

PAKISTAN ISLAMIC PENSION FUND



PIPF

QUARTERLY REPORT SEPTEMBER 30, 2010 (Unaudited)

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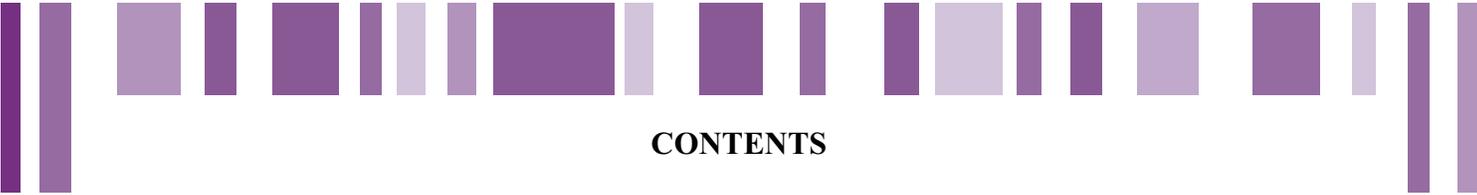
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FUND'S INFORMATION

Pension Fund Manager

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

Board of Directors of the Pension Fund Manager

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 Pension Fund Manager

Mr. Z eeshan

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 (MCBFSL)
3rd Floor, Adamjee House,
I.I. Chundrigar Road, Karachi.

Bankers

Bank AL Habib Limited
Summit Bank Limited (formerly :Arif Habib Bank Limited)
Deutsche Bank A.G.
Standard Chartered Bank (Pakistan) Limited
The Bank Of Punjab

Auditors

M . Yousuf Adil Saleem & Co. - Chartered Accountants
Cavish Court, A-35, Block 7 & 8,
KCHSU, Sharae Faisal,
Karachi-75350

Legal Adviser

Bawaney & 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.



REPORT OF THE DIRECTORS OF THE FUND MANAGER FOR THE QUARTER ENDED SEPTEMBER 30, 2010

The Board of Directors of Arif Habib Investments Limited, the Fund Manager of Pakistan Islamic Pension Fund (PIPF), is pleased to present its report together with the Condensed Interim Financial Statements for the quarter ended September 30, 2010.

Fund Objective

The objective of the Fund is to provide a flexible retirement savings plan for individuals with customized investment choices in Shariah compliant assets.

Fund Profile

The Pakistan Islamic Pension Fund (PIPF), under the Voluntary Pension System (VPS) was launched on November 02, 2007.

PIPF is a flexible savings cum investment plan under Voluntary Pension Scheme (VPS) which facilitates all individuals who are Pakistani nationals, to save for their retirement in a systematic way, topping up their savings with investment returns at their desired investment exposure and granting them special tax benefits, with numerous valuable options before, at and after retirement while maintaining compliance with Shariah. The scheme can be used as a replacement for any existing Provident, Pension or Gratuity funds, or can be entered into alongside these funds. Systematic transitions of the existing Provident/Gratuity/Pension schemes to the VPS are also possible in a manner that allows maximum tax credit to the concerned.

VPS carries clear advantages over existing saving funds. Most obvious ones are individualized asset allocation, double tax advantages and minimal administration cost, avoiding complications associated with Defined Benefit Schemes.

PIPF is a long only scheme and is not allowed to undertake leveraged investments.

Fund Performance during quarter ended September 30, 2010

Equity sub-fund

The net assets of the sub-fund as at September 30, 2010 stood at Rs 32.99 million as compared to Rs 31.78 million at the beginning of the quarter, registering a positive change of 3.81%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 91.84 as compared to Rs 89.83 at the beginning of the quarter, registering an increase of Rs 2.01 per unit.

Debt sub-fund

The net assets of the sub-fund as at September 30, 2010 stood at Rs 42.11 million as compared to Rs 41.69 million at the beginning of the quarter, registering a positive change of 1.01%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 127.48 as compared to Rs 124.66 at the beginning of the quarter, registering an increase of Rs 2.82 per unit.

Money Market sub-fund

The net assets of the sub-fund as at September 30, 2010 stood at Rs 36.86 million as compared to Rs 36.33 million at the beginning of the quarter, registering a positive change of 1.46%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 119.04 as compared to Rs 117.23 as at the beginning of the quarter, registering an increase of Rs 1.81 per unit.

Future Outlook and Fund Performance

Future outlook and fund performance is fully explained in fund manager report attached to this report.

Acknowledgement

The Board of Directors of the Pension Fund Manager 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, MCB Financial Services Limited (the Trustee of the Fund) for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Pension Fund Manager for the growth and meticulous management of the Fund.

For and on behalf of the Board

Karachi
Nasim Beg

October 25, 2010

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

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VPS carries clear advantages over existing saving funds. Most obvious ones are tax savings, individualized asset allocation, minimal administration and avoiding complications associated with Defined Benefit Schemes.

PIPF is a long only scheme and is not allowed to undertake leveraged investments.

