



CONTENTS

Fund's Information	2
Report of the Directors of the Management Company	3
Report of the Fund Manager	5
Condensed Interim Statement of Assets and Liabilities	10
Condensed Interim Income Statement	11
Condensed Interim Cash Flow Statement	12
Condensed Interim Distribution Statement	13
Condensed Interim Statement of Movement In Unit Holders' Fund	14
Notes to and Forming Part of the Condensed Interim Financial Information	15

FUND'S INFORMATION

Management Company

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

Board of Directors of the Management Company

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

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, S.M.C.H.S
Main Shahrah-e-Faisal, Karachi.

Bankers

Bank AL-Habib Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Standard Chartered Bank (Pakistan) Limited

Auditors

M/s. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal, Karachi.

Legal Adviser

M/s. Bawaney & Partners
404, Beaumont Plaza, 6-CL-10,
Beaumont Road, Civil Lines, Karachi-75530

Registrar

M/s. Gangjees Registrar Services (Pvt.) Limited.
Room No. 516, Clifton Centre,
Kehkashan, Clifton, Karachi.

Rating

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS ENDED MARCH 31, 2011

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 nine months ended March 31, 2011.

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 investments 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 nine months ended March 31, 2011

The Net Assets of the Fund as at March 31, 2011 stood at Rs 994.53 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 March 31, 2011 was Rs 8.90 compared to opening Ex-NAV of Rs. 7.29 per unit as at June 30, 2010 registering an increase of Rs 1.61 per unit during the period.

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

Karachi
April 23, 2011

Nasim Beg
Chief Executive

REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED MARCH 31, 2011

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 investments in Pakistani equities.

Profile

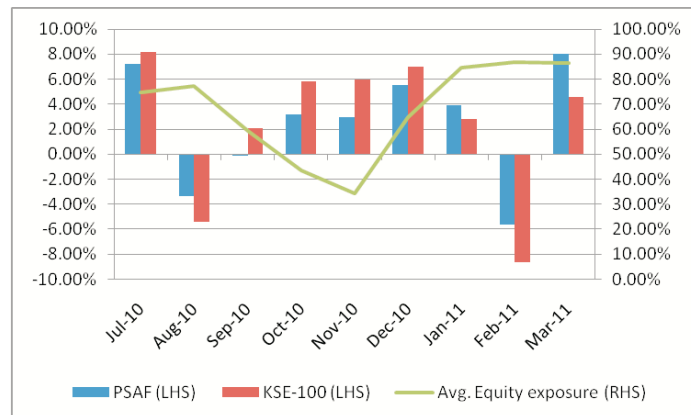
Pakistan Strategic Allocation Fund (PSAF) is an open end equity fund which primarily invests in equities based on a quantitative model.

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's Performance for the quarter

PSAF NAV increased 5.95% for the quarter ended March 2011 compared to a decline of 1.77% in the KSE-100 index. Outperformance was contributed by ENGRO, POL, ICI, FFBL, LOTPTA, FFC, HUBC, KAPCO and FATIMA.

PSAF gave a return of 21.99% during the first nine months ended March 2011 compared to KSE-100 index return of 21.47% during the same period. At quarter end, the Fund's major investments were in Chemical (26.95%), Oil and Gas (21.21%), Bank (11.06%) and Electricity (9.22%). PSAF equity portfolio, by end March 2011, is trading at 7.62x price-to-earnings multiple.

