

**PAKISTAN
INTERNATIONAL ELEMENT
ISLAMIC ASSET ALLOCATION FUND**

CONTENTS

Fund's Information	243
Report of the Directors of the Management Company	244
Condensed Interim Statement of Assets and Liabilities	246
Condensed Interim Income Statement (Un-audited)	247
Condensed Interim Distribution Statement (Un-audited)	248
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	249
Condensed Interim Cash Flow Statement (Un-audited)	250
Notes to and forming part of the Condensed Interim Financial Information (Un-audited)	251

FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Company Secretary & Chief Financial Officer of the Management Company	Mr. Muhammad Saqib Saleem	
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Faysal Bank Limited NIB Bank Limited Allied Bank Limited	
Auditors	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
Rating	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Dear Investor,

On behalf of the Board of Directors, I am pleased to present the financial results of **Pakistan International Element Islamic Asset Allocation Fund** for the nine months ended March 31, 2012.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflationary pressures have remained largely on the lower side during the period with YoY CPI inflation averaging 10.8% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 8M FY12 current account balance posting a sizeable deficit of US\$ 3.0 billion amid higher trade deficit despite record remittances flows. Financial flows have remained weak during the period thereby posing serious risks towards balance of payment position as well as exchange rate. On the fiscal side, the government posted a budget deficit of 2.5% of GDP during 1H FY12 with about 94% funding coming from the domestic sources (including one-off circular debt adjustment, 1H FY12 deficit is around 4.4%). Significant deterioration in key macroeconomic indicators has compelled the SBP to keep its earlier adopted monetary easing stance at a halt during the latter part of the period under review.

In the money market, short term market rates remained on the higher side due to relatively tight liquidity scenario in the system amid continued NFA attrition. Due to sizeable depletion in net foreign assets (NFA) of the banking system, market liquidity remained largely tight almost throughout the period - compelling the SBP to constantly inject significant amount of money in the system through OMOs in order to calm down the market.

EQUITIES MARKET OVERVIEW

After remained bearish for the first six months of the period under review, bullish trend returned at the local bourses during the 3Q FY12 and pushed the KSE-100 Index by significant 21% during the quarter together with buoyant volumes. The major impetus to market came primarily from Finance minister's acceptance of SECP's proposal on CGT relaxation and tax amnesty scheme that reignited the investors' interest, particularly of retail investors which were largely sidelined after the imposition of CGT. Average volumes during the third quarter also improved significantly to 196 million shares, also largely contributed by mid to small-cap stocks. In addition to the local participation, foreign investors also made a comeback to the local bourse with a net inflow of US\$16.1 million after two consecutive quarters of net outflows. Strong corporate earnings announcement by key listed companies also served to uphold the momentum in the market despite concerns of macroeconomic imbalances.

Sector-wise, Banks, Cement, Oil & Gas and Chemical sectors remained center of major activity although significant interest was also seen in several small-cap stocks.

FUND PERFORMANCE

During the period under review, the fund delivered a return of 13.4% as against its benchmark return of 10.8%, an outperformance of 2.6%. On the equities front, the overall allocation reduced to 76% from 82% by period-end. Sector-wise, the fund reduced its exposure significantly in Oil & Gas, General Industries and Personal Goods sectors, while increased its exposure towards Construction & Materials, Banks and Fixed line Telecommunications.

On the fixed income side, the fund increased its allocation towards GoP Ijarah Sukuk to around 8.1% to take advantage of attractive yields as well as capital gains potential. The exposure towards corporate Sukuk, on the other hand, remained largely unchanged at around 2%.

FUTURE OUTLOOK

Despite relatively lower inflation, fragile external and fiscal accounts would continue to keep a check on the SBP's future monetary direction. We continue to flag realization of foreign flows as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. However, re-emergence of talks over US flows under coalition support fund (CSF) and Kerry-Lugar bill would hold the key for the economic outlook in the near term.

