

# NAFA Funds

Monthly Report (December 2011)



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

Managed by:  
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*Joint - Venture Partners*



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Dr. Amjad Waheed, CFA  
Chief Executive Officer

Calendar year 2012 is expected to be another challenging year for Pakistan's economy and investment climate. The economic growth will continue to be constrained by government's excessive budgetary financing from domestic sources resulting in the crowding out of private sector. The law and order situation is not expected to improve substantially, especially due to slowdown in job creation in an environment of prevailing high unemployment rate in the country. It will be difficult for the Government to introduce new taxation measures as elections are around the corner. In the absence of any significant foreign investment, the balance of payment situation is expected to be worrisome due to the growing trade deficit and large payments becoming due to the multilateral donor agencies. This in turn is expected to put further pressure on the rupee, which is expected to weaken by about 10% in 2012.

Inflation has eased recently, 13.3% in June 2011 to 10.2% in Nov 2011, largely driven by easing of food prices and change in CPI calculation methodology. Concomitantly, the State Bank of Pakistan reduced the discount rate by 200 basis points in the last 6 months. However, there is a fear that excessive government borrowing averaging about Rs 3 billion per day will make it very difficult to contain inflation. Moreover, the utility prices will also have to be increased to better manage the circular debt and energy shortages. In such a scenario, inflation may start rising again and the discount rate may have to be increased again by the mid of 2012. Thus investors are advised to shorten the maturities of their investments in Treasury bills, Pakistan Investment Bonds, and bank deposits. This will help them to benefit from high interest rates if such a scenario materializes. In this environment, investors should avoid investments in fixed rate long-term instruments such as Pakistan Investment Bonds and Defence Savings Certificates and instead focus on Treasury Bills and term deposits of below one-year maturity.

The Pakistani stock market has depicted lukewarm performance in the second half of CY 2011, declining by around 10%. The stock market is trading at a forward price-to-earnings multiple of 6.6x offering dividend yield of 8.9%. We believe that the economic and political situation of the country is already reflected in the stock market valuations. Despite weaker economic growth; and uncertain political and security situation, corporate earnings are expected to grow by 18% in 2012. As can be seen from Chart 1 below, although the economy has depicted slower growth during the last few years, corporate earnings have remained robust, growing on average by 19% over the last four years. This trend is expected to continue in the future as well. As Chart 2 below shows, presently the earnings yield of the stock market is better than the 10-year PIB yield, which is another indicator that the stock market is attractively priced. Further, we believe that the political climate will also improve in 2012. Thus on a one-year or longer investment horizon, stock market investment is expected to reward new investors as well as those who are already invested. A possible qualification to our assessment is a substantial deterioration of external accounts that could unnerve foreign and local equity investors. Thus, investors are advised to keep a close watch on the current account situation.

Chart 1

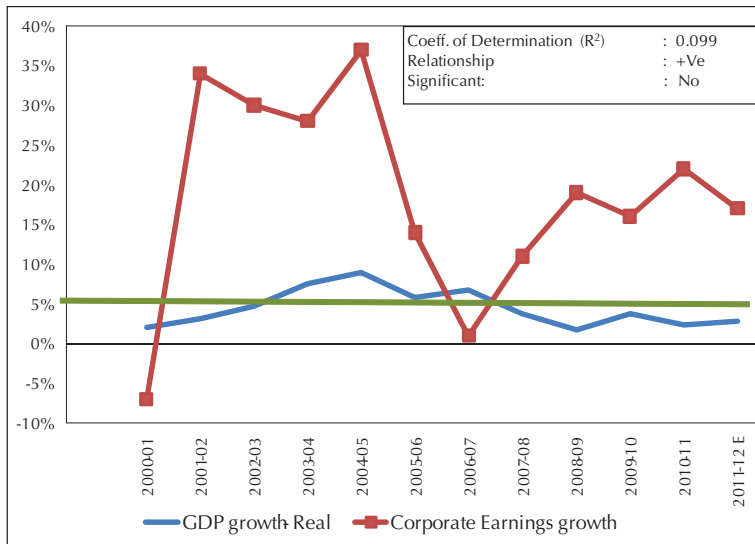
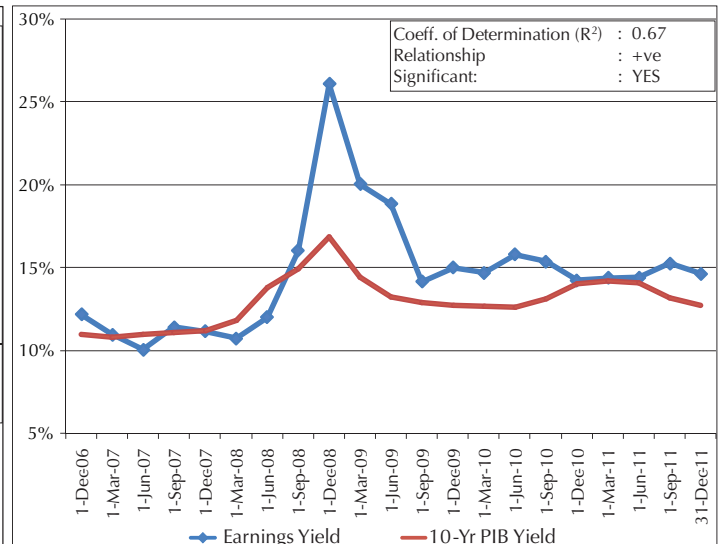


Chart 2



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December 2011

## Stock Market Review

The stock market continued its downward trajectory on abysmally low trading volumes during the month of December 2011 extending the previous month's losses. Concern on the Pak-US relations, uncertainties in the local politics, mounting downside risks to the external accounts and challenging global economic outlook weakened investors' confidence in the market. Further, in the absence of the positive triggers, local investors were swayed by the foreign selling. Moreover, investors also kept from taking fresh positions in the key sectors facing structural problems which also contributed to the lagged performance of the market. The month started with KSE-30 Index at 10800 levels and after touching a low of 10,154 closed the month at 10,179 levels. Overall, during the month KSE-30 Index lost around 5.8%.

