

**PAKISTAN
CAPITAL
PROTECTED
FUND
(FIXED INCOME
SECURITIES)**



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CONTENTS

Fund's Information	2
Report of the Directors of the Management Company	3
Report of the Fund Manager	4
Condensed Interim Statement of Assets and Liabilities	5
Condensed Interim Income Statement (Unaudited)	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Distribution Statement (Unaudited)	8
Condensed Interim Statement of Movement in Unit Holders' Funds (Unaudited)	9
Condensed Interim Cash Flow Statement (Unaudited)	10
Notes to the Condensed Interim Financial Statements (Unaudited)	11



FUNDS' INFORMATION

Management Company

Arif Habib Investments Limited
Arif Habib Centre, 23 M. T. Khan Road,
Karachi -74000.

Board of Directors of the Management Company

Mr. Muhammad Shafi Malik	Chairman
Mr. Nasim Beg	Chief Executive
Mr. Muhammad Akmal Jameel	Director
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Kashif Habib	Director
Mr. S. Gulrez Yazdani	Director
Syed Ajaz Ahmed	Director

Company Secretary & CFO of the Management Company

Mr. Zeeshan

Audit Committee

Mr. Muhammad Shafi Malik	Chairman
Mr. Muhammad Akmal Jameel	Member
Mr. Muhammad Kashif Habib	Member
Syed Ajaz Ahmed	Member

Trustee

MCB Financial Services Limited
3rd Floor, Adamjee House,
I.I.Chundrigar Road, Karachi.

Bankers

Habib Metropolitan Bank Limited
Royal Bank of Scotland

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust, Building No. 1,
Beaumont Road, Karachi.

Legal Adviser

Bawany & Partners
404, 4th Floor, Beaumont Plaza,
Beaumont Road, Civil Lines, Karachi-75530

Registrar

Gangjees Registrar Services (Pvt.) Limited.
Room No. 516, 5th Floor, Clifton Centre,
Kehkashan, Clifton, Karachi.

Distributor

Standard Chartered Bank (Pakistan) Limited

Rating

PACRA: AM2 (Positive Outlook) - Management Quality Rating assigned to Management Company



**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

The Board of Directors of Arif Habib Investments Limited, the Management Company of Pakistan Capital Protected Fund- Fixed Income Securities (PCPF-FIS) is pleased to present its Report together with the Condensed Interim Financial Statements for the quarter ended 30 September 2010.

Fund Objective

The objective of the Fund is to pay back investors whole of their initial investment (net of Front-end load) i.e. Rs 10 per unit over the term of its life, in addition the Fund has an objective to maximize the return through investment in fixed income instruments, money and debt market instruments.

Fund Profile

Pakistan Capital Protected Fund-Fixed Income Fund (PCPF-FIS) is an open end fund. Consistent with the objective of PCPF-FIS, about 81.85% of the Fund is invested in bank deposits with Habib Metropolitan Bank that will yield a future value at maturity equivalent to the initial size of the fund (plus fund expenses), providing 100% protection of total initial investment (net of all expenses and front end load) to the investors. The remaining fund is invested in fixed income securities aimed at providing investors an opportunity to earn high return relative to bank deposits. The Board has approved the categorization of the Fund as "Capital Protected Scheme".

Fund Performance during quarter ended 30 September 2010

The net assets of the Fund as at 30 September 2010 stood at 250.231 million compared to Rs. 244.564 million registering an increase of 2.31%.

The Net Asset Value (NAV) per unit at the end of the period was Rs. 10.31 per unit compared to the opening Ex NAV of Rs. 10.08 per unit, registering an increase of Re. 0.23

Future Outlook and Fund Performance

Future Outlook and Fund Performance is fully explained in Fund Manager Report attached to this report.

Acknowledgement

The Board likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Pvt.) Limited (the Trustee of the Fund) and the management of the Islamabad Stock Exchange for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the management company.

For and on behalf of the Board

Karachi
25 October 2010

Nasim Beg
Chief Executive



**REPORT OF THE FUND MANAGER
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

Objective

The objective of the fund is to provide 100% capital protection (net of front-end load) and maximise the return earned from fixed income instruments, money and debt market instruments.

Fund Profile

Pakistan Capital Protected Fund-Fixed Income Securities (PCPF-FIS) is an open end fund. Consistent with the objective of PCPF-FIS, about 81.85% of the fund is invested in bank deposits with Habib Metropolitan Bank that will yield a future value at maturity equivalent to the initial size of the Fund (plus Fund expenses), providing 100% protection of total initial investment (net of all expenses and front end load) to the investors.

The remaining Fund is invested in fixed income securities aimed at providing investors an opportunity to earn high return relative to bank deposits. Under the NBFC rules, the Fund is not allowed to borrow.

Fund Performance

PCPF-FIS delivered an annualized return of 9.54% during the Quarter ended 30 September 2010. As per Fund's policy, PCPF-FIS invested 72.15% of net assets in TDR with Habib Metropolitan Bank Limited as capital protection segment of the Fund. 14.26% of net assets were deployed in TFCs and Sukuk of Bank-Al-Habib Limited-III (1.2%), PMCL-III (6.72%), PEL-Sukuk (5.20%) and Bank-Al-Falah Limited-IV (1%) while 1.14% of net assets were invested in government securities (T-bill). Cash in Bank was 6.9% of net assets at the end of the period.

During the period, prices of TFCs/Sukuk in the Fund's portfolio witnessed increases except Bank Al Habib-III TFC whose price decrease slightly. Further, telecommunication sector TFC of PMCL-III in the Fund's portfolio matured on 01 October 2010, allowing the Fund redirect the maturity amount to other high yielding instruments.

Future Outlook

Interest rates are expected to maintain rising trend due to inflationary pressure and fiscal deficit. The CPI for September 10 shows YoY increase of 15.71% over corresponding period last year with fiscal year 2011 SBP expectation of 13.50% to 14.50%. Given this scenario, there will be more investment opportunities at the shorter end of the yield curve. Increase in 6 month KIBOR rate will further enhance the yields of TFCs once they are re-fixed in the high interest rate environment. Selling pressure in TFCs is likely to provide accumulation opportunity for good quality TFCs.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 SEPTEMBER 2010**

		Un-Audited 30 September 2010	Audited 30 June 2010
Note		----- (Rupees in '000) -----	
ASSETS			
Capital Protection Segment			
Term deposit receipts		180,536	180,536
Profit receivable	5	13,417	7,979
		193,953	188,515
Investment Segment			
Bank balances		17,244	19,840
Investments	6	38,528	36,869
Profits receivable		1,996	1,362
		57,768	58,071
Advances, deposits, prepayments and other receivables		107	103
Preliminary expenses and floatation costs		751	852
TOTAL ASSETS		252,579	247,541
LIABILITIES			
Payable to the Management Company		307	1,493
Payable to the Trustee		41	41
Payable to the Securities and Exchange Commission of Pakistan		47	66
Accrued expenses and other liabilities		1,953	1,377
TOTAL LIABILITIES		2,348	2,977
NET ASSETS		250,231	244,564
Unit holders' fund (as per statement attached)		250,231	244,564
---Number of Units---			
Number of Units in issue		24,261,246	23,447,110
--- Rupees ---			
NET ASSETS VALUE PER UNIT		10.31	10.43

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

**Quarter Ended
30 September
2010
(Rupees in '000)**

INCOME

Income from term deposit receipts - Capital Protection Segment	5,438
Income from government securities	34
Income from term finance certificates and sukuk bond	1,544
Profit on bank deposits	408
Unrealized appreciation in the value of investments-net	273
Total Income	7,697

EXPENSES

Remuneration of the Management Company	934
Remuneration of the Trustee	176
Annual fee - Securities and Exchange Commission of Pakistan	47
Settlement and bank Charges	9
Fees and subscription	28
Legal and professional charges	19
Auditors' remuneration	93
Amortisation of preliminary expenses and floatation costs	101
Printing and related cost	32
Others	592
Total Expenses	2,030

Element of income and capital gain included in prices of units issued less those in units repurchased-net	5,667
	65

Net income for the period	5,732
----------------------------------	--------------


Earnings per unit	(Rupee)
	0.24

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director



**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter ended 30 September 2010 (Rupees in '000)
Net income for the period	5,732
Other comprehensive income for the period	-
Total comprehensive income for the period	<u>5,732</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director



**CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

**Quarter Ended
30 September
2010**

(Rupees in '000)

Undistributed income brought forward	10,093
Final Distribution of 814,135 bonus units for the period from 17 October 2009 to 30 June 2010 @ Rs.0.35 per unit (Distribution date; 5 July 2010)	(8,206)
Undistributed income brought forward less final distribution for the period ended 30 June 2010	<u>1,887</u>
Net Income for the quarter ended 30 September 2010	<u>5,732</u>
Undistributed income carried forward	<u><u>7,619</u></u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter Ended 30 September 2010 (Rupees in '000)
Net Assets at the beginning of the period	244,564
Issuance of Nil units during the period	-
Redemption of Nil units during the period	-
	244,564
Final Distribution of 814,135 bonus units for the period from 17 October 2009 to 30 June 2010 @ Rs.0.35 per unit (Distribution date; 5 July 2010)	8,206
Element of income and capital gains included in prices of units issued less those in units redeemed-net	(65)
Final Distribution of 814,135 bonus units for the period from 17 October 2009 @ Rs.0.35 per unit (Distribution date; 5 July 2010)	(8,206)
Capital gain on sale of investments - net	-
Net unrealised appreciation in the value of investments	273
Other net income for the period	5,459
	(2,474)
Net assets at the end of the period	250,231

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter Ended 30 September 2010
	(Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	5,732
Adjustments	
Amortisation of preliminary expenses and floatation cost	101
Element of Income and capital gain included in prices of units issued less those in units repurchased-net	(65)
Unrealized appreciation in the value of investments-net	(273)
	5,495
(Increase)/ Decrease in assets	
Investments	(1,386)
Profit receivable	(6,072)
Advances, deposits, prepayments and other receivables	(4)
	(7,462)
(Decrease) /Increase in liabilities	
Payable to the Management Company	(1,186)
Payable to the Securities and Exchange Commission of Pakistan	(19)
Accrued expenses and other liabilities	576
	(629)
Net cash used in operating activities	(2,596)
Cash and cash equivalents at the beginning of the period	19,840
Cash and cash equivalents at the end of the period	17,244

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Protected Fund - Fixed Income Securities (the Fund) was established under a Trust Deed executed on 15 June 2009 between Arif Habib Investments Limited as Management Company and MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Private) Limited) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 August 2009 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008).

Formation of the Fund as open end fund was authorized by SECP on 7 August 2009. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by SECP. The registered office of the Management Company is situated at Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan.

The Fund is a capital protected fund and has an objective to pay back investors (with certain conditions) whole of their initial investment (net of Front end load) i.e. Rs. 10 per unit over the term of its life in the form of dividend or return of capital on its termination. In addition, the Fund has an objective to maximize the return by investing in fixed income instruments, money and debt market instruments to achieve the investment objective.

The Fund consist of two segments, Capital Protected Segment and an Investment Segment. The Capital Protected Segment aims at protecting investors capital by placing the assets of the segment in bank deposits having atleast long term credit rating of AA- (Double A minus) or above at the time of placement. To achieve the objective the Fund has placed 81.85% of Fund property (net of loads with Habib Metropolitan Bank Limited to ensure that these funds grow to become at least 100% of the total initial investment value (net of all expenses and taxes) at the time of maturity.

The remaining assets of the Fund have been allocated to the Investment Segment that has been invested in fixed income instruments, money market and debt market instruments with an objective of providing higher return than the minimum protection provided by the capital protection segment.

The duration of the Fund is 30 (thirty) months from the last day of initial offering / launch period. The Fund will cease to operate at maturity.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited (formerly Muslim Commercial Financial Services (Private) Limited) as a trustee of the Fund. As per paragraph 17.2.4 of the Trust Deed of the Fund, the creditors of the Fund will have no claim against the assets of the Capital Protected Segment.

2. BASIS OF PRESENTATION

Statement of compliance

- 2.1 These un-audited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended 30 June 2010

4. RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements for the period ended 30 June 2010

5. TERM DEPOSIT RECEIPTS

This represent a term deposit placed with Habib Metropolitan Bank at a mark-up rate of 11.95% per annum maturing on 15 August 2012. The said deposit has been placed by the Fund to ensure that these deposits are grown to become at least 100% of the initial invested value.

Unaudited Audited
30 Sep. 30 June
2010 2010
(Rupees in '000)

35,675 36,869
2,853 -
38,528 36,869

6 INVESTMENTS

At fair value through profit or loss

Term finance certificates
Treasury bills

6.1 Listed Term Finance Certificates and Sukuk bond - at fair value through profit or loss'

Name of the Investee Company	Number of certificates		As at 30 September 2010		Balance as at 30 September 2010		Market value as % of net assets	Market value as % in relation to the size of the issue
	As at 01 July 2010	Purchases during the period	Sales during the period	As at 30 September 2010	Cost	Market value / (Diminution)		
TERMINANCE CERTIFICATES AND SUKUK BOND - Face value of Rs. 5,000 each unless stated otherwise								
Pakistan Electron Ltd. - Sukuk (28/09/07)	4,700	-	4,700	1,740	13,141	1,401	5.25	34.11
Bank Al Habib IV-Floating (02-12-09)	500	-	500	2,500	2,506	6	1.00	6.50
Bank AL Habib Limited- III (15-06-09)	600	-	600	3,147	3,066	(81)	1.23	7.96
Pakistan Mobile Communication Ltd. (28-10-08)	6,800	-	6,800	16,575	16,962	387	6.78	44.03
				<u>35,962</u>	<u>35,675</u>	<u>1,713</u>		<u>0.68</u>

6.2 T-Bills - at fair value through profit or loss'

Issue Date	Tenor	Face Value		Balance as at 30 September 2010		Market Value as a percentage of	
		Balance as at 01 July 2010	Purchases during the period	Sales/Matured during the period	Balance at 30 September 2010		
Treasury Bills	3 Months	-	2,900	-	2,900	2,853	1.14%
27 August 2010						(1)	0.075%

6.3 Unrealised appreciation in the value of investment-net

Market value of investment
Less Cost of Investment
Unrealised appreciation in the value of investment
at the beginning of the period

Unaudited Audited
30 Sep. 30 June
2010 2010
(Rupees in '000)

38,528 36,869
36,816 35,430
1,712 1,439
(1,439) -
273 1,439

7 TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES

Connected person / related parties include Arif Habib Investments Limited being the Management Company, Arif Habib Securities Limited being the holding company of the Management Company, all other Collective Investment Schemes managed by Management Company, Arif Habib Limited and Thatta Cement Limited being companies under common management, Pak Arab Fertilizer and Summit Bank Limited (Formerly: Arif Habib Bank Limited) being companies under common directorship, MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Private) Limited) being the Trustee of the Fund and Directors and Executives of the Management Company.

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and constitutive documents of the Fund.

All other transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms.

Details of the transactions with connected person / related parties and balances with them at period/ year end are as follows:

	Quarter Ended 30 September 2010		
7.1 Transactions during the period			
		(Rupees in '000)	
Management Company			
Remuneration for the period	934		
Issue of 4,245 bonus units	43		
MCB Financial Services Limited Trustee			
Remuneration for the period	176		
Others	50		
Directors and Executives of Management Company			
Issue of 647 bonus units	7		
7.2 Amounts outstanding as at period / year end			
		Unaudited 30 September 2010	Audited 30 June 2010
		(Rupees in '000)	
Management Company			
Remuneration Payable		307	300
Other Payable		-	1,193
MCB Financial Services Limited - Trustee			
Remuneration Payable		41	41

Units held by:	Unaudited 30 September 2010		Audited 30 June 2010	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Management Company				
Arif Habib Investments Limited	126,502	1,304	122,257	1,212
Other related parties				
Directors and executives of the Management Company	19,275	199	18,628	194

8 Contribution to Workers' Welfare Fund

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower issued a letter which states that mutual funds are not liable for WWF.

The MUFAP, on behalf of its member AMCs, obtained legal opinions from couple of renowned law firms to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinions, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the letters suggest that provisioning was neither required nor necessary. Further, the opinions suggest that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF based on the letter issued by Ministry of Labour and Manpower, that mutual funds are not establishments and as a result are not liable to pay contribution to WWF.

9 DATE OF AUTHORISATION

These condensed financial statements have been authorised for issue on 25 October 2010 by the Board of Directors of the Management Company.

10 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director



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