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FUND'S INFORMATION

Management Company

Arif Habib Investments Limited
Arif Habib Centre, 23 M.T. Khan Road,
Karachi-74000.

Board of Directors of the Management Company

Mr. Muhammad Shafi Malik	Chairman
Mr. Nasim Beg	Chief Executive
Syed Ajaz Ahmed	Director
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Akmal Jameel	Director
Mr. Muhammad Kashif	Director
Mr. S. Gulrez Yazdani	Director
Mr. Samad A. Habib	Director

Audit Committee

Mr. Muhammad Shafi Malik	Chairman
Syed Ajaz Ahmed	Member
Mr. Muhammad Akmal Jameel	Member
Mr. Samad A. Habib	Member

CFO & Company Secretary of the Management Company

Mr. Zeeshan

Trustee

MCB Financial Services Limited
3rd Floor, Adamjee House,
I.I. Chundrigar Road, Karachi.

Bankers

Habib Metropolitan Bank Limited

Auditors

KPMG Taseer Hadi & Co
Chartered Accountants
1st Floor, Sheikh Sultan Trust Building No. 2
Beaumont Road, Karachi - 75530

Legal Adviser

Bawaney & Partners
404, 4th Floor, Beaumont Plaza,
Beaumont Road, Civil Lines, Karachi-75530

Registrar

Gangjees Registrar Services (Pvt.) Limited.
Room No. 516, 5th Floor, Clifton Centre,
Kehkashan, Clifton, Karachi.

Rating

PACRA: AM2 Positive Outlook) - Management Quality
Rating assigned to Management Company



**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
FOR THE NINE MONTHS ENDED 31 MARCH 2011**

The Board of Directors of Arif Habib Investments Limited, the Management Company of Pakistan Capital Protected Fund- Fixed Income Securities (PCPF-FIS) is pleased to present its Report together with the Condensed Interim Financial Statements for the nine months ended 31 March 2011.

Fund Objective

The objective of the Fund is to pay back investors whole of their initial investment (net of front-end load) i.e. Rs 10 per unit over the term of its life, in addition the Fund has an objective to maximize the return through investment in fixed income instruments, money and debt market instruments.

Fund Profile

Pakistan Capital Protected Fund-Fixed Income Fund (PCPF-FIS) is an open end fund. Consistent with the objective of PCPF-FIS, about 81.85% of the Fund is invested in bank deposits with Habib Metropolitan Bank that will yield a future value at maturity equivalent to the initial size of the fund (plus fund expenses), providing 100% protection of total initial investment (net of all expenses and front end load) to the investors.

The remaining fund is invested in fixed income securities aimed at providing investors an opportunity to earn high return relative to bank deposits. The Board has approved the categorization of the Fund as "Capital Protected Scheme".

Fund Performance during nine months ended 31 March 2011

The net assets of the Fund as at 31 March 2011 stood at Rs 259.628 million compared to Rs 244.564 million registering an increase of 6.16%.

The Net Asset Value (NAV) per unit at the end of the period was Rs 10.77 per unit compared to the opening Ex NAV of Rs 10.08 per unit, registering an increase of Re 0.69

Future Outlook and Fund Performance

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

Acknowledgement

The Board likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Pvt.) Limited (the Trustee of the Fund) and the management of the Islamabad Stock Exchange for their continued cooperation and support. The Board also acknowledges the efforts put in by the team of the management company.

For and on behalf of the Board

23 April 2011
Karachi.

Nasim Beg
Chief Executive

REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED 31 MARCH 2011

Objective

The objective of the Fund is to provide 100% capital protection (net of front-end load) and maximise the return earned from fixed income, money and debt market instruments.

Fund Profile

Pakistan Capital Protected Fund-Fixed Income Securities (PCPF-FIS) is an open-end Fund. At inception, about 81.85% of the Fund was invested in bank deposits with Habib Metropolitan Bank that will yield a future value at maturity equivalent to the initial size of the Fund (plus Fund expenses), providing 100% protection of total initial investment (net of all expenses and front end load) to the investors.

The remaining funds are invested in fixed income securities, aimed at providing investors an opportunity to earn high return relative to bank deposits. Under the NBFC rules, the Fund is not allowed to borrow.

Performance

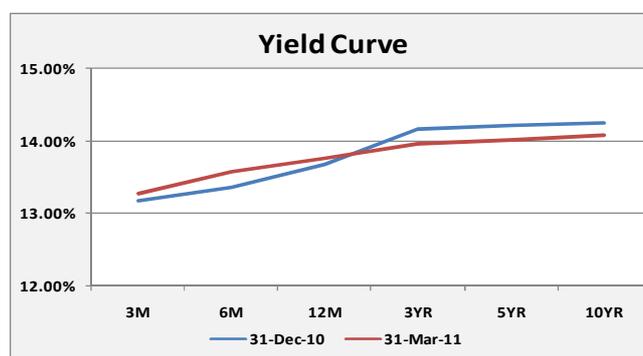
PCPF-FIS earned an annualized return of 8.85% during the 3rd quarter FY2011, whereas annualized return for 9 months FY11 was 9.12% during the period ended 31 March 2011. Funds under management were Rs. 259.6 million.

Asset allocation

Investment in TDR with Habib Metropolitan Bank was 69.5% of net assets as capital protection segment of the fund. Allocation in TFCs was increased to 7.1% from 5.6% at last quarter, which comprises of TFCs of bank and investment bank and sukuk of house hold goods sectors with a minimum rating of A. At the end of the period, exposure in T-bill was 1.8% compared to 9.4% last quarter, whereas 7.2% of net assets were invested in high yield 6-month commercial paper to earn high yield.

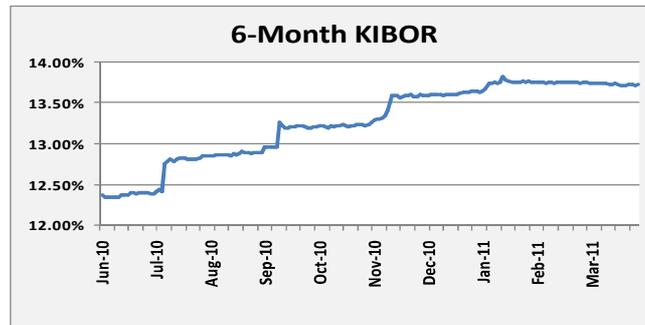
Treasury Market Review

SBP kept the discount rate unchanged at 14% during the quarter as the rate of increase in inflation has reduced to 13.16% in March compared to 15.45% YoY growth in December. Higher interest rate expectations earlier in the year had pushed up yields initially across all tenors. However, long term yields finished the quarter lower by approximately 17 bps to 14.08% compared to December end. While short term rates remained at comparatively higher side throughout the period amid tight liquidity in the system. This has led to reduction in the steepness of the yield curve in comparison to that of December 2010.



Change in PKRV & KIBOR		
Tenor	31 Dec, 10 (%)	31 Mar, 11 (%)
Overnight	13.90	13.90
KIBOR (6-M)	13.62	13.73
90-Days	13.17	13.27
180-Days	13.36	13.58
365-Days	13.68	13.76
3-Years	14.16	13.97
5-Years	14.22	14.02
10-Years	14.25	14.08

Similarly, 6-month KIBOR displayed rising trend during the quarter to close at 13.73% or 11bps higher as compared to last quarter's close of 13.62%.



Treasury Bills

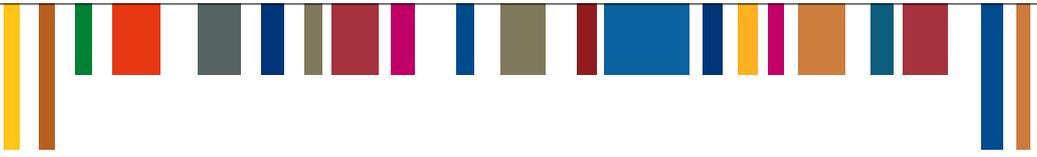
Short term interest rates have risen sharply in January, 3 month T-Bill near 13.6% and 1 year at 13.84% amid expectations of further tightening and high inflation numbers, however, the unchanged discount rate and ease in inflationary pressure pushed the short term rates lower with 3 months and 1 year rates at 13.27% and 13.76% respectively by quarter end.

Earlier in the quarter, higher participation was seen in 3 month T-bills; however, the stability in interest rates resulted in shift in bidding pattern with increasingly high participation in 6 month and 1 year T-bills. Total T-bills worth Rs. 997.0 billion were sold against a target of Rs. 980.0 billion amid T-bill maturity of Rs. 854.0 billion. Cut-off yields closed at 13.25%, 13.64% and 13.80% in 3 and 6-months and 1-year tenures respectively.

Pakistan Investment Bond

On the other hand, yields of long term PIBs, especially 10 year bond, witnessed decline during the quarter. In January, the rates of 10 year PIB moved higher to 14.40%, which subsequently fell to as low as 14% in March given the expectations of no increase in the discount rate. During the quarter, there was pick in demand for 10 year PIBs from the corporate sector.

SBP conducted two PIB auctions during the 3rd quarter FY11 and given the stability in discount rate, higher participation was seen in 10-year bonds. Total target was Rs. 35.0 billion and accepted amount was Rs. 49.0 billion against participation of Rs. 76.0 billion.



Government Ijara Sukuk

The Government Ijara Sukuk auction was conducted on 7 March 2011. Substantial amount of participation of Rs. 57.0 billion was received due to increased Statutory Liquidity Requirement (SLR) of Islamic Banks/Islamic Banking Branches to 14.0% from 9.0%, effective 1 April 2011. Target was set at Rs. 45.0 billion and the SBP sold GIS worth Rs. 47.5 billion at 'Par' (weighted average 6-month T-bill yield). Trading was seen in the band of 100.00 and 100.40 in the secondary market.

Corporate Debt Instruments

Prices of corporate bonds (Term Finance Certificates-TFCs) improved during the quarter as demand for long term papers emerged as prospects of further increase in the discount rate reduced. Mostly trading remained confined in TFCs of banking, fertilizer and telecommunications sectors. Banking sector TFCs were traded at a spread of 1.4% to 2.25% while fertilizer sector TFCs traded in the wide band of 1.9% to 2.55%. Few instruments delayed their coupon payments during the quarter ended 31 March 2011 including PACE Pakistan Limited TFC and Pak Elektron Limited Sukuk. Pace TFC price fell by 32.0% to Rs 65.00 from Rs. 96.40 in January 2011.

To eliminate unwanted volatility in TFC prices due to MUFAP valuation method, MUFAP has decided to cap the prices of traded TFCs to their previous traded prices, if any TFC price gets inflated, after being classified as non-traded.

Future Outlook

Reduction in headline inflation during the last two months, restraint in government's borrowing from SBP, and measures for reducing budgetary deficits have resulted in providing a breather to interest rates. With the expectations of pause in the discount rate hike for the next few months, market yields of government securities are expected to remain stable during the next quarter. In the TFC market, secondary market activity is expected to remain confine to selected quality issues with price discovery remaining a major concern for low rated TFCs.

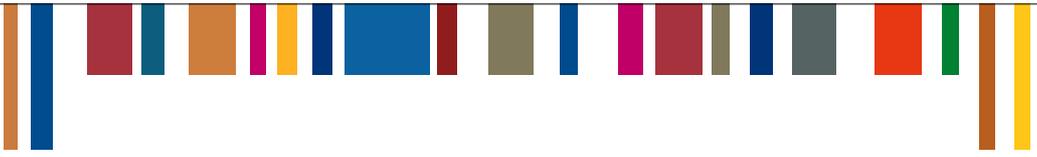
3QFY11 Economic Review

During the third quarter of the fiscal year, pick up in textile exports and higher remittances helped in reducing the pressure from rising international oil prices and keeping the current account deficit in check. The rate of increase in inflation has reduced during the quarter to 13.16% in March compared to 15.45% YoY growth in December, therefore allowing the central bank to keep the discount rate unchanged at 14% during the last two monetary policy reviews. Following the last round of talks with IMF in March, the government has finally taken additional taxation measures to reduce the rising fiscal gap for the current fiscal year.

Fiscal Side

Given the rising fiscal deficit (2.8% of GDP during 1HFY11 against the full year target of 5.5%), GoP introduced new taxation measures in March which would collect Rs 53 billion through removal of subsidies and/or further taxes on income, imports, agriculture, and domestic sales of zero-rated export-oriented items, while Rs 67 billion is expected to be saved from the government expenditure side. Of Rs 53 billion, Rs 20 billion will be collected through 15% flood surcharge on income-tax, Rs 25 billion revenue will be accumulated through withdrawal of sales tax exemptions on fertilizers, pesticides and tractors, Rs 6 billion revenue through increase in special excise duty on imports from 1% - 2.5% and Rs 2 billion proceeds from increase in tax on sugar.

Total tax collection from July – February, 2011 summed up to Rs 876 billion against a target of Rs 1,600 billion for the full FY. With the above mentioned measures, it is now expected that tax revenue target for the current fiscal year is likely to be met. However, given the additional expenditures on last year floods, the fiscal deficit is expected to be higher than the government target of 5.5% for the year ending June 2011.



Inflation

Inflation figures for 3QFY11 came down considerably from 15.45% YoY in December, 2010 to 13.16% YoY in March 2011. This was due to the following reasons: first, high base-effect of last year starting January, 2010, and second, containment of government borrowing from the SBP within agreed limits. Nonetheless, inflation is expected to edge higher over the next few months given the outlook of an increase in international commodity prices especially oil prices, higher domestic commodity prices with the introduction of 'mini-budget' to enhance the tax base, and expectations of an increase in government borrowing to fund fiscal deficit.

Real Sector

Large Scale Manufacturing (LSM) figures for July – January 2011 showed an increase of 2.34% over the corresponding period of last year. The growth in manufacturing is restricted to few sectors, with majority of the industries showing decline. Textiles, Pakistan's largest industry having one fourth of the total weight could only increase by 0.6%. Major contribution has come from sugar sector (4.15% weight) showing a growth of 8.1% till January and which is likely to improve further as recent reports suggest that total output of sugar for this year has exceeded 4 m tones compared to only 3.1 m tones in the previous year. Other growth sectors have been automobile production (+16.8%), pharmaceuticals (+5.8%), chemicals (+3.5%) and leather products (+14.2%). All other manufacturing sectors were in decline including food and beverages (-2%), petroleum products (-6.2%), metal industries (-8.1%), non metallic minerals (-11.8%), fertilizers (-7.2%) and cement (-10.6%).

External Side

External sector continued to post encouraging figures in 3QFY11. Current Account Deficit (CAD) from July – February, 2011 equalled US\$ 98 million against US\$ 3,027 million deficit in the same period of preceding year, thus showing a decrease of almost 97%. This is explained by an improvement in balance on Goods & Services & Income account where deficit decreased from US\$ 11.2 billion in July-February, 2010, to US\$ 9.9 billion in the same period of current FY. Remittances also played a key role in uplifting the CAD as US\$ 8.02 billion were received from July- March, 2011 against US\$ 6.54 billion in the corresponding period of last year, thus showing a growth of 22.39%. The SBP expects current account deficit for FY 11 in the range of 1 – 1.5%. Exports from July – March, 2011 were US\$ 18.1 billion against a US\$ 14.3 billion exports in the same period last year, posting a robust growth of 26.6% YoY. Textile export was yet once again the major determinant of this growth as US\$ 9.92 billion was contributed by textiles. Imports for the same period equalled US\$ 29.1 billion against US\$ 25.1 billion in the first 9 months of last FY. This translates into a growth 15.97%. Petroleum group imports stood at US\$ 8.15 billion from July – March, 2011 showing a growth of 11%. Forex reserves YtD (March 19, 2011) closed at US\$ 17.5 billion against US\$ 16.75 billion at the end of FY10.

Moreover, Asian Development Bank approved a US\$ 650 million loan which will be used to build the damaged infrastructure due to the floods which hit the country early FY11.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 MARCH 2011**

		(Unaudited)	(Audited)
		31 March	30 June
		2011	2010
	<i>Note</i>	(Rupees in '000)	
Assets			
<i>Capital protection segment</i>			
Term deposit receipts	6	180,536	180,536
Profit receivable		24,175	7,979
		204,711	188,515
<i>Investment segment</i>			
Bank balances	7	15,602	19,840
Investments	8	41,589	36,869
Profit receivable		840	1,362
Advances, deposits, prepayments and other receivables		102	103
		58,134	58,174
Preliminary expenses and floatation costs		551	852
Total assets		263,396	247,541
Liabilities			
Payable to Arif Habib Investments Limited - Management Company		329	1,493
Payable to MCB Financial Services Limited - Trustee		44	41
Payable to The Securities and Exchange Commission of Pakistan - Annual fee		142	66
Accrued expenses and other liabilities		3,253	1,377
Total liabilities		3,767	2,977
Net assets		259,628	244,564
Unit holders' fund (as per statement attached)		259,628	244,564
		(Number of units)	
Number of units in issue		24,099,151	23,447,110
		(Rupees)	
Net asset value per unit		10.77	10.43

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

	Nine months ended 31 March 2011	From 17 Oct to 31 2010	Quarter ended 31 March 2011	2010
	Note ----- (Rupees in '000) -----			
Income				
Income from term deposit receipts - capital protection segment	16,195	2,601	5,320	2,601
Capital (loss)/ gain on sale of investment	(69)	522	2	522
Income from Commercial Papers	173	-	173	-
Income from government securities	1,184	-	502	-
Income from term finance and sukuk certificates	4,378	849	1,500	849
Profit on bank deposits	1,224	454	384	454
Other income	84	-	-	-
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	(359)	(5)	(174)	(5)
Total income	22,810	4,421	7,707	4,421
Expenses				
Remuneration of Arif Habib Investments Limited - Management Company	2,835	426	947	426
Remuneration of the MCB Financial Services Limited - Trustee	428	60	126	60
Annual fee - The Securities and Exchange Commission of Pakistan	142	21	48	21
Securities transaction cost	7	37	5	37
Settlement and bank charges	31	10	14	10
Fees and subscriptions	83	56	28	56
Legal and professional charges	56	20	18	20
Auditor's remuneration	307	113	120	113
Amortisation of preliminary expenses and floatation costs	301	48	99	48
Printing and related costs	94	52	31	52
Others	1,762	283	579	283
Total expenses	6,046	1,126	2,015	1,126
	16,764	3,295	5,692	3,295
Net element of loss and capital losses included in prices of units issued less those in units repurchased	(14)	-	(1)	-
Net income for the period	16,750	3,295	5,691	3,295
Earning per unit	9			

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

	Nine months ended 31 March 2011	From 17 Oct to 31 March 2010	Quarter ended 31 March 2011	Quarter ended 31 March 2010
	----- (Rupees in '000) -----			
Undistributed income brought forward	10,093	-	12,946	-
Final distribution of 814,135 bonus units for the period from 17 October 2009 to 30 June 2010 at the rate of Re.0.35 per unit (date of distribution: 5 July 2010)	(8,206)	-	-	-
Net income for the period	16,750	3,295	5,691	3,295
Undistributed income carried forward	18,637	3,295	18,637	3,295

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

	Nine months ended 31 March 2011	From 17 Oct to 31 March 2010	Quarter ended 31 March 2011	2010
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	16,750	3,295	5,691	3,295
Adjustments for:				
Amortisation of preliminary expenses and floatation costs	301	48	99	48
Net element of loss and capital loss included in prices of units issued less those in units repurchased	14	-	1	-
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	359	5	174	5
	<u>17,424</u>	<u>3,348</u>	<u>5,965</u>	<u>3,348</u>
(Increase) / decrease in assets				
Term deposit receipts	-	(180,536)	-	(180,536)
Investments	(5,079)	(23,165)	(3,759)	(23,165)
Profit receivable	(15,673)	(4,972)	(5,484)	(4,972)
Advances, deposits, prepayments and other receivables	1	(9,775)	3	(9,775)
Preliminary expenses and floatation costs	-	(1,000)	-	(1,000)
	<u>(20,752)</u>	<u>(219,448)</u>	<u>(9,241)</u>	<u>(219,448)</u>
Increase / (decrease) in liabilities				
Payable to Arif Habib Investments Limited - Management Company	(1,164)	1,493	6	1,493
Payable to MCB Financial Services Limited - Trustee	3	42	2	42
Payable to the Securities and Exchange Commission of Pakistan - Annual fee	76	21	48	21
Accrued expenses and other liabilities	1,876	509	584	509
	<u>790</u>	<u>2,065</u>	<u>639</u>	<u>2,065</u>
Net cash used in operating activities	<u>(2,538)</u>	<u>(214,035)</u>	<u>(2,637)</u>	<u>(214,035)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from core investors and IPO investors	-	234,471	-	234,471
Net payments made against issuance / redemption of units	(1,700)	-	(15)	-
Net (decrease) / increase in cash and cash equivalents during the period	<u>(4,238)</u>	<u>20,436</u>	<u>(2,652)</u>	<u>20,436</u>
Cash and cash equivalents at the beginning of the period	19,840	-	18,254	-
Cash and cash equivalents at the end of the period	<u><u>15,602</u></u>	<u><u>20,436</u></u>	<u><u>15,602</u></u>	<u><u>20,436</u></u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

	Nine months ended 31 March 2011	From 17 Oct to 31 March 2010	Quarter ended 31 March 2011	
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	244,564	-	253,951	-
Issuance of 23,447,110 units during the Period		234,471		234,471
Issue of 814,135 bonus units for the period from 17 October 2009 to 30 June 2010 at the rate of Rs.0.35 per unit (Date of distribution: 5 July 2010)	8,206	-	-	-
Redemption of 162,093 units during the nine months and quarter ended 31 march 2011	(1,700)	-	(16)	-
	6,506	234,471	(16)	234,471
Net element of loss and capital losses included in prices of units issued less those in units redeemed	14	-	1	-
Final distribution of 814,135 bonus units for the period from 17 October 2009 to 30 June 2010 at the rate of Re.0.35 per unit (Date of distribution: 5 July 2010)	(8,206)	-	-	-
Net income for the period (excluding unrealised diminution in fair value of investments and capital loss on sale of investments)	17,178	2,778	5,863	2,778
Capital loss on sale of investments	(69)	522	2	522
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	(359)	(5)	(174)	(5)
Net income for the period	16,750	3,295	5,692	3,295
Net assets at the end of the period	259,628	237,766	259,628	237,766

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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

Chief Executive

Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Protected Fund - Fixed Income Securities (the Fund) was established under a Trust Deed executed on 15 June 2009 between Arif Habib Investments Limited as Management Company and MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Private) Limited) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 August 2009 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Formation of the Fund as open end fund was authorized by SECP on 7 August 2009. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by SECP. The registered office of the Management Company is situated at Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of AM2 (Positive Outlook) to the Management Company of the Fund.

The Fund is a capital protected fund and has an objective to pay back investors (with certain conditions) whole of their initial investment (net of front end load) i.e. Rs. 10 per unit over the term of its life in the form of dividend or return of capital on its termination. In addition, the Fund has an objective to maximize the return by investing in fixed income instruments, money and debt market instruments to achieve the investment objective.

The Fund consists of two segments, Capital Protected Segment and an Investment Segment. The Capital Protected Segment aims at protecting investors capital by placing the assets of the segment in bank deposits having at least long term credit rating of AA- (Double A minus) at the time of placement. To achieve the objective the Fund has placed 81.85% of Fund property (net of loads and charges, if any) with Habib Metropolitan Bank Limited to ensure that these funds grow to become at least 100% of the total initial investment value (net of all expenses and taxes) at the time of maturity.

The remaining assets of the Fund have been allocated to the Investment Segment that will be invested in fixed income instruments, money and debt market instruments with an objective of providing higher return than the minimum protection provided by the capital protection segment.

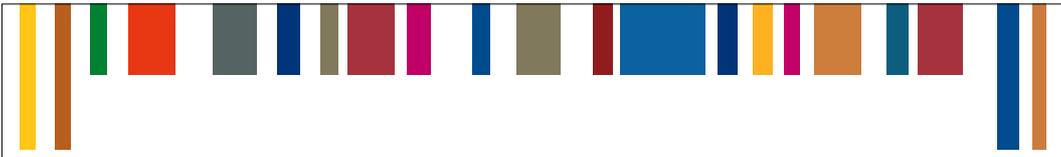
The duration of the Fund is 30 (thirty) months from the last day of initial offering / launch period. The Fund will cease to operate at maturity. Title to the assets of the Fund is held in the name of MCB Financial Services Limited as trustee of the Fund. As per paragraph 17.2.4 of the Trust Deed of the Fund, the creditors of the Fund will have no claim against the assets of the Capital Protected Segment.

2. BASIS OF PREPARATION

Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements for the period ended 30 June 2010.

This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at 31 March 2011 and the related condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holder's fund and notes thereto for the nine months ended 31 March 2011. At 31 March 2011, the fund has no item to be reported in other comprehensive income hence the reported net income for the period equals the total comprehensive for the current period.



The comparatives in the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2011 have been extracted from the audited financial statements of the Fund for the period ended 30 June 2010, where as condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holder's fund are stated from unaudited condensed interim financial information for the period ended 31 March 2010.

This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information is the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended 30 June 2010. New interpretations and amendments to certain existing standards / interpretations became effective during the period, however, adoption of such amendments / new interpretations did not have any impact on the accounting policies of the Fund.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by the management in applying accounting policies and the key sources of estimation uncertainty were the same as those that were applied to financial statements as at and for the period ended 30 June 2010.

5. FINANCIAL RISK MANAGEMENT

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

6. TERM DEPOSIT RECEIPTS

This represents a term deposit placed with Habib Metropolitan Bank at a fixed mark-up rate of 11.95% per annum maturing on 15 August 2012. The said deposit has been placed by the Fund to ensure that these deposits are grown to become at least 100% of the initial invested value.

7. BANK BALANCES

This represents deposit accounts carrying mark-up at the rate of 5% to 10.5% per annum (June 2010: 9% per annum).

8.1.3 Treasury bills

Issue date	Tenor	Face value		Cost as at 31 March 2011	Market value as at 31 March 2011	Appreciation / (diminution)	Market value as a percentage	
		Purchases during the period	Sales / matured during the period				Net assets	Total investment
As at 01 July 2010	As at 31 March 2011	(Rupees in '000)						
27 August 2010	3 Months	-	2,900	-	-	-	-	-
13 October 2010	3 Months	-	20,000	-	-	-	-	-
21 October 2010	3 Months	-	20,000	-	-	-	-	-
16 November 2010	3 Months	-	4,000	-	-	-	-	-
13 January 2011	3 Months	-	24,000	-	-	-	-	-
27 January 2011	3 Months	-	1,000	-	-	-	-	-
10 February 2011	3 Months	-	4,000	-	-	-	-	-
24 March 2011	3 Months	-	4,700	4,700	4,574	(1)	0.02	2.06
		-	80,600	75,900	4,574	(1)		
Grand Total				40,431	41,589	1,159		

8.2 Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' - held for trading

(Unaudited)	(Audited)
31 March 2011	30 June 2010

Fair value of investments	41,589	36,869
Less: Cost of investments	40,431	35,430
	1,159	1,439
Unrealised appreciation in fair value of investment classified as 'at fair value through profit or loss' at the beginning of the period	(1,439)	-
Reclassification on sale of investments	(79)	-
	(359)	1,439

9 EARNING PER UNIT

Earning 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.

10 CONTINGENCY

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 (the Ministry) issued a letter which states that mutual funds are not liable for WWF. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds for the recovery of WWF. On 14 December 2010, the Ministry filed its response contesting the said petition. SHC has concluded its hearing and judgement has been reserved.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence provision has not been made in respect of WWF, which, if liable, would amount to Re 0.02 per unit.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The Management Company intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial information.

12 TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES

Connected person / related parties include Arif Habib Investments Limited being the Management Company, Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) being the holding company of the Management Company, all other Collective Investment Schemes managed by Management Company, Arif Habib Limited and Thatta Cement Limited being companies under common management, Pak Arab Fertilizer and Summit Bank Limited (Formerly: Arif Habib Bank Limited) being Companies under common directorship, MCB Financial Services Limited being the Trustee of the Fund and Directors and Executives of the Management Company.

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and constitutive documents of the Fund.

All other transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms.

Details of the transactions with connected person / related parties and balances with them at period / year end are as follows:

12.1 Transactions during the period

	Nine months ended 31 March 2011	From 17 Oct to 31 March 2010	Quarter ended 31 March 2011	
	(Rupees in '000)			
Arif Habib Investments Limited - Management Company				
Remuneration for the period	2,835	426	947	426
Issue of 4,245 bonus units	43	-	-	-
MCB Financial Services Limited Trustee				
Remuneration for the period	428	60	126	60
Others	50	-	-	-
Directors and Executives of Management Company				
Issue of 647 bonus units	7	-	-	-

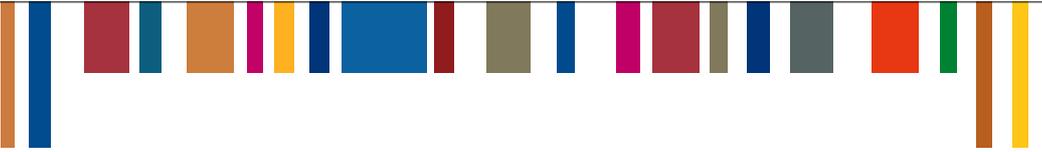
12.2 Amounts outstanding as at period / year end

	(Unaudited) 31 March 2011		(Audited) 30 June 2010	
	(Rupees in '000)			
Arif Habib Investments Limited - Management Company				
Remuneration Payable		329		300
Other Payable		-		1,193
MCB Financial Services Limited - Trustee				
Remuneration Payable		44		41
	(Unaudited)		(Audited)	
	31 March		30 June	
	2011		2010	
Units held by:	Units	(Rupees in '000)	Units	(Rupees in '000)
Management Company				
Arif Habib Investments Limited	126,502	1,362	122,257	1,212
Other related parties				
Directors and executives of the Management Company	19,305	208	18,628	194

13. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The mark-up and principal redemption of Pak Electron Limited-Sukuk issue dated 28 March 2007 amounting to Rs 439,804 and Rs 1,678,558 respectively was due on 28 March 2011. The issuer on the due date had given a post dated cheque against mark-up. The payment instrument was beyond 15 days from the due date.

In accordance with the provisioning policy approved by the Board, the accrued mark-up of Rs 439,804 was reversed and a provision was made against the principal amount due amounting to Rs 1,678,558. Further, accrual of mark-up was also suspended.



14. DATE OF AUTHORISATION

This condensed financial information has been authorised for issue by the Board of Directors of the Management Company on 23 April 2011.

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

Chief Executive

Director

