



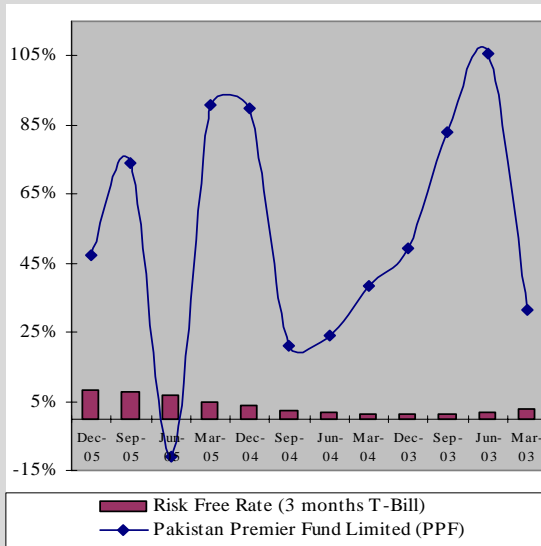
# PAKISTAN PREMIER FUND LIMITED (PPF)

## MUTUAL FUND RATING (MARCH 2006)

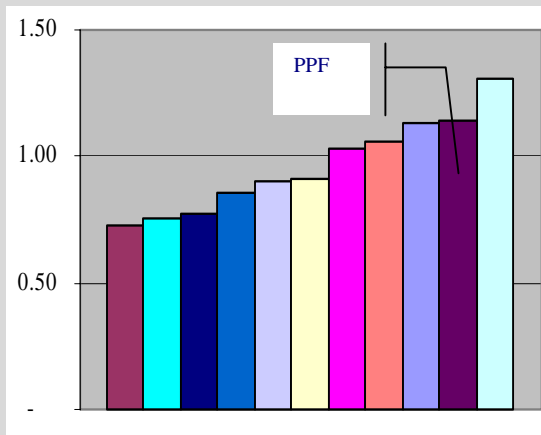


<b>FUND:</b>	Pakistan Premier Fund Ltd.
<b>FUND CATEGORY:</b>	Equity Fund
<b>LAUNCH DATE:</b>	July 1995
<b>ASSET MANAGER:</b>	Arif Habib Investment Management Limited
<b>ASSET MANAGER RATING:</b>	AM2 (by PACRA)

## SIMPLE ANNUALISED RETURN:



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



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

## RATING

Pakistan Premier Fund Limited (PPF) has been assigned a 5-Star rating, which reflects a superior 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

PPF, a closed-end mutual fund, is a public limited company and listed on all the three stock exchanges in Pakistan. The fund was established in 1995 and Arif Habib Investment Management Ltd. (AHIML) is its Investment Advisor since December 2002.

## ASSET MANAGER

AHIML, incorporated in August 2000, is one of the largest asset management companies in Pakistan managing assets of above PKR 17bn 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 Equity Funds is an MBA with over 10 years of experience in equity research and portfolio management.

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. Due to management's special focus on retail customers and appropriate marketing strategies, nearly one-third of the funds under management of the company are from retail 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 (PSAF). The company is all set to launch a Shariah compliant fund – Pakistan International Element Islamic Fund (PIEIF) – in near future, with plans to have 30% investment in foreign markets.

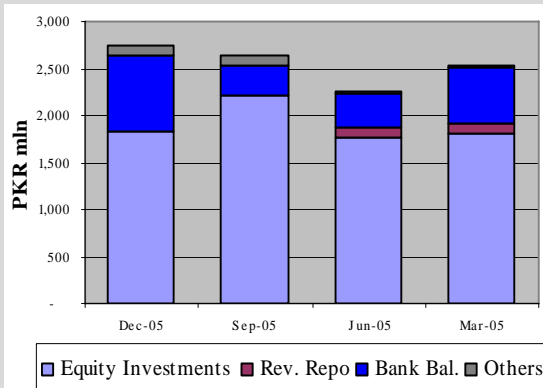
## PERFORMANCE

The Fund focuses on building a long-term value portfolio, having high earning growth prospects, rather than making investment decisions based on short-term fluctuations in the stock market. Meanwhile, it also aims to benefit from the upside ignored by the market in generally small capitalized but high quality companies, even if the shares are not highly liquid. The total return of the fund is derived mainly from growing dividend stream through strong earning growth and price appreciation over the long-term. The effective implementation of the Fund's investment policy through careful selection of stocks, and the quality of systems and processes adopted for identifying their fair values has helped the Fund in earning relatively higher level of returns over the year, with lower volatility.

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**ASSET ALLOCATION:**



**TOP 10 HOLDINGS (31-Dec -05):**

Entity	Holding (%)
Oil & Gas Development Company Ltd.	9.0
National Refinery Ltd.	9.0
Engro Chemicals Pakistan Ltd.	8.0
Packages Ltd.	7.6
Fauji Fertilizer Company Ltd.	6.7
Pakistan Oilfields Ltd.	6.1
Nishat (Chunian) Mills Ltd.	6.1
Cherat Cement	5.5
Pakistan State Oil Company Ltd.	5.2
International Industries Ltd.	3.8
<b>Total</b>	<b>66.9</b>

Total Equity Portfolio (PKR mln) 1,838.7  
 Total Equity Portfolio / Total Assets (%) 67.1

**SHAREHOLDING PATTERN (30-Jun-05):**

Share Holders' Category	%
Individuals	54.7
Corporates	9.6
Financial Institutions	4.9
Associates	30.8

**INVESTMENT METHODOLOGY**

The Fund's investment strategy is aimed at accumulating *value* stocks (companies run by quality management, having a high average ROE and sustainable earning growth), some of which may be less liquid but are at a discount to their fair value. Equity investment decisions are based on the fair value of a company – as determined by the research division and approved by the Investment Committee – and its degree of under or over-pricing as compared to the market price. Funds not invested in equities are invested in bank deposits, short-term money market instruments and reverse repos, including COT/CFS.

The Investment Committee (IC), comprising the CEO, the equity 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 on 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 has a strong in-house research division. The research team is organized primarily by industry sectors, and includes an economist for in-depth analysis of macro-economic indicators. The view of other market participants, including brokers, analysts and fund managers is also taken into account during the research process.

AHIML uses two specialized softwares, developed in house, for facilitating research and analysis work. These are Research and Analysis Database (RADS) and CFS Performance Monitoring System. The main objective of RADS is to help the analysts forecast market trends on the basis of historical and current information. Individual stock prices volatility is also being monitored.

**RISK MANAGEMENT & ASSET COMPOSITION**

The management has developed a comprehensive risk management policy document for management of equity funds and instituted detailed procedures for its implementation. The guidelines extensively cover various key areas, including determination of overall equity exposure in the market, accumulation and divestment of holdings, continuous updation of the fair values of the companies, whenever the market re-rates upwards or downwards or there is a change in fundamentals pertinent to a particular company or sector, and also specify limits for placement of daily orders. The Fund adheres to the limits specified in NBFCs Rules for investment in any individual stock and sector.

**ANALYST**

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**RATING SCALE**



Superior Performance  
 Good Performance  
 Average Performance  
 Weak Performance  
 Poor Performance