
JS Principal Secure Fund II

Quarterly Report for the period
ended September 30, 2010





CONTENTS

Vision and Mission Statement02

Organization03

Directors' Report to the Unit Holders04

Condensed Interim Statement of Assets and Liabilities05

Condensed Interim Income Statement06

Condensed Interim Statement of Comprehensive Income07

Condensed Interim Cash Flow Statement08

Condensed Interim Statement of Movement in Unit Holders' Fund09

Condensed Interim Distribution Statement10

Notes to the Condensed Interim Financial Statements11

JS Principal Secure Fund II

In July 2010, the Board of Directors of JS Investments Limited adopted the sustainable growth initiative "JSIL 2010 Onwards ~" proposed by the newly appointed CEO. The revised Vision, Mission, and Statement of Broad Policy Objectives of JS Investments form the bedrock of "JSIL 2010 Onwards ~" and have been framed after a thorough S.W.O.T. Analysis of the Company and assessment of the Macro-economic and Financial Market Trends.

VISION

To be recognized as a responsible asset manager respected for continually realizing goals of its investors.

MISSION

To build JS Investments into a top ranking Asset Management Company; founded on sound values; powered by refined knowhow; supported by a committed team operating within an accountable framework of social, ethical and corporate responsibility - a strong and reliable institution for its shareholders to own; an efficient service provider and value creator for clients; an exciting and fulfilling work place for employees; and a participant worth reckoning for competitors.

BROAD POLICY OBJECTIVES

- Value creation for clients on a sustainable basis
- Maintain high standards of ethical behaviors and fiduciary responsibility
- Manage Investments with Prudence and with the aim of providing consistent returns better than that of peers
- Take Products and Services to the People; Create awareness on understanding financial goals, risks and rewards
- Professional Excellence - Adapt, Evolve and Continuously Improve
- Maintain highly effective controls through strong compliance and risk management
- A talented, diligent and diverse HR



JS Principal Secure Fund II

ORGANIZATION

Management	JS Investments Limited 7th Floor, The Forum, G-20 Khayaban-e-Jami, Block-9, Clifton Karachi-75600 Tel: (92-21) 111-222-626 Fax: (92-21) 35361724 E-mail: info@jsil.com Website: www.jsil.com	
Board of Directors	Munawar Alam Siddiqui Rashid Mansur Suleman Lalani Nazar Mohammad Shaikh Fayaz Anwar Lt. General (R) Masood Parwaiz Sadeq Sayeed	Chairman Chief Executive Officer
Audit Committee	Nazar Mohammad Shaikh Munawar Alam Siddiqui Lt. General (R) Masood Parwaiz	Chairman Member Member
Chief Financial Officer & Company Secretary	Suleman Lalani	
Trustee	MCB Financial Services Ltd. (formerly Muslim Commercial Financial Services Ltd.) 3rd Floor, Adamjee House I.I.Chundrigar Road, Karachi - 74000	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder. Chartered Accountants	
Legal Adviser	Bawaney & Partners	
Transfer Agent	Technology Trade (Private) Limited 241-C, Block 2, P.E.C.H.S, Karachi Tel: (92-21) 34391316-7 Fax: (92-21) 34391318	

JS Principal Secure Fund II

DIRECTORS' REPORT TO THE UNIT HOLDERS

The Board of directors of JS Investments Limited has pleasure in presenting to you the un-audited financial statements of **JS Principal Secure Fund II** for the three months period ended September 30, 2010.

Market Review

The equity market remained under pressure during the quarter under review, as the KSE-30 Index rose marginally by 1.2% to close the quarter at 9,674 points. Although the index was unable to close the period on a significant positive note, however, the index did exhibit volatility (for the reasons explained below) by hovering within the range of 10% in the out-going quarter.

During the quarter, Pakistan's ailing economy suffered the most challenging setback in the form of 'mega floods'. Consequently, the agricultural output considered as the backbone of the economy went into enormous distress. A rough estimate of the losses to the economy is quoted at USD 43Bn. Therefore, the government has had to make tough choices in the form of; (a) Diversion of the budgeted development expenditures for rehabilitation activities, which would widen the budget deficit (b) Increased foreign loans, hampering our debt-servicing capacity and (c) Monetary tightening as an attempt to curb the inflationary impact of floods.

The above measures would imminently put additional pressure on the government's objective of reviving the 'weak' economy. Moreover, any further monetary tightening, which can not be ruled out owing to the expected inflation rate of 14%-16%, is going to further squeeze the debt-ridden companies' capacity to operate profitably. Nevertheless, despite all the odds, the foreigners have continued to capture the headlines with their net Foreign Portfolio Investments (FPI) of US\$ 105mn in the out-going quarter. While trading at an EFY11 P/E multiple of 7.2, the local market still remains a comparatively attractive outlet for foreigners to pour their funds in.

