



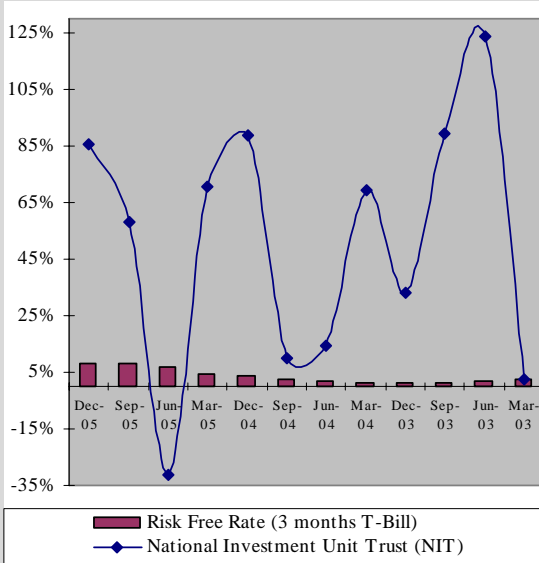
NATIONAL INVESTMENT (UNIT) TRUST (NIT)

MUTUAL FUND RATING (MARCH 2006)

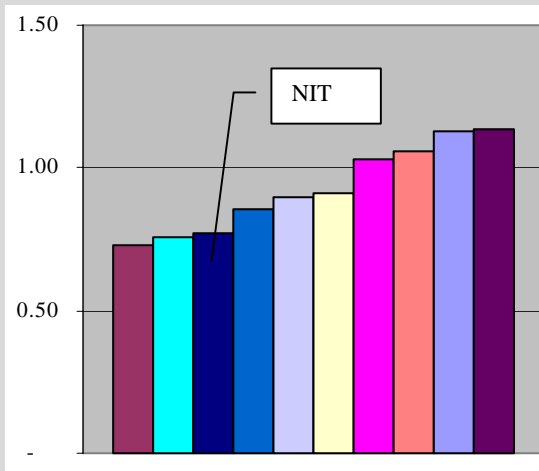


FUND:	National Investment (Unit) Trust
FUND CATEGORY:	Equity Fund
LAUNCH DATE:	November 1962
ASSET MANAGER:	National Investment Trust Limited

SIMPLE ANNUALISED RETURN:



SHARPE RATIO VS PEERS (Maximum 12 trailing quarters):



* In case of an equity fund that has less than PKR 1bln of net assets, it is not included in peers unless it has completed six quarters of operations under the existing asset manager.

RATING

NIT has been assigned a 4-Star rating, which reflects a good performance relative to its peers. The rating is a composite measure of two factors namely a) returns and b) risk associated with the returns measured by Sharpe ratio. For computing return and risk, the performance of the fund during 12 trailing quarterly periods ended on Dec31, 2005 has been considered.

PROFILE

NIT, an open-end scheme, was established in public sector in 1962 under a trust deed executed between National Investment Trust Limited (NITL) as management company and National Bank of Pakistan (NBP) as trustee. NIT is not only the oldest mutual fund in the country but it is also the largest single investor in the stock market with net assets of PKR 79bln at end-05.

The government, through the Privatisation Commission, intends to split NIT into parts and sell the right to manage these parts to different asset managers. It is expected that NIT will be split into six parts with each separate fund receiving a balanced mix of NIT's portfolio. Interested parties have submitted statements of qualification with the Privatization Commission and the process is likely to be completed within this year. Nevertheless, the timeline and the impact of the process remain to be seen.

ASSET MANAGER

NITL, the management company, was incorporated as a public limited company on 23 October 1962. The principal activity of the company is to manage the National Investment (Unit) Trust. The company, with its primary focus of attracting retail investors has established a countrywide network of 19 branches. Additionally it has arrangements with different commercial banks and NIT units are available at more than 100 branches of those commercial banks.

The BoD of NITL comprises ten members. The present Chairman and Managing Director, Mr. Tariq Iqbal Khan, is a Chartered Accountant with extensive experience in public and private sector financial institutions.

PERFORMANCE

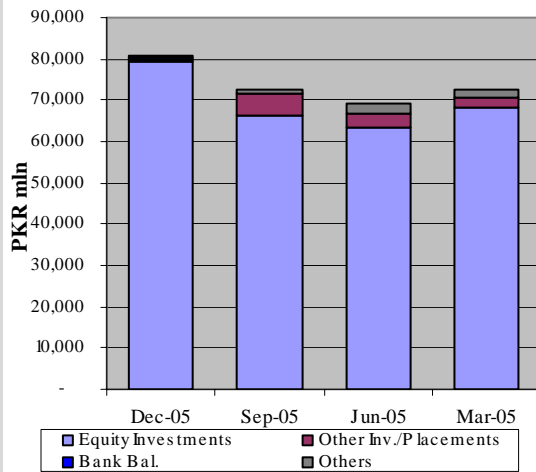
NIT is a pure equity fund with listed equity securities constituting around 90% of its total assets. The Fund's strategy is to build a portfolio of high dividend yielding securities with an increasing emphasis on active trading in equities. Historically, NIT's portfolio has included almost the entire range of listed equity securities. This legacy was primarily a result of preferential allotment of 20% shares (later reduced to 10%) to NIT in all IPOs. NIT exercised the option except in few cases. This option was withdrawn few years back. The Fund has begun to review its portfolio for the last few years by shedding some non-dividend earning shares and focusing on regular, and high, dividend paying securities. This has helped in improving the overall dividend income of the Fund. However, the process of portfolio restructuring is constrained by NIT's inability to disinvest certain strategic holding of shares in companies identified for privatization (e.g. PSO, Sui Northern Gas). While NIT is expected to benefit from substantial one-time capital gains – as happened recently in the case of National Refinery – the fund management is unable to fully capitalize on trading opportunities in such shares.

However, the sheer size of NIT restricts its ability to capitalize that is to earn substantial capital gains from the continuing volatile behavior of the stock market. In the recent quarters, NIT's returns largely mirrored the overall pattern at the stock market, which remained highly volatile during this period. The Fund's lower than peers Sharpe Ratio also reflects this.

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ASSET ALLOCATION:



TOP 10 HOLDINGS (30-Jun-05):

Entity	Holding as a %age of total portfolio
Pakistan State Oil (Strategic Holding)	16.0%
National Refinery (Strategic Holding)	9.8%
Fauji Fertilizer Company	6.6%
PICIC	4.4%
PTCL	3.4%
Metropolitan Bank	2.9%
Sui Northern Gas (Strategic Holding)	2.8%
Bank AL Habib	2.2%
Siemens Pakistan	2.1%
Glaxo Smith Kline	1.8%
Others	48.0%
	100.0%

Total Equity Portfolio (PKR mln) 63,612
Equity Portfolio / Total Assets 91.9%

UNIT HOLDING PATTERN (30-Jun-05):

Category	No.	%
Institutional		
National Bank of Paksitan	1	27.0%
Faysal Bank	1	10.2%
The Bank of Punjab	1	9.3%
Others	1,289	35.5%
Individuals	52,207	18.0%
		100.0%

INVESTMENT 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 and reviewed periodically. The investment policy sets individual company and sector-wise exposure limits for equity securities, delineate the lending criteria for loans, explains cash management and also provides prudent guidelines for divestments.

An Investment Committee (IC) comprising the Chairman & M.D, Head of Asset Management (HoAM), Head of Finance & IT, Head of Marketing and Head of Corporate Governance manages the Fund’s portfolio while all investment decisions are made in accordance with the investment policy. For each investment, all five members of the investment committee are consulted. The committee reviews the proposals submitted by the Head of Research and takes decisions of investment or divestment based on research output and market trends. A majority vote is required for approval. In case a member is not present, he is consulted telephonically or electronically. However, to capitalize on emerging investment opportunities in the market and expedite the decision-making process, the IC also provides blanket approval to the HoAM within a certain range for the sale or purchase of a specific security.

RESERACH

The research department, headed by the HoAM, is equipped with the latest analytical tools and up-to-date market information so as to play a proactive role in portfolio management and to assist the investment committee in making prudent investment and trading decisions. The HoAM, an MBA, is with NIT for around 16 years. The research team consists of six sector research analysts including one senior research analyst and a Database Manager. To cope with the size of the universe, the team relies heavily on quantitative tools throughout the investment process. Research criteria, inter alia, include earnings quality, management, margins and balance sheet strength. Trends in the market are monitored and technical analyses carried out for quantitative assessment and evaluation purposes. The research department is also provided with a research library, Bloomberg terminal and periodic research updates from various brokerage houses to enhance their technical and fundamental research and analytical skills.

RISK MANAGEMENT & ASSET COMPOSITION

Stock selection is based on a series of quantitative models that are designed to rank securities in order of their attractiveness based on trends, valuation using different criteria including discounted cash flow, and relative valuation using market benchmarks.

The Fund’s investment portfolio is diversified across almost all major sectors represented on the Karachi Stock Exchange. The investment in each sector, with the exception of fuel and energy due to certain strategic holdings, is well below the ceiling of 25% of net assets.

The Fund has sufficient credit lines from various financial institutions that are utilized mainly to meet unforeseen redemption claims.

ANALYST

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RATING SCALE

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

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