



# PAKISTAN STOCK MARKET FUND (PSM)

## MUTUAL FUND STAR RATING (FEBRUARY 2008)

<b>NORMAL:</b>	★★★ (3-STAR)
<b>LONG TERM:</b>	★★★★★ (5-STAR)
<b>FUND:</b>	Pakistan Stock Market Fund
<b>FUND CATEGORY:</b>	Equity Fund
<b>FUND TYPE;</b>	Open-end
<b>LAUNCH DATE:</b>	February 2002
<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

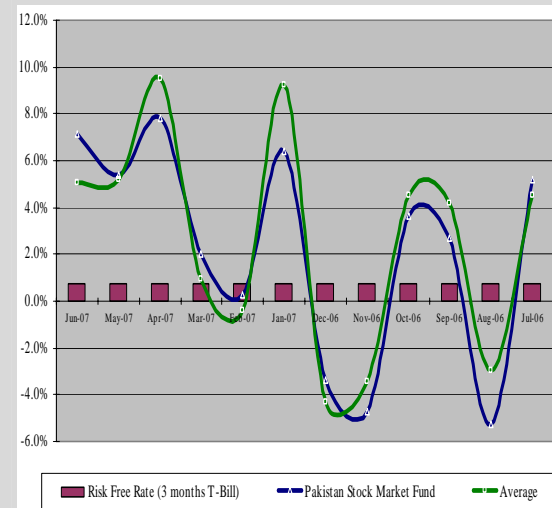
## RATING

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.

PSM has been assigned a 3-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.

## ABSOLUTE RETURN – MONTHLY

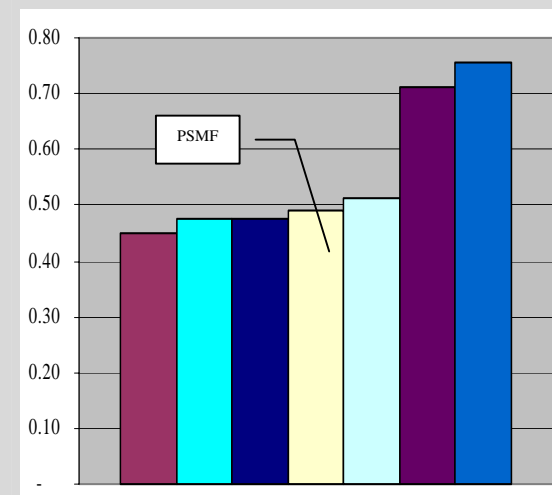


## ASSET MANAGER

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 PSM. He is an MBA with extensive experience in equity research and investment management.

## SHARPE RATIO VS PEERS (FY-07)

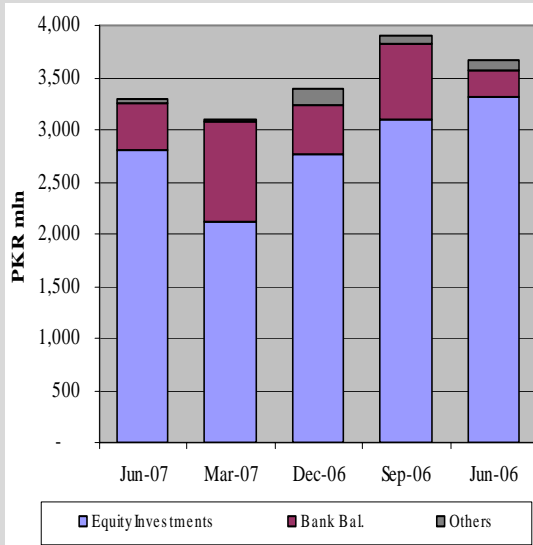


AHIML has an asset manager rating of ‘AM2’ with a positive outlook, reflecting the company’s very strong capacity to manage the risks inherent in asset management. The company is catering to different investment objectives of a diverse client base through offering various types of funds, including equity, 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	10.8%
Oil & Gas Development Co. Limited	10.3%
Engro Chemical Pakistan Limited	10.0%
Fauji Fertilizer Bin Qasim Limited	8.1%
Pak Suzuki Motors Co. Limited	8.0%
Allied Bank Limited	7.3%
Fauji Fertilizer Co.Limited	5.9%
Indus Motor Co. Limited	4.6%
Pakistan Petroleum Limited	4.2%
Attock Cement Pakistan Limited	3.8%
Others	26.9%
	100.0%

<b>Total Equity Portfolio (PKR mln)</b>	<b>2,795</b>
<b>Equity Portfolio / Total Assets</b>	<b>85.1%</b>

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

Category	%
Individuals	45.8%
Corporates	8.3%
Financial Institutions	42.7%
Associates	0.0%
Others	3.2%
	100.0%

**PERFORMANCE**

Being an equity fund, PSM’s earnings have pre-dominantly been a function of realized and unrealized capital gains on equity securities. Meanwhile, the dividend income also has a share of around 13% (FY06: 11%) in the total income. The Fund registered a notable decline in its size during 2Q and 3Q of FY07 on account of redemptions from investors, though showing some recovery during the last quarter.

PSM has exhibited average performance – monthly return as well as its volatility – among peers during FY07 (3-star normal rating). However, over a long-term time horizon of three years (FY05 to FY07), the Fund has shown superior performance reflected by a long-term 5-star rating.

**INVESTMENT OBJECTIVE AND METHODOLOGY**

The Fund primarily invests (normally 70%) in selective high quality liquid shares. The remaining portion (30%) is allocated to shares of listed companies that offer good value in terms of potential dividend yield or growth in the stock price but may not be traded in volumes. 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 short-term REPOs, including COT/CFS.

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 PSM), 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.

**ANALYST**

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**RATING SCALE**

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