

PAKISTAN STOCK MARKET FUND

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FUND'S INFORMATION

Management Company

Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
2 / 1, R. Y. 16, Old Queens Road, Karachi-74000.

Board of Directors of the Management Company

Mr. Nasim Beg	Chief Executive
Mr. Muhammad Shafi Malik	Director
Syed Ajaz Ahmed	Director
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Akmal Jameel	Director
Mr. Muhammad Kashif	Director
Mr. S. Gulrez Yazdani	Director (Appointment subject to approval of SECP)

Audit Committee

Mr. Muhammad Shafi Malik	Member
Syed Ajaz Ahmed	Member
Mr. Muhammad Akmal Jameel	Member
Mr. Muhammad Kashif	Member

Company Secretary & CFO of the Management Company

Mr. Zeeshan

Trustee

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

Bankers to the Fund

• Arif Habib Bank Limited	• Askari Commercial Bank Limited
• Allied Bank Limited	• Bank Al Habib Limited
• Habib Bank Ltd	• Bank Alfalah Limited
• Habib Metropolitan Bank Limited	• MCB Bank Limited
• Meezan Bank Limited	• Standard Chartered Bank (Pakistan) Limited
• The Bank of Punjab	• United Bank Limited
• Soneri Bank Limited	• The Royal Bank of Scotland

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C,
I.I Chundrigar Road, Karachi

Legal Adviser

M/s. Kabraji & Talibuddin
64-A/1, Gulshan-e-Faisal,
Bath Island, Karachi-75530

Registrar

M/s. Gangjees Registrar Services (Pvt.) Limited
Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton,
Karachi.

Rating

- PACRA : 4 Star (Normal)
- PACRA : 2 Star (Long Term)
- PACRA : AM2 (Management Quality rating assigned to Management Company)

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REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED 30TH SEPTEMBER 2009

The Board of Directors of Arif Habib Investments Limited (formerly: Arif Habib Investment Management Limited), the Management Company of Pakistan Stock Market Fund (PSM) is pleased to present its Report together with the Condensed Interim Financial Statements for the quarter ended 30th September 2009.

Fund Objective

The objective of the Fund is to provide investors long term capital appreciation from its investments in Pakistani equities.

Fund Profile

PSM is an Open-end equity Fund that invests in quality stocks listed in Pakistan.

The Fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors / companies and DCF (Discounted Cash Flow) valuations are the primary factors in Sectors' allocation and stock selection. Major portion of the Fund's portfolio comprises of high-quality liquid stocks. The funds which are not invested in equities are required to be kept in cash and near-cash investments.

Fund Performance during the quarter ended 30th September 2009

The Fund earned net income of Rs 461.76 million during the quarter which comprises mainly of capital gain on sale of investments of Rs 110.15 million, dividend income of Rs 29.34 million, profit on bank deposits of Rs 11.27 million and marked to market unrealized gain of equity portfolio of Rs 332.28 million.

The Net Assets of the Fund as at 30th September 2009 stood at Rs 2,290.74 million. The Net Asset Value (NAV) per unit at the start of the period was Rs 47.56, and with an increase of Rs 13.46 in the NAV per unit during the period under review, the NAV per unit as on 30th September 2009 was Rs 61.02. During the period, PSM has given a positive return of 28.30% as compared to KSE-100 index positive return of 30.54%.

Earning Per Unit (EPU)

EPU has not been disclosed as we feel determination of weighted average units for calculating EPU is not practicable.

Future Outlook

Overall macroeconomic situation has stabilized under the USD 11.3 billion 3 years IMF program leading to improvement in the country's rating from CCC+ to B-. In addition, USD 1.5 billion annual economic assistance from United States and commitments of over USD 5 billion from "friends of Pakistan" (FoDP) consortium, should help the country in overcoming the pressures on its external account. Economic growth is expected to be slow around 3% as aggregate demand remains slow due to continuing double digit interest rates and relatively tight monetary conditions. During the coming months, external inflows should help in improving domestic liquidity situation. While economic indicators have started to stabilize, the country has been confronted with another round of escalation in terrorist attacks. Successful completion of army operation in Waziristan and reduction in security threat will be crucial for retaining investors' confidence.

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Acknowledgement

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

For and on behalf of the Board

Karachi:
22nd October 2009

Nasim Beg
Chief Executive

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REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED 30TH SEPTEMBER 2009

Fund Objective

The objective of the Fund is to provide investors long term capital appreciation from its investment in Pakistani equities.

Fund Profile

Pakistan Stock Market Fund (PSM) is an Open-end equity Fund that invests in quality stocks listed in Pakistan.

The Fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the Fund's portfolio is high quality liquid stocks. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/ placements.

