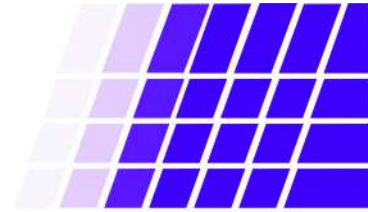
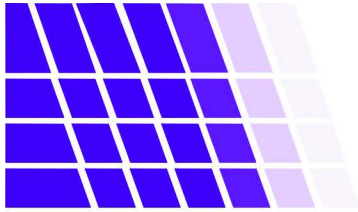


NAFA INCOME FUND



NAFA INCOME FUND

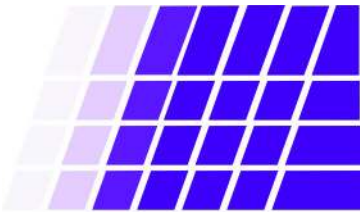
**QUARTERLY REPORT
FOR THE QUARTER ENDED
SEPTEMBER 30, 2008
(UN-AUDITED)**



NAFA INCOME FUND

TABLE OF CONTENTS

DIRECTOR'S REPORT	91
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	93
CONDENSED INTERIM INCOME STATEMENT	94
CONDENSED INTERIM DISTRIBUTION STATEMENT	95
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS	96
CONDENSED INTERIM CASH FLOW STATEMENT	97
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	98



NAFA INCOME FUND

DIRECTORS' REPORT

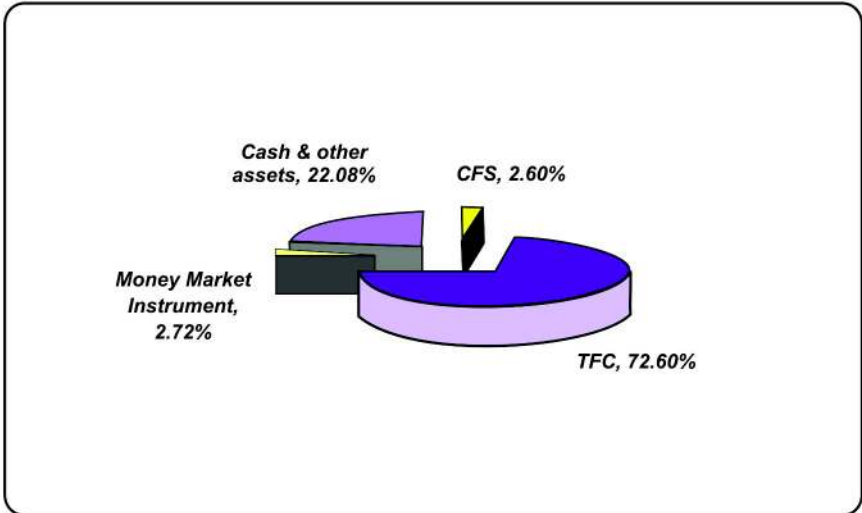
The Board of Directors of National Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Fund for the quarter ended September 30, 2008.

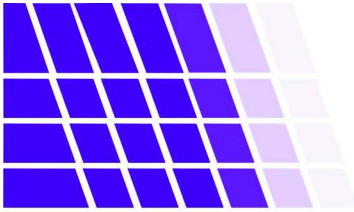
Fund's Performance

Assets under management of NAFA Income Fund have reduced from Rs.1,828 million to Rs.1,470 million during the period i.e. a decline of 19.58%. During this period, Unit Price of NAFA Income Fund has grown from Rs.10.0011 on June 30, 2008 (Ex-Div) to Rs.10.2691 on September 30, 2008, translating into an annualized return of 11.06%.

NAFA Income Fund has earned a total income of Rs.45.80 million during the period. After deducting total expenses of Rs.8.21 million, the net income is Rs.37.59 million, translating into an earning per unit of Rs.0.2680. The asset allocation of NAFA Income Fund as on September 30, 2008 is as follows:

Asset Allocation as on September 30, 2008





NAFA INCOME FUND

Income Distribution

The Board of Directors of the Management Company has approved an interim distribution of 2.67% of par value. After interim distribution, the net asset value per unit will be Rs. 10.0021 on September 30, 2008.