Post last monetary policy announcement by the SBP interest rates have started inching up, indicating a possible monetary tightening going forward. Widening current accounts deficits and monetization of the yawning fiscal deficits are feeding the inflationary expectations. Widening external accounts, growing structural issues and stalled foreign inflows are clouding the economic outlook. During the outgoing month, trading activity reduced to unprecedentedly lower level adding to the worries of the investors. Average Daily Trading volume for the month was recorded at around 42 million shares versus 45 million shares during the month of November.

The Oil & Gas, Food Producers, and Non-Life Insurance Sectors were among the out-performing sectors while Chemicals, Construction & Materials and Financial Services sectors lagged the market. Strong expected earnings growth of Oil & Gas Exploration companies resulted in out-performance of the Oil and Gas sector. Acute gas curtailment facing key fertilizer companies kept the investor from the sector. Lower dispatches of the cement due to slowdown in the construction activity weakened investors' confidence in the sector. Unabated selling resulted in the lagged performance of key companies in Electricity and Banking sectors.

Going forward, in our view, key drivers of the stock market will be: Foreign Portfolio Investment (FPI) activity, US-Pakistan diplomatic relationships, Economic and interest rates outlook and domestic political situation.

## Fixed Income Review

The Calendar Year 2011 started with Discount Rate at 14% and ended with the Rate at 12%. 3-Months T-Bills cut-off rate in the first auction in January was 13.37%, while it was 11.83% in the last auction of December. 6-Months KIBOR on January 1 was 13.62%, while it was 12.02% on December 30, 2011. Year on Year CPI was 13.9% in January and was 10.2% in November 2011. But is all of this sustainable? We have serious reservations. Total Government debt at June-end 2010 was Rs 10.3 trillion, while at September-end 2011 it was Rs 12.5 trillion, an increase of 21% in fifteen months. Current account deficit during July-November 2010 was USD 589 mln (0.7% of GDP), while it is USD 2,104 mln (2.1% of GDP) during the same period this year. PKR/USD was 85.82 on December 31, 2010, while it is 89.97 at December 30, 2011, a depreciation of around 4.8%. After remaining stable for the next few quarters, the interest rates may start going up due to vulnerability of Fiscal and Current Accounts.

On the corporate debt sphere, market volumes reported by MUFAP remained thin in December as well. Total traded value reported by MUFAP for December 2011 was Rs 870 mln, as against a value of Rs. 757 mln in Nov 2011. Banking sector bonds accounted for 60.89% of the traded value.

Average YoY inflation (CPI) for July to November 2011 was 11.1%, while average month-on-month inflation (CPI) during the same period was 1.08% which translates into an annual inflation number of 12.96%. This suggests lower YoY CPI presently is due to base effect, which would likely dilute in coming months and lift YoY CPI. In the latest available M2 (Money Supply) data of the current fiscal year, net Government borrowing from scheduled banks has risen by 46%, including 28% one time conversion of energy sector related circular debt from loans to Government Securities, and net Government borrowing from SBP increased by 17.4%.

NAFA Government Securities Liquid Fund is the only 'AAA(f)' rated money market fund in Pakistan greater than Rs 10 billion in size. The last three funds in fixed income category launched by NAFA, namely NAFA Savings Plus Fund, NAFA Riba Free Savings Fund and NAFA Financial Sector Income Fund, are also performing well posting double digit returns. In the current economic environment as mentioned above, the returns of these funds are expected to remain attractive, considering their very low credit risk profile and floating rate linked investments.

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## "December 2011"

FUND NAME	FUND SIZE (Rs. In million)	FUND LAUNCH DATE	STABILITY RATING / STAR RANKING *	Dec-2011	LAST ONE YEAR	SINCE LAUNCH
NAFA Government Securities Liquid Fund <sup>1</sup>	15,632	16-May-09	AAA (f)	10.06%	11.68%	11.13%
NAFA Savings Plus Fund <sup>1</sup>	604	21-Nov-09	AA- (f)	11.00%	11.47%	10.69%
NAFA Riba Free Savings Fund <sup>1</sup>	635	21-Aug-10	AA- (f)	12.81%	11.65%	11.02%
NAFA Financial Sector Income Fund <sup>1</sup>	1,050	28-Oct-11	n/a	11.65%	n/a	13.05%
NAFA Asset Allocation Fund <sup>2</sup>	402	21-Aug-10	n/a	-0.43%	10.92%	21.69%
NAFA Multi Asset Fund <sup>2</sup>	562	22-Jan-07	★★★★ (4-star)	-1.95%	6.41%	47.87%
NAFA Islamic Multi Asset Fund <sup>2</sup>	242	29-Oct-07	★★★★ (4-star)	-1.22%	7.58%	28.04%
NAFA Stock Fund <sup>2</sup>	837	22-Jan-07	★★★★ (4-star)	-4.56%	-2.70%	5.46%
<p>1 Annualized return 2 Cumulative return n/a = Not applicable * Stability rating for Fixed Income Funds and Star Ranking for Equity Funds</p>						
<p><i>Note: Detailed monthly reports on NAFA Funds are available on our website at <a href="http://www.nafafunds.com">www.nafafunds.com</a></i></p>						

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MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (30/12/2011): Rs. 10.1821

December 2011

Performance

Performance % *	December 2011	Jul. - Dec. 2011	Jan. - Dec. 2011	Since Launch May 16, 2009
NAFA Government Securities Liquid Fund	10.06%	11.47%	11.68%	11.13%
Benchmark	10.61%	11.10%	11.34%	11.09%

\* Represent Annualized Return - (based on morning star formula)  
(Returns are net of management fee, Workers' Welfare Fund (WWF) provisioning & all other expenses)

General Information

Launch Date:	May 16, 2009
Fund Size:	Rs. 15,632 million
Type:	Open-end – Money Market 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: 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 Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- 'Positive Outlook' 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 10.06% during December 2011. The return for the CY 2011 is 11.68% against the benchmark return of 11.34%, hence an out-performance of 34 bps. This outperformance is net of management fee and all other expenses. The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of your Fund. NGSLF (i) allocates a minimum of 85% to Government Securities; and (ii) maintains maximum maturity of a single T-Bill to three months. In the CY 2011, average daily allocation in short-term Government Securities was 88.53%, while the daily average time to maturity of T-Bills for last 365 days was 41 days. The investment value of NGSLF has not declined on any day since the launch of the Fund in May 2009.

The average overnight repo rate for December 2011 was at 10.72% against 11.38% in previous months, as the market remained very liquid during the last week of the month. The highlight of the month was Ministry of Finance decision to reject all the T-Bills bids in auction of December 14, 2011 which had a target of Rs 100 billion. Also, the last auction of T-Bills on December 28, 2011 was also fairly under-subscribed as market placed bids of only Rs 23.88 billion against the target of Rs 65 billion and only Rs 3.54 billion (realized value) was raised. This resulted in weekly injections by SBP reducing from Rs 340 bln at start of month to Rs 174 billion in the last injection on December 30, 2011.

As of December 30, 2011, weighted average time to maturity of your Fund is around 41 days while that of T-Bills is around 37 days.

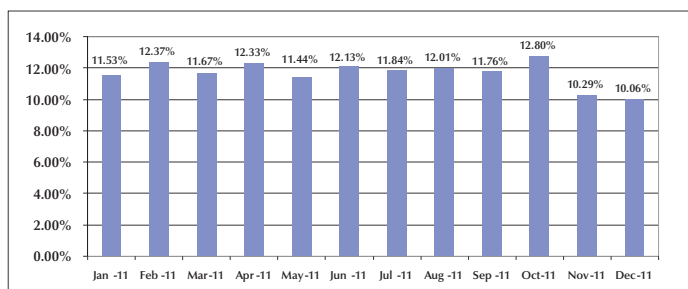
Asset Allocation (% of NAV) 30-Dec-11 30-Nov-11

T-Bills (Including Reverse Repo via Master Repurchase Agreement)	86.27%	86.43%
Placements with Banks	5.12%	4.93%
Placements with DFIs (AA+ & above rated)	6.08%	6.70%
Cash Equivalents	2.66%	2.25%
Other Net Liabilities	(0.13)%	(0.31)%

Total 100.00% 100.00%

Leverage Nil Nil

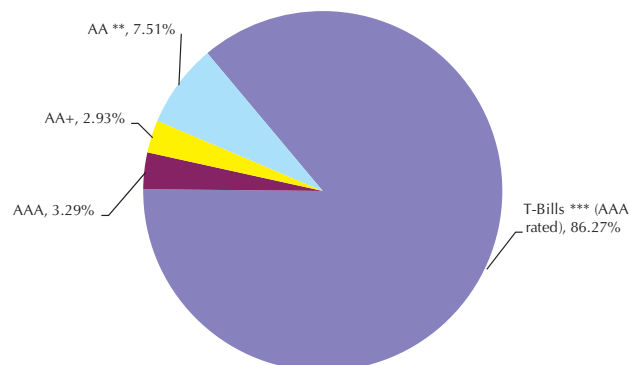
Monthly Annualized Returns of NGSLF for last 12 months



Name of the Members of Investment Committee

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

Credit Quality of the Portfolio as of December 30, 2011 (% of NAV)



\*\* Net of Other Net Liabilities

\*\*\* Including Reverse Repo via Master Repurchase Agreement

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MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (30/12/2011): Rs. 10.1354

December 2011

## Performance

Performance % *	December 2011	Jul. - Dec. 2011	Jan. - Dec. 2011	Since Launch November 21, 2009
NAFA Savings Plus Fund	11.00%	11.55%	11.41%	10.69%
Benchmark	8.49%	8.50%	8.53%	8.33%

\* Represent Annualized Return - (based on morning star formula)  
(Returns are net of management fee, Workers' Welfare Fund (WWF) provisioning & all other expenses)

## General Information

Launch Date:	November 21, 2009
Fund Size:	Rs. 604 million
Type:	Open-end – Income 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: 0%, Back end: 0%
Management Fee:	1.25% 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- 'Positive Outlook' 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

