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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 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. Sirajuddin Cassim	Director
	Mr. S. Gulrez Yazdani	Director
	Mr. Muhammad Akmal Jameel	Director
	Mr. Syed Ajaz Ahmed	Director
	Mr. Samad A. Habib	Director (Subject to the approval of SECP)
	Mr. Muhammad Kashif	Director
Company Secretary & CFO of the Management Company	Mr. Zeeshan	
Audit Committee	Mr. Muhammad Shafi Malik	Chairman
	Mr. Muhammad Akmal Jameel	Member
	Mr. Syed Ajaz Ahmed	Member
	Mr. Samad A. Habib	Director (Subject to the approval of SECP)
Trustee	Central Depository Company of Pakistan Limited (CDC) CDC House, 99-B, SMCHS, Main Shahrah-e-Faisal, Karachi	
Bankers of the Fund	<ul style="list-style-type: none">• Allied Bank Limited• Bank Al Falah Limited• Bank Al Habib Limited• Deutsche Bank AG, Karachi Branch• Habib Metropolitan Bank Limited• MCB Bank Limited• Standard Chartered Bank (Pakistan) Limited• Summit Bank Limited• The Bank of Punjab	
Auditors	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, A-35, Block 7 & 8 KCHSU, Shahrah-e-Faisal, Karachi	
Legal Advisor	M/s. Bawaney & Partners 404, Beaumont Plaza, Beaumont Road, Karachi – 75530	
Registrar	M/s. Gangjees Registrar Services Private Limited 516, Clifton Centre, Kehkashan, Clifton, Karachi	
Rating	PACRA: AM2 – Management Company (Positive Outlook) – Management Quality rating assigned to the Management Company	



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

The Board of Directors of Arif Habib Investments Limited, the Management Company of the Pakistan Strategic Allocation Fund (PSAF), is pleased to present its report together with the Condensed Interim Financial Statements of PSAF for the half year ended December 31, 2010.

Fund Objective

The objective of the Fund is to provide investors a mix of income and capital growth over medium to long term, primarily from investment in Pakistani equities.

Fund Profile

Pakistan Strategic Allocation Fund (PSAF) is an open end equity fund which primarily invests in equities based on a quantitative model.

The Fund takes advantage of equity market volatility and buys equities when they are underpriced and sells equities when they are overpriced. DCF (discounted cash flow) valuations are pivotal for stocks selection in the portfolio. The fund is mostly invested in liquid stocks. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Fund Performance during the half year ended December 31, 2010

The Net Assets of the Fund as at December 31, 2010 stood at Rs 1,134.60 million compared to Rs 2,531.17 million as at June 30, 2010.

The decline was due to the fact that some investors opted to cash out their investments at NAV post conversion, these units were traded at a significant discount to NAV pre conversion. Conversion allowed the investors an exit opportunity and freedom to convert their investments into other open-end funds managed by the Management Company.

The Net Asset Value (NAV) per unit as at December 31, 2010 was Rs 8.40 compared to opening Ex-NAV of Rs. 7.29 per unit as at June 30, 2010 registering an increase of Rs 1.11 per unit during the period.

Explanation with regards to emphasis of matter paragraph included in the Auditor's Review Report

The explanation with regard to emphasis of matter paragraph is provided in note 8 to the condensed interim financial statements.

Future Outlook & Fund Performance

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

Conversion of the Fund into an open end scheme

Details related to conversion of the Fund from closed end scheme into an open end fund is fully explained in Note 2 of condensed interim financial information.

Acknowledgement

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (the Trustee of the Fund) and the management of the Karachi 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 the growth and meticulous management of the Fund.

For and on behalf of the Board

Date: February 19, 2011
Karachi.

Nasim Beg
Chief Executive

REPORT OF THE FUND MANAGER FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

Fund Objective

The objective of the fund is to provide investors a mix of income and capital growth over medium to long term primarily from investment in Pakistani equities.

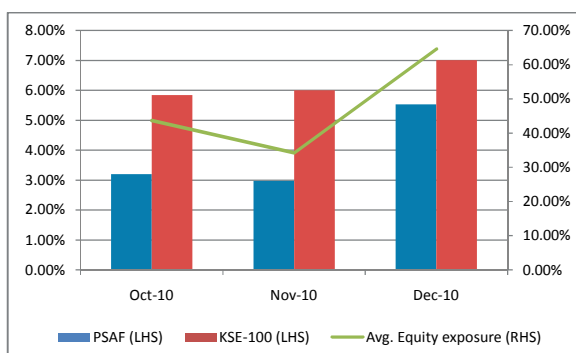
Profile

Pakistan Strategic Allocation Fund (PSAF) is an open end equity fund which invests in equities based on a quantitative model. The Fund takes advantage of equity market volatility and buys equities when they are underpriced and sells equities when they are overpriced. DCF (discounted cash flow) valuations are pivotal for stocks selection in the portfolio. The fund is mostly invested in liquid stocks. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Fund Performance

PSAF NAV gained 12.15% during 2QFY11 compared to 20.06% increase in the KSE-100 index. Deviation in comparable returns is primarily due to selective investment portfolio and overall underinvestment in equities during most of the quarter. Among heavyweights, ABL, NML, POL, PPL, FFC, FFBL, ICI and PKGS outperformed while HUBC, KAPCO, PSO and ENGRO underperformed the benchmark index. PSAF gave a return of 15.14% during the first half year ended December 2010 compared to KSE-100 index return of 23.66%.

All the regulatory approvals were taken regarding Fund's conversion into an open end scheme during the quarter. Subsequently, the Fund became open-end on November 12, 2010 enabling investors to redeem and invest into the Fund at NAV with ease. The Fund witnessed massive redemption after conversion, which have been successfully met on time.