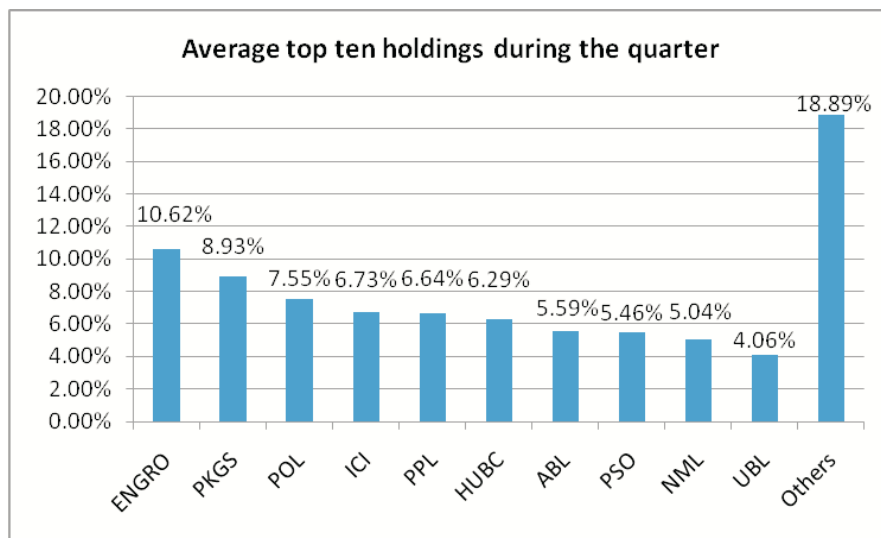


	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	3QFY11	9MFY11
PSAF	7.23%	-3.38%	-0.13%	3.20%	2.98%	5.53%	3.93%	-5.61%	8.01%	5.95%	21.99%
KSE-100	8.20%	-5.40%	2.04%	5.84%	6.00%	7.01%	2.80%	-8.66%	4.61%	-1.77%	21.47%
Avg. Equity exposure	74.86%	77.29%	59.22%	43.65%	34.17%	64.62%	84.49%	86.66%	86.31%	85.80%	69.73%

Fund Allocation

Equities

PSAF was on average 85.80% invested in equities during the quarter ended March 2011. During the period under review, the Fund remained well diversified across sectors. On average basis, top ten holdings of the fund's portfolio during the quarter are listed as below.



Major activity during the quarter

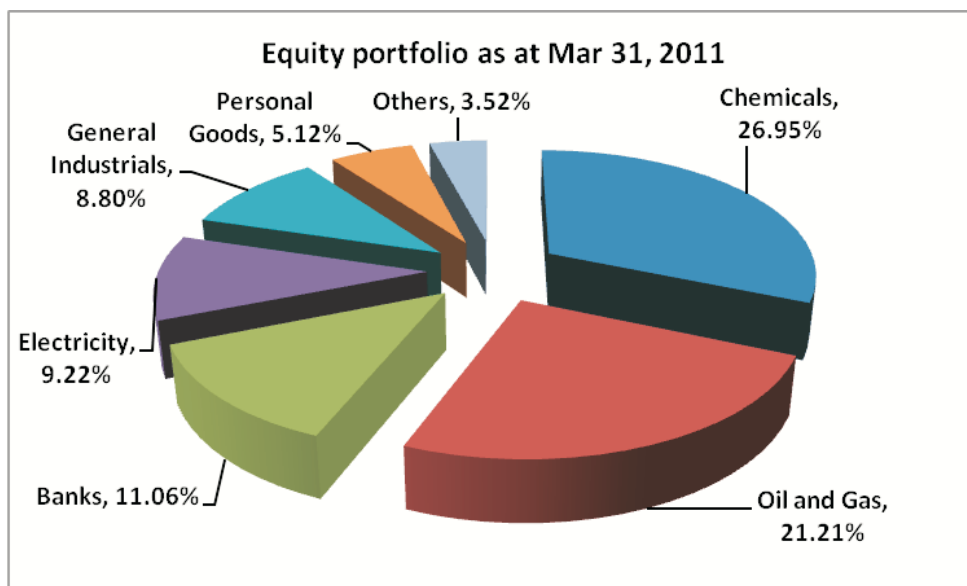
Oil and Gas: The Fund increased its exposure in Oil and Gas sector from 16.97% to 21.21% during the quarter, adding POL and PPL on better hydrocarbon production and pricing prospects coupled with valuation discount.

Chemical: The Fund remained heavily invested in Chemicals with average sector exposure at 26.11%. FFC and FFBL were partly disposed off as share price appreciated while exposures in ICI and LOTPTA were increased. During the outgoing quarter, the Fund added Fatima Fertilizer into the portfolio on the basis of its attractive valuation.

Commercial Banks: The Fund maintained its overall exposure in Banks averaging at 12.59%. The Fund initially increased its exposure in NBP on discounted valuation. This exposure was partially reduced later in the quarter as share price increased above fair value.

Fixed Line Telecommunication: The Fund gradually accumulated PTCL during the quarter given its discount to fair value. Exposure to the sector increased to 2.30% by end Mar 2011 from 0.13% at Dec 2010.

PSAF's sector wise allocation in equity at quarter end is presented below:



Equity market review

The KSE 100 index finished the third quarter of current fiscal year (first quarter of 2011) in negative, falling by 1.77% to 11,809. The market started 2011 on a positive note with the index gaining 6% by January 18 and touched the level of 12,768 due to higher inflows from foreign investors in index heavy weight stocks. However, the market reversed its course in February, when worsening situation in Egypt and Tunisia led to sharp fall in global equities. The index made its low on February 25 near 11,200, before bouncing back in the first week of March after the announcement of MTS implementation.

Key driver in the index performance remained its heavy weight stock OGDC (24% weight), which has started to retreat and fallen by 27% after peaking at Rs. 185 (intraday high) on January 10. Minus OGDC, majority of other leading stocks finished the quarter with fresh gains. Top performing sectors during the quarter were Fertilizer, Oil & Gas (with the exception of OGDC), Banks and Cement. Foreign investors remained net buyers in Pakistan with net inflow of US\$ 52 million during the quarter, with March seeing an outflow of US\$ 16 million mainly due to selling in OGDC.

Total outstanding leveraged investment in MTS was only Rs 228 million by quarter end (started March 14), an indication of cautious initial response of participants (finances and financiers).

During the quarter, average daily turnover increased to 129 million shares compared to 124 million in the second quarter of FY11, however, trading volumes after hitting highs over 200 million daily in January witnessed a declining trend and had fallen below 100 million daily by March end.

Market outlook

We expect the equity market to move in a narrow band ahead of the budget announcement in early June. Given the continuing high fiscal deficit (approximately 6% of GDP) new taxes, withdrawal of tax exemptions and implementation of RGST are on the cards for the next fiscal year. At the same time, inflation remains a key threat in the backdrop of rising commodity prices in particular oil. Therefore, interest rates are expected to remain at elevated levels with policy rate remaining at 14% for the next few months. On relative valuation downside appears to be less for equities as stock prices of major companies are trading in the range of 7x-9x on 2011 earnings. On the basis of consensus forecast, amongst listed sectors, chemicals / fertilizer, oil and gas exploration, cement (select stocks), major banks and FMCGs are expected to show improvement in earnings growth in 2011.

3QFY11 Economic Review

During the third quarter of the fiscal year, pick up in textile exports and higher remittances helped in reducing the pressure from rising international oil prices and keeping the current account deficit in check. The rate of increase in inflation has reduced during the quarter to 13.16% in March compared to 15.45% YoY growth in December, therefore allowing the central bank to keep the discount rate unchanged at 14% during the last two monetary policy reviews. Following the last round of talks with IMF in March, the government has finally taken additional taxation measures to reduce the rising fiscal gap for the current fiscal year.

Fiscal Side

Given the rising fiscal deficit (2.8% of GDP during 1HFY11 against the full year target of 5.5%), GoP introduced new taxation measures in March which would collect Rs 53 billion through removal of subsidies and/or further taxes on income, imports, agriculture, and domestic sales of zero-rated export-oriented items, while Rs 67 billion is expected to be saved from the government expenditure side. Of Rs 53 billion, Rs 20 billion will be collected through 15% flood surcharge on income-tax, Rs 25 billion revenue will be accumulated through withdrawal of sales tax exemptions on fertilizers, pesticides and tractors, Rs 6 billion revenue through increase in special excise duty on imports from 1% - 2.5% and Rs 2 billion proceeds from increase in tax on sugar.

Total tax collection from July - February, 2011 summed up to Rs 876 billion against a target of Rs 1600 billion for the full FY. With the above mentioned measures, it is now expected that tax revenue target for the current fiscal year is likely to be met. However, given the additional expenditures on last year floods, the fiscal deficit is expected to be higher than the government target of 5.5% for the year ending June 2011.

Inflation

Inflation figures for 3QFY11 came down considerably from 15.45% YoY in December, 2010 to 13.16% YoY in March 2011. This was due to the following reasons: first, high base-effect of last year starting January, 2010, and second, containment of government borrowing from the SBP within agreed limits. Nonetheless, inflation is expected to edge higher over the next few months given the outlook of an increase in international commodity prices especially oil prices, higher domestic commodity prices with the introduction of 'mini-budget' to enhance the tax base, and expectations of an increase in government borrowing to fund fiscal deficit.

Real Sector

Large Scale Manufacturing (LSM) figures for July - January 2011 showed an increase of 2.34% over the corresponding period of last year. The growth in manufacturing is restricted to few sectors, with majority of the industries showing decline. Textiles, Pakistan's largest industry having one fourth of the total weight could only increase by 0.6%. Major contribution has come from sugar sector (4.15% weight) showing a growth of 8.1% till January and which is likely to improve further as recent reports suggest that total output of sugar for this year has exceeded 4 million tones compared to only 3.1 million tones in the previous year. Other growth sectors have been automobile production (+16.8%), Pharmaceuticals (+5.8%), chemicals (+3.5%) and leather products (14.2%). All other manufacturing sectors were in decline including Food and beverages (-2%), petroleum products (-6.2%), metal industries (-8.1%), non metallic minerals (-11.8%), fertilizers (-7.2%) and cement (-10.6%).

External Side

External sector continued to post encouraging figures in 3QFY11. Current Account Deficit (CAD) from July - February, 2011 equalled US\$ 98 million against US\$ 3,027 million deficit in the same period of preceding year, thus showing a decrease of almost 97%. This is explained by an improvement in balance on Goods & Services & Income account where deficit decreased from US\$ 11.2 billion in July-February, 2010, to US\$ 9.9 billion in the same period of current FY. Remittances also played a key role in uplifting the CAD as US\$ 8.02 billion were received from July- March, 2011 against US\$ 6.54 billion in the corresponding period of last year, thus showing a growth of 22.39%. The SBP expects current account deficit for FY 11 in the range of 1 - 1.5%. Exports from July - March, 2011 were US\$ 18.1 billion against a US\$ 14.3 billion exports in the same period last year, posting a robust growth of 26.6% YoY. Textile export was yet once again the major determinant of this growth as US\$ 9.92 billion was contributed by textiles. Imports for the same period equalled US\$ 29.1 billion against US\$ 25.1 billion in the first 9 months of last FY. This translates into a growth 15.97%. Petroleum group imports stood at US\$ 8.15 billion from July - March, 2011 showing a growth of 11%. Forex reserves YtD (March19, 2011) closed at US\$ 17.5 billion against US\$ 16.75 billion at the end of FY10.

Moreover, Asian Development Bank approved a US\$ 650 million loan which will be used to build the damaged infrastructure due to the floods which hit the country early FY11.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 2011**