Although the external environment, both political and macroeconomic, may remain challenging, market should continue to find support from the earnings season with a focus on Banking, Oil & Gas and Construction Materials Sectors. However, the market could seek correction/profit taking if there is any further delay on the CGT and amnesty related announcement.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,

Yasir Qadri
Chief Executive Officer
Dated: April 27, 2012

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2012

	Note	Un-audited March 31, 2012	Audited June 30, 2011
(Rupees in '000)			
ASSETS			
Balances with banks		34,344	49,430
Investments	4	270,138	283,387
Receivable against sale of units		209	2,323
Profit receivable		6,470	2,125
Other receivables		3,218	3,198
Total Assets		314,379	340,463
LIABILITIES			
Payable to the Management Company		507	534
Payable to the Trustee		59	58
Payable to Securities and Exchange Commission of Pakistan		216	373
Payable against redemption of units		3	881
Accrued expenses and other liabilities		1,850	1,404
Total Liabilities		2,635	3,250
NET ASSETS		311,744	337,213
UNIT HOLDERS' FUND (as per statement attached)		311,744	337,213
CONTINGENCIES AND COMMITMENTS			
	5		
		(Number of Units)	
Number of units in issue		7,202,543	7,713,855
		(Rupees)	
Net asset value per unit	3.4	43.28	43.72

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Note	Nine months ended		Quarter ended	
	March 31,		March 31,	
	2012	2011	2012	2011
	Rupees in '000			
INCOME				
Income from government ijarah sukuk	2,266	1,584	659	571
Capital gain / (loss) on sale of investments - net	(7,337)	20,809	70	14,507
Profit on bank deposits	214	3,408	8	34
Income from investment in sukuk bonds	386	933	(103)	279
Dividend income	15,031	15,605	5,331	5,685
Other income	-	309	-	103
Unrealised appreciation / (diminution) in value of investments at 'fair value through profit or loss' - net	33,569	45,504	52,148	(4,573)
Total Income	44,129	88,152	58,113	16,606
OPERATING EXPENSES				
Performance fee of the Management Company	4,446	8,847	1,396	2,864
Sindh sales tax on performance fee of Management Company	628	-	197	-
Remuneration of Trustee	526	609	174	197
Annual fee - Securities and Exchange Commission of Pakistan	216	289	67	93
Securities transaction cost	1,037	889	367	429
Bank charges	175	168	59	58
Printing and related cost	476	158	104	57
Fees and subscription	137	186	46	62
Legal and professional charges	38	38	13	13
Auditors' remuneration	429	299	145	37
Donation expense	-	56	-	-
Amortisation of preliminary expenses and floatation costs	-	1,239	-	407
Total operating expenses	8,108	12,778	2,568	4,217
Net income/(loss) from operating activities	36,021	75,374	55,545	12,389
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	1,093	(1,149)	383	8,962
Net income/(loss) for the period before taxation	37,114	74,225	55,928	21,351
Taxation	-	-	-	-
Net income/(loss) after taxation	37,114	74,225	55,928	21,351
Other comprehensive income/(loss) for the period				
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/(loss) for the period	37,114	74,225	55,928	21,351
Earnings/(Loss) per unit				

3.5

3.5

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Accumulated loss brought forward	(48,594)	(44,651)	(109,476)	(56,396)
Final distribution for the year ended June 30, 2011: Rs 5.58 per unit (2010: Rs 7.10) (Date of distribution: July 4, 2011)				
- Cash	(11,200)	(14,360)	-	-
- Bonus units	(31,881)	(50,259)	-	-
	(43,081)	(64,619)	-	-
Net income/(loss) for the period after taxation	37,114	74,225	55,928	21,351
Element of (loss) / income and capital gains / (losses) included in prices of units issued less those in units redeemed	6,064	-	5,051	-
	43,178	74,225	60,979	21,351
	(48,497)	(35,045)	(48,497)	(35,045)
Accumulated loss carried forward	(48,497)	(35,045)	(48,497)	(35,045)

