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FUNDS' 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 (Subject to the approval of SECP)

Company Secretary & CFO of the Management Company
Mr. Zeeshan

Audit Committee

Mr. Muhammad Shafi Malik	Chairman
Syed Ajaz Ahmed	Member
Mr. Muhammad Akmal Jameel	Member
Mr. Samad A.Habib	Member (Subject to the approval of SECP)

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
Sheikh Sultan Trust, Building No. 1,
Beaumont Road, Karachi.

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 PERIOD FROM 16 AUGUST 2010 TO 31 DECEMBER 2010

The Board of Directors of Arif Habib Investments Limited, the Management Company of AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJPF) is pleased to present its Report together with the Condensed Interim Financial Statements for the period ended from 16 August 2010 to 31 December 2010.

Fund Objective

The objective of the Fund is to provide investors with a total return that before expenses, closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index by tracking the return of Dow Jones SAFE Pakistan Titans 15 Index, thus providing exposure to the constituents of Dow Jones SAFE Pakistan Titans 15 Index in a single security.

Fund Profile

AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJPF) is an Open End Index Tracker Fund which aims to provide investors with a total return that closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index^{SM}.

The AHDJPF employs a passive management approach to replicate the performance of the constituents of Dow Jones SAFE Pakistan Titans 15 Index^{SM}. The Fund invests all or substantially all, of its assets in securities that make up the target index. Excess cash, if any, is kept in daily-return bank deposits or short term money market instruments. The Fund is not allowed to take leveraged investment positions.

This Fund, by its structure, provides a low cost exposure to a portfolio primarily holding blue chip liquid stocks selected on the basis of free float market capitalization and liquidity.

Fund Performance for the period from 16 August 2010 to 31 December 2010

During the period the Fund has received Rs 100 million as core investment and Rs 1.38 million during the initial public offer. The net assets of the Fund as at 31 December 2010 stood at 123.58 million.

The Net Asset Value (NAV) per unit as at 31 December 2010 was Rs 57.18

Explanation With Regards To Emphasis of Matter Paragraph included in the Auditor's Review Report

The explanation with regard to emphasis of matter paragraph is provided in note 11 to the condensed interim financial information.

Future Outlook

Future outlook has been fully explained in the Fund Manager Report attached to the Financial Statements.

Acknowledgement

The Board of directors of the management company is thankful to core investors for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Pvt.) Limited (the Trustee of the Fund) 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

19 February 2011
Karachi

Nasim Beg
Chief Executive

REPORT OF THE FUND MANAGER
FOR THE QUARTER ENDED 31 DECEMBER 2010

Fund Objective

The objective of the Fund is to provide investors with a total return that before expenses, closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index by tracking the return of Dow Jones SAFE Pakistan Titans 15 Index, thus providing exposure to the constituents of Dow Jones SAFE Pakistan Titans 15 Index in a single security.

Fund Profile

AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJPF) is an Open End Index Tracker Fund which aims to provide investors with a total return that closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index^{SM}.

The AHDJPF employs a passive management approach to replicate the performance of the constituents of Dow Jones SAFE Pakistan Titans 15 Index^{SM}. The Fund will invest all or substantially all, of its assets in securities that make up the target index. Excess cash, if any, may be kept in daily-return bank deposits or short term money market instruments. The Fund is not allowed to take leveraged investment positions.

This Fund, by its structure, provides a low cost exposure to a portfolio primarily holding blue chip liquid stocks selected on the basis of free float market capitalization and liquidity.

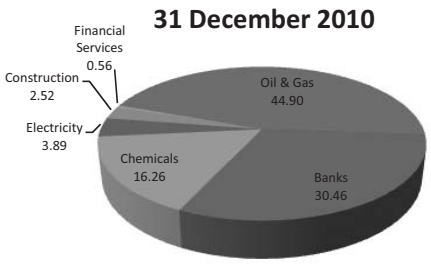
Fund Performance and Asset Allocation

AHDJPF NAV increased 14.36% since inception (October 14, 2010) against 15.93% rise in the underlying index, Dow Jones Safe Pakistan Titans 15 Index. During this time KSE-100 Index gained 15.5%. The Fund assets remained on average, more than 98% invested in the constituents of the underlying index in proportions consistent with that of the benchmark. Amongst the top portfolio holdings, FFC, MCB, NBP, PPL and POL outperformed the benchmark, while, Engro, Hubco, OGDC, PSO and BAHL underperformed. The deviation in the fund returns is attributed to fund expenses and deviation in equity allocation during the initial days of the fund launch.

Overall fund size has increased to Rs. 123.58 million from Rs. 101.38 million raised in the IPO.