	Note	Un-audited March 31, 2011	Audited June 30, 2010
----- Rupees in '000 -----			
ASSETS			
Balances with banks		36,607	38,860
Investments	6	958,478	2,379,527
Advances, deposits, prepayments and other receivable		3,263	3,096
Dividend and profit receivable		18,081	2,197
Receivable against sale of investments		3,582	127,266
Total assets		1,020,011	2,550,946
LIABILITIES			
Payable to the Management Company	7	9,268	4,228
Payable to the Trustee		173	231
Payable to Securities and Exchange Commission of Pakistan		1,286	2,477
Unclaimed dividend		13,834	11,307
Accrued expenses and other liabilities		925	1,532
Total liabilities		25,486	19,775
NET ASSETS		994,525	2,531,171
Unit holders' funds (As per statement attached) / June 30, 2010			
- Certificate holders equity		994,525	2,531,171
		(Number of Units / Certificates)	
Number of units / certificates in issue		111,764,859	300,000,000
		(Rupees)	
Net assets value per unit / certificate (Face value per unit Rs. 10/- each)		8.90	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 (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Note	Nine months ended March 31,		Quarter ended March 31,	
		2011	2010	2011	2010
-----Rupees in '000-----					
Income					
Capital gain on sale of investments - net		121,268	228,850	39,838	54,559
Income from term finance certificates		-	4,906	-	-
Income from government securities		52,907	30,994	3,539	14,298
Income from placements with financial institutions		616	5,710	-	5,062
Income from reverse repurchase transactions		-	3,227	-	382
Dividend income		69,876	111,247	22,230	42,158
Profit on bank deposits		6,898	13,381	1,312	2,434
		<u>251,565</u>	<u>398,315</u>	<u>66,919</u>	<u>118,893</u>
Impairment loss on financial assets classified as 'available for sale'		(1,533)	(1,430)	(1,150)	(1,430)
Element of loss and capital losses included in prices of units issued less those in units redeemed		(154,499)	-	(34,023)	-
Unrealised appreciation in value of investments 'at fair value through profit or loss' - net	6.5	147,546	234,673	18,004	35,854
Total income		<u>243,079</u>	<u>631,558</u>	<u>49,750</u>	<u>153,317</u>
Operating expenses					
Remuneration of the Management Company		27,076	42,118	5,044	13,381
Remuneration of the Trustee		1,702	1,817	495	617
Annual fee - Securities and Exchange Commission of Pakistan		1,286	1,837	239	636
Securities transaction cost		4,680	4,104	583	1,356
Conversion cost		7,600	-	-	-
Custody, settlement and bank charges		605	832	194	241
Fees and subscription		512	328	84	108
Printing and related costs		185	216	53	56
Auditors' remuneration		345	308	86	108
Amortisation of preliminary expenses and floatation costs		-	731	-	-
Total operating expenses		<u>43,990</u>	<u>52,291</u>	<u>6,777</u>	<u>16,503</u>
Net income for the period		<u>199,089</u>	<u>579,267</u>	<u>42,973</u>	<u>136,814</u>
Taxation		-	-	-	-
Net income after taxation		<u>199,089</u>	<u>579,267</u>	<u>42,973</u>	<u>136,814</u>
Other comprehensive (loss) / income for the period					
Net unrealised (diminution) / appreciation in fair value of investments classified as 'available for sale'		(31,935)	55,287	(15,174)	1,155
Total comprehensive income for the period		<u>167,154</u>	<u>634,554</u>	<u>27,799</u>	<u>137,969</u>
-----Rupees-----					
Earnings per certificate	4.5		<u>1.93</u>		<u>0.46</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 (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	-----Rupees in '000-----			
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	199,089	579,267	42,973	136,814
Adjustments for :				
Amortisation of preliminary expenses and floatation costs	-	731	-	-
Impairment loss on financial assets classified as 'available for sale'	1,533	1,430	1,150	1,430
Element of loss and capital losses included in the prices of units issued less those in units redeemed	154,499	-	34,023	-
Unrealised appreciation in value of investments 'at fair value through profit or loss' - net	(147,546)	(234,673)	(18,004)	(35,854)
Dividend income	(69,876)	(111,247)	(22,230)	(42,158)
Remuneration of the Management Company	27,076	42,118	5,044	13,381
Remuneration of the Trustee	1,702	1,817	495	617
	<u>166,477</u>	<u>279,443</u>	<u>43,451</u>	<u>74,230</u>
Decrease / (increase) in assets				
Receivable against sale of investments	123,684	13,411	(3,582)	5,749
Investments	1,535,127	(97,559)	93,383	47,556
