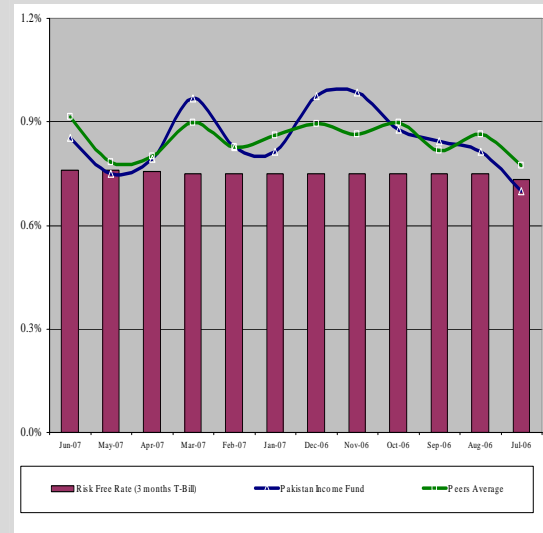




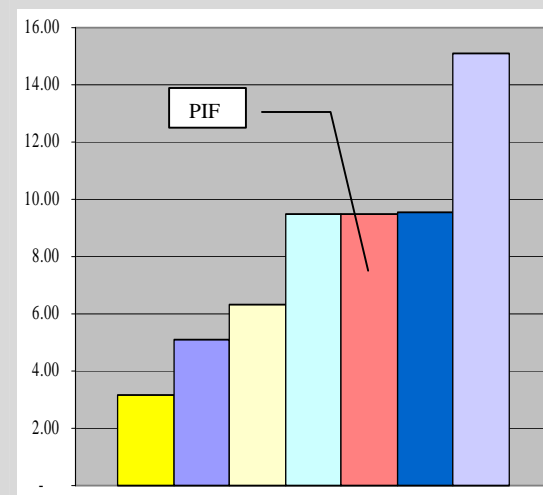
PAKISTAN INCOME FUND (PIF)

MUTUAL FUND RATING (FEBRUARY 2007)	
NORMAL:	★★★★★ (5-STAR)
LONG TERM:	★★★★★ (5-STAR)
FUND:	Pakistan Income Fund
FUND CATEGORY:	Income Fund
FUND TYPE:	Open-end
LAUNCH DATE:	February 2002
ASSET MANAGER:	Arif Habib Investment Management Limited
ASSET MANAGER RATING:	AM2 (Positive outlook) (by PACRA)
TRUSTEE:	Central Depository Company

ABSOLUTE RETURN – MONTHLY



SHARPE RATIO VS PEERS (30-June-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. For Income or money market funds, the credit quality of the underlying assets is also considered in arriving at the overall rating. The rating of a fund is comparable only to ratings of other funds in the same category. An income fund means a fund that invests in interest-based instruments/securities and weighted average maturity of its assets is more than 90 days 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.

PIF has been assigned 5-star rating (normal) based on the performance during FY07. Meanwhile, a long-term rating of 5-star has been assigned to the fund based on the performance during FY05 to 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.

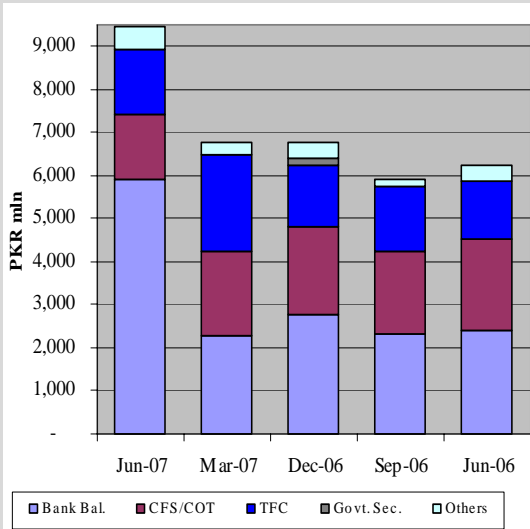
The BoD of AHIML comprises eight members including four independent directors – having substantial experience in private and public sector organizations. The current Chief Executive of AHIML, Mr. Nasim Beg, a known figure in the country’s mutual fund industry, is a Chartered Accountant with over three decades of experience in the financial sector. The Fund Manager of PIF (Head of Debt and Money Market Funds) is reasonably experienced in evaluating, structuring and execution of fixed income products.

AHIML has an asset manager rating of ‘AM2’ with 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.

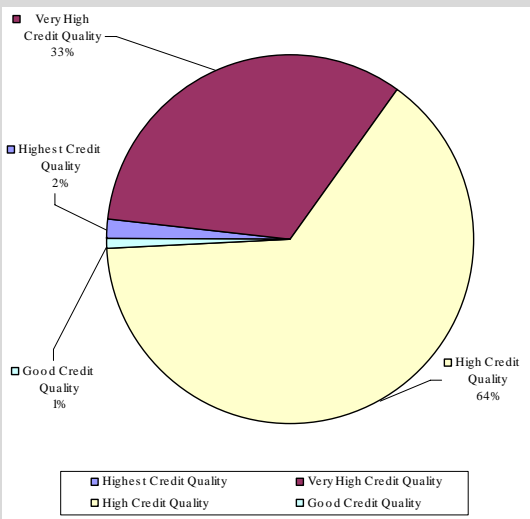
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ASSET ALLOCATION



ASSET QUALITY (30-June-07)



UNIT HOLDING PATTERN (30-Jun-07)

Category	%
Individuals	16.2%
Corporates	26.6%
Financial Institutions	49.4%
Associates	4.8%
Others	3.1%
	100.0%

PERFORMANCE

During FY07, the Fund derived its income mainly from Continuous Funding System (CFS) financing, followed by bank deposits and placements, and investment in listed TFCs. However, subsequent to the year-end, the Fund’s deployment in CFS financing was reduced due to continuous declining trend in CFS rates.

The Fund’s size had registered a notable growth in 4Q FY07, with incremental funds mainly placed in bank deposits.

During FY07, and over a longer time horizon of three years (FY05 to FY07) the Fund exhibited superior performance in terms of absolute monthly return and volatility as measured by Sharpe ratio, reflected by 5-star normal and long-term ratings.

INVESTMENT OBJECTIVES AND METHODOLOGY

The primary objective of PIF is to deliver a regular income stream while protecting investor’s capital. The fund invests in CFS and spread transactions in the capital market and a range of debt securities including government securities, corporate sector bonds (TFCs), and 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 per the investment policy, the maximum permissible maturity limit for Fund’s assets is two years. However, to effectively manage the interest rate risk, the average duration maintained during FY07 was less than six month.

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 Debt and Money Market Funds (Fund Manager for PIF), (iv) Head of Equity Funds, and (v) 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

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RATING SCALE