	Oct-10	Nov-10	Dec-10
PSAF (LHS)	3.20%	2.98%	5.53%
KSE-100 Index (LHS)	5.84%	6.00%	7.01%
Avg. Equity exposure (RHS)	43.65%	34.17%	64.62%

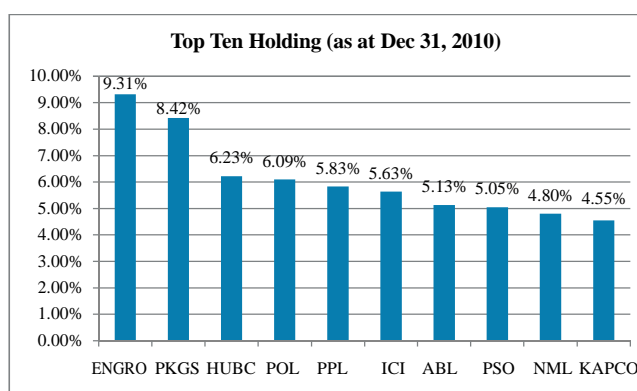
Fund Allocation

The Fund remained on selling spree during the first two months of the quarter, reducing allocation from 54.28% at the beginning of the quarter to 26.42% on Nov 11. Equity exposure was shed across the board, while those stocks, which offered low upside potential (BAHL, PAEL and WTCL) were completely offloaded. Post conversion, redemptions reduced the fund size by about 30% by end November, resulting in an increase in equity exposure jumping to 36.84%. In December, the Fund again started gradually increasing exposure in equities, as redemption pressure eased-off. Exposure was increased primarily in liquid stocks (NBP, UBL,

PSO, ENGRO, HUBC, PTC and LOTPTA) which were available at deep discount to their estimated fair values. At quarter end, equity allocation in the Fund was 79.26%. The Fund, on average, remained 48.15% invested in equities during 2QFY11, while remaining funds were placed in short dated treasury bills.

As at the quarter end, the Fund's major investment were in Chemical (24.47%), Oil and Gas (16.97%), Bank (12.08%) and Electricity (10.78%). PSFA equity portfolio, at end December 2010, was trading at 8.79x price-to-earnings multiple.

The following is the top ten equity holdings at the period end.



Equity Market Review

The KSE-100 index gained 20% in the second quarter of this fiscal year, with overall 23% gain in the first half ended December 2010. From its August 2010 lows of 9,500, when it fell by 10% amid devastating monsoon floods in the country, the market has shown consistent rising trend with gains of 26% by December end. The rally in domestic equity market has coincided with strong gains in global equities and most importantly emerging market equities. The equities have defied the negative developments on the macroeconomic front with focus turning towards relatively attractive domestic equity valuations. Given the 50% average lower earnings multiples and higher dividend yields, foreigners have been aggressively bidding up the prices, by making net investments of USD 144mn in the second quarter compared to USD 106mn in the preceding quarter. Oil and gas sectors have been at the forefront of strong market performance, with all leading stocks in the exploration, refinery and oil marketing sub sectors showing strong gains. Market heavy weight OGDC, which accounts for 25% of the KSE100 index has risen by 18.30% during the quarter.

Fertilizer stocks recorded strong gains amid expectations of improvement in manufacturers' margins and higher profits as fertilizer demand picked up following heavy floods in August. Large banks, after lagging behind the market during the past one year, have rebounded due to expected positive earnings announcement for the accounting year ended December 2010. During the quarter, average daily turnover increased to 124mn compared to that of 62mn in the first quarter of FY11. Volumes have been gradually on the rise, with activity in the month of December picking up amid expectations of introduction of new margin trading system in the near future.

Economic review

1HFY11 continued to bring some key challenges for the restoration of a stable economy; continued rising government expenditure amid falling tax/GDP ratio and high inflation in a soaring interest rate scenario. SBP has responded by using a tight monetary policy, thus raising the discount rate by 150 bps to 14% in the last three consecutive Monetary Policy Statements (MPS).

Fiscal Side

Fiscal account figures released by the Finance Ministry for July – September 2010 posted a deficit of 1.6%



(Rs 276 billion) of GDP against a full year target of 4.7%. Given the persistent high government borrowing due to shortfall in revenue collection and higher expenditures on account of floods and electricity sector subsidies, we could see fiscal deficit for FY11 crossing 6.5% of GDP. Tax collection figures for July – November, 2010 showed a growth of 8.8% to Rs 500.07 billion over the corresponding period of last year which is way below the revised target of Rs. 1,604 billion for the full FY11. The delay in the implementation of RGST has reduced the prospects of meeting the revenue targets for the current fiscal year. Furthermore, government has been unable to pass on the rise in international oil prices due to political pressure, which has adversely affected the petroleum levy account of the government. According to some official sources, the subsidy elimination on power of 2% monthly has also been delayed for an indefinite period of time which will result in further slippage of an already fragile fiscal account.

Monetary Sector

Money supply (M2) for 1HFY11 has grown compared to the same period last year, but this expansion is majorly due to high government borrowing from the SBP. M2 expanded by Rs550 billion as compared to an increase of Rs300 billion in 1HFY10. Net Foreign Assets (NFA) of the banking system increased by Rs131 billion on the back of better external account position. Net Domestic Assets (NDA) also increased by Rs419 billion from July – December 2010 against an increase of Rs295 billion in the same period of preceding year. This growth was merely due to elevated government borrowing which contributed Rs291 billion to NDA.