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	(Rupees in '000)			
Net assets at the beginning of the period	337,213	410,415	272,054	431,271
Issue of 371,322 units (2011: 923,635 units) and 42,762 units (2011: 237,832 units) for the nine months and quarter respectively	14,237	37,920	1,728	10,709
Redemption of 1,718,737 units (2011: 3,222,660 units) and 468,673 units (2011: 1,863,803 units) for the nine months and quarter respectively	(64,527) (50,290)	(138,023) (100,103)	(17,583) (15,855)	(83,043) (72,334)
Issue of 836,103 bonus units (2011: 1,322,943 units)	31,881	50,259	-	-
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(1,093)	1,149	(383)	(8,962)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(6,064) (7,157)	- 1,149	(5,051) (5,434)	- (8,962)
Capital gain / (loss) on sale of investments	(7,337)	20,809	70	14,507
Net unrealised appreciation / (diminution) in value of investments 'at fair value through profit or loss' - net	33,569	45,504	52,148	(4,573)
Other net income / (loss) for the period	10,882 37,114	7,912 74,225	3,710 55,928	11,417 21,351
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing loss and capital losses - transferred to Distribution Statement	6,064	-	5,051	-
Final distribution for the year ended June 30, 2011: Rs 5.58 per unit (2010: Rs 7.10) (Date of distribution: July 4, 2011)				
- Cash distribution	(11,200)	(14,360)	-	-
- Bonus units	(31,881) (43,081)	(50,259) (64,619)	- -	- -
Net assets as at the end of the period	311,744	371,326	311,744	371,326

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	Rupees in '000		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	37,114	74,225	55,928	21,351
Adjustments for non-cash items:				
Dividend income	(15,031)	(15,605)	(5,331)	(5,685)
Unrealised (appreciation) / diminution in value of investments at 'fair value through profit or loss' - net	(33,569)	(45,504)	(52,148)	4,573
Amount of additional units issued to class 'C' & 'D' unit holders against the amount of rebate in performance fee	505	1143	161	345
Amortisation of preliminary expenses and floatation costs	-	1239	-	407
Net element of (income)/loss and capital (gains)/losses included in prices of units issued less those in units redeemed	(1,093)	1,149	(383)	(8,962)
	(12,074)	16,647	(1,773)	12,029
(Increase) / Decrease in assets				
Investments	46,818	33,129	37,756	76,506
Receivable against sale of investments	-	18,528	11,296	(2,736)
Receivable against sale of units	2,114	923	25	110
Profit receivable	14	779	(495)	1,703
Other receivables	(20)	(37)	20	36
	48,926	53,322	48,602	75,619
Increase / (Decrease) in liabilities				
Payable to the Management Company	(27)	(51)	27	(84)
Payable to the Trustee	1	(6)	-	(9)
Payable to Securities and Exchange Commission of Pakistan	(157)	(233)	67	93
Payable against purchase of units	-	(2,070)	-	(2,124)
Payable against redemption of units	(878)	(27)	-	-
Accrued expenses and other liabilities	446	(396)	271	61
	(615)	(2,783)	365	(2,063)
	36,237	67,186	47,194	85,585
Dividend received	10,672	14,609	82	2,939
Net cash (used in) / generated from operating activities	46,909	81,795	47,276	88,524
CASH FLOWS FROM FINANCING ACTIVITIES				
Net payments against redemption of units	(50,795)	(101,247)	(16,016)	(72,680)
Dividend paid	(11,200)	(14,360)	-	-
Net cash (outflow on) / inflow from financing activities	(61,995)	(115,607)	(16,016)	(72,680)
Net (decrease) in cash and cash equivalents	(15,086)	(33,812)	31,260	15,844
Cash and cash equivalents at the beginning of the period	49,430	58,094	3,084	8,438
Cash and cash equivalents at the end of the period	34,344	24,282	34,344	24,282

