

# NAFA Funds

Monthly Report (December 2010)



**NBP Fullerton  
Asset Management Limited**  
*(Formerly National Fullerton Asset Management Limited)*

Managed by:

**NBP Fullerton Asset Management Limited**  
*(Formerly National Fullerton Asset Management Limited)*

9th Floor, Adamjee House, I. I. Chundrigar Road, Karachi.  
Helpline (Toll Free): 0800-20001 FAX: (021) 32467605  
UAN (Khi/Lhr/Isb): 111-111-NFA (111-111-632)  
Website: [www.nafafunds.com](http://www.nafafunds.com)  
Email: [info@nafafunds.com](mailto:info@nafafunds.com)

*Your investments & "NAFA" grow together*



*Joint - Venture Partners*



NBP Fullerton  
Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)

CEO's Write-up	Pg. 1
Capital Market Review	Pg. 2
NAFA Fund's Performance Summary Sheet	Pg. 3
NAFA Government Securities Liquid Fund	Pg. 4
NAFA Savings Plus Fund	Pg. 5
NAFA Riba Free Savings Fund	Pg. 6
NAFA Income Fund	Pg. 7
NAFA Income Opportunity Fund <i>(Formerly, NAFA Cash Fund)</i>	Pg. 8
NAFA Islamic Aggressive Income Fund <i>(Formerly, NAFA Islamic Income Fund)</i>	Pg. 9
NAFA Multi Asset Fund	Pg. 10
NAFA Islamic Multi Asset Fund	Pg. 11
NAFA Asset Allocation Fund	Pg. 12
NAFA Stock Fund	Pg. 13

# Table of Content

**Dr. Amjad Waheed, CFA**  
Chief Executive Officer

CY2011 will be another difficult year for Pakistan. The structural issues facing Pakistan need to be addressed to give a positive signal to local and foreign investors. Some of the key structural issues facing the country are as follows:

- Some segments of the economy remain outside the tax ambit such as agriculture, services and real estate. Thus tax collection is under 10% of GDP, one of the lowest in the world.
- Domestic Debt servicing is eating up about 44% of government tax revenues.
- Defense spending is about 33% of government tax revenues, which is among the highest in the world.
- Development spending including education, health care, population planning, flood protection and infrastructure etc. is substantially lower relative to other emerging markets.
- Government-owned organizations are incurring losses of about Rs 300 billion per annum.
- Excessive government borrowing in the last three years has crowded out the private sector, which is the more efficient sector. Private sector borrowing has come down from Rs 366 billion during FY2007 to Rs 71 billion during FY 2011 (July- December 2010). Whereas government borrowing during the same time period has risen from Rs 164 billion to Rs 450 billion.
- The size of the Federal and provincial governments has bloated over the years.
- Successive governments have failed to provide an enabling environment to the private sector and non-profit organizations to provide public services.
- No focused effort has been made by successive governments to develop alternative sources of energy, such as coal, hydel, wind, etc.

The above mentioned structural issues cannot be resolved overnight. However, if a serious and concentrated effort is made to start addressing these issues, the investors will take it as a positive signal and start investing again. In 2010, Foreign Portfolio Investment in the Pakistani stock market stood at around US\$ 500 million. In the same year about US\$ 30 billion has been invested by foreign investors in the Indian stock market. India's economy is 10 times larger than that of Pakistan. On this basis, if US\$ 30 billion is invested in the Indian stock market, then about US\$ 3 billion should have been invested in the Pakistani stock market instead of US\$ 500 million. Concrete progress towards redressal of the above mentioned structural issues can help increase foreign investment in Pakistan several fold, improving job creation and government tax collection.

In 2011, government borrowing is expected to remain excessive, thus inflation and interest rates are expected to rise further. The Pakistani stock market is trading at a forward price-to-earnings ratio (PER) of around 8.5 times, which makes it one of the least expensive markets in the world. However, considering our economic, political and law & order situation, we believe that the stock market is fairly priced. Corporate earnings are expected to rise by 15%-20% in 2011, and the stock market is expected to rise in line with corporate earnings. The main driver of the stock market in 2011 will continue to be Foreign Portfolio Investment.

In CY2010 NAFA Stock Fund was the 4th best performing fund in the market among 18 stock funds, whereas NAFA Multi Asset and NAFA Islamic Multi Asset Funds were ranked 1st in their respective categories. The Table below shows the performance of NAFA's funds with an equity exposure versus their benchmarks and peer groups. In the 3rd Quarter of 2009 NAFA appointed Sajjad Anwar, CFA as Head of Equities and Tanvir Abid, CFA as Head of Research. This team has followed a disciplined investment strategy that has yielded these results, and we hope that this good performance will continue in 2011 and beyond.

	Performance in CY2010 ( January- December)		
	Return	Benchmark Return	Peer Group Average
NAFA Stock Fund	21.15%	17.65%	15.78%
NAFA Multi Asset Fund	20.80%	15.45%	10.04%
NAFA Islamic Multi Asset Fund	27.50%	21.82%	18.78%
NAFA Capital Protected Strategy	13.87%	7.60%	N.A.

Source: Mutual Funds Association of Pakistan

**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.

December 2010

## Stock Market Review

During December 2010, despite hike in the Discount Rate by SBP in November 2010 the stock market remained buoyant. Key factor for this performance was hefty foreign portfolio inflows. The bilateral agreement between People's Republic of China and Pakistan during the Chinese Prime Minister's visit to the country boosted the investors' confidence. Moreover, both local and foreign investors brushed aside tensions in the local politics. The month started with KSE-30 Index at around 10838 levels and closed the month at 11588 levels, showing a gain of around 6.9%.

IMF extended the SBA program for nine months for the pending tranches of US \$ 3.6 billion. During the month release of around US \$ 633 towards the Coalition Support Fund supported the external account. Inflation as measured by CPI was recorded at 15.5% on Year on Year basis and is expected to remain high in the coming months. Net Foreign Portfolio Investment (FPI) activity significantly improved during the month. Net FPI during the month of December was recorded at around US \$ 72.95 million, as against US \$ 39.02 million during November 2010. Trading activity slightly improved and Average Daily Traded Volume during December 2010 was recorded at 139.60 million shares, compared to 125.98 million shares in November 2010.

Banking, Chemical and General Industries sectors out-performed the market during the month of December 2010. While, Oil and Gas; Construction and Materials; and Fixed Line Communication sectors lagged the market. We have witnessed rally in the Banking sector ahead of the year-end. Key companies in the Oil and Gas Exploration sub-sectors performed well due to the attractive valuations and earnings growth. Significant off-take of the urea and DAP coupled with the increase in the urea prices helped the outperformance of the Fertilizer sub-sector against the market. Volatile cement prices and upsurge in the coal prices weakened the investors' confidence in the Cement sub-sector. Refineries sub-sector under-performed the market due to expected earnings decline following the removal of the incidental charges and up-tick in the crude oil prices.