Conclusively, in light of a gloomy economic picture, revival of the stock market and the muted volumes would require the keenly-awaited impetus of a possible re-emergence of leveraged products for the liquidity-strapped investors.

Fund Performance

The Fund earned a net income of Rs. 11.978 million during the period under review. The net assets of the Fund were Rs. 581.040 million as on September 30, 2010 compared to Rs. 585.641 million as on June 30, 2010 - a decline of 0.8%. The net assets value (NAV) per unit as on September 30, 2010 was Rs. 102.74 compared to ex-distribution NAV of Rs. 100.47 per unit on June 30, 2010 showing an increase of 2.3%. The Fund underperformed its benchmark return by 0.5% during the period ended September 30, 2010.

Fund and Asset Manager Rating

The Management Company is in the process to obtain the rating of the Fund from a rating agency.

The asset manager rating for JS Investments Limited is in progress and has not yet been announced by JCR - VIS Credit Rating Co. Limited. The asset manager rating for JS Investments Limited last announced by PACRA was "AM2". The said rating was subsequently withdrawn by PACRA on March 16, 2010 pursuant to JS Investments' decision to discontinue its rating relationship with PACRA with immediate effect.

Acknowledgment

We wish to express our gratitude to the employees of the Management Company and the Trustee for their dedication and hard work and the unit holders for their confidence in the Management.

On behalf of the Board

Rashid Mansur
Chief Executive Officer

Karachi: October 22, 2010



JS Principal Secure Fund II

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

	Note	September 30, 2010 (Unaudited)	June 30, 2010 (Audited)
ASSETS			
Bank balances	4	30,207,211	548,606
Term deposit	5	533,967,076	540,768,205
Investments	6	23,940,000	44,901,927
Deposit and other receivables		668,171	625,000
Deferred formation costs		717,956	938,129
Total assets		589,500,414	587,781,867
LIABILITIES			
Remuneration payable to Management Company		721,085	72,198
Remuneration payable to Trustee		72,731	73,116
Annual fee payable to Securities and Exchange Commission of Pakistan		110,794	240,468
Preliminary and floatation costs payable to the management company		-	74,580
Accrued and other liabilities		7,556,113	1,680,126
Total liabilities		8,460,723	2,140,488
NET ASSETS		581,039,691	585,641,379
UNIT HOLDERS FUNDS		581,039,691	585,641,379
		No. of Units	
Number of units in issue		5,655,244	5,676,637
Net assets value per unit (Rupees)		102.74	103.17

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

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

JS Principal Secure Fund II

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

	Note	<u>Quarter Ended</u> <u>September 30,</u> <u>2010</u>
		--- Rupees ---
INCOME		
Return on bank balances and term deposits		15,102,640
Dividend income		175,000
<u>Net loss on investments at fair value through income statement</u>		
Net gain on sale of investments		1,211,857
Net unrealized loss on remeasurement of investments		(1,369,647)
		(157,790)
Element of income / (loss) and capital gains / (losses) in prices of units sold less those of units redeemed - net		(252,354)
		<u>14,867,496</u>
EXPENSES		
Remuneration of the management company		2,215,283
Remuneration of the trustee		223,347
Annual fee to Securities and Exchange Commission of Pakistan		110,794
Securities transactions cost		53,974
Listing fee		5,041
Bank & settlement charges		368,437
Auditors' remuneration		67,598
Printing & stationary		25,861
Amortization of deferred formation cost		220,173
Reversal of provision againsts Workers' Welfare Fund	7	(400,937)
		2,889,571
Net income for the period		<u><u>11,977,925</u></u>

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

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman



JS Principal Secure Fund II

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

	<u>Quarter Ended</u> September 30, 2010 --- Rupees ---
Net income for the period	11,977,925
<u>Other Comprehensive Income For The Period</u>	
Net unrealised gain / (loss) on revaluation of investments classified as available for Sale	-
Total Comprehensive income for the period	<u><u>11,977,925</u></u>