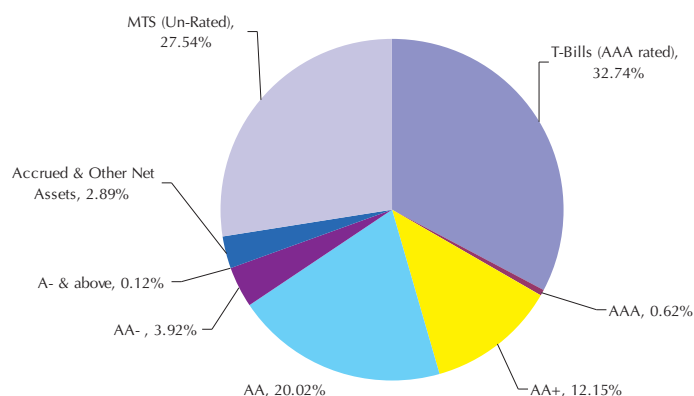
The Fund earned an annualized return of 11.00% during the month versus the benchmark return of 8.49%, thus depicting an out-performance of 2.51%. The CY return of the Fund is 11.41%, thus out-performing the benchmark by 2.88%. Since inception the out-performance of the Fund against the benchmark is 2.36%. This outperformance is net of management fee and all other expenses. The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

The allocation in Margin Trading System (MTS) was increased to around 27.5% as compared to 16.3% at the end of previous month. Our internal guidelines permit 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. Going forward, with increase in volume of MTS, the investment amount in this asset class will be enhanced, which will further improve the performance of the Fund.

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 the TFCs / Sukuks 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 management has decided to increase the management fee by 0.25% p.a. from Feb 27, 2012.

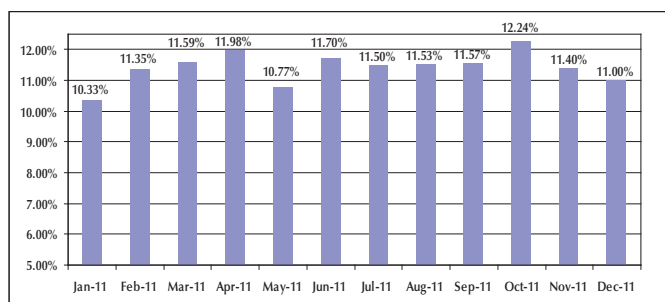
The average time to maturity of your Fund is around 48 days.

## Credit Quality of the Portfolio as of December 30, 2011 (% of NAV)



Asset Allocation (% of NAV)	30-Dec-11	30-Nov-11
T-Bills	32.74%	46.80%
Commercial Paper	11.59%	7.27%
Placements with Banks	8.28%	7.27%
Placements with DFIs	8.28%	7.27%
Margin Trading System (MTS)	27.54%	16.25%
Cash Equivalents	8.68%	11.12%
Other Net Assets	2.89%	4.02%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Monthly Annualized Returns of NSPF for last 12 months



## Name of the Members of Investment Committee

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

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MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (30/12/2011): Rs. 10.2232

December 2011

## Performance

Performance % *	December 2011	Jul. - Dec. 2011	Jan. - Dec. 2011	Since Launch August 21, 2010
NAFA Riba Free Savings Fund	12.81%	11.99%	11.65%	11.02%
Benchmark	8.40%	8.39%	8.34%	8.32%

\* Represent Annualized Return - (based on morning star formula)  
(Returns are net of management fee, Workers' Welfare Fund (WWF) provisioning & all other expenses)

## General Information

Launch Date:	August 21, 2010
Fund Size:	Rs. 635 million
Type:	Open-end – Shariah Compliant Income 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: 0%, Back end: 0%
Management Fee:	1.0% per annum
Risk Profile:	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:	Khalid Anwar Chapra
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- 'Positive Outlook' 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

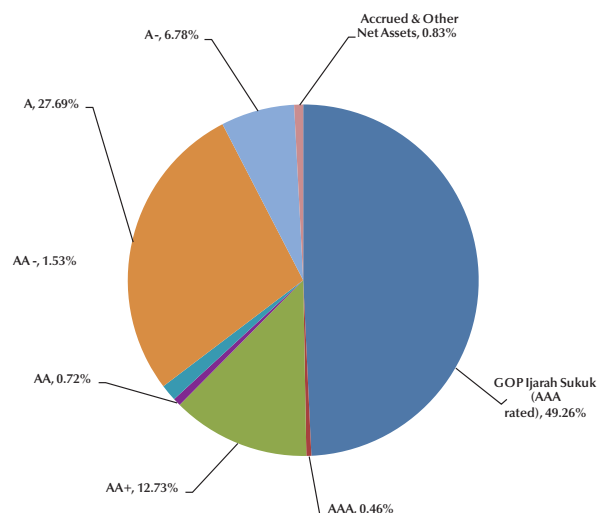
The annualized return generated by NRFSF for the month of December 2011 is 12.81%. The return for the CY 2011 is 11.65% p.a. against the benchmark return of 8.34% p.a., hence an out-performance of 3.31%. Since the Fund's inception over sixteen months ago, the Fund has out-performed its benchmark by 2.7% on an annualized basis. This outperformance is net of management fee and all other expenses. The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

We aim 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 sukuks and the stock market. With stability rating of AA-(f), your Fund is amongst the highest rated Riba Free Income Funds in the market. The management has decided to increase the management fee by 0.25% p.a. from Feb 27, 2012.

Government of Pakistan Ijarah Sukuks is the largest asset class of your Fund with around 50% allocation. After the last auction on December 20, 2011, the outstanding amount of GOP Ijarah sukuks is around Rs.293 billion. In the last auction, participation was Rs 84.17 billion against the target of Rs 50 billion, and bids worth Rs 70.27 billion were accepted. GOP Ijarah sukuks are floating rate Shariah compliant debt securities with six monthly coupon resets and an average duration of three months. This minimizes pricing risk.

The average duration of the Fund is 83 days.

## Credit Quality of the Portfolio as of December 30, 2011 (% of NAV)



## Top Holdings (as at December 30, 2011)

Name of Sukuk / Islamic Commercial Paper	% of Net Assets
GOP Ijarah (Sukuk VIII)	19.81%
GOP Ijarah (Sukuk V)	13.45%
GOP Ijarah (Sukuk IX)	7.08%
KAPCO Islamic CP	6.30%
HUBCO Islamic CP	5.90%
GOP Ijarah (Sukuk VI)	5.26%
GOP Ijarah (Sukuk VII)	3.66%
<b>Total</b>	<b>61.46%</b>

## Name of the Members of Investment Committee

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Ahmad Nouman, CFA  
Sajjad Anwar, CFA  
Tanvir Abid, CFA, FRM  
Khalid Anwar Chapra

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MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (30/12/2011): Rs. 10.2140

December 2011

## Performance

Performance % *	December 2011	Since Launch October 28, 2011
NAFA Financial Sector Income Fund	11.65%	13.05%
Benchmark	10.80%	10.78%

\* Represent Annualized Return - (based on morning star formula)  
(Returns are net of management fee, Workers' Welfare Fund (WWF) provisioning & all other expenses)

## General Information

Launch Date:	October 28, 2011
Fund Size:	Rs. 1,050 million
Type:	Open-end – Income 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: 0%, Back end: 0%
Management Fee:	1.5% per annum
Risk Profile:	Low
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:	Khalid Anwar Chapra
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- 'Positive Outlook' 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 annualized return generated by NFSIF for the month of December 2011 is 11.65% versus the benchmark return of 10.8% p.a., thus out-performing the benchmark return by 0.85% p.a. Since its inception the Fund's annualized out-performance against the benchmark is 2.27%. This outperformance is net of management fee and all other expenses.

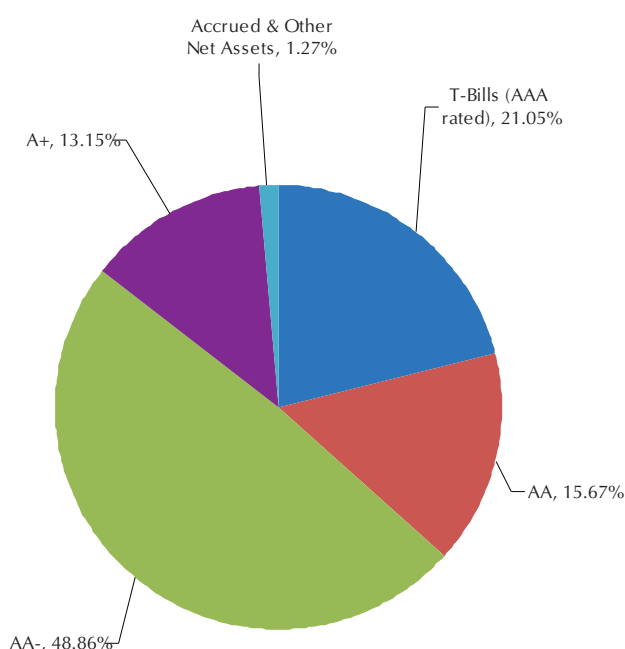
The Fund is unique as it invests a minimum of 70% of its assets in financial sector debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities (mainly banks) is AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. All debt securities in the Fund are floating rate i.e. linked to KIBOR. 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 weighted average time to maturity of the Fund is 2.54 years. The weighted average yield to maturity of the Fund is 12.91% while that of TFCs portfolio is 13.71%. The weighted average credit quality of the Fund is AA.

## Asset Allocation (% of NAV) 30-Dec-11 30-Nov-11

T-Bills	21.05%	24.07%
TFCs	69.04%	61.76%
Cash Equivalents	8.64%	10.13%
Other Net Assets	1.27%	4.04%
Total	100.00%	100.00%
Leverage	Nil	Nil

## Credit Quality of the Portfolio as of December 30, 2011 (% of NAV)



## Top Holdings (as at December 30, 2011)

Name of TFC	% of Net Assets
Faysal Bank Limited II	17.53%
NIB Bank Limited	13.14%
United Bank Limited IV	12.04%
Bank Alfalah Limited (Floater)	11.73%
Askari Bank Limited IV	4.79%
Askari Bank Limited III	4.68%
Allied Bank Limited I	2.10%
United Bank Limited III	1.85%
Engro Fertilizer Limited (PRP I)	1.18%
Total	69.04%

## Name of the Members of Investment Committee

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

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MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (30/12/2011): Rs.10.4630

December 2011

## Performance

Performance % *	December 2011	Jul. - Dec. 2011	Jan. - Dec. 2011	Since Launch August 21, 2010
NAFA Asset Allocation Fund	(0.43%)	1.88%	11.13%	21.69%
Benchmark	(1.4%)	(0.77%)	2.81%	11.35%

\* Cumulative returns are net of management fee, Workers' Welfare Fund (WWF) provisioning & all other expenses

## General Information

Launch Date:	August 21, 2010
Fund Size:	Rs. 402 million
Type:	Open-end – Asset Allocation 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 – 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-'Positive Outlook' 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) decreased by 0.43% while the benchmark (1/3 of average 3-month bank deposit rate; 1/3 of 6-month KIBOR; 1/3 of KSE 30 Index) decreased by 1.40%. Thus your Fund outperformed the benchmark by 0.97%. Since inception on August 21, 2010 your Fund has increased by 21.69%, while the Benchmark has increased by 11.35%. Thus, to-date the out-performance of your Fund stands at 10.34%. In CYTD 2011, the Fund outperformed the benchmark and peer group by 8.32% and 18.68% respectively. This out-performance is net of management fee and all other expenses.

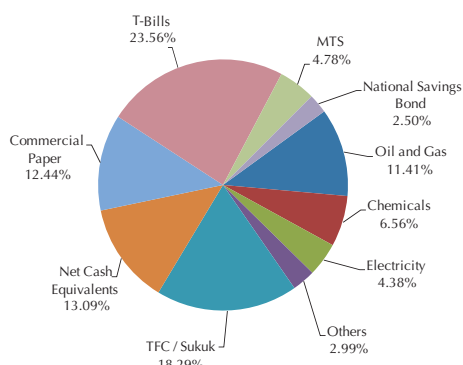
At the start of the month NAAF was around 21% invested in equities. The stock market continued to depict a weak trend ensuing from concerns on the macro and political front as well as structural issues. The out-performance of NAAF resulted from its under-weight position in equities. Further, some of the Fund's key holdings performed better than the market. NAAF was under-weight in selected stocks in the Fertilizer sub-sector that under-performed the market, which significantly benefited the Fund. Similarly, NAAF benefited from its under-weight position in a key Banking sector stock, which under-performed attributable to foreign selling. In the latter half of the month, we built positions in the high dividend yielding stocks. We increased the Fund's weightage in the Banking sector and Fertilizer & Power sub-sectors. At the end of the month, NAAF was around 25% invested in equities, 36% in money market instruments and around 18% in TFCs. The Fund invests in AA & above rated investment category TFCs.

In line with its strategy 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 (% of NAV) 30-Dec-11 30-Nov-11

Equities / Stocks	25.34%	21.42%
TFCs	18.29%	18.77%
Cash Equivalents	14.83%	9.27%
Commercial Paper	12.44%	5.15%
T-Bills	23.56%	42.03%
MTS	4.78%	0.72%
National Savings Bond	2.50%	2.59%
Other Net (Liabilities) / Assets	(1.74%)	0.05%
Total	100.00%	100.00%
Leverage	Nil	Nil

## Asset Allocation (as on 30th December 2011)



## 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 30th December 2011)

Name	Asset Class	% of NAV
Kot Addu Power	CP	7.47%
Allied Bank Limited I	TFC	6.22%
Pakistan Oilfields Ltd.	Equity	5.22%
Hub Power Company Limited	CP	4.98%
Fauji Fertilizer Co. Ltd.	Equity	4.57%
Hub Power Company Limited	Equity	4.38%
Engro Corp. Rupiya Certificate	TFC	4.26%
United Bank Limited III	TFC	3.71%
Oil & Gas Dev.Co	Equity	3.42%
Pak Petroleum Ltd.	Equity	2.77%
Total		47.00%

## Characteristics of Equity Portfolio\*\*

	PER	PBV	DY
NAAF	5.8	3.2	12.4%
KSE-30	6.6	3.8	8.9%

\*\* Based on NAFA's estimates

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MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (30/12/2011): Rs.9.2797

December 2011

## Performance

Performance % *	December 2011	Jul. - Dec. 2011	Jan. - Dec. 2011	Since Launch January 22, 2007
NAFA Multi Asset Fund	(1.95%)	0.03%	6.40%	47.87%
Benchmark	(2.43%)	(3.18%)	0.08%	20.31%

\* Cumulative returns are net of management fee, Workers' Welfare Fund (WWF) provisioning & all other expenses

## General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 562 million
Type:	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:	2.5% per annum
Risk Profile:	Moderate
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	M. Yousuf Adil Saleem & Co. Chartered Accountants
Benchmark:	50% KSE-30 Index & 50% 3-month KIBOR
Fund Manager:	Sajjad Anwar, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2-'Positive Outlook' 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 Commentary

During the month under review, NAFA Multi Asset Fund's (NMF) Net Asset Value (NAV) decreased by 1.95% while the benchmark (50% KSE-30 index & 50% 3-month KIBOR) decreased by 2.43%. Thus your Fund out-performed the benchmark by 0.48%. Since inception on January 22, 2007 your Fund has increased by 47.87%, while the benchmark has increased by 20.31%. Thus, to-date the out-performance of your Fund stands at 27.56%. 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 stock market continued to depict a weak trend ensuing from concerns on the macro and political front as well as structural issues. NMF out-performed mainly on account of its under-weight position in equities. On the other hand, the Fund's performance was affected by depressed TFC / Sukuk prices. NMF was under-weight in selected stocks in the Fertilizer sub-sector that under-performed, which significantly benefited the Fund. Further, some of the Fund's holdings in the Oil & Gas Exploration and Jute performed better than the market, which also benefited the Fund. At the start of the month, NMF was around 37% invested in equities. During the period we lowered the Fund's weightage in equities as the market lacked any positive triggers. However, during the latter half of the month we enhanced the allocation of NMF in stocks with high dividend yields and attractive valuations primarily in the Banking sector and Oil & Gas Exploration sub-sector. On the other hand, we reduced the weightage in the OMCs and Refineries sub-sectors. At the end of the month NMF was around 38% invested in equities.

NMF is invested in high dividend yielding stocks of defensive sectors. The portfolio of NMF is priced at forward earnings multiple of 5.5x offering 11.0% dividend yield. We are vigilant to the events in the capital markets and will alter the portfolio of NMF accordingly.

## Top Ten Holdings (as on 30th December 2011)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Maple Leaf Cement	Sukuk	9.32%	Avari Hotels Limited	TFC	4.33%
Pakistan Oilfields Ltd.	Equity	7.98%	Saudi Pak Leasing	TFC	4.04%
Hub Power Co. Ltd.	CP	6.23%	Oil & Gas Dev.Co. Ltd.	Equity	3.92%
Fauji Fertilizer Co. Ltd.	Equity	5.95%	Eden Housing	Sukuk	3.91%
Orix Leasing Pakistan	TFC	5.37%	Hub Power Co. Ltd.	Equity	3.41%

## 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 II	SUKUK	33,750,000	11,765,625	21,984,375	3.91%	3.79%	43.10%
Maple Leaf Cement I	SUKUK	88,289,652	35,906,254	52,383,398	9.32%	9.02%	34.12%
Saudi Pak Leasing	TFC	34,353,300	11,671,637	22,681,663	4.04%	3.91%	27.62%
Pak Elektron Limited ***	SUKUK	17,142,857	1,390,646	15,752,211	2.80%	2.71%	18.44%
Maple Leaf Cement II ***	SUKUK	3,315,000	3,315,000	-	0.00%	0.00%	N/A
New Allied Electronics I	SUKUK	10,000,000	10,000,000	-	0.00%	0.00%	N/A
<b>Total</b>		<b>186,850,809</b>	<b>74,049,162</b>	<b>112,801,647</b>	<b>20.07%</b>	<b>19.43%</b>	

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

## Asset Allocation (% of NAV) 30-Dec-11 30-Nov-11

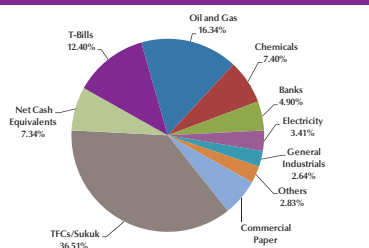
Equities / Stocks	37.52%	37.32%
TFCs / Sukuks	36.51%	36.56%
Commercial Paper	6.23%	6.04%
Cash Equivalents	8.83%	8.43%
T-Bills	12.40%	11.91%
Other Net Liabilities	(1.49%)	(0.26%)
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Characteristics of Equity Portfolio\*\*

	PER	PBV	DY
NMF	5.5	2.8	11.0%
KSE-30	6.6	3.8	8.9%

\*\* Based on NAFA's estimates

## Asset Allocation (as on 30th December 2011)



## Name of the Members of Investment Committee

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

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MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (30/12/2011): Rs.9.0122

December 2011

## Performance

Performance % *	December 2011	Jul. - Dec. 2011	Jan. - Dec. 2011	Since Launch October 29, 2007
NAFA Islamic Multi Asset Fund	(1.22%)	(1.01%)	7.70%	28.04%
Benchmark	(2.13%)	0.18%	7.07%	NA**

\* Cumulative returns are net of management fee, Workers' Welfare Fund (WWF) provisioning & all other expenses

\*\* KMI-30 Index was launched from September 2008

## General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 242 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:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2-'Positive Outlook' 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, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) decreased by 1.22%, whereas the benchmark (50% KMI-30 index & 50% average 3-month profit rate of Islamic Banks) decreased by 2.13%, thus your Fund out-performed the benchmark by 0.91%. During the Current Calendar Year, the Fund earned a return of 7.70% versus 7.07% benchmark return.

NIMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. The stock market continued to depict a weak trend ensuing from concerns on the macro and political front as well as structural issues. NIMF out-performed mainly on account of its under-weight position in equities. Further, some of the Fund's holdings performed better than the market. NIMF was under-weight in selected stocks in the Construction & Materials and Chemicals sectors as well as in the OMCs sub-sector, which benefited the Fund. Moreover, NIMF's key holdings in the Fertilizer and Oil & Gas Exploration sub-sectors performed better than the market, which also benefited the Fund. At the start of the month, NIMF was around 36% invested in equities. During the period we lowered the Fund's weightage in equities as the market lacked any positive triggers. However, during the latter half of the month we enhanced the allocation of NIMF in stocks with high dividend yields and attractive valuations primarily in the Power and Oil & Gas Exploration sub-sectors. On the other hand, we reduced the weightage in the Fertilizer sub-sector. At the end of the month NIMF was around 38% invested in equities.

NIMF is invested in high dividend yielding Shariah Compliant stocks of defensive sectors. The portfolio of NIMF is priced at forward earnings multiple of 6.9x offering 12.2% dividend yield. We are vigilant to the events in the capital and financial markets and will alter the portfolio of NIMF accordingly.

## Asset Allocation (% of NAV)

30-Dec-11 30-Nov-11

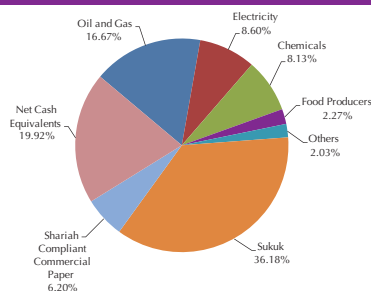
Equities / Stocks	37.70%	36.32%
Sukuks	36.18%	39.46%
Shariah Compliant Commercial Paper	6.20%	6.12%
Cash Equivalents	19.55%	17.04%
Other Net Assets	0.37%	1.06%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Characteristics of Equity Portfolio\*\*\*