Going forward, we believe that the key drivers of the stock market are: (i) Foreign Portfolio Investment (FPI) activity; (ii) Launch of the Leverage Product; (iii) Foreign assistance and aid; (iv) Law and order situation; (v) Inflation; and (vi) SBP monetary stance.

## Fixed Income Review

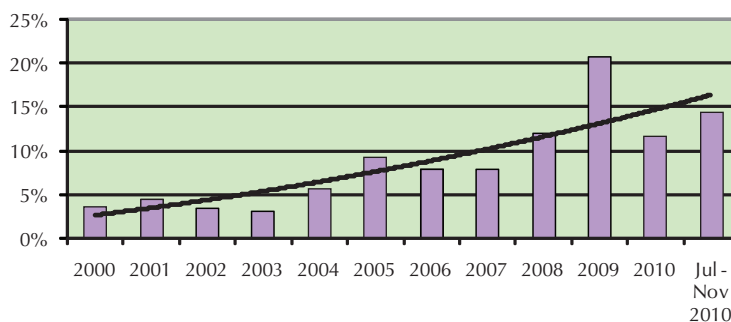
The year 2010 ended with more concerns than good news. Floods, rising inflation and interest rates, Government excessive borrowing from SBP, political uncertainties, removal of subsidies in energy sector, upward direction of crude oil prices and rising external borrowings cast shadows over growth prospects of the country. On the other hand, improved current account deficit on the back of healthy trend in workers' remittances and exports is a breather. Long term inflation trend is upwards, as can be seen from the graph. Respite to this does not appear likely in near term. Interest rates have risen and the Discount Rate has increased by 1.5% during the last five months.

Also, the Government has so far borrowed about Rs 307 billion in this Fiscal Year from the State Bank, an increase of 27% in around five and a half months. YoY CPI during the last three months has averaged 15.5%. The Government's borrowing appetite is putting upward pressure on interest rates and is also being matched by banks' risk aversion as can be seen from the Table. Banks prefer investing in Government T-Bills rather than lending to private sector. Liquid assets mentioned in the Table are T-Bills mainly.

Incorporating the above developments and trends on interest rates in our analysis, we recommend that income funds' investors should take a longer term view in order to take advantage of the attractive yields on current prices of the debt securities. For investors with a shorter investment horizon, NAFA Government Securities Liquid

Fund (NGSLF), NAFA Savings Plus Fund and NAFA Riba Free Savings Fund continue to post attractive returns in line with the market rates. These Funds carry minimal interest rate risk and do not take exposure in debt securities. Rather, they invest in short-term money market instruments primarily Government securities.

INFLATION (CPI%) OVER TEN YEARS



Banks' Liquidity Position shows risk aversion				
Last Saturday / Friday	Minimum Statutory Liquid Assets *	Liquid Assets actually held*	Excess Liquid Assets*	Excess over statutory requirement
Jun-08	990.9	1,172.1	181.2	18.3%
Jun-09	783.6	1,327.6	544.0	69.4%
Jun-10	789.1	1,325.9	536.8	68.0%
Aug-10	864.0	1,611.7	747.7	86.5%

\*Rupees in billions



**NBP Fullerton**  
**Asset Management Limited**  
*(Formerly National Fullerton Asset Management Limited)*

# NAFA Funds' Performance Summary Sheet

## "December 2010"

FUND NAME	FUND SIZE (Rs. In million)	FUND LAUNCH DATE	STABILITY RATING	Dec - 2010	LAST ONE YEAR	SINCE LAUNCH
NAFA Government Securities Liquid Fund *	7,483	16-May-09	AAA (f)	11.57%	10.78%	10.79%
NAFA Savings Plus Fund *	637	21-Nov-09	AA- (f)	11.05%	9.91%	10.04%
NAFA Income Opportunity Fund * <i>(Formerly NAFA Cash Fund)</i>	3,486	22-Apr-06	A (f)	23.92%	4.26%	7.89%
NAFA Income Fund *	521	29-Mar-08	A- (f)	41.19%	1.77%	4.76%
NAFA Islamic Aggressive Income Fund * <i>(Formerly NAFA Islamic Income Fund)</i>	188	29-Oct-07	BBB (f)	21.10%	30.28%	-1.44%
NAFA Riba Free Savings Fund *	251	21-Aug-10	A+ (f)	9.76%	***	9.31%
NAFA Asset Allocation Fund **	227	21-Aug-10	***	3.87%	***	9.51%
NAFA Multi Asset Fund **	791	22-Jan-07	***	4.63%	20.80%	38.98%
NAFA Stock Fund **	992	22-Jan-07	***	6.68%	21.15%	8.67%
NAFA Islamic Multi Asset Fund **	269	29-Oct-07	***	4.87%	27.50%	18.89%
<b>Total AUM</b>	<b>14,845</b>					
* Annualized return ** Cumulative return *** Not applicable/available						

*Note: Detailed monthly reports on NAFA Funds are available on our website at [www.nafafunds.com](http://www.nafafunds.com)*

### HEAD OFFICE

9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi. UAN: 021-111-111-632, Toll Free: 0800-20001 Fax: 021-2467605

#### Karachi Office

Address: 7th Floor, Adamjee House,  
 I.I. Chundrigar Road,  
 Karachi.  
 UAN: 021-111-111-63  
 Direct: 021-32467825-35  
 Fax: 021-32467839

#### Islamabad Office

Address: Plot # 395, 396 Industrial Area,  
 I-9/3, Islamabad  
 UAN: 051-111-111-632  
 Fax: 051-4859031

#### Lahore Office

Address: 106-B-2,  
 Main M.M. Alam Road,  
 Gulberg 3, Lahore  
 UAN: 042-111-111-632  
 Fax: 042-587680

#### Peshawar Office

Address: 1st Floor,  
 Haji Tehmas Center, Near KFC,  
 University Road, Peshawar  
 UAN: 091-111-111-632  
 Fax: 091-5711780

#### Multan Office

Address: 82 - Khan Centre, Abdali Road,  
 Multan.  
 UAN: 061-111-111-632





NBP Fullerton  
Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)

# NAFA Government Securities Liquid Fund (NGSLF)

MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/12/2010): Rs. 10.3115

December 2010

## Performance

Performance % *	December 2010	FYTD Jul. - Dec. 2010	Trailing 12 Months	Since Launch May 16, 2009
NAFA Government Securities Liquid Fund	11.57%	11.04%	10.78%	10.79%
Benchmark	11.46%	11.13%	10.89%	10.93%

\* 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. 7,483 million
Type:	Open-end – Money Market Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	No entry or exit load
Management Fee:	1.25% per annum
Risk Profile:	Very 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 Subscription:	Growth Unit: Rs. 10,000/- 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 11.57% during the month. This is better than the previous months return by 43 basis points. This is due to reinvestments at higher T-Bills rates after the Policy Rate hike at the end of November, 2010. We expect the returns to remain attractive in the near future.

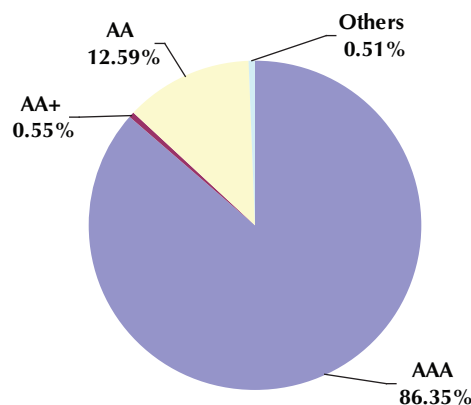
NGSLF's Fund stability rating is 'AAA(f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of your Fund. NGSLF will (i) allocate a minimum of 85% to Government Securities; (ii) maintain T-Bill portfolio maturity / duration below 45 days to minimize any interest rate risk; (iii) maintain maximum maturity of a single T-Bill to three months. The investment value of NGSLF has not declined on any day since the launch of Fund in May 2009.

In the current Fiscal Year, SBP has raised the Discount Rate by 1.5% so far. Going forward, the upward pressure in interest rates is not expected to ease due to persistent Government borrowing and inflation and associated expectations.

In the three T-bill auctions of December, SBP cumulatively accepted about Rs. 335 billion against the target of Rs. 225 billion. The cut off yields for the last auction of the month were noted at 13.25%, 13.46% and 13.78% for the 3 months, 6 months and 12 months T Bills respectively.

The average maturity of your Fund is 43 days.

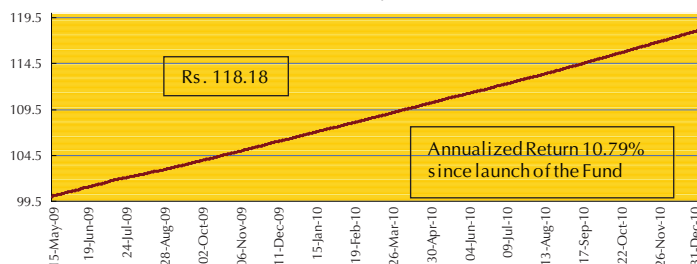
## Credit Quality of the Portfolio (% of Net Assets)



## Asset Allocation 31-Dec-10 30-Nov-10

T-Bills (Including Reverse Repo via Master Repurchase Agreement)	86.34%	87.12%
TDR	9.35%	8.47%
Cash Equivalents	4.08%	4.36%
Other Assets	0.23%	0.05%
Total	100.00%	100.00%
Leverage	Nil	Nil

Value of Rs. 100 invested in NAFA Government Securities Liquid Fund at launch (May 16, 2009)



## Name of the Members of Investment Committee

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

**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.



**NBP Fullerton  
Asset Management Limited**  
(Formerly National Fullerton Asset Management Limited)

## MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/12/2010): Rs. 10.2829

December 2010

### Performance

Performance % *	December 2010	FYTD Jul. - Dec. 2010	Trailing 12 Months	Since Launch November 21, 2009
NAFA Savings Plus Fund	11.05%	10.02%	9.91%	10.04%
Benchmark	8.35%	8.30%	8.10%	8.15%

\* 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. 637 million
Type:	Open-end – Income fund
Dealing Days:	Daily – Monday to Saturday
Dealing Time:	(Mon - Fri) 9:00 A.M to 4:30 P.M - (Saturday) 9:00 A.M to 1:00 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	No entry or exit load
Management Fee:	2.0% per annum
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 11.05% during the month, thus outperforming the benchmark return by 2.70%. In the quarter just ended, the return of your Fund is 10.43% against the benchmark return of 8.27%, thus an out-performance by 2.16%. The return of the Fund is expected to gradually further improve going forward with recent increase in money market rates and expected increase in the Fund Size. The Fund intends to provide its investors consistently better returns than bank deposits.

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 TFCs/ Sukuks and the Stock Market. Moreover, it cannot invest in money market instruments below a credit rating of 'AA-'. The investment value of the Fund has not declined on any day since its launch in November 2009. This Fund is also the underlying Fund for the recently launched NAFA Savings Plans.

The average maturity of your Fund is relatively short at around 30 days, which apart from making it liquid also enables it to benefit in a presently rising inflation and interest rate environment.

### Asset Allocation

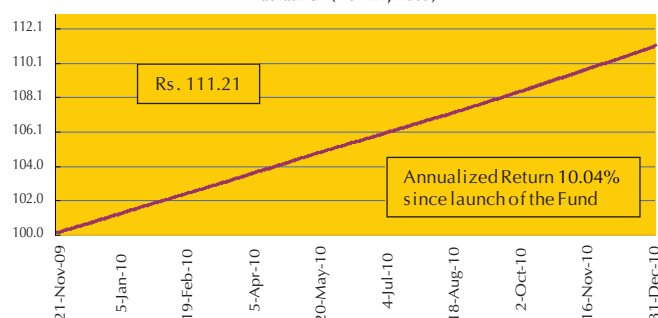
31-Dec-10

30-Nov-10

T-Bills	27.11%	33.02%
TDR	31.39%	28.55%
Money Market Placements	21.98%	19.99%
Commercial Paper	10.66%	9.58%
Cash Equivalents	7.73%	9.44%
Other Assets / (Liabilities)	1.13%	-0.58%

Total	100.00%	100.00%
Leverage	Nil	Nil

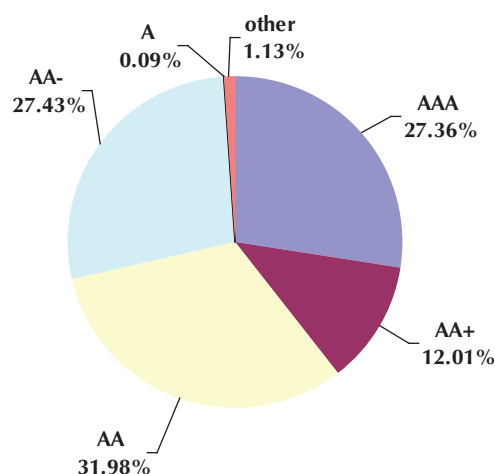
Value of Rs. 100 invested in NAFA Savings Plus Fund at launch (Nov 21, 2009)



### Name of the Members of Investment Committee

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

### Credit Quality of the Portfolio (% of Net Assets)



**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 % *	December 2010	Since Launch August 21, 2010
NAFA Riba Free Savings Fund	9.76%	9.31%
Benchmark	7.74%	8.29%

\* Represent Annualized Return  
(Returns are net of management fee & all other expenses)

## General Information

Launch Date:	August 21, 2010
Fund Size:	Rs. 251 million
Type:	Open-end – Shariah Compliant Income fund
Dealing Days:	Daily – Monday to Saturday
Dealing Time:	(Mon - Fri) 9:00 A.M to 4:30 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:	1.5% 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:	Average 6-month deposit rate of A- and above rated Islamic Banks (Benchmark changed with effect from 15-12-2010. Previous Benchmark was 3-month deposit rate of A and above rated Islamic Banks.)
Fund Manager:	Usman Khan
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 annualized return of NRFSF for the month of December 2010 is 9.76%. This is better than the benchmark return by 2.02%. Going forward we expect the return on the Fund to improve on the back of higher money market rates, allocation to Shariah compliant Government Securities which are currently yielding attractive returns, and expected increase in the Fund Size.

The Authorized Investments of the Fund have been modified this month to allow Shariah compliant Government Ijara securities. These securities have six monthly profit rate resetting and payment. To date, the Government has issued six Ijara Sukuks with total outstanding amount of around Rs 132 billion.

NRFSF is an Islamic Income Scheme that invests only in Shariah compliant avenues. The Fund has been awarded a stability rating of A+(f) by PACRA which denotes a strong capacity to maintain stability in returns and low exposure to risks.

The Fund intends to outperform the rate of return available to individual investors in Islamic Banks, while providing them flexibility to withdraw their money at any time, hence no lock-in period. The Fund is not authorized to invest in corporate Sukuks and will not take direct or indirect exposure to the Stock Market.

Going forward the Fund intends to exploit opportunities in Shariah Compliant Government Securities. This shall on the one hand improve the return while on the other side, improve the average credit rating profile of the Fund.

The average maturity of your Fund is 45 days.

## Asset Allocation

### 31-Dec-10

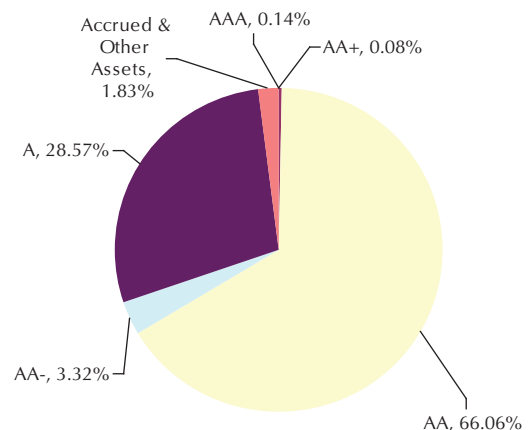
### 30-Nov-10

Cash Equivalents	32.44%	99.01%
Islamic TDR	65.73%	-
Other Assets	1.83%	0.99%
Total	100.00%	100.00%
Leverage	Nil	Nil

## Name of the Members of Investment Committee

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

## Credit Quality of the Portfolio (% of Net Assets)





## Performance

Performance % *	December 2010 *	FYTD Jul - Dec 2010 **	Trailing 12 Months *	Since Launch March 29, 2008 *
NAFA Income Fund	41.19%	-1.39 %	1.77%	4.76%
Benchmark	13.36%	6.18%	12.33%	12.20%

\* Represent Annualized Return - (based on morning star formula)

\*\* Represent Cumulative Return

(Returns are net of management fee & all other expenses)

## General Information

Launch Date:	March 29, 2008
Fund Size:	Rs. 521 million
Type:	Open-end – Income Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end: 1.0%, Back end: 0%
Management Fee:	2.0% 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:	6-Month KIBOR (Benchmark changed with effect from 15-12-2010. Previous Benchmark was 3-Months T-Bills)
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 earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets.

## Fund Manager Commentary

The Fund earned an annualized return of 41.19% during December 2010. The higher return is attributable to recovery of previous mark-up payment due from a Fertilizer company. This TFC has now been restructured. The return is expected to be in double digits during CY 2011 as a TFC in the Fund is expected to be restructured very soon. Increase in KIBOR also bodes well for the floating rate TFCs in your Fund.

The weighted average Yield to Maturity of NAFA Income Fund is around 20.96% p.a. The weighted average maturity of NAFA Income Fund is 3.32 years. Thus, the Fund is expected to perform well over a three to four years horizon. However, since there are TFCs/Sukuks in the portfolio and their prices may go up and down, only long-term investors are advised to invest in this Fund.

## Details of Non-Compliant Investments

Name of Non Compliant Investment	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	Yield to Maturity per annum
Agritech Limited II	TFC	149,880,000	43,150,835	106,729,165	20.48%	27.99%
Saudi Pak Leasing	TFC	54,921,900	17,749,278	37,172,622	7.13%	22.70%
Eden Housing Sukuk II	Sukuk	75,000,000	23,329,350	***51,670,650	9.92%	37.68%
Total		279,801,900	84,229,463	195,572,437	37.54%	

\*\*\* Book value, performing but below investment grade

Asset Allocation	31-Dec-10	30-Nov-10
TFC / Sukuk	82.57%	84.09%
T-Bills	9.55%	-
Cash Equivalents	5.76%	14.37%
Other Assets	2.12%	1.54%
Total	100.00%	100.00%
Leverage	Nil	Nil

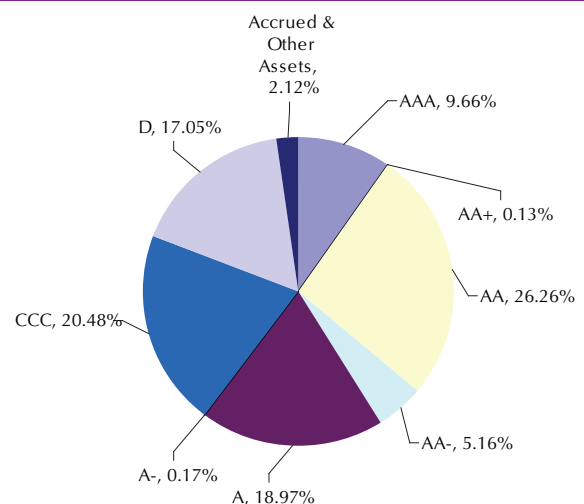
## TFC/SUKUK Holdings (as at December 31, 2010)