PSM is a long only fund. 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

PSM's investment remained in line with the Fund's stated objectives. The Fund's NAV increased 28.30% during July-September 2009 compared to 30.54% increase in KSE-100 Index. Major return contribution came from the Fund's holding in NML, PSO, OGDC, PICT, FFC, Engro, MCB, ICI and Pak Tobacco.

Asset allocation and Investment Activities during 3Q09

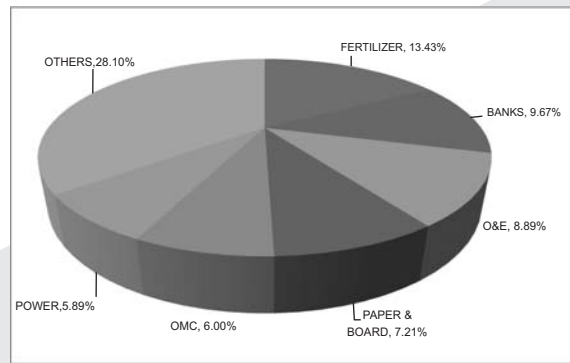
PSM remained, on average about 80% invested in equities during the quarter in review. As at 30th September 2009 the Fund had 79.19% exposure to equities, compared to 80.06% at the beginning of the quarter. The Fund's allocation in equities was increased in the initial part of the quarter by adding undervalued scrips in the portfolio. The exposure was brought down subsequently as equity prices increased, resulting in some of the scrips becoming overvalued.

The Fund's exposure in various sectors was realigned, keeping in view the earnings outlook and relative valuations.

- Investment in value stocks including PSMC, PAEL, Nestle and Packages was increased considering long term upside potential in the stocks.
- Overall exposure in the Banking sector was increased. The Fund's holding in UBL was divested and that in HBL and MCB was enhanced on relative valuation basis.
- Overall exposure in Fertilizer sector increased to 13.43% (end June: 11.62%), adding exposure in Engro and FFBL, while offloading some exposure in FFC.
- PSM's exposure in NML was reduced as it moved above its fair value.
- Exposure in E&P reduced was to 8.89%; portion of the exposure in OGDC was offloaded while holdings in POL was increased during the quarter.
- Exposure in PTCL was reduced on the basis of limited upside potential in its stock price.
- Cement stocks were offloaded considering unfavourable sector dynamics.

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Portfolio allocation as at 30th September 2009



Equity Market Review

The market has ended the first quarter with strong gains of 30.54%. The present rally has pushed the market beyond the important 9000 level. This was the level, where the index remained frozen for over three months (from 27th August-15th December 08) due to imposition of price floor amid the settlement crises. From its low of 4815 on 26th January 09, the market has bounced back 94%. Amongst the top ten performing sectors which collectively contributed more than 80% of the index return were Oil & Gas Exploration, Banks, Fertilizer, Investment Comp, OMC, Food, Power, Textile Composite, Technology & Communication and Chemicals.

The recent gains are mostly attributed to foreign investors who have invested USD 235 million during the Q1 of FY 2009/10. These inflows are primarily due to relatively cheap valuations of Pakistani stocks compared to regional and other emerging markets. Equity markets world over have recorded sharp gains during the past few months, with Pakistani market being the second best in July-September 09 quarter.

Overall investors' sentiments turned positive on Pakistani equities as the balance of payment situation was addressed through enhancement in IMF standby arrangement by USD 3.7 billion (to USD 11.3 billion) in August. This also led to improvement in the country's rating from CCC+ to B- with a stable outlook. Average daily volume of 154.55 million shares was traded during the quarter.

Economic Review

As data from the month of July reveals, the slump in manufacturing activity continued into the new financial year; the Quantum Index Numbers of Large Scale Manufacturing (LSM) contracted by 2.87 percent in July over June, 2009. These have shown a small increase of 0.47 percent on a YoY basis, however owing mostly to a lower base. Major concerns particularly from the supply side remain, such as power outages and structural issues in the textile sector, the largest constituent of LSM, and are likely to dampen the pace of growth in the Index going forward. Overall current trends indicate a GDP growth rate of 3.0 – 3.5 percent in FY10 with Agriculture likely to grow by 3.3 percent, Industry by 3.2 percent and Services by 4.0 percent.

Interest rates have edged upwards in Q1 FY10 in longer tenures with a 23 bps and 31 bps rise in 6-month and 1 year T-bills, while in the 3 month tenure there was a decline of 11 bps. There was

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however a more substantial rise in the 10 year PIB yield which rose by 48 bps to 12.47 percent at Q1 end. Liquidity pressures emanating from an aggressive T-bill auction target in Q1 against maturities and deposit withdrawals as a result of the Ramadan-Eid season restrained the KIBOR from slipping down significantly while expectations of the Central Bank maintaining policy rate at 13 percent against previous anticipations of a cut, were paramount in pushing treasury yields higher. In addition to this SBP announced a cut in the discount rate by 100 bps in August, which was less than originally anticipated. The State Bank of Pakistan (SBP) is viewing mixed inflationary signals going forward and continued stress on the fiscal accounts.

