


MISSION STATEMENT



To rank in the top quartile
in performance of
NAFA FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.

NAFA ASSET ALLOCATION FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company
(Formerly National Fullerton Asset Management Limited)

Board of Directors of the Management Company

Mr. Qamar Hussain	Chairman
Mr. Shahid Anwar Khan	Director
Mr. Choy Peng Wah	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer
Dr. Asif A. Brohi	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Choy Peng Wah	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Faruque	Member

Trustee

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

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
National Bank of Pakistan

NAFA ASSET ALLOCATION FUND

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

9th Floor, Adamjee House,
I.I. Chundrigar Road,
Karachi

Lahore Office:

68-B-1, M.M. Alam Road,
Gulberg 3, Lahore.
UAN: 042-111-111-632
Phone: 042-35778248-63
Fax: 042-35876806

Islamabad Office:

Plot No. 395, 396
Industrial Area, 1-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

NBP Corporate Branch
3rd Floor, Park Lane Tower, Near Shahjahan Banquet Hall,
Officers Colony, Khanewal Road. Multan.
Tel : 92-061-6214070
Fax: 92-061-6214062
UAN: 92-061-111-111-632

NAFA ASSET ALLOCATION FUND

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NAFA ASSET ALLOCATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present the unaudited (reviewed) financial statements of NAFA Asset Allocation Fund for the period from August 02, 2010 to December 31, 2010.

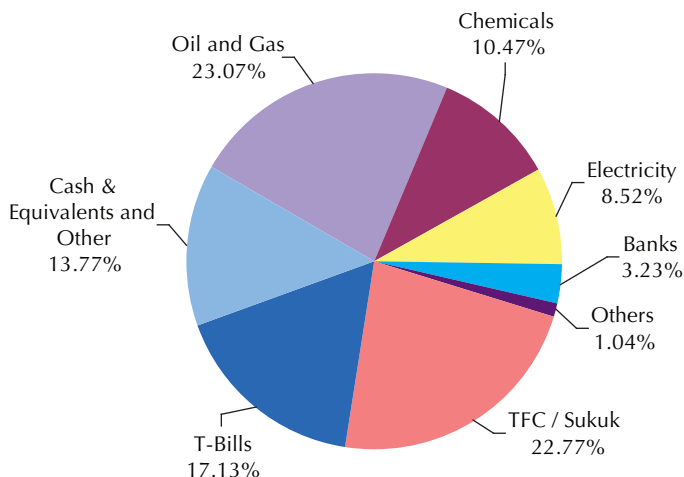
Fund's Performance

NAFA Asset Allocation Fund (NAAF) started its investment activities after the IPO closed on August 20, 2010. Since its launch, the Fund's Net Asset Value (NAV) increased by 9.51% while the benchmark (1/3 of average 3-month bank deposit rate; 1/3 of 6-months KIBOR; 1/3 of KSE 30 Index) increased by 8.31%. Thus your Fund out-performed the benchmark by 1.20% since its inception. This performance is net of management fee and all other expenses. The size of NAFA Asset Allocation Fund stood at Rs.227 million on December 31, 2010, 104.50% higher compared to Rs.111 million at the time of the launch of the Fund.

The stock market showed a buoyant trend during the period under review and the KSE-30 Index gained 18.16%. The key factors that contributed to the strong performance of the market were healthy foreign inflows, robust corporate earnings and improvement in the country's external account.

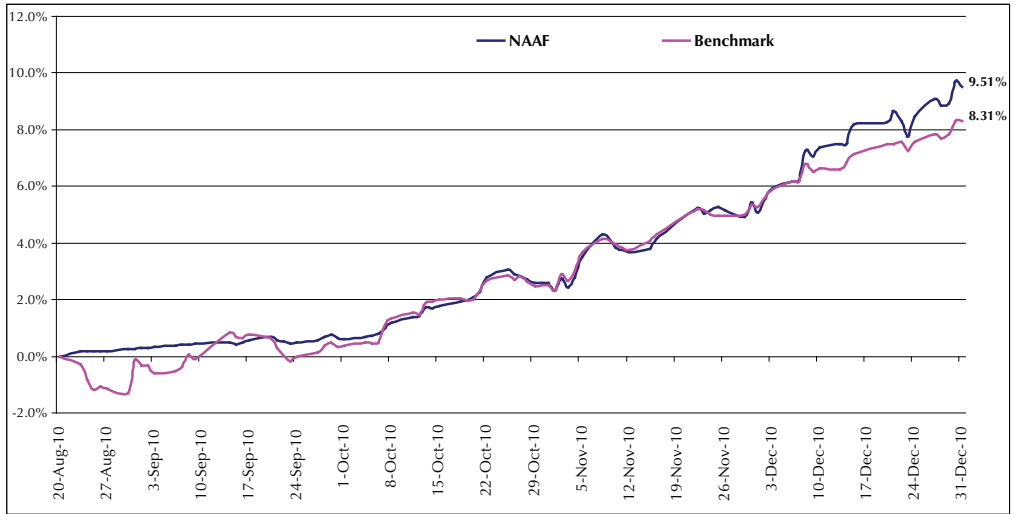
The fixed income market has also depicted some improvement. Although the prices of TFCs have not recovered yet these are still trading at significant discount to the par values. In addition the floating rate nature of these debt securities make them attractive in the present economic environment. NAAF is invested only in "AA" rated and listed TFCs. The money market portfolio of the Fund is invested in T-Bills with short maturities that is benefiting from the rising interest rate environment.

The Fund has earned total income of Rs.22.01 million during the period. After deducting expenses of Rs.2.33 million, the net income is Rs.19.68 million, translating into earning per unit of Rs.0.9506. The asset allocation of the Fund as on December 31, 2010 is as follows:



NAFA ASSET ALLOCATION FUND

NAAF Performance versus Benchmark (Since Inception)



Income Distribution

The Board of Directors of the Management Company has approved an interim distribution of 3.00%.

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited
(formerly: National Fullerton Asset Management Limited)

Chief Executive
Date: February 18, 2011
Place: Karachi.

Director

NAFA ASSET ALLOCATION FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA Asset Allocation Fund (the Fund), an open-end scheme was established under a trust deed dated June 29, 2010, executed between NBP Fullerton Asset Management Limited [Formerly National Fullerton Asset Management Limited], as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from August 02, 2010 to December 31, 2010 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, February 24, 2011

NAFA ASSET ALLOCATION FUND

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Asset Allocation Fund** as at December 31, 2010, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' funds together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the period from August 2, 2010 to December 31, 2010. The Management Company (NBP Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' funds for the quarter ended December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the period from August 2, 2010 to December 31, 2010.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the period from August 2, 2010 to December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: February 18, 2011
Karachi

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT DECEMBER 31, 2010

	Note	December 31, 2010 Rupees in '000
ASSETS		
Bank balances	4	37,861
Investments	5	195,510
Profit receivable	6	1,484
Deposits, prepayments and other receivables	7	2,670
Preliminary expenses and floatation costs	8	927
Total assets		238,452
LIABILITIES		
Payable to the Management Company	9	1,140
Payable to the Trustee		59
Payable to the Securities and Exchange Commission of Pakistan		53
Payable against purchase of investments		9,615
Accrued expenses and other liabilities	10	853
Total liabilities		11,720
Net Assets		226,732
Unit Holders' Funds (as per statement attached)		226,732
CONTINGENCIES AND COMMITMENTS		
	11	Number of units
NUMBER OF UNITS IN ISSUE		20,704,976
NET ASSET VALUE PER UNIT	3.11	Rupees 10.9506

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE PERIOD FROM AUGUST 2, 2010 TO DECEMBER 31, 2010

	Note	For the period from August 2, 2010 to December 31, 2010	Quarter ended December 31, 2010
------(Rupees in '000)-----			
INCOME			
Capital gain on sale of investments - net		2,235	2,292
Income from term finance certificates		1,736	1,507
Income from government securities		2,353	1,591
Profit on bank deposits		903	394
Dividend income		1,166	1,166
Net unrealised appreciation in the value of investments classified as 'at fair value through profit or loss'	5.5	9,570	9,745
Total Income		17,963	16,695
EXPENSES			
Remuneration of the Management Company	9.1 & 9.2	773	523
Remuneration of the Trustee		255	176
Annual fee - Securities and Exchange Commission of Pakistan		53	42
Securities transaction cost		247	203
Settlement & bank charges		181	113
Annual listing fee		9	6
Auditors' remuneration		222	163
Legal and professional charges		2	-
Printing charges		114	50
Amortisation of preliminary expenses and floatation costs		73	51
Total Expenses		1,929	1,327
Net Income from operating activities		16,034	15,368
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		4,049	4,011
Provision for workers' welfare fund	10.1	(402)	(388)
Net income for the period before taxation		19,681	18,991
Taxation	12	-	-
Net income for the period after taxation		19,681	18,991
Earnings per Unit	13	-	-

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD FROM AUGUST 2, 2010 TO DECEMBER 31, 2010

	<u>For the period from August 2, 2010 to December 31, 2010</u>	<u>Quarter ended December 31, 2010</u>
	----- (Rupees in '000) -----	
Net income for the period after taxation	19,681	18,991
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>19,681</u>	<u>18,991</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM AUGUST 2, 2010 TO DECEMBER 31, 2010

	For the period from August 2, 2010 to December 31, 2010	Quarter ended December 31, 2010
	----- (Rupees in '000) -----	
Undistributed income brought forward		
Realised income	-	865
Unrealised loss	-	(175)
	-----	-----
	-	690
Net income for the period after taxation	19,681	18,991
	-----	-----
Undistributed income carried forward	<u>19,681</u>	<u>18,991</u>
Undistributed income comprising:		
Realised income	10,111	10,111
Unrealised income	9,570	9,570
	-----	-----
	<u>19,681</u>	<u>19,681</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE PERIOD FROM AUGUST 2, 2010 TO DECEMBER 31, 2010

	For the period from August 2, 2010 to December 31, 2010	Quarter ended December 31, 2010
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	-	110,996
Issue of 21,393,156 units	218,455	107,508
Redemption of 688,180 units	(7,355)	(6,752)
	211,100	100,756
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses transferred to income statement	(4,049)	(4,011)
Net unrealised appreciation in the value of investments classified as 'at fair value through profit or loss'	9,570	9,745
Capital gain on sale of investments - net	2,235	2,292
Other income (net of expenses)	7,876	6,954
	19,681	18,991
Net assets at the end of the period	226,732	226,732

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE PERIOD FROM AUGUST 2, 2010 TO DECEMBER 31, 2010

	For the period from August 2, 2010 to December 31, 2010	Quarter ended December 31, 2010
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	19,681	18,991
Adjustments		
Net unrealised appreciation in the value of investments classified as 'at fair value through profit or loss' - net	(9,570)	(9,745)
Amortisation of preliminary expenses and floatation costs	73	51
Element of income and capital gains included in prices of units issued less those in units redeemed	(4,049)	(4,011)
	<u>6,135</u>	<u>5,286</u>
(Increase) / decrease in assets		
Investments - net	(185,940)	(107,506)
Dividend and profit receivable	(1,484)	(795)
Deposits, prepayments and other receivables	(2,670)	(70)
	(190,094)	(108,371)
Increase / (decrease) in liabilities		
Payable to the Management Company	1,140	(132)
Payable to the Trustee	59	3
Payable to the Securities and Exchange Commission of Pakistan	53	42
Payable against purchase of investments	9,615	6,687
Accrued expenses and other liabilities	853	251
	<u>11,720</u>	<u>6,851</u>
Formation cost incurred	(1,000)	-
	<u>(173,239)</u>	<u>(96,234)</u>
Net cash outflow on operating activities		
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	218,455	107,508
Payments on redemption of units	(7,355)	(6,752)
Net cash inflow from financing activities	<u>211,100</u>	<u>100,756</u>
Net increase in cash and cash equivalents during the period	<u>37,861</u>	<u>4,522</u>
Cash and cash equivalents at the beginning of the period	-	33,339
Cash and cash equivalents at the end of the period	<u><u>37,861</u></u>	<u><u>37,861</u></u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM AUGUST 2, 2010 TO DECEMBER 31, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Asset Allocation Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 14, 2010 in accordance with the Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi.

The Fund is an open-ended mutual fund and is listed on the Lahore 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 core objective of the Fund is to generate income by investing in debt & money market securities and to generate capital appreciation by investing in equity and equity related securities.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2- to the Management Company.

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. In cases where requirements differ, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

2.1.2 These condensed interim financial statements are un-audited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. Accordingly, the Board of Directors of the Management Company declare that these condensed interim financial statements give a true and fair view of state of affairs of the Fund.

2.2 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2010

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in these condensed interim financial statements.

2.3 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective

The following amendment to existing standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011 or later periods:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

NAFA ASSET ALLOCATION FUND

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these condensed interim financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuation of investments (note 3.2 and 5)
- ii) Amortisation of preliminary expenses and floatation cost (note 3.4 and 8)

2.5 Accounting Convention

These condensed interim financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value.

2.6 Functional and Presentation Currency

These condensed interim financial statements are presented in Pak Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below:

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and other short term highly liquid investments with original maturities of three months or less.

3.2 Financial assets

3.2.1 Classification

ClassificationThe Fund classifies its financial assets in the following categories: at fair value through profit or loss, available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

These are financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices.

b) Available for sale

These are non-derivative financial assets that are intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as 'financial assets at fair value through profit or loss' are valued on the basis of rates announced by the Financial Market Association of Pakistan.

3.2.5 Impairment

The carrying value of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.

3.5 Issue and redemption of units

Units are issued on the realisation of funds and are recorded at the offer price applicable for that date, determined by the Management Company. The applications are received by the distributors during business hours and are processed by the Management Company on the realisation of funds. The offer price represents the Net Asset Value per unit as of the close of the previous business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

NAFA ASSET ALLOCATION FUND

3.6 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 per unit income and distribution of income already paid out on redemption.

The Fund records that portion of the 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) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the income statement.

3.7 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.8 Taxation

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account tax credits, rebates and exemptions, if any, and is made in accordance with the provisions of the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these condensed interim financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year.

3.9 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.10 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

3.11 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 period end.

NAFA ASSET ALLOCATION FUND

	Note	December 31, 2010 Rupees in '000
4 BANK BALANCES		
Savings accounts		37,857
Current account		<u>4</u>
		<u>37,861</u>
5 INVESTMENTS		
Financial assets 'at fair value through profit or loss' - held for trading		
- Equity securities - listed	5.1	105,048
- Term finance certificates - listed	5.2	51,620
- Government securities	5.3	<u>38,842</u>
		<u>195,510</u>

5.1 Listed equity securities - 'at fair value through profit or loss'

Name of the investee company	Number of shares					Market value as at December 31, 2010	Investment as a percentage of		
	As at August 2, 2010	Purchases during the period	Bonus / Right Issue	Sales during the period	As at December 31, 2010		Net assets	Market value of total investments	Paid up capital of the investee company
Rupees in '000									
Oil & Gas									
Attock Petroleum Limited	-	33,000	-	12,300	20,700	6,924	3.05	3.54	0.04
Attock Refinery Limited	-	32,200	-	32,200	-	-	-	-	-
National Refinery Limited	-	23,000	-	7,200	15,800	4,326	1.91	2.21	0.02
Oil & Gas Development Company Limited	-	-	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	92,400	-	22,500	69,900	20,688	9.12	10.58	0.03
Pakistan Petroleum Limited	-	132,100	3,500	41,800	93,800	20,369	8.98	10.42	0.01
	-	312,700	3,500	116,000	200,200	52,307	23.07	26.75	
Chemicals									
Fauji Fertilizer Bin Qasim Limited	-	462,900	-	198,700	264,200	9,440	4.16	4.83	0.03
Fauji Fertilizer Company Limited	-	179,800	-	66,200	113,600	14,298	6.31	7.31	0.02
	-	642,700	-	264,900	377,800	23,738	10.47	12.14	
Construction and Materials									
Lucky Cement Limited	-	26,500	-	13,900	12,600	955	0.42	0.49	0.00
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	-	99,000	-	27,000	72,000	1,398	0.62	0.72	0.02
Electricity									
The Hub Power Company Limited	-	592,800	-	130,800	462,000	17,283	7.62	8.84	0.04
Kot Addu Power Company Limited	-	50,000	-	-	50,000	2,034	0.90	1.04	0.01
Nishat Chunian Power Limited	-	136,000	-	136,000	-	-	-	-	-
Nishat Power Limited	-	250,000	-	250,000	-	-	-	-	-
	-	1,028,800	-	516,800	512,000	19,317	8.52	9.88	
Banks									
Allied Bank Limited	-	39,900	-	8,000	31,900	2,238	0.99	1.14	0.00
National Bank of Pakistan	-	55,500	-	17,500	38,000	2,919	1.29	1.49	0.00
United Bank Limited	-	68,600	-	36,700	31,900	2,176	0.96	1.11	0.00
	-	164,000	-	62,200	101,800	7,333	3.23	3.75	
	-	2,273,700	3,500	1,000,800	1,276,400	105,048	46.33	53.73	
Carrying value as at December 31, 2010						<u>95,129</u>			

All shares have a nominal face value of Rs. 10 each.

NAFA ASSET ALLOCATION FUND

5.2 Listed term finance certificates - 'at fair value through profit or loss'

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of certificates / bonds				Market value as at December 31, 2010	Investment as a percentage of		
	As at August 2, 2010	Purchases during the period	Sale during the period	As at December 31, 2010		Net assets	Market value of total investments	Issue size
					Rupees in '000		%	
Allied Bank Limited	-	2,000	-	2,000	9,807	4.33	5.02	0.00
United Bank Limited	-	3,000	-	3,000	14,952	6.59	7.65	0.01
Bank Al Falah Limited	-	2,000	-	2,000	9,861	4.35	5.04	0.01
Engro Corporation - Engro Rupiya Certificates	-	3,400	-	3,400	17,000	7.50	8.70	0.00
		10,400		10,400	51,620	22.77	26.40	

Carrying value as at December 31, 2010

51,914

5.3 Investment in government securities - 'at fair value through profit or loss'

Issue date	Tenor	Face Value				Balance as at December 31, 2010	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 01, 2010	Purchases during the period	Sales / matured during the period	As at December 31, 2010			
						Market Value		%
Market Treasury Bills								
September 26, 2010	12 months	-	10,000	10,000	-	-	-	-
April 22, 2010	6 months	-	65,000	65,000	-	-	-	-
August 13, 2010	3 months	-	15,000	15,000	-	-	-	-
October 21, 2010	6 months	-	25,000	10,000	15,000	14,419	6.36	7.38
October 21, 2010	3 months	-	5,000	5,000	-	-	-	-
August 13, 2010	3 months	-	20,000	20,000	-	-	-	-
November 04, 2010	3 months	-	20,000	5,000	15,000	14,858	6.55	7.60
November 04, 2010	6 months	-	10,000	-	10,000	9,565	4.22	4.89
						38,842	17.13	19.87
						38,897		

Carrying value as at December 31, 2010

5.4 Investments include shares with market value of Rs.12.757 million and Term Finance Certificates with market value of Rs. 9.807 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No.11 dated October 23, 2007 issued by the SECP.

5.5 Net unrealised appreciation in the value of investments classified as 'at fair value through profit or loss'

Note

December 31, 2010

Rupees in '000

Market value of investments	195,510
Less: Carrying value of investments	(185,940)
	9,570

6 PROFIT RECEIVABLE

Profit on savings deposits	100
Income accrued on term finance certificates	1,384
	1,484

7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposit with National Clearing Company of Pakistan Limited	2,500
Security deposit with Central Depository Company of Pakistan Limited	100
Receivable against transfer sales	70
	2,670

8 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred	8.1	1,000
Less: Amortisation during the period		(73)
Balance as at December 31, 2010		927

NAFA ASSET ALLOCATION FUND

- 8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from August 21, 2010 (post IPO) as per the requirements set out in the Trust Deed.

	Note	December 31, 2010 Rupees in '000
9 PAYABLE TO THE MANAGEMENT COMPANY		
Preliminary expenses and floatation costs paid by Management Company on behalf of the Fund		1,000
Initial deposit on opening of bank accounts paid by Management Company on behalf of the Fund		75
Remuneration receivable	9.1 & 9.2	(3)
Front-end load payable		68
		<u>1,140</u>

- 9.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 2% per annum for the period from October 16, 2010 to December 31, 2010.

- 9.2 The Management Company has decided to waive remuneration for the period upto October 15, 2010 in the interests of the unit holders of the Fund.

	Note	December 31, 2010 Rupees in '000
10 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration payable		222
Settlement charges		98
Provision for workers' welfare fund	10.1	402
Others		131
		<u>853</u>

- 10.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

A clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income.

However, on December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to make a provision for WWF amounting to Rs. 0.402 million in these condensed interim financial statements.

NAFA ASSET ALLOCATION FUND

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2010.

12 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income for the period as the management company has decided to distribute atleast ninety percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

13 EARNINGS PER UNIT

Earnings per unit (EPU) for the period from August 2, 2010 to December 31, 2010 has not been disclosed in these condensed interim financial statements as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

14 TRANSACTIONS WITH CONNECTED PERSONS

14.1 Connected persons include NBP Fullerton Asset Management Limited (formerly National Fullerton Asset Management Limited) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP), and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

14.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

14.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

14.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

14.5 Details of the transactions with connected persons are as follows:

	For the period from August 2, 2010 to December 31, 2010	Quarter ended December 31, 2010
	------(Rupees in '000)-----	
NBP Fullerton Asset Management Limited - Management Company (Formerly National Fullerton Asset Management Limited)		
Remuneration of the Management Company	773	523
Preliminary expenses and floatation costs paid by the Management Company on behalf of the Fund	1,000	-
Initial deposit on opening of bank accounts paid by the Management Company on behalf of the Fund	75	-
Front-end load paid to Management Company	118	118

NAFA ASSET ALLOCATION FUND

	For the period from August 2, 2010 to December 31, 2010	Quarter ended December 31, 2010
	------(Rupees in '000)-----	
Alexandra Fund Management Pte. Limited - Sponsor		
Units issued during the period (16,308,503 units)	164,866	64,866
Pre-IPO profit paid	403	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	255	176
Executive of the Management Company		
Units issued during the period (9,603 units)	100	-
		December 31, 2010
		Rupees in '000
14.6 Amounts outstanding at the period end		
NBP Fullerton Asset Management Limited - Management Company (Formerly National Fullerton Asset Management Limited)		
Payable to the Management Company		1,072
Front-end load payable		68
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable		59
CDS charges payable		3
Security deposit		100
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the sponsor in the Fund (16,308,503 units)		178,588
Executive of the Management Company		
Investment held in the Fund (9,603 units)		105
15 DATE OF AUTHORISATION FOR ISSUE		
These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on February 18, 2011.		
16 GENERAL		
Figures have been rounded off to the nearest thousand rupees.		

For NBP Fullerton Asset Management Limited
(Formerly National Fullerton Asset Management Limited)
(Management Company)

Chief Executive

Director