

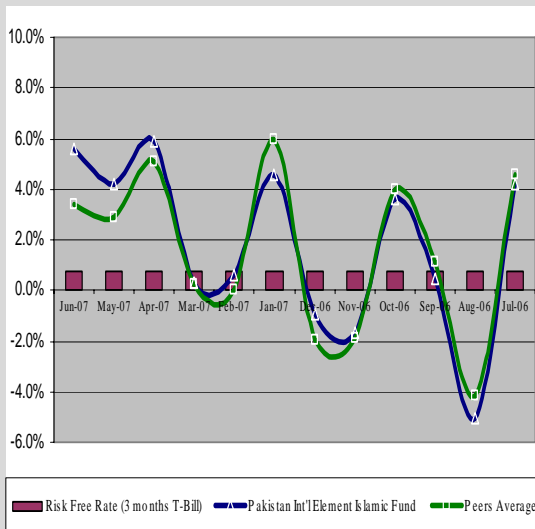


# PAKISTAN INTERNATIONAL ELEMENT ISLAMIC FUND (PIEIF)

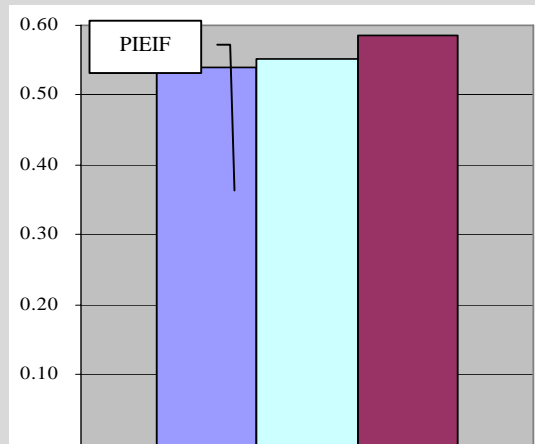
## MUTUAL FUND STAR RATING (FEBRUARY 2008)

<b>NORMAL:</b>	★★★★ (4-STAR)
<b>LONG TERM:</b>	Not applicable
<b>FUND:</b>	Pakistan International Element Islamic Fund
<b>FUND CATEGORY:</b>	Islamic Equity Fund
<b>FUND TYPE:</b>	Open-end
<b>LAUNCH DATE:</b>	May 2006
<b>ASSET MANAGER:</b>	Arif Habib Investment Management Limited
<b>ASSET MANAGER RATING:</b>	AM2 (Positive outlook) (by PACRA)
<b>TRUSTEE:</b>	Central Depository Company

## 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 Islamic Equity Fund means a fund that invests in Shariah compliant instruments only and maintains at least around 50% of its net assets in equity securities at all time.

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.

As PIEIF has operational history of less than three years at end-June07, the Fund, being not eligible for long-term star rating, is assigned normal star rating only. Accordingly, a 4-star rating (normal) has been assigned to PIEIF based on the performance during FY07.

## ASSET MANAGER

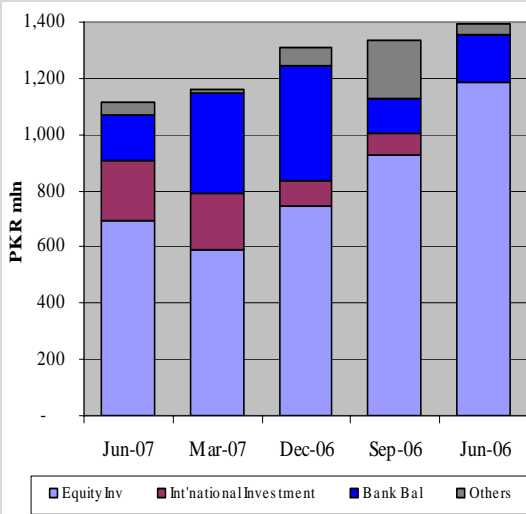
Incorporated in August 2000, AHIML is one of the largest private sector asset management companies in Pakistan. Arif Habib Securities Limited – the holding company for Arif Habib Group – holds majority stake (62%) in the company. The Group is engaged in investment, financial advisory services, brokerage, banking, private equity, cement, and fertilizer industries. Meanwhile, Arif Habib Bank is a new, yet expanding, commercial bank of the group.

The BoD of AHIML comprises eight members including four independent directors – having substantial experience in private and public sector organizations. The current Chief Executive of AHIML, Mr. Nasim Beg, a known figure in the country’s mutual fund industry, is a Chartered Accountant with over three decades of experience in the financial sector. The Head of Equity and Specialized Funds ‘Mr. Basharat Ullah’ is also the Fund Manager for PIEIF. He is an MBA with extensive experience in equity research and investment management.

AHIML has an asset manager rating of ‘AM2’ with a positive outlook, reflecting the company’s very strong capacity to manage the risks inherent in asset management. The company is catering to different investment objectives of a diverse client base through offering various types of funds, including equity, income, asset allocation, Islamic funds (Total funds at present: five open-end and three closed-end). In addition, the company has recently launched two pension schemes, each having three sub funds. The total assets under management of AHIML aggregated to over PKR 23bln as at end-Dec07.

PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. None of the information in this document may be copied or otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA’s written consent. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

**ASSET ALLOCATION**



**TOP 10 HOLDINGS (30-June -07)**

Entity	Holding as a %age of total portfolio
Fauji Fertilizer Co. Limited	11.5%
Oil & Gas Development Company	11.4%
Packages Limited	11.4%
Engro Chemical Pakistan Limited	9.1%
Al Fanar Europe Limited	8.5%
ICI Pakistan Limited	7.9%
Al Fanar Asia Limited	7.7%
Fauji Fertilizer Bin Qasim Limited	7.6%
Al Fanar US Large Capital Limited	7.2%
National Refinery Limited	4.7%
Others	12.9%
<b>Total</b>	<b>100.0%</b>

**Total Equity Portfolio (PKR mln) 904**  
**Equity Portfolio / Total Assets 81.1%**

**CERTIFICATE HOLDING PATTERN (30-Jun-07)**

Category	%
Individuals	31.7%
Corporates	26.7%
Financial Institutions	29.3%
Associates	0.1%
Pension/Provident Funds & Others	12.3%
<b>Total</b>	<b>100.0%</b>

**PERFORMANCE**

FY07 was first full financial year of operations of PIEIF. The Fund derived its income from realised and unrealised capital gains on equity investments. Meanwhile, dividend income contributed around 15% towards the total income during the year.

In line with the policy of revenue diversification through investment in international market, the size of international investment portfolio (Al Fanar Funds) increased during the year, constituting around 20% of the total asset at end-Jun07.

While PIEIF's returns were relatively lower as compared to peers during FY07, it has exhibited lower volatility as measured by Sharpe ratio. Meanwhile, the size of the Fund registered a decline owing to redemption from investors during the later half of FY07.

**INVESTMENT OBJECTIVE AND METHODOLOGY**

PIEIF, an Islamic equity fund shall invest only in Shariah compliant equity and debt (including foreign) securities. The Fund seeks to optimise total return within the parameters of Shariah compliance, primarily from Pakistan's capital market, while availing the opportunities in international market as well. The Fund is allowed to invest in equities including GDR, PTCs, Modaraba Certificates, Sukuk and other types of Islamic Bonds and asset backed securities. The Fund can invest up to 30% of the net asset in international market either through international Shariah complaint mutual funds or directly in Shariah compliant securities asset managers of standing in the respective markets.

The investment process of AHIML is structured and the company adheres to the stated investment policies. Investment Committee comprises (i) CEO, (ii) Chief Investment Officer, (iii) Head of Equity and Specialized Funds (the Fund Manager of PIEIF), and (iv) Head of Research, CFO and Head of Operational Risk department also attend the meetings, as non-votive members. These meetings are normally held once a week and are also called by the Fund manager as and when an investment related (buy/sell) decision needs to be taken. An investment summary containing valuation data, assessment of the underlying limits in case of debt instruments, supported by reports or other research material provided by the research division, and reason for investing is prepared and presented to the committee.

**ANALYST**

Usman Khizer  
 +92 42 5869504  
 ukhizer@pacra.com

**RATING SCALE**

- ☆☆☆☆☆ Superior Performance
- ☆☆☆☆ Good Performance
- ☆☆☆ Average Performance
- ☆☆ Weak Performance
- ☆ Poor Performance