

NAFA Funds

Monthly Report (February 2012)



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

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Dr. Amjad Waheed, CFA
Chief Executive Officer

A large segment of our population invests in bank deposits and National Savings Schemes (NSS). Presently bank deposits in the country are around Rs 5.7 trillion and investment in NSS stands at Rs 1.63 trillion. In contrast, a very small percentage of the population invests in the stock market. Investing in the stock market is equivalent to investing in a business because shares simply represent ownership of a business. Presently, there are only around 285,000 investors in the stock market with a free float of Rs 759 billion.

The objective of investing in any asset class is that it should increase the purchasing power. Over the last 15 years, average annual inflation was 8.7%. The average bank deposit rate in the country has been around 6.4% p.a. However, high net worth individuals and corporates have the bargaining power to negotiate better rates with banks on their deposits, which is slightly below the prevailing KIBOR / discount rate. These investors have earned an average return of around 9% per annum from banks. The return on Defense Savings Certificates has averaged 12.6% per annum over the last 15 years; however, there are heavy penalties if the investor decides to withdraw before maturity.

The Pakistani stock market has demonstrated an average return of 15% per annum over the last 15 years. Of these 15 years, the stock market offered a positive return for 10 years and a negative return for 5 years. The best year for the stock market was FY2002-03, when it rose by about 92%. The worst year was FY1997-98, when the stock market declined by about 44% following the nuclear tests by Pakistan. If someone had invested Rs 100 in a bank 15 years ago, this amount would have grown to Rs 332 today. Same Rs 100 invested in Defense Savings Certificate would have grown to Rs 591 at present, and the same Rs 100 invested in the stock market would have grown to Rs 758 at present. Thus, the stock market has offered higher return versus other investment avenues over the long term (see Chart 1). However, the stock market can be very risky for short term investors. Therefore, it is recommended that only investors with long-term investment horizon should invest in the stock market.

The Pakistani stock market has the risk (volatility) of around 27%, which is much higher as compared with other stock markets. This is due to the high political and economic risks facing the country. The very high volatility of the Pakistani stock market is one of the key reasons that most investors avoid investing in the stock market. One way to reduce this risk is investing via an asset allocation or balanced mutual funds. One such example is NAFA Asset Allocation Fund (NAAF), which has generated better return than the stock market, with a risk (volatility) of about one-third that of the stock market (see Chart 2). This performance has been achieved by superior market timing and better security selection. Such funds are expected to become popular among investors in due course of time.

To summarize, in order to earn a positive inflation-adjusted return, individual investors and employees' funds should invest in equities. However, they should invest gradually, say some amount every month, rather than in one go. Also, they should only invest a portion of their total assets in equities. The best way to invest is via mutual funds or using investment advisory services. Here the fund manager can alter the asset allocation among various asset classes such as stocks, TFCs, Treasury bills, etc., based on his or her view on each asset class in light of the economic and political situation of the country.

Chart 1

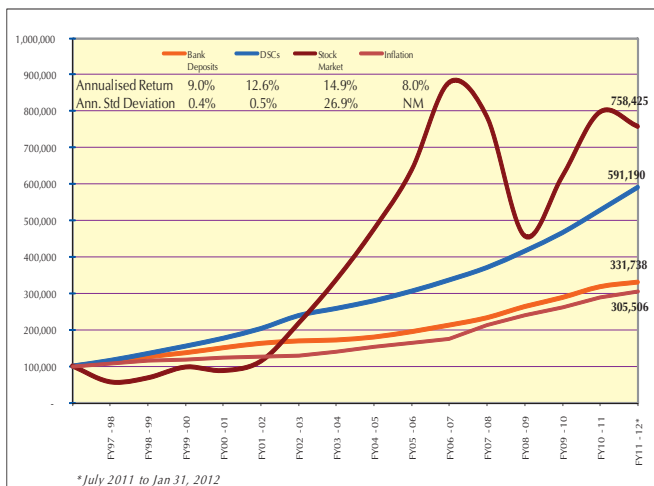
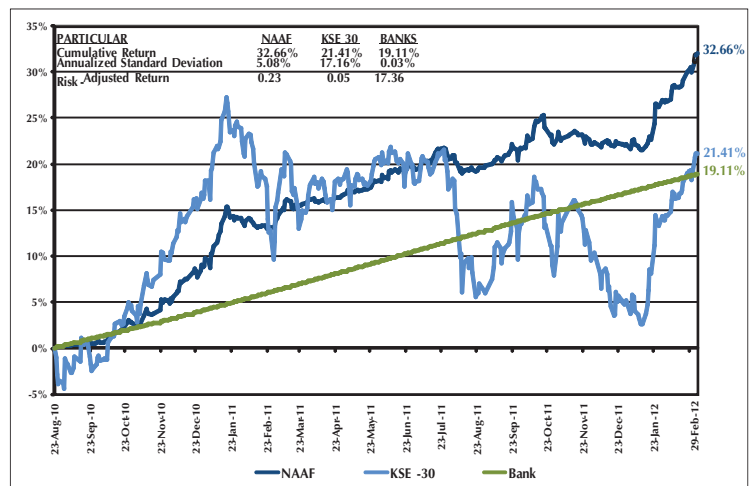


Chart 2



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February 2012

Stock Market Review

During the month under review the stock market extended the gains of the previous month, reaching at the highest level since June 2008. The key drivers of the market were improved liquidity situation, positive development on implementation of newly announced CGT regime, improvement in PAK-US diplomatic relations. Better-than-expected results announcement by the majority of the companies along with heavy payouts buoyed investors' sentiment in the market. Foreign investors took fresh positions in the market amid healthy trading volumes and worldwide optimism in equities. Recently introduced relaxation in the Margin Trading system (MTS) during the outgoing month was an other positive trigger for the market. The month started with KSE-30 Index at 11,173 levels and closed at the highest level of the month at 11,906 levels. Overall, during the month KSE-30 Index advanced around 6.56%.

State Bank of Pakistan followed a cautious approach and held the discount rate at 12% in its monetary policy review in February 2011. Key consideration for this decision was imminent upside risk to the inflation expectations emanating from unpredictable and large government borrowing, widening current account deficit and rising energy prices. Slippages on the fiscal front and absence of foreign flows have forced the government to borrow heavily from the banking system. Moreover, dwindling foreign exchange reserves has on the one hand drained liquidity from the market and put pressure on the currency on the other hand. A talk of the availability of oil on deferred payment from Iran is positive from the external account perspective. Moreover, materialization of Coalition Support Fund following the restoration of NATO Supply and improvement in Pak-US relations will augment the FX reserves.

Banking, Industrial Engineering, and Construction and Material sectors performed better than the market. On the other hand, Fixed Line Communication, Food Producers and Chemicals sectors were among the laggards. Banking and Chemicals sectors out-performed due to sanguine valuations and healthy earnings announcements and payouts by the majority of companies. Rally in the Cement sub-sector continued during the month amid healthy profits announcements driven by improved operating margins and better earnings expectations. Reduction of sales tax on tractors, revived investors' interest in the Industrial Engineering sector.

Foreign Portfolio Investment (FPI) activity, Pak-US diplomatic relations, Economic and interest rates outlook, Current account position, and domestic political situation will be the key drivers of the market going forward.

Fixed Income Review

The State Bank of Pakistan kept the Discount Rate unchanged at 12% in its Monetary Policy announcement on February 11, 2012. SBP cited concerns on materialization of budgeted foreign inflows, expected uptick in inflation in remaining five months of the fiscal year, excessive Government borrowing to finance fiscal deficit, and potential deterioration in current account. On the other hand, two positive developments are lower inflation numbers and increase in workers' remittances during FY12.

The Government is increasingly relying on banks to fund its fiscal deficit. This is also being supported by Banks' risk aversion as evident from the fact that Banks are holding eligible Government Securities worth Rs 2.66 trillion against their statutory requirement of Rs 1.03 trillion (as of November-end 2011). The below data depicts how SBP is supporting tight liquidity situation in inter-bank market by regular monetary injection.

Open Market Operation by SBP - Purchase (Injections) (Billion Rupees)					
					(July-Dec)
	2007-08	2008-09	2009-10	2010-11	2011-12
Total	232.8	1,131.6	3,621.6	1,243.2	5,932.8
Monthly average	19.4	94.3	301.8	103.6	988.8
Daily average	0.7	3.1	10.1	3.5	33.0

Trading volumes of TFCs reported by MUFAP appreciated in February 2012. Total traded value reported by MUFAP for February 2012 was Rs. 1,007 mln, as against Rs. 682 mln in January 2012. Banking sector bonds accounted for 78.38% of the traded value. This is 38% more than the average of the first seven months in FY 12. Search for yields after stabilization of interest rates is the key factor in this positive development.

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 four funds in fixed income category launched by NAFA, namely NAFA Savings Plus Fund, NAFA Riba Free Savings Fund, NAFA Financial Sector Income Fund and NAFA Money Market Fund are 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 short maturities or floating rate linked investments.

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"February 2012"

FUND NAME	FUND SIZE (Rs. In million)	FUND LAUNCH DATE	STABILITY RATING / STAR RANKING *	Feb-2012	LAST ONE YEAR	SINCE LAUNCH
NAFA Government Securities Liquid Fund ¹	16,182	16-May-09	AAA (f)	9.57%	11.37%	11.07%
NAFA Money Market Fund ¹	1,145	23-Feb-12	AA (f)	n/a	n/a	10.95%
NAFA Savings Plus Fund ¹	1,160	21-Nov-09	AA- (f)	10.53%	11.43%	10.71%
NAFA Riba Free Savings Fund ¹	787	21-Aug-10	AA- (f)	10.00%	11.60%	10.92%
NAFA Financial Sector Income Fund ¹	1,570	28-Oct-11	n/a	13.21%	n/a	12.68%
NAFA Asset Allocation Fund ²	430	21-Aug-10	n/a	4.67%	16.58%	32.66%
NAFA Multi Asset Fund ²	610	22-Jan-07	**** (4-star)	5.32%	14.63%	62.64%
NAFA Islamic Multi Asset Fund ²	254	29-Oct-07	**** (4-star)	3.66%	11.33%	37.25%
NAFA Stock Fund ²	1,075	22-Jan-07	**** (4-star)	8.41%	13.24%	24.09%

1 Annualized return
2 Cumulative return
n/a = Not applicable
* Stability rating for Fixed Income Funds and Star Ranking for Equity/Balanced Funds.

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

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (29/02/2012): Rs. 10.0789

February 2012

Performance

Performance % *	February 2012	Jul. 2011- Feb. 2012	Trailing 12 Months	Since Launch May 16, 2009
NAFA Government Securities Liquid Fund	9.57%	11.12%	11.37%	11.07%
Benchmark	10.39%	10.92%	11.13%	11.04%

* 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. 16,182 million
Type: Open-end – Money Market Fund
Dealing Days: Daily – Monday to Saturday
Dealing Time: (Mon - Thr) 9:00 A.M to 5:00 P.M
(Friday) 9:00 A.M to 5:30 P.M
(Saturday) 9:00 A.M to 1:00 P.M
Settlement: 2-3 business days
Pricing Mechanism: Forward Pricing
Load: Front end: 0%, Back end: 0%
Management Fee: 1.25% per annum
Risk Profile: Exceptionally Low
Fund Stability Rating: "AAA (f)" by PACRA
Listing: Lahore Stock Exchange
Custodian & Trustee: Central Depository Company (CDC)
Auditors: A. F. Ferguson & Co.
Chartered Accountants
Benchmark: 70% 3-Month T-Bills & 30% average 3-Month deposit rates (AA & above rated banks)
Fund Manager: Ahmad Nouman, CFA
Minimum 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 9.57% during February 2012. The return for the first eight months of FY 2012 is 11.12% p.a. against the benchmark return of 10.92% p.a, hence an out-performance of 20 bps. In the line with market expectations, we were expecting reduction in discount rate by the SBP in its monetary policy announcement of February 2012. As a result, we elongated the maturity of T-Bill Portfolio. Against our expectations, SBP left the discount rate unchanged. This resulted in lower return on T-Bill portfolio of the Fund. Going forward, we are expecting the Fund to offer double-digit return as the daily return of portfolio has improved significantly versus the last month.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of your Fund. In the last 365 days average daily allocation in short-term Government Securities was 88.37%, while the daily average time to maturity of T-Bills for last 365 days was 44 days. The investment value of NGSLF has not declined on any day since the launch of the Fund in May 2009.

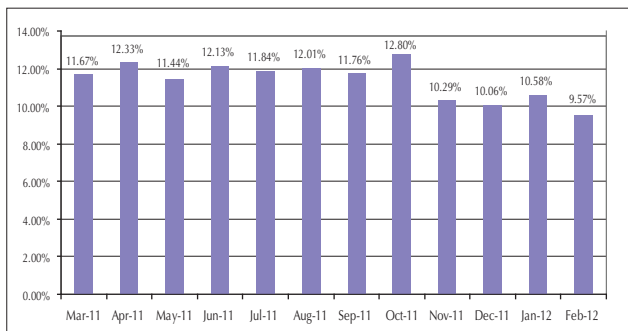
In the two T-Bill auctions of February, SBP cumulatively accepted Rs. 163 billion against the target of Rs. 200 billion. The cut off yields (p.a) for the last T-Bill auction were noted at 11.74% and 11.81% for the 3 months and 6 months maturities respectively. Bids for one year paper were rejected.

As of February 29, 2012, weighted average time to maturity of your Fund is around 49 days.

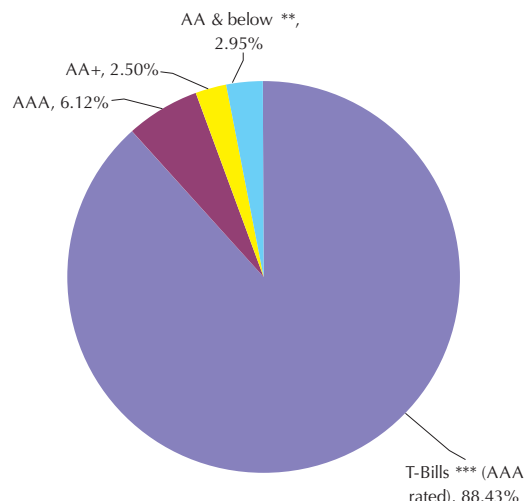
Asset Allocation (% of NAV) 29-Feb-12 31-Jan-12

T-Bills (Including Reverse Repo via Master Repurchase Agreement)	88.43%	86.07%
Placements with Banks	1.24%	5.03%
Placements with DFIs (AA+ & above rated)	8.03%	5.97%
Cash Equivalents	3.17%	3.95%
Other Net Liabilities	(0.87)%	(1.02)%
Total	100.00%	100.00%

Leverage Nil Nil



Credit Quality of the Portfolio as of February 29, 2012 (% of NAV)



** Net of Other Net Liabilities

*** Including Reverse Repo via Master Repurchase Agreement

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 (29/02/2012): Rs. 10.0171

February 2012

Performance

Performance % *	Since Launch February 24, 2012
NAFA Money Market Fund	10.95%
Benchmark	10.12%

* 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:	February 24, 2012
Fund Size:	Rs. 1,145 million
Type:	Open-end – Money Market Fund
Dealing Days:	Daily – Monday to Saturday
Dealing Time:	(Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M
Settlement:	2-3 business days
Pricing Mechanism	Forward Pricing
Load:	Front end: 0%, Back end: 0%
Management Fee:	1.25% per annum
Risk Profile:	Very Low
Fund Stability Rating:	"AA (f)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	3-Month deposit rates (AA & above rated banks)
Fund Manager:	Khalid Anwar Chapra
Minimum	Growth Unit: Rs. 10,000/-
Subscription:	Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- 'Positive Outlook' by PACRA

Investment Objective

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

Fund Manager Commentary

This is the first Monthly Fund Manager Report of your Fund. The Fund closed the IPO period on February 23, 2012 with a Fund size of Rs 1,127.29 million. The Fund is rated AA(f) by PACRA which denotes a very strong capacity to maintain relative stability in returns and possesses very low exposure to risks.

The Fund has generated an annualized return of 10.95% against the benchmark return of 10.12% since its launch. The Fund is expected to post decent returns going forward.

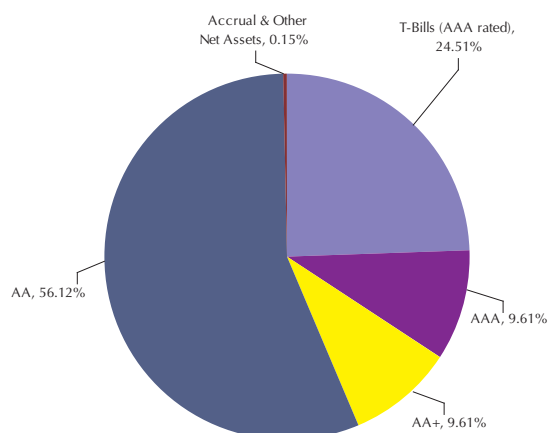
The Fund's Authorized Investments include T-Bills, Bank Deposits and Money Market instruments. Minimum rating is AA, while maximum maturity of investments is six months. The weighted average time to maturity of the Fund can not exceed 90 days.

As the chart below depicts, allocation of the Fund is diversified across AAA rated T-Bills (24.5%), Deposits with AA rated banks (56%) and money market placements with AA+ and AAA rated DFIs (19.2%).

This Fund is expected to offer much higher return than average bank deposit rate of around 6%. As the duration of the Fund cannot exceed 90 days, its volatility in return will be minimal. The Fund will benefit from increase in interest rates due to its short maturity. The Fund is expected to offer double-digit return going forward.

The weighted average time to maturity of the Fund is 60 days.

Asset Allocation (as on 29th February 2012)



Asset Allocation (% of NAV)

29-Feb-12

T-Bills	24.51%
Placements with DFIs	19.22%
Placement with Banks	52.41%
Cash Equivalents	3.71%
Other Net Assets	0.15%
Total	100.00%
Leverage	Nil

Name of the Members of Investment Committee

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



MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (29/02/2012): Rs. 10.0354

February 2012

Performance

Performance % *	February 2012	Jul. 2011- Feb. 2012	Trailing 12 Months	Since Launch November 21, 2009
NAFA Savings Plus Fund	10.53%	11.39%	11.43%	10.71%
Benchmark	8.34%	8.44%	8.53%	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:	November 21, 2009
Fund Size:	Rs. 1,160 million
Type:	Open-end – Income fund
Dealing Days:	Daily – Monday to Saturday
Dealing Time:	(Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end: 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 around 10.5% during the month versus the benchmark return of around 8.3% p.a, thus depicting an out-performance of 2.2% p.a. Since inception the out-performance of the Fund against the benchmark is 2.4% p.a. This out-performance is net of management fee and all other expenses.

The allocation in T-Bills was reduced to around 30% from 44% at end of the previous month. The T-Bills asset class maturity is around 85 days. The allocation in Commercial Paper issued by AA+ entities was maintained at around 7.3% while Placements with DFIs with average rating of AA slightly increased to 17.7% from 16.6%.

The allocation in Margin Trading System (MTS) was increased to around 36.03% as compared to 20.56% 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.

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. with effect from Mar 11, 2012.

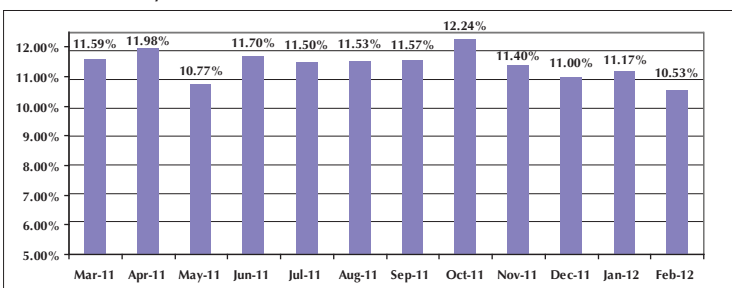
The Fund Size registered an impressive growth of around 24% during the month.

The weighted average time to maturity of your Fund is around 69 days. The average credit rating of the investments in your Fund is AA+.

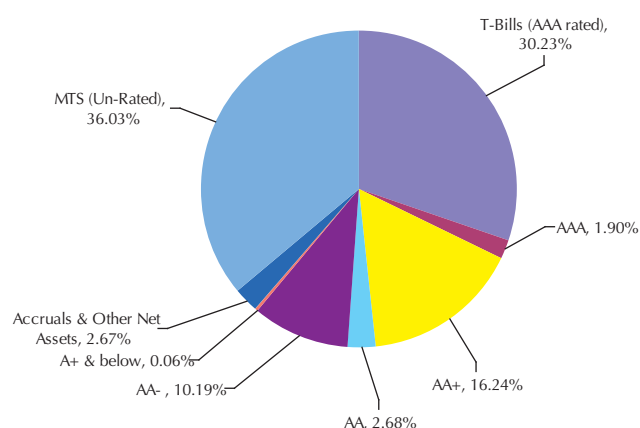
Asset Allocation (% of NAV)

	29-Feb-12	31-Jan-12
T-Bills	30.23%	44.19%
Commercial Paper	7.33%	7.48%
Placements with DFIs	17.68%	16.55%
Margin Trading System (MTS)	36.03%	20.56%
Cash Equivalents	6.06%	8.62%
Other Net Assets	2.67%	2.60%
Total	100.00%	100.00%
Leverage	Nil	Nil

Monthly Annualized Returns of NSPF for last 12 months



Credit Quality of the Portfolio as of February 29, 2012 (% of NAV)



Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Ahmad Nouman, CFA
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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (29/02/2012): Rs. 10.1433

February 2012

Performance

Performance % *	February 2012	Jul. 2011- Feb. 2012	Trailing 12 Months	Since Launch August 21, 2010
NAFA Riba Free Savings Fund	10.00%	11.52%	11.60%	10.92%
Benchmark	8.32%	8.38%	8.37%	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:	August 21, 2010
Fund Size:	Rs. 787 million
Type:	Open-end – Shariah Compliant Income Fund
Dealing Days:	Daily – Monday to Saturday
Dealing Time:	(Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end: 0%, Back end: 0%
Management Fee:	1.0% per annum
Risk Profile:	Very Low
Fund Stability Rating:	"AA-(f)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Average 6-month deposit rate 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 February 2012 is 10.00%. In the last 365 days, the Fund has out-performed its benchmark by 3.23% by earning a return of 11.60%. 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.