	AHDJPF	
	Fund	**BM**
Oct-10	0.74	1.68
Nov-10	5.54	5.79
Dec-10	7.56	7.77
QoQ	14.36	15.93
FY	14.36	15.93

Top 10 holdings on 31 December 2010	
Oil & Gas Development Company	26.64
MCB Bank	21.41
Pakistan Petroleum	8.13
Fauji Fertilizer Company	6.94
Engro Corp	5.70
Pakistan State Oil	5.43
Pakistan Oilfields	4.69
Hub Power Company	3.89
National Bank of Pakistan	3.72
Bank AL Habib	3.16



Equity Market Review

The Dow Jones Safe Pakistan Titans 15 Index has shown consistent rising trend with gains of 15.93% since the launch of the fund on 14 October 2010. The rally in domestic equity market has coincided with strong gains in global equities and most importantly emerging market equities. The equities have defied the negative developments on the macroeconomic front with focus turning towards relatively attractive domestic equity valuations. Given the 50% average lower earnings multiples and higher dividend yields, foreigners have been aggressively bidding up the prices, by making net investments of USD 144 million in the second quarter compared to USD 106 million in the preceding quarter. Oil and gas sectors have been at the forefront of strong market performance, with all leading stocks in the exploration, refinery and oil marketing sub sectors showing strong gains. Market heavy weight OGDC, which accounts for 27% of the benchmark index has risen by 13.87% during the quarter. Fertilizer stocks recorded strong gains amid expectations of improvement in manufacturers' margins and higher profits as fertilizer demand picked up following heavy floods in August. Large banks, after lagging behind the market during the past one year, have rebounded due to expected positive earnings announcement for the accounting year ended December 2010. Volumes have been gradually on the rise, with activity in the month of December picking up amid expectations of introduction of new margin trading system in the near future.

Economic review

1HFY11 continued to bring some key challenges for the restoration of a stable economy; continued rising government expenditure amid falling tax/GDP ratio and high inflation in a soaring interest rate scenario. SBP has responded by using a tight monetary policy, thus raising the discount rate by 150 bps to 14% in the last three consecutive Monetary Policy Statements (MPS).

Fiscal Side

Fiscal account figures released by the Finance Ministry for July - September 2010 posted a deficit of 1.6% (Rs 276 billion) of GDP against a full year target of 4.7%. Given the persistent high government borrowing due to shortfall in revenue collection and higher expenditures on account of floods and electricity sector subsidies, we could see fiscal deficit for FY11 crossing 6.5% of GDP. Tax collection figures for July - November, 2010 showed a growth of 8.8% to Rs 500.07 billion over the corresponding period of last year which is way below the revised target of Rs 1604 billion for the full FY11. The delay in the implementation of RGST has reduced the prospects of meeting the revenue targets for the current fiscal year. Furthermore, government has been unable to pass on the rise in international oil prices due to political pressure, which has adversely affected the petroleum levy account of the government. According to some official sources, the subsidy elimination on power of 2% monthly has also been delayed for an indefinite period of time which will result in further slippage of an already fragile fiscal account.

Monetary Sector

Money supply (M2) for 1HFY11 has grown compared to the same period last year, but this expansion is majorly due to high government borrowing from the SBP. M2 expanded by Rs 550 billion as compared to an increase of Rs 300 billion in 1HFY10. Net Foreign Assets (NFA) of the banking system increased by Rs 131 billion on the back of better external account position. Net Domestic Assets (NDA) also increased by Rs 419 billion from July - December 2010 against an increase of Rs 295 billion in the same period of preceding year. This growth was merely due to elevated government borrowing which contributed Rs 291 billion to NDA.

Inflation

CPI inflation, after starting off at 12.34%, climbed up to 15.46% YoY in December, 2010 due to high government borrowing and structural adjustments (subsidy elimination). The economy also witnessed serious supply side issues due to destruction of crop and infrastructure amid flood crisis. On the other hand Non-food Non-Energy (NFNE) inflation has been consistent at 9.5% which is 80 bps lower than what it was in July, 2010(10.3%). Going forward, inflation is expected to be persistent due to high government borrowing, elevated prices of agriculture commodities and higher international oil prices. With CPI inflation range of 15%-16% for FY 2011 along with higher fiscal deficit up to 6.5%, interest rates are expected to remain high and a possible further monetary tightening in the form of hike in the discount rate by 100 bps from the existing 14%.

Real Sector

Growth in large scale manufacturing sectors was negative 2.3% in the first five months of this fiscal year compared to the corresponding period of last year mainly due to devastating floods in August 2010. Cement production fell by 11.2%, followed by a negative 10.6% production in petroleum products, -10.1% in textile sector and lastly 5.0% contraction in fertilizer sector, while automobile sector enjoyed a positive growth of 12.9% along with Chemicals sector which produced 1.8% more over the same period of previous year. Overall domestic demand is likely to improve in the coming months due to two factors; first rehabilitation/reconstruction in flood affected areas and second, improvement in agriculture and rural income on account of expected higher wheat and other agriculture outputs/prices. However, prevailing inflationary pressures (15%+), higher interest rates (lending rates in excess of 16%) along with crippling electricity/gas shortages amid increasing tariffs are hurting the prospects of a significant rebound in manufacturing sector growth in the near future.

