

# NAFA Funds

Monthly Report (January 2011)



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

Managed by:

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

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

*Your investments & "NAFA" grow together*



*Joint - Venture Partners*



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Dr. Amjad Waheed, CFA  
Chief Executive Officer

Most investors remain confused about the stock market puzzle – to invest or not to invest. After the 60% decline in the Pakistan stock market in 2008, most investors promised to themselves that they will never again invest in the stock market. Most are still keeping their promise. And they have watched from the sidelines the stock market rise by about 60% in 2009 and another 28% in 2010. What should they do now? The answer lies in the basics of stock market investing: invest only that amount in the stock market that you do not need for at least 5 years. This way even if the stock market declines you have sufficient time for it to recover. And there is one other important lesson: do not take naked / 100% exposure of the stock market. Pakistani stock market is amongst the most volatile markets in the world with a standard deviation of about 25%. Two ways to take a managed exposure of the stock market are through an Asset Allocation Fund or a Capital Protected Fund / Strategy.

In an Asset Allocation Fund, NBFC Regulations allow the Fund Manager a range of 0%-100% exposure in any asset class, whether it is money market, debt or equity. Thus, if a Fund Manager expects the stock market to be bullish he or she can invest 100% of the Fund's assets in the stock market. But if the Fund Manager expects the stock market to experience a bear run, he or she can sell 100% of the Fund's equity portfolio, and switch to the safer money market or income options. NAFA launched NAFA Asset Allocation Fund (NAAF) in August 2010. Figure 1 shows the performance comparison of NAAF with bank deposits and the stock market. The Fund has experienced a much higher return than bank deposits and a lower return than the stock market.

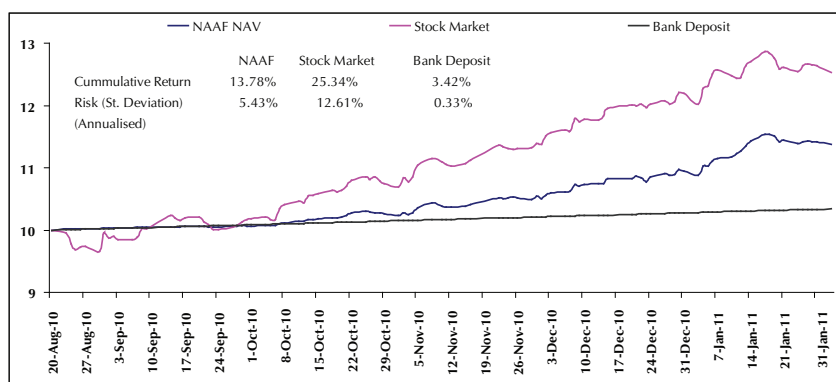


Figure 1  
Performance of NAAF vs Stock Market & Bank Deposits

Also, its risk (volatility) is much lower than the stock market - 5% volatility versus 13% for the stock market. Thus, the downside risk of the investor is much lower relative to the stock market. An investor can possibly live with this relatively lower level of risk and can still beat bank deposit rates and inflation. We urge our investors to consider this Fund for their personal assets and/or provident / pension funds.

Another safer option to invest in the stock market is to do it via capital protected strategy. When one buys a house or a car one generally also buys an insurance policy to protect the value of the asset. So when one invests in the stock market, why not also buy an insurance policy on the investment to have a peace of mind. This is what a capital protected strategy / fund does. The cost of this insurance is that your return / profit may be lower than the stock market, but possibly higher than bank deposits, over the medium-to-long term. NAFA started offering capital protected option to its investors about a year ago. Figure 2 shows the return on the Strategy for our investors for 2010 versus bank deposits and the stock market. Again, although the return is lower than the stock market, it is better than bank deposits. More importantly, the investor has the comfort that his principal is protected, and the volatility of the Strategy is much lower than the stock market - 2% volatility versus 15% for the stock market. Presently NAFA is managing assets of several provident / pension funds under the capital protected strategy, with returns averaging about 14% per annum for investments over 6-months old.

Presently, the stock market seems slightly overpriced due to a 23% rise in a short span of four months. A correction seems overdue. However, despite the economic, political and security challenges facing the country, corporate earnings are expected to grow at 20% per year in the coming years. Also, if we exclude OGDC and MCB, the stock market is trading at price-to-earnings multiple of 6.7 times on FY12 earnings. An attractively priced stock market, good expected corporate earnings growth and continued interest from foreign investors will help the stock market double over the next 4-5 years (expected annual rate of return of 18% per annum). A managed exposure to the stock market via an Asset Allocation Fund or Capital Protected Strategy can enable investors to benefit from this expected rise.

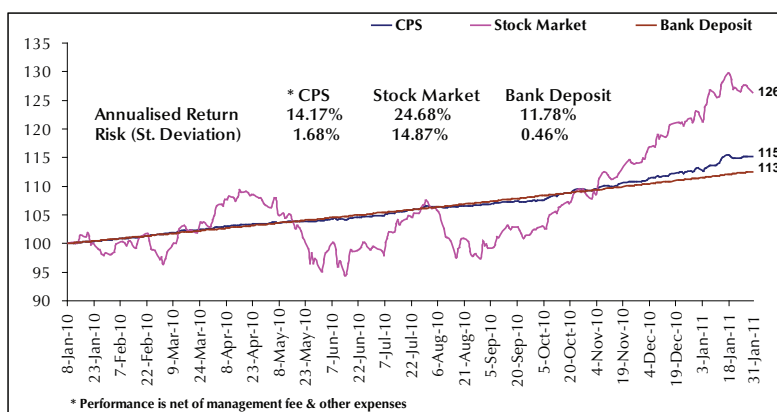


Figure 2  
Performance of CPS Portfolio Managed by NAFA vs Stock Market & Bank Deposits

January 2011

## Stock Market Review

During the month of January 2011, the stock market continued its upward trend. Key factors for this performance were better than expected corporate results, election of the new Board of Directors of KSE, positive developments on the leverage product and healthy external accounts position. Moreover, both local and foreign investors brushed aside tensions in the local politics. The month started with the KSE-30 Index at around 11588 levels and increased by 7.7% to touch a high of 12476 levels as on January 17, 2011. During the latter half of the month the market took a breather due to slowdown in foreign investors' activity and expectations of the Policy Rate hike by SBP in its recently announced Monetary Policy Statement. Overall, the market increased by 3.64% during the month.

SBP kept the discount rate intact in its Monetary Policy announcement on January 29, 2011 due to shift of Govt. borrowing to non - SBP sources and improvement in external accounts. Inflation as measured by CPI was recorded at 14.6% for H1FY2011. Net Foreign Portfolio Investment (FPI) activity slightly decreased during the month. Net FPI during the month of January was recorded at around US \$ 63.1million, as against US \$ 72.95 million during December 2010. Trading activity improved significantly and Average Daily Traded Volume during January 2011 was recorded at 170.14 million shares, compared to 139.60 million shares in December 2010.

Fertilizer and Refineries sub-sectors out-performed the market. Banking sector and Oil and Gas Exploration, Oil Marketing Companies, Cement, and General Industries sub- sectors lagged the market during January 2011. Better than expected corporate results of key companies and improvements in the fundamentals contributed to the outperformance of the Fertilizer sub-sector. Cement sub-sector lagged the market due to rising coal prices. Lack of any trigger for Banking sector contributed to its underperformance versus the market. Refineries sub-sector performed better than the market due to strong earnings posted by the key companies. Escalating circular debt continues to haunt the performance of Oil Marketing Companies sub-sector. Key companies of Oil and Gas Exploration sub-sector took a breather during the month due to strong rally witnessed during the last few months.

Going forward, we believe that the following key factors will drive the stock market: (i) Foreign Portfolio Investment (FPI) activity; (ii) launch of the Leverage Product; (iii) law and order situation; (iv) inflation; and (v) SBP monetary stance.

## Fixed Income Review

The State Bank of Pakistan (SBP) kept the Discount Rate unchanged at 14% in its bi-monthly Monetary Policy announcement on January 29, 2011. We expect that upward pressure on interest rates, witnessed throughout the ongoing fiscal year, to persist in the remaining five months. Three months T-Bill was quoted at 13.62% on January 31, 2011 while the 6-Months KIBOR was at 13.83%. These rates are respectively 45 and 21 basis points higher as compared to a month ago at end-December 2010. Recent T-Bill auctions have shown almost all the participation in three month T-Bills while there was negligible participation in 6 months and 12 months papers. Hence, the money market is anticipating rate hikes in next two Monetary Policy Statements (MPS) due at end-March and end-May.

Inflation, the key parameter addressed in each MPS, is also showing upward direction. The Table aside highlights the same trend witnessed so far in this Fiscal Year as against the previous year. The 1.5% rise in discount rate so far in current FY does not seem adequate. The SBP estimate for the average CPI for FY 2011, as mentioned in its latest MPS, is 15-16%. Considering supply side factors after the 2010 floods, gradual removal of subsidies in energy sector, inevitable reforms in indirect taxes, inadequate energy resources contributing to less than available productivity, fiscal deficit, all point that inflationary trends, and hence market interest rates may remain high.

Simultaneously, a few positive developments have been encouraging. Firstly the current account balance for 1H FY 2011 was positive by USD 26 mln, as against a deficit of USD 2,570 mln for the same period a year back.

This is attributable mainly to healthy exports (growth of 19%), higher workers' remittances (a 16.8% rise) and receipt of funds in the head of Coalition Support Fund. Secondly, there was a down tick in Government's inflationary borrowing from the SBP at end-December 2010 and a resolve to keep this in check going forward.

The above theme testifies the market's positive response in short-maturity funds of NAFA namely NAFA Government Securities Liquid Fund (NGSLF), NAFA Savings Plus Fund (NSPF) and NAFA Riba Free Savings Fund (NRFSF), all ending the December month with competitive double digit returns. These funds are expected to benefit further due to their short-term maturities in the current interest rate environment. NGSLF, an ultra low credit-risk fund rated 'AAA(f)' has exceeded Rs 10 bln in fund size. This is a reflection of market 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.

INFLATION - ALL FOUR MEASURES				
Inflation Measure	Year on Year (%)		Average % July - Dec	
	Dec-10	Dec-09	FY 2011	FY 2010
Consumer Price Index	15.5	10.5	14.6	11.7
Wholesale Price Index	25.7	15	22.3	12.6
Sensitive Price Indicator	21.5	11.9	19.2	13.2
Core Inflation - Trimmed	13.6	10.4	12.5	11.6



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# NAFA Funds' Performance Summary Sheet

## "January 2011"

FUND NAME	FUND SIZE (Rs. In million)	FUND LAUNCH DATE	STABILITY RATING	Jan - 2011	LAST ONE YEAR	SINCE LAUNCH
NAFA Government Securities Liquid Fund *	10,422	16-May-09	AAA (f)	11.53%	10.86%	10.83%
NAFA Savings Plus Fund *	638	21-Nov-09	AA- (f)	10.33%	9.93%	10.06%
NAFA Income Opportunity Fund ** <i>(Formerly NAFA Cash Fund)</i>	3,334	22-Apr-06	A (f)	-2.37%	2.60%	7.21%
NAFA Income Fund **	499	29-Mar-08	A- (f)	-1.85%	0.96%	3.93%
NAFA Islamic Aggressive Income Fund * <i>(Formerly NAFA Islamic Income Fund)</i>	189	29-Oct-07	BBB (f)	12.39%	30.47%	-0.14%
NAFA Riba Free Savings Fund *	250	21-Aug-10	A+ (f)	10.35%	n/a	9.51%
NAFA Islamic Multi Asset Fund **	275	29-Oct-07	***	3.20%	29.04%	22.69%
NAFA Multi Asset Fund **	704	22-Jan-07	***	2.06%	22.22%	41.84%
NAFA Stock Fund **	982	22-Jan-07	***	4.14%	24.52%	13.17%
NAFA Asset Allocation Fund **	219	21-Aug-10	***	3.91%	n/a	13.78%
<b>Total AUM</b>	<b>17,512</b>					
* Annualized return						
** Cumulative return						
*** Not applicable						

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

### HEAD OFFICE

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

#### Karachi Office

Address: 7th Floor, Adamjee House,  
 I.I. Chundrigar Road,  
 Karachi.  
 UAN: 021-111-111-632  
 Direct: 021-32467825-35  
 Fax: 021-32467839

#### Islamabad Office

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

#### Lahore Office

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

#### Peshawar Office

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

#### Multan Office

Address: 3rd Floor, Park Lane Tower  
 (NBP Corporate Branch), Near Shahjahan  
 Banquet Hall, Officers Colony, Khanewal  
 Road, Multan.  
 Fax#: +92 (0)61 6214062  
 UAN: +92 (0)61 111-111-632



# NAFA Government Securities Liquid Fund (NGSLF)

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

MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/01/2011): Rs. 10.4075

January 2011

## Performance

Performance % *	January 2011	FYTD Jul. 2010 - Jan. 2011	Trailing 12 Months	Since Launch May 16, 2009
NAFA Government Securities Liquid Fund	11.53%	11.11%	10.86%	10.83%
Benchmark	11.57%	11.19%	10.96%	10.97%

\* 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. 10,422 million  
Type: Open-end – Money Market Fund  
Dealing Days: Daily – Monday to Friday  
Dealing Time: 9:00 A.M to 4:30 P.M  
Settlement: 2-3 business days  
Pricing Mechanism: Forward Pricing  
Load: No entry or exit load  
Management Fee: 1.25% per annum  
Risk Profile: Very Low  
Fund Stability Rating: "AAA (f)" by PACRA  
Listing: Lahore Stock Exchange  
Custodian & Trustee: Central Depository Company (CDC)  
Auditors: A. F. Ferguson & Co. Chartered Accountants  
Benchmark: 70% 3-Month T-Bills & 30% average 3-Month deposit rates (AA & above rated banks)  
Fund Manager: Ahmad Nouman, CFA  
Minimum Subscription: Growth Unit: Rs. 10,000/-  
Income Unit: Rs. 100,000/-  
Asset Manager Rating: AM2- by PACRA

## Investment Objective

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

## Fund Manager Commentary

The Fund earned an annualized return of 11.53% during the month. For the next few months we expect this return to improve by at least 35 basis points on the back of recent hike in rates of short-dated T-Bills.

NGSLF's Fund stability rating is 'AAA(f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of your Fund. NGSLF (i) allocates a minimum of 85% to Government Securities; (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. The investment value of NGSLF 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 persistent Government borrowing and inflation and associated expectations.

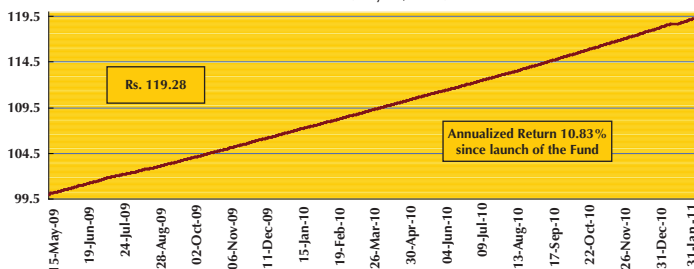
In the two T-bills auctions of January, cumulatively accepted amount was Rs. 354.62 billion against the target of Rs. 360 billion. The cut off yields for the last auction of the month were noted at 13.67%, 13.71% and 13.88% for the 3 months, 6 months and 12 months T-Bills respectively with major participation in only 3 months paper. For the 1H FY 2011, the Ministry of Finance accepted Rs 1,364 bln amount of T-Bills against the target of Rs 1,220 bln. The above data suggests that Government borrowing from the scheduled banks is on the rise. This is also crowding out private sector credit, as the Government is rightly deemed to be safe borrower in comparison with private sector.

The average maturity of your Fund is presently 35 days.

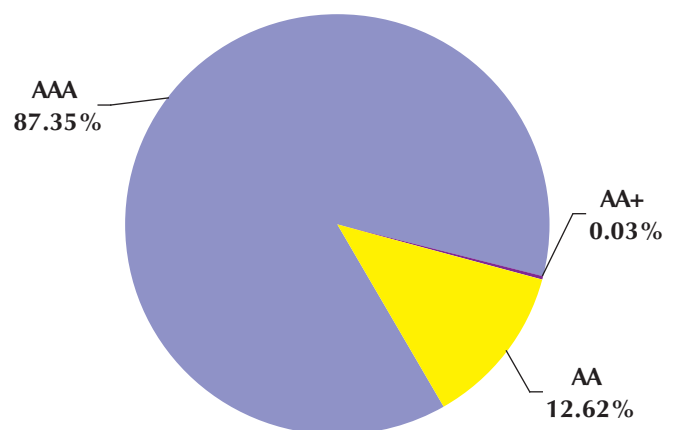
## Asset Allocation % of NAV

	31-Jan-11	31-Dec-10
T-Bills (Including Reverse Repo via Master Repurchase Agreement)	87.34%	86.34%
Placements with Banks	9.59%	9.35%
Cash Equivalents	3.24%	4.08%
Other Assets / (Liabilities)	-0.17%	0.23%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

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



## 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  
Usman Khan

**Disclaimer:** This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependant on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results.

## Performance

Performance % *	January 2011	FYTD Jul. 2010 - Jan. 2011	Trailing 12 Months	Since Launch November 21, 2009
NAFA Savings Plus Fund	10.33%	10.07%	9.93%	10.06%
Benchmark	8.14%	8.27%	8.11%	8.15%

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

## General Information

Launch Date:	November 21, 2009
Fund Size:	Rs. 638 million
Type:	Open-end – Income fund
Dealing Days:	Daily – Monday to Saturday
Dealing Time:	(Mon - Fri) 9:00 A.M to 4:30 P.M - (Saturday) 9:00 A.M to 1:00 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	No entry or exit load
Management Fee:	2.0% per annum
Risk Profile:	Very Low
Fund Stability Rating:	"AA- (f)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Average 6-Month deposit rate (A & above rated banks)
Fund Manager:	Ahmad Nouman, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

## Investment Objective

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

## Fund Manager Commentary

The Fund earned an annualized return of 10.33% during the month, thus outperforming the benchmark return by 2.19%. The return of the Fund is expected to further improve gradually with recent increase in money market rates and with the expected increase in the Fund size. The Fund intends to provide its investors consistently better returns than bank deposits.

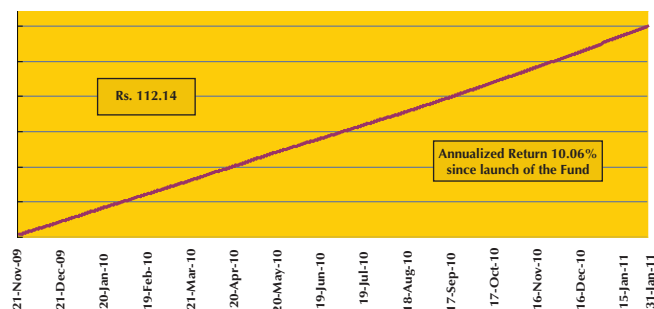
NSPF is one of the highest rated income funds in the market. It cannot invest in any avenue which has more than six months maturity, nor can it invest in the TFCs / Sukuks and the Stock Market. Moreover, it cannot invest in money market instruments below a credit rating of 'AA-'. The investment value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

The average maturity of your Fund is relatively short at around 33 days which apart from making it liquid also enables it to benefit in a presently rising inflation and interest rate environment.