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

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

JS Principal Secure Fund II

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	<u>Quarter Ended</u> <u>September 30,</u> <u>2010</u>
	--- Rupees ---
Operating activities	
Net income for the period	11,977,925
Adjustments for:	
Net gain on sale of marketable securities	(1,211,857)
Net unrealized loss on remeasurement of investments	1,369,647
Return on bank balances and term deposits	(15,102,640)
Dividend income	(175,000)
Element of income and capital gains in prices of units sold less those of units redeemed - net	252,354
Amortization of formation cost	220,173
Operating profit before working capital changes	<u>(2,669,398)</u>
Increase in current liabilities	
Remuneration payable to the Management Company	648,887
Remuneration payable to the trustee	(385)
Annual fee payable to Securities and Exchange Commission of Pakistan	(129,674)
Creditors, accrued and other liabilities	5,875,987
	<u>6,394,815</u>
	<u>3,725,417</u>
Purchase of investments	(7,094,960)
Sale of investments	27,899,097
Preliminary and flotation costs re-imbursed to management company	(74,580)
Return on bank balances and term deposits received	1,402,674
Early redemption of term deposits	20,107,924
Dividend received	525,000
Net cash generated from operating activities	<u>46,490,572</u>
Cash flow from financing activities	
Amounts paid on redemption of units	(16,831,967)
Net increase in Cash and cash equivalents during the period	<u>29,658,605</u>
Cash and Cash equivalents at the beginning of the period	<u>548,606</u>
Cash and Cash equivalents at the end of the period	<u><u>30,207,211</u></u>

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

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman



JS Principal Secure Fund II

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	<u>Quarter Ended</u> September 30, 2010 --- Rupees ---
Net assets at the beginning of the period	585,641,379
Issue of 152,552 bonus units	-
Redemption of 173,945 units	(16,831,967)
Element of income / (loss) and capital gains / (loss) in prices of units sold less those of units redeemed - net	252,354
Total comprehensive income for the period	11,977,925
Net assets as at the end of the period	<u>581,039,691</u>
Net assets at the end of the period consist of:	
Capital account	566,655,544
Undistributed income carried forward	13,497,572
Back-end load - special reserve account	886,575
	<u>581,039,691</u>

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

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

JS Principal Secure Fund II

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

	<u>Quarter Ended</u> <u>September 30,</u> <u>2010</u>
	--- Rupees ---
Undistributed income brought forward	16,846,566
Distribution at the rate of Rs. 2.70 per unit declared on 07 July 2010	<u>(15,326,919)</u>
	1,519,647
Net income for the period	11,977,925
Undistributed income carried forward	<u><u>13,497,572</u></u>

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

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman



JS Principal Secure Fund II

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

JS Principal Secure Fund II (the Fund) was established under a Trust Deed executed between JS Investments Limited as the management company and MCB Financial Services Limited as the trustee. The Trust Deed was executed on July 30, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 24, 2009 in accordance with the Non-Banking Finance Companies Rules 2003 (the Rules).

The registered office of JS Investments Limited is situated at 7th Floor, The Forum, G-20 Khayaban-e-Jami, Block-9, Clifton, Karachi.

The Fund is an open ended mutual fund and its units are listed on Lahore Stock Exchange. Units were offered for public subscription during December 14, 2009 to December 15, 2009. After initial subscription, the sale of units had been discontinued effective from December 25, 2009 in accordance with the terms of clauses 3.57 and 11.4 of Trust Deed. The sale of additional units is at the discretion of the management company. The units can also be redeemed by surrendering them to the Fund subject to back-end load as per the offering document.

The Fund aims at protecting investors' capital by placing a significant percentage of the Fund as bank deposit(s) or in other fixed income instruments, and uses the remaining funds for investments into equity markets or any other permissible investment instruments. The duration of the Fund is eighteen months and six weeks from the last day of Initial Public Offering i.e., December 15, 2009. The Fund shall automatically stand dissolved after this period in accordance with the Trust Deed.

Title to the assets of the Fund are held in the name of MCB Financial Services Limited as a trustee of the Fund.

2. BASIS OF PREPARATION

These condensed interim financial statements are un-audited and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" as applicable in Pakistan, the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations 2008, and in compliance with the Listing Regulations of the Lahore Stock Exchange.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the Fund's annual financial statements for the year ended June 30, 2010.