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan International Element Islamic Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited ("the Management Company", "AHIL") and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 December 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003). The name of the Fund has been changed to Pakistan International Element Islamic Asset Allocation Fund with effect from May 11, 2011.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB Asset Management Limited (MCB-AMC) and AHIL the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHIL being a listed company is the surviving entity and is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable SHC. The honourable SHC has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

The Fund is an open-ended mutual fund, listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Fund is to make shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The performance fee for plan "A and B" units is charged at 2% of the closing net assets and at 1.33% and 1% for plan "C and D" and plan "E" units respectively. The difference in performance fee is passed on to such unit holders in the form of additional units to ensure equal net assets value for all classes.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' (Positive Outlook) to the Management Company and '3 Star Normal' and '2 Star Long Term' rating to the Fund.

All the activities of the Fund are undertaken in accordance with the Islamic Shariah rules and principles. The management company has appointed a Shariah Supervisory Council whose advice is followed to ensure that activities of the Fund are in compliance with Shariah.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of International Accounting Standard (IAS) 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2011.

2.3 This condensed interim financial information is unaudited.

2.4 The directors of the management company declare that this condensed interim financial information give a true and fair view of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2011.

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

During the period, the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in income statement and the remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is included in the distribution statement. Previously, the proportion of opening undistributed income received / paid on issue / redemption of units was being recognised in the income statement.

The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology:

- loss for the year would have been lower by Rs 6,064 thousand.
- amount taken to distribution statement would have been lower by Rs 6,064 thousand.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

3.3 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in this condensed interim financial information.

3.4 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 issue at the period end.

3.5 Earnings per unit

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

4 INVESTMENTS

At fair value through profit or loss

	Note	March 31, 2012 (Un-audited)	June 30, 2011 (Audited)
- Investment in shares listed in Pakistan	4.1	239,447	277,028
- Investment in unlisted Sukuk bond	4.2	5,143	6,359
- Investment in Government ijarah Sukuk	4.3	25,548	-
		<u>270,138</u>	<u>283,387</u>

4.1 Listed Equity Securities - at 'fair value through profit or loss'

Name of the Investee company	Number of shares					Balance as at March 31, 2012			----Market Value ----		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at July 1, 2011	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at March 31, 2012	Carrying Value	Market Value	Appreciation / (Diminution)	As a percentage of total investments	As a percentage of net assets	

----- (Rupees in '000) -----

Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise

Oil and Gas

Attock Petroleum	-	63,764	-	-	63,764	26,303	28,901	2,598	10.77	9.32	0.04
Oil & Gas Development Co. Ltd.	-	80,000	-	35,000	45,000	7,018	7,545	527	2.81	2.43	0.00
Pakistan Oilfields Limited	143,011	25,000	-	117,000	51,011	18,649	18,631	(18)	6.94	6.01	0.01
Pakistan Petroleum Limited	194,364	82,000	14,836	152,000	139,200	25,463	25,444	(19)	9.48	8.21	0.00
Pakistan State Oil Company Limited	154,079	20,000	-	87,701	86,378	22,539	21,536	(1,003)	8.02	6.95	0.01
						<u>99,972</u>	<u>102,057</u>	<u>2,085</u>			

Chemicals

Fauji Fertilizer Company Limited	67,530	219,664	605	287,799	-	-	-	-	-	-	-
Fatima Fertilizer Co Ltd	-	9,752	-	9,752	-	-	-	-	-	-	-
Sitara Chemical Industries Limited	62,483	-	-	62,483	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			

General Industrials

Packages Limited	314,074	-	-	314,074	-	-	-	-	-	-	-
Tri-Pack Films Ltd.	-	23,950	-	-	23,950	5,285	5,782	497	2.15	1.87	0.02
						<u>5,285</u>	<u>5,782</u>	<u>497</u>			

Household Goods

Pakistan Elektron Limited	1,085,011	-	-	1,085,011	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			