Fund Performance during the quarter ended September 30, 2010

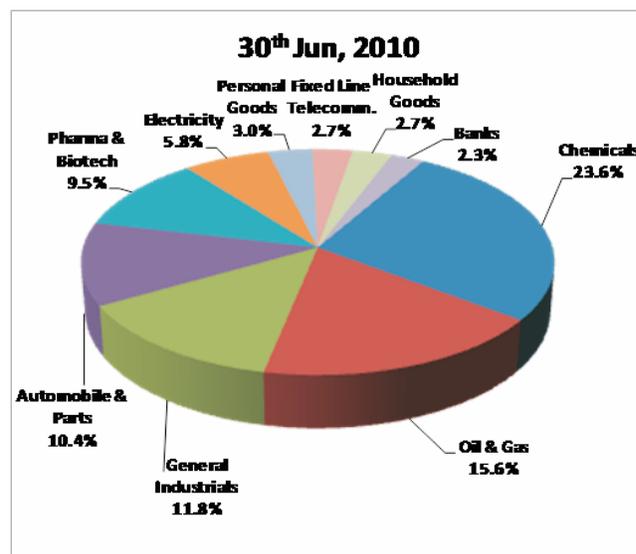
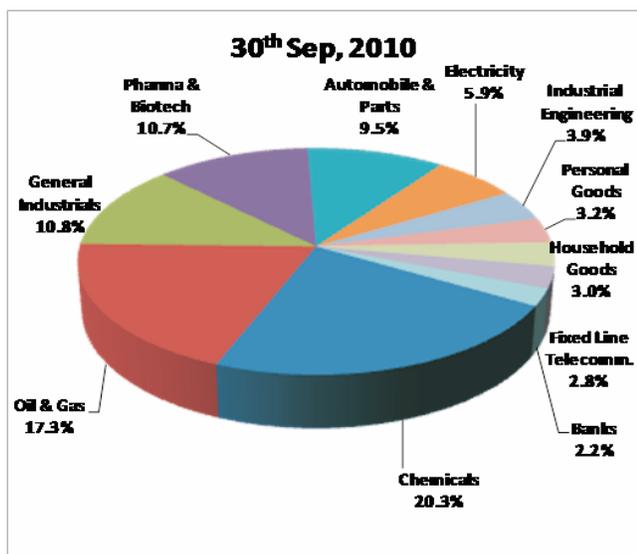
Net assets of Pakistan Islamic Pension fund have reached Rs 111.9 million as compared to Rs 109.8 million at the end of corresponding quarter of last year. Equity Sub Fund

Equity Sub Fund NAV increased 2.24% during 1QFY11 as compared to an increase of 7.61% in KMI 30. Underperformance in the sub fund was largely contributed by Packages (down 14.7% during quarter) and PSMC (down 12.6% during quarter). On the other hand, PPL, POL, FFBL and Searle outperformed and contributed positively to the sub fund's return.

	PIPF-EQ	KMI-30
Jul-10	7.37%	9.61%
Aug-10	-4.81%	-4.81%
Sep-10	0.03%	3.14%

Equity exposure of the sub fund was enhanced to 89.61% from 87.33% at the beginning of the quarter. Following major activities were carried by the funds during quarter under review.

- Exposure in oil and gas was increased to 17.32% from 15.63% previously considering rising oil prices and strong fundamentals of the sector. Fund accumulated PPL and POL in the sector.
- Exposure in Searle pharmaceuticals has been increased to 8.96% from 7.7% previously due to attractive valuations.
- Chemical sector weight has been reduced to 20.34% from 23.57%, reducing exposure in fertilizer stocks.



Top 10 holdings on September 30, 2010	
Searle Pakistan Ltd.	8.96%
Pakistan Oilfields Ltd.	8.80%
Pakistan Petroleum Ltd.	8.52%
Packages Ltd.	7.93%
ICI Pakistan Ltd.	6.23%
Fauji Fertilizer Bin Qasim Ltd.	6.04%
Hub Power Co . Ltd.	5.85%
Agriauto Industries Ltd.	5.58%
Fauji Fertilizer Company Ltd.	4.80%
Pak Suzuki Motor Co. Ltd.	3.92%

Top 10 holdings on June 30, 2010	
Packages Ltd.	8.85%
Fauji Fertilizer Bin Qasim Ltd.	7.99%
Pakistan Petroleum Ltd.	7.98%
Searle Pakistan Ltd.	7.69%
Pakistan Oilfields Ltd.	7.65%
ICI Pakistan Ltd.	6.02%
Hub Power Co Ltd.	5.83%
Fauji Fertilizer Co. Ltd.	5.74%
Agriauto Industries Ltd.	5.71%
Pak Suzuki Motor Co. Ltd.	4.66%

Debt Sub Fund

The Debt sub fund annualized return was 8.97% during the quarter. No major activity was done in the sub fund. About 77.5% of the net assets were invested in GIS Sukuk and 3.7% were in corporate Sukuks. Rest of the amount is placed with banks. Debt sub fund net assets were Rs 42.11 million by the quarter end.

Money market sub fund

Money market sub fund annualized return during the quarter was 6.13%. No major action was carried by the fund. About 27.6% of net assets were in GIS Sukuk and remaining was in bank deposits. The sub fund net assets have reached Rs 36.86 million by the end of September.

Stock market review and outlook

The KSE-100 gained 3% to 10,013 during the 1st quarter of FY11 (July-September 2010). Trading activity fell sharply lower to 62 million average daily turnover (compared to last fiscal year average of 132 million) following the introduction of capital gains tax from July, delays in the introduction of margin trading system and declining local investors' confidence due to slowing economy/higher interest rates. The market witnessed sharp correction of 9.5% in August as massive floods hit the country causing huge devastation. However, the market brushed aside all these negative developments and bounced back by September amid continuing strong foreign investors' inflows and no significant direct impact of floods on major corporate entities listed on the stock exchanges. The rebound in KSE also coincided with sharp gains in other emerging markets particularly India, Sri Lank and Bangladesh.

Pakistan equity market has shown quite resilience in the recent past to the negative developments on the macroeconomic front with slowing GDP growth and rising domestic interest rates. We have a cautious stance on equities for the near term due to lack of any positive triggers on the economic and political front. Amidst low domestic investors' interest, foreign investors will play a dominant role in setting the market direction and events in emerging market equities will likely have profound impact on the local market. At present local equities are trading at an average PE of 8.3 sharply lower than emerging markets averages ranging between 14.3x - 27.9x. However, given the high domestic equity risk premium coupled with higher interest rates, Pakistani equities might not record any significant upside in the near term.

1Q FY11 Economic Review

Major event during 1QFY11 was the worst ever flood that affected around 10% of the population. The flood related damages and remedial steps were the major concern for policy makers. Preliminary assessment by World Bank and Asian Development Bank indicates a loss of US\$ 9.5 billion (approx. 6% of GDP), out of which crops and live stock damages are estimated at US\$5 billion approx. The immediate economic effect of the flood has already been reflected in inflation numbers where sharp increase in food prices (particularly perishable items) has jacked up the September, 2010 CPI at 17 months high of 15.7%. External side remains weak and is highly dependent on IMF and donors' support. Current account deficit has increased by 49% in first 2 months of 1QFY11 on the back of swollen goods and services deficit. Only positive was August, 2010 remittances number which was up 19% on a monthly basis. The concern of rising inflation along with mounting twin deficits were the major reasons behind the SBP's two consecutive rate hikes in the preceding quarter. Discount rate has now reached 13.5% after the September policy action.

Real Sector

The GDP growth targets along with fiscal and external targets have been revised downwards. The government expects GDP to grow between 2.5 - 3.5% from prior-flood estimate of 4.5%. The production number of July has been released where LSM grew by 3.05% as compared to -1.07% growth in the corresponding month of last year. A key area to watch will be the growth numbers in upcoming months which will show the actual production loss due to the floods.

Monetary Sector

Money supply numbers, during the quarter (From June 30 to Oct 1), grew by 0.6% versus negative growth of -0.03% in the corresponding quarter of last year. Net Foreign Assets (NFA) were at Rs35.4 billion while net Domestic Assets (NDA) were at Rs-0.5 billion. Government borrowing after touching Rs220 billion as on September 24, 2010 has come down to Rs 200 billion, still a high number and a major cause of concern for the central bank. Credit to private sector and public sector enterprises (PSEs) collectively showed a net retirement of Rs 68 billion. Retirement of loan by PSEs reflects the partial payment release by Ministry of Finance under the circular debt issue. Furthermore, net retirement of credit by private sector in this quarter is a normal phenomenon. Next quarter is crucial where seasonal borrowing of private sector for working capital requirement is at its peak. It will determine the real investment climate and the 'crowding out' effect of government borrowing.

Prices

The CPI inflation posted a considerable increase for September, 2010 to reach 17 months highest number of 15.71% against 10.12% in the corresponding period of last year. On the other hand, core inflation numbers at 9.4% are on an 18 months low. It explains the abnormal movement of energy and food prices. In September food inflation was 21.24% YoY with perishable food items posting a staggering 53.8% increase over September, FY10. This increase in prices is due to the supply shortage of food items after the floods. Overall, SBP has revised CPI estimate to 13.5-14.5% for FY 11 from its initial estimate of 12.5%.
Fiscal Sector

Fiscal deficit of 6.3% for FY10 (numbers released in September) has surpassed the earlier estimates of 4.5%. Given the higher deficit of last year, the initial estimate of 4% for FY11 appears to be unrealistic given the flood shock to the economy, which is likely to lead to both lower-than-targeted tax collection numbers (due to economic slowdown) and rising expenditures for the rehabilitation of flood affectees. Additional external funding and higher donors support could mitigate pressure on fiscal side.

External Sector

External sector has observed deterioration with the beginning of FY11. This is explained by an increase in the Current Account Deficit (CAD), which stands at \$944 million from July - August, FY11 against \$635 million in the same period last year. According to the latest figures available, Foreign Direct Investment (FDI) fell by 50.2% from July-August, FY11 to \$171.4 million against \$344 million in the same period of the preceding year. On the other hand, forex reserves are on an all-time high and stood at \$16.9 billion as of September 30, 2010 amid inflows from IMF, World Bank and higher remittances. The 1QFY11's remittances were up by 13.5% (\$2.646 billion) against \$2.3312 billion in the same quarter of last year.

**CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2010**

	Unaudited			Audited		
	-----2010-----					
	Note	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	June 30, 2010
-----Rupees-----						
Assets						
Bank balances		2,767,769	7,595,443	26,295,546	36,658,758	20,347,990
Investments (as per Statement of Investments by Category)		29,562,055	34,171,277	10,162,000	73,895,332	86,469,751
Dividend receivable		405,081	-	-	405,081	85,400
Profit receivable		4,898	236,403	304,866	546,167	1,855,643
Formation cost		-	-	-	-	30,387
Deposits and other receivable	5	370,635	283,540	228,864	883,039	1,588,094
Total assets		33,110,438	42,286,663	36,991,276	112,388,377	110,377,265
Liabilities						
Payable to the Pension Fund Manager		40,661	51,617	45,221	137,499	133,361
Payable to the Trustee		5,393	6,847	5,998	18,238	17,715
Payable to auditors		50,177	63,141	56,204	169,522	295,001
Annual fee payable to the Securities and Exchange Commission of Pakistan		2,755	3,515	3,070	9,340	34,179
Front end load payable		-	-	-	-	-
Accrued and other liabilities	6	21,604	52,943	17,306	91,853	95,676
Taxation payable		-	63	-	63	329
Total liabilities		120,590	178,126	127,799	426,515	576,261
NET ASSETS		<u>32,989,848</u>	<u>42,108,537</u>	<u>36,863,477</u>	<u>111,961,862</u>	<u>109,801,004</u>
Participants Sub-Funds (as per Statement of Movement in Participants' sub funds)		<u>32,989,848</u>	<u>42,108,537</u>	<u>36,863,477</u>		
Number of units in issue		<u>359,220</u>	<u>330,311</u>	<u>309,665</u>		
Net Asset Value per unit		<u>91.84</u>	<u>127.48</u>	<u>119.04</u>		

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	-----For the quarter ended September 30, 2010-----				For the quarter ended September 30, 2009
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Sub-Fund	Total	
	-----Rupees-----				
Income					
Income from Government Ijarah sukuk	-	1,013,100	322,923	1,336,023	867,532
Income from term finance certificates and sukuk bonds	-	90,297	-	90,297	-
Income from Certificate of Investments	-	-	127,863	127,863	-
Income from Term Deposit receipt of Investments	-	-	120,063	120,063	-
Capital gain / (loss) on sale of investments	334,236	-	-	334,236	822,670
Dividend income	451,856	-	-	451,856	553,340
Profit on bank accounts	4,998	110,624	220,024	335,646	665,366
Impairment loss on 'available-for-sale' investments	(701,073)	-	-	(701,073)	-
Element of (loss) / income and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(52,999)	(95,085)	(3,404)	(151,488)	(67,800)
Total income / (loss)	37,021	1,118,936	787,472	1,943,429	2,841,108
Expenses					
Remuneration of the Pension Fund Manager	123,988	158,190	138,162	420,340	363,104
Remuneration of the Trustee	16,449	20,986	18,329	55,764	48,415
Annual fee-Securities and Exchange Commission of Pakistan	2,755	3,515	3,070	9,340	8,069
Auditors' remuneration	29,193	37,232	32,596	99,021	89,891
Custody and settlement charges	5,424	1,587	1,500	8,511	5,597
Securities transaction cost	-	-	-	-	8,687
Bank charges	232	1,353	232	1,817	1,098
Amortization of formation cost	10,129	10,129	10,129	30,387	37,773
Legal and professional charges	15,527	19,815	17,305	52,647	17,645
Total expenses	203,697	252,807	221,323	677,827	580,279
Net income / (loss) before taxation	(166,676)	866,129	566,149	1,265,602	2,260,829
Provision for taxation	50	11,857	7,911	19,818	7,665
Net income / (loss) after taxation	(166,726)	854,272	558,238	1,285,420	2,253,164
Other comprehensive income					
Net unrealized gain / (loss) during the period in the market value of investments classified as 'available-for-sale'	807,541	(12,490)	-	795,051	4,834,908
Total comprehensive income / (loss) for the period	640,815	841,782	558,238	2,080,471	7,088,072
(Loss) / Earnings per unit	(0.47)	2.57	1.82		

