PAKISTAN STRATEGIC ALLOCATION FUND

PSAF

QUARTERLY REPORT SEPTEMBER 30, 2010 (Unaudited)

Arif Habib Investments
Pakistan Mutual Funds
An Investment Plan for Everyone

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Asset Manager Rating
'AM2' Positive Outlook (by PACRA)

Arif Habib Investments
Pakistan Mutual Funds
An Investment Plan for Everyone

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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 23, M.T. Khan Road, Karachi - 74000	
Board of Directors of the Management Company	Mr. Muhammad Shafi Malik	Chairman
	Mr. Nasim Beg	Chief Executive
	Mr. Sirajuddin Cassim	Director
	Mr. S. Gulrez Yazdani	Director
	Mr. Muhammad Akmal Jameel	Director
	Mr. Syed Ajaz Ahmed	Director
	Mr. Muhammad Kashif	Director
Company Secretary & CFO of the Management Company	Mr. Zeeshan	
Audit Committee	Mr. Muhammad Shafi Malik	Chairman
	Mr. Muhammad Akmal Jameel	Member
	Mr. Muhammad Kashif	Member
	Mr. Syed Ajaz Ahmed	Member
Trustee	Central Depository Company of Pakistan (CDC) CDC House, 99-B, SMCHS, Main Shahrah-e-Faisal, Karachi	
Bankers of the Fund	• Allied Bank Limited • Bank Alfalah Limited • Bank Al Habib Limited • Deutsche Bank AG, Karachi Branch • Habib Metropolitan Bank Limited • MCB Bank Limited • Standard Chartered Bank (Pakistan) Limited • Summit Bank Limited (Formerly: Arif Habib Bank Limited) • The Bank of Punjab	
Auditors	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, A-35, Block 7 & 8 KCHSU, Shahrah-e-Faisal, Karachi.	
Legal Advisor	M/s. Bawaney & Partners 404, Beaumont Plaza, Beaumont Road, Karachi – 75530	
Registrar	M/s. Gangjees Registrar Services Private Limited 516, Clifton Centre, Kehkashan, Clifton, Karachi	
Rating	PACRA: 3 Star (Normal) PACRA: 3 Star (Long Term) PACRA: AM2 (Positive Outlook) – Management Quality rating assigned to the Management Company	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2010.

The Board of Directors of Arif Habib Investments Limited, the Management Company of the Pakistan Strategic Allocation Fund (PSAF), is pleased to present its report together with the Condensed Interim Financial Statements of PSAF for the quarter ended September 30, 2010.

Fund Objective

The objective of the fund is to provide investors a mix of income and capital growth over medium to long term primarily from investment in Pakistani equities.

Fund Profile

Pakistan Strategic Allocation Fund (PSAF) is a closed 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, the fund is not allowed to borrow. The board has approved the categorization of the Fund as "Asset Allocation".

Fund Performance during the quarter ended September 30, 2010

The Net assets of the Fund as at September 30, 2010 stood at Rs 2,248.07 million as compared to Rs 2,531.17 million as at June 30, 2010. After accounting for distribution of Rs 346.02 million for the year ended June 30, 2010, the net assets increased by Rs 62.92 million.

The Net Asset Value (NAV) per certificate at September 30, 2010 stood at Rs 7.49 as compared to opening Ex NAV of Rs 7.29, thus registering an increase of Rs 0.20/- per certificate during the period.

The Fund earned a net income for the period ended September 30, 2010 of Rs 78.44 million compared to a net income of Rs 450.48 million for the corresponding period last year. The net income comprises mainly of income from capital gain on sale of investments of Rs 44.74 million, dividend income of Rs 28.64 million and income from government securities of Rs 21.71 million.

Earning Per Certificate (EPC)

EPC of the Fund for the quarter ended September 30, 2010 is Rs 0.26.

Future Outlook and Fund Performance

Future Outlook and Fund Performance is fully explained in Fund Manager Report attached to this report.

Conversion of the fund into an open end fund

The Board of Directors in its meeting held on June 17, 2010 passed a resolution that the Fund be converted into an open end scheme subject to all regulatory approval and compliances. In this regards, the Management Company of the Fund convened an Extra Ordinary General Meeting of the certificate holders of the Fund on September 8, 2010 to seek the approval of certificate holders (through Special Resolution) for the conversion of the Fund. Certificate Holders of the Fund in their meeting have unanimously approved the conversion of the Fund. Subsequently, Securities and Exchange Commission of Pakistan has conveyed its "no-objection" to the conversion on September 23, 2010, subject to the conditions mentioned in Note 2 of the Financial Statements.

