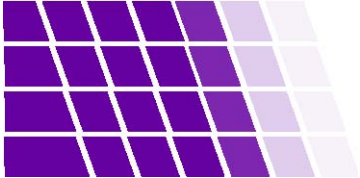


MISSION STATEMENT

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

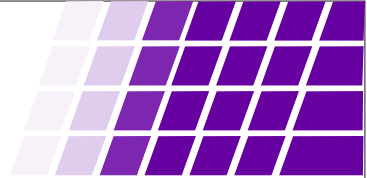


NAFA FUNDS

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NAFA FUNDS



FUNDS' INFORMATION

Management Company

National Fullerton Asset Management Limited.

Board of Directors of the Management Company

Mr. Masood Karim Shaikh	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Gerard Lee How Cheng	Director
Mr. Raymond H. Kotwal	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shahid Anwar Khan	Director
Syed Naseer ul Hassan	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Raymond H. Kotwal	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

NAFA INCOME FUND

Allied Bank Limited
Arif Habib Bank Ltd.
Atlas Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank(PAK)Ltd.
The Bank of Khyber
The Bank of Punjab
United Bank Limited





NAFA FUNDS

Auditors

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

Legal Advisor

Jooma & Soomro, Advocates and Legal Consultants
103, Ammera Centre,
Shahrah-e-Iraq, 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 No. 042-5778248-63
Fax: 042-5876806

Islamabad Office:

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

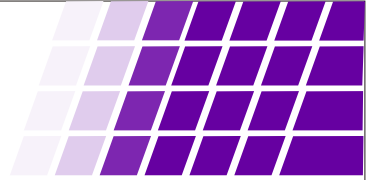
Peshawar Office:

1st Floor Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshwar.
Phone No. 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

82 Khan Centre Near SP Chowk
Abdali Road, Multan Cantt,
Multan.

NAFA INCOME FUND



NAFA INCOME FUND

**HALF YEARLY REPORT
FOR THE HALF YEAR ENDED
DECEMBER 31, 2008
(UN-AUDITED)**





NAFA INCOME FUND

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NAFA INCOME FUND

DIRECTORS' REPORT

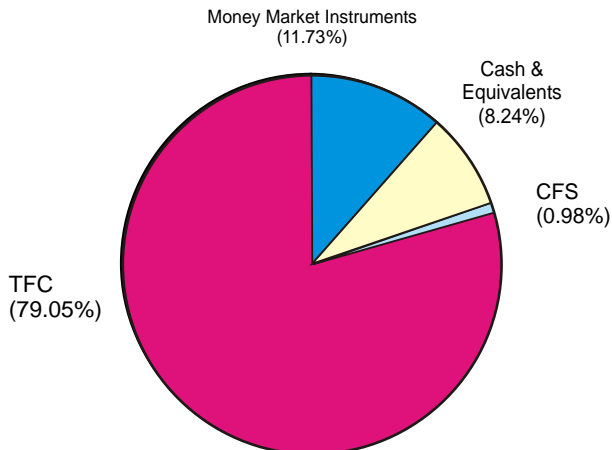
The Board of Directors of National Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Fund for the half year ended December 31, 2008

Funds Performance

Assets under management of NAFA Income Fund have reduced from Rs.1,828 million to Rs.1,036 million during the period i.e. a decline of 43.33%. This is due to an overall run on the mutual funds industry as a result of a liquidity crunch in the financial markets, the resultant drop in value of all assets classes, and uncertainty among investors. During this period, the Unit Price of NAFA Income Fund has reduced from Rs.9.7427 on June 30, 2008 (Ex-Div) to Rs.9.3934 on December 31, 2008, translating into a decline of 3.59% for the period.

NAFA Income Fund has earned a total income of Rs.16.89 million during the period. After deducting total expenses of Rs.30.22 million, the net loss is Rs.13.33 million. The resultant per unit loss, after accounting for unrealized revaluation loss of Rs. 32.50 million on available for sale investments, is Re.0.3493. The asset allocation of NAFA Income Fund as on December 31, 2008 is as follows:

Asset Allocation as on December 31, 2008





NAFA INCOME FUND

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: February 17, 2009
Place: Karachi.