Industrial Engineering

Millat Tractors Limited	-	3,426	-	-	3,426	1,679	1,723	44	0.64	0.56	0.00
						<u>1,679</u>	<u>1,723</u>	<u>44</u>			

Personal Goods

Nishat Mills Limited	657,340	-	-	657,340	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			

Electricity

Hub Power Company Limited	753,419	725,315	-	773,490	705,244	26,183	26,538	355	9.89	8.56	0.00
						<u>26,183</u>	<u>26,538</u>	<u>355</u>			

Fixed Line Telecommunications

Pakistan telecommunication Company Limited "A"	-	3,415,000	-	1,700,000	1,715,000	19,701	21,112	1,411	7.87	6.81	0.00
						<u>19,701</u>	<u>21,112</u>	<u>1,411</u>			

Construction and Materials

D.G Khan Cement	-	100,000	-	-	100,000	3,249	3,637	388	1.36	1.17	0.00
Lucky Cement Limited	355,700	165,000	-	216,925	303,775	22,687	34,463	11,776	12.84	11.12	0.01
						<u>25,936</u>	<u>38,100</u>	<u>12,164</u>			

Banks

Meezan Bank Limited	-	1,531,269	173,283	145,000	1,559,552	25,906	44,135	18,229	16.44	14.24	0.00
						<u>25,906</u>	<u>44,135</u>	<u>18,229</u>			

Total as at March 31, 2012

204,662 239,447 34,785

Total as at June 30, 2011

278,074 277,028 (1,046)

4.1.1 Investments includes shares with market value of Rs. 18,538,500 (June 30, 2011: Rs. 28,991,250) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities & Exchange Commission of Pakistan.

4.2

Name of the Investee Company	Profit rate %	Number of certificates				Balance as at March 31, 2012			Market value as percentage of net assets	Market value as percentage of total investment	Outstanding principle value as a percentage of issued debt capital
		As at July 1, 2011	Purchases during the period	Sales during the period	As at March 31, 2012	Carrying value	Market value	Appreciation / (diminution)			

----- (Rupees in '000) -----

Unlisted Sukuk bonds of Rs 5,000

Pak Elektron Limited (28 September 2007)	13.70%	3,000	-	-	3,000	6,359	5,143	(1,216)	1.59	1.92	1.25
---	--------	-------	---	---	-------	-------	-------	---------	------	------	------

4.2.1 Coupon payment of PEL sukuk on December 28, 2011 and March 28, 2012 was not received on the due date. As per the requirements of the Circular 1 of 2009 of SECP, the accrual of mark up with effect from December 28, 2011 was suspended. Subsequent to the period end, the security has been classified as non performing asset.

4.3

Name of the Investments	Profit rate %	Face Value				Balance as at March 31, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2011	Purchases during the period	Sales during the period	As at March 31, 2012	Carrying Value	Market value	Appreciation / (diminution)		

----- (Rupees in '000) -----

Government Ijarah Sukuk	11.79%	-	65,000	40,000	25,000	25,548	25,548	-	8.17	9.52
Total - March 31, 2012						25,548	25,548		8.17	9.52
Total - June 30 2011						-	-		-	-

4.4 Financial Markets Association of Pakistan (FMAP) is currently in the process of devising a revised benchmark for the purpose of revaluation of GOP Ijarah Sukuks. State Bank of Pakistan (SBP) vide letter no. DMMD/MPRD-FMAP/9329 dated 28 December 2011 has given concurrence on proposal of FMAP for devising a revised benchmark for revaluation of GOP Ijarah Sukuks subject to approval of SECP and SBP. Further, Mutual Funds Association of Pakistan (MUFAP) has approached SECP vide email dated 30 December 2011 drawing attention towards difficulties in determining pricing for GOP Ijarah Sukuks. In view of the above, the management has carried the underlying investment at amortised cost till the time the valuation methodology is prescribed by the Securities and Exchange Commission of Pakistan (SECP).

4.5 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 6 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular.