	September 30, 2010 ----- Rupees ----- (Unaudited)	June 30, 2010 (Audited)
4. BANK BALANCES		
In PLS saving accounts	30,197,211	548,606
In Current account	10,000	-
	<u>30,207,211</u>	<u>548,606</u>
5. TERM DEPOSITS		
Principal amount	491,540,947	511,648,871
Accrued return	42,426,129	29,119,334
	<u>533,967,076</u>	<u>540,768,205</u>

JS Principal Secure Fund II

	Note	September 30, 2010 ----- Rupees ----- (Unaudited)	June 30, 2010 (Audited)
6. INVESTMENTS			
Held-for trading (at fair value through income statement) - Listed equity securities	6.1	<u>23,940,000</u>	<u>44,901,927</u>
		<u>23,940,000</u>	<u>44,901,927</u>

6.1 INVESTMENTS

Listed equity securities - Held-for-trading (at fair value through income statement)
(Ordinary shares have a face value of Rs. 10/- each unless stated otherwise)

Sector / companies	Number of shares				At the end of the period	Market Value (Rupees)	% of Net Assets	% of investee Capital
	At the beginning of the period	Acquired during the period	Bonus received during the period	Disposed during the period				
Oil and Gas								
Attock Petroleum Limited	20,000	-	-	20,000	-	-	-	-
Pakistan Oilfields Limited	4,000	4,000	-	8,000	-	-	-	-
Pakistan Petroleum Limited	60,000	-	7,000	25,000	42,000	7,241,221	1.25	-
						7,241,221	1.25	
Construction and Materials								
Attock Cement Pakistan Limited	56,000	-	-	-	56,000	3,603,040	0.62	0.08
D.G. Khan Cement Ltd	-	200,000	-	-	200,000	4,784,000	0.82	0.08
						8,387,040	1.44	
Automobile and Parts								
Pak Suzuki Motor Company Limited	70,131	-	-	70,131	-	-	-	-
Fixed Line Telecommunication								
Pakistan Telecommunication Company Limited	475,000	75,000	-	500,000	50,000	940,000	0.16	-
Banks								
Mezan Bank Limited	47,015	-	-	-	47,015	687,359	0.12	0.01
Life Insurance								
EFU Life Assurance Limited (related party)	113,333	-	-	-	113,333	6,684,380	1.15	0.15
Market value						<u>23,940,000</u>	<u>4.12</u>	
Cost						<u>28,819,385</u>		

7. REVERSAL OF PROVISION AGAINST WORKERS' WELFARE FUND

The Finance Act, 2008 brought an amendment in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 (1969 Ordinance) applies. As a result of this amendment, the Fund had made provision of Rs. 400,937/- for Worker's Welfare Fund being two percent of income of the Fund, for the year 2010, in the financial statements for the year ended June 30, 2010.

However, the above provision was reversed and further provisioning was discontinued with effect from August 24, 2010 on the basis of a clarification issued by the Ministry of Labour and Manpower that the income of Mutual Funds is exempt from the levy of WWF under the law.



JS Principal Secure Fund II

	<u>Quarter Ended</u> September 30, 2010 --- Rupees ---	
8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES		
JS Investments Limited		
Remuneration of the management company		2,215,283
Preliminary and floatation cost re-imbursed to management company		74,580
MCB Financial Services Limited		
Remuneration of the trustee		223,347
ABAMCO Limited - Staff Provident Fund		
Issue of bonus units		95,096
JS Bank Limited		
Profit on bank balances		22,521
JS Global Capital Limited		
Brokerage fee	8.1	22,189
EFU Life Assurance Limited		
Issue of bonus units		814,886
	September 30, 2010 ----- Rupees ----- (Unaudited)	June 30, 2010 ----- (Audited)
Balance as at quarter / year end		
JS Investment Limited		
Remuneration payable	721,085	72,198
MCB Financial Services Limited		
Remuneration payable	72,731	73,116
ABAMCO Limited - Staff Provident Fund		
Outstanding 36,167 units (2010: 35,221 units)	3,715,821	3,633,721
JS Bank Limited		
Bank balances	1,155,925	315,511
EFU Life Assurance Limited		
Outstanding 309,920 units (2010: 301,810 units)	31,841,217	31,137,697

- 8.1 The amount disclosed represents the amount of brokerage paid to the related party and not the purchase or sale value of securities transacted through them. The purchase or sale value have not been treated as transactions with related party as ultimate counter parties are not known.
- 8.2 The transactions with related parties / connected persons are in the normal course of business at contracted rates and terms determined in accordance with market rates.

JS Principal Secure Fund II

9. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on October 22, 2010.

10. GENERAL

- 10.1 Corresponding figures have been re-arranged where ever necessary.
- 10.2 Figures have been rounded off to the nearest rupee.

For JS Investments Limited
(Management Company)

Rashid Mansur
Chief Executive Officer

Munawar Alam Siddiqui
Chairman

BOOK POST
PRINTED MATTER



JS Investments Limited

7th Floor, The Forum,
G-20 Khayaban-e-Jami,
Block-9, Clifton, Karachi-75600

Phone: +92 21 111-222-626

Fax: +92 21 3536 1724

E-mail: info@jsil.com

Website: www.jsil.com