NAFA INCOME FUND



TRUSTEE REPORT TO THE UNIT HOLDERS

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

NAFA Income Fund (the Fund), an open-end scheme was established under a trust deed dated January 03, 2008 executed between 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 July 01, 2008 to December 31, 2008 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

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: February 27, 2009



NAFA INCOME 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 Income Fund** as at December 31, 2008, and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2008. The Management Company (National 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. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cashflow statement for the quarter ended December 31, 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2008.

Scope of Review

We conducted our review in accordance with 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 half year ended December 31, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.

Chartered Accountants

Dated : February 24, 2009
Karachi

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2008

	(Unaudited) Note December 31 , 2008	(Audited) June 30, 2008
-----Rupees in '000-----		
Assets		
Balances with banks	26,874	759,564
Receivable against Continuous Funding System (CFS) transactions	10,105	58,656
Receivable against sale of investments	8,794	-
Investments	4 946,518	921,423
Loans and receivables	-	50,000
Profit receivable	5 49,663	41,451
Preliminary expenses and floatation costs	4,244	4,744
Advances, deposits, prepayments and other receivables	8,468	6,919
Total assets	1,054,666	1,842,757
Liabilities		
Payable to National Fullerton Asset Management Limited - Management Company	7,086	8,742
Payable to Central Depository Company of Pakistan Limited - Trustee	182	251
Payable to Securities and Exchange Commission of Pakistan	687	705
Payable on redemption of units	8,621	3,333
Accrued expenses and other liabilities	6 1,802	1,809
Total liabilities	18,378	14,840
Net assets	<u>1,036,288</u>	<u>1,827,917</u>
Unit holders' fund (as per statement attached)	<u>1,036,288</u>	<u>1,827,917</u>
Commitments	7	
-----Number of units-----		
Number of units in issue	<u>110,321,267</u>	<u>179,019,887</u>
-----Rupees-----		
Net asset value per unit	<u>9.3934</u>	<u>10.2107</u>

The annexed notes 1 to 12 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 (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

	Half year ended December 31, 2008	Quarter ended December 31, 2008
Note		
	-----Rupees in '000-----	
Income		
Income from Continuous Funding System (CFS) transactions	5,717	1,098
Profit on bank deposits	17,505	5,657
Income from term finance certificates, sukuk bonds and commercial papers	73,419	39,987
Income from certificates of deposit and clean placements	817	681
Loss on sale of investments - net	(4,571)	(4,571)
Net unrealised diminution in value of investments at fair value through profit or loss	(84,701)	(82,642)
Total income	8,186	(39,790)
Expenses		
Remuneration of National Fullerton Asset Management Limited - Management Company	10,739	4,899
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,220	579
Annual fee - Securities and Exchange Commission of Pakistan	687	298
Annual listing fee	15	7
Brokerage and other securities transaction cost	114	4
Auditors' remuneration	185	95
Provision for impairment	15,000	15,000
Settlement and bank charges	920	141
Amortisation of preliminary expenses and floatation costs	500	248
Printing and related costs	320	320
Other expenses	515	408
Total expenses	30,215	21,999
Net loss from operating activities	(22,029)	(61,789)
Element of loss and capital losses included in prices of units issued less those in units redeemed	8,702	10,869
Net loss for the period	(13,327)	(50,920)
Loss per unit	10	

The annexed notes 1 to 12 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 (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

	Half year ended December 31, 2008	Quarter ended December 31, 2008
	----- (Rupees in '000) -----	
Undistributed income brought forward	37,719	37,747
Final distribution for the year ended June 30, 2008; 2.10%		
- Bonus units	(31,331)	-
- Cash distribution	(6,191)	-
Interim distribution for the quarter ended September 30, 2008; 2.67%		
- Bonus units	(36,591)	(36,591)
- Cash distribution	(692)	(692)
Net element of losses and capital losses included in the price of units issued less those in units repurchased, amount representing losses that form part of the unit holders' funds	15,908	15,951
Net loss for the period	(13,327)	(50,920)
	(72,224)	(72,252)
Loss carried forward	<u>(34,505)</u>	<u>(34,505)</u>

