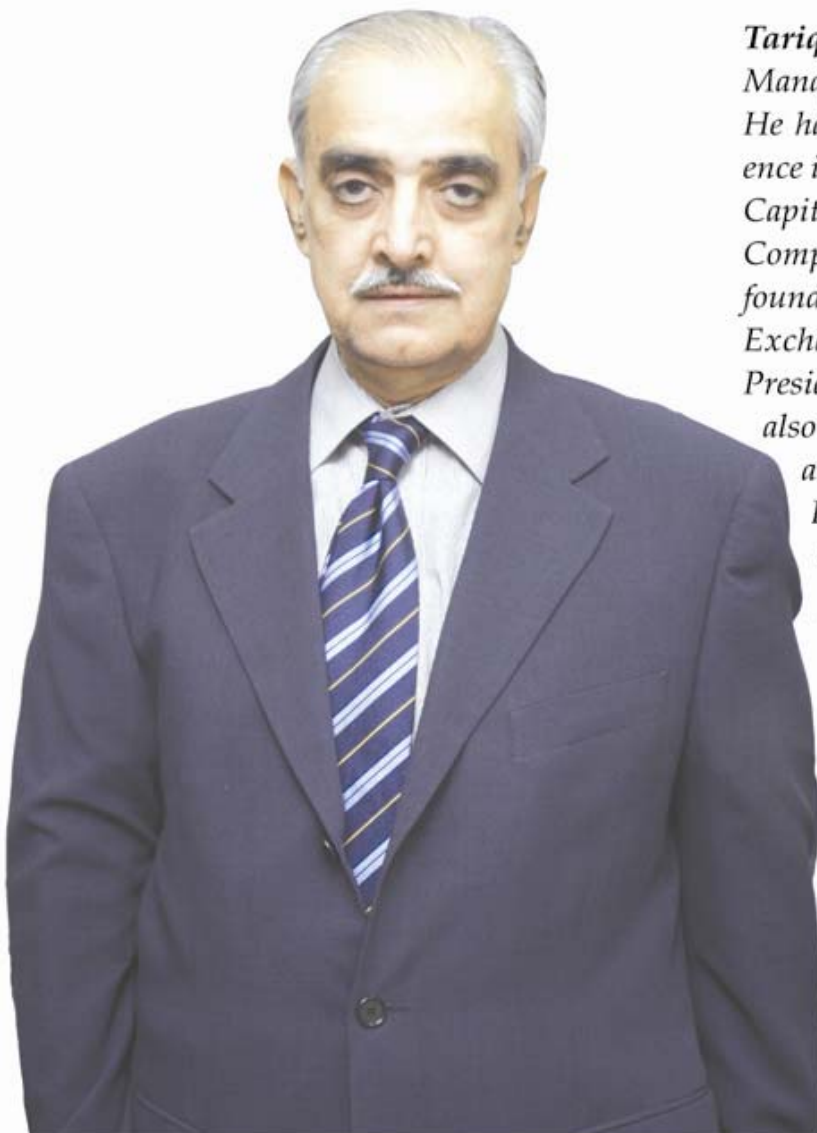


'Misselling & Asset-Liability Mismatch to be Addressed Forthwith'

Tariq Iqbal Khan *Chairman*
National Investment Trust Limited



Tariq Iqbal Khan is the Chairman & Managing Director of the Company. He has more than 40 years of experience in the areas of Finance, Accounts, Capital Markets, Corporate Sector, Company Law, Tax, etc. He is a founder Director of Islamabad Stock Exchange and has also been its President from 1995 to 1998. He has also served as Member, Tax Policy and Co-ordination in then Central Board of Revenue (now Federal Board of Revenue) and later joined Securities and Exchange Commission of Pakistan as a Commissioner and officiated as acting Chairman in 2000. He has a vast and diversified Board Room experience of Banking, Financial, Fertilizer, Chemical and Energy sectors etc. Khan is a Fellow Chartered Accountant of Institute of Chartered Accountants, Pakistan.

TARIQ IQBAL stresses on mass awareness initiative and considers misselling detrimental for industry and emphasizes on strong risk management measures to avoid Asset-Liability mismatch; in an exclusive interview with Mutual Fund, Investors' Guide.

Mutual Fund, Investors' Guide: Can market sustain the prevailing levels without prompt introduction of leverage product?

Tariq Iqbal Khan: We have breached 9, 000 level without any leverage product and generated considerable volumes as well. Market can sustain these levels without leverage product, but this argument does not discount leverage product's importance because it is the need of all markets. It helps in obviating market abuse and distortions which arise when investors cannot find mechanism to carry forward their positions.