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	-----For the quarter ended September 30, 2010-----				For the quarter ended September 30, 2009
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money- Market Sub-Fund	Total	
	-----Rupees-----				
Cash Flows From Operating Activities					
Net (loss) / income for the period before taxation	(166,676)	866,129	566,149	1,265,602	2,260,829
Adjustments :					
Amortisation of formation cost	10,129	10,129	10,129	30,387	37,773
Unrealized appreciation in fair value of investments 'at fair value through profit or loss'	-	-	-	-	-
Impairment loss on investments classified as 'Available-for- Sale'	701,073	-	-	701,073	-
Elements of income/(loss) and capital gains / (losses) in prices of units issued less those in units redeemed - net	52,999	95,085	3,404	151,488	67,800
	764,201	105,214	13,533	882,948	105,573
(Increase) / Decrease in assets					
Investments	(1,700,137)	168,535	14,200,000	12,668,398	(16,857,312)
Dividend receivable	(319,681)	-	-	(319,681)	(164,490)
Profit receivable	(225)	961,817	347,884	1,309,476	410,658
Deposits and other receivables	815,459	(82,540)	(27,864)	705,055	(300,000)
	(1,204,584)	1,047,812	14,520,020	14,363,248	(16,911,144)
(Decrease) / Increase in liabilities					
Remuneration payable to Pension Fund Manager	1,922	1,391	825	4,138	(111,347)
Remuneration payable to the Trustee	247	175	101	523	1,396
Annual fee payable to the Securities and Exchange Commission of Pakistan	(7,244)	(9,086)	(8,509)	(24,839)	(21,028)
Payable to auditors	(36,374)	(45,555)	(43,550)	(125,479)	(69,110)
Front end load payable	-	-	-	-	-
Accrued and other liabilities	(46,070)	52,943	(10,696)	(3,823)	(93,306)
	(87,519)	(132)	(61,829)	(149,480)	(293,395)
Taxation paid	(50)	(11,957)	(8,078)	(20,085)	-
Net cash (outflow) / inflow on operating activities	(694,628)	2,007,066	15,029,795	16,342,233	(14,838,137)
Cash Flows From Financing Activities					
Receipt of contribution	1,112,060	964,857	306,748	2,383,665	527,190
Payment against withdrawal	(596,951)	(1,483,004)	(335,175)	(2,415,130)	(354,716)
Net cash inflow / (outflow) from financing activities	515,109	(518,147)	(28,427)	(31,465)	172,474
Net (decrease) / increase in cash and cash equivalents	(179,519)	1,488,919	15,001,368	16,310,768	(14,665,663)
Cash and cash equivalents at the beginning of the period	2,947,288	6,106,524	11,294,178	20,347,990	43,463,250
Cash and cash equivalents at the end of the period	2,767,769	7,595,443	26,295,546	36,658,758	28,797,587

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN PARTICIPANTS SUB-FUNDS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	-----For the quarter ended September 30, 2010-----				For the quarter Ended September 30, 2009
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub -Fund	Total	
----- Rupees -----					
Net assets at the beginning of the period	31,780,925	41,689,817	36,330,262	109,801,004	92,245,298
Amount received on issue of units	1,112,060	964,857	306,748	2,383,665	527,190
Amount paid on redemption of units	(596,951)	(1,483,004)	(335,175)	(2,415,130)	(354,716)
	515,109	(518,147)	(28,427)	(31,465)	172,474
Element of loss / (income) and capital loss / (gains) Included in prices of units issued less those in units redeemed - net					
- amount representing (accrued income) / loss and realised (capital gain) / losses - net	52,999	95,085	3,404	151,488	67,800
- amount representing unrealised diminution / (appreciation) in fair value of investments - net	(24,721)	10,347	117	(14,257)	21,705
	28,278	105,432	3,521	137,231	89,505
Net unrealized (loss) / gains during the period in the market value of investments classified as 'available- for- sale'	807,541	(12,490)	-	795,051	4,834,908
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed-amount representing unrealised appreciation/(diminution) in fair value of investments - net	24,721	(10,347)	(117)	14,257	(21,705)
Capital gain on sale of investments- net	334,236	-	-	-	822,670
Other net income	(500,962)	854,272	558,238	1,245,784	1,430,494
Net income / (loss) / for the period after taxation	(166,726)	854,272	558,238	1,245,784	2,253,164
Net assets at the end of the period	32,989,848	42,108,537	36,863,477	111,961,862	99,573,644

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF INVESTMENTS BY CATEGORY (UNAUDITED)
AS AT SEPTEMBER 30, 2010**

	PIPF Equity Sub- Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub-Fund	Total	Audited June 30, 2010
	-----Rupees-----				
Available for sale investments (As per Statement of Investment Portfolio)					
Listed equity securities	29,562,055	-	-	29,562,055	27,755,450
Government Ijarah - Sukuk	-	32,619,532	10,162,000	42,781,532	42,781,532
Sukuk Certificates	-	1,551,745	-	1,551,745	1,732,769
Certificate of Investments	-	-	-	-	7,100,000
Term Deposit Receipts	-	-	-	-	7,100,000
Investments at market value	<u>29,562,055</u>	<u>34,171,277</u>	<u>10,162,000</u>	<u>73,895,332</u>	<u>86,469,751</u>