What particularly concerns the Central Bank is that effectively a rising trend has been witnessed in the CPI since February 2009, which if continued, will push headline CPI higher in the months to come. The CPI increased 10.12 YoY percent in September and an average 10.66 percent in Q1 FY10 as against the corresponding period last FY. On the positive side however, Non Food, Non Energy or core inflation fell to 11.9 percent YoY against 12.6 percent a month earlier and in SBP's view, slow economic activity is likely to keep fundamental drivers of core inflation under control. In this regard, SBP may opt for easing the discount rate by 100 bps to 12 percent, expectations of which may allow market interest rates to adjust downward. Moreover, the liquidity situation is likely to improve into Q2 FY10, driven by a buildup of Net Foreign Assets (NFAs) of the banking system. A more favourable, Balance of Payments (BoP) position has allowed the NFAs to increase by PKR 112.7 billion since July FY10, consequently increasing the Monetary base (RM) by 4.52 percent against a meager 0.83 percent in the corresponding period in FY09. However, risks to lower interest rates also emanate from the fiscal side as lack of clarity with respect to the timing of foreign inflows may increase budgetary financing needs from the domestic economy and decrease the quantum of credit available in an already inactive credit market.

The second quarterly review meeting with the IMF was held in August where additional financing to USD 11.3 billion from the original USD 7.6 billion was approved. The country has received USD 1.2 billion tranche from the IMF including the additional financing, part of which may be used for domestic spending until funds pledged at the FoDP arrive. The disbursements and the supplementary financing to a large extent have lowered sovereign risk, reflected in an upgrade in S&P's rating for Pakistan from CCC+ to B- with a stable outlook and Moody's outlook from negative to stable. As a result, foreign portfolio investment has begun to flow back into Pakistan with a significant inflow of USD 235 million in Q1 FY10, making significant contribution to the buoyant activity seen in the local equity market.

The country's Current Account (CA) experienced a small surplus of USD 82 million in August on the back of a solid improvement in the trade deficit and remittance flows. The trade deficit in Q1 FY10 improved by a staggering 44.74 percent against the corresponding quarter in FY09, bringing it to USD 3.09 billion. The improvement was driven mainly by a sharp decline in oil prices compared to the corresponding quarter and thus a 29.85 percent decline in imports. Exports on the other hand also suffered a decline of 13.86 percent in Q1 FY10; however this is also due to higher base in Q1FY09 as exports had not started to deteriorate back then. Workers' remittances on the other hand surged by 23.99 percent bringing the inflows from remittances to USD 2.33 billion in the Jul-Sept FY10 period. The Financial account surplus also observed an improvement by USD 2.1 billion in the Jul – Aug period, owing mostly to disbursements made by donor agencies and friendly countries. Following an improvement in Pakistan's sovereign rating from CCC+ to B-, foreign investors have contributed to the buoyant activity in the local equity market, with an inflow of USD 235 million in 1QFY10. The overall improvement in the BoP has allowed FX-reserves to cross USD 14.8 billion, their highest level in almost 2 years.

The local currency experienced a depreciation of 2.15 percent in Q1 FY10, driven to a large extent by expectations of the pass-on of oil payments to the interbank market from the SBP. Furnace Oil

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payment had already been passed on in February 2009 and Diesel payments have commenced in August 2009. However some strengthening of the currency was also seen in August on the back of significant foreign inflows reflected in the improving BoP position.

Outlook

Overall macroeconomic situation has stabilized under the USD 11.3 billion 3 years IMF program leading to improvement in the country's rating from CCC+ to B-. In addition, other commitments of over USD 5 billion have been pledged by "friends of Pakistan" consortium, which should help the country in overcoming the pressures on its external account. Economic growth is expected to be slow around 3% as aggregate demand remains slow due to continuing double digit interest rates and relatively tight monetary conditions. However, these tightening measures along with fall in international oil prices and improvement in agricultural output have helped in reducing inflation to around 10-11% from over 20% a year earlier. Going forward, external inflows should help in improving domestic liquidity situation. Given the increasingly high participation from foreigners, any pull back in international markets could have material impact on local equities as well. But most importantly, the direction of the market from here hinges to a large extent on further improvement in the macroeconomic environment particularly so with respect to lowering inflation, declining interest rates and clarity with respect to foreign inflows pledged at the FoDP forum. Moreover, the country has confronted with another round of escalation in terrorist attacks and hence, successful completion of army operation in Waziristan and reduction in security threat will be crucial for retaining investors' confidence.

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**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 30TH SEPTEMBER 2009**

	<i>Note</i>	Unaudited 30 th September 2009 (Rupees in '000)	Audited 30 th June 2009
Assets			
Bank Balances		451,112	364,762
Investments	5	1,813,985	1,479,402
Dividend and mark-up receivable		19,425	15,997
Advances, deposits, prepayments and other receivables		7,519	7,621
Receivable against sale of investments		5,910	10,170
Receivable against sale of units		774	5,744
Total assets		<u>2,298,725</u>	<u>1,883,696</u>
Liabilities			
Payable on redemption of units		803	1,279
Payable to Management Company		250	3,257
Payable to Trustee		278	237
Annual fee payable to Securities and Exchange Commission of Pakistan		503	1,988
Payable against purchase of investments		-	23,863
Accrued expenses and other liabilities		6,149	5,186
Total liabilities		<u>7,983</u>	<u>35,810</u>
Net assets		<u>2,290,742</u>	<u>1,847,886</u>
Unit holders' funds		<u>2,290,742</u>	<u>1,847,886</u>
		(Number of units)	
Number of units in issue		<u>37,541,422</u>	<u>38,857,196</u>
		(Rupees)	
Net asset value per unit		<u>61.02</u>	<u>47.56</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

PAKISTAN STOCK MARKET FUND

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED 30TH SEPTEMBER 2009**

	2009	2008
	(Rupees in '000)	
Income		
Capital gain / (loss) on sale of investments - net	110,146	(31,075)
Income from CFS	-	2,001
Income from Government Securities	99	-
Dividend income	29,336	18,743
Profit on deposit accounts with banks	11,267	14,786
Impairment loss on financial assets classified as 'available for sale'	(461)	-
Other income	-	915
	<u>150,387</u>	<u>5,370</u>
Unrealised appreciation / (diminution) in the fair value of investments held ' at fair value through profit or loss - net	<u>332,282</u>	<u>(445,301)</u>
Total income / (loss)	482,669	(439,931)
Operating Expenses		
Remuneration of Management Company	10,577	13,231
Remuneration of Trustee	781	942
Annual fee - Securities and Exchange Commission of Pakistan	503	690
Securities transaction cost	1,891	2,265
Settlement and bank charges	74	236
Fees and subscriptions	52	51
Legal and professional charges	60	38
Auditors' remuneration	128	183
Printing and related expenditure	102	66
Total expenses	<u>14,168</u>	<u>17,702</u>
Net income / (loss) from operating activities	468,501	(457,633)
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in redemptions - net	<u>(6,746)</u>	<u>82,779</u>
Net income / (loss) for the period	461,755	(374,854)

Earning per unit (EPU) has not been disclosed as the management is of the opinion that calculation of weighted average number of units is impracticable.

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

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**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED 30TH SEPTEMBER 2009**

	2009	2008
	(Rupees in '000)	
Undistributed (loss) / income brought forward	(159,341)	1,050,298
Final distribution for the year ended 30 th June 2009 Nil (2008: 34%)		
Cash distribution	-	(28,624)
Bonus distribution	-	(669,822)
Element of (loss) / income and capital (losses) /gains included in prices of units sold less those in units redeemed - net	(3,829)	33,866
Net income / (loss) for the period	461,755	(374,854)
	457,926	(1,039,434)
Undistributed income carried forward	298,585	10,864

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

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CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 30TH SEPTEMBER 2009

	2009	2008
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income / (loss) for the period	461,755	(374,854)
Adjustments		
Unrealised (appreciation) /diminution in fair value of investments ' at fair value through profit or loss - net	(332,282)	445,301
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - net	6,746	(82,779)
Impairment loss on financial assets classified as 'available for sale'	461	-
Remuneration of Management Company	10,577	13,231
Remuneration of Central Depository Company of Pakistan Limited- Trustee	781	942
	148,038	1,841
(Increase) / decrease in assets		
Investments	47,956	79,164
Receivable against continuous funding system	-	330,021
Dividend and markup receivable	(3,428)	7,503
Advances, deposits, prepayments and other receivables	102	(2,869)
Receivable against sale of investments	4,260	(112,266)
	48,890	301,553
Increase / (decrease) in liabilities		
Payable against purchase of investments	(23,863)	-
Payable to Management Company	(22)	(277)
Payable to Central Depository Company of Pakistan Limited - Trustee	4	(19)
Payable to Securities and Exchange Commission of Pakistan	(1,485)	(2,779)
Accrued expenses and other liabilities	963	2,310
	(24,403)	(765)
Remuneration paid to Management Company	(13,562)	(14,837)
Remuneration paid to Central Depository Company Limited- Trustee	(744)	(1,015)
Net cash inflow / (outflow) from operating activities	158,219	286,777
CASH FLOW FROM FINANCING ACTIVITIES		
Net payments made against redemption / sale of units	(71,869)	(510,397)
Dividend paid	-	(28,624)
Net cash outflow from financing activities	(71,869)	(539,021)
Net increase / (decrease) in cash and cash equivalents during the period	86,350	(252,244)
Cash and cash equivalents at the beginning of the period	364,762	595,982
Cash and cash equivalents as at the end of the period	451,112	343,738

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

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**CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNITHOLDERS' FUNDS (UNAUDITED)
FOR THE QUARTER ENDED 30TH SEPTEMBER 2009**

	2009 (Rupees in '000)	2008
Net assets at the beginning of the period	1,847,886	3,350,619
Issue of 5,438,510 units (2008: 21,730,007 units)	291,559	1,212,636
Redemption of 6,754,284 units (2008: 31,643,567 units)	(367,921)	(1,742,680)
	(76,362)	(530,044)
	1,771,524	2,820,575
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - net		
- amount representing accrued loss/ (income) and realised capital losses / (gains) - transferred to Income Statement	6,746	(82,779)
- amount representing unrealised diminution / (appreciation) in fair value of investments transferred directly to Distribution Statement	3,829	(33,866)
	10,575	(116,645)
Net unrealised appreciation / (diminution) during the period in fair value of investments classified as 'available for sale'	50,717	(206,991)
Net income / (loss) for the period	461,755	(374,854)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing unrealised appreciation / (diminution)	(3,829)	33,866
Cash distribution Nil (2008 : 34%)	-	(28,624)
Bonus distribution Nil (2008 : 34%)	-	(669,822)
	457,926	(1,039,434)
Issue of bonus units Nil (2008: 10,376,801)	-	669,822
Net assets as at end of the period	2,290,742	2,127,327

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

PAKISTAN STOCK MARKET FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED 30TH SEPTEMBER 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Stock Market Fund (PSM) was established under a Trust Deed executed between Arif Habib Investments Limited (formerly: Arif Habib Investment Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 23rd October 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 28th February 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)].

The Management Company of the Fund has been licensed to act as an Asset Management Company under NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 2/1, R.Y.16, Old Queens Road, Karachi, Pakistan.

PSM is an open-ended mutual fund, listed on the Karachi Stock Exchange. 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 Fund is a stock market fund, which allowed to invests in shares of listed companies and enters into Continuous Funding System (CFS) transactions in listed securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a management quality rating of 'AM2' to the Management Company and 4-Star Normal and 2-Star Long Term rating of the Fund.

2. BASIS OF PRESENTATION

2.1

These unaudited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, 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 NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended 30th June 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30th June 2009.

4. RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the year ended 30th June 2009.

5. INVESTMENTS

		(Unaudited) 30 th September 2009	(Audited) 30 th June 2009
(Rupees in '000)			
At fair Value through profit or loss - held for trading			
Investment in shares listed in Pakistan	5.1	1,496,164	1,211,837
At fair Value through profit or loss - held for trading			
Investment in Government Securities	5.2	-	-
Available for Sale			
Investment in shares listed in Pakistan	5.3	317,821	267,565
		<u>1,813,985</u>	<u>1,479,402</u>

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5.1 Investments in marketable securities 'at fair value through profit or loss' - held for trading

Name of the Investee company	Number of shares				Balance as at 30 th September 2009			Market value as			
	As at 1 st July 2009	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at 30 th September 2009	Cost	Market Value	(Diminution) / Appreciation	% of total investments	% of net assets	% of paid up capital of the investee company
SHARES OF LISTED COMPANIES - Fully paid ordinary shares/certificates of Rs. 10 each unless stated otherwise											
Invest Bank / Invest Cos. / Securities Cos.											
Arif Habib Securities Limited	668,750	-	-	-	668,750	49,413	28,743	(20,670)	1.58	1.25	0.18
						<u>49,413</u>	<u>28,743</u>	<u>(20,670)</u>			
Insurance											
ICI Insurance Limited	137,125	-	-	-	137,125	25,062	12,559	(12,503)	0.69	0.55	0.23
						<u>25,062</u>	<u>12,559</u>	<u>(12,503)</u>			
Commercial banks											
Allied Bank Limited	1,093,969	-	-	-	1,093,969	49,656	51,537	1,881	2.84	2.25	0.15
MCB Bank Limited	118,000	432,400	-	65,476	484,924	75,132	107,207	32,075	5.91	4.68	0.07
Habib Bank Limited	-	618,100	-	105,881	512,219	49,317	62,844	13,527	3.46	2.74	0.06
United Bank Limited	1,303,120	-	-	1,303,120	-	-	-	-	-	-	-
						<u>174,105</u>	<u>221,588</u>	<u>47,483</u>			
Power generation & distribution											
The Hub Power Company Limited	2,442,500	-	-	-	2,442,500	70,965	76,670	5,705	4.23	3.35	0.21
Kor Aldat Power Company Limited	1,086,400	-	-	-	1,086,400	52,615	58,166	5,551	3.21	2.54	0.12
						<u>123,580</u>	<u>134,836</u>	<u>11,256</u>			
Cement											
Lucky Cement Limited	1,732,100	-	-	1,732,100	-	-	-	-	-	-	-
Attock Cement Pakistan Limited	396,300	-	-	396,300	-	-	-	-	-	-	-
						-	-	-			
Textile composite											
Nishat Mills Limited	2,100,000	-	-	1,095,000	1,005,000	42,799	66,842	24,043	3.68	2.92	0.41
Gul Ahmed Textile Limited	64,500	-	-	-	64,500	2,709	1,919	(790)	0.11	0.08	0.10
Artistic Denim Mills Limited	158,200	-	-	-	158,200	6,803	5,485	(1,318)	0.30	0.24	0.19
						<u>52,311</u>	<u>74,246</u>	<u>21,935</u>			
Oil & Gas exploration companies											
Oil & Gas Development Company Limited	2,058,400	-	-	1,277,400	831,000	93,282	89,233	(4,049)	4.92	3.90	0.02
Pakistan Oil Field Limited	119,600	390,000	-	85,668	423,932	90,594	88,436	(2,158)	4.88	3.86	0.18
						<u>183,876</u>	<u>177,669</u>	<u>(6,207)</u>			