External Side

External side has seen marked improvement during the first half of this fiscal year, with current account position showing a surplus of USD 26 million (against a deficit of USD 2570 million in the same period last year) mainly on account of reduction in trade deficit and higher remittances. Exports have increased by 21% to USD 11.071 billion on the back of strong performance of textiles exports. At the same time, imports have increased by 20% to USD 19.149 billion mostly due to higher international oil prices. Estimates for total exports and remittances have been revised upward to USD 22 billion and USD 10 billion respectively for the fiscal year ending June 2011. Overall, Pakistan's foreign exchange reserves increased from USD 16.48 billion to USD 17.197 billion from July - January FY11. While external side is expected to be comfortable in the near term, Pakistan still requires to remain under the umbrella of IMF funding support given the weak fiscal position, declining direct foreign investments and vulnerability on account of high external debt.

IMF support and RGST implementation

IMF has stopped the disbursement of last two tranches of USD 3.4 billion as the Government of Pakistan reneged on its commitment to implement the reformed general sales tax amid strong opposition from the coalition partners of the government and opposition parties. Given the severity of fiscal situation, the government has no choice but to increase the tax revenue base and therefore, political consensus is likely to be achieved for the implementation of RGST not later than next annual budget of the government. Overall we expect that IMF will disburse the last tranches of the existing Standby arrangement (SBA) and Pakistan will negotiate for another SBA post FY 11.

Future outlook

At present local equities are trading at an average PE of 9.8x, lower than the emerging market PE that is in the range of 14.2x - 23.8x. Therefore, foreign liquidity driven rally may continue in the near future given the relatively lower valuations of Pakistani stocks in general. However, there are lingering serious macroeconomic concerns most particularly rising budget deficit, higher inflation/interest rates, electricity shortages and slow manufacturing sector growth. As a result, equity risk premium for Pakistani equities is expected to remain high compared to other emerging markets. Furthermore, interest rates are expected to increase further during the next quarter amid high inflation numbers, heavy government borrowing and fiscal imbalances.

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

AH Dow Jones Safe Pakistan Titans 15 Index Fund, an open-end scheme established under a Trust Deed dated March 30, 2010 executed between Arif Habib Investments Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on April 22, 2010.

1. Arif Habib Investments Limited, the Management Company of AH Dow Jones Safe Pakistan Titans 15 Index Fund, has in all material respects managed AH Dow Jones Safe Pakistan Titans 15 Index Fund, during the six months period ended December 31, 2010 in accordance with the provisions of the following:

   (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;

   (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;

   (iii) the creation and cancellation of units are carried out in accordance with the deed;

   (iv) and any regulatory requirement

For the purpose of information, the attention of unit holder's is drawn towards auditor's report and note 11 of the condensed interim financial statements which describes the uncertainties relating to pending outcome of the litigation regarding contribution to Worker's Welfare Fund.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: February 22, 2011

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **AH Dow Jones SAFE Pakistan Titans 15 Index Fund** ("the Fund") as at 31 December 2010 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial information for the period ended from 16 August 2010 to 31 December 2010 then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Emphasis of matter

We draw attention to note 12 to the condensed interim financial information which describes the uncertainties relating to pending outcome of the litigation regarding contribution to Worker's Welfare Fund (WWF). In view of the matters more fully discussed in the above note, provision against WWF amounting to Rs. 0.31 million is not being maintained by the Fund. Our conclusion is not qualified in respect of this matter.

Other matters

The figures for the quarter ended 31 December 2010 in the condensed interim financial information have not been reviewed and we do not express a conclusion thereon.

Date: 19 February 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

CONDENSED INTERIM STATEMENT OF ASSETS AND LIBILITIES (UN-AUDITED)
AS AT 31 DECEMBER 2010

	Note	**31 December 2010 (Rupees in '000)**
Assets		
Bank balances	*4*	**1,932**
Investments	*5*	**121,847**
Dividend and profit receivable		**304**
Advances, deposits, prepayments and other receivables	*6*	**2,656**
Preliminary expenses and floatation costs	*7*	**957**
Total assets		**127,696**
Liabilities		
Payable to the Management Company	*8*	**3,820**
Payable to MCB Financial Services Limited - Trustee	*9*	**59**
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	*10*	**23**
Accrued expenses and other liabilities		**212**
Total liabilities		**4,114**
Contingencies and Commitments	*11*	
Net assets		**123,582**
Unit holders' funds		**123,582**
		(Number of units)
Number of units in issue		**2,161,284**
		(Rupees)
Net asset value per unit		**57.18**