MF: NIT has experienced phenomenal turnaround in terms of Corporate Culture and Governance. How do you view this pleasant change?

Tariq Iqbal Khan: NIT, being the pioneer of mutual funds in Pakistan, has always set new precedent of corporate governance for other institutions. NIT believes in best practices of Corporate Governance including protection of share holders, adding value for all stakeholders and disclosure and transparency in its operations. NIT not only complies with all mandatory requirements as prescribed in the Companies Ordinance, 1984, NBFC and NE Regulations, 2007 and the Code of Corporate Governance, 2002, but taking a leap forward, NIT plays a major role in promoting best practices of Corporate Governance, in more than 400 companies. We have nominee Directors in 138 Investee Companies, in all major sectors of the economy. Satisfaction of our customers, employees and shareholders is our foremost objective, and our performance is reflecting our compliance with our mission.

Strong and neutral distribution network is key to long-term growth

Industry's growth can be expedited through nationwide awareness campaigns highlighting the advantages of mutual funds as compared to other investment schemes. A neutral distribution company of mutual funds should be established to offer all 105 funds to investors with impartial portrayal of their risk and return profiles. Investors should be offered unbiased advices upon request about which fund they should invest in from the product shelf of all 105 funds according to funds' performance and risks involved. Matching investors' needs with the suitable fund through impartial company will be a great step towards long-term growth of the industry.

MF: Kindly enlighten our readers about the two new NIT funds ready to be launched.

Tariq Iqbal Khan: Yes both of the funds are almost on the launching pad and investors will very soon have the option of investing in these funds:

NIT Income Fund

The objective of NIT Income Fund is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in fixed income Securities/instruments.

This Fund would be like normal income Funds. This would be open to all types of investors who are willing to take moderate level of risk. NIT Income Fund will cater to the needs of low risk investors and would be entitled to invest in Securities issued by the Government of Pakistan, Money Market Placement, Deposits, Certificate

of Deposits (CODs), Certificate of Musharkas (COMs), TDRs, Commercial Papers, Reverse Repo, TFCs, Sukuk, CFS, Spread Transactions and deposit Cash in bank accounts. The Trust Deed for the fund was signed on September 17, 2009 with the Central Depository Company of Pakistan (CDC). The weighted average time to maturity of the net assets shall not exceed 4 years; however, this condition shall not apply to securities issued by the Federal Government. NIT plans to launch the NIT Income Fund soon after the launch of NIT Government Bond Fund.

NIT Government Bond Fund

NIT Government Bond Fund is being launched with an aim to create depth in the debt market. The investment of this Fund would be in Government Bonds.

The objective of NIT Government Bond Fund is to generate best possible return with minimum risk, for its unit holders, by investing primarily in Government Securities.

NIT Government Bond Fund is designed for risk-averse investors and in line with its investment objective, would merely be investing in Securities issued by Government of

Pakistan, Reverse Repo in Government Securities and placement with banks having investment grade rating and above. The Trust Deed for the fund was signed on September 4, 2009 with the Central Depository Company of Pakistan (CDC) being appointed as the Trustee for the fund.

The weighted average time to maturity of net assets of NIT Government Bond Fund shall be over 90 days but not over than 7.5 years. NIT is in advanced stages of launching the fund and is expected to be offered shortly.

Misselling hurts investors' confidence

Sharing management fees with mutual fund distributors just to encourage them into a particular fund is unethical and will hurt investors' confidence. Some mutual funds offer undue incentives to distributors who mislead clients to boost up their commissions. Prompt actions must be taken by regulators to stamp out such malpractices.

Asset-Liability mismatch is another major impediment hindering sustainable growth. Strong risk management is need of the hour to ensure that redemptions are met timely, otherwise one dissatisfied customer can generate redemption spiral which will further dent the credibility of AMC's and result in irreparable loss of investors' confidence.



National Investment Trust Limited (NITL)

National Investment Trust Ltd (NITL) is the first Asset Management Company of Pakistan, formed in 1962. NITL manages the largest fund in the country i.e. National Investment (Unit) Trust with approximately Rs50 Billion assets under management (22.269 billion for LOC and 27.917 billion for NI(u)T) with 19 NIT branches spread across the country. With the launching of two new Funds namely NIT-Equity Market Opportunity Fund & NIT-State Enterprise Fund the size of total Funds under management has increased to approximately Rs70 billion (Rs14.971 billion for SEF & Rs5.045 billion for EMOF). The Board of Directors of NITL representing shareholders are mainly from leading financial institutions in addition to a representative of Govt of Pakistan. The company has been assigned an asset manager rating of "AM2-" by Pakistan Credit Rating Agency (PACRA), which denotes strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks. All Investment decisions are taken by the Investment Committee of NITL.