PAKISTAN STOCK MARKET FUND

5.1	Name of the Investee company	Number of shares				Balance as at 30 th September 2009		Market value as				
		As at 1 st July 2009	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at 30 th September 2009	Cost	Market Value	(Diminution) / Appreciation	% of total investments	% of net assets	% of paid up capital of the investee company
	Automobile assembler											
	Pak Suzuki Motors Company Limited	400,950	286,146	-	-	687,096	84,630	59,805	(24,825)	3.30	2.61	0.83
							<u>84,630</u>	<u>59,805</u>	<u>(24,825)</u>			
	Cable & electrical goods											
	Pakistan Elektronik Limited	-	1,084,308	-	-	1,084,308	24,418	24,538	120	1.35	1.07	1.12
							<u>24,418</u>	<u>24,538</u>	<u>120</u>			
	Transport											
	Pakistan International Container Terminal Limited	702,400	-	140,480	-	842,880	40,848	84,027	43,179	4.63	3.67	0.77
							<u>40,848</u>	<u>84,027</u>	<u>43,179</u>			
	Chemicals											
	L.C.I. Pakistan Limited	441,800	-	-	-	441,800	69,425	79,007	9,582	4.36	3.45	0.32
	Shura Chemical Industries Limited	28,160	-	-	-	28,160	3,382	5,159	1,777	0.28	0.23	0.14
	Deshcon Oxychem Limited	460,112	-	-	-	460,112	4,601	4,201	(400)	0.23	0.18	0.45
							<u>77,408</u>	<u>88,367</u>	<u>10,959</u>			
	Paper & board											
	Packages Limited	49,1850	25,200	-	-	517,050	82,840	84,067	1,227	4.63	3.67	0.61
							<u>82,840</u>	<u>84,067</u>	<u>1,227</u>			
	Food & personal care products											
	Nestle Pakistan Limited	38,000	8,252	-	-	46,252	62,343	55,501	(6,842)	3.06	2.42	0.10
							<u>62,343</u>	<u>55,501</u>	<u>(6,842)</u>			
	Tobacco											
	Pakistan Tobacco Company Limited	235,200	-	-	-	235,200	16,617	25,157	8,540	1.39	1.10	0.09
							<u>16,617</u>	<u>25,157</u>	<u>8,540</u>			
	Oil & Gas marketing companies											
	Pakistan State Oil Company Limited	438,800	-	-	-	438,800	140,738	137,393	(3,345)	7.57	6.00	0.26
							<u>140,738</u>	<u>137,393</u>	<u>(3,345)</u>			
	Technology and communication											
	Pakistan Telecommunication Company Limited 'A'	3,995,200	-	-	132013	3,863,187	164,081	77,225	(86,856)	4.26	3.37	0.10
							<u>164,081</u>	<u>77,225</u>	<u>(86,856)</u>			
	Fertilizer											
	Fauji Fertilizer Company Limited	1,006,638	-	-	313,229	693,409	62,765	71,248	8,483	3.93	3.11	0.10
	Engro Chemical Pak Ltd	350,000	351,808	-	-	701,808	90,233	126,929	36,406	7.00	5.54	0.08
	Fauji Fertilizer Bin Qasim Limited	-	534,000	-	-	534,000	11,603	12,266	663	0.68	0.54	0.06
							<u>164,591</u>	<u>210,443</u>	<u>45,552</u>			
	Total						<u>1,467,161</u>	<u>1,496,164</u>	<u>29,003</u>			

PAKISTAN STOCK MARKET FUND

5.2 Government Securities - at 'fair value through profit or loss' - held for trading

Issue Date	Securities in denomination of Rupees 100,000				Balance as at 30 th September 2009		Market value as at 30 th September 2009	
	Tenor	Balance as at 1 st July 2009	Purchases during the period	Sales / matured during the period	As at 30 th September 2009	Cost	Market Value	% of net assets
26 September 2009	3 Months	-	1,000	1,000	-	20,443	20,443	1.77

5.3 Investments in marketable securities 'Available for sale'

Name of the investee company	Number of shares				Balance as at 30 th September 2009				Market value as at 30 th September 2009					
	As at 1 st July 2009	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at 30 th September 2009	Cost	Impairment recognized during the period	Impairment recognized on 30 th Sep 2009	Costless Impairment	Market Value	(Omission) / Appreciation	% of total investments	% of net assets	% of paid up capital of the investee company
SHARES / CERTIFICATES OF LISTED COMPANIES / MODARBAS														
- Fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise														
Tobacco														
Pakistan Tobacco Company Limited	300,000	-	-	-	300,000	20,443	-	-	20,443	32,038	11,595	1.77	1.40	0.12
Textile composite														
Artistic Dyeing Mills Limited	95,400	-	-	-	95,400	4,700	(2,558)	-	2,142	3,308	1,166	0.18	0.14	0.11
Chembl Limited	1,000,000	-	-	-	1,000,000	18,000	(15,210)	-	2,790	4,610	1,820	0.25	0.20	0.87
Gul Ahmed Textile Mills Limited	70,251	-	-	-	70,251	1,811	-	-	1,811	2,591	780	0.12	0.09	0.11
Reliance Mills Limited	418,160	-	-	-	418,160	10,220	(6,766)	-	3,454	5,282	1,632	0.15	0.12	0.82
						35,307	(26,532)	-	8,775	1,2733	3,948			
Oil & gas exploration companies														
Oil & Gas Development Company Limited	242,720	-	-	-	242,720	24,201	(5,113)	-	19,088	26,033	6,975	1.44	1.14	0.01
						24,201	(5,113)	-	19,088	26,033	6,975			
Engineering														
International Industries Limited	502,012	-	-	-	502,012	27,362	-	-	27,362	28,595	1,233	1.58	1.25	0.50
						27,362	-	-	27,362	28,595	1,233			
Automobile assembler														
Pak Suzuki Motor Company Limited	318,300	-	-	-	318,300	31,229	(13,872)	-	17,357	27,705	10,348	1.53	1.21	0.39
						31,229	(13,872)	-	17,357	27,705	10,348			
Fertilizer														
Fuji Fertilizer Company Limited	945,268	-	-	-	945,268	49,028	-	-	49,028	97,126	48,098	5.35	4.24	0.14
						49,028	-	-	49,028	97,126	48,098			
Chemicals														
BOC Pakistan Limited	27,900	-	-	-	27,900	4,404	(1,286)	-	3,208	3,697	489	0.20	0.16	0.11
						4,404	(1,286)	-	3,208	3,697	489			
Paper and board														
Century Paper & Board Mills Limited	781,220	-	-	-	781,220	31,718	(21,414)	(461)	9,843	9,843	-	0.54	0.43	1.11
Packages Limited	415,041	-	-	-	415,041	41,386	-	-	41,386	67,481	26,095	3.72	2.95	0.49
Security Papers Limited	76,522	-	-	-	76,522	5,325	(2,137)	-	3,188	3,740	602	0.21	0.16	0.19
						78,429	(23,601)	(461)	54,607	81,044	26,977			
Food & personal care products														
Nestle Pakistan Limited	7,300	-	-	-	7,300	3,511	-	-	3,511	8,750	5,239	0.48	0.38	0.02
						3,511	-	-	3,511	8,750	5,239			
Total						274,004	(70,444)	(461)	203,139	317,921	114,682			

5.4 Investments include shares with market value of Rs 61,421,880 (30 June 2009; Rs. 48,680,780) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Funds trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities & Exchange Commission of Pakistan.

PAKISTAN STOCK MARKET FUND

	(Unaudited) 30 th September 2009 (Rupees in '000)	(Audited) 30 th June 2009
5.5 Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'		
Market value of investments	1,496,164	1,211,837
Less: Cost of investments	<u>(1,467,161)</u>	<u>(1,614,864)</u>
	29,003	(403,027)
Less: Net unrealised diminution in fair value of investments at the beginning of period	<u>403,027</u>	<u>71,616</u>
Add: Realised on disposal during the period	<u>(99,748)</u>	<u>(133,585)</u>
	303,279	(61,969)
	<u>332,282</u>	<u>(464,996)</u>
5.6 Net unrealised appreciation in fair value of investments classified as 'available for sale'		
Market value of investments	317,821	267,565
Less: Cost less impairment	<u>(203,139)</u>	<u>(203,600)</u>
	114,682	63,965
Less: Net unrealised diminution / (appreciation) in fair value of investments at the beginning of period	<u>(63,965)</u>	<u>(246,069)</u>
	<u>50,717</u>	<u>(182,104)</u>

6. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (formerly: Arif Habib Investment Management Limited) being the Management Company, Arif Habib Securities Limited, Arif Habib Bank Limited and Arif Habib Limited being companies under common management, 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.