Receivable against reverse repurchase transactions	-	-	-	89,083
Placement with financial institution	-	(225,000)	-	(95,000)
Profit receivable	1,880	8,172	904	4,307
Advances, deposits, prepayments and other receivable	(167)	(195)	(13)	70
	<u>1,660,524</u>	<u>(301,171)</u>	<u>90,692</u>	<u>51,765</u>
Increase / (decrease) in liabilities				
Payable against purchase of investments	-	(14,259)	(209)	(2,823)
Payable to the Management Company	-	(4,851)	-	-
Payable to the Trustee	-	44	-	46
Payable to Securities and Exchange Commission of Pakistan	(1,191)	(171)	239	636
Accrued expenses and other liabilities	(607)	730	(2,563)	716
	<u>(1,798)</u>	<u>(18,507)</u>	<u>(2,533)</u>	<u>(1,425)</u>
	<u>1,825,203</u>	<u>(40,235)</u>	<u>131,610</u>	<u>124,570</u>
Dividend received	52,112	90,626	4,466	15,470
Remuneration paid to the Management Company	(22,036)	(42,832)	(5,648)	(9,908)
Remuneration paid to the Trustee	(1,760)	(1,781)	(532)	(611)
Net cash generated from operating activities	<u>1,853,519</u>	<u>5,778</u>	<u>129,896</u>	<u>129,521</u>
B. CASH FLOW FROM FINANCING ACTIVITIES				
Cash received from units sold	6,494	-	1,105	-
Cash paid on units redeemed	(1,518,773)	-	(203,003)	-
Dividend paid	(343,493)	(2,074)	(1,240)	(5)
Net cash used in financing activities	<u>(1,855,772)</u>	<u>(2,074)</u>	<u>(203,138)</u>	<u>(5)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,253)</u>	<u>3,704</u>	<u>(73,242)</u>	<u>129,516</u>
Cash and cash equivalents at the beginning of the period	38,860	181,921	109,849	56,109
Cash and cash equivalents at end of the period	<u>36,607</u>	<u>185,625</u>	<u>36,607</u>	<u>185,625</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 (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	-----Rupees in '000-----			
Accumulated loss brought forward				
- Realised loss	(307,473)	(728,465)	(298,079)	(286,012)
- Unrealised loss	(198,654)	(162,115)	61,313	(162,115)
	(506,127)	(890,580)	(236,766)	(448,127)
Element of income and capital gains included in prices of units issued less those in units redeemed - net				
- amount representing unrealised capital losses / (gains) and capital losses / (gains) that form part of the unit holders' fund - transferred to distribution statement	524,572	-	65,307	-
Net income after taxation	199,089	579,267	42,973	136,814
	723,661	579,267	108,280	136,814
Final cash dividend @ Rs. 1.1534 per certificate (2010: Nil) announced on August 03, 2010	(346,020)	-	-	-
Unallocated loss carried forward	<u>(128,486)</u>	<u>(311,313)</u>	<u>(128,486)</u>	<u>(311,313)</u>
Represented by:				
- Realised loss	(212,793)	(368,376)	(212,793)	(368,376)
- Unrealised gain	84,307	57,063	84,307	57,063
	<u>(128,486)</u>	<u>(311,313)</u>	<u>(128,486)</u>	<u>(311,313)</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' FUND (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Note	Nine months ended March 31		Quarter ended March 31	
		2011	2010	2011	2010
-----Rupees in '000-----					
Net assets at the beginning of the period		2,531,171	2,136,566	1,134,601	2,633,151
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)	-
		-	-	-	-
Issue of 785,533 units (2010: Nil units) and 127,616 units (2010: Nil units) for the nine months and quarter respectively		6,494	-	1,105	-
Redemption of 189,020,674 units (2010: Nil units) and 23,445,781 units (2010: Nil units) for the nine months and quarter respectively		(1,518,773)	-	(203,003)	-
		(1,512,279)	-	(201,898)	-
		1,018,892	2,136,566	932,703	2,633,151
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :					
- amount representing accrued loss and capital losses - transferred to income statement		154,499	-	34,023	-
- amount representing unrealised capital (gains) and capital (gains) that form part of the unit holders' fund - transferred to distribution statement		(524,572)	-	(65,307)	-
		(370,073)	-	(31,284)	-
Net income for the period transferred from distribution statement		723,661	579,267	108,280	136,814
Net unrealised (diminution) / appreciation during the period in fair value of securities classified as 'available for sale'	6.6	(31,935)	55,287	(15,174)	1,155
Final cash dividend @ Rs 1.1534 per certificate (2010: Nil) announced on August 03, 2010		(346,020)	-	-	-
Net assets as at the end of the period		<u>994,525</u>	<u>2,771,120</u>	<u>994,525</u>	<u>2,771,120</u>

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>8.90</u>	<u>9.24</u>	<u>8.90</u>	<u>9.24</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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

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.
- 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 nine months period ended March 31, 2011 and the three months period ended March 31, 2011 are un-audited and have been included to facilitate comparison.

3.3 This interim financial information is unaudited.

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 has 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.

	<i>Note</i>	(Unaudited) March 31 2011	(Audited) June 30 2010
.....(Rupees in '000').....			
6. INVESTMENTS			
At fair value through profit or loss			
Listed equity securities	6.1	840,137	1,796,146
Government securities	6.2	<u>104,392</u>	<u>477,157</u>
		944,529	2,273,303
Available for sale			
Listed equity securities	6.3	<u>13,949</u>	<u>106,224</u>
	6.4	<u>958,478</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 March 31, 2011			Market value as % of net assets	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 March 31, 2011	Cost	Appreciation / (Diminution)			
-----Rupees in '000'-----										
-----Percentage-----										
OIL AND GAS										
Pakistan Oilfield Limited	1,046,960	28,700	-	816,806	258,854	84,151	23,190	846	8.78	0.11
Pakistan Petroleum Limited	1,296,961	40,400	110,422	1,102,850	344,933	72,922	21,210	7.33	7.61	0.03
Pakistan State Oil Company Limited	351,823	194,000	-	351,823	194,000	53,837	(1,895)	5.41	5.62	0.11
					168,405	210,910	42,505	21.21		
CHEMICALS										
Engro Corporation Limited	1,121,613	221,100	93,845	873,486	563,072	115,869	40,697	11.65	12.09	0.14
Fatima Fertilizer Company Limited	-	1,302,885	-	-	1,302,885	15,724	17,433	1.75	1.82	0.07
Fauji Fertilizer Bin Qasim Limited	3,850,904	-	-	3,295,000	555,904	16,156	23,025	6.869	2.40	0.06
I.C.I Pakistan Limited	1,234,635	2,800	-	791,521	445,914	68,077	5,579	7.41	7.68	0.32
Lotte Pakistan PTA Limited	-	1,942,211	-	-	1,942,211	26,795	31,347	4.552	3.27	0.13
					201,924	261,330	59,406	26.28		
GENERAL INDUSTRIALS										
Packages Limited	1,584,943	-	-	842,454	742,489	111,346	87,547	(23,799)	8.80	0.88
						111,346	87,547	(23,799)	8.80	
AUTOMOBILE AND PARTS										
Pak Suzuki Motor Company Limited	191,550	-	-	100,000	91,550	14,630	6,360	(8,270)	0.64	0.11
						14,630	6,360	(8,270)	0.64	
HOUSEHOLD GOODS										
Pakistan Elektron Limited	2,959,750	-	-	2,959,750	-	-	-	-	-	-
PERSONAL GOODS										
Nishat Mills Limited	2,703,505	4,300	-	1,946,000	761,805	39,461	49,510	10,049	4.98	0.22
						39,461	49,510	10,049	4.98	
TOBACCO										
Pakistan Tobacco Company Limited	22,500	-	-	22,500	-	-	-	-	-	-

Name of the Investee Company	Number of shares						Balance as at March 31, 2011			Market value as a % of total investments	Paid up value of shares 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 March 31, 2011	Cost	Market value	Appreciation / (Diminution)	Market value as % of net assets		
PHARMA AND BIO TECH											
Searle Pakistan Limited	116,899	-	-	116,899	-	-	-	-	-	-	-
FIXED LINE TELECOMMUNICATION											
Pakistan Telecommunication Company Limited "A"	-	1,342,799	-	-	1,342,799	24,710	(1,882)	22,828	2.30	2.38	0.04
Wateen Telecom Limited	2,000,000	9	-	2,000,009	-	-	(1,882)	-	2.30	-	-
ELECTRICITY											
Hub Power Company Limited	3,905,168	485,000	-	2,828,600	1,561,568	51,196	7,581	58,777	5.91	6.13	0.13
Kot Addu Power Company Limited	4,174,324	-	-	3,375,240	799,084	37,984	(5,078)	32,906	3.31	3.43	0.09
						89,180	91,683	2,503	9.22		
BANKS											
Allied Bank Limited	1,875,476	102,642	82,901	1,149,103	911,916	49,225	4,970	54,195	5.45	5.65	0.11
Bank AL-Habib Limited	515,000	-	-	515,000	-	-	-	-	-	-	-
National Bank of Pakistan	-	445,674	81,593	235,200	292,067	16,345	309	16,654	1.67	1.74	0.02
United Bank Limited	-	665,200	-	29,100	636,100	40,598	(1,478)	39,120	3.93	4.08	0.05
						106,168	3,801	109,969	11.06		
						755,824	840,137	84,313			

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

Issue Date	Tenor	Face Value			Balance as at March 31, 2011			Market value as a % of total investments	
		As at July 1, 2010	Purchases during the period	Sales / Matures during the period	Cost	Market Value	Diminution		
------(Rupees in '000)'-----									
-----Percentage-----									
Pakistan Investment Bonds									
September 3, 2009	5 Years	25,000	-	25,000	-	-	-	-	
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	
Treasury Bills									
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	339,500	-	-	-	-	
November 4, 2010	3 Months	-	555,000	555,000	-	-	-	-	
December 2, 2010	3 Months	-	325,000	325,000	-	-	-	-	
December 18, 2010	3 Months	-	50,000	50,000	-	-	-	-	
January 13, 2011	3 Months	-	60,000	-	60,000	59,867	(4)	6.25	
January 27, 2011	3 Months	-	75,000	45,000	30,000	29,783	(1)	3.11	
February 24, 2011	3 Months	-	30,000	15,000	15,000	14,742	(1)	1.54	
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	-	-	-	-	
September 26, 2009	12 Months	50,000	-	50,000	-	-	-	-	
October 8, 2009	12 Months	75,000	-	75,000	-	-	-	-	
March 11, 2010	12 Months	-	5,000	5,000	-	-	-	-	
July 29, 2010	12 Months	-	253,000	253,000	-	-	-	-	
					104,398	104,392	(6)		

	(Unaudited) March 31 2011	(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	944,529	2,273,303
Less: Cost of investments	<u>(860,222)</u>	<u>(2,471,957)</u>
	84,307	(198,654)
Add: Realised on disposal during the period	(135,415)	(364,514)
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>	533,391
	<u>147,546</u>	<u>(29,777)</u>
6.6 Net unrealised (diminution) / appreciation in value of investments classified as 'available for sale'		
Market value of investments	13,949	106,224
Less: Cost less impairment	<u>(10,119)</u>	<u>(70,515)</u>
	3,830	35,709
Impairment loss on financial assets classified as 'available for sale'- transferred to Income Statement	<u>1,533</u>	1,589
	5,363	37,298
Less: Net unrealised appreciation in value of investments at the beginning of the period	<u>(37,298)</u>	<u>(27,146)</u>
	<u>(31,935)</u>	<u>10,152</u>
7. PAYABLE TO THE MANAGEMENT COMPANY		
Management fee	1,668	4,228
Conversion cost payable	<u>7,600</u>	-
	<u>9,268</u>	<u>4,228</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 July 15, 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. SHC has concluded its hearing and judgement has been reserved.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence provision has not been made in respect of WWF, which, if liable, would amount to Re 0.11 per unit.

9. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), Arif Habib Corporation being the holding company of AHI, Arif Habib Limited and Thatta Cement Limited being companies under common control, Summit 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 and officers of the Management Company.

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	Nine months ended		Quarter ended	
		March 31	2010	March 31	2010
		(Rupees in '000')			
	Management Company				
	Remuneration	27,076	42,118	5,044	13,381
	Redemption of 14,127,000 units (2010: Nil)	114,529	-	-	-
	Dividend paid	18,026	-	-	-
	Trustee				
	Remuneration	1,702	1,817	495	617
	CDS charges for conversion	5,731	-	-	-
	CDS eligibility charges	51	51	17	17
	Other charges	153	273	10	100
	Arif Habib Limited - Brokerage house				
	Brokerage *	836	397	65	155
	Summit Bank Limited				
	Redemption of 2,237,000 units (2010: Nil)	18,411	-	-	-
	Mark up income during the period	2,466	11,427	310	1,658
	Bank charges	48	-	-	-
	Dividend paid	2,580	-	-	-
	Pakistan Income Enhancement Fund				
	Sale of Term Finance Certificates				
	United Bank Limited - (February 14, 2008) (2010: 20,000 certificates)	-	91,897	-	-
	Arif Habib Corporation				
	Redemption of 45,403,658 units (2010: Nil)	355,283	-	-	-
	Dividend paid	52,369	-	-	-
	Trustee - Arif Habib Investments Employee Provident Fund				
	Redemption of 380,902 units (2010: Nil)	3,017	-	-	-
	Dividend paid	439	-	-	-
	Trustee - Arif Habib Investments Employee Stock Beneficial Ownership Trust				
	Redemption of 61,000 units (2010: Nil)	483	-	-	-
	Dividend paid	70	-	-	-
	Directors and executives of the Management Company				
	Issue of 555,763 units (2010: Nil) and 555,763 units (2010: Nil) for the nine months and quarter respectively	4,360	-	-	-
	Redemption of 540,941 units (2010: Nil) and 60,000 units (2010: Nil) for the nine months and quarter respectively	4,293	-	523	-
	Dividend paid	300	-	-	-

* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter-parties are not connected persons.

	(Unaudited) March 31 2011 ----(Rupees in '000')----	(Audited) June 30 2010
9.2 Balances outstanding as at the period end		
Management Company		
Units / certificates held 1,502,000 (June 30, 2010: 15,629,000 certificates)	13,368	156,290
Remuneration payable	1,668	4,228
Conversion cost payable	7,600	-
Trustee		
Remuneration payable	167	199
Other payables	6	32
Security deposit	300	300
Arif Habib Limited - Brokerage house		
Brokerage payable	-	110
Summit Bank Limited		
Units / certificates held: Nil (June 30, 2010: 2,237,000 certificates)	-	22,370
Balance with bank	20,187	16,955
Accrued mark-up	106	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 April 23, 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