



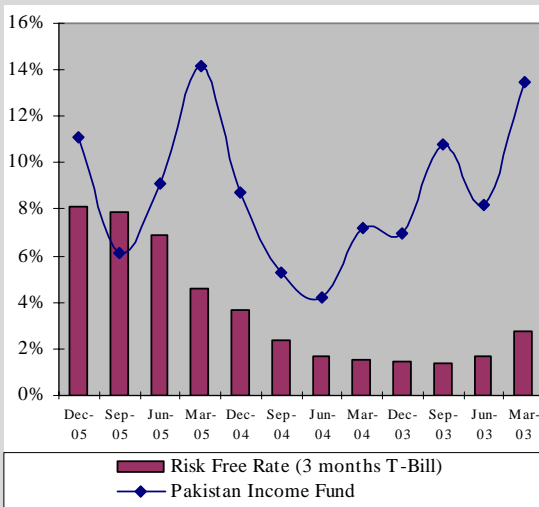
PAKISTAN INCOME FUND (PIF)

MUTUAL FUND RATING (FEBRUARY 2006)

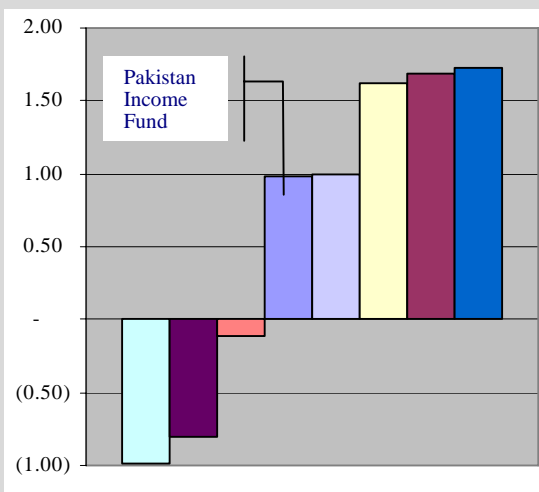


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|------------------------------|--|
| FUND: | Pakistan Income Fund |
| FUND CATEGORY: | Income Fund |
| LAUNCH DATE: | February 2002 |
| ASSET MANAGER: | Arif Habib Investment Management Limited |
| ASSET MANAGER RATING: | AM2 (by PACRA) |

SIMPLE ANNUALISED RETURN:



SHARPE RATIO VS PEERS (31-Dec-05):



RATING

PIF has been assigned a 4-Star rating, which reflects a good performance relative to its peers. The rating is a composite measure of three factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio, and c) credit quality of the assets. For computing return and risk, the performance of the fund during 12 trailing quarterly periods ended on Dec 31, 2005 has been considered and the credit quality has been evaluated based on the asset composition on that date.

PROFILE

PIF, an open-ended scheme, was established under a Trust Deed executed between Arif Habib Investment Management Limited (AHIML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the SECP on February 28, 2002.

ASSET MANAGER

AHIML, incorporated in August 2000, is one of the largest asset management companies in Pakistan managing assets of above PKR 17bln at end-05. The majority stake (62%) in the company is held by Arif Habib Securities Limited (AHS). AHS, which started as a traditional security firm, is now acquiring the character of a holding company for Arif Habib Group. AHS, through its wholly-owned subsidiary, has one of the largest brokerage operations on the KSE.

The BoD of AHIML comprises seven members. The Chief Executive, Mr. Nasim Beg, who also holds 10% shares in the company, is a Chartered Accountant with over 30 years of experience in the financial sector, including mutual fund industry. The head of Income funds is an MBA having extensive experience in Pakistan's financial and capital markets.

AHIML has an asset manager rating of 'AM2', which reflects 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, comprising individuals and institutional investors. AHIML manages four open-end funds namely, Pakistan Income Fund (PIF), Pakistan Stock Market Fund (PSM), MetroBank – Pakistan Sovereign Fund (MSF) and Pakistan Capital Market Fund (PCM), and two closed-end funds namely, Pakistan Premier Fund (PPF) and Pakistan Strategic Allocation Fund.

PERFORMANCE

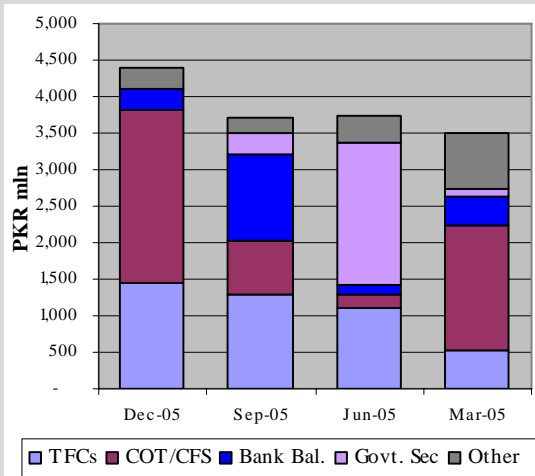
In the recent period, the PIF's earnings are pre-dominantly a function of its capital market operations, primarily financing against equity securities. This is currently in the form of Continuous Funding System (CFS) financing, which replaced the previous system of Carry Over Transactions (COT) financing in August 2005. However, during 2Q and 3Q-05 due to uncertainty with reference to financing mechanism for equities and end of COT system, the fund did not deploy its resources in this avenue. The available funds were diverted mainly towards government securities, which with substantially lower return had restricted the profitability during this period. However, subsequent to resumption of this avenue, the fund's profitability improved in the latest quarter ended on Dec 31, 2005.

The fund has also developed a sizable portfolio of Term Finance Certificates (TFCs), which with floating rates for most instruments, provides a stable income stream.

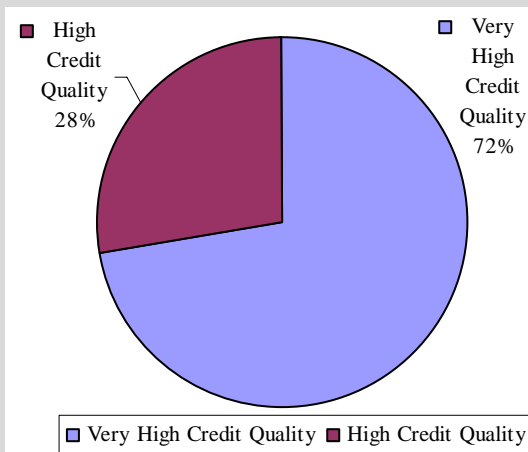
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ASSET ALLOCATION:



ASSET QUALITY (31-Dec-05):



UNIT HOLDING PATTERN (30-Jun-05):

| Unit Holders' Category | % |
|------------------------|------|
| Individuals | 31.5 |
| Corporates | 22.9 |
| Financial Institutions | 11.9 |
| Retirement Funds | 24.7 |
| Welfare Organizations | 8.9 |
| Associates | 0.1 |
| Others | 0.0 |

ANALYST

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INVESTMENT METHODOLOGY

The primary objective of PIF is to deliver a regular income stream while protecting investor's capital. The fund invests in CFS (Continuous Funding System) and spread transactions in the capital market and a range of debt securities including government securities, corporate sector bonds (TFCs), reverse-repo transactions in the money market. The focus of investment strategy is to protect capital by diversifying the investments and by managing maturities in a manner that reduces the interest rate risk. As a policy the fund keeps the average duration of its investment portfolio at less than two years.

The Investment Committee (IC), comprising the CEO, the fixed-income funds manager and head of research department, is responsible for making investment/disinvestment decisions. The IC meetings are normally held thrice 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 and clearly stated reasons for investing/divesting is prepared and presented to the committee and after thorough review and discussion by the members, the decision is taken. The IC decides the actual exposure level after analyzing all relevant internal and external factors adhering to the established guidelines for overall investment exposure. The IC also determines the quantity, price and timing of a purchase/sale. Minutes of all the meetings are prepared and filed by the fund manager.

RESERACH

AHIML uses specialized in-house developed software – CFS Performance Monitoring System – for facilitating research and analysis work. The main objective of the CFS performance Monitoring System is to help the money market dealers keep track of all transactions executed during the day and compare it with market data. AHIML also factors in the view of market participants including brokers, analysts and fund managers.

The investment proposals of the fund manager are supported by reports or other research material provided by the research division. Recently, AHIML has further strengthened its research division through hiring more analysts, including an economist for in-depth analysis of macro-economic indicators.

RISK MANAGEMENT & ASSET COMPOSITION

Majority of the Fund's assets are deployed in Continuous Funding system (CFS), which given the highly liquid nature of the underlying securities and imposition of the settlement risk on the clearing-house involves a minimal credit risk.

In terms of risk management of investment in debt securities, the relevant credit rating is duly considered and as a policy the asset manager refrains from investing in TFCs carrying a long-term credit rating lower than 'A'.

The management has devised effective policies and procedures to meet the redemption claims well before the stipulated time of 6 days allowed under the law. In case of major redemption request, usually above PKR 5mln, immediate measures are initiated. Meanwhile, major proportion of funds is deployed in CFS and quality liquid TFCs, providing flexibility in meeting redemption requests. The fund can also borrow funds by repo of the TFCs portfolio.

RATING SCALE

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