In accordance with the investment criteria laid down for 'Pakistan International Element Islamic Asset Allocation Scheme' in circular no. 7 of 2009 and the constitutive document, the Fund is required not to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at 31 March 2012, the Fund is non-compliant with the above mentioned requirement in respect of the following investments:

Name of non-compliant investment	Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		----- (Rupees in '000) -----			%	%
Investment in debt securities	Pak Elektron Limited	5,143	-	5,143	1.59%	1.63%

4.5.1 At the time of purchase, the said securities were in compliance of the circular (i.e. investment grade) and were subsequently downgraded to non investment grade by MUFAP.

5 CONTINGENCIES AND COMMITMENTS

5.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the period, the Honourable Lahore Court, (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Pakistan International Element Islamic Asset Allocation Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at March 31, 2012 amounted to Rs. 3.32 million (including Rs. 0.74 million for the nine month ended March 31, 2012).

5.2 There were no other contingencies and commitments outstanding as at March 31, 2012.

6 SINDH SALES TAX

During the current period, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

7 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, because of which no provision for taxation has been made as Fund has a net loss in current period.

8 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Performance fee payable to the Management Company is determined in accordance with the provisions of the Non Banking Finance Companies and Notified Entities Regulation, 2008 and constitutive documents of the Fund.

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

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

8.1 Transactions during the period

Arif Habib Investments Limited - Management Company

Performance fee for the period

Arif Habib Limited - Brokerage House

Brokerage for the period

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the period

CDS Charges

CDS eligibility fee

The Bank of Punjab (10% holding)

Cash Dividend Paid

Issue of 10,408.16 units (2011: 14,682 units) and 3,543 units (2011: 4,804) for the nine months and quarter respectively

Redemption of 303,667 units (2011: 75,852 units) and 297,438 units (75,852 units) for the nine months and quarter respectively

Directors and executives of the Management Company

Issue of 15,588 units (2011: 22,939 units) and 2,029 units (2011: 8,649) for the nine months and quarter respectively

Redemption of 10,501 units (2011: 116,118 units) and 768 units (2011: 92,380) for the nine months and quarter respectively

Bonus units issued: 658 (2011: 19,134) and Nil bonus units (2011: Nil) for the nine months and quarter respectively

Unaudited			
Nine Months ended		Quarter ended	
March		March	
2012	2011	2012	2011
----- Rupees in '000'-----			
4,446	8,847	1,396	2,864
27	147	-	77
526	609	174	197
18	15	6	9
-	51	-	17
11,200	12,345	-	-
397	615	260	215
11,244	3,281	11,005	3,281
594	968	83	391
390	3,894	30	4,180
25	-	-	-
(Un-audited)		(Audited)	
March 31,		June 30,	
2012		2011	

8.2 Amounts outstanding as at period / year end

Arif Habib Investments Limited - Management Company

Performance fee payable

Other payable

Arif Habib Limited - Brokerage House

Brokerage payable

Summit Bank Limited

Balance at the end of the period / year

507	503
-	31
42	14
33,014	1,531

	(Un-audited) March 31, 2012	(Audited) June 30, 2011
	----- Rupees in '000'-----	
MCB Bank Limited		
Balance at the end of the period / year	10	10
D.G. Khan Cement		
100,000 shares held (2011: Nil shares)	3,637	-
Bank of Punjab (10% holding)		
Units held - 2,006,711 units (June 30, 2011: 378,007 units)	86,850	14,360
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	200	200
Prepaid CDS eligibility charges	-	34
Remuneration payable	59	72
Directors and executives of the Management Company		
Units held - 10,241.47 units (June 30, 2011: 22,583 units)	443	868

9 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant changes or reclassifications were made in this condensed interim financial information.

10 DATE OF AUTHORISATION FOR ISSUE

This condensed financial information was authorised for issue on April 27, 2012 by the Board of Directors of the Management Company.

11 GENERAL

11.1 Figures have been rounded off to the nearest thousand rupees.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman