NAFA Islamic Income Fund (NIIF)

National Fullerton Asset Management Limited

Unit Price (28/02/2010): Rs. 7.0613 February 2010

Investment Objective

To seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in Shariah Compliant money market & debt securities having good credit rating and liquidity.

Performance

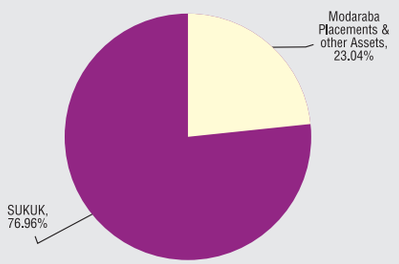
Performance (%)	Jan - Dec 2008**	Jan - Dec 2009**	January 2010*	February 2010**	Since Launch October 29, 2007**
NAFA Islamic Income Fund	**(7.90)%**	**(18.91)%**	**10.49%**	**(0.72)%**	**(24.25)%**
Benchmark	5.59%	7.19%	6.61%	0.49%	15.39%

* Represents Annualized Return
** Represents Cumulative Return
(Returns are net of management fee & all other expenses)

General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 227 million
Type:	Open-end – Shariah Compliant Income Fund
Dealing Days:	Daily – Monday to Friday
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end: 1.0%
Management Fee:	1.5% per annum
Risk Profile:	Low to Medium
Fund Stability Rating:	In process
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Average 1-month deposit rate of Islamic banks
Fund Manager:	Irfan Malik, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

Asset Allocation (as on 28th February 2010)



Leverage: (Amount of leveraging / borrowing done by the Fund.)	Nil
Name of the Members of Investment Committee:	Dr. Amjad Waheed, CFA Irfan Malik, CFA Ahmad Nouman, CFA Sajjad Anwar, CFA Tanvir Abid, CFA

Fund Manager's Commentary

During the month of February, your Fund posted a negative return of 0.72%. We have significantly provided for the Sukuks which defaulted during the last year financial crises. As these securities restructure and start performing according to new arrangements, it will enable us to gradually reverse provisioning.

In January, the State Bank of Pakistan kept the policy rate unchanged at 12.5% in its Monetary Policy Statement. Next Monetary Policy Statement is due in March 2010. Lower current account deficit and trade deficit coupled with higher remittances have gradually improved the forex reserves. Furthermore, government borrowing from the State Bank remained in check. These among other macro economic indicators suggest the country is on the path of gradual economic recovery, with challenges in few areas. Inflation stood at 10.30% from July to December 2009 and is expected to be around 12% annualized during the current fiscal year. Due to gradual removal of subsidies, Month-on- Month (CPI) during January 2010 was 2.40%. However, recent improvements in weekly data of Sensitive Price Indicator (SPI) indicate that inflation is expected to ease during February.

6-Month KIBOR increased by 20bps during the month to close at 12.43% on February-end. The major reason was the spike in rates towards the end of the month due to a large size T-bill auction which has had a temporary impact on T-bill rates.

Disclaimer: *This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell the fund. All investments in mutual funds are subject to market risks. The price of units may go up as well as down. Past performance is not necessarily indicative of future results.*