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT SEPTEMBER 30, 2010**

**PIPF EQUITY SUB- FUND
LISTED SHARES - 'AVAILABLE- FOR- SALE'**

Name of the Investee company	As at July 1, 2010	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at September 30, 2010	---Balance as at September 30, 2010---			Market value as a % of net assets of the sub fund	% of paid up capital of the investee company
						Cost less impairment	Market value	Appreciation / (Diminution)		
(-----Number of shares-----)						-----Rupees-----				
OIL & GAS PRODUCERS										
Pakistan Oilfields Limited	11,266	2,000	-	1,028	12,238	1,780,835	2,901,997	1,121,162	8.80	0.0052
Pakistan Petroleum Limited	13,770	1,745	2,717	1,926	16,306	2,338,399	2,811,317	472,918	8.52	0.0016
						4,119,234	5,713,314	1,594,080	17	
CHEMICALS										
Fauji Fertilizer Bin Qasim Limited	97,500	-	-	24,000	73,500	1,690,424	1,991,850	301,426	6.04	0.0079
Fauji Fertilizer Company Limited	17,700	-	-	2,600	15,100	1,306,019	1,583,084	277,065	4.80	0.0022
ICI Pakistan Limited	16,145	1,416	-	-	17,561	2,174,930	2,056,393	(118,537)	6.23	0.0127
Sitara Chemicals Industries Limited	9,000	-	-	-	9,000	1,505,610	1,079,010	(426,600)	3.27	0.0000
						6,676,983	6,710,337	33,354	20	
GENERAL INDUSTRIALS										
Tri-pack Films Limited	9,658	-	-	-	9,658	1,015,265	956,142	(59,123)	2.90	0.0032
Packages Limited	23,730	2,170	-	-	25,900	3,351,688	2,615,900	(735,788)	7.93	0.0307
						4,366,953	3,572,042	(794,911)	11	
INDUSTRIAL ENGINEERING										
Alghazi Tractors	-	6,000	-	-	6,000	1,305,761	1,284,480	(21,281)	3.89	0.0215
						1,305,761	1,284,480	(21,281)	4	
AUTOMOBILE AND PARTS										
Pak Suzuki Motor Company Limited	18,664	-	-	-	18,664	642,035	1,293,229	651,194	3.92	0.0227
Agriauto Industries	26,287	-	-	-	26,287	1,922,040	1,840,090	(81,950)	5.58	0.1825
						2,564,075	3,133,319	569,244	10	
HOUSEHOLD GOODS										
Pak Elektron Limited	71,309	-	-	-	71,309	845,012	998,326	153,314	3.03	0.0668
						845,012	998,326	153,314	3	
PERSONAL GOODS										
Thal Limited	10,000	-	-	-	10,000	901,331	1,061,600	160,269	3.22	0.0391
						901,331	1,061,600	160,269	3	
PHARMA AND BIO TECH										
Searle Pakistan Limited	41,400	6,298	-	-	47,698	2,613,400	2,957,276	343,876	8.96	0.1557
Ferozsons Laboratories Limited	5,507	-	-	-	5,507	655,726	561,604	(94,122)	1.70	0.0264
						3,269,126	3,518,880	249,754	11	
FIXED LINE TELECOMMUNICATION										
Pakistan Telecommunication Company Limited 'A'	48,800	-	-	-	48,800	709	917,440	916,731	2.78	0.0013
						709	917,440	916,731	3	
ELECTRICITY										
The Hub Power Company Limited	58,000	-	-	-	58,000	1,864,632	1,930,820	66,188	5.85	0.0050
						1,864,632	1,930,820	66,188	6	
BANKS										
Mezan Bank Limited	49,350	-	-	-	49,350	754,181	721,497	(32,684)	2.19	0.0071
						754,181	721,497	(32,684)	2	
Total for Equity Sub-Fund						26,667,997	29,562,055	2,894,058	90	

Total	
Unaudited September 30, 2010	Audited June 30, 2010
-----Rupees-----	
29,562,055	27,755,450

Market value

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF OTHER INVESTMENTS (UNAUDITED)
AS AT SEPTEMBER 30, 2010**

PAGE 1 OF 2

AVAILABLE-FOR-SALE'

Name of Investments	Face value				As at September 30, 2010			% of net assets
	As at July 1, 2010	Purchases during the year	Sales / Matured during the year	As at September 30, 2010	Cost	Market value	Appreciation/ (Diminution)	

-----Rupees-----

PIPF DEBT SUB-FUND

Government Ijarah Sukuk	32,000,000	-	-	32,000,000	32,000,325	32,619,532	619,207	77.47
	32,000,000	-	-	32,000,000	32,000,325	32,619,532	619,207	77.47

PIPF MONEY MARKET SUB-FUND

Government Ijarah Sukuk	10,000,000	-	-	10,000,000	10,000,000	10,162,000	162,000	24.13
	10,000,000	-	-	10,000,000	10,000,000	10,162,000	162,000	24.13

Total

	42,000,000	-	-	42,000,000	42,000,325	42,781,532		
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Total	
Unaudited September 30, 2010	Audited June 30, 2010

