

NAFA Funds

Quarterly Report

For the period ended September 30, 2007



Your investments & NAFA grow together

FULLERTON FUND
MANAGEMENT



Managed by:
National Fullerton Asset Management Limited

Joint - Venture Partners

**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

FUND'S 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
Khawaja Iqbal Hassan	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shahid Anwar Khan	Director
Mr. Masroor Ahmed Qureshi	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. Masroor Ahmed Qureshi	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 STOCK FUND

Allied Bank Limited
 Askari Commercial Bank Ltd.
 Bank Alfalah Limited
 Bank Al-Habib Limited
 Deutsche Bank
 Habib Bank Limited
 KASB Bank Limited
 MCB Bank Limited
 National Bank of Pakistan
 NIB Bank Limited
 PICIC Commercial Bank Ltd.
 Soneri Bank Limited
 Habib Metropolitan Bank Ltd.
 Standard Chartered Bank Ltd.

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

Aly Shah & Co. Advocates and Legal Consultants
Suite 502, 5th Floor
Marine Pride, BC-2, Block-7,
Khayaban-e-Iqbal
Clifton, Karachi.

Head Office

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

Lahore Office

83-A-E/1, Main Boulevard
Gulberg III
Lahore.

Islamabad Office

4th Floor, Ali Plaza
1-E, Blue Area
Islamabad.

NAFA STOCK FUND

DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the un-audited financial statements of **NAFA Stock Fund** for the quarter ended September 30, 2007.

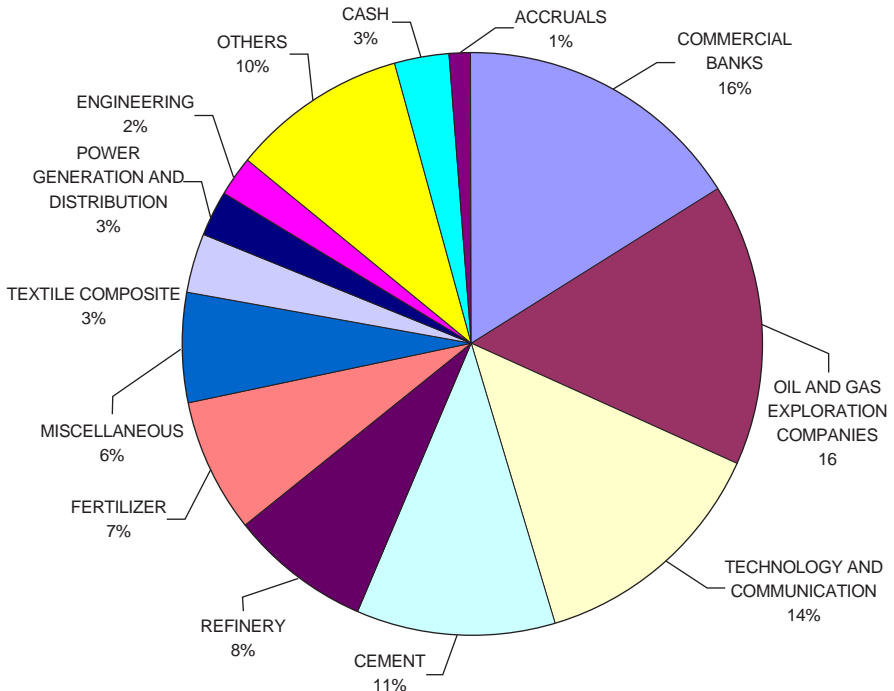
Fund's Performance

NAFA Stock Fund has grown from Rs.1.46 billion to Rs.1.62 billion during the period from July 01, 2007 to September 30, 2007, a growth of 10.95%. During the said period, Unit Price of the Fund has grown from Rs.12.0871 on June 30, 2007 to Rs.12.4901 on September 30, 2007, translating into a growth of 3.33%. NAFA Stock Fund has earned a total income of Rs.118.22 million during the period. After deducting expenses of Rs.15.71 million, the net profit is Rs.102.51 million, which translates into an earning per unit of Rs.0.403.

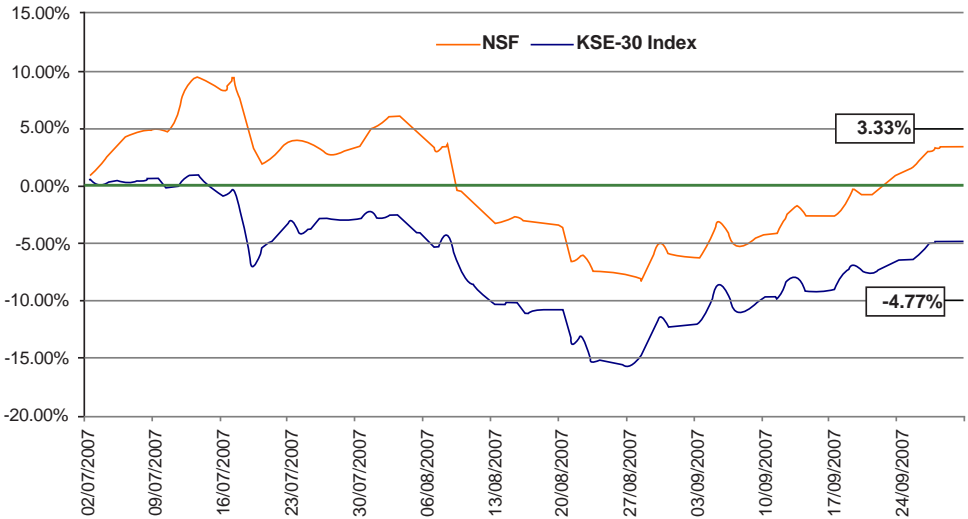
The performance of the Fund is compared against that of a benchmark (KSE-30 Index). During the said period the Benchmark recorded a decline of 4.77%. As against this decline, the Fund recorded an increase of 3.33% in Unit Price over the same period, thus registering an out-performance of 8.1%.

The asset allocation of the Fund as on September 30, 2007, and its performance against the benchmark are as follows:

Asset Allocation as on September 30, 2007



**NSF Performance Versus KSE-30 Index
(From July 01, 2007 to September 30, 2007)**



Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the management, and providing us with 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 for their continued support and cooperation.

On behalf of the Board of
National Fullerton Asset Management Limited

Masood Karim Shaikh, FCA
Chairman

Dr. Amjad Waheed, CFA
Chief Executive

Date: October 18, 2007
Place: Karachi.

NAFA Stock Fund

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2007 (UN-AUDITED)

		September 30, 2007	June 30, 2007
	Note	(Rupees in '000')	
ASSETS			
Balances with banks		51,838	282,583
Investments	4	1,551,401	1,338,710
Receivable against sale of investments		39,654	-
Security deposits		1,100	1,100
Dividend and other receivables	5	8,201	2,452
Preliminary expenses and floatation costs		2,153	2,278
Total assets		1,654,347	1,627,123
LIABILITIES			
Accrued expenses and other liabilities	6	1,077	158,145
Short term borrowing		17,000	
Payable to National Fullerton Asset Management Limited -Management Company		17,879	8,053
Payable to Central Depository Company of Pakistan Limited -Trustee		204	177
Payable to Securities and Exchange Commission of Pakistan - Annual fee		778	425
Total liabilities		36,938	166,800
Net assets		1,617,409	1,460,323
Unit Holders' Funds (as per statement attached)		1,617,409	1,460,323
Number of units in issue		129,495,028	101,784,945
Net asset value per unit		12.4901	14.3471

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

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

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

	Note	Quarter Ended September 30, 2007 (Rupees in '000')
Income		
Profit on bank deposits		3,446
Loss on sale of investments		(10,123)
Dividend income		5,071
Unrealized gain on investments at fair value through profit or loss - net		87,803
Total income		86,197
Expenses		
Remuneration of National Fullerton Asset Management Limited – Management Company		10,433
Remuneration of Central Depository Company of Pakistan Limited - Trustee		605
Brokerage		3,911
Annual fee - Securities and Exchange Commission of Pakistan		353
Annual listing fee		8
Settlement and bank charges		177
Financial charges		22
Auditors' remuneration		79
Amortization of preliminary expenses and floatation costs		126
Total expenses		15,714
Net income from operating activities		70,483
Element of income and capital gains included in prices of units issued less those in units redeemed		32,027
Net income for the period		102,510
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
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Stock Fund

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

	Quarter Ended September 30, 2007 (Rupees in '000')
Undistributed income brought forward	442,474
Distribution: Bonus issue at the rate of 22.60% for the year ended June 30, 2007 (declared on July 5, 2007)	(230,034)
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	18,113
Net income for the period	102,510
Undistributed income carried forward	333,063

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

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

	Quarter Ended September 30, 2007 (Rupees in '000')
Net assets at the beginning of the period	1,460,323
Issue of 62,872,634 units including 19,031,362 bonus units.	520,889
Redemption of 35,162,551 units	(434,286)
	86,603
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	(32,027)
- amount representing (income) / losses that form part of the unit holders' funds - transferred to Distribution Statement	(18,113)
	(50,140)
Net unrealized appreciation in the value of investments classified as 'financial assets at fair value through profit or loss'	87,803
Net income from operations	14,707
Net income for the period	102,510
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	18,113
Net assets as at the end of the period	1,617,409

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

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

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Stock Fund

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

Quarter Ended
September
30, 2007
(Rupees in '000')

CASH FLOW FROM OPERATING ACTIVITIES

Net income for the period	102,510
Adjustments	
Loss on sale of investments	10,123
Unrealized gain on investments at fair value through profit or loss - net	(87,803)
Amortization of preliminary expenses and floatation costs	126
Element of income and capital gains included in of units issued less those in units redeemed	(32,027)
	(109,581)
Increase in assets	
Investments	(135,012)
Receivables against sale of investments	(39,654)
Dividend and other receivables	(5,749)
	(180,415)
Increase in liabilities	
Accrued expenses and other liabilities	(157,068)
Short term borrowing	17,000
Payable to National Fullerton Asset Management Limited	9,826
Payable to Central Depository Company of Pakistan Limited	27
Payable to Securities and Exchange Commission of Pakistan - Annual fee	353
	(129,862)
Net cash outflow on operating activities	(317,348)
CASH FLOW FROM FINANCING ACTIVITIES	
Receipts from issue of units	520,889
Payments on redemption of units	(434,286)
	86,603
Net increase in cash and cash equivalents during the period	(230,745)
Opening balance of cash and cash equivalents	282,583
Cash and cash equivalents as at September 30, 2007	51,838

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

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Stock Fund (NSF) 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 December 06, 2006 and was authorized by the Securities and Exchange Commission of Pakistan (SECP) on December 20, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

NSF 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 provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund will be moderate to high.

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", NBFC Rules, 2003 and directives issued by the 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, 2007 are same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2007.

September 30, 2007	June 30, 2007
(Rupees in '000')	

4. INVESTMENTS

At fair value through profit or loss

4.1

1,551,401

1,338,710

NAFA Stock Fund

4.1 At fair value through profit or loss

Name of the investee company	Number of units/shares					Market Value as at September 30, 2007 (Rs. in "000")	Percentage of investments in relation to net assets of the Fund
	As at July 01, 2007	Purchases during the period	Bonus/ Right	Sales during the period	As at September 30, 2007		

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

Investment Banks/Companies

Arif Habib Securities Limited	-	185,000	-	35,000	150,000	20,078	1.24
Pakistan Industrial Credit and Investment Corporation Ltd	275,000	-	-	275,000	-	-	-

Commercial Banks

Allied Bank Limited	370,000	54,600	-	109,600	315,000	35,910	2.22
Bank Al Falah Limited	498,500	1,816,500	-	1,350,000	965,000	47,768	2.95
Bank of Punjab Limited	450,000	529,000	-	979,000	-	-	-
Bank Islami Pakistan Limited	1,400,000	1,065,000	-	115,000	2,350,000	31,138	1.93
Habib Bank Limited	-	150,000	-	100,000	50,000	13,948	0.86
MCB Bank Limited	140,885	639,100	-	608,985	171,000	56,943	3.52
Meezan Bank Limited	867,500	210,000	-	-	1,077,500	37,982	2.35
National Bank of Pakistan	165,950	949,000	-	1,114,950	-	-	-
PICIC Commercial Bank Limited	600,000	100,000	-	700,000	-	-	-
Saudi Pak Commercial Bank Limited	875,000	-	-	875,000	-	-	-
United Bank Limited	80,000	541,500	-	421,500	200,000	35,900	2.22

Insurance

Eastern Federal Union General Insurance Limited	145,000	-	-	145,000	-	-	-
New Jubilee Life Insurance Limited	200,000	76,500	-	43,500	233,000	15,017	0.93
Pakistan Reinsurance Company Limited	80,700	10,000	-	90,700	-	-	-

Textile Spinning

Gadoon Textile Limited	-	47,800	-	-	47,800	3,298	0.20
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Textile Weaving

Kohinoor Mills Limited	-	-	8,800	-	8,800	378	0.02
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Textile Composite

Artistic Denim Mills Limited	475,000	132,300	-	107,300	500,000	37,700	2.33
Chenab Limited	800,000	61,000	-	161,000	700,000	7,805	0.48
Colony Mills Limited	700,000	-	-	300,000	400,000	7,280	0.45
Suraj Cotton Mills Limited	148,000	-	-	148,000	-	-	-

Synthetic & Rayon

Ibrahim Fibres Limited	307,000	-	-	307,000	-	-	-
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Jute

Thall Limited	90,200	600	-	6,000	84,800	25,397	1.57
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Sugar & Allied Industries

J.D.W Sugar Mills Limited	191,300	-	-	191,300	-	-	-
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Cement

Gharibwal Cement Company Limited	-	359,500	-	-	359,500	6,615	0.41
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Name of the investee company	Number of units/shares					Market Value as at September 30, 2007 (Rs. in "000")	Percentage of investments in relation to net assets of the Fund
	As at July 01, 2007	Purchases during the period	Bonus/ Right	Sales during the period	As at September 30, 2007		
Kohat Cement Company Limited	1,375,000	720,000	-	302,500	1,792,500	95,003	5.87
Lucky Cement Limited	135,000	610,000	-	465,000	280,000	35,910	2.22
Maple Leaf Cement Limited	-	2,025,000	-	30,000	1,995,000	42,494	2.63
Pioneer Cement Limited	800,000	100,000	-	900,000	-	-	-
Refinery							
Attock Refinery Limited	-	2,90,000	-	120,000	170,000	39,100	2.42
National Refinery Limited	-	374,000	10,000	160,000	224,000	86,811	5.37
Power & Generation & Distribution							
The Hub Power Company Limited	-	2,100,000	-	911,500	1,188,500	39,934	2.47
Karachi Electric Supply Corporation Limited	-	379,000	-	-	379,000	2,274	0.14
Oil & Gas Exploration Companies							
Mari Gas Company Limited	136,600	38,400	-	175,000	-	-	-
Oil & Gas Development Company Limited	540,000	2,410,000	-	2,002,300	947,700	108,986	6.74
Pakistan Oilfields Limited	-	253,300	-	253,300	-	-	-
Pakistan Petroleum Limited	180,000	1,120,100	-	764,500	535,600	142,470	8.81
Engineering							
Crescent Steel and Allied Products Limited	-	78,500	6,850	77,700	7,650	528	0.03
Sazgar Engineering Works Limited	400,000	9,700	-	-	409,700	32,756	2.03
Automobile Assemblers							
Ghandara Industries Limited	442,000	-	-	94,500	347,500	16,333	1.01
Ghandara Nissan Limited	409,000	-	-	81,000	328,000	11,578	0.72
Pak Suzuki Motor Company Limited	-	2,700	-	2,700	-	-	-
Millat Tractors Limited	35,000	2,700	-	37,700	-	-	-
Transport							
Pakistan National Shipping Corporation Limited	224,500	63,600	-	127,100	161,000	15,762	0.97
Technology & Communications							
Eye Television Network Limited	900,000	110,000	-	10,000	1,000,000	48,300	2.99
Pakistan Telecommunication Company Limited	1,000,000	600,000	-	1,600,000	-	-	-
Netsol Technologies Limited	1,696,250	284,800	-	692,400	1,288,650	154,637	9.56
World Call Telecommunication Limited	-	800,000	-	-	800,000	16,560	1.02
Fertilizers							
Engro Chemicals Pakistan Limited	230,000	580,500	68,750	543,200	336,050	87,339	5.40
Fauji Fertilizer Company Limited	-	550,000	-	550,000	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	3,050,000	-	2,285,000	765,000	33,890	2.10
Chemicals							
Sitara Chemicals Limited	-	117,500	-	20,300	97,200	23,620	1.46

Quarter Ended
September
30, 2007
(Rupees in '000')

7.1 Amount of transactions during the period

National Fullerton Asset Management Limited - Management Company

Management fee expense for the period	10,433
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National Bank of Pakistan - Sponsor

Bonus units issued - 2,094,131 units	25,312
Deposit held by the Fund with the Sponsor	806

NIB Bank Limited - Sponsor

Bonus units issued - 1,402,321 units	16,950
Units redeemed / transferred out - 1,402,321 units	17,195
Deposit held by the Fund with the Sponsor	5,482
Income of bank deposits	536

Alexandra Fund Management Pte. Limited - Sponsor

Bonus units issued - 1,869,762 units	22,600
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Dr. Amjad Waheed (Chief Executive)

Bonus units issued - 195,442 units	2,362
Units issued / transferred in - 3,434,014 units	40,500
Units redeemed / transferred out - 3,241,262 units	39,732

Other Employees

Bonus units issued - 21,783 units	263
Units issued / transferred in - 239,998 units	2,857
Units redeemed / transferred out - 50,647 units	642

8. Earnings Per Unit

Earnings per unit (EPU) for the three months ended September 30, 2007 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 18, 2007 by the Board of Directors of the Management Company.

10. GENERAL

10.1 Figures have been rounded off to the nearest rupee.

10.2 Since the Fund commenced its operation on January 15, 2007, 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
Chief Executive**

**Masood Karim Shaikh
Chairman**



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

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