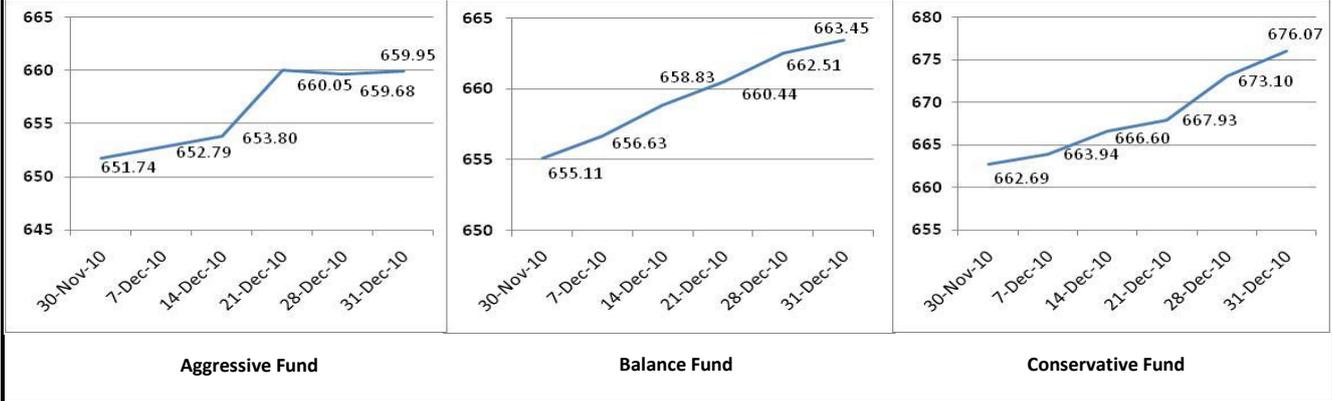
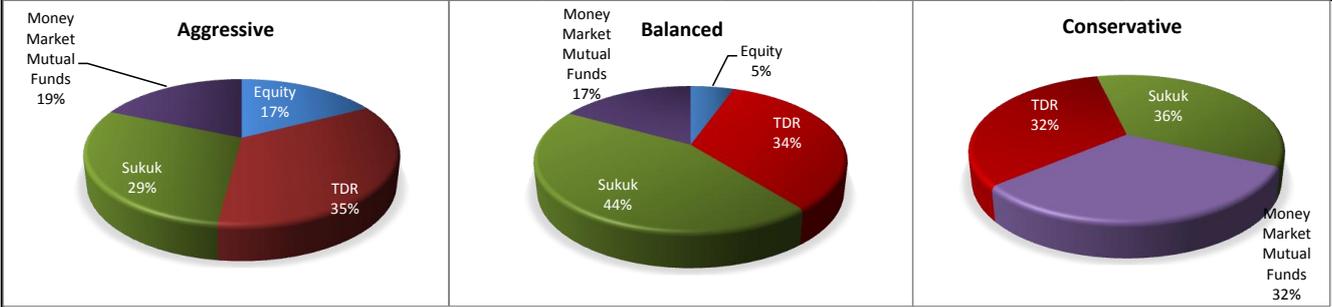




**Performance of Pak-Qatar Unit Fund as at 31st December 2010**



PAK-QATAR UNIT FUND				
		Aggressive	Balanced	Conservative
Net Asset Value (NAV) at inception	09-Apr-08	500.00	500.00	500.00
Net Asset Value (NAV) at beginning of year	31-Dec-09	590.42	604.65	602.66
NAV as at	31-Dec-10	659.95	663.45	676.07
Return since beginning of year (annualized)		11.78%	9.72%	12.18%
Return since inception of the fund (annualized)		11.72%	11.98%	12.90%



**Commentary**

**Money Market**

The mantra has been repeated over and over in the media about excessive government borrowing via the State Bank of Pakistan, which has a direct impact on inflation which increased 15.46% in December. Although it seems likely that the SBP will increase the discount rate in the Monetary Policy, which is due on the 29th of January 2011, the SBP is also relying on Open Market Operations to curtail the money supply and hence inflation. Ten OMOs were conducted during the month in which liquidity was wiped on eight occasions and injections were made on two. This shows the SBP's inclination to tighten the money supply to tame the inflation which is not going to happen in the short term. Regular rise in discount rate increases the cost of doing of business and hinders industrial growth. Since the commencement of this fiscal year, the State Bank of Pakistan has increased its policy rate by 150 basis points, whereas benchmark six-month and one-year KIBOR have also gone up 120bps and 136bps to 13.57 and 14.08 per cent respectively.

**Equity Market**

The KSE 100 index increased by 7% to close at 12,022 points, with average volumes of approximately 139 million shares as opposed to 126 million shares in November. Following are the factors that led to the immense bull run in December:

- Investors accumulated United Bank Limited as the Abu Dhabi Group reached an agreement with Bestway Holding to sell its 20% stake in the said bank.
- Fertilizers exhibited a sharp increase on the news of increase in urea prices by FFC and Engro.
- Net foreign interest in equities of USD 73 million as opposed to USD 39 million in November
- Acquisition of British Petroleum's asset at a higher than anticipated price by United Energy Group

Major bad news this month included the downgrade of the five major banks by Moody's as well as the rejection of bids posted by PPL and OGDC on BP's assets.

**Participant Investment Fund**

Returns of the funds remained consistent as there were no major surprises during the month. Placement with Islamic Banks were a focus this month, as the deposit hungry banks expected returns that would significantly improve the yield for all the funds. The fund also invested in a new issue of GOP Ijarah VI Sukuk which was also introduced this month. The new GOP Ijarah Sukuk also has a better yield compared to the last offering (GOP Ijarah V Sukuk) introduced in November. Our increased exposure in investment grade sukuku are justified by the monetary stance of the SBP, which seeks to tighten the monetary policy until the inflation is tamed.

**Past performance is not indicative of future performance. Market volatility can significantly affect short-term performance. The value of investment can fall as well as rise.**