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.

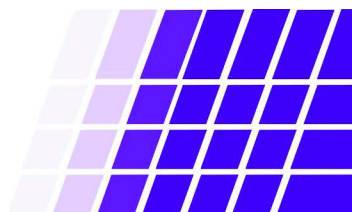
The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
National Fullerton Asset Management Limited

Masood Karim Shaikh, FCA
Chairman

Dr. Amjad Waheed, CFA
Chief Executive

Date: October 16, 2008
Place: Karachi.



NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2008 (UN-AUDITED)

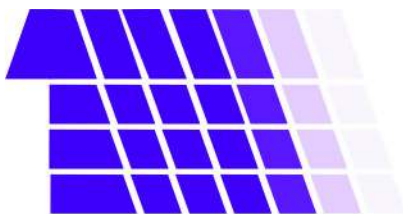
	Note	September 30, 2008	June 30, 2008
		(Rupees in '000')	
ASSETS			
Balances with banks		275,305	759,564
Investments	4	1,067,004	921,423
Loans and receivables		40,000	50,000
Receivable against Continuous Funding system (CFS) transactions		38,215	58,656
Dividend and profit receivable	5	46,860	41,451
Advances, deposits, prepayments and other receivables		8,879	6,919
Preliminary expenses and floatation costs		4,492	4,744
Total assets		1,480,755	1,842,757
LIABILITIES			
Accrued expenses and other liabilities	6	1,139	1,809
Payable on redemption of units		20	3,333
Payable to National Fullerton Asset Management Limited -Management Company		8,524	8,742
Payable to Central Depository Company of Pakistan Limited -Trustee		201	251
Payable to Securities and Exchange Commission of Pakistan - Annual fee		1,095	705
Total liabilities		10,979	14,840
Net assets		1,469,776	1,827,917
Unit Holders' Funds (as per statement attached)		1,469,776	1,827,917
Number of units in issue		143,125,578	179,019,887
Net asset value per unit		10.2691	10.2107

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

**For National Fullerton Asset Management Limited
(Management Company)**

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman



NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (UN-AUDITED)

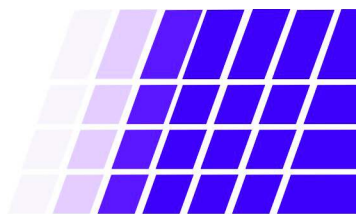
	Note	Quarter Ended September '30, 2008 (Rupees in '000')
Income		
Profit on bank deposits		11,848
Income from Continuous Funding System (CFS) transactions		4,619
Income from TFC and Sukuk bonds		33,432
Income from clean placements and COIs		136
Unrealized loss on investments at fair value through profit or loss - net		(2,059)
Total income		47,976
Expenses		
Remuneration of National Fullerton Asset Management Limited Management Company		5,840
Remuneration of Central Depository Company of Pakistan Limited - Trustee		641
Brokerage		110
Annual fee - Securities and Exchange Commission of Pakistan		389
Annual listing fee		8
Settlement and bank charges		779
Others		107
Auditors' remuneration		90
Amortization of preliminary expenses and floatation costs		252
Total expenses		8,216
Net income from operating activities		39,760
Element of income and capital gains included in prices of units issued less those in units redeemed		(2,167)
Net income for the period		37,593
Earnings per unit	8	-

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

For National Fullerton Asset Management Limited (Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman



NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (UN-AUDITED)

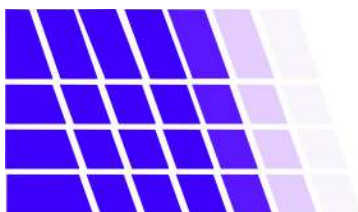
	Quarter Ended September '30, 2008 (Rupees in '000')
Undistributed income brought forward	37,719
Distribution: Bonus issue at the rate of 2.10% for the year ended June 30, 2008 (declared on July 3, 2008)	
- Bonus units	(31,331)
- Cash Distribution	(6,191)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing income / (losses) that form part of the unit holders' funds	(43)
Net income for the period	37,593
Undistributed income carried forward	<u>37,747</u>

