

NAFA Funds

Monthly Report (February 2011)



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

Managed by:

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(Formerly National Fullerton Asset Management Limited)

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Joint - Venture Partners



NBP Fullerton
Asset Management Limited
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Dr. Amjad Waheed, CFA
Chief Executive Officer

The Consumer Price Index (CPI) has increased by 55% over the last 3 years, whereas salaries have not risen accordingly. The urban population that relies on manufacturing growth and trading, or earns fixed salaries has generally experienced a deterioration in its standard of living, and is not happy about it. Large scale manufacturing growth has declined by about 1% over the last three years, whereas the wholesale trade has risen by a marginal 4% over the same period (see Table 1). The story is very different in Rural Pakistan where about 65% of the country's population lives. What the urban Pakistan calls inflation, the rural Pakistan calls income. Table 2 shows the tremendous rise in selected food items over the last 3 years. Cotton prices have risen by 173%, sugar by 133%, mong pulses by 167%, and wheat by 65% during this period. By some estimates this has resulted in an additional income of Rs 300 billion per annum for the rural population. Whereas a large chunk of this income has ended up with the agriculture elite, there are signs that some has trickled down to the small farmers as well. A survey of 300 farmers conducted by IBA – Sukkur for the State Bank of Pakistan shows that 65% of the farmers have holdings of under 12.5 acres of land, and all of them are using tractors for cultivation and transporting their output to the market. Tractor sales are up by about 30% in the last couple of years. Monthly car sales are up 177% from its bottom in Dec 2008 and Motorcycle sales are up 25% over the last couple of years. Almost half of these sales end up in rural Pakistan.

There is tremendous potential of investment in the food industry especially in grading, processing and packaging of fruits such as mangoes and citrus, organized livestock breeding and marketing, processing of meat, poultry, dairy projects, and building storage capacity. Domestic and foreign investors have already started exploring and investing in these projects. Despite the worst-ever floods, output of cotton, wheat, sugarcane and other crops are expected to be much higher than earlier projected. This rural-urban income divide has economic, social and political consequences. Good agriculture output and rising rural income will eventually help in the recovery of the industrial and service sector as well.

On the stock market front, recently announced corporate earnings have been extremely good, depicting around 40% YoY growth in the 60% of the KSE-100 companies that have announced their results so far. The stock market rose by about 26% in five months since August 2010 and has now already experienced a decline of around 9% during February 2011. The Margin Trading System is expected to be operational in the first week of March. The stock market seems to be bottoming out, and entering a consolidation phase. Urban Pakistan can also start growing well if we can (i) find ways to get rid of the circular debt by raising utility costs and improving efficiency; (ii) move swiftly to develop and import alternative sources of energy; and (iii) expand the tax base and control government expenses. Whereas the nation's mindset has started focusing on these issues, urban Pakistan may have to wait for another 2-3 years before their income start rising in real (inflation-adjusted) terms.

Table 1 – Trend of Selected Economic Indicators

Particulars	June 08 - Jan 11
Inflation (CPI)	55%
Inflation (WPI)	66%
Quantum Index on LSM	-1%
Wholesale Trade	4%

Table 2 – Rise in Major Commodities Prices

Particulars	June 08 - Jan 11
Wheat (40 Kg.)	56%
Cotton (40 Kg.)	173%
Sugar (40 Kg.)	133%
Rice (40 Kg.)	40%
Mutton (40 Kg.)	79%
Mong Pulse (40 Kg.)	167%

February 2011

Stock Market Review

The market depicted an extremely bearish trend during the month of February 2011. Investor confidence was shaky on the combined effect of the volatile domestic political situation, concerns of selling by foreign investors, diplomatic row with the US, and threat of deterioration on the macroeconomic front. Political tensions in the Middle East that contributed to the surge in international crude oil prices have unnerved investors both locally and abroad. Further, investor sentiment was dampened as Capital Gains Tax modalities are still vague. Furthermore, with the corporate results season nearing its end, the market was devoid of positive triggers going forward. On the other hand, during the month there were significant developments on the Margin Trading System (MTS) with the product expected to be launched in March 2011.

The month started with the KSE-30 Index at around 12009 levels. The market maintained a downhill course with the KSE-30 plunging to the 10611 level intra-day low on February 25, 2011. This depicted an 11.6% decline from the beginning of the month. Institutional support was minimal although some value hunting was seen when the KSE-30 Index was around the 11000 point levels. Overall, the KSE-30 Index closed the month at the 10940 point levels, down 8.9% during the month. Another concern for investors was the possible rise in domestic petroleum prices going forward. This will have serious implications for the inflationary trend and the Central Bank's monetary stance. Key indicators on Pakistan's external front remain positive. The country's foreign exchange reserves have soared to the US\$ 17.4 billion level and the current account deficit during FY11 to date stands at US\$ 81 million.

Inflation as measured by CPI was recorded at 14.2% YoY for January 2011. Net Foreign Portfolio Investment (FPI) inflows sharply dried up during the month. During February 2011 Net FPI was recorded at around US\$ 5.50 million, as against US\$ 63.10 million during January 2011. Trading activity decreased significantly and Average Daily Traded Volume during February 2011 was recorded at 95.6 million shares, compared to 170.14 million shares in January 2011.

The Power and Fertilizer sub-sectors out-performed the market. The Banking, Oil & Gas and Construction & Materials sectors under-performed the market. The Power sub-sector performed better than the market as investors focused on yield plays in the volatile situation of the market. The Fertilizer sub-sector performed better on the back of strong FY10 results announcements and dividend payouts. The Banking sector under-performed on lack of any excitement in the sector. The Construction & Materials sector under-performed on weak earnings prospects going forward. The Oil & Gas sector lagged the market on the impact of mounting circular debt and squeeze in refineries margins.

Going forward, we believe that the following key factors will drive the stock market: (i) Foreign Portfolio Investment (FPI) activity; (ii) launch and response to the Margin Trading System; (iii) events in the Middle East and North Africa; (iv) Pakistan's relations with the US; and (v) macroeconomic situation.

Fixed Income Review

In the money market arena, there has been some respite in liquidity lately, owing mainly to some retirement in commodity linked credit and improvement in workers remittances from abroad. Recent T-Bill auctions have shown almost all the participation in three month T-Bills while there has been little participation in 6 months and 12 months papers. Hence, the money market is anticipating rate hike in at least one of the next two Monetary Policy Statements (MPS) due at end-March and end-May. On the corporate debt area, there has been a slight improvement in market's demand for debt securities of high rated issuers'. Many of the non-performing securities have been restructured within this fiscal year. The sustainability on economic and political fronts, resolution of energy sector related circular debt, fiscal deficit and inflation numbers will mainly determine the future path of interest rates and hence the future returns of money market and income funds.

The overall direction of inflation during the ongoing Fiscal Year is upwards. The average inflation (YoY CPI) for the first seven months has been 14.5% as against 10.8% for the same period a year ago. The SBP estimate for the average CPI for FY 2011, as mentioned in its latest MPS, is 15-16%. The recent spike in international oil prices is also a concern for inflation and balance of payments. As per last available Money Supply data up-to Feb 12, 2011, the net outstanding Government sector borrowing from scheduled banks is Rs 1,049 billion, an increase of Rs 246.5 billion or 31% in current Fiscal Year. This data suggests that Government borrowing from the scheduled banks is on the rise, which can only be matched with market appetite by offering high yields on Government Securities. This is also crowding out the more productive private sector credit as Government is deemed to be a safe borrower in comparison with the private sector.

Simultaneously, a few positive developments have been encouraging. Firstly, the current account deficit for the first seven months of FY 2011 i.e. July-January, is a mere USD 81 million (-0.1% of GDP), as against a deficit of USD 3,052 mln (-3.0% of GDP) for the same period a year back. This is attributable mainly to healthy exports (growth of 20.3%) and higher workers' remittances (a 17.7% rise). Secondly, Government borrowing from State Bank of Pakistan has been constrained in the last two months, such monetization otherwise could have fueled further inflation and associated expectations. This is also necessary as it keeps a check on fiscal deficit. However, Government's stance to continue with power subsidies is undermining this development.

The money market fund and non-TFC income funds with short maturities i.e. NAFA Government Securities Liquid Fund (NGSLF), NAFA Savings Plus Fund (NSPF) and NAFA Riba Free Savings Fund (NRFSF), all continue to post competitive double digit returns. These funds are expected to benefit further due to their short-term maturities in the current interest rate environment. The market has consistently reposed confidence in NGSLF, an ultra low credit-risk fund rated 'AAA (f)', as indicated by its increasing Fund Size (over Rs 10 billion). This is a reflection of the market's focus on safety of investments. For longer-term investors, our Income / Aggressive Income funds offer very attractive yields with investment horizon of three or more years.

"February 2011"

FUND NAME	FUND SIZE (Rs. In million)	FUND LAUNCH DATE	STABILITY RATING	Feb- 2011	LAST ONE YEAR	SINCE LAUNCH
NAFA Government Securities Liquid Fund *	10,535	16-May-09	AAA (f)	12.37%	11.01%	10.89%
NAFA Savings Plus Fund *	610	21-Nov-09	AA- (f)	11.35%	10.05%	10.14%
NAFA Income Opportunity Fund * <i>(Formerly NAFA Cash Fund)</i>	2,832	22-Apr-06	A (f)	13.99%	2.87%	7.31%
NAFA Income Fund *	506	29-Mar-08	A- (f)	33.22%	2.49%	4.61%
NAFA Islamic Aggressive Income Fund * <i>(Formerly NAFA Islamic Income Fund)</i>	189	29-Oct-07	BBB (f)	10.68%	32.44%	0.10%
NAFA Riba Free Savings Fund *	260	21-Aug-10	A+ (f)	10.50%	n/a	9.65%
NAFA Islamic Multi Asset Fund **	270	29-Oct-07	***	-0.77%	28.04%	21.75%
NAFA Multi Asset Fund **	688	22-Jan-07	***	-1.35%	19.45%	39.92%
NAFA Stock Fund **	890	22-Jan-07	***	-5.72%	16.71%	6.70%
NAFA Asset Allocation Fund **	222	21-Aug-10	***	-0.49%	n/a	13.23%
Total AUM	17,002					

Total AUM

* Annualized return

** Cumulative return

*** Not applicable

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

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Performance

Performance % **	February 2011	FYTD Jul. 2010 - Feb. 2011	Trailing 12 Months	Since Launch May 16, 2009
NAFA Government Securities Liquid Fund	12.37%	11.26%	11.01%	10.89%
Benchmark	11.63%	11.24%	11.05%	10.99%

* Ex-Distribution Price

** 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. 10,535 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 12.37% during the month. This is better than the previous month's return by 84 basis points due to gains in the T-Bill portfolio because of liquid inter-bank money market conditions on back of retirement in commodity linked credit.

NGSLF's Fund stability rating is 'AAA(f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of your Fund. NGSFL (i) allocates a minimum of 85% to Government Securities; (ii) maintains T-Bill portfolio maturity / duration below 45 days to minimize any interest rate risk; and (iii) maintains maximum maturity of a single T-Bill to three months. NGSFL is the only 'AAA'(f) rated Fund in Pakistan with more than Rs 10 billion Fund Size. The investment value of NGSFL has not declined on any day since the launch of the 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 inflation and associated expectations. However, Government borrowing from SBP has been under control for the first two months of the Calendar Year.

