

July 2006

spot
light

Monthly
Roundup



Managed By

Atlas Asset Management

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Atlas
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Message From The Editor

Dear Investors,

We hope you enjoyed our first issue of *Atlas Funds Spotlight* and we look forward to your suggestions to improve our subsequent issues in order to serve you better. We shall be mailing you *Atlas Funds Spotlight* on a monthly basis at your address available in our records. We realize that many of our esteemed investors are more comfortable viewing the issue online on our website or by receiving a copy of the same through email and would request you to kindly inform us of your preference by sending us an email at spotlight@atlasfunds.com.pk. We shall continue to mail you a copy unless you inform us otherwise.

Transactions have resumed in both Atlas Income Fund (AIF) and Atlas Stock Market Fund (ASMF) from July 20, 2006 after the results for the year ended June 30, 2006 were announced and units can be purchased/ redeemed from any of our authorized branches.

Mr. Tim Julien, Regional Director, ING Investment Management Asia/Pacific visited Atlas Asset Management Limited (AAML) in July in respect of investment management. The visit was to formally implement the new Equity Investment Process for ASMF, which has been developed with support and guidance from ING Investment Management.

AAML announced amendments in the Trust Deed and Offering Document of ASMF on July 26, 2006. The 2nd Supplemental Offering Document can be downloaded from our website. The amendments in Clause 16(ii), 16(iii), 16(iv), 19(ii), 19(iii), and 19(iv) of the Trust Deed, and Clause 7.1(d), 7.3(b), 7.3(c) and 7.3(d) of the Offering Document relate to the change in the unit pricing mechanism of ASMF, which has been discussed in detail in the Investor Education section of this issue. The remaining amendments pertain to the Investment policy of ASMF and these provisions have been made in the Trust Deed and Offering Document to allow ASMF to invest 30% of its Net Assets subject to a cap of US \$ 15 million, internationally.

As always, your comments and suggestions are very much appreciated. We look forward to hearing from you.

Best Wishes,

Editor

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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 advisor for understanding the investment policies and risks involved.

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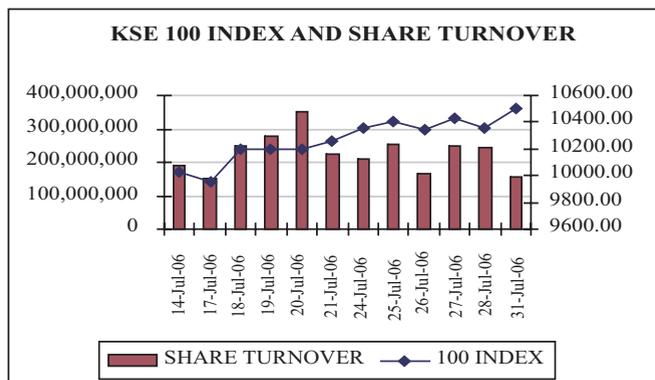
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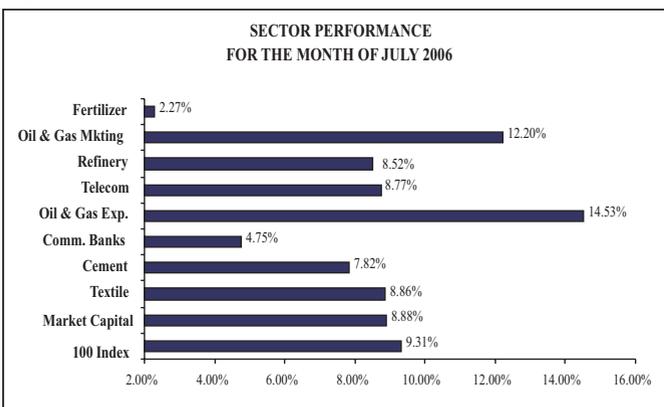
Market Review

On the Stock Market Front

The crisis in the Middle East strengthened the belief that oil prices would continue their upward trend, which brought investor interest in the oil sector. Oil and Gas Exploration and Marketing sectors were therefore in the forefront of the bullish rally that was witnessed in the month of July 2006. Average oil price remained at \$68 per barrel in July 2006 which was 8% higher as compared to the average oil price in June 2006. PSO led the way and grew by 19% during the month on the back of strong earnings expectation resulting from inventory gains due to about 20% increase in petroleum product prices during the last quarter of FY06. This resulted in increased activity in the market and resulted in an overall increase of 894 points or 8.9% during the month with average monthly volumes of 207 million shares which were 20% higher as compared to the previous month.

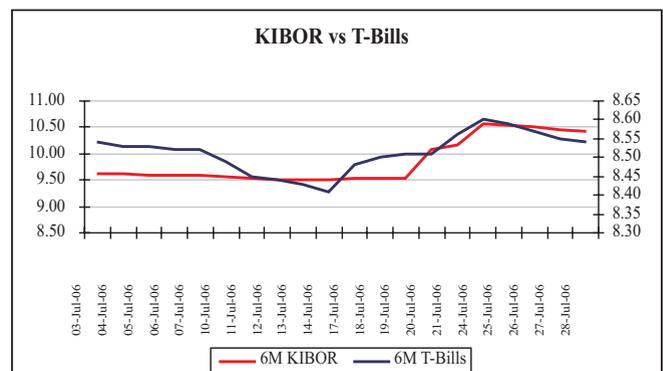


Oil and Gas Exploration and Oil Marketing sectors outperformed the index and grew by 14.5% and 12.3% respectively. United States Department of Agriculture put the cotton crop estimates for FY07 at 13.8 million bales, 14% higher year-on-year. Considering the fact that agriculture forms over 60% of the total GDP and a good growth in the agricultural sector has wide-ranging implications for the economy, the news was taken very positively by the market resulting in the Textile sector gaining about 9% during July, 2006.



On the Money Market Front

State Bank of Pakistan announced the monetary policy for the first half of FY07. The policy is mainly aimed at reducing the current account deficit and controlling inflation. The key feature of this policy was the upward revision of the discount rate by 50 basis points to 9.5%. This is in continuation of SBP's steps towards a tighter monetary policy. Increase in Statutory Liquidity Requirement (SLR) and Cash Reserve Requirement (CRR) which were raised by 300 basis points and 200 basis points respectively, was also a part of this effort. These actions will result in a significant decline in the liquidity available in the banking sector. Overall interest rates are expected to rise as a result of this tight monetary stance. Six month KIBOR rate has started to pick up in response to this policy shift. The rate closed at 10.65% at the end of the month which was more than 1% higher as compared with the rate at the beginning of the month. The cut-off yield for 6 months treasury bills showed movement both ways during the month closing slightly higher at the end of the month as compared to the start of the month.



Overall, the steps taken by the SBP seem to be in the right direction as inflation and trade deficit had reached alarming levels and were posing great threat to the overall economic growth. It is expected that these measures will help the economy set itself on solid foundations in the long run.

Going Forward

We continue to remain positive on the stock market as the corporate sector of the country has continued its growth momentum and the overall corporate results are expected to remain impressive. The liquidity drain resulting from the tight monetary stance is expected to be balanced out by the strong earnings coupled with good payouts by the corporate sector so the outlook of the stock market continues to remain positive. Our top picks remain the Oil & Gas, Banking and Textile sectors which are set to be the main beneficiaries of rising international oil prices and the positive news regarding a bumper cotton crop in the country.

Atlas Income Fund

Fund Performance for the month ended July 31, 2006

Fund Information

Fund Launch date	March 22, 2004
Type	Open-end - Income Fund
Net Assets	Rs. 2.78 Billion
NAV per unit	Rs. 504.53
Listing	Lahore Stock Exchange (LSE)
Trustee	Central Depository Company of Pakistan (CDC).
Auditors	Hameed Chaudhri & Co.
Minimum Subscription	RS. 5,000

Management Discussion of Fund Performance

Investment Objective

To achieve a good rate of current income consistent with reasonable concern for safety of principal and to provide the investors with liquidity and the facility to join or leave the fund at their convenience.

Investment Strategy

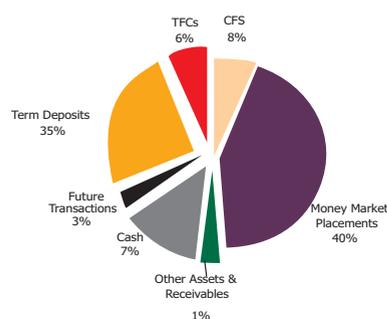
The Fund will invest mainly in high quality fixed income securities. In selecting debt instruments and government securities, the Fund will consider individual credit risks, with the understanding that market value of even high quality fixed rate securities can fluctuate with change in interest rate levels. The Fund may also invest in Continuous Funding System (CFS) and Spread Transactions. The asset allocation will depend on prevailing market conditions and exposure limits.

Fund Manager's Review

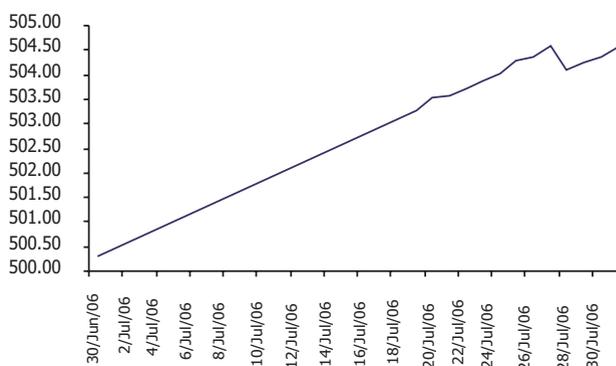
Atlas Income Fund earned a return of 9.98% on an annualized basis for the month of July which, though lower than the return for the previous month was nevertheless higher than the industry average of 7.85%. The Net Assets grew by 5% to Rs. 2.78 billion from Rs. 2.65 billion in June 2006.

July witnessed improvement in the returns being offered in CFS transactions and the Fund increased the exposure in CFS from 1% (of Net Assets) to 8% over the month. Ready-Future Spread transactions too offered a comparatively higher return as compared to the previous month and a small amount of funds were placed in these. The focus, however, remained towards money market placements and term deposits as the interest rates continued on an upward trend and these avenues remained attractive.

Asset Allocation



NAV Performance for the Month



Returns

Return*	From	AIF
Month on Month	30-Jun-06	9.98%
Quarter on Quarter	30-Apr-06	10.54%
1 Year	31-Jul-05	11.61%
Year to date	30-Jun-06	9.98%
Since Inception	22-Mar-04	9.90%

*All returns are on an annualized basis

Key Interest Rates*

KIBOR 3 months	10.37%
KIBOR 6 months	10.65%
Discount Rate	9.50%
6 months T-Bills	8.93%
12 months T- Bills	9.03%
10-Years PIBs	9.80%
Inflation (CPI)	7.63

* Source: Business Recorder dated July 31, 2006

Website: www.sbp.org.pk

Atlas Stock Market Fund

Fund Performance for the month ended July 31, 2006

Fund Information

Fund Launch date	November 23, 2004
Type	Open-end - Equity Fund
Net Assets	Rs. 1.72 Billion
NAV per unit	Rs. 561.23
Listing	Lahore Stock Exchange (LSE)
Trustee	Central Depository Company of Pakistan (CDC)
Auditors	Hameed Chaudhri & Co.
Minimum Subscription	Rs. 5,000

Management Discussion of Fund Performance

Investment Objective

To achieve a good rate of current income consistent with the prospects of appreciation in the value of amount invested and to provide the investors with liquidity and the facility to join or leave the fund at their convenience.

Investment Strategy

The Fund will invest mainly in high quality equity securities. In selecting equity securities, the Fund will consider the reputation of the management, volume trading in the shares, profitability, dividend record and prospects of earning growth. The Fund may also invest in Term Finance Certificates, Continuous Funding System (CFS) transactions and Money Market Instruments. The asset allocation in each instrument will depend on prevailing market conditions.

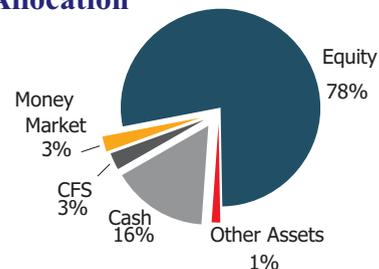
Fund Manager's Review

The Net Asset Value (NAV) of Atlas Stock Market Fund showed a growth of 3.54% during the month, increasing from Rs.537.79/unit (Ex-Bonus) as on June 30 2006 to Rs. 561.23/unit as on July 31, 2006. The Fund size has also shown an impressive growth of 12% and stood at Rs.1.72 billion as on July 31, 2006. During the month under review, the Fund rebalanced its portfolio in light of the changing sectoral dynamics and valuations. However, given the strong fundamentals and growth prospects in the Oil & Gas Exploration and Banking sectors, both sectors remained the top picks in terms of investment composition.

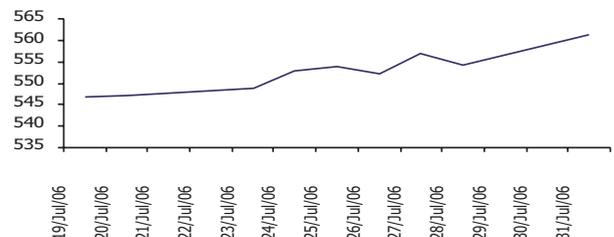
The Fund also increased its exposure in the Oil Marketing companies to take advantage of higher oil prices and resultant impact on the earnings due to inventory gains. Fertilizer sector, which had a portfolio investment of 6.0% as at June30, 2006, now forms 6.8% of the portfolio, up by 0.8%. Investment in the Telecom sector was also increased which now forms the fifth largest holding of the Fund in place of cement as

compared to the June 30, 2006. Exposure in Cement sector was reduced after considering the upcoming capacities and its likely impact on cement prices. The average monthly exposure of the Fund in equity market remained at 78% during the month of July.

Asset Allocation



NAV Performance for the month



Returns

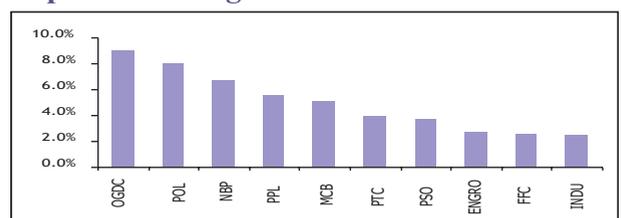
Return*	From	ASMF
Month on Month	30-Jun-06	51.32%
Quarter on Quarter	30-Apr-06	-26.05%
1 Year	31-Jul-05	35.96%
Year to date	30-Jun-06	51.32%
Since Inception	23-Nov-04	28.84%

*All returns are on an annualized basis

Top Five Sectors

Commercial Banks	22.70%
Oil & Gas Exploration	22.56%
Fertilizer	6.80%
Oil & Gas Marketing	6.14%
Telecommunication	4.72%

Top Ten Holdings



Fund Information

Fund Launch date	December 13, 2004
Type	Closed-end - Fund of Funds
Net Assets	Rs. 639.33 million
NAV per unit	Rs. 12.18
Listing	Karachi Stock Exchange (KSE)
Trustee	Central Depository Company of Pakistan (CDC)

Auditors Hameed Chaudhri & Co.

*Inclusive of 15% dividend announced for the year ended June 30, 2006.

This Fund is traded at Karachi Stock Exchange (KSE) and can be purchased on prevailing market price that is as a discount to NAV during trading hours of KSE.

Management Discussion of Fund Performance

Investment Objective

To provide investors a one-window facility to invest in a diversified portfolio of securities of closed-end & open-end schemes offering consistent returns and growth.

Investment Strategy

The Fund will invest mainly in other closed end funds. In selecting the closed end funds, the Fund will review the comparison of the Net Asset Value (NAV) with market value and the available discount, the portfolio of that fund and trading activities in the shares of the investee funds. The Fund may also invest in unit trust schemes, CFS transactions and Money Market Instruments. The open-end schemes shall be selected on the basis of their returns. The asset allocation in each instrument will depend on the prevailing market conditions.

Fund Manager's Review

The Net Asset Value (NAV) of Atlas Fund of Funds increased by 1.7% during the month of July 2006. The Net Asset Value (NAV)/ certificate has increased from Rs. 11.97 as at June 30, 2006 to Rs. 12.18 as on July 31, 2006. The Net Assets of the Fund grew by 1.6% on month-on-month basis and stood at Rs. 639.33 million at month end.

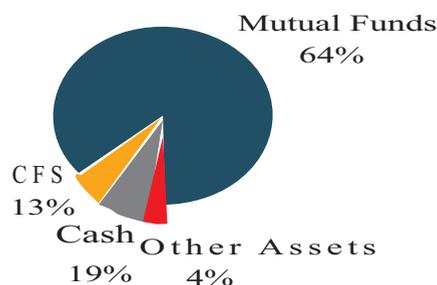
The total investment in mutual funds has increased to 65% of the Net Assets as compared to 58% last month. The investment in closed end funds stood at 49% of the Net Assets whereas investment in open-ended funds stood at 16% of the Net Assets. During the period under review, fresh investment was made in closed end funds after evaluating their discount to NAV and growth potential. Investment in open-ended funds was also made after reviewing the respective Fund's performance and investment composition. On July 19, 2006, the Fund announced a 15% cash dividend

Atlas Fund of Funds

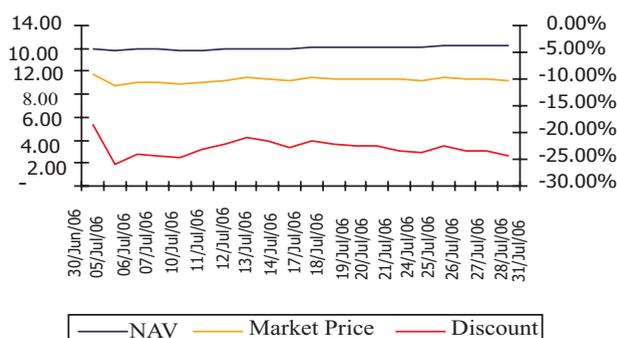
Fund Performance for the month ended July 31, 2006

(Rs. 1.50/certificate) to the certificate holders for the financial year ended June 30, 2006. The books of the Fund shall remain closed from August 11-18, 2006 for determining the dividend entitlement.

Asset Allocation



NAV Performance for the month

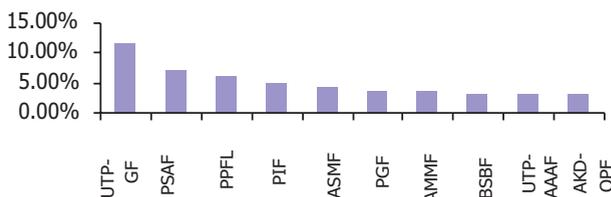


Returns

Return*	From	ATFF
Month on Month	30-Jun-06	20.66%
Quarter on Quarter	30-Apr-06	-12.61%
1 Year	31-Jul-05	19.65%
Year to date	30-Jun-06	20.66%
Since Inception	13-Dec-04	16.44%

*All returns are on an annualized basis

Top Ten Holdings of Mutual Funds



Investor Education

Starting from **August 28, 2006**, the unit pricing mechanism of Atlas Stock Market Fund (ASMF) will shift from the present method of “*Previous Day Pricing*” mechanism to what is called “*Forward Pricing*” mechanism that is the norm for all mutual funds, particularly equity funds, both locally as well as internationally. Infact, it is a Securities and Exchange Commission regulation for open-end investment companies in the USA to use this mechanism to determine the unit prices.

“*Forward Pricing*” simply means that unit holders purchasing or redeeming units on any particular business day shall receive the sales/ redemption price as is calculated on the Net Asset Value (NAV) at the close of that particular business day on which the sale/ redemption application is received, while in existing case of “*Previous Day Pricing*”, the sales / redemption price is determined on the basis of the NAV calculated on the previous day.

This valuation process is particularly effective for open-end mutual fund transactions in which the mutual fund itself is constantly issuing and redeeming mutual fund units at the most recent NAV per unit. Mutual funds are not priced continuously on the market. Rather, at the end of each business day the total value of the fund’s investments is calculated and this figure is divided by the number of outstanding units, yielding the Net Asset Value per unit. An order to buy or sell a unit in a mutual fund is held until the end of the day, when it is processed at the then calculated price. This pricing policy tends to discourage short-term trading of mutual fund units (i.e market timing/ speculation), since investors are generally unable to take advantage of temporary fluctuations in the price of the underlying assets and therefore helps to safeguard the interests of the existing investors of that fund.

From August 28, 2006, ASMF shall be announcing its offer and redemption prices based on the Net Asset Value calculated at the close of that business day which shall be a more appropriate value for buying and selling ASMF. Also the frequent suspension of announced prices and calculation of a new price as was witnessed quite frequently due to extreme movements in the stock market resulting in variation of NAV by over 2% during the past couple of months shall no longer be necessary.

The prices shall be posted on our website at the close of that business day and published in a daily newspaper the next business day. The prices shall also be emailed to all our valued investors who have provided their email addresses to us. Due to the change in the pricing mechanism, the sale and redemption applications can now be received at any time during our office hours. If you have any queries relating to this change, please contact our Investor Services for more information.

Test Your Mutual Fund Knowledge... Question of the Month

The process of deciding how to split your investment amount among various classes of financial assets (i.e. stocks, bonds, and cash) is best described as:

- | | |
|---------------------|---------------------|
| a) Class Action | b) Asset Grouping |
| c) Asset Allocation | d) Class Splitation |

Please send your responses to spotlight@atlasfunds.com.pk
The correct answer shall be printed in the next issue of *Atlas Funds Spotlight*

**The correct answer for the previous month’s question is (d).
A fund family is simply a group of mutual funds offered by the same company or institution.**

Where To Apply

Sales Outlets:

KARACHI

1- C/O Atlas Battery Limited
PPI Building, Near Sind Secretariat Building,
Shahrae Kamal Ataturk, Karachi - 74200, Pakistan
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Contact Person: Mr. Arbab Ahmed
Email: abd@atlasfunds.com.pk

2- C/O Shirazi Trading Company (Private) Limited
3rd Floor, Ebrahim Estates, Shahrae Faisal,
Karachi - 75350, Pakistan.
Phones: 4310665, 4543109, 4536369, 4539695
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