

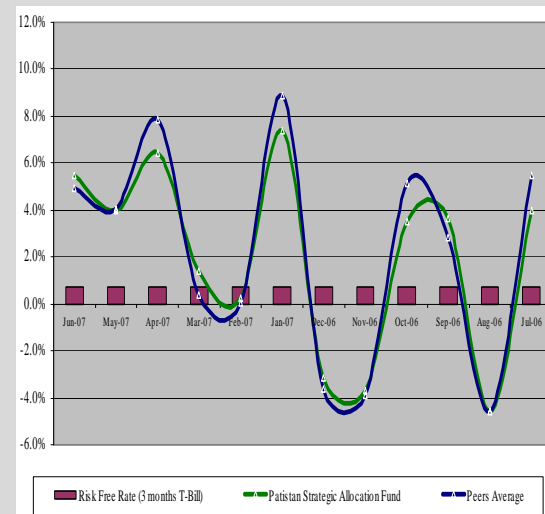


PAKISTAN STRATEGIC ALLOCATION FUND (PSAF)

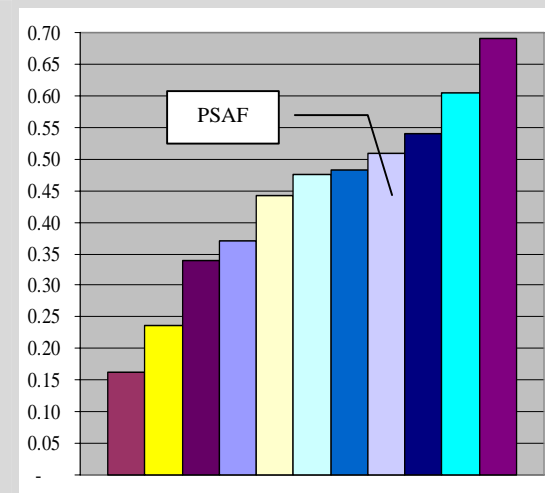
MUTUAL FUND STAR RATING (FEBRUARY 2008)

NORMAL:	★★★★ (4-STAR)
LONG TERM:	Not applicable
FUND:	Pakistan Strategic Allocation Fund
FUND CATEGORY:	Equity Fund
FUND TYPE:	Closed-end
LAUNCH DATE:	August 2004
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 (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 equity fund means a fund that invests at least around 50% of its net assets in equities 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.

As PSAF 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 PSAF based on the performance during FY07.

ASSET MANAGER

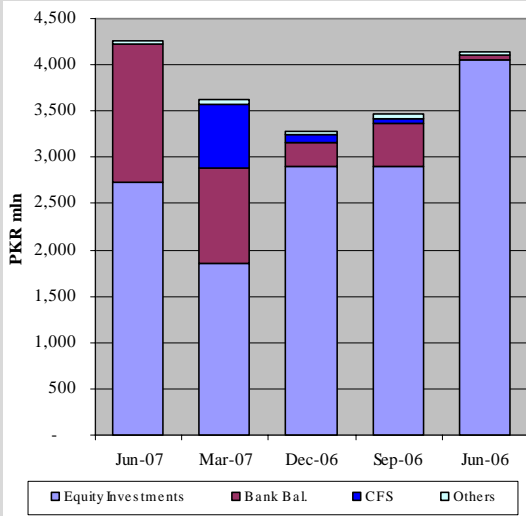
Incorporated in August 2000, AHIML is one of the largest private sector asset management companies in Pakistan. Arif Habib Securities Limited – the holding company for Arif Habib Group – holds majority stake (62%) in the company. The Group is engaged in investment, brokerage and financial advisory services, 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 PSAF. 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.

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ASSET ALLOCATION



TOP 10 HOLDINGS (30-June -07)

Entity	Holding as a %age of total portfolio
Packages Limited	12.2%
Oil & Gas Development Co. Limited	9.4%
Fauji Fertilizer Bin Qasim Limited	9.2%
Engro Chemical Pakistan Limited	8.8%
Pakistan Petroleum Limited	7.8%
Fauji Fertilizer Co. Limited	7.8%
National Refinery Limited	6.1%
Allied Bank Limited	5.8%
Nishat Mills Limited	5.2%
Attock Cement Pakistan Limited	4.9%
Others	22.8%
Total	100.0%

Total Equity Portfolio (PKR mln) 2,727
Equity Portfolio / Total Assets 64.1%

CERTIFICATE HOLDING PATTERN (30-Jun-07)

Category	%
Individuals	24.3%
Corporates	3.5%
Financial Institutions	38.4%
Associates	16.5%
Others	17.2%
Total	100.0%

ANALYST

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PERFORMANCE

PSAF’s revenue mix has experienced a change in favour of unrealised gains, which contributed around 51% (FY06: 36%) towards the total income in FY07. Notably, unrealised gains were accrued on a selected portfolio of fundamentally strong liquid stocks. Meanwhile, capital gains realized on sale of securities remained significant. The contribution of dividend income remained was 10% of total income of the Fund. The funds not invested in stock market are mainly placed in deposits with financial institutions. Due to decline in rates offered on CFS financing, the average size of funds deployed in this avenue registered a substantial YoY decline.

The Fund is better placed among peers in terms of low volatility in return. This helped the Fund in obtaining higher star rating (FY07: 4star), despite relatively averaged monthly returns among peers.

INVESTMENT OBJECTIVE AND METHODOLOGY

PSAF is a value based asset allocation fund, the objective of which is to invest mainly in equity securities. The overall exposure in equity market depends on the valuation of the market based on a detailed quantitative model, which also calculates fair values of the selected equity stocks using automated software. The Fund makes investment in quality liquid shares, selling them when overvalued and re-entering when considered undervalued. When the equity market is fairly overvalued or not trading at sustainable levels, the funds are divested from equities and deployed in fixed income investments, mainly spread transactions, CFS, investment grade debt securities, money market instruments, and government securities.

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 PSAF), and (iv) Head of Research. The Chief Financial Officer 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, supported by reports or other research material provided by the research division, and reason for investing is prepared and presented to the Committee.

RATING SCALE

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