Name of TFCs / Sukuks	% of Net Assets
Agritech Limited II	20.48%
World Call Telecom Limited	18.93%
Engro Fertilizer (PPTFC)	16.99%
Eden Housing Limited Sukuk-II	9.92%
UBL IV	9.12%
Saudi Pak Leasing	7.13%
Total	82.57%

## Name of the Members of Investment Committee

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

## Credit Quality of the Portfolio (% of Net Assets)





**NBP Fullerton  
Asset Management Limited**  
(Formerly National Fullerton Asset Management Limited)

# NAFA Income Opportunity Fund (NIOF)

Formerly NAFA Cash Fund

MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/12/2010): Rs. 10.1872

December 2010

## Performance

Performance % *	December 2010	FYTD Jul. - Dec. 2010	Trailing 12 Months	Since Launch April 22, 2006
NAFA Income Opportunity Fund <i>Formerly NAFA Cash Fund</i>	23.92%	6.49%	4.26%	7.89%
Benchmark	13.42%	12.80%	12.58%	11.42%

\* Represent Annualized Return  
(Returns are net of management fee & all other expense)

## General Information

Launch Date:	April 22, 2006
Fund Size:	Rs. 3,486 million
Type:	Open-end – Income Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	No entry or exit load
Management Fee:	1.5% per annum
Risk Profile:	Low
Fund Stability Rating:	"A (i)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	KPMG Taseer Hadi & Co. Chartered Accountants
Benchmark:	6-Month KIBOR (Benchmark changed with effect from 15-12-2010. Previous Benchmark was 1-Month KIBOR)
Fund Manager:	Usman Khan
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

Asset Allocation	31-Dec-10	30-Nov-10
TFC / Sukuk	72.97%	73.32%
Cash Equivalents	21.66%	22.06%
Other Assets	5.37%	4.62%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## TFC/SUKUK Holdings (as at December 31, 2010)

Name of TFCs / Sukuks	% of Net Assets
Pakistan Mobile Comm (Listed II)	9.77%
Orix Leasing Pakistan (PPTFC)	9.18%
Engro Fertilizer (PPTFC)	7.87%
Maple Leaf Cement (Sukuk)	7.19%
World Call Telecom Limited	5.30%
Kohat Cement Limited (Sukuk)	4.67%
Avari Hotels Limited	4.08%
Pace Pakistan Limited	4.06%
Azgard Nine PPTFC	3.65%
Century Paper & Board (Sukuk)	3.11%
<b>Total</b>	<b>58.88%</b>

## Name of the Members of Investment Committee

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

## Investment Objective

To Seek preservation of Capital and earn a reasonable rate of return via investing in money market and debt securities with investment-grade rating, CFS and spread transactions.

## Fund Manager Commentary

The Fund earned an annualized return of 23.92% during December, 2010. This is better than the benchmark return by 10.50% and the previous month's return by 13.86%. The return is expected to stabilize in double digits during the remainder of FY 2011. The annual Yield to Maturity of your Fund is currently around 18.06% while that of the TFC portfolio is 22.22%. The weighted average maturity of your Fund is 2.39 years.

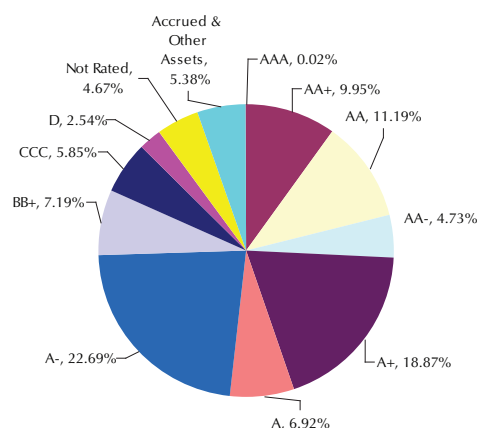
Three non-performing TFCs have been recently restructured and two more are expected to be restructured during the next few months. Going forward, we expect healthy returns on your Fund with a two to three year investment horizon because most TFCs are trading at a significant discount to their fair values, hence offering attractive yields.

## Details of Non-Compliant Investments

Name of Non Compliant Investment	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	Yield to Maturity per annum
Agritech Limited	TFC	149,880,000	73,441,200	76,438,800	2.19%	39.00%
Azgard Nine Limited PPTFC	TFC	249,800,000	122,402,000	127,398,000	3.65%	39.34%
Kohat Cement Limited	Sukuk	241,500,000	78,851,440	**162,648,560	4.67%	30.98%
Maple Leaf Cement Sukuk I	Sukuk	399,660,000	149,015,229	**250,644,771	7.19%	28.58%
BRR Guardian Modaraba Sukuk	Sukuk	50,000,000	12,500,000	**37,500,000	1.08%	36.15%
Saudi Pak Leasing	TFC	54,921,900	17,749,278	37,172,622	1.07%	22.70%
Eden Housing Sukuk II	Sukuk	19,998,750	6,220,771	**13,777,979	0.40%	37.68%
<b>Total</b>		<b>1,165,760,650</b>	<b>460,179,918</b>	<b>705,580,732</b>	<b>20.24%</b>	

\*\*\* Book value, performing but below investment grade

## Credit Quality of the Portfolio (% of Net Assets)



**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.



# NAFA Islamic Aggressive Income Fund (NIAIF)

Formerly NAFA Islamic Income Fund

NBP Fullerton  
Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)

MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/12/2010): Rs. 7.9562

December 2010

## Performance

Performance % *	December 2010 *	FYTD Jul. - Dec. 2010 *	Trailing 12 Months *	Since Launch October 29, 2007 **
NAFA Islamic Aggressive Income Fund <i>Formerly NAFA Islamic Income Fund</i>	21.10%	5.37%	30.28%	-1.44%
Benchmark	6.99%	6.48%	6.42%	21.06%

\* Represent Annualized Return - (based on morning star formula)

\*\* Represent Cumulative Return

(Returns are net of management fee & all other expenses)

## General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 188 million
Type:	Open-end – Shariah Complaint Aggressive Income fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism	Forward Pricing
Load:	Front end: 1.0%
Management Fee:	2.0% per annum
Risk Profile:	Low to Medium
Fund Stability Rating:	BBB (i)* by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Average 3-month deposit rate of Islamic Banks (Benchmark changed with effect from 15-12-2010. Previous Benchmark was Avg. 1-month Deposit rate of Islamic Banks)
Fund Manager:	Usman Khan
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