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

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman



NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (UN-AUDITED)

Quarter Ended
September
'30, 2008
(Rupees in '000')

Net assets at the beginning of the period	1,827,917
Issue of 42,839,077 units including 3,132,743 bonus units.	400,859
Redemption of 78,733,386 units	(793,399)
	(392,540)
Final Distribution for the year ended June 30, 2008: 2.10%	31,331
Element of income and capital gains included in prices of units issued less those in units redeemed	
- amount representing accrued (income) / loss and capital (gains) / losses - transferred to Income Statement	2,167
- amount representing (income) / losses that form part of the unit holders' funds - transferred to Distribution Statement	43
	2,210
Net unrealized appreciation in the value of investments classified as 'available for sale'	830
Net unrealized appreciation in the value of investments classified as 'financial assets at fair value through profit or loss'	(2,059)
Other income	39,652
Net income for the period	37,593
Distribution:	
Final distribution for the year ended June 30, 2008: 2.10%	
- Cash Distribution	(6,191)
- Bonus units	(31,331)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing income / (losses) that form part of the unit holders' funds	(43)
Net assets as at the end of the period	1,469,776

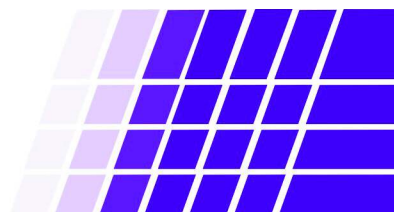
The annexed notes form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA INCOME FUND



CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (UN-AUDITED)

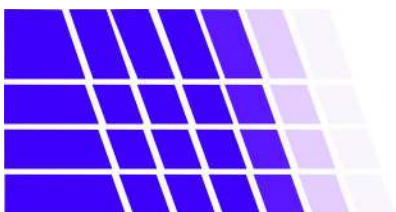
	Quarter Ended September '30, 2008 (Rupees in '000')
CASH FLOW FROM OPERATING ACTIVITIES	
Net income for the period	37,593
Adjustments	
Unrealized gain on investments at fair value through profit or loss - net	2,059
Amortization of preliminary expenses and floatation costs	252
Element of income and capital gains included in of units issued less those in units redeemed	2,167
	4,478
(Increase) / decrease in assets	
Investments	(146,810)
Loans and receivables	10,000
Receivable against Continuous Funding System (CFS) transactions	20,441
Dividend and profit receivable	(5,409)
Advances, deposits, prepayments and other receivables	(1,960)
	(123,738)
Increase / (decrease) in liabilities	
Accrued expenses and other liabilities	(670)
Payable on redemption of units	(3,313)
Payable to National Fullerton Asset Management Limited	(218)
Payable to Central Depository Company of Pakistan Limited	(50)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	390
	(3,861)
Net cash outflow on operating activities	(85,528)
CASH FLOW FROM FINANCING ACTIVITIES	
Receipts from issue of units	400,859
Payments on redemption of units	(793,399)
Distribution paid	(6,191)
	(398,731)
Net increase in cash and cash equivalents during the period	(484,259)
Opening balance of cash and cash equivalents	759,564
Cash and cash equivalents as at September 30, 2007	275,305

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

**For National Fullerton Asset Management Limited
(Management Company)**

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman



NAFA INCOME FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (UN-AUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Income Fund (NIF) was established under a Trust Deed executed between National Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on January 03, 2008 and was authorized by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations 2007.

NIF 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 earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets. The fund will comprise of investments of various investments horizons with the significant amount invested in short term investments for the purpose of maintaining liquidity.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of International Accounting Standards-34 (IAS-34) "Interim Financial Reporting", Non Banking Finance Companies and Notified Entities Regulations 2007 (The NBFC Regulations and directives issued by SECP). These financial statements are un-audited.

3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2008 are same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2008.

4. INVESTMENTS

4.1 At fair value through profit or loss - held for trading

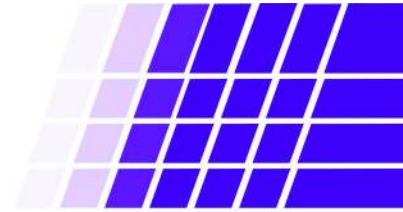
	September 30, 2008 (Un-audited)	June 30, 2008 (Audited)
Term Finance Certificates - listed	279,450	131,245
Term Finance Certificates - unlisted	400,065	401,360
Sukuk bonds	50,290	50,335

4.2 Available for sale investments

Term Finance Certificates - unlisted	120,000	120,000
Sukuk bonds	100,830	100,000
Commercial Papers	116,369	118,483

	September 30, 2008 (Un-audited)	June 30, 2008 (Audited)
	(Rupees in '000')	
	1,067,004	921,423

NAFA INCOME FUND



4.1 At fair value through profit or loss

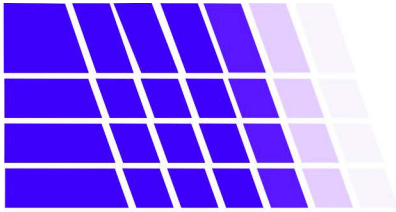
Name of the investee company	Number of certificates				Market value as at September 30, 2008 (Rs. in "000")	Percentage of investments in relation to net assets of the Fund
	As at July 1, 2008	Purchases during the period	Sales during the period	As at September 30, 2008		
Term finance certificate - listed						
Engro Chemicals Pakistan Limited	10,000	-	-	10,000	50,305	3.42%
NIB Bank Limited	1,000	-	-	1,000	4,978	0.34%
Saudi Pak Leasing	15,000	-	-	15,000	75,637	5.15%
United Bank Limited	-	65,000	35,000	30,000	148,530	10.11%
					<u>279,450</u>	
Term finance certificate - unlisted						
Engro Chemicals Pakistan Limited	20,000	-	-	20,000	100,680	6.85%
Pak American Fertilizer Limited	30,000	-	-	30,000	150,015	10.21%
Pakistan Mobile Communication (Private) Limited	30,000	-	-	30,000	149,370	10.16%
					<u>400,065</u>	
Sukuk bonds						
New Allied Electronics Industries (Private) Limited	10,000	-	-	10,000	50,290	3.42%
					<u>50,290</u>	
					<u>729,805</u>	
					<u>731,864</u>	
Cost of investments as at September 30, 2008						
					<u>731,864</u>	

Fair value of listed Term Finance Certificates classified as investments at fair value through profit or loss is determined using rates notified by Mutual Funds Association of Pakistan.

All Term Finance Certificates have a face value of Rs 5,000 each.

4.2 Term Finance Certificates and Sukuk bonds - Available for sale

Name of the investee company	Number of certificates				Market value as at September 30, 2008 (Rs. in "000")	Percentage of investments in relation to net assets of the Fund
	As at July 1, 2008	Purchases during the period	Sales during the period	As at September 30, 2008		
Term finance certificate - unlisted						
World Call Telecom - Pre IPO	24,000	-	-	24,000	120,000	8.16%
					<u>120,000</u>	
Sukuk bonds						
Eden Housing	20,000	-	-	20,000	100,830	6.86%
					<u>100,830</u>	
Cost of investments as at September 30, 2008						
					<u>220,000</u>	



NAFA INCOME FUND

All Term Finance Certificates have a face value of Rs 5,000 each.