-----Rupees-----

Market Value

42,781,532	42,781,532
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The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF OTHER INVESTMENTS (UNAUDITED)
AS AT SEPTEMBER 30, 2010**

PAGE 2 OF 2

PIPF DEBT SUB-FUND

Name of the Investee Company	Number of certificates			As at September 30, 2010			Market value as a % of net assets of the sub-fund	Market value as a % of total Investments	Percentage in relation to the size of the issue	
	As at July 1, 2010	Purchases during the year	Sales during the year	As at September 30, 2010	Cost	Market value				Appreciation/ (diminution)
Pakistan Electron Limited - SUKUK (28-09-2007)	550	-	-	550	1,348,289	1,551,745	203,456	3.7221	4.5172	0.1473
					1,348,289	1,551,745	203,456			
									-----Total-----	
									Unaudited Audited	
									September 30, 2010 June 30, 2010	
									-----Rupees-----	
Market Value									1,551,745 1,732,769	

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM CONTRIBUTION TABLE (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

Contributions net of front end fee	PIPF Equity Sub-Fund		PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund		Total (Rupees)	For the quarter ended September 30, 2009 (Rupees)
	Units	Rupees	Units	Rupees	Units	Rupees		
Opening	353,786	34,793,489	334,436	33,960,806	309,914	31,103,468	99,857,763	94,155,770
Individuals- issue of unit	11,921	1,112,060	7,651	964,857	2,590	306,748	2,383,665	527,190
redemption of units	(6,487)	(596,951)	(11,777)	(1,483,004)	(2,839)	(335,175)	(2,415,130)	(354,716)
	5,434	515,109	(4,125)	(518,147)	(249)	(28,427)	(31,465)	172,474
Total	359,220	35,308,598	330,311	33,442,659	309,665	31,075,041	99,826,298	94,328,244

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF NUMBER OF UNITS IN ISSUE (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	PIPF Equity Sub-Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub-Fund
Units outstanding at the beginning of the period	353,786	334,436	309,914
Add: Units issued during the period	11,921	7,651	2,590
Less: Units redeemed during the period	(6,487)	(11,777)	(2,839)
Units in issue at the end of the period	359,220	330,311	309,665

The annexed notes 1 to 12 form an integral part of these Condensed Interim financial statements.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

1 LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan Islamic Pension Fund (PIPF) was established under a Trust Deed executed between Arif Habib Investments Limited as Pension Fund Manager and MCB Financial Services Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 24, 2007 and was executed on September 5, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). PIPF is an open-ended pension fund consisting of three sub-funds namely PIPF Equity Sub-Fund, PIPF Debt Sub-Fund and PIPF Money Market Sub-Fund. Units are offered for public subscription on a continuous basis. The number of units of any Sub-Fund purchased out of contributions depends on the Allocation Scheme selected by the respective Participant out of the allocation schemes offered by the Pension Fund Manager.

The Pension Fund Manager of the Fund has been licensed by the SECP to act as a Pension Fund Manager under VPS Rules. The registered office of the Pension Fund Manager is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan.

Title to the assets of the Fund is held in the name of the Trustee.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These unaudited 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 provisions of the Companies Ordinance, 1984, the requirements of the Trust Deed, the Voluntary Pension System Rules, 2005 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the Voluntary Pension System Rules, 2005 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the Voluntary Pension System Rules, 2005 or the requirements of the said directives prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the international Accounting Standard - 34; "Interim Financial Reporting" and Guidelines issued by the SECP for the preparation of the quarterly reports of a pension fund.

3 SIGNIFICANT ACCOUNTING POLICIES

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

4 RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Fund for the year ended June 30, 2010.

5 DEPOSITS AND OTHER RECEIVABLES

	------(Un-audited)-----				Audited
	-----As at September 30, 2010-----				
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	As at June 30, 2010
	-----Rupees-----				
Security deposit - Central Depository Company of Pakistan Limited	200,000	200,000	200,000	600,000	600,000
Receivable against sale of investments	-	-	-	-	985,094
Receivable against sale of units	136,504	82,540	27,837	246,881	-
Other Receivable	1,000	1,000	1,027	3,027	3,000
Receivable from Sub fund	33,131	-	-	33,131	
	370,635	283,540	228,864	883,039	1,588,094

6 ACCRUED AND OTHER LIABILITIES

	------(Un-audited)-----				Audited
	-----As at September 30, 2010-----				As at June 30, 2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	----- Rupees -----				
Donation / Charity payable	6,075	-	-	6,075	92,922
Professional charges payable	15,529	19,812	17,306	52,647	-
Payable to sub fund	-	33,131	-	33,131	-
Others	-	-	-	-	2,754
	<u>21,604</u>	<u>52,943</u>	<u>17,306</u>	<u>91,853</u>	<u>95,676</u>

7 NET UNREALISED (DIMINUTION) / APPRECIATION IN MARKET VALUE OF INVESTMENTS CLASSIFIED AS 'AVAILABLE-FOR-SALE'

	------(Un-audited)-----				Audited
	-----As at September 30, 2010-----				As at June 30, 2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	----- Rupees -----				
Market value of investments	29,562,055	34,171,277	10,162,000	73,895,332	72,269,751
Cost less impairment	(26,667,997)	(33,348,614)	(10,000,000)	(70,016,611)	(72,391,620)
	<u>2,894,058</u>	<u>822,663</u>	<u>162,000</u>	<u>3,878,721</u>	<u>(121,869)</u>
Impairment loss on investments classified as 'available-for-sale'	701,073	-	-	701,073	1,123,677
Reclassification of impairment on sale of impaired securities	(2,782,897)	-	-	(2,782,897)	-
	<u>(2,081,824)</u>	<u>-</u>	<u>-</u>	<u>(2,081,824)</u>	<u>1,123,677</u>
	<u>812,234</u>	<u>822,663</u>	<u>162,000</u>	<u>1,796,897</u>	<u>1,001,808</u>
Net unrealised diminution in fair value of investments at the beginning of the period	4,693	835,153	162,000	1,001,846	117,226
	<u>807,541</u>	<u>(12,490)</u>	<u>-</u>	<u>795,051</u>	<u>1,119,034</u>

7.1 As at September 30, 2010, the management carried out a scrip wise analysis of impairment in respect of equity securities classified as 'available-for-sale' and has determined that an impairment loss amounting to Rs 701,073 for the quarter ended September 30, 2010 to be charged to the condensed interim income statement.

8 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Pension Fund Manager and Arif Habib Securities Limited being the holding company of AHI, Arif Habib Limited, 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 and MCB Financial Services Limited being the Trustee, other collective investment schemes managed by the Pension Fund Manger as Management Company and directors and executives of the Pension Fund Manager.

The transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Remuneration payable to the Pension Fund Manager and the Trustee is determined in accordance with the provisions of the VPS Rules and the Trust Deed respectively.

8.1 Transactions during the period

	-----Un Audited-----				For the quarter ended September 30, 2009
	For the quarter ended September 30, 2010				
	PIPF Equity Sub-Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub- Fund	Total	
-----Rupees-----					
Pension Fund Manager					
Remuneration	123,988	158,190	138,162	420,340	363,104
Sales load	1,788	447	-	2,235	750
MCB Financial Services Limited -Trustee					
Trustee fee	16,449	20,986	18,329	55,764	48,415
Directors and officers					
Issue of 7,873 units of PIPF Equity sub - fund (2009: 3,534 units)	729,362	-	-	729,362	298,601
Issue of 2,468 units of PIPF Debt sub - fund (2009: 2,644 units)	-	292,636	-	292,636	300,220
Issue of 4,616 units of PIPF Money Market sub - fund (2009: 1,540 units)	-	-	584,938	584,938	170,606
Redemption of 4,817 units of PIPF Equity sub - fund (2009: 53 units)	438,906	-	-	438,906	4,039
Redemption of 478 units of PIPF Debt sub - fund (2009: 28 units)	-	56,583	-	56,583	3,128
Redemption of 2,657 units of PIPF Money Market sub - fund (2009: 7 units)	-	-	336,203	336,203	782

8.2 Amounts outstanding as at period end

	-----Un Audited-----				(Audited) June 30, 2010
	As at September 30, 2010				
	PIPF Equity Sub-Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub- Fund	Total	
-----Rupees-----					
Pension Fund Manager					
Remuneration payable	40,661	51,617	45,221	137,499	133,361
Investment of 300,000 units as seed capital in each sub-fund (2010: 300,000)	27,552,000	38,244,000	35,712,000	101,508,000	99,516,000
Summit Bank limited (formerly :Arif Habib Bank Limited)					
Bank Balances	2,545,326	155,431	245,652	2,946,409	3,872,726
MCB Financial Services Limited -Trustee					
Trustee fee payable	5,393	6,847	5,998	18,238	17,715
Directors and Officers					
Investment In PIPF Equity Sub - Fund 24,183 units (2010: 21,127 units)	2,220,967	-	-	2,220,967	1,897,804
Investment In PIPF Debt Sub - Fund 7,080 units (2010: 12,033 units)	-	902,558	-	902,558	1,500,059
Investment In PIPF Money Market Sub - Fund 13,992 units (2010: 5,089 units)	-	-	1,665,608	1,665,608	596,634

9 (LOSS) / EARNINGS PER UNIT

Earnings / (loss) per unit (EPU) for the quarter ended September 30, 2010 in respect of each sub-fund has been calculated by dividing the net income / (loss) after taxation of a sub-fund by the weighted average number of units of the sub-fund in circulation during the period, which are given below:

	Quarter ended September 30, 2010		
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PPF Money Market Sub-Fund
Weighted average number of units	354,38	332,179	306,073

10 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 pension fund manager 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.

11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 25, 2010 by the Board of Directors of the Pension Fund Manager.

12 GENERAL

Figures have been rounded off to the nearest Rupees.

**For Arif Habib Investments Limited
(Pension Fund Manager)**

Chief Executive

Director

Asset Manager Rating
'AM2' Positive Outlook (by PACRA)



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