Inflation

CPI inflation, after starting off at 12.34%, climbed up to 15.46% YoY in December, 2010 due to high government borrowing and structural adjustments (subsidy elimination). The economy also witnessed serious supply side issues due to destruction of crop and infrastructure amid flood crisis. On the other hand Non-food Non-Energy (NFNE) inflation has been consistent at 9.5% which is 80 bps lower than what it was in July, 2010(10.3%). Going forward, inflation is expected to be persistent due to high government borrowing, elevated prices of agriculture commodities and higher international oil prices. With CPI inflation range of 15%-16% for FY 2011 along with higher fiscal deficit up to 6.5%, interest rates are expected to remain high and a possible further monetary tightening in the form of hike in the discount rate by 100 bps from the existing 14%.

Real Sector

Growth in large scale manufacturing sectors was negative 2.3% in the first five months of this fiscal year compared to the corresponding period of last year mainly due to devastating floods in August 2010. Cement production fell by 11.2%, followed by a negative 10.6% production in petroleum products, -10.1% in textile sector and lastly 5.0% contraction in fertilizer sector, while automobile sector enjoyed a positive growth of 12.9% along with Chemicals sector which produced 1.8% more over the same period of previous year. Overall domestic demand is likely to improve in the coming months due to two factors; first rehabilitation/reconstruction in flood affected areas and second, improvement in agriculture and rural income on account of expected higher wheat and other agriculture outputs/prices. However, prevailing inflationary pressures (15%+), higher interest rates (lending rates in excess of 16%) along with crippling electricity/gas shortages amid increasing tariffs are hurting the prospects of a significant rebound in manufacturing sector growth in the near future.

External Side

External side has seen marked improvement during the first half of this fiscal year, with current account position showing a surplus of US\$26 million (against a deficit of US\$2570 million in the same period last year) mainly on account of reduction in trade deficit and higher remittances. Exports have increased by 21% to US\$11.071 billion on the back of strong performance of textiles exports. At the same time, imports have increased by 20% to US\$19.149 billion mostly due to higher international oil prices. Estimates for total exports and remittances have been revised upward to US\$22 billion and US\$10 billion respectively for the fiscal year ending June 2011. Overall, Pakistan's foreign exchange reserves increased from US\$16.48bn to US\$ 17.197bn from July – January FY11. While external side is expected to be comfortable in the near term, Pakistan still requires to remain under the umbrella of IMF funding support given the weak fiscal position,



declining direct foreign investments and vulnerability on account of high external debt.

IMF support and RGST implementation

IMF has stopped the disbursement of last two tranches of US\$3.4 billion as the Government of Pakistan reneged on its commitment to implement the reformed general sales tax amid strong opposition from the coalition partners of the government and opposition parties. Given the severity of fiscal situation, the government has no choice but to increase the tax revenue base and therefore, political consensus is likely to be achieved for the implementation of RGST not later than next annual budget of the government. Overall we expect that IMF will disburse the last tranches of the existing Standby arrangement (SBA) and Pakistan will negotiate for another SBA post FY 11.

Future outlook

At present local equities are trading at an average PE of 9.8x, lower than the emerging market PE that is in the range of 14.2x – 23.8x. Therefore, foreign liquidity driven rally may continue in the near future given the relatively lower valuations of Pakistani stocks in general. However, there are lingering serious macroeconomic concerns most particularly rising budget deficit, higher inflation/interest rates, electricity shortages and slow manufacturing sector growth. As a result, equity risk premium for Pakistani equities is expected to remain high compared to other emerging markets. Furthermore, interest rates are expected to increase further during the next quarter amid high inflation numbers, heavy government borrowing and fiscal imbalances.



TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The Pakistan Strategic Allocation Fund (the Fund), an open-end fund, was initially constituted as a closed-end fund under a trust deed dated May 26, 2004, executed between Arif Habib Investments Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee. Subsequently, through a supplemental trust deed dated October 06, 2010, the Fund was converted into open-end fund.

In our opinion, the Management Company has in all material respects managed the Fund during the six months period ended December 31, 2010 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the management company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 23, 2011



AUDITORS' REPORT TO THE UNIT HOLDERS' ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Strategic Allocation Fund** (the Fund) as at December 31, 2010, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement, and condensed interim statement of movement in unit holders' fund together with notes forming part thereof (here-in-after referred to as the 'interim financial information') for the six months ended December 31, 2010. Management Company (Arif Habib Investments Limited) is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income information, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in equity and reserves for the quarters ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2010.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

We draw attention to note 8 to the condensed interim financial information which refers to an uncertainty relating to the future outcome of litigation regarding contribution to the Workers Welfare Fund. The case is currently pending adjudication at the Honorable High Court of Sindh.

Other Matter

The financial statements of the Fund for the year ended June 30, 2010 were audited by another firm of Chartered Accountants who vide their report dated August 03, 2010 issued a qualified opinion on a basis of not recording provision of Worker Welfare Fund as discussed in the conclusion paragraph above.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Dated: February 19, 2011

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2010**

	<i>Note</i>	(Unaudited) December 31 2010	(Audited) June 30 2010
----- (Rupees in '000') -----			
Assets			
Balances with banks		109,849	38,860
Investments	6	1,050,181	2,379,527
Advances, deposits and prepayments		3,250	3,096
Profit receivable		1,221	2,197
Receivable against sale of investments		-	127,266
Total assets		1,164,501	2,550,946
Liabilities			
Payable to the Management Company	7	9,872	4,228
Payable to the Trustee		210	231
Payable to Securities and Exchange Commission of Pakistan		1,047	2,477
Payable against purchase of investments		209	-
Unclaimed dividend		15,074	11,307
Accrued expenses and other liabilities		3,488	1,532
Total liabilities		29,900	19,775
NET ASSETS		1,134,601	2,531,171
Unit holders funds (as per statement attached) / June 30, 2010 - Certificate holders equity		1,134,601	2,531,171
(Number of Units / Certificates)			
Number of units / certificates in issue		135,083,024	300,000,000
----- (Rupees) -----			
Net assets value per unit / certificate (Face value per unit Rs. 10/- each)		8.40	8.44