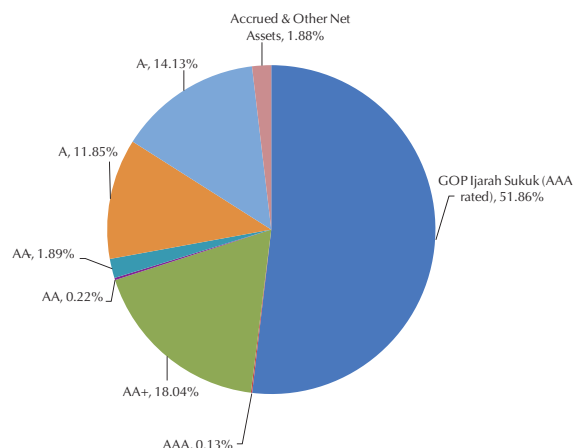
The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks / Islamic windows of commercial banks, while also providing easy liquidity along with a high quality credit profile. The Fund is not authorized to invest in corporate debt securities and the stock market. The Fund can invest in short-term Shariah compliant money market securities of up to six months if rated AA- or better. With stability rating of AA-(f), your Fund is amongst the highest rated Islamic Income Funds in the market. The management has decided to increase the management fee by 0.25% p.a. with effect from March 11, 2012.

Government of Pakistan Ijarah Sukuks is the largest asset class of your Fund with around 51.86% allocation. SBP managed to raise Rupees 38 billion in the last week's auction of Ijarah Sukuks against maturity of Rupees 20 billion. With the settlement of this Ijarah Sukuk in early March, the outstanding stock of Ijarah Sukuks will cross Rs 310 billion. GOP Ijarah Sukuks are floating rate Shariah compliant fixed income securities with six monthly coupon resets and an average duration of three months. This minimizes pricing risk.

The Fund Size registered an increase of around 4.4% during the month.

The average duration of the Fund is 73 days and the weighted average time to maturity of the Fund is 1.26 years.

Credit Quality of the Portfolio as of February 29, 2012 (% of NAV)



Asset Allocation (% of NAV)

	29-Feb-12	31-Jan-12
GOP Ijarah Sukuk - Govt. Backed	51.86%	48.17%
Islamic Commercial Paper	17.79%	16.92%
Cash Equivalents	28.47%	32.77%
Other Net Assets	1.88%	2.14%
Total	100.00%	100.00%
Leverage	Nil	Nil

Top Holdings (as at February 29, 2012)

Name of Sukuk / Islamic Commercial Paper	% of Net Assets
GOP Ijarah (Sukuk IX)	18.43%
GOP Ijarah (Sukuk VIII)	16.00%
HUBCO Islamic CP	12.71%
GOP Ijarah (Sukuk V)	10.86%
KAPCO Islamic CP	5.08%
GOP Ijarah (Sukuk VI)	4.25%
GOP Ijarah (Sukuk VII)	2.32%
Total	69.65%

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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Performance

Performance % *	February 2012	Since Launch October 28, 2011
NAFA Financial Sector Income Fund	13.21%	12.68%
Benchmark	10.73%	10.74%

* 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. 1,570 million
Type: Open-end – Income Fund
Dealing Days: Daily – Monday to Saturday
Dealing Time: (Mon - Thr) 9:00 A.M to 5:00 P.M
(Friday) 9:00 A.M to 5:30 P.M
(Saturday) 9:00 A.M to 1:00 P.M
Settlement: 2-3 business days
Pricing Mechanism: Forward Pricing
Load: Front end: 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 Growth Unit: Rs. 10,000/-
Subscription: 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 February 2012 is 13.21% versus the benchmark return of 10.73% p.a., thus out-performing the benchmark by 2.48%. Since its inception the Fund's annualized out-performance against the benchmark is 1.94%. This outperformance is net of management fee and all other expenses. The industry benchmark for lending, 6-Month KIBOR closed the month at 11.94% as compared to 11.82% during the previous month.

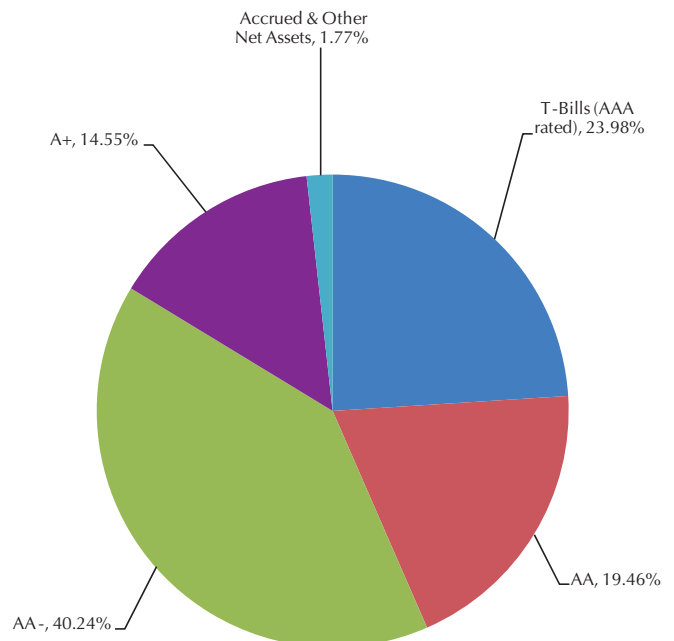
The Fund is unique as it invests a minimum of 70% of its assets in financial sector debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities (mainly banks) is AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. All debt securities 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 and yield to maturity of the Fund is 2.26 years and 12.74% p.a. respectively. The weighted average credit quality of the Fund is AA and duration of 84 days.

Asset Allocation (% of NAV) 29-Feb-12 31-Jan-12

T-Bills	23.98%	25.54%
TFCs	69.91%	74.67%
Cash Equivalents	4.34%	4.50%
Other Net Assets / (Liabilities)	1.77%	(4.71)%
Total	100.00%	100.00%
Leverage	Nil	Nil

Credit Quality of the Portfolio as of February 29, 2012 (% of NAV)



Top Holdings (as at February 29, 2012)

Name of TFC	% of Net Assets
United Bank Limited IV	17.71%
Bank Alfalah Limited (Floater)	17.42%
Faysal Bank Limited II	16.69%
NIB Bank Limited	8.84%
Soneri Bank Limited	5.71%
Allied Bank Limited I	1.42%
United Bank Limited III	1.24%
Askari Bank Limited III	0.88%
Total	69.91%

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 (29/02/2012): Rs.11.4058

February 2012

Performance

Performance % *	February 2012	Jul. 2011- Feb. 2012	Trailing 12 Months	Since Launch August 21, 2010
NAFA Asset Allocation Fund	4.67%	11.06%	16.58%	32.66%
Benchmark	2.64%	5.64%	9.02%	18.55%

* 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. 430 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

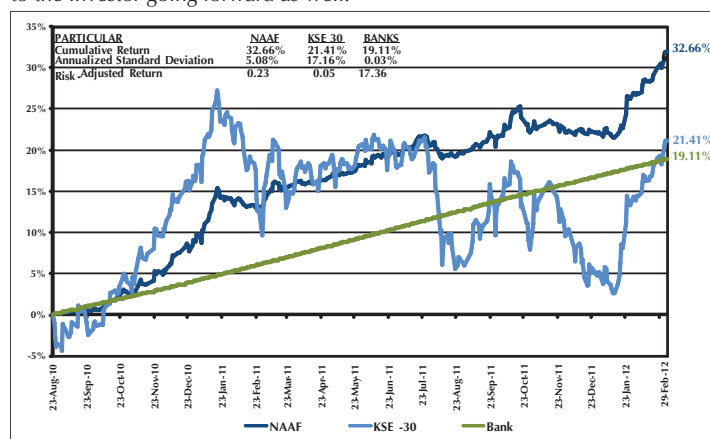
Investment Objective

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) increased by 4.67% while the benchmark (1/3 of average 3-month bank deposit rate; 1/3 of 6-month KIBOR; 1/3 of KSE 30 Index) increased by 2.64%. Thus your Fund out-performed the benchmark by 2.03%. Since inception on August 21, 2010 your Fund has increased by 32.66%, while the Benchmark has increased by 18.55%. Thus, to-date the out-performance of your Fund stands at 14.11%.

Expectation of continuation of the bullish trend in the stock market, we remained overweight in equities, which benefited the Fund. The Banking and Cement sub-sector significantly contributed to the Fund's out-performance. The Fund has sizeable overweight positions in key Banking and Fertilizer sub-sector stocks that performed better than the market. Moreover, Fund's underweight position in key companies of Electricity and Food Producer sectors, which lagged the market contributed to the out-performance. On the other hand, drag on the Fund's performance was its over-weight in Key Oil & Gas Exploration sub-sector holdings, which under-performed the market. We are keeping a close watch on the developments in capital market and will shift our allocation accordingly. As the graph depicts, the Fund generated superior return along with downside protection due to superior market timing and better security selection. We will strive to continue to offer better returns to the investor going forward as well.



Asset Allocation (% of NAV) 29-Feb-12 31-Jan-12

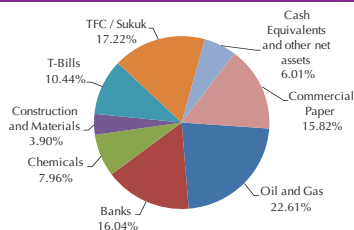
Asset Allocation (% of NAV)	29-Feb-12	31-Jan-12
Equities / Stocks	50.51%	53.25%
TFCs	17.22%	18.52%
Cash Equivalents	5.11%	5.74%
Commercial Paper	15.82%	12.61%
T-Bills	10.44%	-
MTS	-	0.68%
Other Net Assets	0.90%	9.20%
Total	100.00%	100.00%
Leverage	Nil	Nil

Characteristics of Equity Portfolio**

	PER	PBV	DY
NAAF	6.1	2.4	8.2%
KSE-30	7.2	3.8	7.7%

** Based on NAFA's estimates

Asset Allocation (as on 29th February 2012)



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 29th February 2012)

Name	Asset Class	% of NAV
Hub Power Co. Ltd.	CP	8.84%
Pakistan Oilfields Ltd.	Equity	8.30%
Kot Addu Power Co. Ltd.	CP	6.98%
Oil & Gas Dev.Co	Equity	6.09%
United Bank Ltd.	Equity	6.01%
Allied Bank Limited I	TFC	5.91%
Pak Petroleum Ltd.	Equity	5.34%
MCB Bank Limited	Equity	5.09%
Fauji Fertilizer Co. Ltd.	Equity	4.45%
Engro Corporation Rupiya Certificate	TFC	3.99%
Total		61.00%

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (29/02/2012): Rs.10.2064

February 2012

Performance

Performance % *	February 2012	Jul. 2011-Feb. 2012	Trailing 12 Months	Since Launch January 22, 2007
NAFA Multi Asset Fund	5.32%	10.02%	14.63%	62.64%
Benchmark	3.70%	5.75%	9.39%	31.41%

* 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. 610 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% per annum (Effective Jan 22,2012)
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) increased by 5.32% while the benchmark (50% KSE-30 index & 50% 3-month KIBOR) increased by 3.70%. Thus your Fund out-performed the benchmark by 1.62%. Since inception on January 22, 2007 your Fund has increased by 62.64%, while the benchmark has increased by 31.41%. Thus, to-date the out-performance of your Fund stands at 31.23%. This out-performance is net of management fee and all other expenses. We have reduced the management fee of the Fund by 0.5% from 2.5% to 2% effective January 22, 2012.

NMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. Following the robust trend in January, the stock market continued its strong performance during the month of February. The Fund remained overweight in equities throughout the month and at the end of February 2012 NMF was around 60% invested in equities. The out-performance of NMF during the month resulted from the combined effect of the Fund's overweight position in equities, better than market performance of key holdings and improved TFC / Sukuk prices. NMF's overweight position in key holdings in the Fertilizer sub-sector and Banking sector that performed better than the market, significantly contributed to the out-performance. The Fund is overweight in key Cement sub-sector stock, which performed better than the market and contributed to the out-performance of NMF. During the month, we increased exposure of the Fund in the Oil & Gas Exploration and Cement sub-sectors.

NMF is invested in high dividend yielding stocks of defensive sectors. The portfolio of NMF is priced at forward earnings multiple of 6.0x offering 8.1% dividend yield. We are cognizant to the developments in the equity & fixed income markets and will proactively adjust the allocations of NMF.

Asset Allocation (% of NAV)

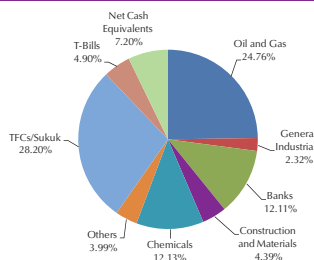
	29-Feb-12	31-Jan-12
Equities / Stocks	59.70%	62.25%
TFCs / Sukuks	28.20%	29.86%
Cash Equivalents	8.12%	8.38%
T-Bills	4.90%	-
Other Net Liabilities	(0.92%)	(0.49%)
Total	100.00%	100.00%
Leverage	Nil	Nil

Characteristics of Equity Portfolio**

	PER	PBV	DY
NMF	5.9	2.4	8.1%
KSE-30	7.2	3.8	7.7%

** Based on NAFA's estimates

Asset Allocation (as on 29th February 2012)



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 29th February 2012)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Pakistan Oilfields Ltd.	Equity	9.02%	Fauji Fertilizer Co. Ltd.	Equity	5.69%
Maple Leaf Cement I	Sukuk	8.59%	Lucky Cement Ltd.	Equity	4.39%
Engro Corp. Ltd.	Equity	6.42%	MCB Bank Ltd.	Equity	4.29%
Oil & Gas Dev.Co. Ltd.	Equity	6.32%	Avari Hotels Limited	TFC	3.99%
Pak Petroleum Ltd.	Equity	5.74%	Saudi Pak Leasing	TFC	3.72%

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets	Yield to Maturity per annum
Eden Housing (Sukuk II)	SUKUK	31,406,250	10,948,564	20,457,686	3.35%	3.28%	44.97%
Maple Leaf Cement (Sukuk I)	SUKUK	88,289,652	35,906,254	52,383,398	8.59%	8.39%	36.69%
Pak Elektron Limited (Sukuk)	SUKUK	17,142,857	2,405,383	14,737,474	2.42%	2.36%	12.37%
Saudi Pak Leasing	TFC	34,353,300	11,671,637	22,681,663	3.72%	3.63%	19.43%
Maple Leaf Cement (Sukuk II)	SUKUK	3,315,000	3,315,000	-	0.00%	0.00%	N/A
New Allied Electronics (Sukuk I)	SUKUK	10,000,000	10,000,000	-	0.00%	0.00%	N/A
Total		184,507,059	74,246,838	110,260,221	18.08%	17.66%	

Weighted Average Time to Maturity of Non Equity Assets	Limit	Excess
2.17 years	2 years	0.17 years

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Performance

Performance % *	February 2012	Jul. 2011- Feb. 2012	Trailing 12 Months	Since Launch October 29, 2007
NAFA Islamic Multi Asset Fund	3.66%	6.11%	11.33%	37.25%
Benchmark	3.21%	7.53%	13.69%	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. 254 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) increased by 3.66%, whereas the benchmark (50% KMI-30 index & 50% average 3-month profit rate of Islamic Banks) increased by 3.21%, thus your Fund out-performed the benchmark by 0.45%.

NIMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. Following the robust trend in January, the stock market continued its strong performance during the month of February. The Fund remained overweight in equities throughout the month.

The out-performance of NIMF during the month mainly resulted from the Fund's overweight position in equities. The better than market performance of NIMF's key holdings, the underweight position of the key Fund in selected stocks that lagged the market and improved sukuk prices also contributed to the out-performance. NIMF's overweight position in key Cement sub-sector stock, which performed better than the market, significantly contributed to the Fund's out-performance. The Fund benefited from its under-weight stance in a key Chemical stock that lagged the market. NIMF's overweight position was enhanced in key Banking stock that out-performed the market and benefited the Fund. The allocation in the Fertilizer sub-sector was significantly reduced. On the contrary, NIMF's weightage in the Oil & Gas Exploration and Oil Marketing Companies sub-sectors was increased.

NIMF is invested in high dividend yielding Shariah Compliant stocks of defensive sectors. The portfolio of NIMF is priced at a forward earnings multiple of 6.6x offering 8.5% dividend yield. We are cognizant to the developments in the equity & fixed income markets and will proactively adjust the allocations of NIMF.

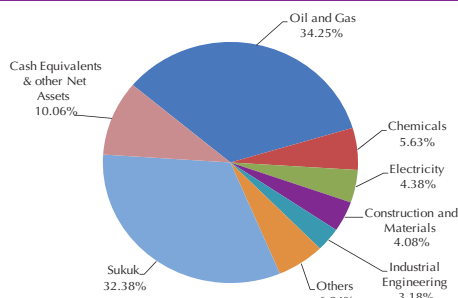
Asset Allocation (% of NAV)	29-Feb-12	31-Jan-12
Equities / Stocks	57.56%	56.40%
Sukuks	32.38%	34.07%
Cash Equivalents	9.47%	8.28%
Other Net Assets	0.59%	1.25%
Total	100.00%	100.00%
Leverage	Nil	Nil

Characteristics of Equity Portfolio***

	PER	PBV	DY
NIMF	6.6	3.8	8.5%
KMI-30	7.0	4.0	8.3%

*** Based on NAFA's estimates

Asset Allocation (as on 29th February 2012)