Remunerations to the management company and trustee are determined in accordance with the provisions of NBFC regulations and Trust Deeds of the fund. All other transactions with the related parties / connected persons are carried on agreed terms.

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

	(Unaudited) 30 th September 2009 (Rupees in '000)	30 th September 2008
Management Company		
Remuneration	<u>10,577</u>	<u>13,231</u>
Sales load	<u>331</u>	<u>1,258</u>
Transaction costs	<u>-</u>	<u>915</u>
Arif Habib Limited		
Brokerage *	<u>324</u>	<u>313</u>
Arif Habib Bank Limited		
Profit on deposit accounts	<u>3,667</u>	<u>14,014</u>

PAKISTAN STOCK MARKET FUND

	(Unaudited)	
	30 th September 2009	30 th September 2008
	(Rupees in '000)	
Central Depository Company of Pakistan Limited-Trustee		
Remuneration of the Trustee	781	942
CDS charges	<u>21</u>	<u>32</u>
Directors and Executive of the Management Company		
Investment in the Fund 436,898 units (2008: 819,416 units)	24,230	48,142
Redemption from the Fund 398,491 units (2008: 952,741 units)	<u>22,361</u>	<u>34,190</u>
Bonus units nil (2008: 77,623 units)	<u>-</u>	<u>5,011</u>
Arif Habib Securities Limited		
Purchase of Nil shares (2008: 935,000 shares)	-	101,592
Sale of Nil shares (2008: 400,000 shares)	<u>-</u>	<u>52,693</u>
Bonus Nil shares (2008: 133,750 shares)	<u>-</u>	<u>-</u>
Pakistan Income Fund		
Investment in the Fund nil unit (2008: 4,981,072 units)	-	250,000
Redemption from the Fund nil unit (2008: 4,981,072 units)	<u>-</u>	<u>252,979</u>
Management Company		
Issue of nil units (2008: 1,658,375 units) sold / issued during the period	-	100,000
Redemption of nil units (2008: 1,658,375 units) redeemed during the period	<u>-</u>	<u>85,265</u>
Amounts outstanding as at the period / year end		
	(Unaudited) 30 th September 2009	(Audited) 30 th June 2009 2009
	(Rupees in '000)	
Arif Habib Bank Limited		
Accrued mark-up receivable	2,184	265
Bank Balance	<u>119,873</u>	<u>30,778</u>
Management Company		
Management fee payable	-	2,985
Sales load payable	<u>250</u>	<u>272</u>
Other payable	<u>3,591</u>	<u>3,591</u>
Directors and Executive of the Management Company		
310,880 units (2008: 258,613 units)	<u>18,970</u>	<u>12,300</u>
Central Depository Company of Pakistan Limited-Trustee		
Security Deposit	200	200
Remuneration payable	<u>268</u>	<u>231</u>
CDS charges	<u>10</u>	<u>6</u>
Pakistan Income Fund (Managed by Arif Habib Investments Limited) (formerly: Arif Habib Investment Management Limited)		
(Payable) / Receivable at period / year end	<u>(173)</u>	<u>294</u>
Pakistan International Element Islamic Fund (Managed by Arif Habib Investments Limited) (formerly: Arif Habib Investment Management Limited)		
Receivable at period / year end	<u>112</u>	<u>-</u>
Pakistan Income Enhancement Fund (Managed by Arif Habib Investments Limited) (formerly: Arif Habib Investment Management Limited)		
Payable at period / year end	<u>4,270</u>	<u>3,539</u>
Pakistan Cash Management Fund (Managed by Arif Habib Investments Limited) (formerly: Arif Habib Investment Management Limited)		
Payable at period / year end	<u>-</u>	<u>95</u>

PAKISTAN STOCK MARKET FUND

In addition to above the funds holds 668,750 (30 June 2009: 668,750) shares of Arif Habib Securities Limited having market value of Rs 28,742,875 (30th June 2009: Rs. 18,484,250).

* 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.

7. CORRESPONDING FIGURES

For better presentation, brokerage expenses which were disclosed separately in corresponding quarter last year are clubbed with FED as Securities transaction cost.

8. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These condensed interim financial statements have been authorized for issue on 22nd October 2009 by the Board of Directors of the Management Company.

9. GENERAL

9.1 Figures have been rounded off to the nearest thousand rupees unless stated otherwise.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director