

Mutual funds under stress

TFCs revaluation toll touches Rs10bn

The income fund asset size (including both Islamic income and income funds) has fallen to Rs135 billion from Rs145 billion previously, after the revaluation impact, according to The Financial Daily Research.

Mutual fund industry has been in dire straits during FY09 owing to disappointing performance of equity and income funds.

On Nov 5, SECP discounted TFCs rates according to their ratings. As a result NAVs of all income funds nosedived when AMCs incorporated the change of TFCs prices, hurting investor confidence real bad.

Up till now we have calculated an impact of Rs10 billion on the revaluation of TFCs, however we will have to wait and see how much redemption the industry will face. It really depends on investors' morale which is losing steam big time.

Faysal Saving Growth Fund is a top rated fund according to TFD Research. The fund has registered only a negligible impact on its NAV as it is mostly diversified in cash & cash equivalents, followed by AKD Income Fund, NAV of which declined only 2.81 per cent.

The investments made in funds during last 5 days have devalued by 8 per cent on average which is absolutely shocking.

Investors are regretting their move, saying, had they kept their money in banks at least the principal amount would have been secure with an earning of at least 5 per cent (if money had been in savings account).

Mutual fund industry is sailing in hot waters at the moment with no winds of change blowing whatsoever. The worst casualty invoked by this crisis is what AMCs struggled hard to achieve, investor confidence. Bringing investors round again would be an exercise tougher than the labours of Hercules. And now they are themselves advocating that the investments should be done keeping in mind the past performance of respective fund.

Consequently banking sector would get a boost as people are rushing to redeem their hard money and invest in term deposits of high rated lenders.

Income Funds	per cent Change
Faysal Saving Growth Fund	-0.12
AKD Income Fund	-2.81
MCB Dynamic Cash Fund	-4.03
First Habib Income Fund	-6.31
IGI Income Fund	-6.45
United Money Market Fund	-6.8
United Growth & Income Fund	-7.23
Nafa Cash Fund	-7.32
Meezan Islamic Income Fund	-7.79
HBL Income Fund	-7.97
Nafa Income Fund	-9.19
United Islamic Income Fund	-9.25
Alfalah Income Multiplier Fund	-10.14
Reliance Income Fund	-10.67
AMZ Plus Income Fund	-11.37
POBOP Advantage Plus Fund	-12.24
Nafa Islamic Income Fund	-15.4
Dawood Money Market Fund	-23.78