The annexed notes form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

Note	Half year ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
----- (Rupees in '000) -----				
Income				
Capital gain on sale of investments - net	81,430	174,291	36,689	78,579
Income from term finance certificates	-	4,906	-	-
Income from government securities	49,368	16,696	27,662	15,899
Income from placements with financial institutions	616	648	-	648
Income from reverse repurchase transactions	-	2,845	-	2,784
Dividend income	47,646	69,089	19,007	33,408
Profit on bank deposits	5,586	10,947	4,267	2,476
	<u>184,646</u>	<u>279,422</u>	<u>87,625</u>	<u>133,794</u>
Impairment loss on financial assets classified as 'available for sale'	(383)	-	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(120,476)	-	(120,476)	-
Unrealised appreciation / (diminution) in value of investments 'at fair value through profit or loss' - net	6.5	<u>129,542</u>	<u>198,819</u>	<u>131,831</u>
Total income		<u>478,241</u>	<u>98,980</u>	<u>(125,244)</u>
		<u>193,329</u>	<u>478,241</u>	<u>98,980</u>
Operating expenses				
Remuneration of the Management Company	22,032	28,737	9,559	13,147
Remuneration of the Trustee	1,207	1,200	612	615
Annual fee - Securities and Exchange Commission of Pakistan	1,047	1,201	455	624
Securities transaction cost	4,097	2,748	2,317	1,410
Conversion cost	7,600	-	7,600	-
Custody, settlement and bank charges	411	591	241	475
Fees and subscription	428	220	291	110
Printing and related cost	132	160	77	102
Auditors' remuneration	259	200	153	92
Amortisation of preliminary expenses and floatation costs	-	731	-	-
Total operating expenses	<u>37,213</u>	<u>35,788</u>	<u>21,305</u>	<u>16,575</u>
Net income / (loss) for the period	<u>156,116</u>	<u>442,453</u>	<u>77,675</u>	<u>(8,025)</u>
Taxation	-	-	-	-
Net income / (loss) after taxation	<u>156,116</u>	<u>442,453</u>	<u>77,675</u>	<u>(8,025)</u>
Other comprehensive (loss) / income for the period				
Unrealised (diminution) / appreciation in value of investments classified as 'available for sale'	(16,761)	54,132	(1,237)	806
Total comprehensive income / (loss) for the period	<u>139,355</u>	<u>496,585</u>	<u>76,438</u>	<u>(7,219)</u>
----- Rupees -----				
Earnings per certificate	4.5	<u>1.47</u>	<u>(0.03)</u>	

The annexed notes form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

	Half year ended		Quarter ended	
	December 31,		December 31,	
	2010	2009	2010	2009
------(Rupees in '000')-----				
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period	156,116	442,453	77,675	(8,025)
Adjustments for :				
Amortisation of preliminary expenses and floatation costs	-	731	-	-
Impairment loss on financial assets classified as 'available for sale'	383	-	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	120,476	-	120,476	-
Unrealised (appreciation) / diminution in value of investments 'at fair value through profit or loss' - net	(129,542)	(198,819)	(131,831)	125,244
Dividend income	(47,646)	(69,089)	(19,007)	(33,408)
Remuneration of the Management Company	22,032	28,737	9,559	13,147
Remuneration of the Trustee	1,207	1,200	612	615
	<u>123,026</u>	<u>205,213</u>	<u>57,484</u>	<u>97,573</u>
Decrease / (increase) in assets				
Receivable against sale of investments	127,266	7,662	4,903	104,591
Investments	1,441,744	(145,115)	1,233,933	(216,437)
Receivable against reverse repurchase transaction	-	(89,083)	-	-
Placement with financial institution	-	(130,000)	-	(130,000)
Profit receivable	976	3,865	(496)	(1,824)
Advances, deposits and prepayments	(154)	(265)	127	(54)
	<u>1,569,832</u>	<u>(352,936)</u>	<u>1,238,467</u>	<u>(243,724)</u>
Increase / (decrease) in liabilities				
Payable against purchase of investments	209	(11,436)	209	3,139
Payable to the Management Company	-	(4,851)	-	-
Payable to the Trustee	-	(2)	(21)	(3)
Payable to Securities and Exchange Commission of Pakistan	(1,430)	(807)	455	624
Accrued expenses and other liabilities	1,956	14	2,083	(297)
	<u>735</u>	<u>(17,082)</u>	<u>2,726</u>	<u>3,463</u>
	<u>1,693,593</u>	<u>(164,805)</u>	<u>1,298,677</u>	<u>(142,688)</u>
Dividend received	47,646	75,156	40,860	43,553
Remuneration paid to the Management Company	(16,388)	(32,924)	(3,391)	(11,993)
Remuneration paid to the Trustee	(1,228)	(1,170)	(617)	(609)
Net cash generated from / (used in) operating activities	<u>1,723,623</u>	<u>(123,743)</u>	<u>1,335,529</u>	<u>(111,737)</u>
B. CASH FLOW FROM FINANCING ACTIVITIES				
Cash received from units sold	5,389	-	5,389	-
Cash paid on units redeemed	(1,315,770)	-	(1,315,770)	-
Dividend paid	(342,253)	(2,069)	(152,323)	(6)
Net cash used in financing activities	<u>(1,652,634)</u>	<u>(2,069)</u>	<u>(1,462,704)</u>	<u>(6)</u>
Net increase / (decrease) in cash and cash equivalents	<u>70,989</u>	<u>(125,812)</u>	<u>(127,175)</u>	<u>(111,743)</u>
Cash and cash equivalents at beginning of the period	38,860	181,921	237,024	167,852
Cash and cash equivalents at end of the period	<u>109,849</u>	<u>56,109</u>	<u>109,849</u>	<u>56,109</u>

The annexed notes form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

	<u>Half year ended</u> <u>December 31,</u>		<u>Quarter year ended</u> <u>December 31,</u>	
	2010	2009	2010	2009
------(Rupees in '000')-----				
Accumulated loss brought forward				
- Realised loss	(307,473)	(357,189)	(154,383)	(86,078)
- Unrealised loss	(198,654)	(533,391)	(619,323)	(354,024)
	(506,127)	(890,580)	(773,706)	(440,102)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net - amount representing unrealised capital (gains) / losses and capital (gains) / losses that form part of the unit holders' fund transferred to distribution statement	459,265	-	459,265	-
Net income / (loss) after taxation	156,116	442,453	77,675	(8,025)
	615,381	442,453	536,940	(8,025)
Final cash dividend @ Rs. 1.1534 per certificate (2009: Nil) announced on August 3, 2010	(346,020)	-	-	-
Unallocated loss carried forward	<u>(236,766)</u>	<u>(448,127)</u>	<u>(236,766)</u>	<u>(448,127)</u>
Represented by:				
- Realised loss	(298,079)	(286,012)	(298,079)	(286,012)
- Unrealised gain / (loss)	61,313	(162,115)	61,313	(162,115)
	<u>(236,766)</u>	<u>(448,127)</u>	<u>(236,766)</u>	<u>(448,127)</u>

The annexed notes form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Half year ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
------(Rupees in '000')-----				
Net assets at beginning of the period	2,531,171	2,136,566	2,248,068	2,640,370
Issue of 300,000,000 units at the time of conversion	3,000,000	-	3,000,000	-
Cancellation of 300,000,000 certificates at the time of conversion	(3,000,000)	-	(3,000,000)	-
	-	-	-	-
Amount received on issue of 657,917 units	5,389	-	5,389	-
Amount paid / payable on redemption of 165,574,893 units	(1,315,770)	-	(1,315,770)	-
	(1,310,381)	-	(1,310,381)	-
	1,220,790	2,136,566	937,687	2,640,370
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :				
- amount representing accrued (income) / loss and capital losses / (gains) - transferred to income statement	120,476	-	120,476	-
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that form part of the unit holders' fund transferred to distribution statement	(459,265)	-	(459,265)	-
	(338,789)	-	(338,789)	-
Net income / (loss) for the period transferred from distribution statement	615,381	442,453	536,940	(8,025)
Unrealised (diminution) / appreciation in value of investments classified as 'available for sale'	(16,761)	54,132	(1,237)	806
Final cash dividend @ Rs. 1.1534 per certificate (2009: Nil) announced on August 3, 2010	(346,020)	-	-	-
Net assets at the end of the period	1,134,601	2,633,151	1,134,601	2,633,151

Note:

Consequent to the conversion of the Fund from a closed-end scheme to an open end scheme with effect from November 11, 2010, the comparative figures disclosed above have been prepared in accordance with requirements of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 relating to open end schemes.

	-----Rupees-----			
Net assets value per unit / certificate (face value per unit / certificate is Rs. 10/-)	<u>8.40</u>	<u>8.78</u>	<u>8.40</u>	<u>8.78</u>

The annexed notes form an integral part of this condensed interim financial information.

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

Chief Executive

Director



**NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Strategic Allocation Fund (PSAF) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee on May 26, 2004. The Management Company of PSAF had obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). Formation of PSAF as a closed-end fund was authorised by SECP on May 13, 2004. With effect from November 11, 2010 PSAF was converted into open-end scheme. The registered office of the Management Company is situated at 23, M.T. Khan Road, Karachi, Pakistan.
- 1.2** The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2 (positive outlook)' dated July 12, 2010 to the Management Company.
- 1.3** The Fund primarily invests in shares of listed companies, term finance certificates and short-term reverse repurchase transactions.
- 1.4** This condensed financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund.
- 1.5** Title to the assets of the Fund is held in the name of the Trustee.

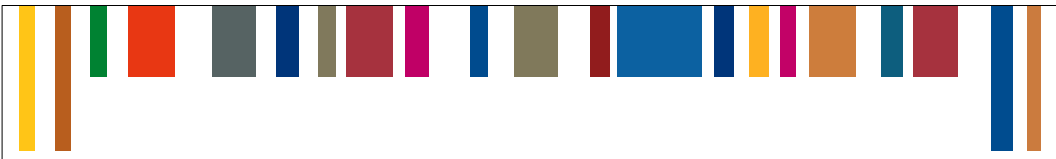
2. CONVERSION OF THE FUND INTO AN OPEN-END SCHEME

Arif Habib Investments Limited entered into a Supplemental Trust Deed with Central Depository Company of Pakistan Limited (Trustee) on October 6, 2010 in order to initiate the conversion of the Fund from a closed end scheme to an open-end scheme pursuant to the resolution passed at a meeting of the Certificate Holders' held on September 8, 2010, approving the same. The conversion of the Fund from a closed end scheme to an open-end scheme was authorised by Securities & Exchange Commission of Pakistan (SECP) vide its letter No. SCD/NBFC/MF-RS/PSAF/717/2010 dated September 23, 2010. The post conversion Trust Deed and post conversion Offering Document were approved by the SECP vide letter no. SCD/NBFC-II/PSAF/760/2010 dated October 4, 2010 and letter no. SCD/NBFC-II/PSAF/820/2010 dated October 28, 2010 respectively. The Fund was converted into an open-end scheme with effect from November 11, 2010. Certificate holders were allotted units according to their respective holdings as at that date on the basis of a ratio of 1 certificate : 1 unit. Accordingly 300,000,000 units were issued on the date of conversion.

AHIML holds the requisite license from the SECP to undertake asset management services for open-end scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

3. STATEMENT OF COMPLIANCE

- 3.1** The interim financial information 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 Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), 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 Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

- 3.2** This interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. The disclosures made in this interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2010. Comparative information of the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the six months period ended December 31, 2010 and the three months period ended December 31, 2010 are un-audited and have been included to facilitate comparison.
- 3.3** This interim financial information is unaudited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and these condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

4. 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 year ended June 30, 2010. Consequent to conversion of the fund from closed end scheme into an open-end scheme on November 11, 2010, following new accounting policies have been adopted by the Fund:

4.1 Conversion Cost

Conversion cost represent expenditure incurred in connection with the conversion of PSAF into an open-end scheme and includes fee paid to Securities and Exchange Commission of Pakistan (SECP), CDC charges for transfer of closed end certificates into open-end units, professional charges for revision of constitutive documents and other expenses. These costs have been charged immediately as expense in the period of conversion in accordance with the condition notified by SECP vide its letter no. SCD/NBFC/MF-RS/PSAF/717/2010 dated September 23, 2010.

4.2 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and Management Company. Transaction costs are recorded as income of the Fund.



Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of the day. Redemption price represents the net asset value per unit as of the close of the business day less any back end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.3 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in and undistributed reserves or accumulated losses held in Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised / charged to the Income statement.

4.4 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

4.5 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

5. STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE FINANCIAL INFORMATION

In the current period, the fund has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are effective for Fund's accounting period beginning on July 01, 2010.

"Effective for accounting period beginning on or after "

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
- IFRS 2 - Share based Payment	January 01, 2010
- IAS 7 - Statement of Cash Flows	January 01, 2010
- IAS 24 - Related Party Disclosures	January 01, 2010

Adoption of above mentioned new standards will have no material impact on the Fund's financial information.

New accounting standards and IFRS interpretations that are not yet effective

- IFRS 9 - Financial Instruments January 01, 2013

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value. The adoption of this standard would affect the recognition and classification of existing financial assets.

The directors of Management Company anticipate that these amendments will be adopted in the fund's financial statements on the effective date. The directors have not yet had an opportunity to consider the potential impact of the adoption of this Standard.

	<i>Note</i>	(Unaudited) December 31 2010	(Audited) June 30 2010
.....(Rupees in '000').....			
6. INVESTMENTS			
At fair value through profit or loss			
Listed equity securities	6.1	850,126	1,796,146
Government securities	6.2	<u>150,869</u>	<u>477,157</u>
		1,000,995	2,273,303
Available for sale			
Listed equity securities	6.3	<u>49,186</u>	<u>106,224</u>
	6.4	<u>1,050,181</u>	<u>2,379,527</u>

6.1 Listed equity securities 'at fair value through profit or loss'
(Face value of Rs. 10/- each unless stated otherwise)

Name of the Investee Company	Number of shares					Balance as at December 31, 2010			Market value as % of total investments	Paid up value of shares as % of total paid up capital of the investee company
	As at July 1, 2010	Purchases during the period	Bonus/Rights issue	Sales during the period	As at December 31, 2010	Cost	Appreciation/ (Diminution)	Market value as % of net assets		
-----Rupees in '000'-----										
OIL AND GAS										
Pakistan State Oil Company Limited	351,823	194,000	-	351,823	194,000	55,732	1,533	5.05	5.45	0.11
Pakistan Oilfield Limited	1,046,960	600	-	814,006	233,554	53,396	15,727	6.09	6.58	0.10
Pakistan Petroleum Limited	1,296,961	-	110,422	1,102,850	304,533	43,886	22,243	5.83	6.30	0.03
						153,014	39,503	16.97		
CHEMICALS										
Engro Corporation Limited	1,121,613	221,100	-	797,486	545,227	87,348	18,323	9.31	10.06	0.17
Fauji Fertilizer Bin Qasim Limited	3,850,904	-	-	2,407,500	1,443,404	41,949	51,573	4.55	4.91	0.15
I.C.I Pakistan Limited	1,234,635	100	-	791,521	443,214	67,688	(3,759)	5.63	6.09	0.32
Lotte Pakistan PTA Limited	-	1,155,714	-	-	1,155,714	14,979	15,833	1.40	1.51	0.08
						211,963	25,042	20.89		
GENERAL INDUSTRIALS										
Packages Limited	1,584,943	-	-	842,454	742,489	111,346	(15,855)	8.42	9.09	0.88
						111,346	(15,855)	8.42		
AUTOMOBILE AND PARTS										
Pak Suzuki Motor Company Limited	191,550	-	-	50,000	141,550	22,620	(12,737)	0.87	0.94	0.17
						22,620	(12,737)	0.87		
HOUSEHOLD GOODS										
Pakistan Elektron Limited	2,959,750	-	-	2,959,750	-	-	-	-	-	-
PERSONAL GOODS										
Nishat Mills Limited	2,703,505	3,600	-	1,858,000	849,10	543,975	10,512	4.80	5.19	0.24
						43,975	10,512	4.80		
TOBACCO										
Pakistan Tobacco Company Limited	22,500	-	-	22,500	-	-	-	-	-	-
PHARMA AND BIO TECH										
Seahle Pakistan Limited	116,899	-	-	116,899	-	-	-	-	-	-
FIXED LINE TELECOMMUNICATION										
Pakistan Telecommunication Company Limited "A"	-	74,700	-	-	74,700	1,436	14	0.13	0.14	0.00
Wateen Telecom Limited	2,000,000	9	-	2,000,009	-	-	-	-	-	-
						1,436	14	0.13		

Name of the Investee Company	Number of shares					Balance as at December 31, 2010				Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
	As at July 1, 2010	Purchases during the period	Bonus/Rights issue	Sales during the period	As at December 31, 2010	Cost	Market value	Appreciation/(Diminution)	Market value as a percentage of net assets		

ELECTRICITY												
Hub Power Company Limited	3,905,168	483,700	-	2,500,600	1,888,268	61,901	70,640	8,739	6.23	6.73	0.16	
Kot Addu Power Company Limited	4,174,324	-	-	2,905,315	1,269,009	60,322	51,623	(8,698)	4.55	4.92	0.14	
						122,223	122,263	40	10.78			
BANKS												
Allied Bank Limited	1,875,476	102,642	-	1,149,103	829,015	49,225	58,155	8,930	5.13	5.54	0.11	
Bank AL-Habib Limited	515,000	-	-	515,000	-	-	-	-	-	-	-	
National Bank of Pakistan	-	445,674	-	-	445,674	31,177	34,237	3,060	3.02	3.26	0.03	
United Bank Limited	-	654,200	-	-	654,200	41,829	44,636	2,807	3.93	4.25	0.05	
						122,231	137,028	14,797	12.08			
						788,809	850,126	61,317				

6.2 Government Securities 'at fair value through profit or loss'

Issue Date	Tenor	Face Value			Balance as at December 31, 2010				Market value as a percentage of total investments
		As at July 1, 2010	Purchases during the period	Sales / Matures during the period	As at December 31, 2010	Cost	Market Value	Appreciation/(Diminution)	

Pakistani Investment Bonds

September 3, 2009	5 Years	25,000	-	25,000	-	-	-	-	-
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	-

Treasury Bills

January 14, 2010	6 Months	-	100,000	100,000	-	-	-	-	-
February 25, 2010	6 Months	-	100,000	100,000	-	-	-	-	-
June 3, 2010	6 Months	-	223,000	223,000	-	-	-	-	-
April 8, 2010	3 Months	25,000	-	25,000	-	-	-	-	-
April 22, 2010	3 Months	135,000	175,000	310,000	-	-	-	-	-
May 20, 2010	3 Months	150,000	-	150,000	-	-	-	-	-
July 15, 2010	3 Months	-	250,000	250,000	-	-	-	-	-
August 13, 2010	3 Months	-	345,000	345,000	-	-	-	-	-
August 26, 2010	3 Months	-	100,000	100,000	-	-	-	-	-
September 9, 2010	3 Months	-	455,000	455,000	-	-	-	-	-
October 7, 2010	3 Months	-	200,000	200,000	-	-	-	-	-
October 21, 2010	3 Months	-	339,500	287,500	52,000	51,781	(8)	4.56	4.93
November 4, 2010	3 Months	-	585,000	485,000	100,000	99,087	4	8.73	9.44
December 2, 2010	3 Months	-	325,000	325,000	-	-	-	-	-
December 18, 2010	3 Months	-	50,000	50,000	-	-	-	-	-
September 26, 2009	12 Months	50,000	-	50,000	-	-	-	-	-
October 8, 2009	12 Months	75,000	-	75,000	-	-	-	-	-
July 29, 2010	12 Months	-	253,000	253,000	-	-	-	-	-
						150,873	150,869	(4)	

6.3 Listed equity securities - 'available for sale'
(Face value of Rs. 10/- each unless stated otherwise)

Name of the Investee Company	Number of shares					Balance as at December 31, 2010			Market value as a % of total paid up capital of the investee company
	As at July 1, 2010	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2010	Cost less impairment	Market value	(Diminution)/ Appreciation	
-----Rupees in '000'-----									
CHEMICALS									
Fauji Fertilizer Company Limited	808,463	-	-	486,000	322,463	21,508	40,586	19,078	3.58
						<u>21,508</u>	<u>40,586</u>	<u>19,078</u>	<u>3.58</u>
AUTOMOBILE AND PARTS									
Pak Suzuki Motor Company Limited	83,820	-	-	-	83,820	4,571	5,852	1,281	0.52
						<u>4,571</u>	<u>5,852</u>	<u>1,281</u>	<u>0.52</u>
PERSONAL GOODS									
Kohinoor Mills Limited	934,626	-	-	-	934,626	2,953	2,748	(206)	0.24
Kohinoor Textile Mills Limited	1,031,482	-	-	1,031,482	-	-	-	-	-
Reliance Weaving Mills Limited	833,422	-	-	833,422	-	-	-	-	-
						<u>2,953</u>	<u>2,748</u>	<u>(206)</u>	<u>0.24</u>
						<u>29,032</u>	<u>49,186</u>	<u>20,154</u>	

6.4 The above includes shares with a market value aggregating to Rs 51,837 million (June 2010: Rs 44,660 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of circular no 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