Currently, the Management Company is in process of finalizing the conversion of the Fund into an open end scheme.

Acknowledgement

The Board is thankful to the Fund's valued investors and grateful for the confidence reposed by the investors in the Fund. The Board would also like to thank the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustees of the Fund - the Central Depository Company of Pakistan Ltd., and the managements of the Karachi, Lahore and Islamabad stock exchanges for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the Management Company.

For and on behalf of the Board

Karachi
October 25, 2010

Nasim Beg
Chief Executive

REPORT OF THE FUND MANAGER
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

Fund Objective

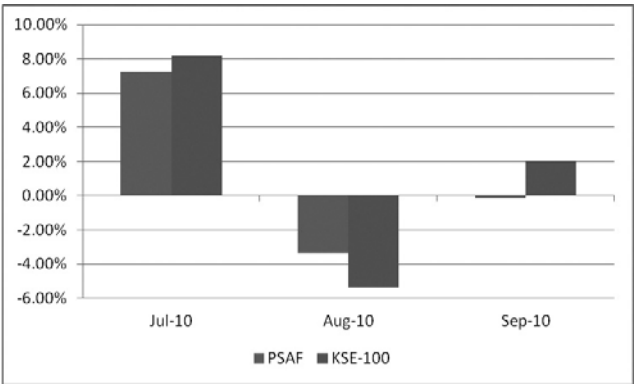
The objective of the fund is to provide investors a mix of income and capital growth over medium to long term primarily from investment in Pakistani equities.

Profile

Pakistan Strategic Allocation Fund (PSAF) is a closed-end strategic allocation fund which invests in equities based on a quantitative model. The Fund takes advantage of equity market volatility and buys equities when they are under priced 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 Regulations, the Fund is not allowed to borrow.

Fund Performance

PSAF NAV gained 2.67% during 1QFY11 compared to 3.00% increase in the KSE-100 index. Deviation in comparable returns is primarily due to under performance of key holdings and overall lower allocation in equities as an asset class. PKGS, ABL, KAPCO, ENGRO and ICI underperformed while PPL, HUBC, POL, FFBL and NML outperformed among the Fund's heavyweights during the quarter.



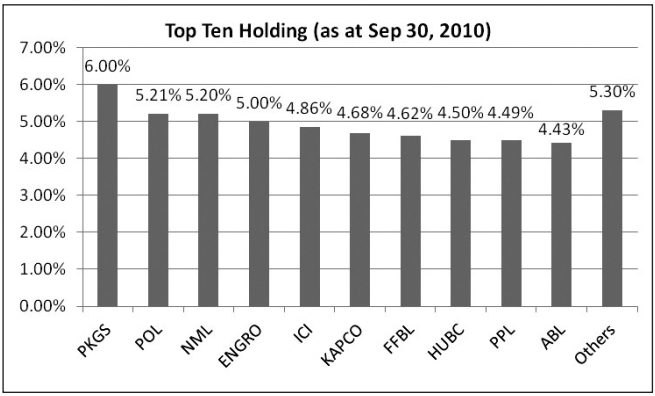
	Jul-10	Aug-10	Sep-10
PSAF	7.23%	-3.38%	-0.13%
KSE-100	8.20%	-5.40%	2.04%

Fund Allocation

The Fund continued to reduce equity exposure during this quarter due to likely redemptions post conversion of the Fund into the open-end scheme. Divestment picked up pace post July as the Fund was also due to pay dividend to its certificate holders. Moreover, lack of positive triggers in short term and negative economic repercussions in the aftermath of flood required quick exit from equity market.

Equities

Overall equity exposure was brought down to 54.28% by end Sep 2010 from 87.02% (adjusted for dividend payout in August) at the beginning. Allocation in equities was brought down gradually. Initially the focus was on selling or reducing the exposure in illiquid stocks. As at the quarter end, most of the illiquid stocks were sold, which included KTML, REWM, PAKT and SEARL, while exposure in other stocks (liquid and illiquid) were also reduced such as ABL, NML, HUBC, KAPCO, PAEL, POL, PPL, PSO, PSMC, ENGRO, FFBL, FFC, ICI and PKGS. At that time, exposure in liquid stocks was also brought down considerably on account of dividend outflow and expected reduction in fund size post conversion. The following is the top ten equity holdings at the end September 2010.