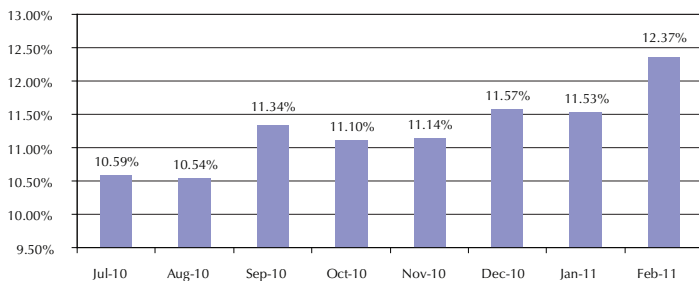
In the two T-bills auctions of February, cumulatively accepted amount was Rs. 348.72 billion against the target of Rs. 300 billion. The cut off yields for the last auction of the month were noted at 13.49%, 13.69% and 13.86% for the 3 months, 6 months and 12 months T-Bills respectively with major participation in 3 months paper. The market is still expecting Policy Rate increase in at least one of the two remaining Policy Rate announcements of this Fiscal Year. This is likely to keep returns of your Fund attractive due to its short maturity.

The average maturity of your Fund is presently 46 days, while that of T-Bills portfolio is 45 days.

Asset Allocation (% of NAV) 28-Feb-11 31-Jan-11

	28-Feb-11	31-Jan-11
T-Bills (Including Reverse Repo via Master Repurchase Agreement)	87.42%	87.34%
Placements with Banks	7.59%	9.59%
Cash Equivalents	5.23%	3.24%
Other Liabilities	-0.24%	-0.17%
Total	100.00%	100.00%
Leverage	Nil	Nil

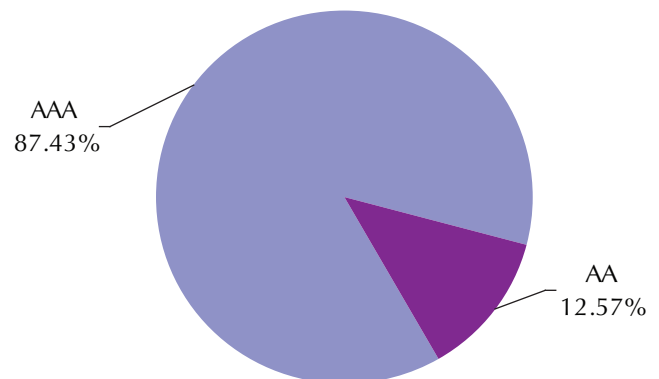
Month wise Returns of NGSFL FYTD 2011



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 (% of NAV)



Performance

Performance % **	February 2011	FYTD Jul. 2010 - Feb. 2011	Trailing 12 Months	Since Launch November 21, 2009
NAFA Savings Plus Fund	11.35%	10.21%	10.05%	10.14%
Benchmark	8.30%	8.28%	8.17%	8.16%

* Ex-Distribution Price

** 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. 610 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:	Front end: 0%, Back end: 0%
Management Fee:	1.25% per annum (The Management Fee has been reduced from 2.0% p.a to 1.25% p.a with effect from March 1st, 2011)
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 11.35% during the month, thus outperforming the benchmark by 3.05%. This is also better than the previous month's return by 102 basis points. Since inception the out-performance of the Fund against its benchmark is 1.98%. The Fund intends to provide its investors consistently better returns than bank deposits.

The Management is pleased to announce a reduction in the Fund's Management Fee from 2% p.a. to 1.25% p.a. This shall result in higher returns to the Fund's Unit Holders by 75 basis points, going forward. The new Management Fee structure will be applicable from March 1, 2011.

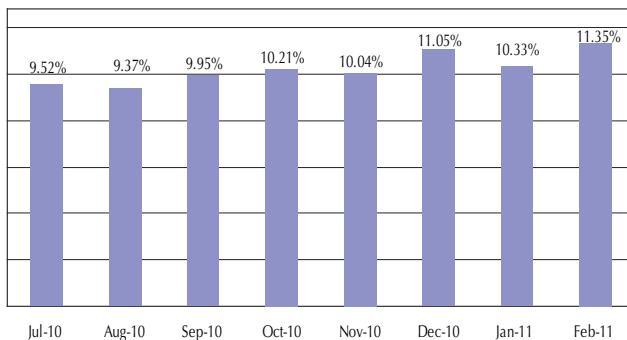
NSPF is one of the highest rated income funds in the market. It cannot invest in any avenue which has more than six months maturity, nor can it invest in the TFCs/ Sukuks and the Stock Market. Moreover, it cannot invest in money market instruments below a credit rating of 'AA-'. The investment value of the Fund has not declined on any day since its launch in November 2009. This Fund is also the underlying Fund for NAFA Savings Plans.

The average maturity of your Fund is around 47 days.

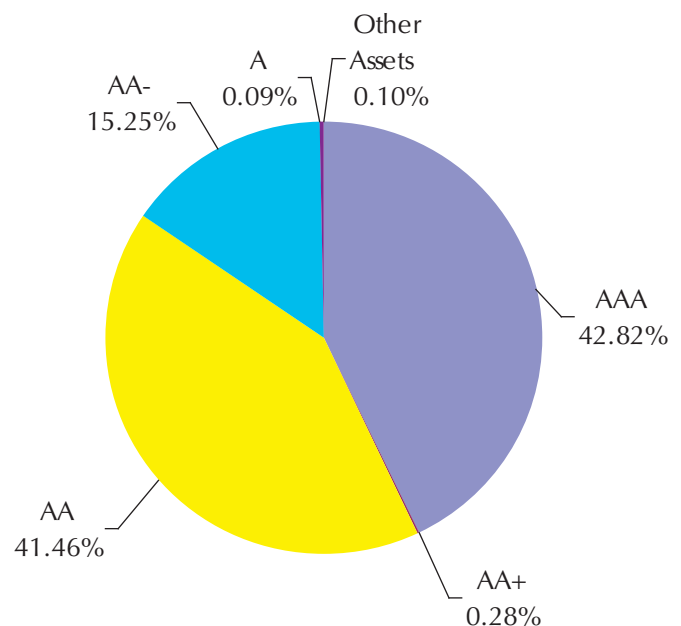
Asset Allocation (% of NAV) 28-Feb-11 31-Jan-11

	28-Feb-11	31-Jan-11
T-Bills	42.71%	49.64%
Placements with Banks	40.99%	15.67%
Placements with NBFCs	-	19.28%
Commercial Paper	11.38%	10.77%
Cash Equivalents	4.82%	4.66%
Other Assets / (Liabilities)	0.10%	-0.02%
Total	100.00%	100.00%
Leverage	Nil	Nil

Month wise Returns of NSPF FYTD 2011



Credit Quality of the Portfolio (% of NAV)



Name of the Members of Investment Committee

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

Performance

Performance % **	February 2011	Since Launch August 21, 2010
NAFA Riba Free Savings Fund	10.50%	9.51%
Benchmark	8.28%	8.24%

* Ex-Distribution Price

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

General Information

Launch Date:	August 21, 2010
Fund Size:	Rs. 260 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 Load:	Forward Pricing Front end: 0%, Back end: 0%
Management Fee:	1.0% per annum (The Management Fee has been reduced from 1.5% p.a to 1.0% p.a with effect from March 1st, 2011)
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 February 2011 is 10.50%. This is better than the benchmark return by 2.22% and is in line with the previous month's return. Since the Fund's inception six months ago, the Fund has outperformed its benchmark by 1.4%. The Management is pleased to announce reduction in the Management Fee of the Fund from 1.5% p.a. to 1% effective March 1, 2011 for the benefit of unit holders.

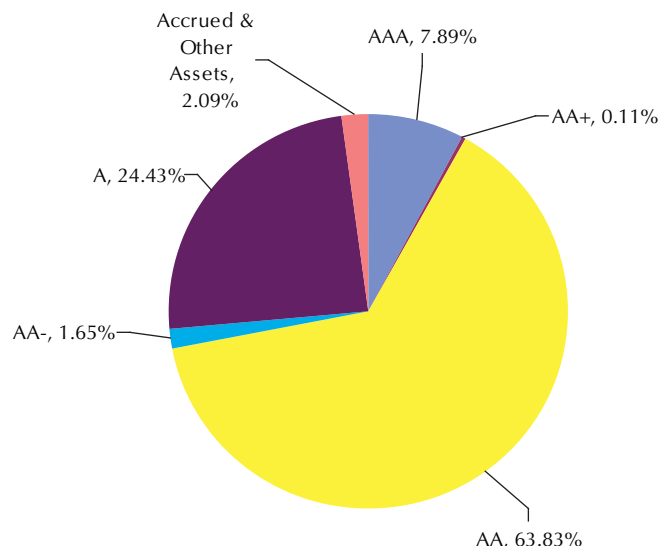
As indicated in previous monthly reports to the Unit Holders, we took exposure in Government of Pakistan Ijara Sukuks in February. Going forward, we expect the credit profile and the return of the Fund to further improve on the back of higher allocation to Shariah compliant Government Securities and expected increase in the Fund Size.

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 the Stock Market.

The average maturity of your Fund is 82 days.

Credit Quality of the Portfolio (% of NAV)



Asset Allocation (% of NAV)	28-Feb-11	31-Jan-11
Placements with Islamic Banks	63.52%	65.88%
GOP Ijara Sukuk - Govt. Backed	7.72%	-
Cash Equivalents	26.66%	33.03%
Other Assets	2.10%	1.09%
Total	100.00%	100.00%
Leverage	Nil	Nil

Sukuk Holdings (as at February 28, 2011)

Name of Sukuks	% of Net Assets
GOP Ijarah Sukuk V	7.72%
Total	7.72%

Name of the Members of Investment Committee

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



Performance				
Performance %	February 2011 *	FYTD Jul. 2010 - Feb. 2011**	Trailing 12 Months *	Since Launch March 29, 2008 *
NAFA Income Fund	33.22%	-1.07%	2.49%	4.61%
Benchmark	13.76%	8.42%	12.61%	12.29%

* 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. 506 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-Month 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 33.22% during February 2011. This is relatively higher because of unrealized gains in the TFC portfolio and reclassification of a housing sector TFC to a performing security.

The Fund's largest exposure in a Fertilizer sector TFC is expected to improve its credit worthiness because of the company's potential acquisition.

The weighted average Yield to Maturity of NAFA Income Fund is around 23.2% p.a. The weighted average maturity of NAFA Income Fund is 3.3 years. Thus, the Fund is expected to perform well over a three to four year horizon. However, since there are TFCs / Sukuks in the portfolio and their prices may go up and down based on market liquidity etc., only long-term investors are advised to invest in this Fund.

Asset Allocation (% of NAV) 28-Feb-11			31-Jan-11		
TFC / Sukuk	83.22%	84.11%			
T-Bills	11.52%	9.94%			
Cash Equivalents	3.44%	3.95%			
Other Assets	1.82%	2.00%			
Total	100.00%	100.00%			
Leverage	Nil	Nil			

Details of Non-Compliant Investments

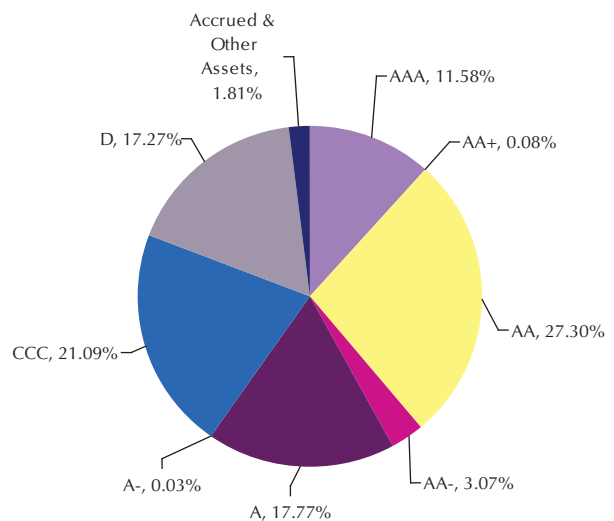
Name of Non Compliant Investment	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	Yield to Maturity per annum
Agritech Limited II	TFC	149,880,000	43,150,835	106,729,165	21.09%	28.59%
Saudi Pak Leasing	TFC	54,269,100	17,669,171	36,599,929	7.23%	23.64%
Eden Housing Sukuk II	Sukuk	73,125,000	22,329,304	***50,795,696	10.04%	38.86%
Total		277,274,100	83,149,310	194,124,790	38.36%	

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

TFC/SUKUK Holdings (as at February 28, 2011)

Credit Quality of the Portfolio (% of NAV)

Name of TFCs / Sukuks	% of Net Assets
Agritech Limited II	21.09%
World Call Telecom Limited	17.72%
Engro Fertilizer (PPTFC)	17.61%
Eden Housing Limited (Sukuk)	10.04%
United Bank Limited IV	9.54%
Saudi Pak Leasing	7.23%
Total	83.22%



Name of the Members of Investment Committee

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

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 % **	February 2011	FYTD Jul. 2010 - Feb. 2011	Trailing 12 Months	Since Launch April 22, 2006
NAFA Income Opportunity Fund <i>Formerly NAFA Cash Fund</i>	13.99%	2.71%	2.87%	7.31%
Benchmark	13.76%	13.03%	12.80%	11.50%

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

General Information

Launch Date:	April 22, 2006
Fund Size:	Rs. 2,832 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: 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:	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

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 13.99% during February 2011. This is better than the benchmark return by 0.23%.

Some recent positive developments include clearance of Competition Commission of Pakistan to a leading Fertilizer Company to bid for a smaller Fertilizer player owned by a Textile Company. NIOF is expected to benefit from this development if it materializes as the Fund has TFCs of both companies i.e. the Textile and its Fertilizer subsidiary, marked at around 50% discount to the Par Value.

The annual Yield to Maturity of your Fund is currently around 24% while that of the TFC portfolio is 26.1%. The weighted average maturity of your Fund is 2.7 years. Going forward, we expect healthy returns on your Fund over a three year investment horizon because most TFCs are marked at a significant discount to their par values hence offering attractive yields. Materialization of the above mentioned development and reasonable performance of cement, real estate and telecom sectors are expected to improve the future returns of your Fund.

Asset Allocation (% of NAV) 28-Feb-11 31-Jan-11

TFC / Sukuk	83.25%	70.75%
Cash Equivalents	26.52%	23.87%
Other (Liabilities) / Assets	-9.77%	5.38%
Total	100.00%	100.00%
Leverage	Nil	Nil

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	2.70%	41.96%
Azgard Nine Limited PPTFC	TFC	249,800,000	122,402,000	127,398,000	4.50%	40.24%
Kohat Cement Limited	Sukuk	241,500,000	78,134,185	***163,365,815	5.77%	31.58%
Maple Leaf Cement Sukuk I	Sukuk	399,660,000	149,015,229	***250,644,771	8.85%	29.14%
BRR Guardian Modaraba Sukuk	Sukuk	50,000,000	12,500,000	37,500,000	1.32%	35.18%
Saudi Pak Leasing	TFC	54,269,100	17,669,171	36,599,929	1.29%	23.64%
Eden Housing Sukuk II	Sukuk	33,637,500	10,271,480	***23,366,020	0.83%	38.86%
Total		1,178,746,600	463,433,265	715,313,335	25.26%	

*** Book value, performing but below investment grade

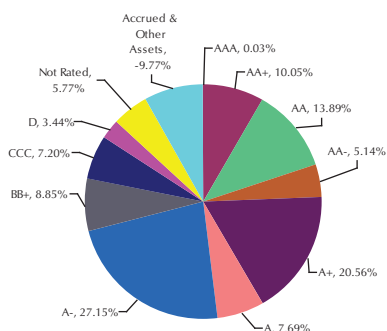
TFC/SUKUK Holdings (as at February 28, 2011)

Name of TFCs / Sukuks	% of Net Assets
Pakistan Mobile Comm (Listed II)	11.71%
Engro Fertilizer (PPTFC)	9.76%
Orix Leasing Pakistan (PPTFC)	9.09%
Maple Leaf Cement (Sukuk)	8.85%
World Call Telecom Limited	5.94%
Kohat Cement Limited (Sukuk)	5.77%
Azgard Nine PPTFC	4.50%
Avari Hotels Limited	4.25%
Pace Pakistan Limited	3.44%
Century Paper & Board (Sukuk)	3.44%
Total	66.75%

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 NAV)





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 (28/02/2011): Rs. 8.0983

February 2011

Performance

Performance % *	February 2010	FYTD Jul. 2010 - Feb. 2011	Trailing 12 Months	Since Launch October 29, 2007
NAFA Islamic Aggressive Income Fund <i>Formerly NAFA Islamic Income Fund</i>	10.68%	6.84%	32.44%	0.10%
Benchmark	7.27%	6.72%	6.59%	6.26%

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

General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 189 million
Type:	Open-end – Shariah Compliant 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 (f)" 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 10.68% during February 2011. The Fund's return is expected to remain attractive in the future as well.

We have increased allocation to AAA rated GOP Ijara Sukuks during the month, which has also enhanced the credit profile of your Fund.

The annual Yield-to-Maturity of Sukuk portfolio in your Fund is around 23.4% and the weighted average time to maturity is 3.2 years. The weighted average maturity of your overall Fund is 2.6 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.

Asset Allocation (% of NAV) 28-Feb-11 31-Jan-11

Sukuk	66.18%	66.44%
GOP Ijara Sukuk - Govt. Backed	14.76%	13.29%
Cash Equivalents	10.51%	12.91%
Other Assets	8.55%	7.36%
Total	100.00%	100.00%
Leverage	Nil	Nil

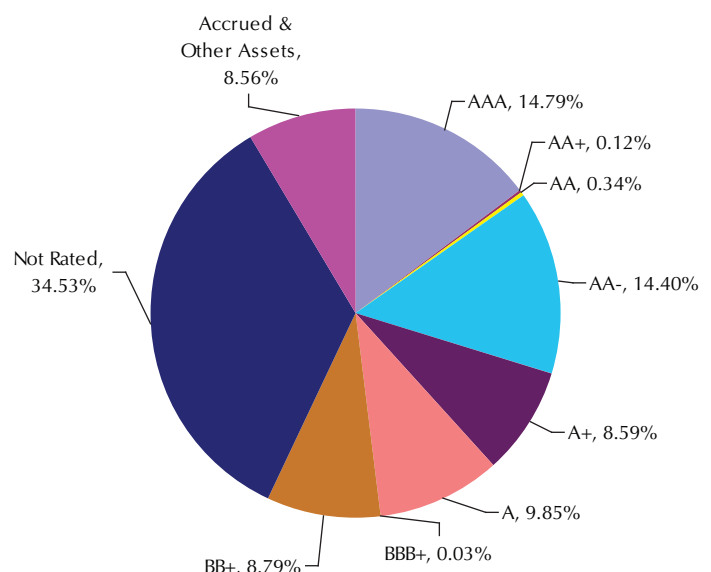
TFC/Sukuk Holdings (as at February 28, 2011)

Name of TFCs / Sukuks	% of Net Assets
Kohat Cement Limited (Sukuk)	34.53%
Engro Fertilizer Limited (Sukuk)	14.27%
GOP Ijarah (Sukuk) V	12.08%
Maple Leaf Cement Limited (Sukuk)	8.79%
Pak Electron Limited (Sukuk)	8.59%
GOP Ijarah (Sukuk)	2.68%
Total	80.94%

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 NAV)



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Performance

Performance % **	February 2011	FYTD Jul. 2010 - Feb. 2011	Trailing 12 Months	Since Launch January 22, 2007
NAFA Multi Asset Fund	(1.35%)	18.61%	19.45%	39.92%
Benchmark	(4.04%)	11.65%	11.17%	18.11%

* Ex-Dividend Price

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

General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 688 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

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 1.35% while the benchmark (50% KSE-30 index & 50% 3-month KIBOR) decreased by 4.04%. Thus your Fund out-performed the benchmark by 2.69%. Since inception on January 22, 2007 your Fund has increased by 39.92%, while the benchmark has increased by 18.11%. Thus, to-date the out-performance of your Fund stands at 21.81%. This out-performance is net of management fee and all other expenses.

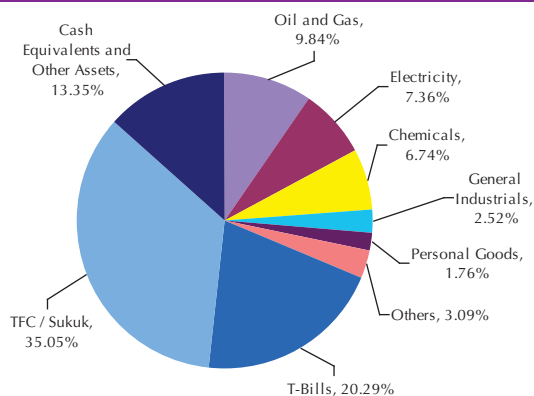
NMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. At the start of the month, NMF was around 46% invested in equities. We further reduced the weightage of the Fund in equities as the market largely portrayed a bearish trend. At the end of the month, NMF was around 31% invested in equities. As per regulations, a Balanced Fund is required to maintain minimum 30% exposure in equities. During the month we reduced NMF's weightage in almost all sectors namely, Oil & Gas, Banks, Chemicals and Electricity. The equity portfolio of NMF is weighted towards stocks that are defensive in nature and which have high dividend yields. At the end of the month NMF was over-weight in the Power sub-sector and under-weight in the Oil & Gas Exploration sub-sector. Both of sub-sectors contributed to the out-performance of the Fund as NMF's key holdings in these two sub-sectors performed better than the market. NMF's out-performance was also contributed by the Fund's under-weight stance in Banks, Financial Services, Construction & Materials and Insurance sectors. The weighted average Yield-to-Maturity (YTM) of the TFC / Sukuk portfolio of NMF is around 25.83% per annum.

We are monitoring the developments in the capital markets and will alter the portfolio of NMF accordingly.

Asset Allocation (% of NAV) 28-Feb-11 31-Jan-11

Asset Allocation (% of NAV)	28-Feb-11	31-Jan-11
Equities / Stock	31.31%	45.80%
TFC / Sukuk	35.05%	34.21%
Cash Equivalent	12.36%	4.77%
T-Bills	20.29%	12.76%
Other Net Assets	0.99%	2.46%
Total	100.00%	100.00%
Leverage	Nil	Nil

Asset Allocation (as on 28th February 2011)



Top Ten Holdings (as on 28th February 2011)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Maple Leaf Cement	Sukuk	8.06%	Saudi Pak Leasing	TFC	3.55%
Orix Leasing Pakistan	PPTFC	5.76%	Pak Petroleum Ltd.	Equity	3.30%
Hub Power Co. Ltd.	Equity	5.57%	Pakistan Mobile II	TFC	3.09%
Pakistan Oilfields Ltd.	Equity	4.43%	Avani Hotels Ltd.	TFC	3.00%
Eden Housing Ltd.	Sukuk	3.69%	Pak Elektron Ltd.	Sukuk	2.70%

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 I	Sukuk	88,364,826	32,947,267	***55,417,559	8.06%	29.14%
Saudi Pak Leasing	TFC	36,179,400	11,779,442	24,399,958	3.55%	23.64%
Eden Housing Sukuk II	Sukuk	36,562,500	11,164,652	***25,397,848	3.69%	38.86%
Total		161,106,726	55,891,361	105,215,365	15.30%	

*** Book Value, performing but below investment grade

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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Performance

Performance % **	February 2011	FYTD Jul. 2010 – Feb. 2011	Trailing 12 Months	Since Launch October 29, 2007
NAFA Islamic Multi Asset Fund	(0.77%)	20.90%	28.04%	21.75%

* Ex-Dividend Price

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

General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 270 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/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

Investment Objective

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

Fund Manager Commentary

During the month under review, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) decreased by 0.77%, whereas the benchmark (50% KMI-30 index & 50% average 3-month profit rate of Islamic Banks) decreased by 3.08%, thus your Fund out-performed the benchmark by 2.31%. This out-performance is net of management fee and all other expenses.

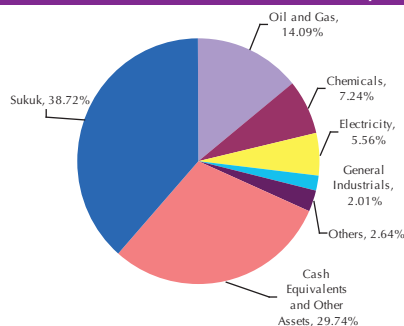
NIMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. At the start of the month, NIMF was around 43.4% invested in equities. We further reduced the weightage of the Fund in equities as the market largely portrayed a bearish trend. At the end of the month, NIMF was around 31.5% invested in equities. As per regulations, a Balanced Fund is required to maintain minimum 30% exposure in equities. The portfolio of NIMF is tilted towards stocks that have attractive dividend yields and which are defensive in nature. Therefore, NIMF's exposure in the Power sub-sector and key stocks in the Oil & Gas Exploration sub-sector was kept at either market weight or slightly above the market weight. NIMF's key holdings in the Power and Oil & Gas Exploration sub-sectors performed better than the market, which contributed to the out-performance of the Fund. NIMF's out-performance was also contributed by the Fund's under-weight stance in Cement, Refineries, Oil Marketing Companies and Paper & Board sub-sectors. The weighted average Yield-to-Maturity (YTM) of the Sukuk portfolio of NIMF is around 30.27% per annum.

We are monitoring the developments in the capital markets and will alter the portfolio of NIMF accordingly.

Asset Allocation (% of NAV) 28-Feb-11 31-Jan-11

Asset Allocation (% of NAV)	28-Feb-11	31-Jan-11
Equities / Stock	31.54%	43.43%
Sukuk	38.72%	38.20%
Cash Equivalents	26.64%	14.91%
Other Net Assets	3.10%	3.46%
Total	100.00%	100.00%
Leverage	Nil	Nil

Asset Allocation (as on 28th February 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 28th February 2011)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Kohat Cement Ltd.	Sukuk	12.11%	Hub Power Co. Ltd.	Equity	5.56%
Maple Leaf Cement	Sukuk	11.61%	Eden Housing Ltd.	Sukuk	4.71%
Pak Elektron Ltd.	Sukuk	8.61%	Fauji Fert. Co. Ltd.	Equity	4.10%
Pakistan Oilfields Ltd.	Equity	7.16%	Thal Ltd.	Equity	2.00%
Pak Petroleum Ltd.	Equity	6.88%	Fauji Fert. Bin Qasim	Equity	1.79%

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	15,626,837	***32,673,163	12.11%	31.58%
Maple Leaf Cement Sukuk 1	Sukuk	49,957,500	18,626,904	***31,330,596	11.61%	29.14%
Eden Housing Limited Sukuk 2	Sukuk	18,281,250	5,582,326	***12,698,924	4.71%	38.86%
Total		116,538,750	39,836,067	76,702,683	28.43%	

*** Book Value, performing but below investment grade

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Performance

Performance % **	February 2011	Since Launch August 21, 2010
NAFA Asset Allocation Fund	(0.49%)	13.23%
Benchmark	(2.48%)	7.52%

* Ex-Dividend Price

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

General Information

Launch Date:	August 21, 2010
Fund Size:	Rs. 222 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) decreased by 0.49% 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 2.48%. Thus your Fund out-performed the benchmark by 1.99%. Since inception on August 21, 2010 your Fund has increased by 13.23%, while the Benchmark has increased by 7.52%. Thus, to-date the out-performance of your Fund stands at 5.71%. This out-performance is net of management fee and all other expenses.

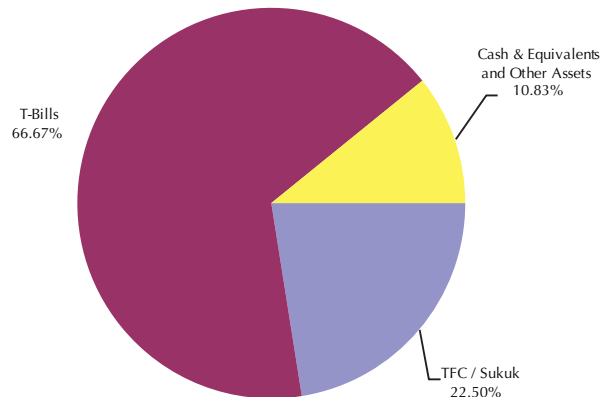
NAAF is an asset allocation fund and market weight implies 33% weight in equities, 33% in Money Market instruments and 33% in fixed income asset class. At the start of the month NAAF was around 31% invested in equities. The market trend was predominately bearish on shaky investor confidence and concerns of selling by foreign portfolio investors. We aggressively divested the Fund's equity portfolio. NAAF's equity exposure was reduced to zero to protect the return that contributed to the out-performance of the Fund. The Fund invested the major portion of the portfolio in money market instruments maintaining a weighted average maturity below 38 days reflecting a conservative stance, keeping in view the economic uncertainty and concerns of rise in interest rates. At the end of the month, NAAF was around 67% in money market instruments and around 23% in TFCs. The Fund is invested in AA rated category TFCs.

NAAF invests 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) 28-Feb-11 31-Jan-11

	28-Feb-11	31-Jan-11
Equities / Stock	-	30.97%
TFC	22.50%	23.28%
Cash Equivalents	9.19%	18.51%
T-Bills	66.67%	24.93%
Other Net Assets	1.64%	2.31%
Total	100.00%	100.00%
Leverage	Nil	Nil

Asset Allocation (as of 28th February 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 28th February 2011)

Name	Asset Class	% of NAV
Engro Corporation Rupiya Certificate	TFC	7.66%
United Bank Limited III	TFC	6.62%
Bank Al-Falah Limited II	TFC	4.24%
Allied Bank Limited	TFC	3.98%
Total		22.50%

Performance

Performance % *	February 2011	FYTD Jul. 2010 - Feb. 2011	Trailing 12 Months	Since Launch January 22, 2007
NAFA Stock Fund	(5.72%)	21.03%	16.71%	6.70%
Benchmark	(8.90%)	14.48%	8.74%	(18.31%)

* Ex-Dividend Price

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

General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 890 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

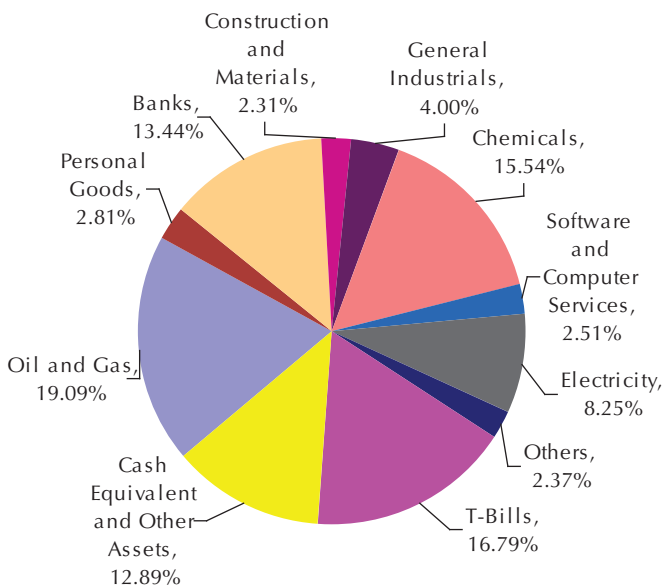
During the month under review, KSE-30 Index decreased by 8.90% whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) decreased by 5.72%, thus an out-performance of 3.18% was recorded. Since inception on January 22, 2007 the NAV of NSF has increased by 6.70% while that of the benchmark has declined by 18.31%, thus to date out-performance is 25.01%. This out-performance is net of management fee and all other expenses.

At the start of the month NSF was 83.5% invested in equities. The market trend was predominantly bearish on shaky investor confidence and concerns of selling by foreign portfolio investors. We further decreased the weightage of NSF in equities. During the month, we mainly reduced the Fund's exposure in Banks, and Chemicals sectors as well as in the Cement, Refineries and Oil Marketing Companies sub-sectors. On the other hand, we maintained NSF's exposure in selected high dividend yielding and fundamentally attractive stocks in the Electricity sector and Oil & Gas Exploration sub-sector. NSF's weightage was slightly increased in the Textile sub-sector. At the end of the month NSF was around 70.3% invested in equities. The strategy of NSF to be underweight in most sectors contributed to the out-performance of the Fund during the month. At the end of February 2011, NSF was under-weight in the Oil & Gas, Banks, Chemicals and Fixed Line Communication sectors. The Fund had an over-weight exposure in the Electricity and General Industrials sectors and the Textile sub-sector.

Asset Allocation (% of NAV) 28-Feb-11 31-Jan-11

	28-Feb-11	31-Jan-11
Equities / Stock	70.32%	83.51%
Cash Equivalent	13.79%	9.53%
T-Bills	16.79%	4.58%
Other Net Assets / (Liabilities)	(0.90%)	2.38%
Total	100.00%	100.00%
Leverage	Nil	Nil

Asset Allocation (as on 28th February 2011)



We are vigilant to the events in the capital markets and will proactively alter the portfolio of NSF. The portfolio of NSF consists of stocks with attractive valuations and healthy growth prospects. The trend of foreign flows and developments on the economic and political front will determine the market's future direction.

Top Ten Equity Holdings (as on 28th February 2011)

Name	% of NAV	Name	% of NAV
Pakistan Oilfields Ltd.	9.09%	Thal Limited.	4.00%
Engro Corporation Ltd.	8.31%	United Bank Ltd.	3.09%
Hub Power Company Ltd.	6.26%	Meezan Bank Ltd.	3.03%
Pak Petroleum Ltd.	6.14%	Netsol Technologies	2.51%
Lotte Pakistan PTA Ltd.	4.75%	MCB Bank Limited	2.49%

Name of the Members of Investment Committee

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