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED FROM 16 AUGUST 2010 TO 31 DECEMBER 2010
AND QUARTER ENDED 31 DECEMBER 2010

		For the period from 16 August 2010 to 31 December 2010	Quarter ended 31 December 2010
		(Rupees in '000)	
Income			
Profit on bank deposits		**309**	309
Dividend income		**1,300**	880
Unrealised appreciation in the value of investments 'at fair value through profit or loss'	*5.2*	**14,436**	14,856
Total income		**16,045**	16,045
Expenses			
Remuneration of the Management Company	*8.1*	**237**	237
Remuneration of MCB Financial Services Limited - Trustee	*9.1*	**149**	149
Annual fee - Securities and Exchange Commission of Pakistan	*10*	**23**	23
Securities transaction cost		**251**	251
Settlement and bank charges		**55**	55
Fees and subscriptions		**24**	24
Auditor's remuneration		**111**	111
Professional charges		**23**	23
Printing and related cost		**37**	37
Amortisation of preliminary expenses and floatation costs	*7.1*	**43**	43
Total expenses		**953**	953
Net income from operating activities		**15,092**	15,092
Net element of income and capital gains included in prices of units issued less those in units redeemed		**426**	426
Net income carried forward		**15,518**	15,518
Earning per unit	*12*	-	-

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD ENDED FROM 16 AUGUST 2010 TO 31 DECEMBER 2010 AND QUARTER ENDED 31 DECEMBER 2010

	For the period from 16 August 2010 to 31 December 2010	Quarter ended 31 December 2010
	(Rupees in '000)	
Net income for the period	**15,518**	15,518
Other comprehensive income for the period	**-**	-
Total Comprehensive income for the period	**15,518**	15,518

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED FROM 16 AUGUST 2010 TO 31 DECEMBER 2010
AND QUARTER ENDED 31 DECEMBER 2010

	For the period from 16 August 2010 to 31 December 2010	Quarter ended 31 December 2010
	(Rupees in '000)	
Undistributed income brought forward	**-**	-
Comprehensive income for the period	**15,518**	15,518
Undistributed income carried forward	**15,518**	15,518

The annexed notes 1 to 16 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 UNIT HOLDERS' FUND (UN-AUDITED) FOR THE PERIOD ENDED FROM 16 AUGUST 2010 TO 31 DECEMBER 2010 AND QUARTER ENDED 31 DECEMBER 2010

	For the period from 16 August 2010 to 31 December 2010	Quarter ended 31 December 2010
	(Rupees in '000)	
Net assets at the beginning of the period	**-**	100,000
Issue of 2,228,736 units for the period from 16 August 2010 to 31 December 2010	**112,133**	12,133
Redemption of 67,452 units for the period from 16 August 2010 to 31 December 2010	**(3,643)**	(3,643)
	108,490	8,490
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed - transferred to the income statement	**(426)**	(426)
Net income for the period	**15,518**	15,518
Net assets at the end of the period	**123,582**	123,582
	(Rupees)	
Net asset value per unit at the end of the period	**57.18**	57.18

The annexed notes 1 to 16 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 (UN-AUDITED)
FOR THE PERIOD ENDED FROM 16 AUGUST 2010 TO 31 DECEMBER 2010
AND QUARTER ENDED 31 DECEMBER 2010

	For the period from 16 August 2010 to 31 December 2010	Quarter ended 31 December 2010
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	**15,518**	15,518
Adjustments		
Dividend income	**(1,300)**	(1,300)
Unrealised appreciation in the value of investments - 'at fair value through profit or loss'	**(14,436)**	(14,436)
Amortisation of preliminary expenses and floatation costs	**43**	43
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed	**(426)**	(426)
	(601)	(601)
(Increase) in assets		
Investments - 'at fair value through profit or loss'	**(106,991)**	(106,991)
Profit receivable	**(21)**	185
Advances, deposits, prepayments and other receivables	**(3,656)**	(56)
	(110,668)	(106,862)
Increase in liabilities		
Payable to the Management Company	**3,820**	180
Payable to MCB Financial Services Limited - Trustee	**59**	59
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	**23**	23
Accrued expenses and other liabilities	**212**	(1,118)
	4,114	(856)
Dividend received	**597**	597
Net cash used in operating activities	**(106,558)**	(107,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issuance / redemption of units	**108,490**	8,490
Net cash generated from financing activities	**108,490**	8,490
Net increase in cash and cash equivalents during the period	**1,932**	(99,232)
Cash and cash equivalents at the beginning of the period	**-**	101,164
Cash and cash equivalents at the end of the period	**1,932**	1,932

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**

1. LEGAL STATUS AND NATURE OF BUSINESS

AH Dow Jones SAFE Pakistan Titans 15 Index Fund (the Fund) was established under a Trust Deed executed on 30 March 2010 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 19 March 2010 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Formation of the Fund as open end fund was authorized by SECP on 22 April 2010. 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 (the NBFC Rules) 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 Fund is an index tracker scheme and aims to provide investors with a total return that before , expenses closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index by tracking the return of Dow Jones SAFE Pakistan Titans 15 Index, thus providing exposure to the constituents of Dow Jones SAFE Pakistan Titans 15 Index in a single security.