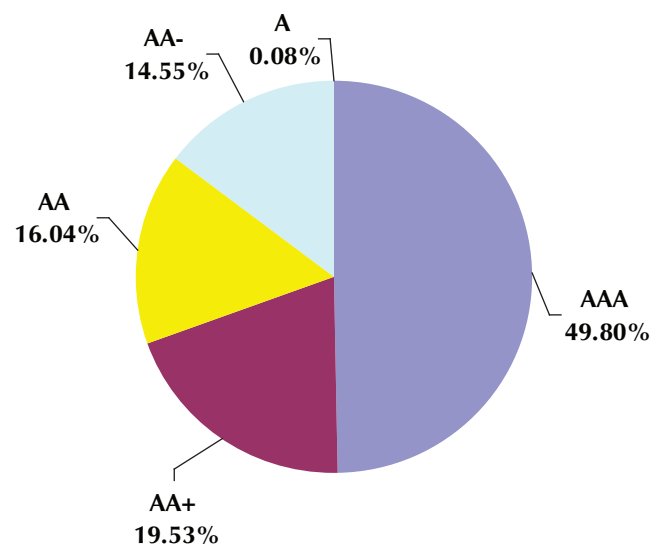
## Asset Allocation % of NAV

	31-Jan-11	31-Dec-10
T-Bills	49.64%	27.11%
Placements with Banks	15.67%	31.39%
Placements with NBFCs	19.28%	21.98%
Commercial Paper	10.77%	10.66%
Cash Equivalents	4.66%	7.73%
Other Assets / (Liabilities)	-0.02%	1.13%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

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



## 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  
Usman Khan

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## Performance

Performance % *	January 2011	Since Launch August 21, 2010
NAFA Riba Free Savings Fund	10.35%	9.51%
Benchmark	8.06%	8.24%

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

## General Information

Launch Date:	August 21, 2010
Fund Size:	Rs. 250 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:	1.5% per annum
Risk Profile:	Low
Fund Stability Rating:	A+(f) by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Average 6-month deposit rate of A- and above rated Islamic Banks (Benchmark changed with effect from 15-12-2010. Previous Benchmark was 3-month deposit rate of A and above rated Islamic Banks.)
Fund Manager:	Usman Khan
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

## Investment Objective

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

## Fund Manager Commentary

The annualized return of NRFSF for the month of January 2011 is 10.35%. This is better than the benchmark return by 2.29% and the previous month's return by 59 basis points. Going forward, we expect the return on the Fund to further improve on the back of higher money market rates, allocation to Shariah compliant Government Securities which are currently yielding attractive returns, and expected increase in the Fund size.

Going forward, the Fund's strategy will be to increase allocation in Government of Pakistan Ijara securities. This shall improve the return of the Fund and also improve the average credit rating profile of the Fund. These Ijara securities have six-monthly profit rate resetting and payment. To date, Government has issued six Ijara Sukuks with total outstanding amount of around Rs 132 billion. The additional target to be raised for the current quarter as announced by SBP is Rs 45 billion.

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

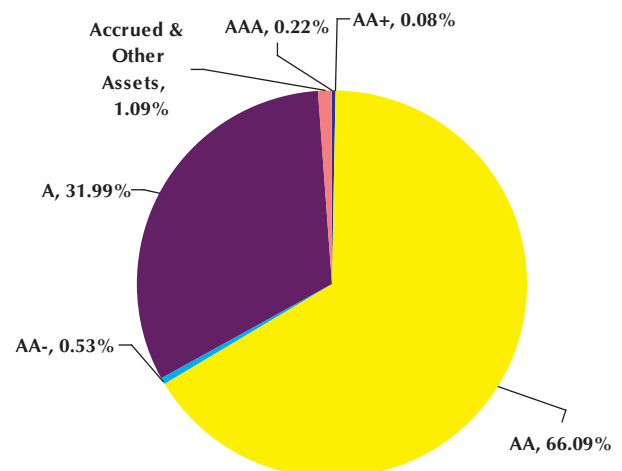
The Fund intends to outperform the rate of return available to individual investors in Islamic Banks, while providing them flexibility to withdraw their money at any time, hence no lock-in period. The Fund is not authorized to invest in corporate Sukuks and the Stock Market.

The average maturity of your Fund is 24 days.

## Asset Allocation % NAV

	31-Jan-11	31-Dec-10
Placements with Islamic Banks	65.88%	65.73%
Cash Equivalents	33.03%	32.44%
Other Assets	1.09%	1.83%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## 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  
Usman Khan





Performance				
Performance % *	January 2011 *	FYTD Jul. 2010 - Jan. 2011*	Trailing 12 Months **	Since Launch March 29, 2008 **
NAFA Income Fund	-1.85%	-3.22%	0.96%	3.93%
Benchmark	1.10%	7.35%	12.48%	12.25%

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

General Information	
Launch Date:	March 29, 2008
Fund Size:	Rs. 499 million
Type:	Open-end – Income Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end: 1.0%, Back end: 0%
Management Fee:	2.0% per annum
Risk Profile:	Low
Fund Stability Rating	"A- (f)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	6-Month KIBOR (Benchmark changed with effect from 15-12-2010. Previous Benchmark was 3-Months T-Bills)
Fund Manager:	Ahmad Nouman, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

**Investment Objective**  
To earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets.

**Fund Manager Commentary**  
The Fund's unit price declined by 1.85% during January 2011. This is because of unrealized losses on the TFC portfolio. The gradual increase in KIBOR also bodes well for the floating rate TFCs in your Fund. The 6 Months KIBOR, the base rate for TFCs in your Fund, has increased to 13.83% at January-end. This is 1.46% more than the 6 Months KIBOR at the start of the Fiscal Year 2011.

The weighted average Yield to Maturity of NAFA Income Fund is around 23.6% p.a. The weighted average maturity of NAFA Income Fund is 3.4 years. Thus, the Fund is expected to perform well over a three to four years horizon. However, since there are TFCs / Sukuks in the portfolio and their prices may go up and down, only long-term investors are advised to invest in this Fund.

Asset Allocation	31-Jan-11	31-Dec-10
TFC / Sukuk	84.11%	82.57%
T-Bills	9.94%	9.55%
Cash Equivalents	3.95%	5.76%
Other Assets	2.00%	2.12%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

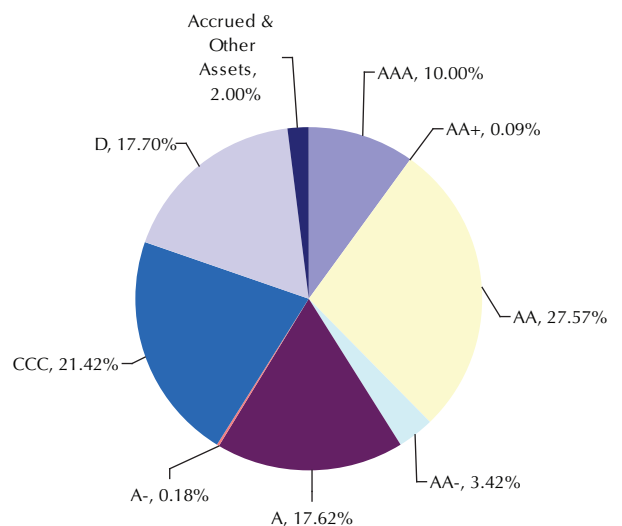
**Details of Non-Compliant Investments**

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	21.41%	28.57%
Saudi Pak Leasing	TFC	54,595,500	17,995,571	36,599,929	7.34%	23.69%
Eden Housing Sukuk II	Sukuk	75,000,000	23,329,350	51,670,650	10.36%	38.86%
<b>Total</b>		<b>279,475,500</b>	<b>84,475,756</b>	<b>194,999,744</b>	<b>39.11%</b>	

**TFC/SUKUK Holdings (as at January 31, 2011)**

**Credit Quality of the Portfolio (% of NAV)**

Name of TFCs / Sukuks	% of Net Assets
Agritech Limited II	21.41%
Engro Fertilizer (PPTFC)	17.85%
World Call Telecom Limited	17.58%
Eden Housing Limited Sukuk-II	10.36%
United Bank Limited IV	9.57%
Saudi Pak Leasing	7.34%
<b>Total</b>	<b>84.11%</b>



**Name of the Members of Investment Committee**

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

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## Performance

Performance % *	January 2011*	FYTD Jul. 2010 - Jan. 2011**	Trailing 12 Months**	Since Launch April 22, 2006**
NAFA Income Opportunity Fund <i>Formerly NAFA Cash Fund</i>	-2.37%	1.32%	2.60%	7.21%
Benchmark	1.10%	12.94%	12.69%	11.46%

\* Represent Cumulative Return  
\*\* 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. 3,334 million
Type:	Open-end – Income Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	No entry or exit load
Management Fee:	1.5% per annum
Risk Profile:	Low
Fund Stability Rating:	"A (i)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	KPMG Taseer Hadi & Co. Chartered Accountants"
Benchmark:	6-Month KIBOR (Benchmark changed with effect from 15-12-2010. Previous Benchmark was 1-Month KIBOR)
Fund Manager:	Usman Khan
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

## 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's unit price declined by 2.37% during January 2011. This is because of unrealized losses on the TFC portfolio. The gradual increase in KIBOR also bodes well for the floating rate TFCs in your Fund. The 6 Months KIBOR, the base rate for TFCs in your Fund, has increased to 13.83% at January-end. This is 1.46% more than the 6-M KIBOR at the start of the Fiscal Year 2011.

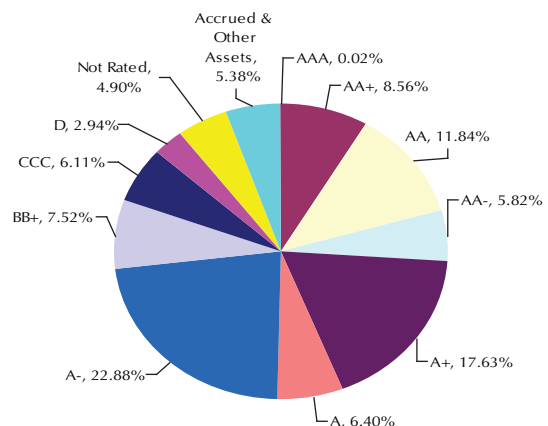
The annual Yield to Maturity of your Fund is currently around 20.4% while that of the TFC portfolio is around 26%. The weighted average maturity of your Fund is 2.31 years. Going forward, we expect healthy returns on your Fund with three year investment horizon because most TFCs are trading at a significant discount to their fair values hence offering attractive yields.

## Details of Non-Compliant Investments

Name of Non Compliant Investment	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	Yield to Maturity per annum
Agritech Limited	TFC	149,880,000	73,441,200	76,438,800	2.29%	41.77%
Azgard Nine Limited PPTFC	TFC	249,800,000	122,402,000	127,398,000	3.82%	40.09%
Kohat Cement Limited	Sukuk	241,500,000	78,096,511	***163,403,489	4.90%	31.51%
Maple Leaf Cement Sukuk I	Sukuk	399,660,000	149,015,229	***250,644,771	7.52%	29.24%
BRR Guardian Modaraba Sukuk	Sukuk	50,000,000	12,500,000	37,500,000	1.12%	34.55%
Saudi Pak Leasing	TFC	54,595,500	17,995,571	36,599,929	1.10%	23.69%
Eden Housing Sukuk II	Sukuk	34,500,000	10,731,501	23,768,499	0.71%	38.86%
<b>Total</b>		<b>1,179,935,500</b>	<b>464,182,012</b>	<b>715,753,488</b>	<b>21.46%</b>	

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

## Credit Quality of the Portfolio (% of NAV)



## Asset Allocation % of NAV

	31-Jan-11	31-Dec-10
TFC / Sukuk	70.75%	72.97%
Cash Equivalents	23.87%	21.66%
Other Assets	5.38%	5.37%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## TFC/SUKUK Holdings (as at January 31, 2011)

Name of TFCs / Sukuks	% of Net Assets
Pakistan Mobile Comm (Listed II)	9.95%
Engro Fertilizer (PPTFC)	8.28%
Orix Leasing Pakistan (PPTFC)	7.74%
Maple Leaf Cement (Sukuk)	7.52%
World Call Telecom Limited	4.93%
Kohat Cement Limited (Sukuk)	4.90%
Azgard Nine PPTFC	3.82%
Avari Hotels Limited	3.51%
Century Paper & Board (Sukuk)	3.05%
Pace Pakistan Limited	2.92%
<b>Total</b>	<b>56.62%</b>

## Name of the Members of Investment Committee

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



# NAFA Islamic Aggressive Income Fund (NIAIF)

Formerly NAFA Islamic Income Fund

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

MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/01/2011): Rs. 8.0355

January 2011

## Performance

Performance % *	January 2010 *	FYTD Jul. 2010 - Jan. 2011*	Trailing 12 Months *	Since Launch October 29, 2007 **
NAFA Islamic Aggressive Income Fund <i>Formerly NAFA Islamic Income Fund</i>	12.39%	6.35%	30.47%	-0.46%
Benchmark	7.64%	6.65%	6.53%	21.82%

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

## General Information

Launch Date: October 29, 2007  
Fund Size: Rs. 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 12.39% during January 2011. The return for previous CY 2010 was a staggering 30.28%. The Fund's return is expected to remain attractive in 2011.

We have also increased allocation to AAA rated Ijara Sukuks during the month which has also enhanced the credit profile of your Fund. In other Sukuks, the main exposures are in the Cement and Fertilizer sectors.

The annual Yield-to-Maturity of Sukuk portfolio in your Fund is 23.31% and the weighted average time to maturity is 3.30 years. Weighted average maturity of your Fund is 2.63 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 31-Jan-11 31-Dec-10

	31-Jan-11	31-Dec-10
Sukuk	66.44%	68.24%
GOP Ijara Sukuk - Govt. Backed	13.29%	2.70%
Cash Equivalents	12.91%	22.31%
Other Assets	7.36%	6.75%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

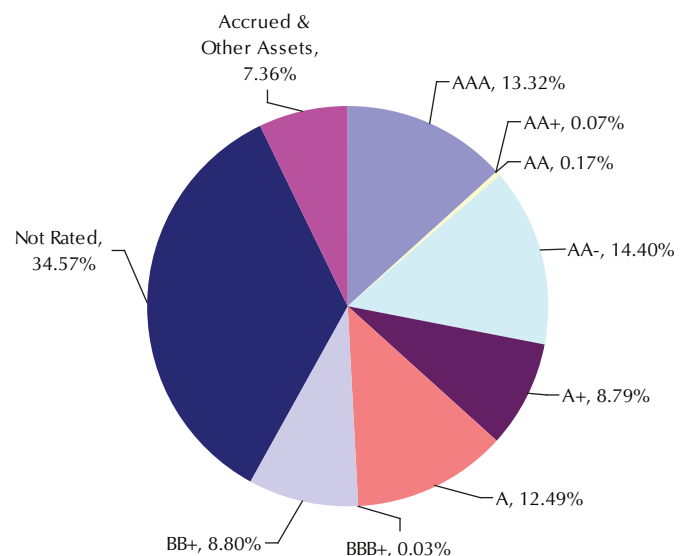
## TFC/SUKUK Holdings (as at January 31, 2011)

Name of TFCs / Sukuks	% of Net Assets
Kohat Cement Limited (Sukuk)	34.57%
Engro Fertilizer Limited (Sukuk)	14.28%
GOP Ijarah (Sukuk) V	10.60%
Maple Leaf Cement Limited (Sukuk)	8.80%
Pak Electron Limited (Sukuk)	8.79%
GOP Ijarah (Sukuk)	2.69%
<b>Total</b>	<b>79.73%</b>

## 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 % *	January 2011	FYTD Jul. 2010 - Jan. 2011	Trailing 12 Months	Since Launch January 22, 2007
NAFA Multi Asset Fund	2.06%	20.23%	22.20%	41.84%
Benchmark	2.39%	16.35%	16.38%	23.09%

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

## General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 704 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) increased by 2.06% while the benchmark (50% KSE-30 index & 50% 3-month KIBOR) increased by 2.39%. Thus your Fund under-performed the benchmark by 0.33%. Since inception on January 22, 2007 your Fund has increased by 41.84%, while the benchmark has increased by 23.09%. Thus, to-date the out-performance of your Fund stands at 18.75%. This out-performance is net of management fee and all other expenses.

NMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. The Fund under-performed during the month due to the impact of depressed TFC / Sukuk prices. At the start of the month, NMF was around 61% invested in equities. The stock market was driven by foreign flows and healthy earnings and payouts announcements. We reduced the weightage of NMF in equities below the market weight as the market depicted signs of a correction. At the end of the month NMF was around 46% invested in equities.

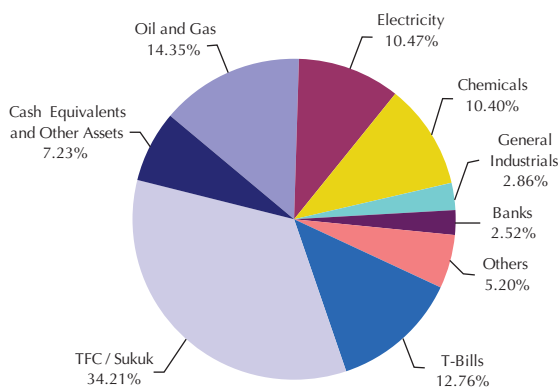
We significantly reduced the weightage of the Fund in Banks and the Oil & Gas sectors. The weightage in the Chemical and Electricity sectors were more or less maintained. The Fertilizer sub-sector, which is a part of the Chemical sector, announced strong financial results. The portfolio of NMF is tilted towards stocks that have attractive dividend yields and which are defensive in nature. Key holdings of NMF in the Fertilizer sub-sector and the Oil & Gas sector performed significantly better than the market. The under-weight stance of NMF in Banks has benefited the Fund as the sector significantly under-performed during the month. The weighted average Yield-to-Maturity (YTM) of the TFC / Sukuk portfolio of NMF is around 25.8%.

We remain vigilant to events on the capital markets and will adjust the portfolio proactively.

## Asset Allocation % of NAV

	31-Jan-11	31-Dec-10
Equities / Stock	45.80%	60.67%
TFC / Sukuk	34.21%	33.11%
Cash Equivalents	4.77%	8.20%
T-Bills	12.76%	-
Other Net Assets / (Liabilities)	2.46%	-1.98%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Asset Allocation (as on 31st January 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 31st January 2011)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Maple Leaf Cement	Sukuk	7.87%	Pak Petroleum Ltd.	Equity	4.18%
Hub Power Co. Ltd.	Equity	7.47%	Eden Housing Ltd.	Sukuk	3.67%
Orix Leasing Pakistan	PPTFC	5.64%	Saudi Pak Leasing	TFC	3.46%
Pakistan Oilfields Ltd.	Equity	5.61%	Pakistan Mobile Comm	TFC	3.02%
Fauji Fertilizer Co. Ltd.	Equity	4.42%	Nishat Power Ltd.	Equity	3.00%

## Details of Non-Compliant Investments

Name of Non Compliant Investment	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	YTM Per Annum
Maple Leaf Cement Sukuk 1	Sukuk	88,364,826	32,947,267	**55,417,559	7.87%	29.24%
Saudi Pak Leasing	TFC	36,397,000	11,997,042	24,399,958	3.46%	23.69%
Eden Housing Sukuk 2	Sukuk	37,500,000	11,664,675	**25,835,325	3.67%	38.86%
<b>Total</b>		<b>162,261,826</b>	<b>56,608,984</b>	<b>105,652,842</b>	<b>15.00%</b>	

## Performance

Performance % *	January 2011	FYTD Jul. 2010 – Jan. 2011	Trailing 12 Months	Since Launch October 29, 2007
NAFA Islamic Multi Asset Fund	3.20%	21.84%	29.04%	22.69%

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

## General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 275 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) increased by 3.20%, whereas the benchmark (50% KMI-30 index & 50% average 3-month profit rate of Islamic Banks) increased by 2.77%, thus your Fund out-performed the benchmark by 0.43%. 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. The Fund out-performed during the month even though Sukuk prices were depressed. At the start of the month, NIMF was around 53% invested in equities. The stock market was driven by foreign flows and sanguine corporate announcements. We reduced the weightage of NIMF in equities below the market weight as the market depicted signs of a correction. At the end of the month NIMF was around 43% invested in equities.

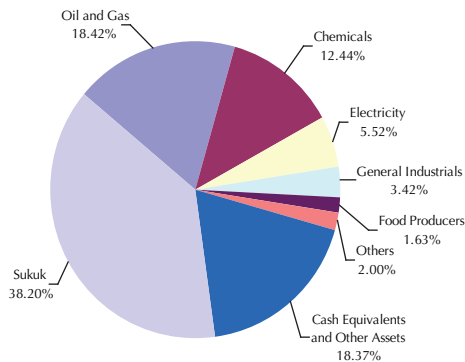
We enhanced the weightage of NIMF in the Chemical and Electricity sectors. Key holdings of NIMF in these two sectors performed better than the market, which contributed to the out-performance of the Fund. The Fertilizer sub-sector, which is a part of the Chemical sector, announced strong financial results. The Electricity sector continues to offer attractive dividend yields. During the month, we reduced the weightage of NIMF in the Oil & Gas and Fixed Line Communication sectors and Cement sub-sector. The holdings of NIMF in the Oil & Gas Exploration sub-sector performed better than the market. The out-performance of NIMF also resulted from the under-weight stance in the Cement and Oil Marketing Companies sub-sectors. The weighted average Yield-to-Maturity (YTM) of the Sukuk portfolio of NIMF is around 29.6% per annum.

NIMF remains invested in attractive high dividend yielding stocks with low business risk. We are monitoring the capital market conditions and will rebalance the portfolio accordingly.

## Asset Allocation % of NAV 31-Jan-11 31-Dec-10

Asset Allocation % of NAV	31-Jan-11	31-Dec-10
Equities / Stock	43.43%	52.56%
Sukuk	38.20%	40.92%
Cash Equivalents	14.91%	3.72%
Other Net Assets	3.46%	2.80%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Asset Allocation (as on 31st January 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 31st January 2011)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Kohat Cement Ltd.	Sukuk	11.88%	Pak Petroleum Ltd.	Equity	6.32%
Maple Leaf Cement	Sukuk	11.39%	Hub Power Co. Ltd.	Equity	5.52%
Pakistan Oilfields Ltd.	Equity	10.22%	Eden Housing Ltd.	Sukuk	4.70%
Pak Elektron Ltd.	Sukuk	8.63%	Lotte Pakistan Pta Ltd.	Equity	2.85%
Fauji Fertilizer Co.Ltd	Equity	7.29%	Thal Ltd.	Equity	2.84%

## 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	15,619,302	**32,680,698	11.88%	31.51%
Maple Leaf Cement Sukuk 1	Sukuk	49,957,500	18,626,904	**31,330,596	11.39%	29.24%
Eden Housing Limited Sukuk 2	Sukuk	18,750,000	5,832,337	**12,917,663	4.70%	38.86%
<b>Total</b>		<b>117,007,500</b>	<b>40,078,543</b>	<b>76,928,957</b>	<b>27.96%</b>	

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

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## Performance

Performance % *	January 2011	Since Launch August 21, 2010
NAFA Asset Allocation Fund	3.91%	13.78%
Benchmark	1.80%	10.26%

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

## General Information

Launch Date:	August 21, 2010
Fund Size:	Rs. 219 million
Type:	Open-end – Asset Allocation Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism	Forward Pricing
Load:	Front end – 2%, Back end - 0%
Management Fee:	2% per annum
Risk Profile	Moderate
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	1/3 of average 3-month bank deposit rate; 1/3 of 6-month KIBOR; 1/3 of KSE 30 Index
Fund Manager:	Hussain Yasar
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

## Investment Objective

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

## Fund Manager Commentary

During the month under review, NAFA Asset Allocation Fund's (NAAF) Net Asset Value (NAV) increased by 3.91% 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 1.80%. Thus your Fund out-performed the benchmark by 2.11%. Since inception on August 21, 2010 your Fund has increased by 13.78%, while the Benchmark has increased by 10.26%. Thus, to-date the out-performance of your Fund stands at 3.52%. This out-performance is net of management fee and all other expenses.

