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The Pakistan Credit Rating Agency Limited

FUND RATING REPORT

OF

NATIONAL INVESTMENT (UNIT) TRUST

April 2008



NATIONAL INVESTMENT (UNIT) TRUST (NIT)

MUTUAL FUND STAR RATING (APRIL 2008)

NORMAL: ★★★★★ (5-Star)
LONG TERM: ★★★★★ (5-Star)

FUND: National Investment (Unit) Trust

FUND CATEGORY: Equity Fund

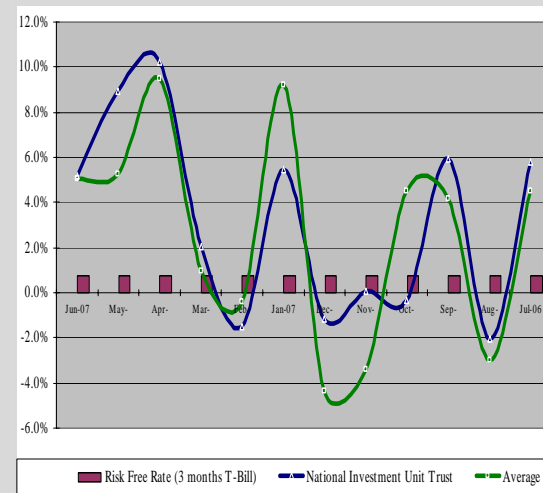
FUND TYPE; Open-end

LAUNCH DATE: November 1962

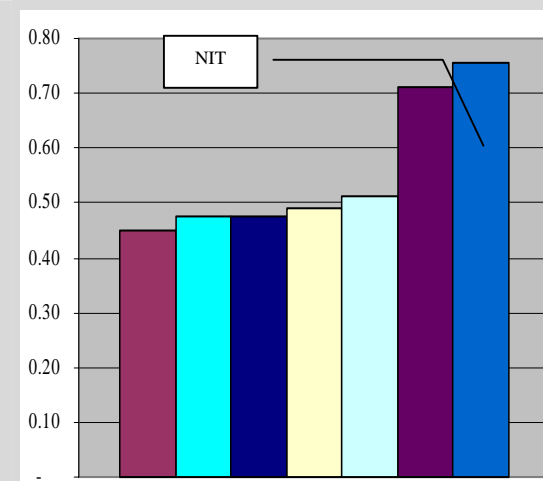
ASSET MANAGER: National Investment Trust Limited

TRUSTEE: National Bank of Pakistan

ABSOLUTE RETURN – MONTHLY



SHARPE RATIO VS PEERS (FY-07)



RATING

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis but also the risk – measured by variability in return over monthly periods. The rating of a fund is comparable only to ratings of other funds in the same category. An equity fund means a fund that invests at least around 50% of its net assets in equities at all times.

PACRA assigns two types of star ratings, differentiated on the basis of period of review; (i) normal star ratings based on performance during the trailing 12 months, and (ii) long-term star ratings based on performance during the trailing 36 months period.

NIT (Category: Equity Fund – Open end) has been assigned a 5-Star rating (normal) based on the performance during FY07. Meanwhile, a long-term rating of 5-star has also been assigned to the fund based on the performance during FY05 to FY07.

Although the Fund has been split into two parts with effect from April 01, 2007, the combined performance during the 4QFY07 has been considered for the purpose of star ratings.

ASSET MANAGER

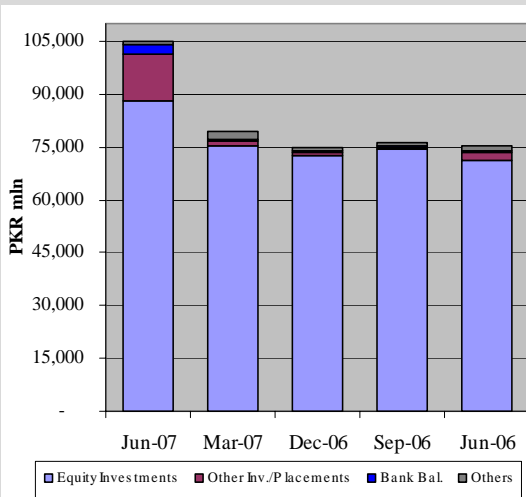
National Investment Trust Limited (NITL) was established in the public sector in 1962 with a mandate to manage National Investment (Unit) Trust. Government of Pakistan controls NITL by virtue of its power to appoint the Managing Director, and majority shareholding in the company, directly and indirectly through different government owned entities. In an effort to prepare for the proposed privatization, the Fund has been split into two parts since April 01, 2007 (LOC holders and Non-LOC holders) in proportion to the number of units held. The quality equivalence of the portfolio has been maintained during the splitting process.

The nine-member BoD of NITL, representing its shareholders, consists of bankers, prominent businessmen and representatives of the government and government-controlled institutions. The current Chairman and Managing Director, a Chartered Accountant with extensive experience in public and private sector financial institutions, joined office in October 2001 and initiated the process of revamping systems and strengthening portfolio management capabilities. The Head of Asset Management (HoAM), an MBA, is with NITL for over 15 years.

NITL has an extensive distribution network spread across the country. The Fund, at present, has around 52,000 registered unit holders, out of which 51,000 are individual investors.



ASSET ALLOCATION



TOP 10 HOLDINGS (30-June-07)

Entity	Holding as a % age of total portfolio	
	NON-LOC	LOC
Pakistan State Oil Company Limited	11.0%	11.0%
Habib Metropolitan Bank Limited	5.9%	5.8%
Fauji Fertilizer Co. Limited	5.5%	5.5%
Soneri Bank Limited	4.9%	4.8%
Bank Al-Habib Limited	4.6%	4.5%
Siemens (Pakistan) Engineering Company Limited	3.8%	3.7%
Packages Limited	2.9%	2.8%
National Refinery Limited	2.5%	2.5%
Sui Northern Gas Pipelines Limited	2.6%	2.6%
Askari Bank Limited	2.3%	2.2%
Others	54.0%	54.7%
	100.0%	100.0%

Total Equity Portfolio (PKR mln)	43,429	44,764
Equity Portfolio / Total Assets	80.1%	87.9%

UNIT HOLDING PATTERN (30-June-07)

Category	No.	Ownership
		%
Institutional		
National Bank of Paksitan	1	28.0%
Faysal Bank	1	10.0%
The Bank of Punjab	1	10.0%
Others	1,232	35.0%
Individuals	50,739	17.0%
		100.0%

PERFORMANCE

NIT, by virtue of its size and portfolio characteristics has been adequately diversified across all sectors and benefited from the continuous upsurge in the stock market over the past three to four years. Meanwhile, the rise in M&A activities in the country during the period also helped in negotiating bulk sales deal, leading to substantial augmentation in profitability.

The Fund's performance in terms of absolute monthly returns and volatility as measured by Sharpe ratio ranked the highest among peer group during FY07. The improved performance attracted fresh investors' interest towards the end of FY07. The dividend income, though registering a moderate YoY decline, continues to have a fair contribution in the total income. During the year, the management substantially downsized the portfolio classified as HFT (though not actively traded) by booking capital gains on notional sale of some majority holdings, and reclassifying them as *Available For Sale* investments.

NIT, over a longer time horizon of three years (FY05 to FY07), also exhibited superior performance, reflected by a 5-Star long-term rating.

INVESTMENT OBJECTIVE AND METHODOLOGY

The primary objective of NIT is to meet investor's diverse income and liquidity needs and to offer best possible returns on their investments. NIT's investment guidelines and selection criteria are clearly stated in the investment policy, which is approved by the BOD.

The overall investment process of the company is well-structured and defined. An Investment Committee (IC), comprising the Chairman & MD, HoAM, Head of Finance, Head of Marketing, and Head of Corporate Governance, is responsible for making investment/divestment decisions, within the parameters of investment policy prescribed by the BoD. Investment decisions, as a practice, are made with a unanimous approval of all the members. For executing block deals, the IC determines a range of acceptable price based on the proposal generated by the research department, and the final price is settled in negotiation with interested parties.

Both the Funds (LoC holders and Non-LoC holders) are given equal priority while making investment decisions, and implementation thereof.

ANALYST

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RATING SCALE

- ★★★★★ Superior Performance
- ★★★★ Good Performance
- ★★★ Average Performance
- ★★ Weak Performance
- ★ Poor Performance