The Fund invests in local equity stocks in respective weightages of Dow Jones SAFE Pakistan Titans 15 Index to achieve the investment objective. The fund manager monitors the performance of the Fund and the benchmark index on a continuous basis. Upon Rebalancing of the Index the Management Company may also rebalance the portfolio within 21 Dealing Days with the objective to minimize the tracking error.

The Fund shall strive to remain fully invested in accordance with the stated index; however, under no circumstances shall it be invested less than 85% of its net assets in securities covered in the index during the year based on monthly average investment calculated on daily basis. The uninvested amount shall be kept in:

(a) Cash and/ or near cash instruments where near cash instruments include cash in bank account (excluding TDRs) and;

(b) Treasury Bills not exceeding 90 Days maturity.

The duration of the Fund is perpetual. It offers and redeem units on a continuous basis. The initial offering / launch period was from 12 October 2010 to 14 October 2010 (both days inclusive).

The initial offer price of the units was Rs 50 per unit.

Titles to the assets of the Fund are held in the name of MCB Financial Services Limited (formerly Muslim Commercial Financial Services (Private) Limited) as trustee of the Fund.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) 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 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance.

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except that investments have been included at fair value.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

2.4 Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Investment stated at fair value

Management has determined fair value of certain investments by using quotation from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim financial statements are set out below:

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) *Financial instruments at fair value through profit or loss*

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments at fair value through profit or loss are measured at fair value, and changes there in are recognised in Income Statement. All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivative in a net payable position (negative fair value), are reported as financial liabilities held for trading.

b) *Available-for-sale*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other category.

c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available for sale and are carried at amortised cost using effective yield method, less impairment losses, if any.

d) Financial liabilities

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instruments not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Transaction costs on financial instrument at fair value through profit or loss are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as at 'fair value through profit or loss' and available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement.

Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Funds until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Funds are included in the Income Statement. Unquoted securities are carried at investment price or break-up value which ever is lower, except for government and debt securities which are stated at fair value.

Fair value measurement principles

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

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

Impairment

Financial assets not carried at fair value through profit or loss are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

If in subsequent period the amount of impairment loss decreases, the reduction in impairment loss on financial assets other than the securities classified as available-for-sale are recognised in the income statement. However, the decrease in impairment loss on securities classified as available-for-sale is recognised in unit holders' fund.

Derecognition

The Fund will derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecgonition in accordance with International Accounting Standard 39: Financial Instruments: Recognition and Measurement. A financial liability will be derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities will be offset and the net amount reported in the Statement of Assets and Liabilities when there will be a legally enforceable right to set off the recognised amounts and there will be an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.2 Unit holders' Fund

Unit holders' Fund represents the units issued by the Fund, carried at the redemption amount representing the investors' right to a residual interest in the Fund assets.

3.3 Issue and redemption of units

Units issued are recorded at the offer price determined by the Management Company for the application received by the distributors during business hours on that date. The offer price represents the net assets value per units as of the close of business day plus the allowable front-end load, provision for transaction cost and any provision for duties and charges, if applicable. The front-end load is payable to the investment facilitator, distributors and the Management Company.

Units redeemed are recorded at the redemption price applicable to units for which the distributors receive redemption requests during the 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.

3.4 Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased

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

The Fund will record the net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period in the Income Statement, while the portion of the element of income / (loss) and capital gains / (losses) that relates to unrealised gains / (losses) held by the Fund in unit holders' fund shall be recorded in a separate reserve account and any amount remaining in this reserve account at the end of accounting period (whether gain or loss) will be included in the amount available for distribution to the unit holders.

3.5 Provisions

A provision will be recognised in the balance sheet when the Fund has a legal or constructive obligation as a result of past event, it will be probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions will be regularly reviewed and adjusted to reflect the current best estimate.

3.6 Preliminary expenses and floatation cost

Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over the period of five years from 15 October 2010.

3.7 Net asset value per unit

The net asset value per unit is calculated by dividing the net assets of the Fund by the number of units in issue.

3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income of the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst its unit holders.

The Fund provides for deferred taxation using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits. As the Fund intends to avail tax exemption by distributing at least ninety percent of its accounting income for the year, hence, no deferred tax has been recognized in these condensed interimn financial information.

3.9 Revenue recognition

Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss and derivatives are included in the Income Statement in the period in which they arise.

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

Income on government securities is recognised on accrual basis using the effective interest rate method.

Profit on bank deposit is recognised on time proportion basis taking in to account effective yield.

Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

3.10 Expenses

All expenses are recognised in the income statement on an accrual basis.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

3.12 Other assets

Other assets are stated at cost less impairment losses, if any.

3.13 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 recognised in the financial statements in the period in which such dividends are declared / transfers are made.

4. BANK BALANCES		**31 December 2010 (Unaudited) (Rupees in '000)**
In deposit accounts	*4.1*	**1,932**

4.1 These balances in saving deposit accounts maintained with various banks carrying profit rates ranging from of 5% to 10.5% per annum.

5. INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT OR LOSS'

		31 December 2010 (Unaudited) (Rupees in '000)
Investment in shares listed in Pakistan	*5.1*	**121,847**

5.1 Investment in shares listed in Pakistan

Name of the investee company	Number of shares					Balance as at 31 December 2010			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of investee company
	As at 16 August 2010	Purchases during the period	Bonus / right issue	Sales during the period	As at 31 December 2010	Cost	Market value	Appreciation / (diminution)			
						---------(Rupees in '000)---------					
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
Construction and Materials											
Lucky Cement Limited	-	41,149	-	-	41,149	2,995	3,119	124	2.52%	2.56%	0.01%
Chemicals											
Dawood Hercules Chemicals Limited	-	12,837	-	-	12,837	2,187	2,546	359	2.06%	2.09%	0.01%
Fauji Fertilizer Company Limited	-	68,101	-	-	68,101	7,401	8,571	1,170	6.94%	7.03%	0.01%
Fauji Fertilizer Bin Qasim Limited	-	54,140		-	54,140	1,634	1,934	300	1.56%	1.59%	0.01%
Engro Corporation Limited	-	36,322	-	-	36,322	6,511	7,040	529	5.70%	5.78%	0.01%
						17,733	20,091	2,358			
Electricity											
Hub Power Company Limited	-	128,576	-	-	128,576	4,342	4,810	468	3.89%	3.95%	0.01%
Oil and gas producers											
Pakistan State Oil Company Limited	-	22,748	-	-	22,748	6,258	6,715	457	5.43%	5.51%	0.01%
Pakistan Oilfields Limited	-	19,602	-	-	19,602	4,578	5,801	1,223	4.69%	4.76%	0.01%
Pakistan Petroleum Limited	-	46,258	-	-	46,258	8,924	10,045	1,121	8.13%	8.24%	0.00%
Oil and Gas Development Company Limited	-	192,730	-	-	192,730	29,309	32,924	3,615	26.64%	27.02%	0.00%
						49,069	55,485	6,416			
Banks											
Bank AL-Habib Limited	-	107,599	-	-	107,599	3,510	3,901	391	3.16%	3.20%	0.01%
MCB Bank Limited	-	115,799	-	-	115,799	23,109	26,465	3,356	21.41%	21.72%	0.02%
National Bank of Pakistan	-	59,801	-	-	59,801	3,910	4,594	684	3.72%	3.77%	0.00%
United Bank Limited	-	39,404	-	-	39,404	2,124	2,689	565	2.18%	2.21%	0.00%
						32,653	37,649	4,996			
Financial Services											
Jahangir Siddiqui and Company Limited	-	63,557	-	-	63,557	619	693	74	0.56%	0.57%	0.01%
Total		**1,008,623**			**1,008,623**	**107,411**	**121,847**	**14,436**			

5.1.1 Investments include shares with market value of Rs. 45,692,977 which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities & Exchange Commission of Pakistan.

5.2 Unrealised diminution in the value of investments 'at fair value through profit or loss'

	31 December 2010 (Unaudited) (Rupees in '000)
Fair value of investments	121,847
Cost of investments	107,411
	14,436
Net unrealised diminution in the value of investments 'at fair value through profit or loss' at beginning of the period	-
Realised on disposals during the period	-
	-
	14,436

6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposit with Central Depository Company of Pakistan Limited	100
Deposit with National Clearing Company of Pakistan Limited	2,500
Prepayment	56
	2,656

7. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs	1,000
Amortisation during the period	(43)
	957

7.1 This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the cost over a period not exceeding five years. Accordingly the said expenses are being amortised over a period of five years effective from 15 October 2010, i.e. after the close of initial public offer of the Fund.

8. PAYABLE TO THE MANAGEMENT COMPANY

		31 December 2010 (Unaudited) (Rupees in '000)
Management fee	*8.1*	100
Preliminary expenses and floatation costs	*8.2*	1,000
Other payables	*8.3*	2,720
		3,820

8.1 Under the provisions of 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. The Management Company has charged its remuneration at the rate of 1% per annum.

8.2 This represents expenses incurred by the Management Company in respect of application for registration of the Fund. As per the NBFC Regulations 2008, these expenses are reimbursable by the Fund over a period of not less than five years.

8.3 This includes payable to management company in respect of account opening deposits for bank, Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited amounting to Rs. 2.64 million.

9. PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE

		31 December 2010 (Unaudited) (Rupees in '000)
Trustee fee	*9.1*	**59**

9.1 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 average daily net asset value of the Fund. The remuneration has been paid to the trustee according to the following tariff structure:

Amount of Funds under Management (Average Net Asset Value)	Tariff per annum
On Net Assets upto Rs. 500 million	Rs. 0.7 million or 0.20% per annum of the Net Assets, which ever is higher.
On Net Assets exceeding Rs.500 million to Rs. 1,000 million	Rs.1.0 million plus 0.15% per annum of the amount exceeding Rs.500 million.
On Net Assets exceeding Rs.1,000 million to Rs. 2,000 million	Rs.1.75 million plus 0.08% per annum of the amount exceeding Rs.1,000 million.
On Net Assets over Rs. 2,000 million	Rs.2.55 million plus 0.05% per annum of the amount exceeding Rs.2,000 million.

10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

NBFC Regulations requires that annual fee is payable at an amount equal to 0.095% of the average annual net assets of the Fund.

11. CONTINGENCIES AND COMMITMENTS

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 December 14, 2010, the Ministry filed its response contesting the said petition. The legal proceedings in respect of the aforementioned petition are currently in progress.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence no provision of Re 0.14 per unit has been made in respect of WWF.

12. 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.

13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Arif Habib Investments Limited being the Management Company of the Fund, Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited) being the holding company of the Management Company, all other Collective Investment Schemes managed by the 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 (formerly: Muslim Commercial Financial Services (Private) Limited) being the Trustee of the Fund, and Directors and Executives of the Management Company.

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

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

Details of transactions and balances at period end with connected persons / related parties, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

13.1 Transactions during the period with connected persons / related parties	For the period from 16 August 2010 to 31 December 2010	Quarter ended 31 December 2010
	(Rupees in '000)	
Arif Habib Investments Limited - Management Company		
Remuneration for the period	**237**	237
Front end load for the period	**50**	50
Mark-up on core investment	**475**	83
Units issued - 600,000 units for the period from 16 August 2010 to 31 December 2010	**30,000**	30,000
Arif Habib Limited		
Brokerage for the period	**41**	41
MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Private) Limited - Trustee		
Remuneration for the period	**149**	149
Directors and executives of the Management Company		
Units issued - 25,835 units for the period from 16 August 2010 to 31 December 2010	**1,341**	1,341
Units redeemed - 22,467 units for the period from 16 August 2010 to 31 December 2010	**1,189**	1,189

13.2 Balance outstanding as at the period end	31 December 2010 (Unaudited)
	(Rupees in '000)
Arif Habib Investments Limited - Management Company	
Remuneration payable	**100**
Payable against Formation Costs	**3,720**
Units held - 600,000 units	**34,308**
Arif Habib Limited	
Brokerage payable	**-**
MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Private) Limited - Trustee	**59**
Remuneration payable	
Directors and executives of the Management Company	**193**
Units held - 3,368 units	

14. FINANCIAL RISK MANAGEMENT

The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in equity securities of listed companies, Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- market risk
- credit risk
- liquidity risk
- operational risk

14.1 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes in market interest rates or the market price of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

The Fund is passively managed, investing proportionately in the securities present in the underlying benchmark and is exposed to downside risk similar to that of the benchmark. Nevertheless, the Fund holds a diversified portfolio of 15 stocks from different economic sectors, which mitigates stock specific adverse price movement.

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

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 is not exposed to currency risk.

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.

At the reporting date, the interest rate profile of Funds' interest-bearing financial instruments is as follows:

		Carrying Amount 31 December 2010 (Unaudited) (Rupees in '000)
Fixed rate instruments		
Financial assets	*4*	**1,932**
Variable rate instruments		
Financial assets		**-**

a) Sensitivity analysis for fixed rate instruments

The Fund holds balances with various scheduled banks under deposit accounts. The profit rates on these accounts vary from bank to bank and ranges from 5% to 10.5%.

b) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instruments.

The composition of the Fund's investment portfolio and change in interest rates are expected to change over time. Accordingly, the sensitivity analysis prepared as at 31 December 2010 is not necessarily indicative of the fact on the Funds' net assets of future movement in interest rates.

Nevertheless, the Fund is required to hold at least 80% of net assets in the constituents of the underlying index, which are listed shares in the stock exchanges. These shares are not subject to interest rate risk. During the period under review, the Fund remained, on average, more than 98% invested in equities.

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 settlement date.

The Fund's market rate of return sensitivity related to financial assets and financial liabilities as at 31 December 2010 can be determined from the following:

	As at 31 December 2010 - Unaudited					
	Effective rate of mark-up / return %	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
		(Rupees in '000)				
On-balance sheet financial instruments						
Financial assets						
Bank balances	5 to 10.5	1,932	-	-	-	1,932
Investments		-	-	-	121,847	121,847
Dividend and profit receivable					304	304
Deposits and other receivables		-	-	-	2,600	2,600
		1,932	-	-	124,751	126,683
Financial liabilities						
Payable to Management Company		-	-	-	3,820	3,820
Payable to MCB Financial						-
Services Limited - Trustee		-	-	-	59	59
Payable to SECP - Annual Fee		-	-	-	23	23
Payable on redemption of units		-	-	-	27	27
Accrued expenses and other liabilities		-	-	-	212	212
		-	-	-	4,141	4,141
On-balance sheet gap		**1,932**	**-**	**-**	**120,610**	**122,542**
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

Other price risk

Other price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of Karachi Stock Exchange (KSE) and other respective market indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification within specified limits set by internal risk management guidelines.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's own net assets and the issued capital of the investee company is presented in note 5.1.

The table below summarises the sensitivity of the Fund's net assets attributable to unit holders to equity price movements as at 31 December 2010. The analysis is based on the assumption that KSE-100 index increased by 5% and decreased by 5%, with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their 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 index of past three years.

At 31 December 2010, the fair value of equity securities exposed to price risk were disclosed in note 5.1 and 5.2.

The impact below arises from the reasonable possible change in the fair value of listed equity securities.

Effect on income statement, net assets attributable to unit holders of an increase / decrease in the index	31 December 2010 (Unaudited) (Rupees in '000)
Investments in shares listed in Pakistan	6,092

The sensitivity analysis presented is based upon the portfolio composition as at 31 December 2010 and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE and other respective market indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as at 31 December 2010 is not necessarily indicative of the effect on the Fund's net assets attributed to unit holders of future movements in the level of the KSE and other respective market indices.

	31 December 2010 (Unaudited) (Rupees in '000)
Investments in shares listed in Pakistan	121,847

14.2 Credit risk

Credit risk management

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfill their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. In addition, credit risk is also minimised due to the fact that the Fund invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in listed securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein.

The maximum exposure to credit risk before any credit enhancements at 31 December 2010 is the carrying amount of the financial assets as set out below:

	31 December 2010 (Unaudited) (Rupees in '000)
Bank balances	1,932
Dividend and profit receivables	304
Deposits and other receivables	2,600
	4,836

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in equity securities of Rs. 121.847 million is not exposed to credit risk.

None of the above financial assets were considered to be past due or impaired as on 31 December 2010

All the deposits with the banks and Central Depository Company of Pakistan Limited - CDC are highly rated and risk of default is considered minimal.

None of these assets are impaired nor past due but not impaired.

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.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	31 December 2010 (Unaudited)	
	(Rupees in '000)	(Percentage)
Commercial banks	1,932	39.95
Others	2,904	60.05
	4,836	100.00

14.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund is exposed to daily cash redemptions, if any.

For the purpose of making redemptions the Fund has the ability to borrow in the short term, however such need did not arise during the period. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

The table below analyses the Fund's 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.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	31 December 2010 - Unaudited			
On balance sheet financial liabilities and others	**Upto three months**	**More than three months and upto one year**	**More than one year**	**Total**
	----------(Rupees in '000)----------			
Payable to Management Company	**3,820**	**-**	-	**3,820**
Payable to MCB Financial Services Limited - Trustee	**59**	**-**	-	**59**
Payable to SECP - Annual Fee	**23**	**-**	-	**23**
Accrued expenses and other liabilities	**212**	**-**	-	**212**
	4,114	-	-	**4,114**

Units of the Fund are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for the medium to long term.

14.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

14.5 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets in relation to benchmark index and makes adjustments in the portfolio composition if there is a change in underlying index. The capital structure depends on the issuance and redemption of units and the Fund is not exposed to the externally imposed minimum Fund maintenance requirement.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments on the Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund’s accounting policy on fair value measurements of its investments is discussed in note 3.1 to these financial statements.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using 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: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	---------- (Rupees in '000) ----------			
Equity securities	**121,847**	**-**	-	**121,847**

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 19 February 2011 by the Board of Directors of the Management Company.

For Arif Habib Investments Limited
(Management Company)

Chief Executive **Director**