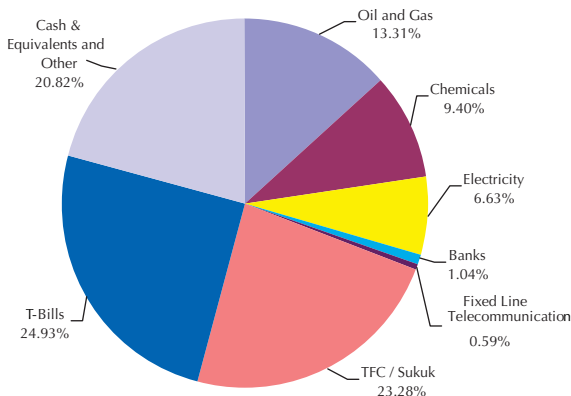
NAAF is an asset allocation fund and market weight implies 33% weight in equities, 33% in money market instruments and 33% in fixed income asset class. At the start of the month NAAF was around 46% invested in equities. The stock market was driven by foreign flows and healthy corporate earnings and payouts announcements. We reduced the weightage of NAAF in equities to the market weight as the market depicted signs of a correction. The overweight stance of NAAF in the Oil & Gas Exploration, Refinery and Fertilizer sub-sectors contributed to the out-performance of the Fund. During the month, we remained underweight in the Banking sector, which contributed to the outperformance of the Fund. At the end of the month, NAAF was around 31% invested in equities, 25% in money market instruments and around 23% in TFCs. The Fund only invests in AA rated category TFCs.

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

## Asset Allocation % NAV 31-Jan-11 31-Dec-10

Asset Allocation % NAV	31-Jan-11	31-Dec-10
Equities / Stock	30.97%	46.33%
TFC	23.28%	22.77%
Cash Equivalents	18.51%	16.68%
T-Bills	24.93%	17.13%
Other Net Assets / (Liabilities)	2.31%	-2.91%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Asset Allocation (as of 31st January 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 31st January 2011)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Engro Rupiya Certificate	TFC	7.77%	Bank Al-Falah Ltd.	TFC	4.52%
Pakistan Oilfields Ltd.	Equity	7.36%	Allied Bank Ltd.	TFC	4.13%
United Bank Limited III	TFC	6.86%	Pak Petroleum Ltd.	Equity	2.91%
Hub Power Co. Ltd.	Equity	6.17%	Fauji Fertilizer Bin Qasim	Equity	2.17%
Fauji Fertilizer Co. Ltd.	Equity	5.11%	Lotte Pakistan Pta Ltd.	Equity	2.12%



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

# NAFA Stock Fund (NSF)

MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/01/2011): Rs.7.9178

January 2011

## Performance

Performance % *	January 2011	FYTD Jul. 2010 - Jan. 2011	Trailing 12 Months	Since Launch January 22, 2007
NAFA Stock Fund	4.14%	28.37 %	24.52%	13.17%
Benchmark	3.64%	25.67%	19.43%	(10.33%)

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

## General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 982 million
Type:	Open-end – Equity Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 A.M to 4:30 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end – 3%, Back end - 0%
Management Fee:	3% per annum
Risk Profile:	Moderate-to-High
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	KSE-30 Index
Fund Manager:	Sajjad Anwar, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

## Investment Objective

To provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund will be moderate to high.

## Fund Manager Commentary

During the month under review, KSE-30 Index increased by 3.64% whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 4.14%, thus an out-performance of 0.50% was recorded. Since inception on January 22, 2007 the NAV of NSF has increased by 13.17% while that of the benchmark has declined by 10.33%, thus to date out-performance is 23.50%. This out-performance is net of management fee and all other expenses.

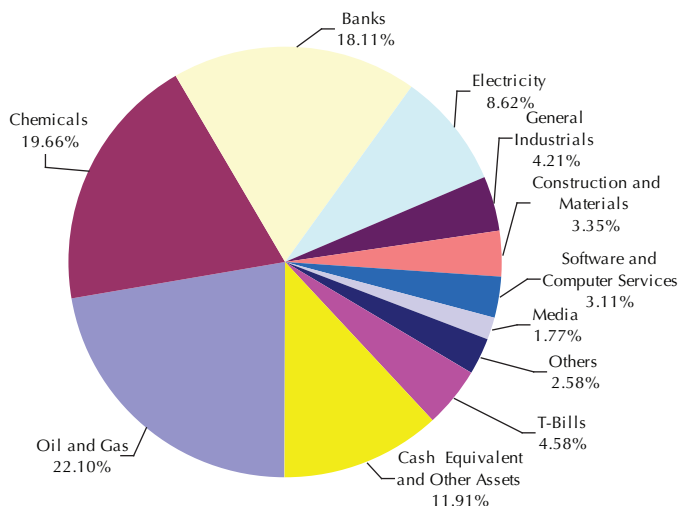
At the start of the month NSF was around 98% invested in equities. Overall the trend of the stock market was positive. However, we adjusted the portfolio of NSF and slightly reduced the weightage in equities as the market depicted signs of a correction. At the end of January 2011, NSF was around 84% invested in equities. During the month we significantly enhanced the weightage in the Chemical sector, which includes the Fertilizer sub-sector. Our over-weight stance in the Chemical sector contributed to the out-performance of the Fund. The Fertilizer sub-sector was driven by strong full year results announcements. We reduced the weightage of NSF in Banks, Oil & Gas and Electricity sectors. However, our key holdings in the aforementioned sectors performed better than the market, which also contributed to the out-performance of the Fund. We slightly increased the Fund's exposure in the Cement sub-sector as valuations have become attractive. At the end of the month, NSF was underweight in the Personal Goods, Financial Services and Industrial Engineering sectors.

We are closely monitoring the developments on the capital markets and will adjust the portfolio of NSF accordingly. The portfolio of NSF is comprised of stocks with attractive valuations. Developments on the leverage product and foreign flows are key triggers for the market."

## Asset Allocation % of NAV 31-Jan-11 31-Dec-10

Asset Allocation % of NAV	31-Jan-11	31-Dec-10
Equities / Stock	83.51%	97.95%
Cash Equivalents	9.53%	3.07%
T-Bills	4.58%	-
Other Net Assets / (Liabilities)	2.38%	-1.02%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Asset Allocation (as on 31st January 2011)



## Top Ten Equity Holdings (as on 31st January 2011)

Name	% of NAV	Name	% of NAV
Engro Corporation	9.65%	Fauji Fertilizer Ltd.	4.43%
Pakistan Oilfields Ltd.	7.85%	Pakistan Petroleum Ltd.	4.34%
MCB Bank Limited	5.58%	Thall Ltd.	4.21%
Lotte Pakistan PTA Ltd.	5.58%	Oil & Gas Development	3.35%
Hub Power Co. Ltd.	5.55%	National Refinery Ltd.	3.31%

## Name of the Members of Investment Committee

Dr. Amjad Waheed, 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.