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 29th February 2012)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Pakistan Oilfields Ltd.	Equity	13.06%	Pak Elektron Limited	Sukuk	7.26%
Maple Leaf Cement I	Sukuk	11.67%	Fauji Fertilizer Co. Ltd.	Equity	4.61%
Oil & Gas Dev.Co	Equity	8.57%	Hub Power Co. Ltd.	Equity	4.38%
Pak Petroleum Ltd.	Equity	8.52%	Eden Housing II	Sukuk	4.03%
Kohat Cement Limited	Sukuk	7.98%	Pakistan State Oil Co. Ltd.	Equity	3.28%

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	YIM Per Annum
Eden Housing (Sukuk II)	SUKUK	15,703,125	5,474,282	10,228,843	4.03%	3.91%	44.97%
Maple Leaf Cement (Sukuk I)	SUKUK	49,915,000	20,299,782	29,615,218	11.67%	11.33%	36.69%
Pak Elektron Limited (Sukuk)	SUKUK	21,428,571	3,006,729	18,421,842	7.26%	7.05%	12.37%
Kohat Cement Limited (Sukuk)***	SUKUK	30,300,000	10,058,873	20,241,127	7.98%	7.74%	25.43%
Maple Leaf Cement (Sukuk II)	SUKUK	1,875,000	1,875,000	-	0.00%	0.00%	N/A
Total		119,221,696	40,714,666	78,507,030	30.94%	30.03%	

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

Weighted Average Time to Maturity of Non Equity Assets	Limit	Excess
	2.04 years	2 years 0.04 years

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (29/02/2012): Rs.7.1371

February 2012

Performance

Performance % *	February 2012	Jul. 2011- Feb. 2012	Trailing 12 Months	Since Launch January 22, 2007
NAFA Stock Fund	8.41%	9.64%	13.24%	24.09%
Benchmark	6.56%	2.76%	5.27%	-11.10%

* 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. 1,075 million
Type:	Open-end – Equity Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	(Mon-Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end – 3%, Back end - 0%
Management Fee:	2% per annum (Effective Jan 22,2012)
Risk Profile:	Moderate-to-High
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	M. Yousuf Adil Saleem & Co. Chartered Accountants
Benchmark:	KSE-30 Index
Fund Manager:	Sajjad Anwar, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2-'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 increased by 6.56% whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 8.41%, thus an out-performance of 1.85% was recorded. Since inception on January 22, 2007 the NAV of NSF has increased by 24.09% while the benchmark has declined by 11.10%, thus to date out-performance is 35.19%. This out-performance is net of management fee and all other expenses. We have reduced the management fee of the Fund by 1% from 3% to 2% effective January 22, 2012.

Following the robust trend in January, the stock market continued its strong performance during the month of February. NSF remained almost fully invested in equities throughout the month. However, we rebalanced the portfolio in light of results announcements and changes in fundamentals of sectors/stocks.

Broadly speaking, NSF out-performed during the month as the Fund's several holdings performed better than the market. Moreover, NSF was under-weight in a number of stocks that lagged the market. The Fund has sizeable overweight positions in key banking stocks that performed better than the market that significantly contributed to the out-performance. NSF has significant overweight position in the key fertilizer stock that performed better than the market, which notably contributed to the Fund's out-performance. Moreover, NSF reduced its exposure in key fertilizer stocks that lagged, which benefited the Fund. We have increased the Fund's overweight position in various stocks of the Cement sub-sector. NSF's key holding in the Cement sub-sector out-performed the market, which benefited the Fund. We reduced exposure of the Fund in the Electricity sector and Refinery sub-sector.

NSF is invested in stocks with sanguine valuations and strong growth prospects. The portfolio of NSF is priced at forward earnings multiple of 6.0x offering 7.1% dividend yield. We are vigilant to the developments in the financial markets and will proactively alter the portfolio of the Fund.

Asset Allocation (% of NAV)

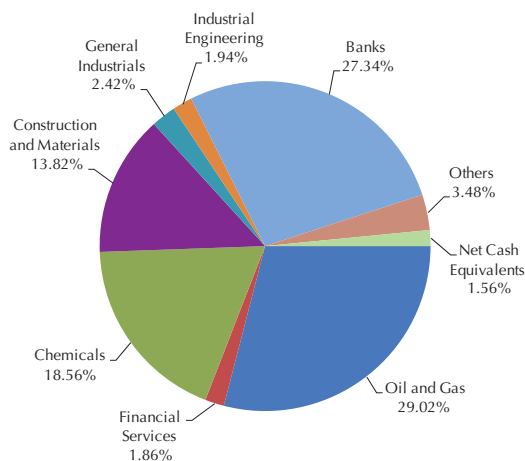
	29-Feb-12	31-Jan-12
Equities / Stock	98.44%	98.02%
Cash Equivalents	2.31%	2.76%
Other Net Liabilities	(0.75%)	(0.78%)
Total	100.00%	100.00%
Leverage	Nil	Nil

Characteristics of Equity Portfolio**

	PER	PBV	DY
NSF	5.8	1.9	7.1%
KSE-30	7.2	3.8	7.7%

** Based on NAFA's estimates

Asset Allocation (as on 29th February 2012)



Top Ten Equity Holdings (as on 29th February 2012)

Name	% of NAV	Name	% of NAV
Engro Corporation Ltd.	10.71%	Lucky Cement Ltd.	6.39%
Oil & Gas Dev.Co. Ltd.	9.26%	Pak Petroleum Ltd.	6.23%
Pakistan Oilfields Ltd.	9.18%	National Bank of Pakistan	5.71%
United Bank Ltd.	7.72%	Pakistan State Oil Co. Ltd.	4.34%
MCB Bank Ltd.	6.46%	Allied Bank Ltd.	3.75%

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
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