



Bachat ka Doosra Naam

**Annual Report
2012**



PAKISTAN

STRATEGIC ALLOCATION

FUND

Din Eid, Raat Shabraat

PAKISTAN STRATEGIC ALLOCATION FUND

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Vision

To become synonymous with Savings

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

PAKISTAN STRATEGIC ALLOCATION FUND

FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
Human Resource Committee	Dr. Salman Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jehangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Bank AL Habib Limited MCB Bank Limited Habib-Metro Bank Limited	
Auditors	M. Yousuf Adil Saleem & Co.- Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Registrar	JWAFFS Registrar Services (Private) Limited Kashif Centre, Room No. 505, 5th Floor, Near Hotel Mehran, Main Shahrah-e-Faisal, Karachi.	
Rating	AM2 - Management Quality Rating assigned by PACRA	

PAKISTAN STRATEGIC ALLOCATION FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012

The board of Directors of Arif Habib Investment Limited, the Management Company of Pakistan Strategic Allocation Fund (PSAF), is pleased to present the Annual Report on the affairs of PSAF for the year ending June 30, 2012.

Equities Market Overview

The local bourses gave an average performance with the KSE-100 index rising by about 10% in FY12 as against 29% return posted in FY11. Pakistan equity market, however, remained the 3rd best performing market in the region this year as well after Philippines and Thailand.

KSE-100 Index made a depressing start with market shedding 13% during the first couple of months and made the yearly bottom at around 10,800 levels. Alongside negative returns, the market continued to remain dull with consistently low turnover throughout the period remained indicative of investor's shyness towards equity asset class. Even a cumulative cut of 200 bps in DR by the SBP during the first half failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors. Global equities market went down significantly during the quarter, which also had an adverse impact on emerging and frontier markets including Pakistan. Other resistive forces that played a dampening role for the market were political unrest, worsened law and order situation, strained Pak-US relations, floods in Sindh and energy crisis. Foreigners were net seller during the first half with an outflow of US\$ 151 million.

After a depressing first half, the Capital Gains Tax amnesty came as a piece of fortune to the investors at the local equities market and the KSE-100 index surged by 22% during the latter half of the year under review. The expectation of reprieving CGT also waved a magic wand on the volumes too where 2HFY12 saw buoyant volumes while marking a 33-month high at 577mn shares traded in a day. Participation from retail investors also returned to the market during the latter part of this year where mid and small-cap stocks remained the highlights of market activities lately. After a significant sell-off during the first half, foreigners' also jumped on to the bandwagon during the latter half with a net inflow of US\$ 62 million.

Macro economic factors remained challenging the KSE performance included sustained high oil and declining cotton prices resulting in higher trade deficit, lack of foreign flows as well IMF repayments depleted FX reserves and caused PKR to depreciate against the US\$ by around 10%. On the positive front, the SBP remained in a monetary easing cycle with a cumulative reduction of 200 bps in the policy discount rate during the year- improving the fundamentals of debt-laden companies.

Sector wise, Cements, Power and Autos outperformed the KSE-100 index while sectors like Chemicals, Textiles and Refineries remained among the underperformers. Best performing stocks included EFOODS, MEBL, BAFL, and DGKC.

Future Outlook

We believe that the political arena would turn noisy on the back of election year ahead as well as continued confrontation between government and judiciary. Global economic environment would remain jittery in the near term, which could provide further hiccups to the international as well as local equity markets. However, expectation of monetary easing by the SBP in the upcoming monetary policy on the back of benign inflation as well as release of CSF payment should support the bull-run in the market in the near term while any major deterioration in key macro-indicators going forward could have a toll on the market performance. Strong earnings growth, sizeable discount to regional markets, high dividend yield and relatively cheaper PE valuations warrant decent returns for long term investors in our view.

Fund's Performance

The investment objective of the fund is to provide investors capital growth over medium to long term primarily from investment in more liquid Pakistani equities. The fund invests primarily in equities based on a quantitative model. The fund takes advantage of equity market volatility and buys equities when they are underpriced and sells equities when they are overpriced.

The fund generated a return of 14.9% during the year as against its benchmark KSE-100 Index return of 10.4%, an out-performance of 4.5%. Since inception return of the fund has been at 134.6% as against its benchmark return of 159.4%, an under-performance by 24.8%. Net assets of fund were reduced by Rs 256m (around 42%) during the year as many investors decided to book profit in major positive rallies.

The Fund yields for the period under review remained as follows:

Performance Information (%)	PSAF	Benchmark
Last twelve Months Return	14.9%	10.4%
Since Inception	134.6%	159.4%

During the year your fund earned net income of Rs 46,284 million. The Board in the meeting held on June 25, 2012 has declared final distribution amounting to Rs. 63.316 million (i.e. Rs.0.9043 per unit).

During the period, units worth Rs.63.337 million (including Rs.63.316 million worth of bonus units) were issued and units with a value of Rs.314.623 million were redeemed. As on 30 June 2012 the NAV of the Fund was Rs. 8.57 per unit.

Update on Workers' Welfare Fund

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan

PAKISTAN STRATEGIC ALLOCATION FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012

Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

In view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. However the auditor of the Fund because of pending adjudication of the Constitutional petition in Honourable Sindh High Court and included an emphasis of matter paragraph in auditor's report highlighting the said issue.

The aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs.10.914 million.

Corporate Governance

The Fund is committed to high standards of corporate governance and the Board of Directors of the Management Company is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Karachi Stock Exchange.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company, hence no disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 20 to the attached financial statements. During the year four meetings of Audit Committee were held on 19th September 2011, 26th October 2012, 26 January 2012 and 24th April 2012, the details of attendance is as follows:

**PAKISTAN STRATEGIC ALLOCATION FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

S. No.	Name	Designation	Attendance required	Attended	Leave granted
1.	Mr. Haroun Rashid	Chairman	4	3	1
2.	Mr. Nasim Beg	Member - Executive Vice Chairman	4	4	-
3.	Mr. Samad A. Habib	Member	4	2	2
4.	Mr. Ali Munir	Member	4	2	2

- m. As required by the Code, all the directors of the Management Company will attend the training Program for directors by the year 2016. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the management company.
- n. No trades in the Units of the Fund were carried out during the year by Directors, CEO, CFO/Company Secretary of the Management Company and their spouses and minor children.

External Auditors

The Fund's external auditors, M. Yousuf Adil Saleem & Co., Chartered Accountants, have expressed their willingness to continue as the Fund auditors for the ensuing year ending June 30, 2013. The audit committee of the Board has recommended reappointment of M. Yousuf Adil Saleem & Co., Chartered Accountants, as auditors of the Fund for the year ending June 30, 2013.

Acknowledgement

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (the Trustee of the Fund) and the management of the Karachi Stock Exchange for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Management Company for the growth and meticulous management of the Fund.

For and on behalf of the board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

PAKISTAN STRATEGIC ALLOCATION FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2012

Fund Type and Category

Pakistan Strategic Allocation Fund is an Open-End Equity Scheme

Fund Benchmark

The benchmark for PSAF is KSE100 Index

Investment Objective

The objective of the fund is to provide investors capital growth over medium to long term primarily from investment in more liquid Pakistani equities

Investment Strategy

Pakistan Strategic Allocation Fund (PSAF) is an open end strategic allocation fund which primarily invests in equities based on a quantitative model. The Fund takes advantage of equity market volatility and buys equities when they are underpriced and sells equities when they are overpriced. DCF (discounted cash flow) valuations are pivotal for stocks selection in the portfolio. The fund is mostly invested in liquid stocks. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

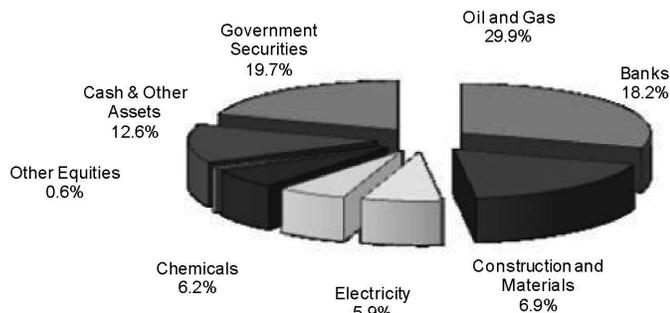
Manager's Review

During the year under review, NAV per unit of Pakistan Strategic Allocation Fund increased by 14.9% as compared to the benchmark KSE-100 Index return of 10.4%, resulting in an out performance of 4.5% by the fund. Tax amnesty on capital gains coupled with the return of foreigners in the market remained the positive highlighting factors during the year, which kept the market rolling. Unstable political conditions, deteriorating macro-factors, worsening law and order situation, worldwide recessionary conditions and Euro zone crisis however continued to cast shadow of doubt on equity market performance. The fund remained vigilant and tried to concentrate its exposure in those stocks and sectors that are largely immune fundamentally from deteriorating macroeconomic conditions.

The fund started the year with an equity allocation of 91.3%. Fund changed overall equity allocation several times during the year following its allocation strategy. Maximum equity allocation during the year remained 91.6% while minimum was 60.2%. Average equity allocation during the year comes out to be around 73.5%. Market largely remained depressed during the first half of the year which was followed by a mostly unidirectional bullish trend during second half of the year. Capital gains tax amnesty scheme was the hallmark for strong stock market performance during the latter half, while better than expected financial performance of many key sectors and companies coupled with declining interest rate outlook also supported the momentum.

The fund initially had around 24% exposure in Oil and Gas sector which was kept at higher levels throughout the year as this sector is relatively shielded from deteriorating economic fundamentals. The fund had a high exposure of around 16% in Chemicals, mainly in fertilizers; at the beginning of the year which was brought down significantly during the year amid frequent shut downs in gas supplies as well as higher imports of urea, which was sold at reduced prices. The fund had a relatively lower exposure (around 13.8%) in Banks at the beginning which was increased to around 22% by third quarter to take advantage of the year end results; however fund realized some capital gain and brought its exposure down to around 18% by year-end. Unlike previous year, Construction and Materials sector is a key highlighting sector for the year as it depicted strong earnings growth on the back of higher gross margins. The fund took advantage of this scenario and increased allocation to around 9% in third quarter, while it was reduced marginally to around 7% by the year-end as the fund preferred to realize capital gains. Moreover, the fund took small exposures in Engineering, Automobile and Parts, Personal Goods, Pharma & Bio Tech and Fixed Line Telecommunication sectors throughout the year to capitalize on various positive developments within these sectors. The fund however liquidated its allocation of around 10.7% in General Industries during the year.

Since inception return of the fund was 134.6% as compared to the benchmark's return of 159.4%, an under-performance of 24.8%. The fund's Net Assets declined by 42% from PKR 608 Million at the beginning of the year to PKR 352 Million as on June 30, 2012. The decline in net assets of the fund is primarily attributable to redemption pressures amid a) conversion of fund from closed-end to open-end and b) positive returns of the local stock exchanges as some investors opted to realize capital gains of the fund.



Mr. Mohsin Pervaiz
Fund Manager

Karachi: August 15, 2012

**PAKISTAN STRATEGIC ALLOCATION FUND
TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN STRATEGIC ALLOCATION FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Strategic Allocation Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 17, 2012



PAKISTAN STRATEGIC ALLOCATION FUND

STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of Arif Habib Investments Limited ("the Management Company"), the Management Company of Pakistan Strategic Allocation Fund ("the Fund") to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Pakistan Strategic Allocation Fund is an open end mutual fund and is listed at Karachi Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Arif Habib Investments Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

Category	Names
Independent Directors	1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	1. Mr. Nasim Beg - Executive Vice Chairman 2. Mr. Yasir Qadri - Chief Executive Officer
Non - Executive Directors	1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib

The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Management Company
5. The Management Company had prepared a 'Code of Conduct' and ensured that appropriate steps had been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer, other executive and non-executive directors were made during the year.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. As required by the Code, all the directors of the Management Company will attend the training Program for directors by the year 2016. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. Accordingly, the Management Company is compliant with this requirement for the current year. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the management company.
10. No new appointments of Chief Financial Officer and Company Secretary were made during the year. The Board has approved the remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. Subsequent to the year end, the Management Company has appointed Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.
11. The Directors' Report of the fund for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.

**PAKISTAN STRATEGIC ALLOCATION FUND
STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

15. The Board has formed an Audit Committee for the Management Company. It comprises of four members, three of whom are the directors of the Management Company. Two are non-executive directors and the Chairman of the Committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. During the year, the Management Company has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants who are considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and units of the fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities and Fund's unit, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For and on behalf of the board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

**PAKISTAN STRATEGIC ALLOCATION FUND
REVIEW REPORT TO THE UNIT HOLDERS ON THE
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
OF THE CODE OF CORPORATE GOVERNANCE**

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

**REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST
PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Arif Habib Investments Limited**, the Management Company of **Pakistan Strategic Allocation Fund (the Fund)** to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, where the Fund is listed.

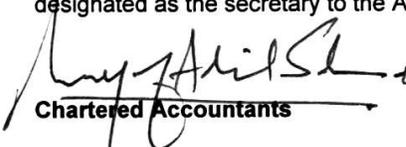
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the Listing Regulations requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2012.

We draw attention to paragraph 10 of the annexed statement which highlights that subsequent to the year end the Management Company has appointed the Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.


Chartered Accountants

Karachi
Date: August 15, 2012

Member of
Deloitte Touche Tohmatsu Limited

**PAKISTAN STRATEGIC ALLOCATION FUND
INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS**

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
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KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Pakistan Strategic Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2012, and the related statements of income, distribution, movement in unit holders' fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Member of
Deloitte Touche Tohmatsu Limited

**PAKISTAN STRATEGIC ALLOCATION FUND
INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS**

Deloitte.

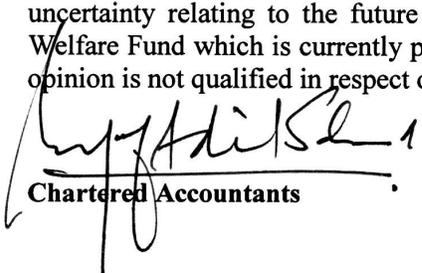
M. Yousuf Adil Saleem & Co
Chartered Accountants

Report on other legal and regulatory requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Emphasis of matter

We draw attention to note 13.1 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of litigation regarding contribution to the Workers' Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.


Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Date: August 15, 2012

FINANCIAL STATEMENTS

**PAKISTAN STRATEGIC ALLOCATION FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012**

	Note	2012 (Rupees in '000)	2011
ASSETS			
Balances with banks	5	42,371	42,757
Investments	6	326,351	577,894
Receivable against sale of investments		550	4,872
Dividend and profit receivable	7	892	4,073
Advances, deposits and other receivables	8	2,971	3,122
Total Assets		<u>373,135</u>	<u>632,718</u>
LIABILITIES			
Payable to Management Company	9	668	1,124
Payable to Central Depository Company of Pakistan Limited - Trustee	10	58	113
Payable to Securities and Exchange Commission of Pakistan	11	476	1,485
Unclaimed dividend		12,492	12,654
Accrued expenses and other liabilities	12	7,938	9,100
Total Liabilities		<u>21,632</u>	<u>24,476</u>
NET ASSETS		<u>351,503</u>	<u>608,242</u>
Unit holders' fund (as per statement attached)		<u>351,503</u>	<u>608,242</u>
CONTINGENCY			
	13	(Number of Units)	
Number of units in issue		<u>41,032,844</u>	<u>70,019,863</u>
Net assets value per unit	14	<u>8.57</u>	<u>8.69</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**



Director

**PAKISTAN STRATEGIC ALLOCATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
Note	(Rupees in '000)	
Income		
Capital gain on sale of investments - net	25,151	172,621
Income from government securities	4,844	54,537
Income from placements with financial institutions	-	616
Dividend income	29,454	82,867
Profit on bank deposits	8,498	8,144
	67,947	318,785
Impairment loss on financial assets classified as 'available for sale'	6.5	(1,972)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(11,579)	(225,425)
Unrealised appreciation on revaluation of investments 'at fair value through profit or loss' - net	6.4	72,803
	8,998	72,803
Total income	65,366	164,191
Operating expenses		
Remuneration of the Management Company	9.1	31,271
Sales tax on remuneration of Management Company	9.2	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	2,122
Annual fee - Securities and Exchange Commission of Pakistan	11	1,485
Securities transaction cost	3,713	5,482
Conversion cost	12.1	7,600
Custody, settlement and bank charges	331	612
Fees and subscription	300	644
Printing and related cost	487	298
Auditors' remuneration	15	383
	18,410	49,897
Net income for the year	46,956	114,294
Taxation	4.15	-
	46,956	114,294
Other comprehensive income for the year		
Unrealised diminution in value of investments classified as 'available for sale'	6.5	(36,626)
	(672)	(36,626)
Total comprehensive income for the year	46,284	77,668
Earning per unit	-	-

The annexed notes from 1 to 24 form an integral part of these financial statements.



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**



Director

**PAKISTAN STRATEGIC ALLOCATION FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in '000)	
Accumulated loss brought forward		
- Realised loss	(132,219)	(307,473)
- Unrealised gain / (loss)	39,590	(198,654)
	(92,629)	(506,127)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised capital gains / (losses) and capital gains / (losses) that forms part of the unit holders' fund transferred to distribution statement	50,164	645,224
Net income for the year	46,956	114,294
	97,120	759,518
Final bonus dividend @ Rs. 0.9043 per unit (2011: @ 1.1534) announced on June 25, 2012	(63,316)	(346,020)
Accumulated loss carried forward	(58,825)	(92,629)
Represented by:		
- Realised loss	(78,112)	(132,219)
- Unrealised gain	19,287	39,590
	(58,825)	(92,629)

The annexed notes from 1 to 24 form an integral part of these financial statements.



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**

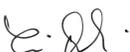


Director

**PAKISTAN STRATEGIC ALLOCATION FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in '000)	
Net assets at beginning of the year	608,242	2,531,171
Issue of Nil (2011 : 30,000,000) units at the time of conversion	-	3,000,000
Cancellation of Nil (2011 : 30,000,000) certificates at the time of conversion	-	(3,000,000)
	-	-
Amount received on issue of 979,821 (2011: 806,845) units	21	6,683
Bonus units issued 7,528,309 (2011: Nil)	63,316	-
Amount paid on redemption of 37,495,149 (2011: 230,786,982) units	(314,623)	(1,886,685)
	(251,286)	(1,880,002)
	356,956	651,169
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :		
- amount representing accrued (income) / loss and capital (gains) / losses - transferred to income statement	11,579	225,425
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that forms part of the unit holders' fund transferred to distribution statement	(50,164)	(645,224)
	(38,585)	(419,799)
Net income for the year transferred from the distribution statement	97,120	759,518
Unrealised diminution in value of investment classified as 'available for sale'	(672)	(36,626)
Final bonus dividend @ Rs. 0.9043 per unit (2011 @ 1.1534)	(63,316)	(346,020)
Net assets at end of the year	351,503	608,242
Net assets value per unit (face value per unit is Rs. 10/-)	8.57	8.69

The annexed notes from 1 to 24 form an integral part of these financial statements.


Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**


Director

**PAKISTAN STRATEGIC ALLOCATION FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in '000)	
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	46,956	114,294
Adjustments for:		
Impairment loss on financial assets classified as 'available for sale'	-	1,972
Element of loss and capital (gains) / losses included in prices of units issued less those in units redeemed	11,579	225,425
Unrealised (appreciation) / diminution in value of investments 'at fair value through profit or loss' - net	(8,998)	(72,803)
Dividend income	(29,454)	(82,867)
	<u>20,083</u>	<u>186,021</u>
(Increase) / decrease in assets		
Investments - net	259,869	1,835,838
Receivable against sale of investments	4,322	122,394
Profit receivable	(236)	1849
Advances, deposits and other receivables	151	(26)
	<u>264,106</u>	<u>1,960,055</u>
Increase / (decrease) in liabilities		
Payable to Management Company	(456)	(3,104)
Payable to Central Depository Company of Pakistan Limited - Trustee	(55)	(118)
Payable to Securities and Exchange Commission of Pakistan	(1,009)	(992)
Accrued expenses and other liabilities	(1,162)	7,568
	<u>(2,682)</u>	<u>3,354</u>
Dividend received	281,507	2,149,430
Net cash generated from operating activities	<u>32,871</u>	<u>79,142</u>
	A	314,378
		2,228,572
B. CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from units sold	21	6,683
Cash paid on units redeemed	(314,623)	(1,886,685)
Dividend paid	(162)	(344,673)
Net cash used in financing activities	<u>(314,764)</u>	<u>(2,224,675)</u>
Net (decrease)/ increase in cash and cash equivalent	(A + B)	(386)
Cash and cash equivalent at beginning of the year	42,757	38,860
Cash and cash equivalent at end of the year	<u>42,371</u>	<u>42,757</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.


Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)


Director

PAKISTAN STRATEGIC ALLOCATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Strategic Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no.SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011dated 27 June 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honorable Sindh High Court (SHC). The honorable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.
- 1.3** Formation of the Fund as a closed-end fund was authorized by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The conversion was authorised by Securities & Exchange Commission of Pakistan (SECP) vide its letter No. SCD/NBFC/MF-RS/PSAF/717/2010 dated September 23, 2010. The post conversion Trust Deed and post conversion Offering Document were approved by the SECP vide letter no. SCD/NBFC-II/PSAF/760/2010 dated October 4, 2010 and letter no. SCD/NBFC-II/PSAF/820/2010 dated October 28, 2010 respectively. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4** The Fund is an open-ended fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.5** The Fund primarily invests in listed equity securities. It also invest in cash instruments and treasury bills not exceeding 90 days maturities.
- 1.6** The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' dated May 08, 2012 to the Management Company and 3-Star Normal and 4-Star Long Term to the Fund dated September 22, 2011.
- 1.7** Title to the assets of the Fund is held in the name of the Trustee.

2. STATEMENT OF COMPLIANCE

- 2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.2** These financial statements comprise of statement of assets and liabilities, income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement together with the notes forming part thereof.
- 2.3 New, revised and amended standards and interpretations**

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011. These standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements:

**PAKISTAN STRATEGIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Standards / amendments / interpretations

*Effective date (accounting periods
beginning on or after)*

<i>Amendment to IAS 1 - Presentation of Financial Statements</i>	<i>January 01, 2011</i>
<i>IAS 24 (as revised in 2009) - Related Party Disclosures</i>	<i>January 01, 2011</i>
<i>Amendment to IAS 34 - Interim Financial Reporting</i>	<i>January 01, 2011</i>
<i>Amendment to IFRS 7 – Disclosures – Transfer of Financial Assets</i>	<i>July 01, 2011</i>
<i>Amendment to IFRIC 13 - Customer Loyalty Programmes</i>	<i>January 01, 2011</i>
<i>Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement</i>	<i>January 01, 2011</i>

2.4 Standards, interpretations and amendments to approved accounting standards not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned against the respective standard or interpretation: -

Standards / amendments / interpretations

*Effective for annual periods
beginning on or after*

<i>Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>	<i>July 01, 2012</i>
<i>Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>	<i>January 01, 2012</i>

The Fund expect that the adoption of the above standards and interpretation will not have any material impact on its financial statements in the period of initial application except for increase in disclosure requirement.

Further, the following new standard have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards or interpretations

<i>IFRS 1 – First Time Adoption of International Financial Reporting Standards</i>
<i>IFRS 9 – Financial Instruments</i>
<i>IFRS 10 – Consolidated Financial Statements</i>
<i>IFRS 11 – Joint Arrangements</i>
<i>IFRS 12 – Disclosure of Interests in Other Entities</i>
<i>IFRS 13 – Fair Value Measurement</i>
<i>IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11</i>
<i>IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11</i>

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for such investments which are stated at fair value.

PAKISTAN STRATEGIC ALLOCATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised by the management in application of accounting policies principally relate to classification and valuation of investment (refer notes 4.1 and 4.4) and impairment of financial assets (refer note 4.5) in the financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated:

4.1 Financial assets

The management of the Fund classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

(a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

(b) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity.

(c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise of cash and bank balances, receivable against sale of investments, deposits, dividend and profit receivable.

(d) Available for sale

These are non-derivatives that are either designated in this category or not classified in any of the other categories.

4.2 Regular way contracts

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

4.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

PAKISTAN STRATEGIC ALLOCATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

a) Basis of valuation of Equity Securities

The investment of the Fund in equity securities is valued on the basis of quoted market prices available at the stock exchange.

Net gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from the difference in value determined in accordance with the above mentioned criteria compared to the carrying amount in respect of available for sale financial assets are recognized in other comprehensive income until the available for sale financial assets are derecognized. At this time, the cumulative gain or loss previously recognized directly in other comprehensive income is reclassified from other comprehensive income to income statement as a reclassification adjustment.

Loans and receivables and held to maturity financial assets are carried at amortized cost.

b) Basis of valuation of Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association.

4.5 Impairment

The carrying amounts of the Fund's assets are assessed at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognized immediately as an expense in the income statement. In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is reclassified from other comprehensive income and recognized in the income statement. Impairment losses recognized on equity financial assets recognized in the income statement are not reversed through the income statement. For loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

4.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realized or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

4.8 Reclassification

The Fund may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held for trading' category to the 'available for sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

4.9 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to Management Company, payable to the trustee, payable against purchase of investments, unclaimed dividend and other liabilities.

PAKISTAN STRATEGIC ALLOCATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

4.10 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.11 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to Unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized in the Income Statement.

4.12 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared / transfers are made.

4.13 Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimates.

4.14 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

4.15 Taxation

The income of the Fund is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realized or Unrealised is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or Unrealised, to its unit holders every year.

4.16 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs has been amortized over a period of five years starting from the commencement of operations of the Fund.

**PAKISTAN STRATEGIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

4.17 Revenue recognition

Realized capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised capital gains / losses arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the period in which they arise.

Dividend income is recognized when the right to receive the payment is established.

Profit on bank deposits is recognized on an accrual basis.

Profit on investment is recognized on an accrual basis.

4.18 Cash and cash equivalent

Cash and cash equivalent comprise of balances with banks.

4.19 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognized in the Income Statement within the fair value net gain or loss.

4.20 Segment reporting

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Investment Committee of the Fund has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments.

The Investment Committee is responsible for the Fund's entire portfolio and considers the business as a single operating segment. The Fund's asset allocation decisions are based on a single integrated investment strategy and the Fund's performance is evaluated on an overall basis.

4.21 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

	Note	2012 (Rupees in '000)	2011
5. BALANCES WITH BANKS			
In current accounts		12,492	12,654
In deposit accounts	5.1	29,879	30,103
		<u>42,371</u>	<u>42,757</u>
5.1 The profit rate on this account is 9.5% to 12% per annum (2011: 9.5% to 11% per annum).			
6. INVESTMENTS			
At fair value through profit or loss			
Listed equity securities	6.1	252,754	571,670
Government securities	6.2	73,597	-
		<u>326,351</u>	<u>571,670</u>
Available for sale			
Listed equity securities	6.3	-	6,224
		<u>326,351</u>	<u>577,894</u>

PAKISTAN STRATEGIC ALLOCATION FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

6.1 Listed equity securities 'at fair value through profit or loss'

Name of the Investee Company	Number of shares					Balance as at June 30, 2012				Market value as % of net assets	Market values as % of total investments	Paid up value of shares as % of total paid up capital of the investee company
	As at July 01, 2011	Purchases during the year	Bonus/Right Issue	Sales during the year	As at June 30, 2012	Cost	Market Value	Appreciation/ (Diminution)				
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise												
OIL AND GAS												
Attock Petroleum Limited	-	97,984	-	41,600	56,384	22,843	26,747	3,904	7.61	8.20	3,869.65	
Attock Refinery Limited	-	40,000	-	40,000	-	-	-	-	1.20	1.29	526.59	
National Refinery Limited	-	47,702	-	29,503	18,199	4,185	4,211	26	1.39	1.49	11.33	
Oil and Gas Development Company Limited	-	212,000	-	186,424	30,376	4,965	4,874	(91)	7.38	7.94	1,095.98	
Pakistan Oilfields Limited	165,354	760,000	-	170,751	70,653	22,099	25,925	3,826	8.15	8.78	218.04	
Pakistan Petroleum Limited	274,953	12,792	22,015	272,650	152,219	23,058	28,661	5,603	6.06	6.53	1,241.96	
Pakistan State Oil Company Limited	137,700	-	-	286,097	90,326	23,064	21,802	(1,262)	-	-	-	
					100,214	111,720	11,506					
CHEMICALS												
Engro Corporation Limited	330,472	378,649	15,456	724,477	100	10	10	(487)	0.00	0.00	0.20	
Shana Fertilizer Company Limited	1,388,385	1,755,300	-	2,748,385	405,200	10,455	9,996	(457)	2.84	3.06	49.88	
Fajri Fertilizer Bin Qasim Limited	586,804	652,152	24,749	508,804	76,400	3,077	3,119	(42)	0.89	0.96	33.30	
Fajri Fertilizer Company Limited	-	-	-	585,501	91,400	11,516	10,150	(1,366)	2.89	3.11	79.78	
					25,056	23,275	(1,781)					
CONSTRUCTION AND MATERIALS												
Cement Company Limited	-	261,325	-	184,600	76,775	1,811	2,274	463	0.65	0.70	237.92	
D.G. Khan Cement Limited	-	286,200	-	277,300	8,900	349	350	1	0.10	0.11	7.99	
Lucky Cement Limited	478,400	551,219	-	830,300	199,319	22,095	23,000	905	6.54	7.05	711.25	
					24,255	25,624	1,369					
GENERAL INDUSTRIALS												
Packages Limited	616,575	-	-	616,575	-	-	-	-	-	-	-	
AUTOMOBILE AND PARTS												
Pak Suzuki Motor Company Limited	550	-	-	550	-	-	-	-	-	-	-	
FOOD PRODUCERS												
Engro Foods Limited	-	35,000	-	35,000	-	-	-	-	-	-	-	
PERSONAL GOODS												
Nishat Chumian Limited	-	246,654	-	245,543	911	18	16	(2)	0.00	0.00	0.97	
Nishat Mills Limited	724,006	137,310	-	839,516	21,800	1,054	1,037	(17)	0.30	0.32	29.49	
					1,072	1,053	(19)					
FIXED LINE TELECOMMUNICATION												
Pak Telecommunication Company Limited	392,088	2,801,625	-	3,175,613	20,100	298	275	(23)	0.08	0.08	0.73	
Wateen Telecom Limited	-	308,750	-	-	308,750	794	618	(176)	0.18	0.19	10.01	
					1,092	893	(199)					
ELECTRICITY												
Hub Power Company Limited	1,473,768	1,245,854	-	2,333,451	386,171	13,759	16,177	2,418	4.60	4.96	139.80	
Kor Adda Power Company Limited	799,084	285,000	-	1,084,084	400,000	6,020	5,952	(68)	1.69	1.82	161.48	
Nishat Chumian Power Limited	-	900,000	-	900,000	-	-	-	-	-	-	-	
Nishat Power Limited	-	265,000	-	265,000	-	-	-	-	-	-	-	
					19,779	22,109	2,330					
BANKS												
Allied Bank Limited	859,666	-	31,745	725,215	168,196	8,254	10,795	2,541	3.07	3.31	144.07	
Bank Al-Falah Limited	-	1,864,285	-	250,000	1,614,285	25,609	27,604	1,995	7.85	8.46	204.60	
Bank AL-Falah Limited	-	940,000	75,000	424,109	590,891	16,652	16,823	191	4.79	5.15	166.50	
Habib Bank Limited	-	110,000	11,000	121,000	-	-	-	-	-	-	-	
MCB Bank Limited	-	900,000	6,500	32,250	64,250	9,021	10,681	1,660	3.04	3.27	116.12	
Neezan Bank Limited	-	100,000	9,575	149,575	50,000	2,475	2,177	(298)	0.62	0.67	20.73	
National Bank Of Pakistan	6,967	1,490,000	200,000	1,800,000	-	-	-	-	-	-	-	
Southern Bank Limited	-	1,000,000	-	970,600	-	-	-	-	-	-	-	
United Bank Limited	515,600	455,000	-	500,000	-	-	-	-	-	-	-	
					61,191	68,080	6,089					
NON LIFE INSURANCE												
Admanjee Insurance Company Limited	-	500	-	500	-	-	-	-	-	-	-	
					233,459	252,754	19,295					
Total - 2012					532,080	571,670	39,530					
Total - 2011												

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6.2 Government securities - 'at fair value through profit or loss'

Issue Date	Tenor	Face Value					Balance as at June 30, 2012			
		As at July 01, 2011	Purchases during the year	Sales / Matured during the year	As at June 30, 2012	Cost	Market value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments
Treasury Bills										
April 7, 2011	6 Months	-	10,000	10,000	-	-	-	-	-	-
April 21, 2011	6 Months	-	60,000	60,000	-	-	-	-	-	-
June 16, 2011	3 Months	-	45,000	-	45,000	43,843	43,840	(3)	12.47	13.43
July 14, 2011	3 Months	-	25,000	25,000	-	-	-	-	-	-
July 28, 2011	6 Months	-	75,000	75,000	-	-	-	-	-	-
July 28, 2011	6 Months	-	75,000	75,000	-	-	-	-	-	-
September 8, 2011	6 Months	-	30,000	-	30,000	29,762	29,757	(5)	-	9.12
March 8, 2012	3 Months	-	50,000	50,000	-	-	-	-	8.47	-
May 3, 2012	3 Months	-	30,000	30,000	-	-	-	-	-	-
June 28, 2012	3 Months	-	45,000	45,000	-	-	-	-	-	-
Total - 2012						73,605	73,597	(8)		
Total - 2011										

6.3 Listed equity securities - 'available for sale'

Name of the Investee Company	Number of shares				Balance as at June 30, 2012				Paid up value of shares as % of total paid up capital of the investee company.	
	As at July 01, 2011	Purchases during the year	Bonus/ Right issue	Sales during the year	As at June 30, 2012	Cost	Market value	Appreciation / (Diminution)		Market value as % of total investments
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10/- each unless stated otherwise										
AUTOMOBILE AND PARTS										
Pak Suzuki Motor Company Limited	83,820	-	-	83,820	-	-	-	-	-	-
PERSONAL GOODS										
Kohinoor Mills Limited	934,626	-	-	934,626	-	-	-	-	-	-
Total - 2012										
Total - 2011						7,524	6,224	(1,300)		

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	Notes	2012 (Rupees in '000)	2011
6.4 Net unrealised appreciation / (diminution) in value of investment at fair value through profit or loss			
Market value of investments		326,351	571,670
Less: Cost of investments		<u>(307,064)</u>	<u>(532,080)</u>
		19,287	39,590
Less: Realised on disposal during the year		29,301	(165,441)
Less: Net unrealised appreciation in value of investments at fair value through profit or loss at the beginning of the year		(39,590)	198,654
		<u><u>8,998</u></u>	<u><u>72,803</u></u>
6.5 Net unrealised appreciation / (diminution) in value of investment classified as 'available for sale' for the year			
Market value of investments		-	6,224
Less: Cost less impairment at beginning of the year		-	<u>(7,524)</u>
		-	(1,300)
Impairment loss on financial assets classified as 'available for sale' transferred to income statement		-	<u>1,972</u>
		-	672
Less: Net unrealised appreciation in value of investments at the beginning of the year		(672)	(37,298)
		<u><u>(672)</u></u>	<u><u>(36,626)</u></u>
7. DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		308	3,725
Profit on balance with banks		<u>584</u>	<u>348</u>
		<u><u>892</u></u>	<u><u>4,073</u></u>
8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Advance tax		171	171
Deposit with Central Depository Company of Pakistan		300	300
Deposit with National Clearing Company of Pakistan		2,500	2,500
Other receivables		-	151
		<u><u>2,971</u></u>	<u><u>3,122</u></u>
9. PAYABLE TO MANAGEMENT COMPANY			
Management fee	9.1 & 9.2	<u>668</u>	1,124
		<u><u>668</u></u>	<u><u>1,124</u></u>
9.1	Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund. In compliance with the requirement of the said regulation, the Management Company has charged remuneration at two percent per annum with effect from August 23, 2009 (three percent till August 22, 2009) as the Fund has completed its five years on August 22, 2009.		
9.2	During the year, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 01, 2011.		
		2012	2011
	Notes	(Rupees in '000)	
10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED -TRUSTEE			
Remuneration payable	10.1	58	112
CDS charges payable		-	1
		<u><u>58</u></u>	<u><u>113</u></u>

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- 10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund from July 01, 2011 to June 30, 2012 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Up to Rs.1,000 million	Rs. 0.7 million or 0.20% p.a of NAV, whichever is higher.
Amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a of NAV, exceeding Rs. 1,000 million.

The remuneration is paid to the trustee monthly in arrears.

11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.

12. ACCRUED EXPENSES AND OTHER LIABILITIES	Notes	2012	2011
		(Rupees in '000)	
Auditors' remuneration		360	290
Legal and professional		55	70
Brokerage payable		426	436
Others		454	704
Conversion cost payable	12.1	6,643	7,600
		7,938	9,100

12.1 Conversion Cost

Conversion cost represent expenditure incurred in connection with the conversion of the Fund into an open-end fund and includes fee paid to Securities and Exchange Commission of Pakistan (SECP), CDC charges for transfer of closed end certificates into open-end units, professional charges for revision of constitutive documents and other expenses. These costs have been charged as expense in the year of conversion in accordance with the condition notified by SECP vide its letter no. SCD/NBFC/MF-RS/PSAF/717/2010 dated September 23, 2010.

13. CONTINGENCY

13.1 Contribution to Workers Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs. 10.914 million (June 2011: Rs. 9.975 million). If the same were recognised, the net assets value per unit as at June 30, 2012 / the net income for the year then ended would have been lower by Rs. 0.27 / 23%.

14. NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

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	2012	2011
	(Rupees in '000)	
15. AUDITOR'S REMUNERATION		
Audit and review fee	390	340
Other certifications and services	60	30
Out of pocket expenses	36	13
	<u>486</u>	<u>383</u>

16. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertaking.

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Detail of transactions with connected persons during the year and balances with them at year end are as follows:

	2012	2011
	(Rupees in '000)	
16.1 Transactions during the year		
Management Company		
Remuneration	11,616	31,271
Redemption of Nil units (2011: 15,629,000 units)	-	127,642
Payment of Conversion cost	957	7,600
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,001	2,122
Arif Habib Limited - Brokerage house		
Brokerage expense	285	983
Summit Bank Limited		
Redemption of Nil units (2011: 2,237,000 units)	-	18,411
Mark up income	1,365	2,901
Bank charges	4	48
MCB Bank Limited		
Mark up income	5,472	-
Bank charges	6	-
Arif Habib Corporation		
Redemption of Nil units (2011: 45,403,658 units)	-	355,283
Dividend paid	-	52,369
Arif Habib Investments Employee Provident Fund		
Redemption of Nil units (2011: 380,902 units)	-	3,017
Dividend paid	-	439
Arif Habib Investments Employee Stock Beneficial Ownership Fund		
Redemption of Nil units (2011: 61,000 units)	-	483
Dividend paid	-	70
Directors and executives of the Management Company		
Issue of Nil units (2011: 627,970)	-	4,946
Redemption of 1,049 units (2011: 586,970)	8	4,702
Dividend paid	56	300

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	2012	2011
	(Rupees in '000)	
16.2 Balances outstanding at year end		
Management Company		
Remuneration payable	668	1,124
Conversion cost payable	6,643	7,600
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	58	112
Other payables	-	1
Security deposits	300	300
Arif Habib Limited - Brokerage house		
Brokerage payable	33	66
Summit Bank Limited		
Balances with bank	5,173	31,468
Accrued mark-up	-	144
MCB Bank Limited		
Balances with bank	5,938	-
Accrued mark-up	517	-
Directors and executives of the Management Company		
46,617 units held as at June 30, 2012 (2011: 41,000)	400	340

17. PARTICULARS OF INVESTMENT COMMITTEE

Details of members of the investment committee of the Fund are as follows:

Names	Designation	Qualification	Experience in years
Mr. Yasir Qadri	Chief Executive	MBA	17
Mr. Kashif Rafi	Senior Vice President - Investments	MBA & CFA Level-1	11
Mr. Muhammad Asim	Vice President - Head of Equities	MBA & CFA	9
Mr. Syed Akbar Ali	Vice President - Head of Research	MBA & CFA	7
Mr. Mohsin Pervaiz	Vice President - Investments	MBA & CFA Level-1	11

Mr. Mohsin Pervaiz is the Fund Manager of the Fund. He is also the Fund Manager of Pakistan Capital Market Fund.

2012
%

18. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Fortune Securities Limited	9.21
Arif Habib Limited	8.96
Invest and Finance Securities (Private)Limited	8.25
KASB Securities (Private) Limited	6.82
Foundation Securities (Private) Limited	6.63
Optimus Capital Management (Private) Limited	6.02
Elixir Securities Pakistan (Private) Limited	5.86
Taurus Securities Limited	5.06
Next Capital Limited	4.67
JS Global Capital Limited	3.82

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	2011
	%
Arif Habib Limited	20.74
Invest & Finance Securities (Pvt) Limited	6.30
KASB Securities Limited	5.81
Foundation Securities (Pvt) Limited	5.16
Aba Ali Habib Securities Limited	4.80
Elixir Securities Pakistan (Private) Limited	4.66
Al Hoqani Securities and Investment Corporation (Pvt) Limited	4.23
Taurus Securities Limited	3.92
Global Securities Pakistan Limited	3.08
D J M Securities (Pvt) Limited	2.98

19. PATTERN OF UNIT HOLDING

	As at June 30, 2012		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	1,583	232,852	66.24
Insurance companies	3	18,919	5.38
Bank / DFIs	5	41,836	11.90
Retirement funds	16	15,823	4.50
Public limited companies	23	41,946	11.93
Others	3	127	0.04
	<u>1,633</u>	<u>351,503</u>	<u>100</u>

	As at June 30, 2011		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	1,797	356,195	58.56
Associated companies	1	4,343	0.71
Insurance companies	5	18,416	3.03
Bank / DFIs	11	110,591	18.18
Retirement funds	21	27,233	4.48
Public limited companies	12	47,108	7.74
Others	30	44,356	7.29
	<u>1,877</u>	<u>608,242</u>	<u>100</u>

20. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th and 97th Board meetings were held on July 04, August 08, September 10, September 22, October 26, 2011, January 27, March 29, April 27 and June 25, 2012, respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Mian Mohammad Mansha	9	4	5	89th, 90th, 93rd, 96th and 97th meeting
Mr. Nasim Beg	9	9	-	-
Mr. Yasir Qadri (Chief Executive Officer)	9	9	-	-
Dr. Syed Salman Ali Shah	9	8	1	92nd meeting
Mr. Haroun Rashid	9	6	3	91st, 92nd and 95th meeting
Mr. Ahmed Jahangir	9	7	2	91st and 92nd meeting
Mr. Samad A. Habib	9	6	3	89th, 91st and 96th meeting
Mr. Mirza Mehmood Ahmed	9	7	2	89th and 97th meeting
Mr. Saqib Saleem (CFO & Company Secretary)	9	9	-	-

PAKISTAN STRATEGIC ALLOCATION FUND

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21. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mention risks.

The Fund financial assets primarily comprise of balance with banks, investment in equity securities of listed companies classified at 'fair value through profit or loss' and 'available for sale' and investment in government securities. The Fund also has dividend and profit receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Management Company, Trustee and SECP and accrued and other liabilities.

21.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the Securities and Exchange Commission of Pakistan and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), The Non Banking Finance Companies (establishment and Regulation) Rules, 2003 (the Rules).

Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

21.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

21.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis of variable rate instruments

As at June 30, 2012, the Fund does not hold any variable interest based investment except balances with bank in deposit account exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2012, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.299 million (2011: Rs. 0.163 million).

b) Sensitivity analysis of fixed rate instruments

As at June 30, 2012 the Fund holds Market Treasury Bills which are classified as 'financial assets at fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2012, with all other variables held constant, the net income for the year and net assets would be lower by Rs 0.12 million. In case of 100 basis points decrease in rates announced by the FMAP on June 30, 2012, with all other variables held constant, the net income for the year and net assets would be higher by Rs 0.10 million.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

PAKISTAN STRATEGIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

----- June 30, 2012 -----					
Yield/ effective interest rate (%)	Exposed to Yield/Interest rate risk			Not exposed to Yield/ Interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rs in '000 -----

On-balance sheet financial instruments

Financial Assets

Balances with banks	9.5 - 12	29,879	-	-	12,492	42,371
Investments	11.5 - 13.5	73,597	-	-	252,754	326,351
Receivable against sale of investments		-	-	-	550	550
Dividend and profit receivable		-	-	-	892	892
Advances, deposits and other receivables		-	-	-	2,971	2,971
		<u>103,476</u>	<u>-</u>	<u>-</u>	<u>269,659</u>	<u>373,135</u>

Financial Liabilities

Payable to Management Company		-	-	-	668	668
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	58	58
Payable to Securities and Exchange Commission of Pakistan		-	-	-	476	476
Unclaimed dividend		-	-	-	12,492	12,492
Accrued expenses and other liabilities		-	-	-	7,938	7,938
		<u>-</u>	<u>-</u>	<u>-</u>	<u>21,632</u>	<u>21,632</u>

On-balance sheet gap

		<u>103,476</u>	<u>-</u>	<u>-</u>	<u>248,027</u>	<u>351,503</u>
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2012.

----- June 30, 2011 -----					
Yield/ effective interest rate (%)	Exposed to Yield/Interest rate risk			Not exposed to Yield/ Interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rs in '000 -----

On-balance sheet financial instruments

Financial Assets

Balances with banks	9.5 - 11	30,103	-	-	12,654	42,757
Investments		-	-	-	577,894	577,894
Receivable against sale of investments		-	-	-	4,872	4,872
Dividend and profit receivable		-	-	-	4,073	4,073
Advances, deposits and other receivables		-	-	-	3,122	3,122
		<u>30,103</u>	<u>-</u>	<u>-</u>	<u>602,615</u>	<u>632,718</u>

Financial Liabilities

Payable to Management Company		-	-	-	1,124	1,124
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	113	113
Payable to Securities and Exchange Commission of Pakistan		-	-	-	1,485	1,485
Unclaimed dividend		-	-	-	12,654	12,654
Accrued expenses and other liabilities		-	-	-	9,100	9,100
		<u>-</u>	<u>-</u>	<u>-</u>	<u>24,476</u>	<u>24,476</u>

On-balance sheet gap

		<u>30,103</u>	<u>-</u>	<u>-</u>	<u>578,139</u>	<u>608,242</u>
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2011.

PAKISTAN STRATEGIC ALLOCATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

21.1.3 Price risk

The Fund is exposed to equity price risk because of equity securities held by the Fund and classified on the balance sheet as at fair value through profit or loss and available for sale. To manage its price risk arising from investment in equity securities, the Fund's investment policy, as restricted by the NBFC Regulations, the NBFC Rules, limits investments in listed shares of one company to not more than 10% of the Fund's net assets and investment in listed securities of a particular company have also been restricted to 10% of paid-up capital of investee company. Moreover, the sector limits have been restricted to 25% of the net assets of the Fund.

In case of 5% increase/ decrease in KSE 100 index on June 30, 2012, the net income for the year and net assets would be increase/ decrease by Rs. 13.21 million (2011: Rs. 48.78 million) as a result of gains / losses on equity securities classified as 'financial assets at fair value through profit or loss'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

21.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on Investment in equity securities balances with banks, profit and other receivable. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

The Fund has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk from balances with banks and financial institutions is managed by financial department in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2012 and June 30, 2011 is the carrying amounts of following financial assets.

	2012	2011
	(Rupees in '000)	
Balances with banks	42,371	42,757
Investments	326,351	577,894
Receivable against sale of investments	550	4,872
Dividend and profit receivable	892	4,073
Advance, deposits and other receivables	2,971	3,122
	373,135	632,718

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2012 and June 30, 2011:

Bank Balances by rating category	Rating Long - term / Short - term	2012	2011
		(Rupees in '000)	
Deposit Accounts			
Bank Al-Habib Limited	AA+ / A1+	23	9
Habib Metropolitan Bank	AA+ / A1+	23,918	3,947
MCB Bank Limited	AA+ / A1+	5,938	-
Summit Bank Limited	A - / A - 2	-	26,136
Bank Al-Falah Limited	AA / A1+	-	11
Current Accounts			
		-	-
Standard Chartered Bank Limited	AAA / A1+	7,319	7,323
Summit Bank Limited	A - / A - 2	5,173	5,331
		42,371	42,757

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

PAKISTAN STRATEGIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

21.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset at close to its fair value. The Management Company manages liquidity risk by continuously analyzing the maturities of financial assets and financial liabilities.

The table below analyses the Funds' financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

----- June 30, 2012 -----				
	Up to three months	Over three months and up to one year	Over one year	Total
-----Rupees in '000-----				
Liabilities				
Payable to Management Company	668	-	-	668
Payable to Central Depository Company of Pakistan Limited - Trustee	58	-	-	58
Payable to Securities and Exchange Commission of Pakistan	476	-	-	476
Unclaimed dividend	12,492	-	-	12,492
Accrued expenses and other liabilities	1,295	2,083	4,560	7,938
	14,989	2,083	4,560	21,632

----- June 30, 2011 -----				
	Up to three months	Over three months and up to one year	Over one year	Total
-----Rupees in '000-----				
Liabilities				
Payable to Management Company	1,124	-	-	1,124
Payable to Central Depository Company of Pakistan Limited - Trustee	113	-	-	113
Payable to Securities and Exchange Commission of Pakistan	1,485	-	-	1,485
Unclaimed dividend	12,654	-	-	12,654
Accrued expenses and other liabilities	1,500	1,520	6,080	9,100
	16,876	1,520	6,080	24,476

21.4 Financial instruments by category

----- June 30, 2012 -----				
	Loans and receivables	At fair value through profit or loss	Available for sale investments	Total
-----Rupees in '000-----				
Assets				
Balances with banks	42,371	-	-	42,371
Investments	-	326,351	-	326,351
Receivable against sale of investments	550	-	-	550
Dividend and profit receivable	892	-	-	892
Deposits and other receivables	2,971	-	-	2,971
	46,784	326,351	-	373,135

PAKISTAN STRATEGIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

June 30, 2012		
Liabilities at fair value through profit or loss	Other financial liabilities	Total

Rupees in '000

Liabilities

Payable to Management Company	-	668	668
Payable to Central Depository			
Company of Pakistan Limited - Trustee	-	58	58
Payable to Securities and Exchange			
Commission of Pakistan	-	476	476
Unclaimed dividend	-	12,492	12,492
Accrued expenses and other liabilities	-	7,938	7,938
	-	21,632	21,632

June 30, 2011			
Loans and receivables	At fair value through profit or loss	Available for sale investments	Total

Rupees in '000

Assets

Balances with banks	42,757	-	-	42,757
Investments	-	571,670	6,224	577,894
Receivable against sale of investments	4,872	-	-	4,872
Dividend and profit receivable	4,073	-	-	4,073
Deposits and other receivables	2,951	-	-	2,951
	54,653	571,670	6,224	632,547

June 30, 2011		
Liabilities at fair value through profit or loss	Other financial liabilities	Total

Rupees in '000

Liabilities

Payable to Management Company	-	1,124	1,124
Payable to Central Depository			
Company of Pakistan Limited - Trustee	-	113	113
Payable to Securities and Exchange			
Commission of Pakistan	-	1,485	1,485
Unclaimed dividend	-	12,654	12,654
Accrued expenses and other liabilities	-	9,100	9,100
	-	24,476	24,476

21.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**PAKISTAN STRATEGIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

21.6 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3:** inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

	----- June 30, 2012 -----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment in equity securities - at fair value through profit or loss	326,351	-	-	326,351
Investment in equity securities - available for sale	-	-	-	-
	<u>326,351</u>	<u>-</u>	<u>-</u>	<u>326,351</u>

22. CAPITAL RISK MANAGEMENT

In accordance with the risk management policies stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investments under the parameters of Non-Banking Finance Companies and Notified Entities Regulations, 2008, Trust Deed and Offering Document and maintaining sufficient liquidity to meet redemption. Since the Unit Holders of the Fund invest with a long term objective, possibility of a significant redemption pressure is limited, such liquidity being augmented by disposal of investments or short-term borrowings where necessary. During the year no such borrowing was exercised.

23. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorised for issue on **August 15, 2012** by the Board of Directors of the Management Company.

24. GENERAL

Figures have been rounded off to the nearest thousand Rupees.



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**



Director

**PAKISTAN STRATEGIC ALLOCATION FUND
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

Category	Number of Unit Holders	Number of Units
Associated companies, undertakings and related parties	-	-
Directors, CEO and their spouse and minor children	-	-
Executives	-	-
Corporate	22	2,325,904
Banks, Development Finance Institutions, Non-Banking Finance Institutions, and Insurance Companies	7	4,612,722
Shareholders holding Five percent or more voting interest in the listed company	-	-
- Dewan Salman Fibre Limited	1	2,568,612
- National Bank Of Pakistan	1	2,476,543
Individuals	1,583	27,170,595
Others	17	1,878,468
	<u>1,633</u>	<u>41,032,844</u>

**PAKISTAN STRATEGIC ALLOCATION FUND
PATTERN OF UNIT HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2012**

No. of Unit Holders	Units Holdings	Total Units Held
964	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	1,668,707.20
210	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	1,350,894.95
153	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	1,818,583.97
46	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	797,610.96
42	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	963,079.30
27	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)	758,555.20
26	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	875,802.60
4	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)	148,009.86
12	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)	495,891.29
13	(SHAREHOLDING FROM 45001.0000 TO 50000.0000)	613,599.92
13	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)	676,088.81
17	(SHAREHOLDING FROM 55001.0000 TO 60000.0000)	986,877.28
5	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)	314,666.62
2	(SHAREHOLDING FROM 65001.0000 TO 70000.0000)	139,851.83
1	(SHAREHOLDING FROM 70001.0000 TO 75000.0000)	74,005.51
4	(SHAREHOLDING FROM 75001.0000 TO 80000.0000)	309,132.01
2	(SHAREHOLDING FROM 80001.0000 TO 85000.0000)	163,160.47
5	(SHAREHOLDING FROM 85001.0000 TO 90000.0000)	433,540.68
2	(SHAREHOLDING FROM 90001.0000 TO 95000.0000)	184,352.36
7	(SHAREHOLDING FROM 95001.0000 TO 100000.0000)	696,118.44
2	(SHAREHOLDING FROM 100001.0000 TO 105000.0000)	209,069.66
4	(SHAREHOLDING FROM 105001.0000 TO 110000.0000)	427,824.65
13	(SHAREHOLDING FROM 115001.0000 TO 120000.0000)	1,516,226.96
2	(SHAREHOLDING FROM 120001.0000 TO 125000.0000)	243,575.28
1	(SHAREHOLDING FROM 125001.0000 TO 130000.0000)	128,197.51
1	(SHAREHOLDING FROM 130001.0000 TO 135000.0000)	134,024.67
1	(SHAREHOLDING FROM 135001.0000 TO 140000.0000)	139,851.83
1	(SHAREHOLDING FROM 140001.0000 TO 145000.0000)	144,474.29
2	(SHAREHOLDING FROM 145001.0000 TO 150000.0000)	291,357.99
1	(SHAREHOLDING FROM 160001.0000 TO 165000.0000)	161,995.04
7	(SHAREHOLDING FROM 170001.0000 TO 175000.0000)	1,223,703.54
1	(SHAREHOLDING FROM 175001.0000 TO 180000.0000)	175,397.51
1	(SHAREHOLDING FROM 185001.0000 TO 190000.0000)	189,965.41
1	(SHAREHOLDING FROM 190001.0000 TO 195000.0000)	194,627.13
3	(SHAREHOLDING FROM 195001.0000 TO 200000.0000)	593,204.86
1	(SHAREHOLDING FROM 225001.0000 TO 230000.0000)	227,259.23
5	(SHAREHOLDING FROM 230001.0000 TO 235000.0000)	1,165,431.94
2	(SHAREHOLDING FROM 235001.0000 TO 240000.0000)	476,078.95
1	(SHAREHOLDING FROM 270001.0000 TO 275000.0000)	273,293.79
3	(SHAREHOLDING FROM 290001.0000 TO 295000.0000)	878,594.67
2	(SHAREHOLDING FROM 295001.0000 TO 300000.0000)	594,370.29
1	(SHAREHOLDING FROM 395001.0000 TO 400000.0000)	396,246.86
2	(SHAREHOLDING FROM 435001.0000 TO 440000.0000)	874,073.96
1	(SHAREHOLDING FROM 465001.0000 TO 470000.0000)	466,172.78
1	(SHAREHOLDING FROM 520001.0000 TO 525000.0000)	524,444.37
1	(SHAREHOLDING FROM 590001.0000 TO 595000.0000)	592,622.14
1	(SHAREHOLDING FROM 855001.0000 TO 860000.0000)	856,592.48
1	(SHAREHOLDING FROM 870001.0000 TO 875000.0000)	873,201.05
3	(SHAREHOLDING FROM 990001.0000 TO 995000.0000)	2,971,851.46
1	(SHAREHOLDING FROM 1165001.0000 TO 1170000.0000)	1,165,431.94
1	(SHAREHOLDING FROM 1195001.0000 TO 1200000.0000)	1,199,229.47
1	(SHAREHOLDING FROM 1285001.0000 TO 1290000.0000)	1,287,802.30
1	(SHAREHOLDING FROM 1920001.0000 TO 1925000.0000)	1,922,962.71
1	(SHAREHOLDING FROM 2475001.0000 TO 2480000.0000)	2,476,542.88
1	(SHAREHOLDING FROM 2565001.0000 TO 2570000.0000)	2,568,612.00
1,633	Total :	41,032,844

**PAKISTAN STRATEGIC ALLOCATION FUND
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

PSAF								
	2012	2011	2010	2009	2008	2007	2006	2005
(Rupees in '000)								
Net Assets	351,503	608,242	2,531,171	2,136,566	3,216,077	4,080,334	3,989,330	3,651,951
Net Income / (loss)	46,284	114,294	334,453	(934,075)	(73,666)	803,401	855,120	918,640
Announcement Date of Distribution								
Interim	-	-	-	-	-	-	-	February 10, 2005
Final	June 20, 2012	July 4, 2010	August 3, 2010	-	July 25, 2008	July 21, 2007	July 22, 2006	July 30, 2005
(Percentage)								
Total return of the Fund	14.90	19.10	18.54	(27.35)	(1.80)	24.78	23.38	31.86
Dividend distribution - interim (%)	-	-	-	-	-	-	-	10.00
Dividend distribution - final (%)	10.000	4.040	11.534	-	7.000	25.000	25.000	15.000
Capital growth return	4.90	13.56	2.39	(27.35)	(8.21)	1.85	0.19	6.86
One Year	14.90	19.10	15.85	(27.35)	(1.80)	24.78	23.38	-
Two Year	36.71	41.20	(7.20)	(15.55)	10.68	24.12	-	-
Three Year	62.06	2.50	(5.44)	(3.81)	14.76	-	-	-