	(Unaudited) December 31 2010	(Audited) June 30 2010
	-----(Rupees in '000')----	
6.5 Net unrealised appreciation / (diminution) in value of investments at fair value through profit or loss		
Market value of investments	1,000,995	2,273,303
Less: Cost of investments	<u>(939,682)</u>	<u>(2,471,957)</u>
	61,313	(198,654)
Add: Realised on disposal during the period	<u>(130,425)</u>	<u>(364,514)</u>
Less: Net unrealised diminution in value of investments at fair value through profit or loss at the beginning of the period	<u>198,654</u>	<u>533,391</u>
	<u><u>129,542</u></u>	<u><u>(29,777)</u></u>
6.6 Net unrealised (diminution) / appreciation in value of investments classified as 'available for sale'		
Market value of investments	49,186	106,224
Less: Cost less impairment	<u>(29,032)</u>	<u>(70,515)</u>
	20,154	35,709
Impairment loss on financial assets classified as 'available for sale'- transferred to Income Statement	<u>383</u>	1,589
	<u>20,537</u>	37,298
Less: Net unrealised diminution in value of investments at the beginning of the period	<u>(37,298)</u>	<u>(27,146)</u>
	<u><u>(16,761)</u></u>	<u><u>10,152</u></u>
7. PAYABLE TO THE MANAGEMENT COMPANY		
Management fee	2,272	4,228
Net income / (loss) for the period transferred from distribution statement	<u>7,600</u>	-
	<u><u>9,872</u></u>	<u><u>4,228</u></u>
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 (the Ministry) issued a letter which states that mutual funds are not liable for WWF. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds for the recovery of WWF. On December 14, 2010, the Ministry filed its response contesting the said petition. The legal proceedings in respect of the aforementioned petition are currently in progress.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence no provision of Re 0.08 per unit has been made in respect of WWF.

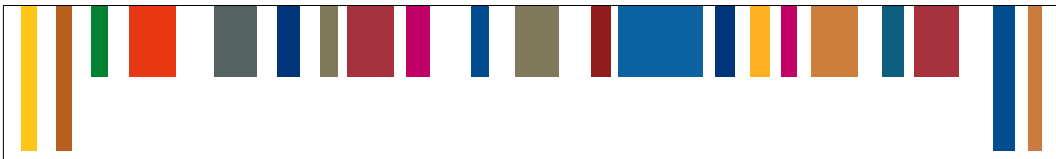
9. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), Arif Habib Securities Limited being the holding company of AHI, Arif Habib Limited and Thatta Cement Limited being companies under common control, Summit Bank Limited (formerly Arif Habib Bank Limited) and Pak Arab Fertilizer being companies under common directorship, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company and directors

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of NBFC regulations and Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on an agreed terms.

Detail of transactions with connected persons and balances with them at period end are as follows:

9.1 Transactions during the period	Half year ended		Quarter ended	
	December 31 2010	2009	December 31 2010	2009
	----- (Rupees in '000') -----			
Management Company				
Remuneration	22,032	28,737	9,559	13,147
Redemption of 14,127,000 units (2009: Nil)	114,529	-	114,529	-
Trustee				
Remuneration	1,207	1,200	612	615
CDS charges for conversion	5,731	-	5,731	-
CDS eligibility charges	34	34	17	17
Other charges	143	173	57	97
Arif Habib Limited - Brokerage house				
Brokerage *	771	242	494	90
Summit Bank Limited (formerly Arif Habib Bank Limited)				
Redemption of 2,237,000 units (2009: Nil)	18,411	-	18,411	-
Mark up income during the period	2,156	9,769	1,339	1,684
Bank charges	48	-	48	-
Pakistan Income Enhancement Fund				
Sale of Term Finance Certificates				
United Bank Limited - (February 14, 2008) (2009: 20,000 certificates)	-	91,897	-	-
Arif Habib Corporation				
Redemption of 45,403,658 units (2009: Nil)	355,283	-	355,283	-
Trustee - Arif Habib Investments Employee Provident Fund				
Redemption of 380,902 units (2009: Nil)	3,017	-	3,017	-
Trustee - Arif Habib Investments Employee Stock Beneficial Ownership Trust				
Redemption of 61,000 units (2009: Nil)	483	-	483	-
Directors and executives of the Management Company				
Issue of 555,763 units (2009: Nil) and 555,763 units (2009: Nil) for the six months and quarter respectively	4,360	-	4,360	-
Redemption of 480,941 units (2009: Nil) and 480,941 units (2009: Nil) for the six months and quarter respectively	3,770	-	3,770	-
			(Unaudited) December 31 2010	(Audited) June 30 2010
9.2 Balances outstanding as at the period end			----- (Rupees in '000') -----	
Management Company				
Units / certificates held 1,502,000 (June 30, 2010: 15,629,000 certificates)			12,617	156,290
Remuneration payable			2,272	4,228
Conversion cost payable			7,600	-
Trustee				
Remuneration payable			199	199
Other payables			11	32
Security deposit			300	300



	(Unaudited) December 31 2010	(Audited) June 30 2010
	----- (Rupees in '000') -----	
Arif Habib Limited - Brokerage house		
Brokerage payable	150	110
Summit Bank Limited (formerly Arif Habib Bank Limited)		
Units / certificates held Nil (June 30, 2010: 2,237,000 certificates)	-	22,370
Balance with bank	12,269	16,955
Accrued mark-up	94	303
Arif Habib Corporation		
Units / certificates held Nil (June 30, 2010: 45,403,658 Certificates)	-	454,037
Trustee - Arif Habib Investments Employee Provident Fund		
Units / certificates held Nil (June 30, 2010: 380,902 certificates)	-	3,809
Trustee - Arif Habib Investments Employee Stock Beneficial Ownership Trust		
Units / certificates held Nil (June 30, 2010: 61,000 certificates)	-	610

10. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information were authorised for issue on February 19, 2011 by the Board of Directors of the Management Company.

11. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

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

Chief Executive

Director