

NAFA Funds

Monthly Report (August 2012)



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

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Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners



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"August 2012"

| FUND NAME | FUND SIZE (Rs. In million) | FUND LAUNCH DATE | STABILITY RATING / STAR RANKING * | AUGUST 2012 | LAST ONE YEAR | SINCE LAUNCH |
|---|-------------------------------|---------------------|---|----------------|------------------|-----------------|
| NAFA Government Securities Liquid Fund ¹ | 14,630 | 16-May-09 | AAA (f) | 11.98% | 10.74% | 11.00% |
| NAFA Money Market Fund ¹ | 21,617 | 24-Feb-12 | AA+ (f) | 13.87% | n/a | 11.13% |
| NAFA Savings Plus Fund ¹ | 1,224 | 21-Nov-09 | AA- (f) | 11.01% | 10.86% | 10.65% |
| NAFA Riba Free Savings Fund ¹ | 960 | 21-Aug-10 | AA- (f) | 10.56% | 10.41% | 10.62% |
| NAFA Financial Sector Income Fund ¹ | 3,313 | 28-Oct-11 | A+ (f) | 11.18% | n/a | 12.37% |
| NAFA Asset Allocation Fund ² | 588 | 21-Aug-10 | n/a | 4.39% | 23.53% | 48.29% |
| NAFA Multi Asset Fund ² | 673 | 22-Jan-07 | ★★★★ (4-star) | 3.25% | 25.66% | 85.65% |
| NAFA Islamic Multi Asset Fund ² | 302 | 29-Oct-07 | ★★★★ (4-star) | 5.53% | 23.33% | 60.66% |
| NAFA Stock Fund ² | 1,455 | 22-Jan-07 | ★★★★ (4-star) | 5.89% | 47.87% | 58.80% |

¹ Annualized return

² Cumulative return

n/a = Not applicable

* Stability rating for Fixed Income Funds and Star Ranking for Equity/Balanced Funds.

Funds' Rating Definitions:

AAA(f) : An exceptionally strong capacity to maintain relative stability in returns and possesses negligible exposure to risks.

AA(f) : A very strong capacity to maintain relative stability in returns and possesses very low exposure to risks.

A(f) : A strong capacity to maintain relative stability in returns and possesses low exposure to risks. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions.

4 - Star (★★★★) : Good Performance

Note: Detailed monthly reports on NAFA Funds are available on our website at www.nafafunds.com

Dr. Amjad Waheed, CFA
Chief Executive Officer

The State Bank of Pakistan has recently reduced the discount rate by 150 basis points. We will discuss the implications of this decision on the economic and investment climate of the country. First of all, there is no question that lower interest rates are good for any country. They encourage investors to borrow more to expand business resulting in reduced unemployment, higher corporate profitability, and growth of the economy. However, lower interest rates are only sustainable and productive in a low inflation environment. Otherwise, they encourage consumption rather than savings and investments that feed inflation. Pakistan's savings and investment rates as a percentage of GDP are already the lowest among the emerging markets. It is important to note that the discount rate has been brought down to 10.5% per annum, whereas the core inflation is still above 11% per annum.

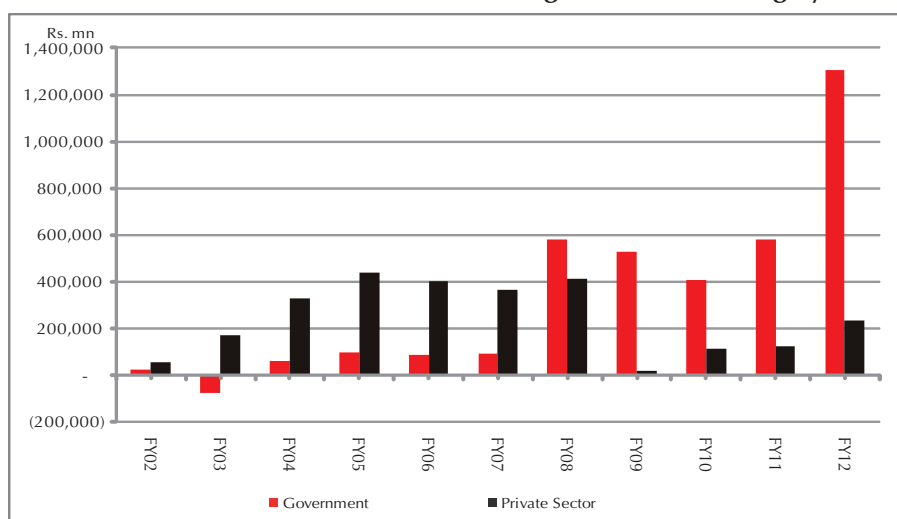
Lower inflation and lower interest rates are only sustainable if the government reduces borrowing, which can only be done by taxing all sources of income and reduction in government expenditures. We have not seen any concrete steps in this direction. Net domestic assets of the banking system have grown by 20% over the last 12 months, and Government borrowing from the State Bank has risen by 22% during the same period. Budget deficit as a percentage of GDP is expected to be a phenomenal 9% in this fiscal year. Moreover, international oil prices are on the rise. In this scenario, we expect that inflation will rise in the near future and the State Bank of Pakistan is expected to reverse its decision of easing the monetary policy stance, and will thus increase the discount rate in about six months time period.

Reduction in the discount rate, though expected to be a temporary phenomenon, will give some respite to corporates that carry significant amounts of debt in their books. Return on bank deposits, National Savings Schemes and money market funds have declined by about 1% to 2% following the reduction in discount rate, which will negatively impact the depositors / investors. The stock market welcomed the decision and has risen by over 4% since the announcement.

The risks of dollarization, flight of capital and currency devaluation have increased due to reduction in the discount rate. I try to explain this point with an example. Assume that an investor can earn 13% p.a. on rupee investment in say T-bills, and 2% p.a. on a US dollar account in a bank. Assume that his / her expectation of devaluation of the rupee versus the US dollar is 10% during the year. His total return on the US dollar if the rupee devalues as per his / her expectations will be 12% p.a. (2% dollar return plus 10% devaluation benefit). He or she is better off keeping his / her investment in the Pakistani rupee where he / she is earning 13% p.a. Now assume that the return of the investor on rupee investment declines to 10% p.a. due to reduction in the discount rate by the State Bank of Pakistan. His expectations of devaluation of the rupee versus the US dollar and return on the US dollar remain the same as before. His total return on the US dollar account if his expectations are met will be the same 12% p.a. as before. However, his return on the Pakistani rupee now will be 10% p.a.. He will now prefer to keep his savings in US dollars either within Pakistan or outside Pakistan rather than in the rupee. Also, such a dollarization drive will compound the depreciation of the rupee versus other currencies. Thus, for a country experiencing high inflation, high budget & current account deficits, and muted FDI and FPI inflows, lowering of interest rates carries a high risk of currency devaluation and flight of capital.

The argument that reduction in interest rates will help grow the economy is also a weak proposition. This is because lower interest rates will not improve private investments due to the crowding-out effect. This is due to the fact that the government uses a large share of the available money supply, leaving very little room for the private sector to borrow and expand (see chart below). Thus, as long as the government does not reduce its borrowing appetite the economic growth rate will not rise substantially despite lower interest rates. Considering the risk of rise in interest rates, investors are advised to invest in floating-rate rather than fixed-rate instruments, and keep the maturity of their investments relatively short.

Government vs Private Sector Borrowing from the Banking System



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August 2012

Stock Market Review

During the month of August the stock market continued its bullish trend spurred by the higher than expected 150bps cut in the discount rate by the SBP. Positive sentiment was also fuelled by sturdy corporate earnings and payouts and amelioration in the political climate emanating from the Supreme Court extending till September 18, 2012 the deadline for implementation of verdict on NRO. The State Bank's decision to cut the policy rate seems to be entirely driven by the decline in inflation (CPI). Institutional and Foreign Portfolio Investment (FPI) activity also remained healthy despite the Holy month of Ramadhan. Average daily trading volumes during August stood at 156 million shares, 73% higher compared to 90 million shares in the previous month. FPI inflows during August also marginally improved MoM to US\$ 49.3 million. The KSE-100 Index started the month at the 14577 level. The Index rose by 1.3% till the monetary policy announcement on August 10th. Following the interest rate cut, the Index cumulatively rose by 4.3% to the 15,391 level at the end of the month. Overall, during August the KSE-100 soared by 5.6%.

The YoY inflation as measured by CPI for August clocked in at 9.1%, which is lower than the market expectations. This has further boosted positive sentiment in equities and reinforces prospects of continuation of the accommodative monetary stance by the SBP. The results season has also contributed to the positive market direction with most corporate announcements being in line or exceeding expectations. Further, on the external front, improved relations with India and continuing dialogue with the United States were also positive contributors for the market.

Oil & Gas, Construction & Materials, Personal Goods, Electricity and Automobile & Parts sectors performed better than the market. On the other hand, Chemicals and Banking sectors lagged the market. The Oil & Gas sector was fuelled on account of the results excitement, higher crude oil prices and announcement of Petroleum Policy. The Construction & Materials sector was boosted on strong results announcements and continued positive fundamentals. In the Personal Goods sector, Textile sub-sector stocks performed well on the back of rise in cotton prices. Sentiment was positive towards Electricity sector stocks owing to their high dividend yields. The Banking sector significantly lagged the market following squeeze of interest margins following the policy rate cut. The Chemicals sector under-performed on weak urea sales in July and August and build-up of fertilizer inventory and imports by the Government.

As per our estimates, stocks in KSE-30 Index are valued at 8.0x estimated earnings on average. In our view, the market will take direction from results announcements, settling of the political dust, situation on the economic front and channelization of foreign flows.

Fixed Income Review

The highlight of the month was the historic 1.50% policy rate cut by State Bank of Pakistan. This was considerably more than the market expectations of 0.5% reduction. SBP in its monetary policy statement mentioned its expected inflation range for FY13 at 10% to 11%. The headline YoY CPI for July 2012 was 9.6% while that of August 2012 was 9.1%. After the reduction in Discount Rate on August 10th, the 6-months T-Bills traded at above 10.4%. Keeping in view elevated oil prices and scheduled foreign loan repayments during the prevailing fiscal year, we are of the view that this easing in the monetary policy may be unsustainable. This view is further augmented by heavy Government borrowing from the SBP, which is generally inflationary. The very high Government borrowings from the scheduled banks is also being partly funded by SBP through weekly open market operations which currently stands at over Rs 350 billion. The following table depicts pressures on SBP net monetary reserves position at the end of FY 2012. Persistent growth trend in workers' remittances, however, has been the most notable positive development.

Reserve Money (State Bank of Pakistan)

| | 30-Jun-12 | | 30-Jun-11 | | YoY Growth/(Decline) |
|---------------------|--------------------|-------|--------------------|-------|----------------------|
| | Rupees in millions | % | Rupees in millions | % | |
| Net Foreign Assets | 388,572 | 17.8% | 613,998 | 31.2% | -36.7% |
| Net Domestic Assets | 1,800,301 | 82.2% | 1,351,835 | 68.8% | 33.2% |
| Total Reserve Money | 2,188,873 | 100% | 1,965,833 | 100% | 11.3% |

Trading activity of TFCs in the secondary market remained healthy during the month, with total traded value reported by MUFAP at Rs 541 mln. Banking sector bonds contribution in the total traded value of private sector bonds was around 41% during August, while remaining volume was in Chemicals and Telecom sector bonds.

NAFA Government Securities Liquid Fund remains the only 'AAA(f)' rated money market fund in Pakistan greater than Rs 10 billion in size. The last four funds in fixed income category launched by NAFA, namely NAFA Savings Plus Fund, NAFA Riba Free Savings Fund, NAFA Financial Sector Income Fund and NAFA Money Market Fund are all performing well posting double digit returns since their inception. However, after the reduction in discount rate of 1.5% during August 2012 sustainable returns of these funds going forward will be lower by roughly the same magnitude. In any case, over the long run the returns of these funds will remain attractive considering their very low credit risk profile and investment in securities and instruments with limited exposure to interest rate risk.

Disclaimer: This publication is for informational purpose 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.



MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/08/2012): Rs. 10.0675

August 2012

Performance

| Performance % * | August 2012 | FYTD Jul 12 - Aug 12 | Trailing 12 Months (Sep 11 to Aug 12) | Since Launch May 16, 2009 |
|--|-------------|-------------------------|--|------------------------------|
| NAFA Government Securities Liquid Fund | 11.98% | 11.20% | 10.74% | 11.00% |
| Benchmark | 9.72% | 10.19% | 10.54% | 10.95% |

* Represent Annualized Return - (based on morning star formula)
(Returns are net of management fee & all other expenses)

General Information

Launch Date: May 16, 2009
Fund Size: Rs. 14,630 million
Type: Open-end – Money Market Fund
Dealing Days: Daily – Monday to Saturday
Dealing Time: (Mon - Thr) 9:00 A.M to 5:00 P.M
(Friday) 9:00 A.M to 5:30 P.M
(Saturday) 9:00 A.M to 1:00 P.M
Settlement: 2-3 business days
Pricing Mechanism: Forward Pricing
Load: Front end: 0%, Back end: 0%
Management Fee: 1.25% per annum
Risk Profile: Exceptionally Low
Fund Stability Rating: "AAA (f)" by PACRA
Listing: Lahore Stock Exchange
Custodian & Trustee: Central Depository Company (CDC)
Auditors: A. F. Ferguson & Co.
Chartered Accountants
Benchmark: 70% 3-Month T-Bills & 30% average
3-Month deposit rates (AA & above rated
banks)
Fund Manager: Ahmad Nouman, CFA
Minimum Growth Unit: Rs. 10,000/-
Subscription: Income Unit: Rs. 100,000/-
Asset Manager Rating: AM2 by PACRA

Investment Objective

To generate optimal return with minimum risk, to provide easy liquidity and reasonable income to its unit holders by investing primarily in short-term Government Securities.

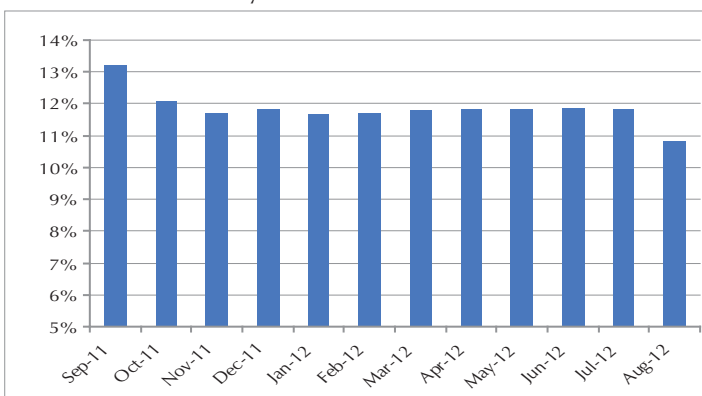
Fund Manager Commentary

The Fund earned an annualized return of 11.98% during August 2012 against the benchmark return of 9.72%. The return for the first eight months of 2012 is 10.50% against the benchmark return of 10.40%. The return is net of management fees and all other expenses.

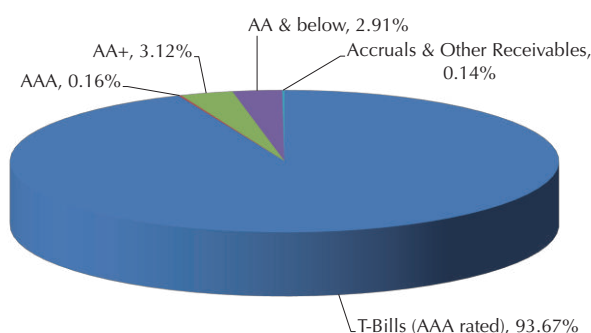
NGSLF's stability rating is 'AAA (f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of the Fund. Last 365 days' average daily allocation in short-term Government Securities was 89.47%. The allocation at month end is 93.67%. The investment value of NGSLF has not declined on any day since its launch in May 2009. Weighted average time to maturity of T-Bills asset class in your Fund is 49 days, while that of overall Fund is 48 days. Placements with AA and above banks/DFIs were reduced to 2.97% from 4.56% during the month.

The highlight of the month was a historic reduction in Policy Rate by 1.5% to 10.5% by SBP against market expectations of 0.5%. SBP has mentioned its inflation target of 10% to 11% for FY 2013. In the two T-Bill auctions of August, MoF cumulatively accepted around Rs. 504 billion in realized value against the target of Rs. 550 billion. The cut-off annualized yields for the last T-Bill auction were noted at 10.41%, 10.44% and 10.49% for the 3-month, 6-month and 1 year tenors, respectively.

Last 12 months monthly average of secondary market yields of 3 month T-Bills



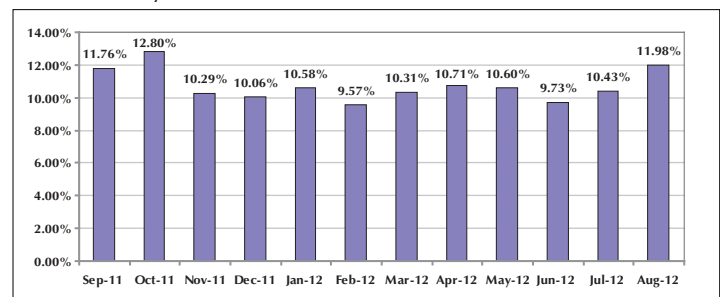
Credit Quality of the Portfolio as of August 31, 2012 (% of Total Assets)



Asset Allocation (% of Total Assets) 31-Aug-12 31-July-12

| | | |
|--|---------|---------|
| T-Bills (Including Reverse Repo via Master Repurchase Agreement) | 93.67% | 93.38% |
| Placements with DFIs (AA+ & above rated) | 2.97% | 4.56% |
| Cash Equivalents | 3.22% | 1.90% |
| Other including receivables | 0.14% | 0.16% |
| Total | 100.00% | 100.00% |
| Leverage | Nil | Nil |

Monthly Annualized Returns of NGSLF for last 12 months



WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 68,229,376/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs. 0.0470/0.52%. For details investors are advised to read note 5 of the Financial Statements of the Scheme for the period ended March 31, 2012.

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Ahmad Nouman, CFA
Tanvir Abid, CFA, FRM

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/08/2012): Rs. 10.0460

August 2012

Performance

| Performance % * | August 2012 | FYTD Jul 12 - Aug 12 | Since Launch February 24, 2012 |
|------------------------|-------------|-------------------------|-----------------------------------|
| NAFA Money Market Fund | 13.87% | 12.17% | 11.13% |
| Benchmark | 7.28% | 7.49% | 7.40% |

* Represent Annualized Return - (based on morning star formula)
(Returns are net of management fee & all other expenses)

General Information

| | |
|------------------------|--|
| Launch Date: | February 24, 2012 |
| Fund Size: | Rs. 21,617 million |
| Type: | Open-end – Money Market Fund |
| Dealing Days: | Daily – Monday to Saturday |
| Dealing Time: | (Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M |
| Settlement: | 2-3 business days |
| Pricing Mechanism | Forward Pricing |
| Load: | Front end: 1%, (w.e.f 10th September 2012), Back end: 0% |
| Management Fee: | 1.00% per annum (w.e.f 16th August 2012) |
| Risk Profile: | Very Low |
| Fund Stability Rating: | "AA+ (f)" by PACRA |
| Listing: | Lahore Stock Exchange |
| Custodian & Trustee: | Central Depository Company (CDC) |
| Auditors: | A. F. Ferguson & Co. Chartered Accountants |
| Benchmark: | 3-Month deposit rates (AA & above rated banks) |
| Fund Manager: | Salman Ahmed |
| Minimum | Growth Unit: Rs. 10,000/- |
| Subscription: | Income Unit: Rs. 100,000/- |
| Asset Manager Rating: | AM2 by PACRA |

Investment Objective

To provide stable income stream with preservation of capital by investing in AA and above rated banks and money market instruments.

Fund Manager Commentary

The Fund earned an annualized return of 13.87% during August 2012 against the benchmark return of 7.28% p.a., thus registering an out-performance of 6.59% p.a. Since the launch of Fund in February 2012, it has earned an annualized return of 11.13%, thus outperforming its benchmark by 3.73% p.a. This out-performance is net of management fee and all other expenses.

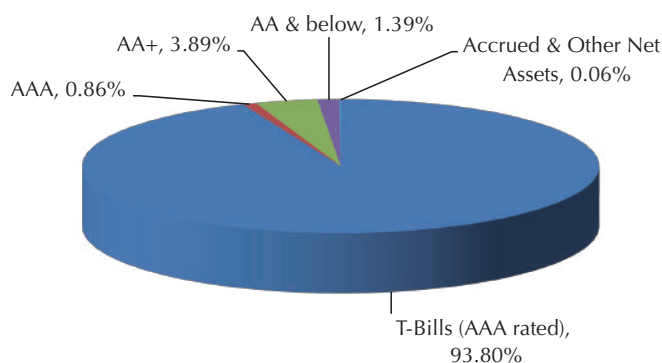
Being a money market scheme, the investment guidelines of the Fund are very restrictive. The authorized investments of the Fund include T-Bills, Bank Deposits and Money Market instruments. Minimum rating is AA, while the Fund is not allowed to invest in any security exceeding six month maturity. The weighted average time to maturity of the Fund cannot exceed 90 days. The Fund is rated AA+(f) by PACRA which denotes a very strong capacity to maintain relative stability in returns and possesses very low exposure to risks.

The allocation of the Fund in AAA rated T-Bills is around 93.8% at month-end. The weighted average time to maturity of both the T-bill portfolio and the overall Fund is 76 days.

The highlight of the month was a historic reduction in Policy Rate by 1.5% to 10.5% by SBP against market expectations of 0.5%. SBP has mentioned its inflation target of 10% to 11% for FY 2013. In the T-Bill auctions during CY 2012, MoF cumulatively accepted around Rs. 2,707 billion in realized value against the target of Rs. 2,620 billion and maturities of Rs. 2,531 billion. The cut-off annualized yield for the last T-Bill auction was noted at 10.41%, 10.44% and 10.49% for the 3-month, 6-month and 1-year tenors, respectively.

We are monitoring the developments in capital market conditions and associated expectations and will proactively rebalance the Portfolio.

Credit Quality of the Portfolio as of August 31, 2012 (% of Total Assets)



Asset Allocation (% of Total Assets) 31-Aug-12 31-July-12

| | | |
|------------------------------|---------|---------|
| T-Bills | 93.80% | 96.98% |
| Placements with DFIs | 2.29% | 2.19% |
| Money Market Placements | 1.85% | 0.54% |
| Cash Equivalents | 2.00% | 0.22% |
| Others including receivables | 0.06% | 0.07% |
| Total | 100.00% | 100.00% |
| Leverage | Nil | Nil |

WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 15,808,325/-. If the same were not made the NAV per unit/ since inception annualized return of scheme would be higher by Rs. 0.0073/0.16%. For details investors are advised to read note 7 of the Financial Statements of the Scheme for the period ended March 31, 2012.

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Ahmad Nouman, CFA
Tanvir Abid, CFA, FRM
Salman Ahmed

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MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/08/2012): Rs. 10.0491

August 2012

Performance

| Performance % * | August 2012 | FYTD Jul 12 - Aug 12 | Trailing 12 Months Sep 11 - Aug 12 | Since Launch November 21, 2009 |
|------------------------|-------------|----------------------|------------------------------------|--------------------------------|
| NAFA Savings Plus Fund | 11.01% | 10.61% | 10.86% | 10.65% |
| Benchmark | 7.94% | 8.20% | 8.33% | 8.31% |

* Represent Annualized Return - (based on morning star formula)
(Returns are net of management fee & all other expenses)

General Information

Launch Date: November 21, 2009
Fund Size: Rs. 1,224 million
Type: Open-end – Income fund
Dealing Days: Daily – Monday to Saturday
Dealing Time: (Mon - Thr) 9:00 A.M to 5:00 P.M
(Friday) 9:00 A.M to 5:30 P.M
(Saturday) 9:00 A.M to 1:00 P.M
Settlement: 2-3 business days
Pricing Mechanism: Forward Pricing
Load: Front end: 1%, (w.e.f 10th September 2012),
Back end: 0%
Management Fee: 1.50% per annum (w.e.f March 11, 2012)
Risk Profile: Very Low
Fund Stability Rating: "AA- (f)" by PACRA
Listing: Lahore Stock Exchange
Custodian & Trustee: Central Depository Company (CDC)
Auditors: A. F. Ferguson & Co.
Chartered Accountants
Benchmark: Average 6-Month deposit rate (A & above rated banks)
Fund Manager: Ahmad Nouman, CFA
Minimum Subscription: Growth Unit: Rs. 10,000/-
Income Unit: Rs. 100,000/-
Asset Manager Rating: AM2 by PACRA

Investment Objective

To minimize risk, preserve capital and generate a reasonable return along with a high degree of liquidity from a portfolio primarily constituted of bank deposits and money market instruments.

Fund Manager Commentary

The Fund earned an annualized return of 11.01% during the month versus the benchmark return of 7.94% p.a., thus depicting an out-performance of 3.07% p.a. CYTD return of the Fund is 10.49% against benchmark return of 8.27%, hence an out-performance of 2.22%. Since its inception the out-performance of the Fund against its benchmark is 2.34% p.a. This out-performance is net of management fee and all other expenses.

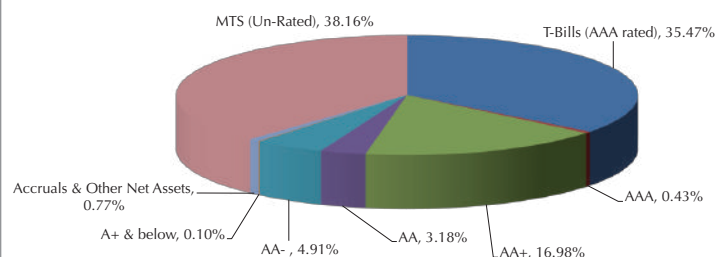
NSPF is one of the highest rated income funds in the market. It cannot invest in any avenue which has more than six months maturity nor can it invest in debt securities and Equities. Moreover, it cannot invest in money market instruments below credit rating of 'AA-'. The investment value of the Fund has not declined on any day since its launch in November 2009.

The portfolio of NSPF is fairly diversified among Treasury bills, Money market placements, MTS and bank deposits etc. The allocation in T-Bills is around 35.47%, placements with DFIs/Banks is around 12.87%, MTS is around 38.16% and allocation in Money Market Placements issued by AA+ and AA rated entities is around 8.47% with asset class maturities at 54 days, 14 days, 60 days and 150 days respectively. The weighted average maturity of the entire Fund is around 57 days.

Our internal guidelines permit MTS financing in only fundamentally strong companies with lower volatility. It is pertinent to mention that in this asset class the Fund provides financing at only pre-determined rates of return with no direct exposure to the stock market.

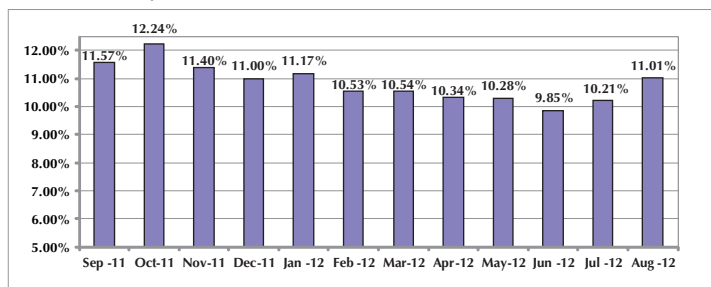
We are monitoring the developments in capital market conditions and associated expectations and will proactively alter the Fund's allocation accordingly.

Credit Quality of the Portfolio as of August 31, 2012 (% of Total Assets)



| Asset Allocation (% of Total Assets) | 31-Aug-12 | 31-July-12 |
|--------------------------------------|-----------|------------|
| T-Bills | 35.47% | 42.08% |
| Money Market Placements | 8.47% | 5.87% |
| Placements with DFIs | 8.85% | 15.03% |
| Placements with Banks | 4.02% | - |
| Margin Trading System (MTS) | 38.16% | 31.22% |
| Cash Equivalents | 4.26% | 2.36% |
| Other including receivables | 0.77% | 3.44% |
| Total | 100.00% | 100.00% |
| Leverage | Nil | Nil |

Monthly Annualized Returns of NSPF for last 12 months



WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 4,249,820/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs. 0.0349/0.38%. For details investors are advised to read note 6 of the Financial Statement of the Scheme for the period ended March 31, 2012.

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Ahmad Nouman, CFA
Tanvir Abid, CFA, FRM

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/08/2012): Rs. 10.0795

August 2012

Performance

| Performance % * | August 2012 | FYTD Jul 12 - Aug 12 | Trailing 12 Months Sep 11 to Aug 12 | Since Launch August 21, 2010 |
|-----------------------------|-------------|-------------------------|--|---------------------------------|
| NAFA Riba Free Savings Fund | 10.56% | 10.40% | 10.41% | 10.62% |
| Benchmark | 8.27% | 8.17% | 8.24% | 8.28% |

* Represent Annualized Return - (based on morning star formula)
(Returns are net of management fee & all other expenses)

General Information

| | |
|------------------------|--|
| Launch Date: | August 21, 2010 |
| Fund Size: | Rs. 960 million |
| Type: | Open-end – Shariah Compliant Income Fund |
| Dealing Days: | Daily – Monday to Saturday |
| Dealing Time: | (Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M |
| Settlement: | 2-3 business days |
| Pricing Mechanism: | Forward Pricing |
| Load: | Front end: 1%, (w.e.f 10th September 2012), Back end: 0% |
| Management Fee: | 1.25% per annum (w.e.f March 11, 2012) |
| Risk Profile: | Very Low |
| Fund Stability Rating: | "AA-(f)" by PACRA |
| Listing: | Lahore Stock Exchange |
| Custodian & Trustee: | Central Depository Company (CDC) |
| Auditors: | A. F. Ferguson & Co. Chartered Accountants |
| Benchmark: | Average 6-month deposit rate of A- and above rated Islamic Banks |
| Fund Manager: | Salman Ahmed |
| Minimum Subscription: | Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/- |
| Asset Manager Rating: | AM2 by PACRA |

Investment Objective

To provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah compliant banks and money market / debt securities.

Fund Manager Commentary

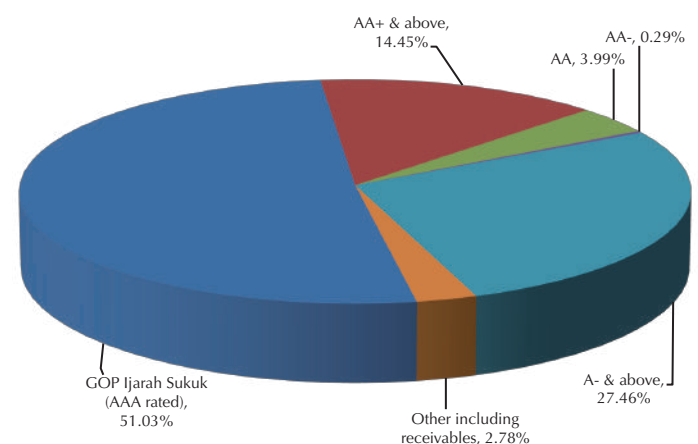
The Fund generated an annualized return of 10.56% for the month of August 2012 thus out-performing its benchmark by 2.29%. During last one year the Fund has out-performed its benchmark by 2.17% by earning an annualized return of 10.41%. This outperformance is net of management fee and all other expenses.

The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks / Islamic windows of commercial banks, while also providing easy liquidity along with a high quality credit profile. The Fund is not authorized to invest in corporate debt securities and the stock market. The Fund can invest in short-term Shariah compliant money market securities of up to six months maturity rated AA- or better. With stability rating of AA-(f) awarded by PACRA, the Fund is amongst the highest rated Islamic Income Funds in the market.

The allocation of the Fund is fairly diversified with significant exposure of around 51.03% (previous month 48.41%) in GoP Ijarah sukuks, which are floating rate instruments with 6-months coupon re-setting. The SBP has set a target of Rs. 45 billion in the next GoP Ijarah Sukuk auction scheduled on September 13, 2012. This asset class has become very popular and is now a reliable source of funding for the Government. Outstanding stock has increased to Rs 383.5 billions compared Rs 225 billions a year ago. The remaining assets of the Fund are invested in "AA" and above rated Shariah compliant money market instruments (17.43%) and bank deposits (28.76%). This allocation reduces the credit risk and enhances the liquidity profile of the Fund.

The average duration of the Fund is 69 days and the weighted average time to maturity of the Fund is 1.12 years.

Credit Quality of the Portfolio as of August 31, 2012 (% of Total Assets)



Asset Allocation (% of Total Assets) 31-Aug-12 31-July-12

| | | |
|---------------------------------|---------|---------|
| GOP Ijarah Sukuk - Govt. Backed | 51.03% | 48.41% |
| Islamic Money Market Placements | 17.43% | 16.23% |
| Cash Equivalents | 28.76% | 32.81% |
| Other including receivables | 2.78% | 2.55% |
| Total | 100.00% | 100.00% |
| Leverage | Nil | Nil |

Top Holdings (as at August 31, 2012)

| Name of Sukuks | % of Total Assets |
|--|-------------------|
| GOP Ijarah (Sukuk IX) | 17.75% |
| HUBCO Short Term Islamic Sukuk II | 11.35% |
| GOP Ijarah (Sukuk VIII) | 10.34% |
| GOP Ijarah (Sukuk V) | 8.78% |
| GOP Ijarah (Sukuk XII) | 5.17% |
| GOP Ijarah (Sukuk X) | 4.13% |
| Engro Fertilizer Ltd. Short Term Sukuk | 3.71% |
| HUBCO Short Term Islamic Sukuk I | 2.37% |
| GOP Ijarah (Sukuk XI) | 2.17% |
| GOP Ijarah (Sukuk VI) | 1.86% |
| Total | 67.63% |

WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 2,175,376/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs. 0.0228/0.25%. For details investors are advised to read note 5 of the Financial Statement of the Scheme for the period ended March 31, 2012 .

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Ahmad Nouman, CFA
Tanvir Abid, CFA, FRM
Salman Ahmed

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 any fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependant on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.



Performance

| Performance % * | August 2012 | FYTD Jul 12 - Aug 12 | Jan. - Aug. 2012 | Since Launch October 28, 2011 |
|-----------------------------------|-------------|-------------------------|---------------------|----------------------------------|
| NAFA Financial Sector Income Fund | 11.18% | 11.20% | 12.20% | 12.37% |
| Benchmark | 9.93% | 10.37% | 10.65% | 10.68% |

* Represent Annualized Return - (based on morning star formula)
(Returns are net of management fee & all other expenses)

General Information

| | |
|-----------------------|--|
| Launch Date: | October 28, 2011 |
| Fund Size: | Rs. 3,313 Million |
| Type: | Open-end – Income Fund |
| Dealing Days: | Daily – Monday to Saturday |
| Dealing Time: | (Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M |
| Settlement: | 2-3 business days |
| Pricing Mechanism | Forward Pricing |
| Load: | Front end: 1%, Back end: 0% |
| Management Fee: | 1.5% per annum |
| Risk Profile: | Low |
| Fund stability rating | A+(f) by PACRA |
| Listing: | Lahore Stock Exchange |
| Custodian & Trustee: | Central Depository Company (CDC) |
| Auditors: | A. F. Ferguson & Co. Chartered Accountants |
| Benchmark: | 70% 6-Month KIBOR & 30% average 3-Month deposit rates (A & above rated banks) |
| Fund Manager: | Salman Ahmed |
| Minimum | Growth Unit: Rs. 10,000/- |
| Subscription: | Income Unit: Rs. 100,000/- |
| Asset Manager Rating: | AM2 by PACRA |

Investment Objective

To provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs/Sukuks, Bank deposits and short-term money market instruments.

Fund Manager Commentary

The Fund generated an annualized return of 11.18% for the month of August 2012 versus the benchmark return of 9.93% p.a. thus an out-performance of 1.25%. Since its launch the Fund offered an annualized return of 12.37% against benchmark return of 10.68% p.a., hence out-performance of 1.69%. This outperformance is net of management fee and all other expenses.

The Fund is unique as it invests a minimum of 70% of its assets in financial sector debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities (mainly banks) is AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

The Fund Size increased by around 8.6% during the month. Exposure in TFCs was 55.28% at the end of the month while, exposure to Government Securities was around 28.42%. The highlight of the month was a historic reduction in Policy Rate by 1.5% to 10.5% by SBP against market expectations of 0.5%.

The weighted average time-to-maturity and yield-to-maturity of the Fund is 2.52 years and 10.78% p.a. respectively, while that of the TFC portfolio is 4.43 years and 11.80%. The weighted average credit quality of the Fund is AA.

| Asset Allocation (% of Total Assets) | 31-Aug-12 | 31-July-12 |
|--------------------------------------|-----------|------------|
| T-Bills | 28.42% | 28.53% |
| TFCs | 55.28% | 56.69% |
| Money Market Placements | 3.00% | - |
| Placement with DFIs | - | 6.53% |
| Cash Equivalents | 9.86% | 4.37% |
| Other including receivables | 3.44% | 3.88% |
| Total | 100.00% | 100.00% |
| Leverage | Nil | Nil |

Top TFC Holdings (as at August 31, 2012)

| Name of TFCs | % of Total Assets |
|---------------------------------------|-------------------|
| United Bank Limited IV | 12.53% |
| Bank Alfalah Limited IV - FT | 10.86% |
| Faysal Bank Limited III | 9.23% |
| NIB Bank Limited | 8.17% |
| Askari Bank Limited III | 3.57% |
| HUBCO Short Term Islamic Sukuk | 3.00% |
| Jahangir Siddiqui & Company Limited V | 2.04% |
| Allied Bank Limited II | 1.96% |
| Bank Alfalah Limited IV - FX | 1.85% |
| Soneri Bank Limited | 1.79% |
| Total | 55.00% |

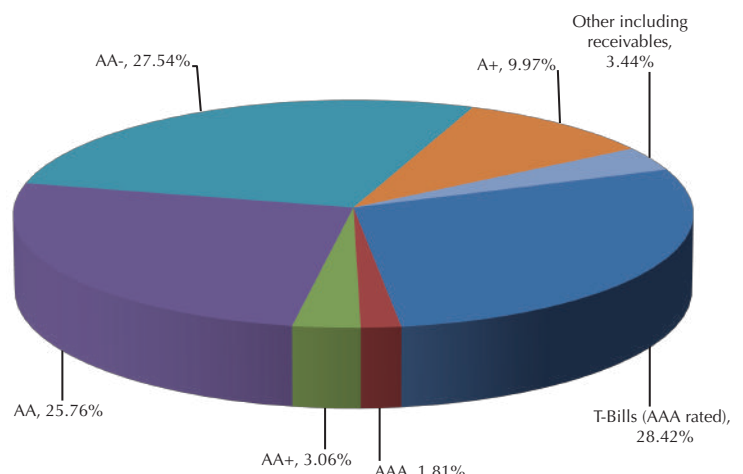
WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 3,834,036/-. If the same were not made the NAV per unit/ since inception annualized return of scheme would be higher by Rs. 0.0119/0.15%. For details investors are advised to read note 7 of the Financial Statements of the Scheme for the period ended March 31, 2012.

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Ahmad Nouman, CFA
Tanvir Abid, CFA, FRM
Salman Ahmed

Credit Quality of the Portfolio as of August 31, 2012 (% of Total Assets)



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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/08/2012): Rs.11.2147

August 2012

Performance

| Performance % * | August 2012 | Jul. 2012 - Aug. 2012 | Trailing 12 Months | Since Launch August 21, 2010 |
|----------------------------|-------------|-----------------------|--------------------|------------------------------|
| NAFA Asset Allocation Fund | 4.39% | 8.51% | 23.53% | 48.29% |
| Benchmark | 2.12% | 4.59% | 15.15% | 26.80% |

* Cumulative returns are net of management fee & all other expenses

General Information

Launch Date: August 21, 2010
Fund Size: Rs.588 million
Type: Open-end – Asset Allocation Fund
Dealing Days: Daily – Monday to Friday (Mon-Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M
Dealing Time: 2-3 business days
Settlement: Forward Pricing
Pricing Mechanism: Front end – 2%, Back end - 0%
Load: 2% per annum
Management Fee: Moderate
Risk Profile: Lahore Stock Exchange
Listing: Central Depository Company (CDC)
Custodian & Trustee: A. F. Ferguson & Co.
Auditors: Chartered Accountants
Benchmark: 1/3 of average 3-month bank deposit rate; 1/3 of 6-month KIBOR; 1/3 of KSE 30 Index
Fund Manager: Hussain Yasar
Minimum Subscription: Growth Unit: Rs. 10,000/-
Income Unit: Rs. 100,000/-
Asset Manager Rating: AM2 by PACRA

Investment Objective

To generate income by investing in Debt & Money Market securities and to generate capital appreciation by investing in equity and equity related securities.

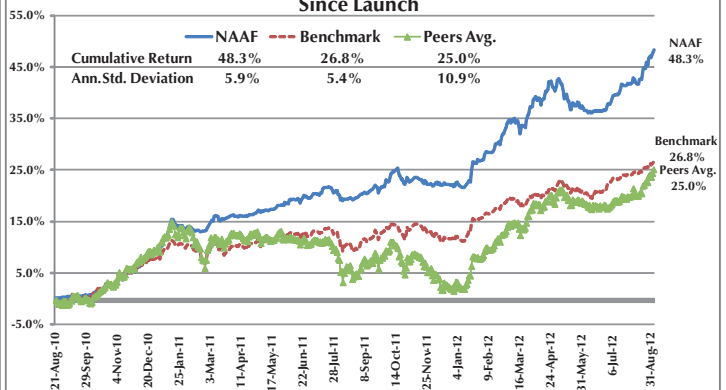
Fund Manager's Commentary

During the month under review, NAFA Asset Allocation Fund's (NAAF) Net Asset Value (NAV) increased by 4.39% while the benchmark increased by 2.12%. Thus your Fund out-performed the benchmark by 2.27%. Since inception on August 21, 2010 the Fund has increased by 48.29%, while the Benchmark has increased by 26.80%. Thus, to-date the out-performance of your Fund stands at 21.49%.

The stock market continued its bullish trend during the month. NAAF remained overweight in equities. During the month, the Fund's allocation in the stock market was increased and at the end of August NAAF was around 72% invested in equities. The Fund has sizeable overweight positions in key Oil & Gas, Electricity and Cement sub-sector stocks that performed better than the market thereby contributing to the out-performance. During the month, the Fund's allocation was enhanced in Oil & Gas, Construction & Materials and Industrial Engineering sectors and Fertilizer and Textile sub-sectors. Moreover, the Fund's allocation in Banks sector was significantly reduced, contributing to the out-performance.

As the graph depicts, NAAF has generated superior return along with downside protection due to proactive asset allocation and better security selection. We will strive to offer better returns to the investor going forward as well.

Relative Performance of NAFA Asset Allocation Fund (NAAF) Since Launch



Top Ten Holdings (as on 31st August, 2012)

| Name | Asset Class | % of Total Assets |
|--------------------------------------|------------------|-------------------|
| Pakistan Petroleum Ltd | Equity | 8.45% |
| Pakistan Oilfields Ltd | Equity | 8.35% |
| Lucky Cement Ltd | Equity | 8.09% |
| Fauji Fertilizer Co Ltd | Equity | 7.74% |
| Oil & Gas Dev Co Ltd | Equity | 7.65% |
| D. G. Khan Cement Co Ltd | Equity | 7.37% |
| Hub Power Company | Short Term Sukuk | 6.12% |
| Attock Cement Pakistan Ltd | Equity | 4.46% |
| Allied Bank Limited I | TFC | 4.09% |
| Engro Corporation Rupiya Certificate | TFC | 2.72% |
| Total | | 65.04% |

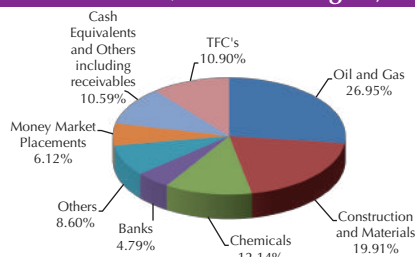
| Asset Allocation (% of Total Assets) | 31-Aug-12 | 31-July-12 |
|--|----------------|----------------|
| Equities / Stocks | 72.39% | 61.62% |
| TFCs | 10.90% | 13.30% |
| Cash Equivalents | 8.64% | 5.87% |
| Money Market Placements (Short Term Sukuk) | 6.12% | 7.45% |
| T-Bills | - | 9.78% |
| Others including receivables | 1.95% | 1.98% |
| Total | 100.00% | 100.00% |
| Leverage | Nil | Nil |

Characteristics of Equity Portfolio**

| | PER | PBV | DY |
|--------|-----|-----|------|
| NAAF | 6.5 | 2.7 | 7.2% |
| KSE-30 | 8.0 | 3.6 | 7.1% |

** Based on NAFA's estimates

Asset Allocation (as on 31st August, 2012)



WORKERS' WELFARE FUND (WWF)

The scheme has maintained provision against Workers' Welfare Fund's liability to the tune of Rs 2,828,632/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs0.054/0.59%. For details investors are advised to read Note 6 of the Financial Statements of the Scheme for the period ended March 31, 2012.

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Tanvir Abid, CFA, FRM
Ahmad Nouman, CFA
Hussain Yasar

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/08/2012): Rs.11.3053

August 2012

Performance

| Performance % * | August 2012 | Jul. 2012-Aug. 2012 | Trailing 12 Months | Since Launch January 22, 2007 |
|-----------------------|-------------|---------------------|--------------------|-------------------------------|
| NAFA Multi Asset Fund | 3.25% | 8.70% | 25.66% | 85.65% |
| Benchmark | 2.90% | 6.34% | 18.96% | 42.64% |

* Cumulative returns are net of management fee & all other expenses

General Information

Launch Date: January 22, 2007
Fund Size: Rs.673 million
Type: Open-end – Balanced Fund
Dealing Days: Daily – Monday to Friday (Mon-Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M
Dealing Time: 2-3 business days
Settlement: Forward Pricing
Pricing Mechanism: Front end – 3%, Back end - 0%
Load: 2% per annum (Effective Jan 22,2012)
Management Fee: Moderate
Risk Profile: Lahore Stock Exchange
Listing: Central Depository Company (CDC)
Custodian & Trustee: M. Yousuf Adil Saleem & Co.
Auditors: Chartered Accountants
Benchmark: 50% KSE-30 Index & 50% 3-month KIBOR
Fund Manager: Sajjad Anwar, CFA
Minimum Growth Unit: Rs. 10,000/-
Subscription: Income Unit: Rs. 100,000/-
Asset Manager Rating: AM2 by PACRA

Investment Objective

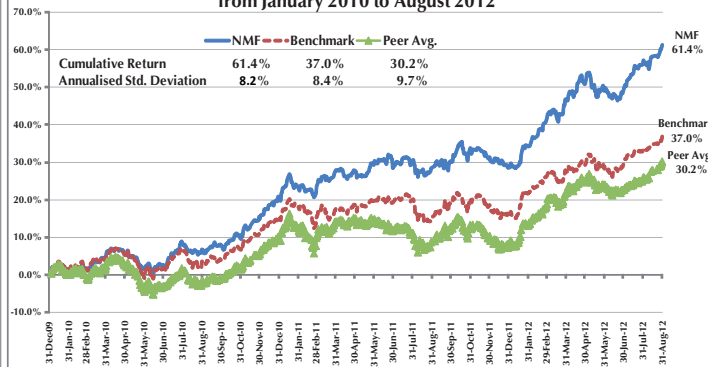
To provide investors with a combination of capital growth and income. NMF aims to achieve attractive returns at moderate levels of risk by investing in a variety of asset classes such as stocks, bonds, money market instruments, CFS etc.

Fund Manager's Commentary

During the month under review, NAFA Multi Asset Fund's (NMF) Net Asset Value (NAV) increased by 3.25% while the benchmark increased by 2.90%. Thus your Fund out-performed the benchmark by 0.35%. Since inception on January 22, 2007 your Fund has increased by 85.65%, while the benchmark has increased by 42.64%. Thus, to-date the out-performance of your Fund stands at 43.01%. This out-performance is net of management fee and all other expenses.

NMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. The market continued its bullish trend. NMF remained over-weight in equities throughout the month and at the end of August the Fund was around 68% invested in the stock market. The Fund out-performed on the back of better than the market performance of its key holdings in the Oil & Gas, Electricity and Construction & Materials sectors. During the month NMF's weightage in the Banks sector was significantly reduced. On the other hand, the allocation in Oil & Gas, Electricity and Construction & Materials sectors was increased.

Relative Performance of NAFA Multi Asset Fund (NMF) from January 2010 to August 2012



Top Ten Holdings (as on 31st August, 2012)

| Name | Asset Class | % of Total Assets | Name | Asset Class | % of Total Assets |
|---------------------------|-------------|-------------------|----------------------|-------------|-------------------|
| Pakistan Oilfields Ltd | Equity | 9.62% | Maple Leaf Cement I | Sukuk | 6.64% |
| Pakistan Petroleum Ltd | Equity | 9.47% | Lucky Cement Ltd | Equity | 5.42% |
| Hub Power Company Ltd | Equity | 8.68% | Cherat Cement Co Ltd | Equity | 4.16% |
| Fauji Fertilizer Co. Ltd. | Equity | 7.86% | Avani Hotels Limited | TFC | 3.64% |
| D. G. Khan Cement Co Ltd | Equity | 6.85% | Thal Ltd | Equity | 3.21% |

Details of Non-Compliant Investments

| Particulars | Type of Investment | Value of Investments before Provision | Provision held | Value of Investments after Provision | % of Net Assets | % of Gross Assets | Yield to Maturity per annum |
|----------------------------------|--------------------|---------------------------------------|----------------|--------------------------------------|-----------------|-------------------|-----------------------------|
| Eden Housing (Sukuk II) | SUKUK | 26,718,750 | 9,314,450 | 17,404,300 | 2.59% | 2.54% | 56.25% |
| Maple Leaf Cement (Sukuk I) | SUKUK | 88,252,065 | 42,802,252 | 45,449,813 | 6.76% | 6.64% | 45.09% |
| Pak Elektron Limited (Sukuk) | SUKUK | 17,142,857 | 6,628,869 | 10,513,988 | 1.56% | 1.54% | 10.84% |
| Saudi Pak Leasing | TFC | 32,952,280 | 16,476,140 | 16,476,140 | 2.45% | 2.41% | 28.69% |
| Maple Leaf Cement (Sukuk II) | SUKUK | 3,315,000 | 3,315,000 | - | - | - | - |
| New Allied Electronics (Sukuk I) | SUKUK | 10,000,000 | 10,000,000 | - | - | - | - |
| Total | | 178,380,952 | 88,356,711 | 89,844,241 | 13.36% | 13.13% | |

Asset Allocation (% of Total Assets) 31-Aug-12 31-July-12

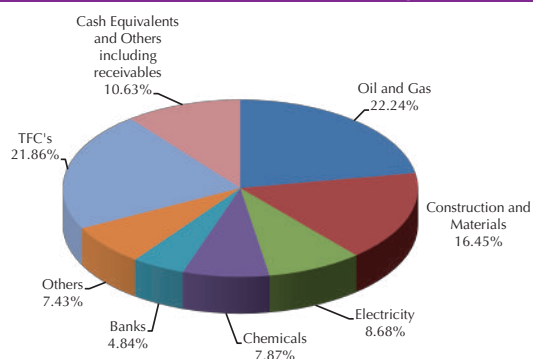
| Asset Allocation (% of Total Assets) | 31-Aug-12 | 31-July-12 |
|--------------------------------------|-----------|------------|
| Equities / Stocks | 67.51% | 68.49% |
| TFCs / Sukuks | 21.86% | 24.18% |
| Cash Equivalents | 7.70% | 6.13% |
| Others including receivables | 2.93% | 1.20% |
| Total | 100.00% | 100.00% |
| Leverage | Nil | Nil |

Characteristics of Equity Portfolio**

| | PER | PBV | DY |
|--------|-----|-----|------|
| NMF | 6.4 | 2.6 | 8.0% |
| KSE-30 | 8.0 | 3.6 | 7.1% |

** Based on NAFA's estimates

Asset Allocation (as on 31st August, 2012)



Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Tanvir Abid, CFA, FRM
Ahmad Nouman, CFA

WORKERS' WELFARE FUND (WWF)

The scheme has maintained provision against Workers' Welfare Fund's liability to the tune of Rs 6,580,145/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs 0.1106/1.23%. For details investors are advised to read Note 9 of the Financial Statements of the Scheme for the period ended March 31, 2012.

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 any fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependant on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.



MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/08/2012): Rs.11.3078

August 2012

Performance

| Performance % * | August 2012 | Jul. 2012-Aug. 2012 | Trailing 12 Months | Since Launch October 29, 2007 |
|-------------------------------|-------------|---------------------|--------------------|-------------------------------|
| NAFA Islamic Multi Asset Fund | 5.53% | 9.68% | 23.33% | 60.66% |
| Benchmark | 4.48% | 7.74% | 21.38% | NA** |

* Cumulative returns are net of management fee & all other expenses
** KMI-30 Index was launched from September 2008

General Information

Launch Date: October 29, 2007
Fund Size: Rs. 302 million
Type: Shariah Compliant - Open-end - Balanced Fund
Dealing Days: Daily - Monday to Friday
Dealing Time: (Mon-Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M
Settlement: 2-3 business days
Pricing Mechanism: Forward Pricing
Load: Front end - 3%, Back end - 0%
Management Fee: 3% per annum
Risk Profile: Moderate
Listing: Lahore Stock Exchange
Custodian & Trustee: Central Depository Company (CDC)
Auditors: KPMG Taseer Hadi & Co.
Chartered Accountants
Benchmark: 50% KMI - 30 Index & 50% average 3-month profit rate of Islamic banks.
Fund Manager: Sajjad Anwar, CFA
Minimum Subscription: Rs. 10,000/-
Income Unit: Rs. 100,000/-
Asset Manager Rating: AM2 by PACRA

Investment Objective

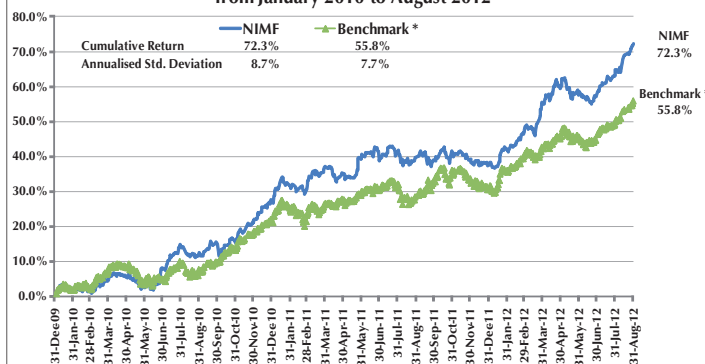
To provide investors with a combination of capital growth and income by investing in Shariah compliant investments. NIMF aims to achieve attractive returns at moderate levels of risk by investing in a variety of Shariah compliant securities, instruments and avenues such as Equities, Musharakah, Murabahah, Ijarah etc.

Fund Manager's Commentary

During the month under review, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) increased by 5.53%, whereas the benchmark increased by 4.48%, thus your Fund under-performed the benchmark by 1.05%.

NIMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. The market continued its bullish trend. NIMF remained over-weight in equities throughout the month and the end of August the Fund was around 67% invested in the stock market. The Fund out-performed on the back of better than the market performance of its key holdings in several sectors including Oil & Gas, Electricity, Construction & Materials and Chemicals. No notable sector or stocks alterations were made in the equity portfolio of NIMF during the month.

Relative Performance of NAFA Islamic Multi Asset Fund (NIMF) from January 2010 to August 2012



Top Ten Holdings (as on 31st August, 2012)

| Name | Asset Class | % of Total Assets | Name | Asset Class | % of Total Assets |
|--------------------------|-------------|-------------------|-------------------------|-------------|-------------------|
| Pakistan Oilfields Ltd | Equity | 11.38% | Fauji Fertilizer Co Ltd | Equity | 7.27% |
| Hub Power Company Ltd | Equity | 10.24% | Lucky Cement Ltd | Equity | 4.80% |
| Maple Leaf Cement I | Sukuk | 8.35% | Pak Elektron Ltd | Sukuk | 4.27% |
| Pakistan Petroleum Ltd | Equity | 7.93% | Sitara Chemical Ind Ltd | Equity | 3.71% |
| D. G. Khan Cement Co Ltd | Equity | 7.88% | Kohat Cement Ltd | Sukuk | 3.63% |

Details of Non-Compliant Investments

| Particulars | Type of Investment | Value of Investments before Provision | Provision held | Value of Investments after Provision | % of Net Assets | % of Gross Assets | Yield to Maturity per annum |
|---------------------------------|--------------------|---------------------------------------|-------------------|--------------------------------------|-----------------|-------------------|-----------------------------|
| Kohat Cement Limited (Sukuk)*** | SUKUK | 15,100,000 | 3,927,057 | 11,172,943 | 3.70% | 3.63% | 12.01% |
| Eden Housing (Sukuk II) | SUKUK | 13,359,375 | 4,657,225 | 8,702,150 | 2.88% | 2.83% | 56.25% |
| Maple Leaf Cement (Sukuk I) | SUKUK | 49,893,750 | 24,198,469 | 25,695,281 | 8.52% | 8.35% | 45.09% |
| Pak Elektron Limited (Sukuk) | SUKUK | 21,428,571 | 8,286,086 | 13,142,485 | 4.36% | 4.27% | 10.84% |
| Maple Leaf Cement (Sukuk II) | SUKUK | 1,875,000 | 1,875,000 | - | - | - | - |
| Total | | 101,656,696 | 42,943,837 | 58,712,859 | 19.46% | 19.08% | |

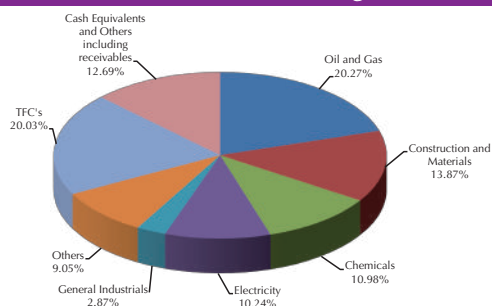
***Book Value, performing but below A- (A minus)

Characteristics of Equity Portfolio***

| | PER | PBV | DY |
|--------|-----|-----|------|
| NIMF | 7.0 | 3.5 | 8.2% |
| KMI-30 | 7.8 | 4.3 | 7.8% |

*** Based on NAFA's estimates

Asset Allocation (as on 31st August, 2012)



Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Tanvir Abid, CFA, FRM
Ahmad Nouman, CFA

WORKERS' WELFARE FUND (WWF)

The scheme has maintained provision against Workers' Welfare Fund's liability to the tune of Rs 3,198,577/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs 0.1199/1.31%. For details investors are advised to read Note 8 of the Financial Statements of the Scheme for the period ended March 31, 2012.

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 any fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependant on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.



MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/08/2012): Rs.8.4082

August 2012

Performance

| Performance % * | August 2012 | Jul. 2012-Aug. 2012 | Trailing 12 Months | Since Launch January 22, 2007 |
|-----------------|-------------|---------------------|--------------------|-------------------------------|
| NAFA Stock Fund | 5.89% | 15.03% | 47.87% | 58.80% |
| Benchmark | 4.94% | 10.97% | 25.45% | (1.22%) |

* Cumulative returns are net of management fee & all other expenses

General Information

| | |
|-----------------------|---|
| Launch Date: | January 22, 2007 |
| Fund Size: | Rs. 1,455 million |
| Type: | Open-end – Equity Fund |
| Dealing Days: | Daily – Monday to Friday |
| Dealing Time: | (Mon-Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M |
| Settlement: | 2-3 business days |
| Pricing Mechanism: | Forward Pricing |
| Load: | Front end – 3%, Back end – 0% |
| Management Fee: | 2% per annum (Effective Jan 22, 2012) |
| Risk Profile: | Moderate-to-High |
| Listing: | Lahore Stock Exchange |
| Custodian & Trustee: | Central Depository Company (CDC) |
| Auditors: | M. Yousuf Adil Saleem & Co. Chartered Accountants |
| Benchmark: | KSE-30 Index |
| Fund Manager: | Sajjad Anwar, CFA |
| Minimum Subscription: | Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/- |
| Asset Manager Rating: | AM2 by PACRA |

Investment Objective

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.

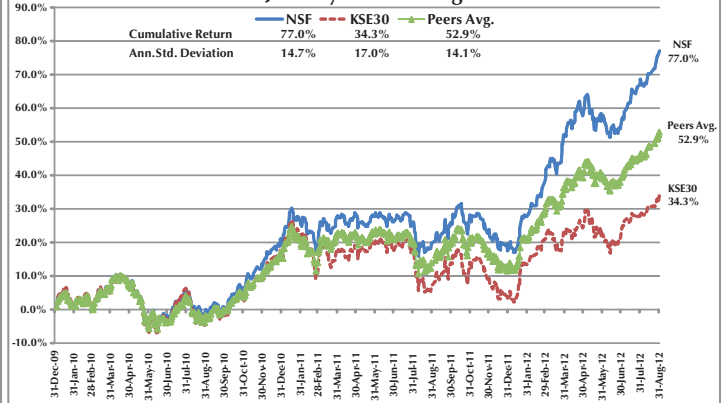
Fund Manager's Commentary

During the month under review, the benchmark increased by 4.94% whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 5.89%, thus an out-performance of 0.95% was recorded. Since inception on January 22, 2007 the NAV of NSF has increased by 58.80% while the benchmark has declined by 1.22%, thus to date out-performance is 60.02%. This out-performance is net of management fee and all other expenses.

The market continued its bullish trend. NSF remained close to fully invested in equities throughout the month and at the end of August the Fund was around 97% invested in the stock market. NSF out-performed on the back of the better than market performance of its key holdings in several sectors including Construction & Material, Chemicals, Industrial Metals & Mining, Oil & Gas and Electricity. During the month the Fund's weightage in the Banks sector was significantly reduced. On the other hand, the allocation in Oil & Gas, Fixed Line Telecommunication and Industrial Engineering sectors and Fertilizer and Textile sub-sectors was enhanced.

NSF is invested in stocks with lucrative valuations and strong growth expectations. The portfolio of NSF is priced at forward earnings multiple of 6.4, offering 6.8% dividend yield. We are striving to continue to perform well going forward.

Relative Performance of NAFA Stock Fund (NSF) from January 2010 to August 2012



Top Ten Equity Holdings (as on 31st August, 2012)

| Name | % of Total Assets | Name | % of Total Assets |
|--------------------------|-------------------|----------------------------|-------------------|
| Pakistan Oilfields Ltd | 8.72% | Cherat Cement Co Ltd | 6.66% |
| Pakistan Petroleum Ltd | 8.65% | Lucky Cement Ltd | 6.06% |
| Hub Power Company Ltd | 7.49% | Attock Cement Pakistan Ltd | 4.41% |
| D. G. Khan Cement Co Ltd | 7.32% | Oil & Gas Dev Co Ltd | 4.06% |
| Fauji Fertilizer Co Ltd | 6.98% | Engro Corporation Ltd | 4.03% |

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Tanvir Abid, CFA, FRM

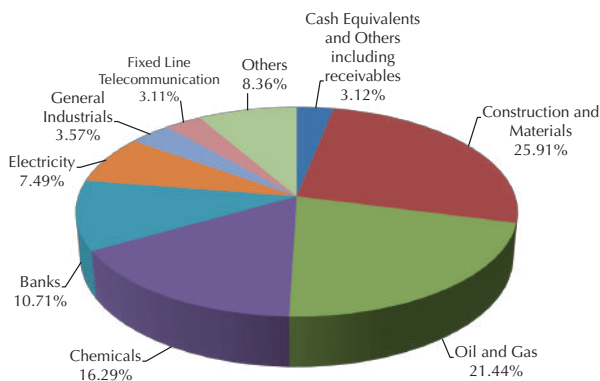
| Asset Allocation (% of Total Assets) | 31-Aug-12 | 31-July-12 |
|--------------------------------------|-----------|------------|
| Equities / Stock | 96.88% | 97.21% |
| Cash Equivalents | 2.20% | 1.11% |
| Others including receivables | 0.92% | 1.68% |
| Total | 100.00% | 100.00% |
| Leverage | Nil | Nil |

Characteristics of Equity Portfolio**

| | PER | PBV | DY |
|--------|-----|-----|------|
| NSF | 6.4 | 2.2 | 6.8% |
| KSE-30 | 8.0 | 3.6 | 7.1% |

** Based on NAFA's estimates

Asset Allocation (as on 31st August, 2012)



WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs 14,578,097/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs 0.0842/1.48%. For details investors are advised to read Note 8 of the Financial Statements of the Scheme for the period ended March 31, 2012.

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