## Investment Objective

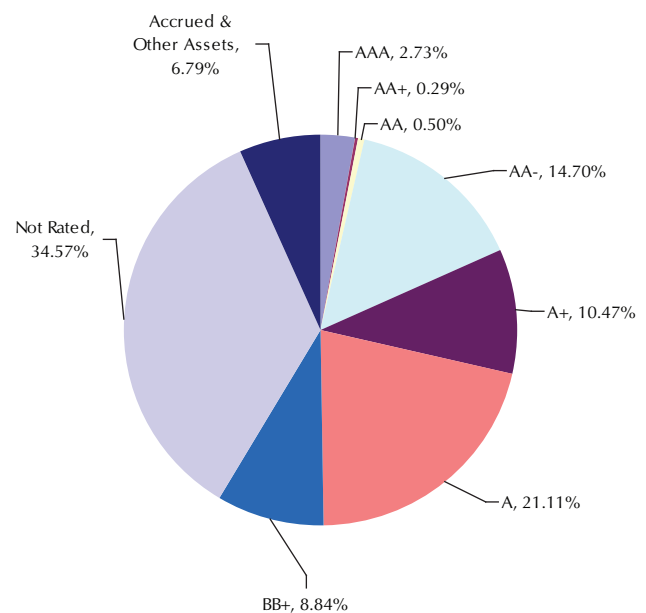
To seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in Shariah Compliant money market & debt securities having good credit rating and liquidity.

## Fund Manager Commentary

The Fund earned an annualized return of 21.10% during December 2010. The return for CY 2010 has been an impressive 30.28%. The return is expected to remain attractive in 2011.

The annual Yield-to-Maturity of the Sukuk portfolio in your Fund is 24.61% and the weighted average time to maturity is 3.38 years. The weighted average maturity of your Fund is 2.40 years. Hence for investors with an investment horizon of three to four years, NIAIF offers an attractive opportunity to earn handsome returns, as evident by its current annual yield to maturity. However, since there are Sukuks in the portfolio and their prices may go up and down, only long-term investors are advised to invest in this Fund.

## Credit Quality of the Portfolio (% of Net Assets)



## Asset Allocation

	31-Dec-10	30-Nov-10
Sukuk	68.24%	68.20%
GOP Ijara Sukuk	2.70%	2.72%
Cash Equivalents	22.31%	22.55%
Other Assets	6.75%	6.53%
Total	100.00%	100.00%
Leverage	Nil	Nil

## TFC/SUKUK Holdings (as at December 31, 2010)

Name of TFCs / Sukuks	% of Net Assets
Kohat Cement Limited (Sukuk)	34.57%
Engro Fertilizer Limited (Sukuk)	14.35%
Pak Electron Limited (Sukuk)	10.48%
Maple Leaf Cement Limited (Sukuk)	8.84%
GOP Ijarah (Sukuk)	2.70%
Total	70.94%

## Name of the Members of Investment Committee

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

**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.



NBP Fullerton  
Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)

# NAFA Multi Asset Fund (NMF)

## MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/12/2010): Rs. 10.6003

December 2010

### Performance

Performance % *	December 2010	FYTD Jul. - Dec. 2010	Trailing 12 Months	Since Launch January 22, 2007
NAFA Multi Asset Fund	4.63%	17.80%	20.80%	38.98%
Benchmark	3.93%	13.64%	15.45%	20.22%

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

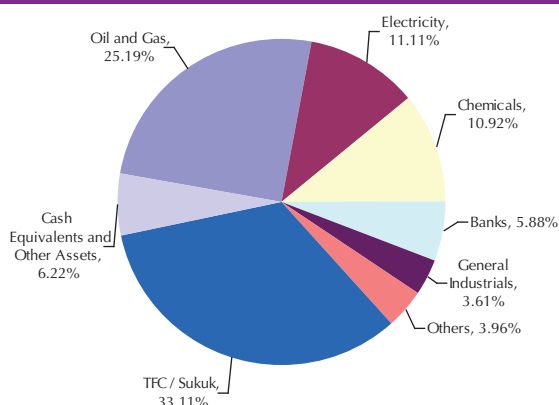
### General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 791 million
Type:	Open-end – Balanced Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism	Forward Pricing
Load:	Front end – 3%, Back end - 0%
Management Fee:	2.5% per annum
Risk Profile	Moderate
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	50% KSE-30 Index & 50% 3-month KIBOR (Benchmark changed with effect from 15-12-2010. Previous Benchmark was 50% KSE-30 Index and 50% 1M KIBOR.)
Fund Manager:	Sajjad Anwar, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

### Asset Allocation 31-Dec-10 30-Nov-10

Equities / Stock	60.67%	55.89%
TFC / Sukuk	33.11%	32.73%
Cash Equivalents	8.20%	5.40%
T-Bills	-	3.75%
Other Net Assets / (Liabilities)	-1.98%	2.23%
Total	100.00%	100.00%
Leverage	Nil	Nil

### Asset Allocation (as on 31st December 2010)



### Name of the Members of Investment Committee

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

### 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 Commentary

During the month under review, NAFA Multi Asset Fund's (NMF) Net Asset Value (NAV) increased by 4.63% while the benchmark (50% KSE-30 index & 50% 3-month KIBOR) increased by 3.93%. Thus your Fund out-performed the benchmark by 0.70%. Since inception on January 22, 2007 your Fund has increased by 38.98%, while the benchmark has increased by 20.22%. Thus, to-date the out-performance of your Fund stands at 18.76%. 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. At the start of the month NMF was around 56% invested in equities. The stock market movement during the month continued to remain positive. We enhanced the allocation of NMF in high dividend yielding and undervalued stocks and sectors. At the end of the month NMF was around 61% invested in equities. The holdings of NMF in the Jute, Fertilizer and Oil & Gas Exploration sub-sectors contributed to the out-performance of the Fund. During the month, we enhanced the weightage of NMF in the Banking sector and the Fertilizer and Power sub-sectors.

NMF is overweight in the Oil & Gas sector and Fertilizer and Power sub-sectors. On the other hand, the exposure of NMF in banks is below the market weight. Improved TFC / Sukuk prices have also contributed to the out-performance of NMF during the month. The weighted average Yield-to-Maturity (YTM) of the TFC / Sukuk portfolio of NMF is around 22.6% p.a.

The holdings of NMF comprises of stocks with attractive dividend payouts and good fundamentals. We are vigilant to the developments in the capital markets and will alter the portfolio accordingly.

### Top Ten Holdings (as on 31st December 2010)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Pak Oilfields Ltd.	Equity	9.79%	Fauji Fertilizer Ltd.	Equity	5.19%
Pak Petroleum Ltd.	Equity	9.38%	Nishat Power Ltd.	Equity	3.85%
Hub Power Co. Ltd.	Equity	7.26%	Fauji Bin Qasim	Equity	3.76%
Maple Leaf Cement	Sukuk	7.00%	Thal Limited	Equity	3.61%
Orix Leasing	PPTFC	6.22%	Eden Housing	Sukuk	3.26%

### Details of Non-Compliant Investments

Name of Non Compliant Investment	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	YTM Per Annum
Maple Leaf Cement Sukuk 1	Sukuk	88,364,826	32,947,267	**55,417,559	7.00%	28.58%
Saudi Pak Leasing	TFC	36,614,600	11,832,850	24,781,750	3.13%	22.70%
Eden Housing Sukuk 2	Sukuk	37,500,000	11,664,675	**25,835,325	3.26%	37.68%
Total		162,479,426	56,444,792	106,034,634	13.40%	

\*\* Book Value, performing but below investment grade

**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.





NBP Fullerton  
Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)

# NAFA Islamic Multi Asset Fund (NIMF)

MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/12/2010): Rs.10.4466

December 2010

## Performance

Performance % *	December 2010	FYTD Jul. – Dec. 2010	Trailing 12 Months	Since Launch October 29, 2007
NAFA Islamic Multi Asset Fund	4.87%	18.06%	27.50%	18.89%

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

## General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 269 million
Type:	Shariah Compliant - Open-end – Balanced Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 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:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	50% KMI - 30 Index & 50% average 3-month profit rate of Islamic banks. (Benchmark changed with effect from 15-12-2010. Previous Benchmark was 50% KMI - 30 Index & 50% average 1-month profit rate of Islamic banks.)
Fund Manager:	Sajjad Anwar, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/-
Asset Manager Rating:	Income Unit: Rs. 100,000/- 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 Commentary

During the month under review, the Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) increased by 4.87%, whereas the benchmark (50% KMI-30 index & 50% average 3-month profit rate of Islamic Banks) increased by 3.24%, thus your Fund out-performed the benchmark by 1.63%. This out-performance is net of management fee and all other expenses.

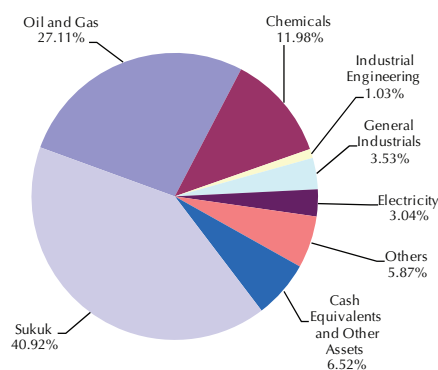
NIMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. At the start of the month NIMF was around 50% invested in equities. During the month we enhanced the weightage of the Fund in the Fertilizer and Power sub-sectors. The Fertilizer sub-sector is likely to depict superlative earnings during 4QCY10 and the Power sub-sector offers attractive dividend yields. We increased exposure in HUBCO and built exposure in NML. NIMF's out-performance resulted from the overweight stance of the Fund in the Oil & Gas, General Industries and Chemical sectors and underweight stance in the Construction & Materials sector. Improved Sukuk prices also contributed to the out-performance of NIMF during the month. The weighted average Yield-to-Maturity (YTM) of the Sukuk portfolio of NIMF is around 26.9% p.a.

We remain invested or have enhanced exposure in fundamentally attractive and high dividend paying stocks that have contributed to the recent out-performance of the Fund. Moreover, these stocks belong to defensive sectors with low business risk and are expected to perform better than the market going forward. We remain alert to developments in the capital markets and will adjust the portfolio accordingly.

## Asset Allocation

	31-Dec-10	30-Nov-10
Equities / Stock	52.56%	50.33%
Sukuk	40.92%	41.89%
Cash Equivalents	3.72%	3.35%
Other Net Assets	2.80%	4.43%
Total	100.00%	100.00%
Leverage	Nil	Nil

## Asset Allocation (as on 31st December 2010)



## Name of the Members of Investment Committee

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

## Top Ten Holdings (as on 31st December 2010)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
PaK Oilfield Ltd	Equity	13.21%	Fauji Fertilizer Ltd	Equity	6.46%
Kohat Cement	Sukuk	12.09%	Eden Housing	Sukuk	4.80%
Maple Leaf Cement	Sukuk	11.64%	Fauji Bin Qasim	Equity	3.88%
Pak Elektron Ltd.	Sukuk	10.46%	Hub Power Co	Equity	3.04%
Pak Petroleum Ltd	Equity	10.22%	Thall Limited	Equity	2.49%

## Details of Non-Compliant Investments

Name of Non Compliant Investment	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	YTM Per Annum
Kohat Cement Limited Sukuk	Sukuk	48,300,000	15,770,288	**32,529,712	12.09%	30.98%
Maple Leaf Cement Sukuk 1	Sukuk	49,957,500	18,626,904	**31,330,596	11.64%	28.58%
Eden Housing Limited Sukuk 2	Sukuk	18,750,000	5,832,337	**12,917,663	4.80%	37.68%
Total		117,007,500	40,229,529	76,777,971	28.53%	

\*\* Book Value, performing but below investment grade

**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 % *	December 2010	Since Launch August 21, 2010
NAFA Asset Allocation Fund	3.87%	9.51%
Benchmark	2.83%	8.31%

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

## General Information

Launch Date:	August 21, 2010
Fund Size:	Rs. 227 million
Type:	Open-end – Asset Allocation Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism	Forward Pricing
Load:	Front end – 2%, Back end - 0%
Management Fee:	2% per annum
Risk Profile	Moderate
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. 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 Commentary

During the month under review, NAFA Asset Allocation Fund's (NAAF) Net Asset Value (NAV) increased by 3.87% while the benchmark (1/3 of average 3-month bank deposit rate; 1/3 of 6-month KIBOR; 1/3 of KSE 30 Index) increased by 2.83%. Thus your Fund out-performed the benchmark by 1.04%. Since inception on August 21, 2010 your Fund has increased by 9.51%, while the Benchmark has increased by 8.31%. Thus, to-date the out-performance of your Fund stands at 1.20%. This out-performance is net of management fee and all other expenses. During the month, the Fund size increased by 16.41% to PKR 227 million.

