

NAFA Islamic Income Fund (NIIF)

Unit Price (31/01/2010): Rs. 7.1123

January 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.

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Performance (%)	Oct - Dec 2007**	Jan - Dec 2008**	Jan - Dec 2009**	January 2010*	Since Launch October 29, 2007**
NAFA Islamic Income Fund	1.30%	(7.90)%	(18.91)%	10.49%	(23.70)%
Benchmark	0.91%	5.59%	7.19%	6.61%	14.83%

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

General Information

Dealing Days: Settlement: Pricing Mechanism: Management Fee: Risk Profile: Fund Stability Rating:

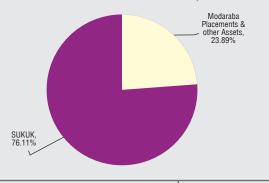
Listing: Custodian & Trustee: Auditors:

Fund Manager: Minimum Subscription:

Rs. 233 million
Open-end – Shariah Compliant
Income Fund Daily – Monday to Friday 2-3 business days Forward Pricing Front end: 1.0% 1.5% per annum Low to Medium In process by PACRA

Lahore Stock Exchange Central Depository Company (CDC) A. F. Ferguson & Co. Chartered Accountants Average 1-month deposit rate of Islamic banks
Irfan Malik, CFA
Growth Unit: Rs. 10,000/Income Unit: Rs. 100,000/-

Asset Allocation (as on 31st January 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 January, your Fund earned an annualized return of 10.49%. We expect NIIF to out-perform the benchmark of Islamic Banks deposit rates during the current calendar year. We have significantly provided for the Sukuks which defaulted during last year's financial crises. As these securities restructure and start performing according to new arrangements, it will enable us to gradually reverse provisioning and book meaningful gains in the future.

The State Bank of Pakistan kept the policy rate unchanged at 12.5% in its Monetary Policy Statement announced on January 30, 2010. Many recent macro economic indicators suggest the country is on the path of economic recovery, with challenges in few areas. Positives include improving current account deficit and foreign exchange reserves and limited Govt. borrowing from the State Bank. The challenges faced by Pakistan economy, fiscal austerity, timely materialization of expected foreign inflows, improvement in supply side of basic necessities and law and order situation.

Month on Month CPI during December 2009 was a negative 0.5%, while headline Year on Year inflation was 10.5%. However, we believe this trend may not sustain because of gradual removal of subsidies and recent deteriorating weekly data of Sensitive Price Indicator (SPI) inflation. Expected increase in Foreign Direct Investment and Foreign loans inflows will likely enhance the domestic liquidity enabling prices of financial assets including Sukuks to improve. Effects of improved liquidity expectations have caused 6m KIBOR to decline by 20bps during the month to close at 12.23% on January-end.

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.