	PER	PBV	DY
NIMF	6.9	4.4	12.2%
KMI-30	6.5	3.7	9.5%

\*\*\* Based on NAFA's estimates

## Asset Allocation (as on 30th December 2011)



## 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 30th December 2011)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Maple Leaf Cement I	Sukuk	12.24%	Fauji Fertilizer Co. Ltd.	Equity	7.24%
Kohat Cement Ltd.	Sukuk	9.75%	Hub Power Company Ltd.	CP	6.20%
Hub Power Company Ltd.	Equity	8.60%	Eden Housing II	Sukuk	4.54%
Pak Elektron Ltd.	Sukuk	8.14%	Pak Petroleum Ltd.	Equity	3.93%
Pakistan Oilfields Ltd.	Equity	8.13%	Oil & Gas Dev.Co	Equity	3.80%

## 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	YTM Per Annum
Eden Housing II	SUKUK	16,875,000	5,882,812	10,992,188	4.54%	4.39%	43.10%
Maple Leaf Cement I	SUKUK	49,915,000	20,299,782	29,615,218	12.24%	11.84%	34.12%
Kohat Cement Limited ***	SUKUK	35,300,000	11,718,753	23,581,247	9.75%	9.42%	27.48%
Pak Elektron Limited ***	SUKUK	21,428,571	1,738,307	19,690,264	8.14%	7.87%	18.44%
Maple Leaf Cement II ***	SUKUK	1,875,000	1,875,000	-	0.00%	0.00%	N/A
<b>Total</b>		<b>125,393,571</b>	<b>41,514,654</b>	<b>83,878,917</b>	<b>34.67%</b>	<b>33.52%</b>	

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

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MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (30/12/2011): Rs.6.0657

December 2011

## Performance

Performance % *	December 2011	Jul. - Dec. 2011	Jan. - Dec. 2011	Since Launch January 22, 2007
NAFA Stock Fund	(4.56%)	(6.82%)	(2.96%)	5.46%
Benchmark	(5.75%)	(12.15%)	(12.16%)	-24.00%

\* Cumulative returns are net of management fee, Workers' Welfare Fund (WWF) provisioning & all other expenses

## General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 837 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:	3% per annum
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-'Positive Outlook' 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 decreased by 5.75% whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) decreased by 4.56%, thus an out-performance of 1.19% was recorded. Since inception on January 22, 2007 the NAV of NSF has increased by 5.46% while the benchmark has declined by 24.00%, thus to date out-performance is 29.46%. This out-performance is net of management fee and all other expenses.

The stock market continued to depict a weak trend ensuing from concerns on the macro and political front as well as structural issues. The out-performance of NSF resulted from its under-weight position in equities. Further, some of the Fund's holdings performed better than the market. NSF was under-weight in selected stocks in the Fertilizer sub-sector that under-performed, which significantly benefited the Fund. Similarly, NSF benefited from its under-weight position in a key Banking sector stock, which under-performed attributable to foreign selling. Further, some of the Fund's holdings in the Cement and Oil & Gas Exploration sub-sectors and Media sector performed better than the market.

At the start of the month, NSF was around 88% invested in equities. During the period we lowered the Fund's weightage as the market was devoid of any positive triggers. However, in the latter half of the month we enhanced the allocation of NSF in equities as the valuations of the market became cheaper and dividend yields became more lucrative. We increased the Fund's weightage in the Electricity and Banking sectors and Oil & Gas Exploration sub-sector. While we reduced the weightage in the Construction & Materials sector and OMCs and Refineries sub-sectors. At the end of the month NSF was around 90% invested in equities.

NSF is invested in stocks with strong fundamentals and growth prospects and attractive dividend yields. The portfolio of NSF is priced at forward earnings multiple of 5.7x offering 9.4% dividend yield. We are vigilant to the developments in the capital markets and will alter the portfolio of NSF accordingly.

## Top Ten Equity Holdings (as on 30th December 2011)

Name	% of NAV	Name	% of NAV
Oil & Gas Dev.Co	14.25%	Engro Corporation Ltd.	6.43%
Fauji Fertilizer Co. Ltd.	11.67%	Pak Petroleum Ltd.	5.76%
Pakistan Oilfields Ltd.	9.39%	United Bank Ltd.	3.62%
Hub Power Company Ltd.	9.24%	Thatta Cement	3.55%
MCB Bank Limited	7.13%	Meezan Bank Ltd.	3.38%

## Name of the Members of Investment Committee

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

## Asset Allocation (% of NAV) 30-Dec-11 30-Nov-11

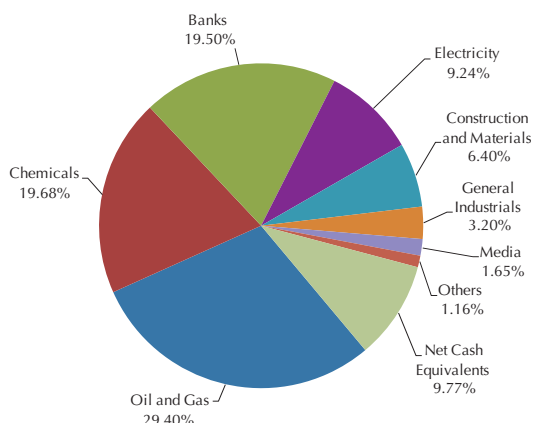
Equities / Stock	90.23%	88.38%
Cash Equivalents	7.80%	9.31%
T-Bills	-	5.63%
Other Net Assets / (Liabilities)	1.97%	(3.32%)
Total	100.00%	100.00%
Leverage	Nil	Nil

## Characteristics of Equity Portfolio\*\*

	PER	PBV	DY
NSF	5.7	2.6	9.4%
KSE-30	6.6	3.8	8.9%

\*\* Based on NAFA's estimates

## Asset Allocation (as on 30th December 2011)



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