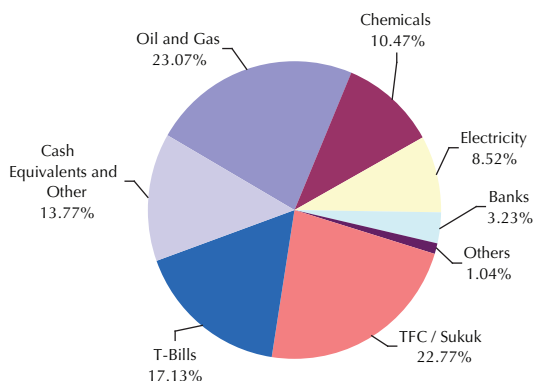
NAAF is an asset allocation fund and market weight implies 33% weight in equities, 33% in money market instruments and 33% in fixed income asset class. At the start of the month NAAF was around 40% invested in equities. The overweight stance of NAAF in the Oil & Gas Exploration and Oil Marketing sub-sectors and underweight stance in the Refinery sub-sector contributed to the out-performance of the Fund. Similarly, we increased the exposure in the Fertilizer sub-sector, which also added to the out-performance of the Fund. During the month, we enhanced the weight in the Power sub-sector and Banking and Fixed Line Communication sectors. At the end of the month, NAAF was around 46% invested in equities, 17% in money market instruments and around 23% in TFCs.

NAAF is invested in high dividend yielding stocks with stable earnings stream and low business risk. We are monitoring the capital market conditions closely and will shift our allocation accordingly.

## Asset Allocation

	31-Dec-10	30-Nov-10
Equities / Stock	46.33%	40.15%
TFC / Sukuk	22.77%	25.87%
Cash Equivalents	16.68%	5.59%
T-Bills	17.13%	29.63%
Other Net Assets / (Liabilities)	-2.91%	-1.24%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Asset Allocation (as of 31st December 2010)



## Name of the Members of Investment Committee

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

## Top Ten Holdings (as on 31st December 2010)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Pakistan Oilfields Ltd.	Equity	9.12%	Fauji Fertilizer Ltd.	Equity	6.31%
Pakistan Petroleum Ltd.	Equity	8.98%	Bank Al-Falah Ltd.	TFC	4.35%
Hub Power Co. Ltd.	Equity	7.62%	Allied Bank Ltd	TFC	4.33%
Engro Rupiya Certificate	TFC	7.50%	Fauji Bin Qasim Ltd.	Equity	4.16%
United Bank Ltd.- III	TFC	6.59%	Attock Petro. Ltd.	Equity	3.05%



# NAFA Stock Fund (NSF)

MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/12/2010): Rs.7.6029

December 2010

## Performance

Performance % *	December 2010	FYTD Jul. - Dec. 2010	Trailing 12 Months	Since Launch January 22, 2007
NAFA Stock Fund	6.68%	23.26 %	21.15%	8.67%
Benchmark	6.92%	21.26%	17.65%	(13.47%)

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

## General Information

Launch Date: January 22, 2007  
Fund Size: Rs. 992 million  
Type: Open-end – Equity Fund  
Dealing Days: Daily – Monday to Friday  
Dealing Time: 9:00 A.M to 4:30 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-to-High  
Listing: Lahore Stock Exchange  
Custodian & Trustee: Central Depository Company (CDC)  
Auditors: A. F. Ferguson & 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 Commentary

During the month under review, KSE-30 Index increased by 6.92% whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 6.68%, thus an under-performance of 0.24% was recorded. Since inception on January 22, 2007 the NAV of NSF has increased by 8.67% while that of the benchmark has declined by 13.47%, thus to date out-performance is 22.14%. This out-performance is net of management fee and all other expenses. At the start of the month NSF was around 95% invested in equities. The stock market maintained its upward trend as investor sentiment remained positive.

We remained almost fully invested in the market and the end of the month NSF was around 98% invested in equities. During the month, the holdings of NSF in the Oil & Gas sector and Jute sub-sector performed significantly better than the market. The Oil & Gas sector remained buoyant resulting from high crude oil prices and favorable earnings prospects. The Fund's underweight stance in the Banking sector contributed to the under-performance during the month. Further, some of the Fund's holdings in the Fertilizer and Cement sub-sectors underperformed the market. A year-end pre-results rally enabled the Banking sector to perform better than the market. During the month, we considerably increased the weightage of NSF in Banks around 19% to almost 25%. Similarly, the weightage in the Fertilizer sub-sector was increased on superlative earnings expectations in 4QCY10. The exposure of NSF in the Cement sub-sector was reduced due to expected slowdown in cement demand and higher energy costs. On the contrary, we slightly increased the weightage in the high dividend yielding Electricity sector.

As the market continues to reach higher levels, we are constantly adjusting the portfolio towards undervalued, high growth and dividend yielding stocks. Events on the political front and developments on the leverage product will shape the market's direction going forward.

## Top Ten Equity Holdings (as on 31st December 2010)

Name	% of NAV	Name	% of NAV
Pakistan Oilfields Ltd.	9.73%	United Bank Ltd.	5.75%
Pakistan Petroleum Ltd.	9.67%	Thall Ltd.	5.30%
MCB Bank Limited	9.34%	Engro Corporation	4.72%
Hub Power Co. Ltd.	7.50%	Fauji Fertilizer Ltd.	4.42%
Oil & Gas Development	5.92%	Fauji Bin Qasim Ltd.	4.32%

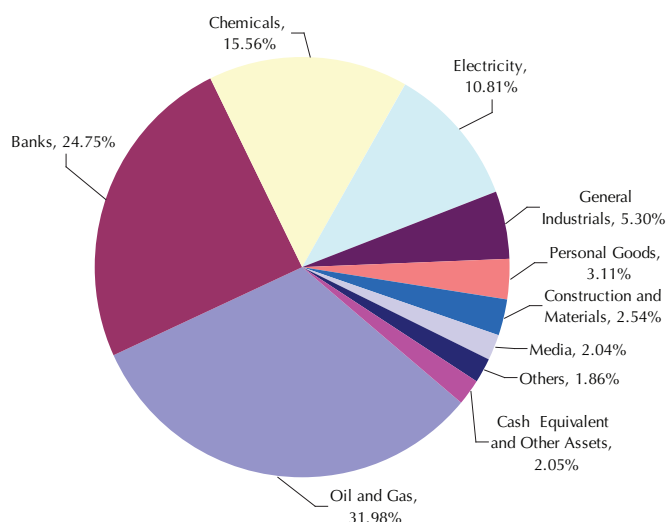
## Name of the Members of Investment Committee

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

## Asset Allocation

	31-Dec-10	30-Nov-10
Equities / Stock	97.95%	94.68%
Cash Equivalents	3.07%	2.72%
Other Net Assets / (Liabilities)	-1.02%	2.60%
Total	100.00%	100.00%
Leverage	Nil	Nil

## Asset Allocation (as on 31st December, 2010)



**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.