Fixed Income

During the quarter, most of the money received by divesting from equities was parked in short dated T-Bills. At quarter end, the Fund had approx. 41% investment in T-bills, 10% in bank deposits.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010

	Note	Unaudited September 30 2010	Audited June 30 2010
		(Rupees in '000)	
Assets			
Balances with banks		**237,024**	38,860
Receivable against sale of investments		**4,903**	127,266
Investments	*6*	**2,153,520**	2,379,527
Dividend and profit receivable		**22,578**	2,197
Advances, deposits and prepayments		**3,377**	3,096
Total assets		**2,421,402**	2,550,946
\			
Liabilities			
Payable to Management Company		**3,704**	4,228
Payable to the Trustee		**236**	231
Payable to Securities and Exchange Commission of Pakistan		**592**	2,477
Dividend payable		**167,397**	11,307
Accrued expenses and other liabilities		**1,405**	1,532
Total liabilities		**173,334**	19,775
Net assets		**2,248,068**	2,531,171
CERTIFICATE HOLDERS' EQUITY			
Issued, subscribed and paid-up capital			
300,000,000 (2009: 300,000,000) ordinary certificates of Rs. 10 each issued as fully paid up in cash		**3,000,000**	3,000,000
Unrealised appreciation in fair value of investments classified as 'available for sale'	*6.5*	**21,774**	37,298
Accumulated loss		**(773,706)**	(506,127)
		2,248,068	2,531,171
		----------(Rupees)----------	
NET ASSET VALUE PER CERTIFICATE		**7.49**	8.44

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	2010	2009
		(Rupees in '000)	
Income			
Capital gain on sale of investments - net		44,741	95,712
Income from term finance certificates		-	4,906
Income from government securities		21,706	797
Income from placements with financial institutions		616	-
Income from reverse repo transaction		-	61
Dividend income		28,639	35,681
Profit on bank deposits		1,319	8,471
		97,021	145,628
Impaiment loss on financial assets classified as 'available for sale'		(383)	-
Unrealised (diminution) / appreciation in value of investments at fair value through profit or loss' - net	*6.4*	(2,289)	324,063
Total income		94,349	469,691
Operating expenses			
Remuneration of the Management Company		12,473	15,590
Remuneration of the Trustee		595	585
Annual fee - Securities and Exchange Commission of Pakistan		592	577
Securities transaction cost		1,780	1,338
Custody, settlement and bank charges		170	116
Fees and subscription		137	110
Printing and related cost		55	58
Auditors' remuneration		106	108
Amortisation of preliminary expenses and floatation costs		-	731
Total operating expenses		15,908	19,213
Net income for the period		78,441	450,478
Taxation		-	-
Net income after taxation		78,441	450,478
Other comprehensive income / (loss) for the period			
Unrealised (diminution) / appreciation in value of investments classified as 'available for sale'		(15,524)	53,326
Total comprehensive income for the period		62,917	503,804
		----------(Rupees)----------	
Earnings per certificate		0.26	1.50

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	2010	2009
	(Rupees in '000)	
Accumulated loss brought forward	(506,127)	(890,580)
Final cash dividend @ Rs. 1.1534 per certificate (2009: Nil) announced on August 3, 2010	(346,020)	-
Net income for the period	78,441	450,478
Accumulated loss carried forward	(773,706)	(440,102)

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	2010	2009
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	78,441	450,478
Adjustments for non-cash items:		
Amortisation of preliminary expenses and floatation costs	-	731
Impairment loss on financial assets classified as 'available for sale'	383	-
Unrealised diminution / (appreciation) in value of investments 'at fair value through profit or loss' - net	2,289	(324,063)
Dividend income	(28,639)	(35,681)
Remuneration of the Management Company	12,473	15,590
Remuneration of the Trustee	595	585
	65,542	107,640
Decrease / (Increase) in assets		
Receivable against sale of investments	122,363	(96,929)
Investments	207,811	71,322
Receivable against reverse repurchase transaction	-	(89,083)
Profit receivable	1,472	5,689
Advances, deposits and prepayments	(281)	(211)
	331,365	(109,212)
(Decrease) / increase in liabilities		
Payable against purchase of investments	-	(14,575)
Payable to Management Company	-	(4,851)
Payable to the Trustee	21	1
Payable to Securities and Exchange Commission of Pakistan	(1,885)	(1,431)
Accrued expenses and other liabilities	(127)	311
	(1,991)	(20,545)
	394,916	(22,117)
Dividend received	6,786	31,603
Remuneration paid to Management Company	(12,997)	(20,931)
Remuneration paid to the Trustee	(611)	(561)
Net cash generated / (used in) from operating activities	388,094	(12,006)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(189,930)	(2,063)
Net increase / (decrease) in cash and cash equivalents	198,164	(14,069)
Cash and cash equivalents at the beginning of the period	38,860	181,921
Cash and cash equivalents at the end of the period	237,024	167,852

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

CONDENSED INTERIM STATEMENT OF MOVEMENT IN EQUITY AND RESERVES (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Issued subscribed and paid up capital	Undistributed income / (Accumulated loss)	Unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale'	Total
	(Rupees in '000)			
Balance as at July 1, 2009	3,000,000	(890,580)	27,146	2,136,566
Total comprehensive income for the period	-	450,478	53,326	503,804
Balance as at September 30, 2009	3,000,000	(440,102)	80,472	2,640,370
Balance as at July 1, 2010	3,000,000	(506,127)	37,298	2,531,171
Total comprehensive income for the period	-	78,441	(15,524)	62,917
Final cash dividend for the year ended 30th June 2010 @ Rs. 1.1534 per certificate	-	(346,020)	-	(346,020)
Balance as at September 30, 2010	**3,000,000**	**(773,706)**	**21,774**	**2,248,068**

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

CONDENSED INTERIM STATEMENT OF MOVEMENT IN EQUITY AND RESERVES 'PER CERTIFICATE' (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	2010	2009
	(Rupees)	
Net assets per certificate at the beginning of the period	**8.44**	7.12
Capital gain on sale of investments	**0.15**	0.32
Unrealised (diminution) / appreciation in fair value of investments classified as 'fair value through profit or loss' - net	**(0.01)**	1.08
Other net operating income for the period	**0.12**	0.10
Net income for the period	**0.26**	1.50
Unrealised (diminution) / appreciation in fair value of investments classified as 'available for sale'	**(0.06)**	0.18
Final cash dividend: 11.534% (2009: Nil)	**(1.15)**	-
Net assets per certificate at the end of the period	**7.49**	8.80

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pakistan Strategic Allocation Fund (PSAF) 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 PSAF has 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). Formation of PSAF as a closed-end fund was authorised by SECP on May 13, 2004. PSAF is listed on all three stock exchanges in Pakistan. The registered office of the Management Company is situated at 23, M.T. Khan Road, Karachi, Pakistan.

1.2 The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2 (positive outlook)' to the Management Company and 3-Star Normal and 3-Star Long Term to the Fund.

1.3 The Fund primarily invests in shares of listed companies, term finance certificates and short-term reverse repurchase transactions.

1.4 Title to the assets of the Fund is held in the name of the Trustee.

2 CONVERSION OF THE FUND INTO AN OPEN END SCHEME

The board of directors in its meeting held on June 17, 2010 passed a resolution that the fund be converted into an open end scheme subject to all regulatory approval and compliances. In this regards, the Management Company of the fund convened an Extra Ordinary General Meeting of the certificate holders of the fund on September 8, 2010 to seek the approval of certificate holders (through Special Resolution) for the conversion of the fund. Certificate Holders of the fund in their meeting have unanimously approved the conversion of the Fund. Subsequently, Securities and Exchange Commission of Pakistan has conveyed its “no-objection” to the conversion on September 23, 2010, subject to the following conditions:

- Conversion cost shall not be amortised and charged to the scheme immediately; and

- Necessary amendments, with prior approval of the Commission shall be made in the constitutive documents of the Fund before publication of announcement of book closure date for the purposes of effective date for conversion.

Currently, the Management Company is in process of finalizing the conversion of the Fund into an opend end scheme.

The conversion of the Fund into an open end scheme will not affect the business and operations of the Fund. Accordingly, these financial statements have been prepared on a going concern basis.

3 BASIS OF PREPARATION

Statement of compliance

These un-audited condensed interim 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 the 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 NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail.

These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2010.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in prepration of these condensed interim financial statements are the same as those applied in the preparation of the published accounts of the Company for the year ended June 30, 2010.

5 RISK MANAGEMENT

"The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the year ended June 30, 2010.

6 INVESTMENTS	Note	**Unaudited September 30 2010**	Audited June 30 2010
		……..(Rupees in '000)……..	
At fair value through profit or loss			
Listed equity securities	6.1	**1,161,990**	1,796,146
Government Securities	6.2	**926,699**	477,157
		2,088,689	2,273,303
Available for sale			
Listed equity securities	6.3	**64,831**	106,224
		2,153,520	2,379,527

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

Name of the Investee Company	Number of shares					Balance as at September 30, 2010			Market value as a % of net assets	Market value as a % of total investments	Paid up value of shares as a % of total paid up capital of the investee company.
	As at July 1, 2010	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at September 30, 2010	Cost	Market value	(Diminution)/ Appreciation			
						---------Rupees in '000---------					
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
OIL AND GAS											
Pakistan Oilfields Limited	1,046,960	-	-	550,075	496,885	113,550	117,826	4,276	5.24	5.47	0.21
Pakistan Petroleum Limited	1,296,961	-	110,422	818,850	588,533	84,813	101,469	16,656	4.51	4.71	0.05
Pakistan State Oil Company Limited	351,823	-	-	351,823	-	-	-	-	-	-	-
						198,363	**219,295**	**20,932**			
CHEMICALS											
Engro Corporation Limited	1,121,613	-	-	472,486	649,127	92,125	113,084	20,959	5.03	5.25	0.20
Fauji Fertilizer Bin Qasim Limited	3,850,904	-	-	-	3,850,904	111,916	104,360	(7,556)	4.64	4.85	0.41
I.C.I Pakistan Limited	1,234,635	-	-	297,521	937,114	143,120	109,736	(33,384)	4.88	5.10	0.68
						347,161	**327,180**	**(19,981)**			
GENERAL INDUSTRIALS											
Packages Limited	1,584,943	-	-	243,228	1,341,715	201,208	135,513	(65,695)	6.03	6.29	1.59
						201,208	**135,513**	**(65,695)**			
AUTOMOBILE AND PARTS											
Pak Suzuki Motor Company Limited	191,550	-	-	50,000	141,550	22,620	9,808	(12,812)	0.44	0.46	0.17
						22,620	**9,808**	**(12,812)**			
HOUSEHOLD GOODS											
Pakistan Elektron Limited	2,959,750	-	-	1,478,128	1,481,622	51,839	20,743	(31,096)	0.92	0.96	1.26
						51,839	**20,743**	**(31,096)**			
PERSONAL GOODS											
Nishat Mills Limited	2,703,505	-	-	147,000	2,556,505	132,323	117,599	(14,724)	5.23	5.46	0.73
						132,323	**117,599**	**(14,724)**			
TOBACCO											
Pakistan Tobacco Company Limited	22,500	-	-	22,500	-	-	-	-	-	-	-
						-	**-**	**-**			

Name of the Investee Company	Number of shares					Balance as at September 30, 2010			Market value as a % of net assets	Market value as a % of total investments	Paid up value of shares as a % of total paid up capital of the investee company.
	As at July 1, 2010	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at September 30, 2010	Cost	Market value	(Diminution)/ Appreciation			
						----------Rupees in '000----------					
PHARMA AND BIO TECH											
Searle Pakistan Limited	116,899	-	-	116,899	-	-	-	-	-	-	-
						-	-	-			
FIXED LINE TELECOMMUNICATION											
Wateen Telecom Limited	2,000,000	-	-	-	2,000,000	12,580	8,320	(4,260)	0.37	0.39	0.32
						12,580	**8,320**	**(4,260)**			
ELECTRICITY											
Hub Power Company Limited	3,905,168	-	-	851,600	3,053,568	96,204	101,653	5,449	4.52	4.72	0.26
Kot Addu Power Company Limited	4,174,324	-	-	1,600,000	2,574,324	122,369	105,805	(16,564)	4.71	4.91	0.29
						218,573	**207,458**	**(11,115)**			
BANKS											
Allied Bank Limited	1,875,476	102,642	-	34,003	1,944,115	115,438	100,083	(15,355)	4.45	4.65	0.25
Bank AL-Habib Limited	515,000	-	-	-	515,000	15,579	15,991	412	0.71	0.74	0.07
						131,017	**116,074**	**(14,943)**			
						1,315,684	**1,161,990**	**(153,694)**			

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

Issue Date	Tenor	--- Face Value ---				Balance as at September 30, 2010			-------- Investment --------	
		As at July 1, 2010	Purchases during the period	Sales / Matured during the period	As at September 30, 2010	Cost	Market value	Appreciation / (Diminution)	Market value as a % of net assets	Market value as a % of total investments
		----------(Rupees in '000') ----------								
Pakistan Investment Bonds										
September 3, 2009	5 Years	25,000	-	25,000	-	-	-	-	-	-
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	-	-
						-	-	-		
Treasury Bills										
September 26, 2009	12 Months	50,000	50,000	100,000	-	-	-	-	-	-
October 8, 2009	12 Months	75,000	-	-	75,000	74,862	74,857	(5)	3.33	3.48
July 29, 2010	12 Months	-	100,000	-	100,000	90,901	90,367	(534)	4.02	4.20
January 14, 2010	6 Months	-	100,000	100,000	-	-	-	-	-	-
February 25, 2010	6 Months	-	100,000	100,000	-	-	-	-	-	-
April 22, 2010	6 Months	-	175,000	-	175,000	173,852	173,838	(14)	7.73	8.07
April 8, 2010	3 Months	25,000	-	25,000	-	-	-	-	-	-
April 22, 2010	3 Months	135,000	-	135,000	-	-	-	-	-	-
May 20, 2010	3 Months	150,000	-	150,000	-	-	-	-	-	-
July 15, 2010	3 Months	-	250,000	150,000	100,000	99,806	99,810	4	4.44	4.63
August 13, 2010	3 Months	-	295,000	-	295,000	291,641	291,570	(71)	12.97	13.54
August 26, 2010	3 Months	-	100,000	-	100,000	98,400	98,366	(34)	4.38	4.57
September 9, 2010	3 Months	-	100,000	-	100,000	97,926	97,891	(35)	4.35	4.55
						927,388	926,699	(689)		
						927,388	926,699	(689)		

6.3 Listed equity securities - 'available for sale'

Name of the Investee Company	Number of shares					Balance as at September 30, 2010			Market value as a % of net assets	Market value as a % of total investments	Paid up value of shares as a % of total paid up capital of the investee company.
	As at July 1, 2010	Purchases during the year	Bonus/ Rights issue	Sales during the year	As at September 30, 2010	Cost less impairment recognised up to September 30, 2010	Market value	(Diminution)/ Appreciation			
						Rupees in '000					
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
CHEMICALS											
Fauji Fertilizer Company Limited	808,463	-	-	270,000	538,463	35,916	56,453	20,537	2.51	2.62	0.03
						35,916	**56,453**	**20,537**			
AUTOMOBILE AND PARTS											
Pak Suzuki Motor Company Limited	83,820	-	-	-	83,820	4,571	5,808	1,237	0.26	0.27	0.10
						4,571	**5,808**	**1,237**			
PERSONAL GOODS											
Kohinoor Mills Limited	934,626	-	-	-	934,626	2,953	2,570	(383)	0.11	0.12	1.84
Kohinoor Textile Mills Limited	1,031,482	-	-	1,031,482	-	-	-	-	-	-	-
Reliance Weaving Mills Limited	833,422	-	-	833,422	-	-	-	-	-	-	-
						2,953	**2,570**	**(383)**			
						43,440	**64,831**	**21,391**			

6.4 The above includes shares with a market value aggregating to Rs 44,811 thousand (June 2010: Rs 44,660 thousand) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of circular no 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

		Unaudited	Audited
		September 30	June 30
6.4	**Net unrealised diminution in value of investments**	**2010**	2010
	at fair value through profit or loss	**(Rupees in '000)**	
	Market value of investments	**2,088,689**	2,273,303
	Less: Cost of investments	**(2,243,072)**	(2,471,957)
		(154,383)	(198,654)
	Add: Realised on disposal during the period	**(46,560)**	(364,514)
	Less: Net unrealised diminution in value of investments at fair value through profit or loss at the beginng of the period	**198,654**	533,391
		(2,289)	(29,777)

6.5 Net unrealised (diminution) / appreciation in value of investments classified as 'available for sale'

Market value of investments	**64,831**	106,224
Less: Cost less impairment	**(43,440)**	(70,515)
	21,391	35,709
Impairment loss on financial assets classified as 'available for sale'- trasnferred to Income Statement	**383**	1,589
	21,774	37,298
Net unrealised appreciation in value of investments at the beginning of the period	**(37,298)**	(27,146)
	(15,524)	10,152

7 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), Arif Habib Securities Limited being the holding company of AHI, Arif Habib Limited and Thatta Cement Limited being companies under common control, Arif Habib Bank Limited and Pak Arab Fertilizer being companies under common directorship, Central Depository Company of Pakistan Limited being the trustee, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

Remunerations to the Management Company and trustee are determined in accordance with the provisions of NBFC regulations and Trust Deeds of the fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms..

Details of transactions with connected persons and balances with them at the period end are as follows:

7.1 Transactions during the period	Unaudited September 30 2010	September 30 2009
	(Rupees in '000)	
Management Company		
Remuneration	**12,473**	15,590
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	**595**	585
Other charges	**103**	110
Arif Habib Limited		
Brokerage *	**277**	152
Summit Bank Limited ***(formerly Arif Habib Bank Limited)***		
Mark up income	**817**	8,085
Pakistan Income Enhancement Fund		
Sale of Term Finance Certificates		
United Bank Limited - IV: Nil (2009: 20,000 certificates)	**-**	91,897

* The amount disclosed represents the amont of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ulimate counter-parties are not connected persons.

7.2 Amounts outstanding as at the period end	Unaudited September 30 2010	Audited June 30 2010
	(Rupees in '000)	
Management Company		
Remuneration Payable	**3,704**	4,228
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	**183**	199
Other payables	**53**	32
Security deposit	**300**	300
Arif Habib Limited - Brokerage house		
Brokerage payable	**67**	95
Summit Bank Limited ***(formerly Arif Habib Bank Limited)***		
Balance with bank	**219,895**	16,955
Accrued mark-up	**429**	303

8 CONTRIBUTION TO 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 Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower issued a letter which states that mutual funds are not liable for WWF.

The MUFAP, on behalf of its member AMCs, obtained legal opinions from couple of renowned law firms to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinions, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the letters suggest that provisioning was neither required nor necessary. Further, the opinions suggest that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF based on the letter issued by Ministry of Labour and Manpower, that mutual funds are not establishments and as a result are not liable to pay contribution to WWF

9 DATE OF AUTHORISATION FOR ISSUE OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed Interim financial statements have been authorised for issue on October 25, 2010 by the Board of Directors of the Management Company.

10 GENERAL

10.1 Figures have been rounded off to the nearest thousand Rupees.

10.2 Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purpose of comparison.

For Arif Habib Investments Limited
(Management Company)

Chief Executive	Director

STATEMENT OF INCOME AND EXPENDITURE
OF THE MANAGEMENT COMPANYIN RELATION TO THE FUND
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	2010	2009
Revenue	**(Rupees in '000)**	
Management fee	**12,473**	15,590
Return on bank deposits	**182**	17
Dividend Income	**18,026**	-
Gain on sale of avaiable-for-sale investments	**-**	21,908
Other Income	**152**	295
	30,833	37,810
Operating Expenses		
Staff Salary	**6,665**	6,672
Technical and professional services	**99**	112
Staff training	**90**	50
Marketing and advertisement	**558**	292
Rent, rates and taxes	**924**	1,229
Communication cost	**229**	307
Directors' fee	**71**	51
Printing, stationery and other supplies	**207**	283
Insurance	**103**	96
Repair and maintenance	**241**	256
Fees and subscription	**179**	147
Legal and professional fees	**243**	190
Travelling, conveyance and others	**150**	80
Financial charges	**1,240**	2,037
Depreciation	**760**	527
Impairment loss	**-**	45
Worker's Welfare Fund	**157**	-
	11,916	12,374
Net income for the period	**18,917**	25,436

Note: Above mentioned expenses are based on revenue generated through Collective Investment Schemes (CIS) during the period. Expenses directly related to CIS are allocated to specific CIS.