	Value of investment before provision	Provision held, if any	Value of investment after provision	% of Net Assets	% of Gross Assets
Pak Elektron Limited- Sukuk	6.43	6.43	6.43	-	0.00%	0.00%

## Asset Quality -Inclusive of equity portfolio (%age of Total Assets)



## Sector Allocation (%age of Total Assets)



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An offer to buy or sell any fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns. Past performance is not necessarily indicative of future results.

MUFAP's Recommended Format.

# MCB Islamic Income Fund

October 31, 2014

NAV - PKR 102.1157



## General Information

Fund Type	An Open End Scheme
Category	Shariah Compliant (Islamic) Income Scheme
Asset Manager Rating	AM2 (AM Two) by PACRA (10-Apr-14)
Stability Rating	AA-(f) by PACRA (20-Feb-14)
Risk Profile	Low
Launch Date	20-June-2011
Fund Manager	Mohsin Pervaiz
Trustee	Central Depository Company of Pakistan Limited
Auditor	KPMG Taseer Hadi & Co., Chartered Accountants
Management Fee	10% of Gross Earnings subject to minimum fee of 0.25% of average daily Net Assets
Front end load*	Class "A" Transaction less than or equal to Rs 15m 1.5% Transaction more than Rs 15m Nil For Corporate Nil
Back end Load*	Class "B" 0% Class "A" 0%, Class "B" Units: 1.5% on redemption in the 1st year from the date of investment. 1.0% on redemption in the 2nd year from the date of investment. 0.0% on redemption after completion of 2 years from the date of Investment.
Min. Subscription	Growth Units PKR 500 Income Units PKR 100,000 Cash Dividend Units PKR 500
Listing	Lahore Stock Exchange
Benchmark	Average of the most recently published three-month profit rates of three Islamic Banks rated A and above.
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut off Timing	Mon-Fri (9:00 AM to 4:30 PM)
Leverage	Nil
	*Subject to government levies

## Fund Facts / Technical Information

NAV per Unit (PKR)	102.1157
Net Assets (PKR M)	1,704
Weighted average time to maturity (years)	1.2
Sharpe Measure	0.19
Correlation	13.4%
Standard Deviation	0.04
Alpha	0.008%

## Top Sukuk Holding (% of Total Assets)

Engro Fertilizers Limited (09-Jul-14)	6.8%
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## Members of the Investment Committee

Yasir Qabir	Chief Executive Officer
Mohammad Asim CFA	Chief Investment Officer
Saad Ahmed	Sr. Manager Fixed Income
Mohsin Pervaiz	VP-Investments
Manal Iqbal, CFA	Head of Research

## Investment Objective

To generate superior risk adjusted returns by investing in short, medium and long-term Shariah Compliant Fixed Income instruments.

## Manager's Comment

During the month the fund generated an annualized return of 7.87% as against its benchmark return of 6.37%. The fund increased its exposure in GoP Ijara Sukuk from 58.8% last month to 83.2% at the month end. Around 7.8% of the fund was kept as cash in bank deposits.

We believe that well-timed accumulation of GoP Ijara Sukuk should contribute towards healthy returns going forward, while the fund would remain cognizant of the changes in the macroeconomic environment in order to deploy assets efficiently in Shariah compliant instruments.

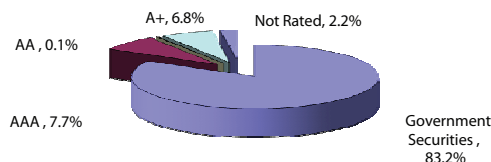
## Provision against WWF liability

MCB-IIF has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs 10.90 million, if the same were not made the NAV per unit of MCB-IIF would be higher by Rs. 0.6530 and YTD return would be higher by 0.65%. For details investors are advised to read Note 7 of the latest Financial Statements for the quarter ended September 30, 2014 of MCB-IIF.

Asset Allocation (%age of Total Assets)	Oct-14	Sep-14
Cash	7.8%	33.9%
GoP Ijara Sukuks	83.2%	58.8%
Others including receivables	2.2%	1.0%
Sukuk	6.8%	6.3%

Performance Information (%)				MCB IIF	Benchmark
Year to Date Return (Annualized)				6.18	6.22
Month to Date Return (Annualized)				7.87	6.37
180 Days Return (Annualized)				6.34	6.29
365 Days Return (Annualized)				7.91	6.30
Since inception (CAGR)				8.91	6.40
Annualized	2010	2011	2012	2013	2014
Benchmark (%)	NA	NA	6.60	6.30	6.09
MCB IIF(%)	NA	NA	10.40	8.90	8.38

## Asset Quality (%age of Total Assets)



MUFAP's Recommended Format.

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# Pakistan Islamic Pension Fund

October 31, 2014



## General Information

Fund Type	An Open End Scheme
Category	Islamic Voluntary Pension Scheme
Asset Manager Rating	AM2 (AM Two) by PACRA (10-Apr-14)
Stability Rating	Not Applicable
Launch Date	15-Nov-07
Fund Manager	Manal Iqbal, CFA
Trustee	Central Depository Company of Pakistan Limited
Auditor	Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants
Management Fee	1.5% p.a.
Front / Back end Load*	3% / 0%
Min. Subscription	PKR 1,000
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut off Timing	Mon-Fri (9:00AM to 5:00 PM)

**Leverage** Nil

\*Subject to government levies

## Investment Objective

The investment objective of the fund is to seek steady returns with a moderate risk for investors by investing in a portfolio of equity, short medium term debt and money market instruments

## Manager's Comment

Equity sub-fund generated return of 5.52% during the month against KSE -100 index return of 2.19%. Many changes in sector and company allocations were made in response to changing sector and company fundamentals. Allocations to Oil & Gas and Electricity sectors were decreased while the fund increased its exposure in Construction & Materials and Automobile & Parts sectors.

Debt sub-fund generated an annualized return of 5.79% during the month. The fund has maintained exposure in cash and increased its exposure towards GoP Ijarah Sukuk from 88.4% to 93.1%.

Money Market sub-fund generated an annualized return of 4.64% during the month. The fund has slightly reduced its exposure in GoP Ijarah Sukuk.

## Provision against WWF liability

PIPF-EQ has not made provisions amounting to Rs 0.70 million against Workers' Welfare Fund liability, if the same were made the NAV per unit of PIPF-EQ would be lower by Rs 1.3856 and YTD return would be lower by 0.51%. For details investors are advised to read Note 6 of the latest Financial Statements for the quarter ended September 30, 2014 of PIPF.

PIPF-DT has not made provisions amounting to Rs 0.35 million against Workers' Welfare Fund liability, if the same were made the NAV per unit of PIPF-DT would be lower by Rs 0.4890 and YTD return would be lower by 0.29%. For details investors are advised to read Note 6 of the latest Financial Statements for the quarter ended September 30, 2014 of PIPF.

PIPF-MM has not made provisions amounting to Rs 0.24 million against Workers' Welfare Fund liability, if the same were made the NAV per unit of PIPF-MM would be lower by Rs 0.5460 and YTD return would be lower by 0.35%. For details investors are advised to read Note 6 of the latest Financial Statements for the quarter ended September 30, 2014 of PIPF.

## Top 10 Equity Holdings (%age of Total Assets)

Hub Power Company Limited	7.9%
Pakistan Petroleum Limited	7.5%
Lucky Cement Limited	7.1%
Pakistan Oil Fields Limited	6.4%
Indus Motors Company Limited	5.7%
Attock Petroleum Limited	5.2%
Bata Pakistan Limited	4.8%
Millat Tractors Limited	4.8%
Kott Addu Power Company Limited	3.8%
Pakistan National Shipping Corporation	3.7%

## PIPF -Money Market (%age of Total Assets)

	Oct-14	Sep-14
Cash	18.8%	18.1%
GoP Ijarah Sukuk	78.5%	79.7%
Others including receivables	2.7%	2.2%

## PIPF-Debt (%age of Total Assets)

	Oct-14	Sep-14
Cash	4.3%	9.8%
GoP Ijarah Sukuk	93.1%	88.4%
Sukuk	0.0%	0.0%
Others including receivables	2.6%	1.8%

## Performance Information & Net Assets

	PIPF-EQ* PIPF-DT** PIPF-MM**				
Year to Date Return (%)			9.31	3.02	2.83
Month to Date Return (%)			5.52	5.79	4.64
Since inception (%)			198.81	10.21	8.21
Net Assets (PKR M)			150.52	123.58	70.46
NAV (Rs. Per unit)			299.41	171.80	157.80
	2010	2011	2012	2013	2014
PIPF - EQ*	23.04	21.30	24.70	41.80	42.10
PIPF - DT**	11.53	8.80	8.40	6.80	8.22
PIPF - MM**	7.13	6.90	8.30	7.70	6.86
* Total Return ** Annualized return					

## PIPF-Equity (%age of Total Assets)

	Oct-14	Sep-14
Oil and Gas	23.6%	30.9%
Construction and Materials	16.0%	15.5%
Electricity	11.7%	14.9%
Automobile and Parts	8.5%	7.1%
Engineering	7.8%	7.7%
Other equity sectors	17.3%	16.3%
Cash	10.1%	3.4%
Others including receivables	5.0%	4.2%

## Members of the Investment Committee

Yasir Qadri	Chief Executive Officer
Muhammad Asim, CFA	Chief Investment Officer
Saad Ahmed	Sr. Manager Fixed Income
Mohsin Pervaiz	VP - Investments
Manal Iqbal, CFA	Head of Research

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and any dividends/returns thereon are dependent on the performance of the underlying assets.

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BACHAT CENTER (TOLL FREE): 0800-62224 (0800-MCBAH)

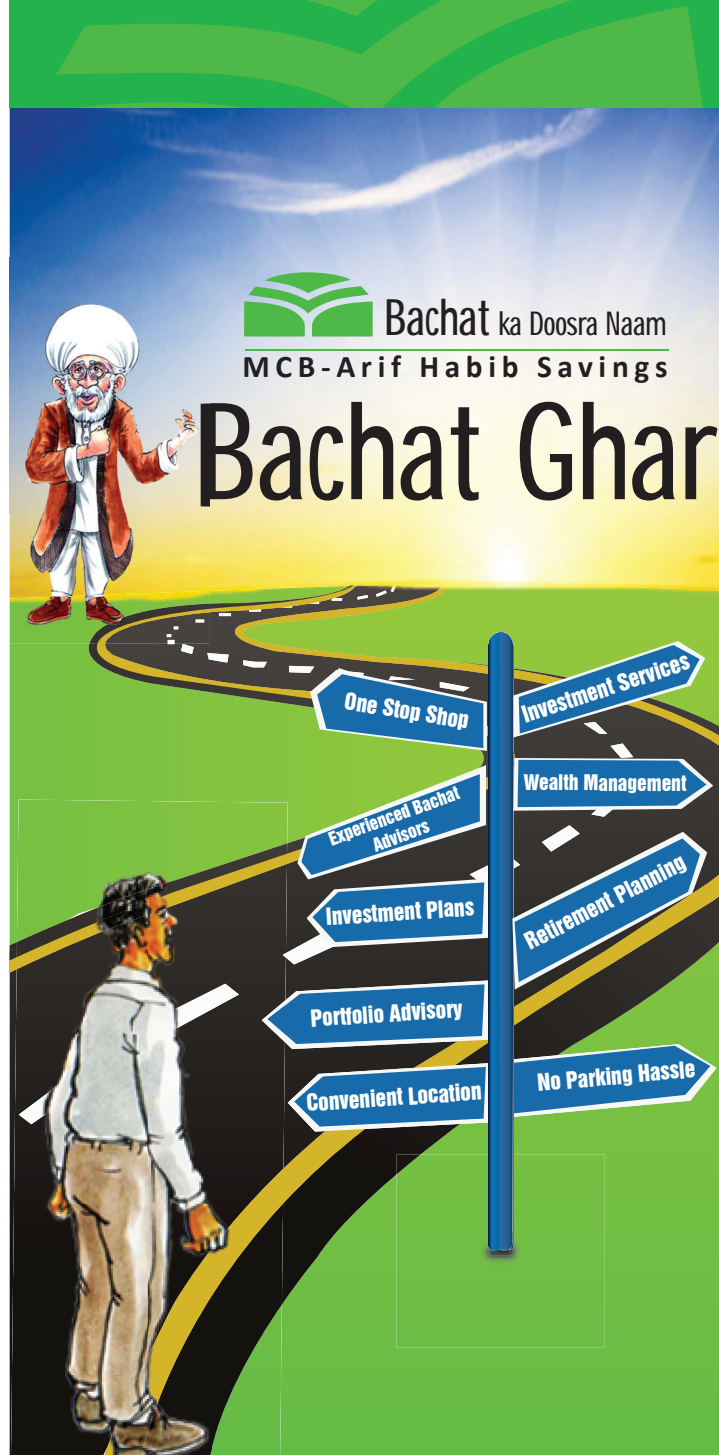
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