The annexed notes 1 to 12 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 (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

	Half year ended December 31, 2008	Quarter ended December 31, 2008
	-----Rupees in '000-----	
Net assets at the beginning of the period	1,827,917	1,469,776
Issue of 95,045,976 units including 6,767,371 bonus units	891,866	491,007
Redemption of 163,744,596 units	(1,622,083) (730,217)	(828,684) (337,677)
Final distribution for the year ended June 30, 2008; 2.10% : Bonus units	31,331	-
Interim distribution for the quarter ended September 30, 2008; 2.67% : Bonus units	36,591	36,591
Net element of losses and capital losses included in prices of units issued less those in units redeemed		
- amount representing losses and capital losses - transferred to Income Statement	(8,702)	(10,869)
- amount representing losses that form part of the unit holder's fund - transferred to Distribution Statement	(15,908) (24,610)	(15,951) (26,820)
Final distribution for the year ended June 30, 2008; 2.10% : Bonus units	(31,331)	-
Interim distribution for the quarter ended September 30, 2008; 2.67% : Bonus units	(36,591)	(36,591)
Net unrealised diminution in the value of investments classified as 'available for sale'	(32,500)	(33,330)
Net loss for the period	(13,327)	(50,920)
Net element of loss and capital losses included in the prices of units sold less those in units repurchased - amount representing loss that forms part of the unit holders' funds	15,908	15,951
Final cash distribution for the year ended June 30, 2008	(6,191)	-
Interim cash distribution for the period ended September 30, 2008	(692)	(692)
Net assets as at the end of the period	1,036,288	1,036,288

The annexed notes 1 to 12 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 (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

	Half year ended December 31, 2008	Quarter ended December 31, 2008
	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(13,327)	(50,920)
Adjustments		
Amortisation of preliminary expenses and floatation costs	500	248
Net unrealised diminution in value of investments at fair value through profit or loss	84,701	82,642
Provision for impairment	15,000	15,000
Net element of losses and capital losses included in prices of units issued less those in units redeemed	(8,702)	(10,869)
Loss on sale of investment	4,571	4,571
	<u>82,743</u>	<u>40,672</u>
(Increase) / decrease in assets		
Receivable against Continuous Funding System (CFS) transactions	48,551	28,110
Investments	(161,867)	(15,057)
Loans and receivable	50,000	40,000
Profit receivable	(8,212)	(2,803)
Advances, deposits, prepayments and other receivables	(1,549)	411
Receivable against sale of investments	(8,794)	(8,794)
	<u>(81,871)</u>	<u>41,867</u>
Increase/ (Decrease) in liabilities		
Accrued expenses and other liabilities	(7)	663
Payable on redemption of units	5,288	8,601
Payable to National Fullerton Asset Management Limited - Management Company	(1,656)	(1,438)
Payable to Central Depository Company of Pakistan Limited - Trustee	(69)	(19)
Payable to Securities and Exchange Commission of Pakistan	(18)	(408)
	<u>3,538</u>	<u>7,399</u>
Net cash inflow from operating activities	<u>4,410</u>	<u>89,938</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	891,866	491,007
Payments on redemption of units	(1,622,083)	(828,684)
Distribution paid	(6,883)	(692)
Net cash outflow on financing activities	<u>(737,100)</u>	<u>(338,369)</u>
Net decrease in cash and cash equivalents during the period	<u>(732,690)</u>	<u>(248,431)</u>
Cash and cash equivalents at the beginning of the period	759,564	275,305
Cash and cash equivalents at the end of the period	<u><u>26,874</u></u>	<u><u>26,874</u></u>

The annexed notes 1 to 12 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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

1 LEGAL STATUS AND NATURE OF BUSINESS

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 3, 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 offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering to the Fund. The Fund is listed on the Lahore Stock Exchange.

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 comprises of investments of various time horizons with a significant amount invested in short term investments for the purpose of maintaining liquidity.