Name of the investee company	Number of certificates				Market value as at September 30, 2008 (Rs. in "000")	Percentage of investments in relation to net assets of the Fund
	As at July 1, 2008	Purchases during the period	Sales during the period	As at September 30, 2008		
Commercial paper						
Azgard Nine Limited	15,000	-	-	15,000	68,866	4.69%
IGI Insurance Limited	10,000	-	-	10,000	47,503	3.23%
					<u>116,369</u>	
Cost of investment - as at September 30, 2008					<u>116,369</u>	

September 30, 2008 June 30, 2008
(Rupees in '000')

5. Dividend & Profit Receivable

Income accrued on Continuous Funding System (CFS) transactions	404	684
Profit on savings & term deposit accounts	5,033	14,273
Income accrued on Term Finance Certificates	40,704	25,210
Income accrued on Money Market Instruments	44	1,284
Exposure deposit receivable	675	-
	<u>46,860</u>	<u>41,451</u>

6. ACCRUED EXPENSES AND OTHER LIABILITIES

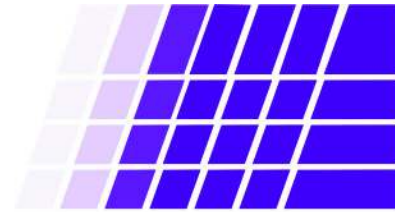
Auditors' remuneration	80	182
Settlement charges payable	220	76
Withholding tax payable	7	291
Bank Charges Payable	15	6
NCCPL fee payable	-	27
Payable to brokers	702	1,227
Listing Fee Payable	8	-
Printing Charges Payable	107	-
	<u>1,139</u>	<u>1,809</u>

7. TRANSACTIONS WITH CONNECTED PERSONS/RELATED PARTIES

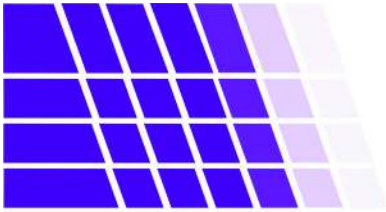
Connected persons include National Fullerton Asset Management Limited being the Management Company and National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the Sponsors.

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

NAFA INCOME FUND



	Quarter Ended September 30,2008 (Rupees in '000")
7.1 Amount of transactions during the period	
National Fullerton Asset Management Limited - Management Company	
Management fee expense for the period	5,840
Bonus units issued - 209,576 units	2,096
NIB Bank Ltd. - Sponsor	
Profit on bank deposits	2,234
Dr. Amjad Waheed (Chief Executive)	
Bonus units issued - 616 units	6
Other Executives of the Management Co.	
Bonus units issued - 169 units	2
Units issued / transferred in - 174,426 units	1,763
Units redeemed / transferred out - 9,217 units	93
NAFA Provident Fund	
Units issued / transferred in (248,337 units)	2,545
CDC Trustee NAFA MULTI ASSET FUND	
Bonus units issued - 115,666 units	1,157
Units redeemed / transferred out - 5,634,702 units	56,402
TFCs sold	175,000
CDC Trustee NAFA CASH FUND	
Bonus units issued - 154,910 units	1,549
Units redeemed / transferred out - 7,546,476 units	75,613
	As at September 30,2008 (Rupees in '000")
7.2 Amounts outstanding as at year end	
National Fullerton Asset Management Ltd.	
Investment held in the Fund (10,209,577 units)	104,843
National Bank of Pakistan - Sponsor	
Balances in current accounts	123
NIB Bank Ltd. - Sponsor	
Balances in savings accounts	21,923
Profit receivable on bank deposits	1,416
Chief Executive Officer	
Investment held in the Fund (30,016 units)	308
Executives of the Management Company	
Investment held in the Fund (171,438 units)	1,761
NAFA Provident Fund	
Investment held in the Fund (248,337 units)	2,550



NAFA INCOME FUND

8. Earnings Per Unit

Earnings per unit (EPU) for the three months ended September 30, 2008 has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

9. DATE OF AUTHORIZATION FOR ISSUE

These financials statements were authorized for issue on October 16, 2008 by the Board of Directors of the Management Company.

10. GENERAL

Figures have been rounded off to the nearest rupee.

Since the Fund commenced its operation on March 31, 2008, the comparative figures for corresponding quarter of last year are not available in respect of Income Statement, Statement of Movement in Unit Holders' Fund and Cash Flow Statement.

**For National Fullerton Asset Management Limited
(Management Company)**

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman