

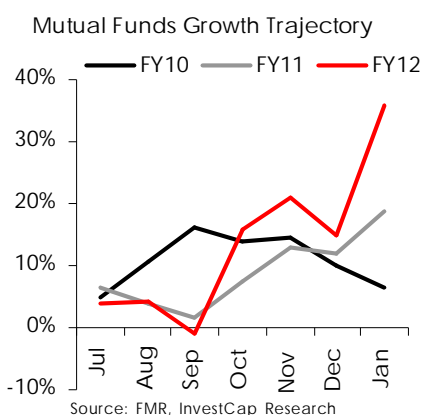
**Pakistan Research**

<b>Industry Size (Jan-12)</b>	Rs342bn
<b>Open-ended</b>	Rs321bn
<b>Closed-end</b>	Rs21bn
<b>No. of Funds</b>	142
<b>Open-ended</b>	128
<b>Closed-end</b>	14
<b>Asset Managers</b>	26

## Mutual Funds up 37% in 7MFY12 ii)FCCL result 1HFY12

### Highlights

- Mutual funds up 37% in size in 7MFY12, with 20% appreciation in Jan-12
- Income funds show huge growth, money market funds rebound strong
- Money market funds rebound strong in Jan-12, jumps ~20% MoM
- Fauji Cement to post enormous growth in earnings



In today's Value Seeker, we present an excerpt from our detailed monthly note on the Pakistan mutual funds industry titled 'Invest Guide', highlighting local mutual funds performance for the month of Jan-12 as well as 7MFY12 (Jul-Jan12) period.

### Mutual funds up 37% in size in 7MFY12, with 20% appreciation in Jan-12

After having faced a marginal decline of 5% MoM in Dec-11, the local mutual funds industry rebounded well and showed a healthy double-digit growth of 19% MoM during very first month of the new year 2012, to reach at ~Rs342bn (USD3.79bn). Amongst two broad categories, open-end funds' size rose 20% MoM while closed-end funds grew only 6% MoM during Jan-12, to close at Rs321bn (USD3.56bn) and Rs21bn (USD0.23bn) respectively.

During 7MFY12, total size of the mutual funds industry revealed a remarkable performance with a quantum leap of 37% since Jun-11, mainly on account of fixed income funds and money market funds growing by a massive 117% and 62% during 7MFY11 to reach at Rs84bn (USD0.93bn) and Rs125bn (USD1.38bn) respectively. As usual, open-end funds, which contribute 94% of the total size of the industry, appreciated by a solid 43% during 7MFY12.

### OPEN-END FUNDS CATEGORY-WISE PERFORMANCE

Rs mn	Assets	7MFY12	Jan12
Agg. Income Funds	8,098	-13.3%	-3.7%
Income Funds	83,979	117.0%	53.4%
MM Funds	125,340	62.1%	19.5%
Equity Funds	47,135	-9.5%	6.5%
Index Track. Funds	362	-3.1%	8.4%
Balanced Funds	3,122	-11.4%	5.4%
Asset Alloc. Funds	3,181	38.5%	3.0%
Capital Protect.	2,286	-43.1%	0.6%
Islamic Equity	7,196	35.3%	9.5%
Islamic Income	29,151	39.7%	1.0%
Islamic Cash Fund	7,050	11.0%	0.3%
Islamic Alloc. Funds	1,175	-7.0%	3.2%
Islamic Bal. Funds	728	-5.1%	3.9%
Islamic Capital Pro.	419	-42.1%	2.8%
Fund of Funds	824	4.5%	4.30%
<b>Total</b>	<b>320,723</b>	<b>42.9%</b>	<b>20.1%</b>

Source: FMR, InvestCap Research

### Income funds show huge growth, money market funds rebound strong

During Jan-12, the fund size of the fixed income funds' category lodged a huge growth of 53% MoM to close at Rs84bn (USD0.93bn). Fund-wise probe in the asset growth reveals that, ABL-Government Securities Fund (ABL-GSF) was able to append Rs30bn (USD0.33mn), almost double from the previous month's figures, to close at Rs31.5bn (USD0.35mn) in Jan-12. As such, during 7MFY12, the income funds category showed appreciation at a massive scale of 117%, mainly backed by ABL-GSF (launched in Nov-11).

### Money market funds rebound strong in Jan-12, jumps ~20% MoM

The money market funds category, after showcasing a decline of 12% MoM in Dec-11, rebounded well in Jan-12 with 19% MoM growth reaching Rs125bn (USD1.38bn). As we mentioned in our last update, the reason behind the decline in money market assets was the year-end factor. During 7MFY12, the size of the money market funds surged by 62%. Out of Rs20bn (USD0.22mn) added to the size of the category in Jan-12, 93% of the incremental funds were contributed by ASK-CF, ULPF, and ABL-CF combined, adding their respective portions ~Rs10bn, ~Rs5bn, and Rs4bn to the asset size of this category in Jan-12.

### Equity funds improve amid better performance of the local bourses

Upward march in the KSE100 index yielding 4.6% returns in Jan-12 provided support to the equity funds as the size of this category also appreciated by 6% MoM, settling at Rs47bn (USD0.52mn). However, during 7MFY12, the equity funds category still stood with cumulative decline of 9% since Jun-11.

Amongst equity funds, during 7MFY12, ABL-Stock Fund (ABL-SF) and Atlas Stock Market Fund (ASMF) yielded 6.3% and 3.7% respectively, outperforming the index return of -5%. While, in Jan-12, highest return was earned by ASMF with 12.1% followed by ABL-SF with 10.0% return

FCCL RESULT PREVIEW 1HFY12

as against the KSE100 and KSE30 returns of 4.6% and 9.8%, respectively.

Rs (mn)	1HFY12	YoY	2QFY12	QoQ
Net sales	3,628	61%	2,026	26%
Cost of sales	2,587	41%	1,223	-10%
Gross profit	1,040	147%	803	238%
D.Cost	30	-22%	17	25%
Admn.Cost	66	-19%	37	30%
Other Opp exp	23	11%	14	50%
Opp Profit	922	229%	736	295%
Other Income	17	77%	8	0%
Finance Cost	162	2485%	94	37%
PBT	777	174%	650	415%
Taxation	250	1915%	228	910%
Profit after Tax	526	110%	423	307%
EPS@1331mn Shr	0.40	109%	0.32	307%
<b>Margin Analysis</b>				bps
GM	29%	10%	40%	24%
NM	15%	3.4%	21%	15%

Source: Company Reports, InvestCap Research

## ii) Fauji Cement to post enormous growth in earnings

Fauji Cement Company Limited (FCCL) is scheduled to announce its financial result for 1HFY12 today. We expect the company to post healthy growth of 110% in profit after tax (PAT), which is expected to stand at Rs526mn, translating into an EPS of Rs0.40 for 1HFY12, which were previously stood at only Rs0.19mn. On a QoQ basis, FCCL is expected to post a PAT of Rs423mn (up 307%QoQ), which were only Rs104mn in the previous quarter. As far as dispatches are concerned, we expect FCCL dispatches during the 1HFY12 to have been recorded at 766kmn (up 46%YoY), during the 2QFY12 expected to have clocked in at 339k tons. Gross margin of the company is expected to improve significantly (up 1,000bps YoY) on the back of higher cement prices (up 24%YoY), while coal prices in the same period decreased by 10%YoY. However, financial charges during the 1HFY12 increased to Rs162mn as compared to only Rs6mn in the corresponding period last year. At current, levels we recommend 'Sell' on FCCL with Jun-12 share target price of Rs4.50/sh.

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