JCR-VIS Credit Rating Company Limited (JCR-VIS) has revised the rating of the Management Company to AM-Developing Situation from AM2 on December 29, 2008. No rating has been assigned to the Fund as the rating criteria of JCR-VIS requires a fund to be in operation for a period of twelve month to become eligible for rating.

2 STATEMENT OF COMPLIANCE

These 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 (Establishment and Regulation) Rules, 2003 (the NBFC Rules), 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 Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited financial statements for the period from March 7, 2008 to June 30, 2008.

4. INVESTMENTS

		(Unaudited) December 31, 2008	(Audited) June 30, 2008
	Note	(Rupees in '000)	
At fair value through profit or loss	4.1	684,790	582,940
Available for sale	4.2	<u>261,728</u>	<u>338,483</u>
		<u>946,518</u>	<u>921,423</u>
4.1 At fair value through profit or loss			
Equity securities - listed	4.1.2	400	-
Units of open end mutual fund	4.1.4	52,724	-
Term finance certificates - listed	4.1.5	244,192	131,245
Term finance certificates - unlisted	4.1.6	352,474	401,360
Sukuk bonds	4.1.7	<u>35,000</u>	<u>50,335</u>
		<u>684,790</u>	<u>582,940</u>

NAFA INCOME FUND

4.1.1 NAFA Income Fund has entered into a Voluntary Continuous Funding System Mark-II Square Up Program (the Program) with National Clearing Company of Pakistan Limited for squaring up of its outstanding exposure in CFS. The need for this program developed due to the large number of suspension of members in December 2008 following eight days of continuous market lower locks in the underlying CFS shares posing great difficulty in squaring up and the likelihood of systemic risk emanating therein. The aim of this program is to ensure the full repayment of financier funds and prevent mass scale broker defaults enabling a vast majority of them to return from suspension.

Under the terms of the Program, CFS shares and their associated margins in the form of exposure shares (i.e those shares which were deposited as collateral against the specific shares financed in the CFS market by the relevant financee broker) were sold to the financiers at a discount of 12.5% and 15% respectively to their closing prices prevailing as at December 24, 2008. The financiers opting into the program have purchased shares of an amount equal to 30% of the total value they had financed in the CFS market at the aforementioned price. The remaining 70% that they had financed in the CFS market along with the mark-up accrued thereon was to be settled in cash.

Consequent to the announcement of the Program, NAFA Income Fund has purchased shares of an amount equal to approximately 30% of the total value that they had financed in the CFS market which have been classified as short-term investments. The remaining 70% CFS balance along with the entire mark-up accrued thereon has been received subsequent to the period ended December 31, 2008.

The SECP vide its circular no. NBFC-1/MUFAP/01/2009 dated January 1, 2009, has permitted all income / money market funds to keep the shares acquired under the Program for a period of three months extendable to another three months upon application to SECP. However, in case the price of these shares attains the level determined in the program i.e. 12.5% discount to the closing price as of December 24, 2008, the Fund is required to dispose of these shares immediately.

4.1.2 Equity securities - listed

Name of the investee company	Number of shares				Market value as at December 31, 2008 (Rs. in "000")	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2008	Purchases during the period	Sales during the period	As at December 31, 2008			

All the holding are in shares of Rs. 10/- each unless otherwise stated.

Investment Banks / Companies

Arif Habib Limited	-	52	-	52	4	-	-
Arif Habib Securities Limited	-	13,084	13,084	-	-	-	-
Dawood Equities Limited	-	14	-	14	-	-	-
Frist National Equities Limited	-	2	-	2	-	-	-
Jahangir Siddiqui Company Limited	-	851	851	-	-	-	-
Jahangir Siddiqui Investment Company Limited	-	29	-	29	1	-	-
Javed Omer Vohra and Company	-	163	-	163	1	-	-
Pervez Ahmed Securities Limited	-	434	-	434	2	-	-

Commercial Banks

Allied Bank Limited	-	29	-	29	1	-	-
Askari Bank Limited	-	16,740	-	16,740	245	0.02%	0.03%
Arif Habib Bank Limited	-	2,053	-	2,053	11	-	-
Bank Al-Falah Limited	-	5,517	5,517	-	-	-	-
Bank Al Habib Limited	-	13	-	13	-	-	-
The Bank of Punjab	-	154	-	154	2	-	-
BankIslami Pakistan Limited	-	961	961	-	-	-	-
Faysal Bank Limited	-	57	-	57	1	-	-
Habib Bank Limited	-	32	-	32	2	-	-
MCB Bank Limited	-	2	2	-	-	-	-
Meezan Bank Limited	-	24	-	24	1	-	-
National Bank of Pakistan	-	102	102	-	-	-	-
NIB Bank Limited	-	1,202	-	1,202	6	-	-
JS Bank Limited	-	892	-	892	5	-	-
Saudi Pak Commercial Bank Limited	-	1,046	-	1,046	5	-	-
Soneri Bank Limited	-	38	-	38	-	-	-
United Bank Limited	-	141	141	-	-	-	-
Balance carried forward				22,974	287	0.02%	0.03%

NAFA INCOME FUND

Name of the investee company	Number of shares			Market value as at December 31, 2008 (Rs. in '000')	Market value as a percentage of net assets	Market value as a percentage of total investments	
	As at July 1, 2008	Purchases during the period	Sales during the period				As at December 31, 2008
Balance brought forward				22,974	287	0.02%	0.03%
Insurance							
Adamjee Insurance Company Limited	-	12	12	-	-	-	-
EFU General Insurance Limited	-	55	-	55	7	-	-
Pakistan Reinsurance Limited	-	95	-	95	2	-	-
				-			
Textile Spinning							
D.S Industries Limited	-	7	7	-	-	-	-
				-			
Textile Composite							
Azgard Nine Limited (Non-voting) shares	-	31,504	31,504	-	-	-	-
Dawood Lawrencepur Limited	-	23	23	-	-	-	-
Nishat (Chunian) Mills Limited	-	140	-	140	1	-	-
Nishat Mills Limited	-	19,699	19,699	-	-	-	-
				-			
Synthetic and Rayon							
Dewan Salman Fibre Limited	-	219	-	219	-	-	-
				-			
Cement							
Al Abbas Cement Company Limited	-	105	-	105	-	-	-
D.G Khan Cement Company Limited	-	139	139	-	-	-	-
Deewan Cement Limited	-	126	-	126	-	-	-
Lucky Cement Limited	-	1,044	1,044	-	-	-	-
Fauji Cement Company Limited	-	702	-	702	3	-	-
Maple Leaf Cement Factory Limited	-	78	-	78	-	-	-
Pakistan Cement Company Limited	-	1,832	-	1,832	6	-	-
Pioneer Cement Limited	-	84	-	84	2	-	-
				-			
Refinery							
Attock Refinery Limited	-	33	33	-	-	-	-
Bosicor Pakistan Limited	-	744	744	-	-	-	-
Pakistan Refinery Limited	-	25	25	-	-	-	-
				-			
Power and Generation and Distribution							
The Hub Power Company Limited	-	478	478	-	-	-	-
Kot Addu Power Company Limited	-	7	-	7	-	-	-
				-			
Oil and Gas Marketing Companies							
Attock Petroleum Limited	-	28	-	28	4	-	-
Pakistan State Oil Company Limited	-	94	94	-	-	-	-
Sui Southern Gas Company Limited	-	107	-	107	1	-	-
Sui Northern Gas Company Limited	-	2,519	-	2,519	55	0.01%	0.01%
				-			
Oil and Gas Exploration Companies							
Oil and Gas Development Company Limited	-	498	498	-	-	-	-
Pakistan Oilfields Limited	-	34	34	-	-	-	-
Pakistan Petroleum Limited	-	44	44	-	-	-	-
				-			
Engineering							
Crescent Steel and Allied Products Limited	-	120	120	-	-	-	-
Dost Steel Limited	-	209	-	209	2	-	-
				-			
Automobile Assemblers							
Honda Atlas Cars (Pakistan) Limited	-	64	-	64	1	-	-
Indus Motor Company Limited	-	6	-	6	1	-	-
Balance carried forward				29,350	372	0.03%	0.04%

NAFA INCOME FUND

Name of the investee company	Number of shares				Market value as at December 31, 2008 (Rs. in "000")	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2008	Purchases during the period	Sales during the period	As at December 31, 2008			
Balance brought forward				29,350	372	0.03%	0.04%
Cable and Electrical Goods							
Pak Electron Limited	-	194	-	194	4	-	-
Transport							
Pakistan International Container Terminal Limited	-	3	3	-	-	-	-
Technology and Communications							
Pakistan Telecommunication Company Limited	-	154	154	-	-	-	-
Netsol Technologies Limited	-	5,895	5,895	-	-	-	-
TRG Pakistan Limited	-	1,020	-	1,020	2	-	-
Telecard Limited	-	332	-	332	1	-	-
Worldcall Telecom Limited	-	1,659	-	1,659	5	-	-
Fertilizers							
Engro Chemicals Pakistan Limited	-	46	46	-	-	-	-
Fauji Fertilizer Company Limited	-	143	-	143	8	-	-
Fauji Fertilizer Bin Qasim Limited	-	5,951	5,951	-	-	-	-
Chemicals							
BOC Pakistan Limited	-	5	-	5	1	-	-
ICI Pakistan Limited	-	10	-	10	1	-	-
Pakistan PTA Limited	-	688	-	688	1	-	-
Sitara Peroxide Limited	-	69	-	69	1	-	-
Paper and Board							
Packages Limited	-	9	9	-	-	-	-
Closed end Mutual Fund							
JS Value Fund	-	370	-	370	2	-	-
PICIC Growth Fund	-	94	-	94	1	-	-
Pakistan Premier Fund Limited	-	351	-	351	1	-	-
Miscellaneous							
Pace (Pakistan) Limited	-	2,696	2,696	-	-	-	-
Tri Pack Films Limited	-	19	19	-	-	-	-
				34,285	400	0.03%	0.04%

Cost as at December 31, 2008

403

- 4.1.3 During the period, the Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE, the market volume declined significantly. The "Floor Mechanism" was subsequently removed by the KSE on December 15, 2008 in order to rationalise the prices of equity securities. Subsequent to the removal of the "Floor Mechanism" the KSE 100 index declined from 9,187.10 points at December 15, 2008 to 5,865.01 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes.

In view of the above circumstances, a clarification was sought from the Securities and Exchange Commission of Pakistan on whether the prices quoted on the stock exchange as at December 31, 2008 could be considered as the fair value of such securities at that date. The Securities and Exchange Commission of Pakistan vide its circular No. Enf/D-III/Misc/1/2008 dated January 29, 2009 has clarified that the market price as quoted on the stock exchange on December 31, 2008 may be used as the fair value of securities as of that date for the purpose of preparation of financial statements for the period ended December 31, 2008. Accordingly, equity securities have been valued at the market prices as quoted on the stock exchange on December 31, 2008.

NAFA INCOME FUND

4.1.4 Units of open end mutual fund

Name of the investee fund	Number of units				Market value as at December 31, 2008 (Rs. in '000')	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2008	Purchases during the period	Sales during the period	As at December 31, 2008			
Open end mutual fund							
NAFA Cash Fund	-	13,860,405	8,362,294	5,498,111	52,724	5.09%	5.60%
					5,498,111	5.09%	5.60%

* Units purchased include 245,244 bonus units received during the current period

Cost as at December 31, 2008

55,535

Term finance certificates - At fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at December 31, 2008 (Rs. in '000')	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2008	Purchases during the period	Sales during the period	As at December 31, 2008			

4.1.5 Term finance certificates - listed

Engro Chemicals Pakistan Limited	10,000	-	-	10,000	44,982	4.34%	4.78%
NIB Bank Limited	1,000	-	-	1,000	4,249	0.41%	0.45%
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	59,988	5.79%	6.37%
United Bank Limited	-	65,000	35,000	30,000	134,973	13.02%	14.34%
					56,000	24.56%	25.94%

4.1.6 Term finance certificates - unlisted

Engro Chemicals Pakistan Limited	20,000	-	-	20,000	90,000	8.68%	9.56%
Pak American Fertilizer Limited	30,000	-	-	30,000	131,224	12.66%	13.94%
Pakistan Mobile Communication Limited	30,000	-	-	30,000	131,250	12.67%	13.95%
					80,000	34.01%	37.45%
					136,000	57.58%	63.39%

Cost as at December 31, 2008

678,219

4.1.7 Sukuk bonds - At fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at December 31, 2008 (Rs. in '000')	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2008	Purchases during the period	Sales during the period	As at December 31, 2008			

Sukuk bonds

New Allied Electronics Industries (Private) Limited (note 4.1.10)	10,000	-	-	10,000	35,000	3.38%	3.72%
					10,000	3.38%	3.72%

Cost as at December 31, 2008

50,335

Provision for impairment loss

15,000

4.1.8 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.

4.1.9 The SECP vide its circular no. 26/2008 dated November 5, 2008 has changed the basis of valuation of the term finance certificates and Sukuk bonds. Under the said directive, all open-end mutual funds are to value term finance certificates at the lower of discounted redeemable face value of term finance certificates and the market value as determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP). The discount rates are based on the credit rating of the respective entities / issuers as notified by the rating agencies. Prior to the issuance of the said directive, investment in term finance certificates Sukuk bonds were valued at the rates notified by MUFAP.

NAFA INCOME FUND

4.1.10 This represents investment in privately placed sukuk bonds with a term of five years, On December 3, 2008, the scheduled profit payment date, the investee company defaulted on its obligations.

	Note	December 31, 2008	June 30, 2008
4.2 Available for sale investments (Rupees in '000)			
Term finance certificates - listed	4.2.1	105,000	120,000
Sukuk bonds	4.2.2	82,500	100,000
Commercial papers	4.2.3	74,228	118,483
		<u>261,728</u>	<u>338,483</u>

Name of the investee company	Number of certificates				Market value as at December 31, 2008 (Rs. in '000')	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2008	Purchases during the period	Sales during the period	As at December 31, 2008			

4.2.1 Term finance certificates - listed

Worldcall Telecom Limited	24,000	-	-	24,000	105,000	10.13%	11.16%
				<u>24,000</u>	<u>105,000</u>	<u>10.13%</u>	<u>11.16%</u>
Cost as at December 31, 2008					<u>120,000</u>		

4.2.2 Sukuk bonds

Eden Housing Limited	20,000	-	-	20,000	82,500	7.96%	8.77%
				<u>20,000</u>	<u>82,500</u>	<u>7.96%</u>	<u>8.77%</u>
Cost as at December 31, 2008					<u>100,000</u>		

4.2.3 Commercial paper

Azgard Nine Limited	15,000	-	-	15,000	74,228	7.16%	7.89%
IGI Insurance Limited	10,000	-	10,000	-	-	-	-
				<u>15,000</u>	<u>74,228</u>	<u>7.16%</u>	<u>7.89%</u>
Cost as at December 31, 2008					<u>74,228</u>		

4.2.4 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.

	December 31, 2008	June 30, 2008
5. PROFIT RECEIVABLE (Rupees in '000)		
Income accrued on Continuous Funding System (CFS) transactions	575	684
Profit on savings and term deposit accounts	1,480	14,273
Income accrued on term finance certificates and sukuk bonds	47,608	25,210
Income accrued on money market instruments	-	1,284
Other receivables	-	-
	<u>49,663</u>	<u>41,451</u>
6. ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	175	182
Settlement charges payable	375	76
Withholding tax payable	150	291
Bank charges payable	-	6
NCCPL fee payable	-	27
Payable to brokers	767	1,227
Listing fee payable	15	-
Printing and related costs payable	320	-
	<u>1,802</u>	<u>1,809</u>

NAFA INCOME FUND

	December 31, 2008	June 30, 2008
	(Rupees in '000)	
7. COMMITMENTS		
Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase and sale transactions have not been settled as at period / year end	-	7,955
8. TAXATION		
The Fund is exempt from income tax under clause 99 of part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains whether realised or unrealised, is distributed amongst the unit holders.		
9. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES		
Connected persons include National Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee and National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the Sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.		
The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market norms.		
	Half Year ended December 31, 2008	Quarter ended December 31, 2008
	(Rupees in '000)	
9.1 Transactions during the period		
National Fullerton Asset Management Limited - Management Company		
Management fee expense for the period	10,739	4,899
Bonus units issued - 480,345 units	-	-
NIB Bank Limited - Sponsor		
Profit on bank deposits	3,676	1,442
Dr. Amjad Waheed (Chief Executive Officer)		
Bonus units issued - 1,412 units	-	-
Other Executives of the Management Company		
Bonus units issued - 19,135 units	-	-
Units issued / transferred in - 906,634 units	9,267	7,504
Units redeemed / transferred out - 450,485 units	4,490	4,397
NAFA Employees Provident Fund		
Bonus units issued - 6,586 units	-	-
Units issued / transferred in - 248,337 units	2,545	-
NAFA Multi Asset Fund		
Bonus units issued - 346,629 units	-	-
Units issued / transferred in - 8,708,694 units	90,000	90,000
Units redeemed / transferred out - 11,565,516 units	111,402	55,000
Term finance certificates sold	175,000	-
NAFA Cash Fund		
Bonus units issued - 154,910 units	-	-
Units redeemed / transferred out - 7,546,476 units	75,613	-
Units issued / transferred in - 7,391,566 units	75,000	-
NAFA Cash Fund - Investments held by the Fund		
Units purchased - 13,615,160 units	140,000	-
Bonus units issued - 245,244 units	-	-
Units redeemed / transferred out - 8,362,294 units	80,000	-
	Unaudited December 31, 2008	Audited June 30, 2008
	(Rupees in '000)	
9.2 Amounts outstanding as at year end		
National Fullerton Asset Management Limited		
Management Fee payable	1,459	2,529
Investment held in the Fund - 10,480,345 units (June 30, 2008 : 10,000,000)	98,446	102,107
Front end load payable	653	1,238
Other payable	4,975	4,975
National Bank of Pakistan - Sponsor		
Balances in current accounts	407	1,479

NAFA INCOME FUND



	Un-audited December 31, 2008	Audited June 30, 2008
	(Rupees in '000)	
NIB Bank Limited - Sponsor		
Balances in savings accounts	11,567	181,396
Profit receivable on bank deposits	6	80
Investment in term finance certificates	4,249	5,062
Profit receivable on term finance certificates	244	1,259
Dr. Amjad Waheed (Chief Executive Officer)		
Investment held in the Fund - 30,812 units (June 30, 2008 : 29,400)	289	300
Executives of the Management Company		
Investment held in the Fund - 1,480,355 units (June 30, 2008 : 8,060)	13,906	82
NAFA Multi Asset Fund		
Investment held in the Fund - 3,008,843 units (June 30, 2008 : 5,519,036)	28,263	56,353
NAFA Employees Provident Fund		
Investment held in the Fund - 254,923 units (June 30, 2008 : Nil)	2,395	-
NAFA Cash Fund		
Investment held in the Fund - Nil (June 30, 2008:7,391,566 units)	-	75,473
Investment held by the Fund - 5,498,111 units (June 30, 2008 : Nil)	54,724	-
Central Depository Company of Pakistan Limited		
Remuneration payable	182	251
CDC Charges	43	76
Security deposit	100	100

10. LOSS PER UNIT

Loss per unit (LPU) for the period ended December 31, 2008 has not been disclosed as in the opinion of the management determination of weighted average units for calculating LPU is not practicable.

11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 17, 2009 by the Board of Directors of the Management Company.

12. GENERAL

12.1 Figures have been rounded off to the nearest thousand rupees.

12.2 As the Fund commenced its operations on March 31, 2008, the comparative figures for the corresponding quarter and half year of last year are not available in respect of the Condensed Interim Income Statement, Condensed Interim Distribution Statement, Condensed Interim Statement of Movement in Unit Holders' Funds and Condensed Interim Cash Flow Statement.

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

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman