

# NAFA Funds

Monthly Report (January 2012)



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

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*Joint - Venture Partners*



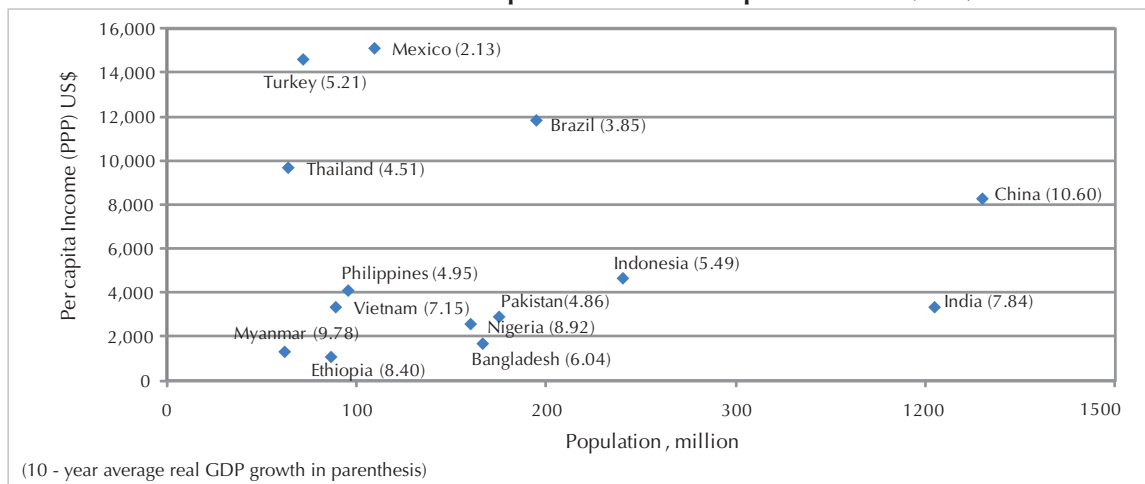
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Dr. Amjad Waheed, CFA  
Chief Executive Officer

Deutsche Bank has recently published a report where it discusses the concept of income convergence. The simple logic is that countries with relatively large populations and very low income levels have a very good chance of a substantial rise in their per capita income due to their low base. However, to achieve this objective, these countries need to (i) liberalize their economies from centralized control; (ii) allow free flow of information, goods and capital; and (iii) access international technology and best practices. The study identifies seven such potential countries where population is 60 million or more, annual per capita income is US\$5,000 or less, and these countries are geographically located around the Indian Ocean. The study predicts that "With a combined population of 2 billion, these Indian Ocean economies are bound to emerge as a major center of economic gravity over the course of this century." This group with favorable medium term economic growth prospects constitutes Pakistan, India, Bangladesh, Myanmar, Vietnam, Philippines and Indonesia.

Chart - Population vs Per Capita Income (PPP)



Economist, Jim O'Neill of Goldman Sachs predicted in 2001 that four emerging markets, commonly known as BRIC – Brazil, Russia, India, and China – would drive the world economy due to improvements in productivity and relatively low income levels. To a large extent this prediction has come true. China's per capita income has almost tripled from US\$2,700 in 2000 to US\$6,800 in 2010. The Deutsche Bank study predicts that in only three decades Indonesia's economy has the potential to surpass Germany, which is the largest economy today in Europe. High economic growth rate and large and growing population will make this possible. Economist, Robert Barro of Harvard University states that a poor country could expect to grow faster than a rich one, but only if the rule of law prevails, the terms of trade are favorable, inflation and government wasteful spending remains low, and families are sufficiently small, healthy and educated.

Pakistan's per capita income of about US\$ 3,000 (based on PPP methodology) and its population of 180 million makes it probable that our economy can grow at a rate of 8%-10% per annum in the coming decades. At this rate, the per capita income in Pakistan can cross US\$ 10,000 by 2030 from about US\$ 3,000 at present. However, for this to materialize, we need to take the following steps:

1. All sources of income including agriculture, real estate and services need to be taxed. Tax to GDP ratio has to rise from under 9% at present to 15%.
2. The government needs to learn to live within its means, and drastically cut non-development spending and its own size.
3. State-owned enterprises that are costing the government Rs 400 billion per annum need to be privatized.
4. National security will have to be defined in a broader sense to also include education, health care, population planning, flood protection, energy, clean drinking water, etc., rather than a narrow focus on military security.
5. Over 30 million children who are presently out of school primarily because their parents cannot afford, will have to be sent back to school by government committing to finance their education. It will only cost an additional 1% of GDP to achieve this objective. Further, the quality of education for those already in school needs to be improved drastically. Again, this will cost less than 1% of GDP if governance can be improved.
6. Pakistan will have to work on a war footing to exploit alternative sources of energy such as hydel, coal, wind, which are in abundance in the country.

In the absence of the above steps, Pakistan's dream of becoming a prosperous, stable and safe country will not become a reality, and we will continue to lag behind even the African countries in the coming decades.



January 2012

## Stock Market Review

The stock market swung between gains and losses during the first half of January 2012 amid noise in the domestic politics, gridlock in Pak-US relations and lack of any positive trigger. However, we witnessed sharp rebound in the market during the second half of the month driven by some let up in inflationary pressures, improvement in Pak-US relations, and reduction of political uncertainties. Acceptance of the SECP's proposals regarding the Capital Gains Tax (CGT) perked-up investors' confidence in the market. Moreover, better than expected earnings reported by the majority of the companies further boosted investors' sentiments. Combination of all these factors paced the market recovery during the latter half of the month. The month started with KSE-30 Index at 10,179 levels and after touching a low of 10,060 levels closed the month at 11,173 levels. Overall, during the month KSE-30 Index advanced around 9.76%.

Macroeconomic indicators are depicting mixed picture. External accounts have weakened due to widened trade deficit and muted foreign flows. On the other hand, inflationary pressure has come off appreciably due to either stabilization or reduction of majority of commodity prices. This deceleration in inflation has generated optimism in market that central bank may cut Policy Rate in its upcoming monetary policy announcement of February. During the outgoing month, trading activity picked up following the much awaited relaxation in CGT. Average Daily Trading volume for the month was recorded at around 75 million shares versus 42 million shares during the previous month.

Banking, Chemicals, and Construction and Material sectors led the market recovery. On the other hand, Oil and Gas, Food Producers and Electricity sectors lagged the market. Banking stocks advanced due to sanguine valuations and expectations of healthy earnings announcements and payouts. Key fertilizer companies rallied on the back of strong earnings reports that resulted in out-performance of the Chemicals sector. Healthy profits announcements driven by improved operating margins resulted in the out-performance of Cement sub-sector. Lagged performance of Oil and Gas sector was due to disappointing results from exploration blocks of key Oil and Gas Exploration companies.

Going forward, key triggers for the stock market will be: Foreign Portfolio Investment (FPI) activity, US-Pakistan diplomatic relations, Economic and interest rates outlook and domestic political situation.

## Fixed Income Review

The first month of CY 2012 started with all possible uncertainties in the market. As an indication we have seen 10-year PIB trade at 11.9% to go back above 13%, revisit 12.2% and last traded at 12.6%. These are very volatile moves in the fixed income arena and show the short-term nature of the market psyche, amid economic vulnerabilities. The fear on current account deficit (1.8% of GDP in first six months of FY 2012) given low cotton prices and high oil prices, start of IMF repayments from February 2012, Government's reliance on scheduled banks and SBP to cover fiscal imbalance, structural impediments to economic growth like energy deficit and low productivity all exacerbate the woes. Single digit inflation number and steady flows of remittances though provide a breather. This environment at minimum calls for acute prudence in fixed income investments from the two major risks in this asset class; credit risk and interest rate risk. With flight to quality in Treasury Securities, corporate debt market has essentially dried over the last few years. This is both in primary market (IPOs of TFCs) and secondary market activity.

Market volumes of TFCs reported by MUFAP remained thin in January as well. Total traded value reported by MUFAP for January 2012 was Rs 682 mln, as against a value of Rs. 870 mln in December 2011. Banking sector bonds accounted for 84.24% of the traded value.

Average YoY inflation (CPI) for July to December 2011 was 10.9%, as against previous year number of 14.3%. Average month-on-month inflation (CPI) during the first six months of FY 2011-12 was 0.8% which translates into an annual inflation number of 9.6%. This is in line with the headline YoY CPI number of 9.7%. However, we are of the view that this trend may not be sustainable on back of vulnerabilities in Fiscal Account, pressure on PKR, and Current Account Deficit. In the last available M2 (Money Supply) data of January 20, in the current fiscal year net Government borrowing from scheduled banks has risen by 45%, including 28% one time conversion of energy sector related circular debt from loans to Government Securities. Net Government borrowing from SBP increased by 15.5% during this period.

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

“January 2012”

FUND NAME	FUND SIZE (Rs. In million)	FUND LAUNCH DATE	STABILITY RATING / STAR RANKING *	Jan-2012	LAST ONE YEAR	SINCE LAUNCH
NAFA Government Securities Liquid Fund <sup>1</sup>	15,906	16-May-09	AAA (f)	10.58%	11.59%	11.11%
NAFA Savings Plus Fund <sup>1</sup>	936	21-Nov-09	AA- (f)	11.17%	11.49%	10.71%
NAFA Riba Free Savings Fund <sup>1</sup>	754	21-Aug-10	AA- (f)	10.20%	11.64%	10.97%
NAFA Islamic Multi Asset Fund <sup>2</sup>	246	29-Oct-07	**** (4-star)	3.41%	7.91%	32.40%
NAFA Multi Asset Fund <sup>2</sup>	586	22-Jan-07	**** (4-star)	4.43%	8.87%	54.43%
NAFA Stock Fund <sup>2</sup>	1,012	22-Jan-07	**** (4-star)	8.55%	1.14%	14.47%
NAFA Asset Allocation Fund <sup>2</sup>	397	21-Aug-10	n/a	4.09%	11.38%	26.74%
NAFA Financial Sector Income Fund <sup>1</sup>	1,506	28-Oct-11	n/a	11.46%	n/a	12.52%

- 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](http://www.nafafunds.com)

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MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/01/2012): Rs. 10.0941

January 2012

Performance

Performance % *	January 2012	Jul. 2011- Jan. 2012	Trailing 12 Months	Since Launch May 16, 2009
NAFA Government Securities Liquid Fund	10.58%	11.33%	11.59%	11.11%
Benchmark	10.33%	10.99%	11.23%	11.06%

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

General Information

Launch Date: May 16, 2009  
Fund Size: Rs. 15,906 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 10.58% during January 2012. The return for the first seven months of FY 2012 is 11.33% p.a. against the benchmark return of 10.99% p.a, hence an out-performance of 34 bps. This out-performance is net of management fee and all other expenses. The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of your Fund. In the last 365 days average daily allocation in short-term Government Securities was 88.33%, while the daily average time to maturity of T-Bills for last 365 days was 42 days. The investment value of NGSLF has not declined on any day since the launch of the Fund in May 2009.

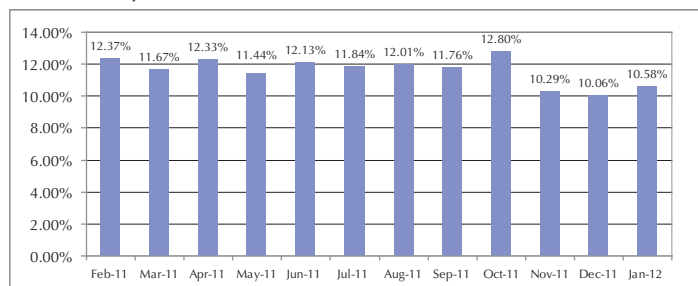
The yield curve at all ends was very volatile during January 2012. At the shorter end 3-Months T-Bills traded as high as 11.8% p.a. and as low as 11.40% p.a. Also, the last auction of T-Bills on January 26, 2012 was also fairly over-subscribed as market placed bids of Rs 297.37 billion against the target of Rs 75 billion with major participation in longer maturity T-Bills. This suggests market is eyeing possibility of a Discount Rate cut. The last weekly injection by SBP was of Rs.274 billion.

As of January 31, 2012, weighted average time to maturity of your Fund is around 63 days.

Asset Allocation (% of NAV) 31-Jan-12 30-Dec-11

T-Bills (Including Reverse Repo via Master Repurchase Agreement)	86.07%	86.27%
Placements with Banks	5.03%	5.12%
Placements with DFIs (AA+ & above rated)	5.97%	6.08%
Cash Equivalents	3.95%	2.66%
Other Net Liabilities	(1.02)%	(0.13)%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

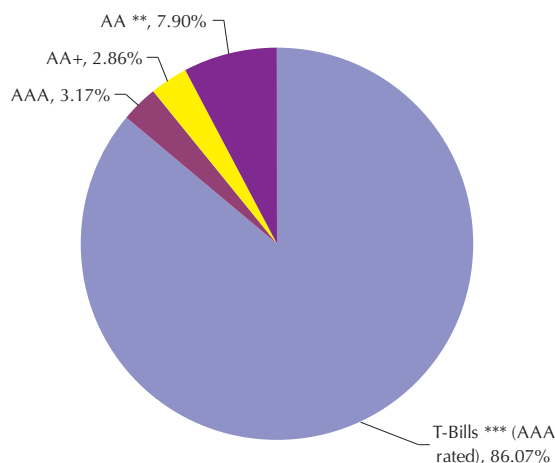
Monthly Annualized Returns of NGSLF for last 12 months



Name of the Members of Investment Committee

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

Credit Quality of the Portfolio as of January 31, 2012 (% of NAV)



\*\* Net of Other Net Liabilities

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



MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/01/2012): Rs. 10.0455

January 2012

Performance				
Performance % *	January 2012	Jul. 2011- Jan. 2012	Trailing 12 Months	Since Launch November 21, 2009
NAFA Savings Plus Fund	11.17%	11.51%	11.49%	10.71%
Benchmark	8.19%	8.45%	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. 936 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 11.17% during the month versus the benchmark return of 8.19%, thus depicting an out-performance of 2.98%. The FYTD return of the Fund is 11.51% p.a., thus out-performing the benchmark by 3.06%. Since inception the out-performance of the Fund against the benchmark is 2.39% p.a. This out-performance is net of management fee and all other expenses. The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

The allocation in T-Bills was increased to around 44% from 33% at end of the previous month. The T-Bills asset class maturity is around 114 days. The high allocation in T-Bills enhance the liquidity of the Fund.

The allocation in Margin Trading System (MTS) was reduced to around 20.5% as compared to 27.5% at the end of previous month due to increase in the Fund size. Our internal guidelines permit financing in only fundamentally strong companies with lower volatility. It is pertinent to mention that in this asset class the Fund provides financing at only pre-determined rates of return with no direct exposure to the stock market. Going forward, with increase in volume of MTS, the investment amount in this asset class will be enhanced, which will further improve the performance of the Fund.

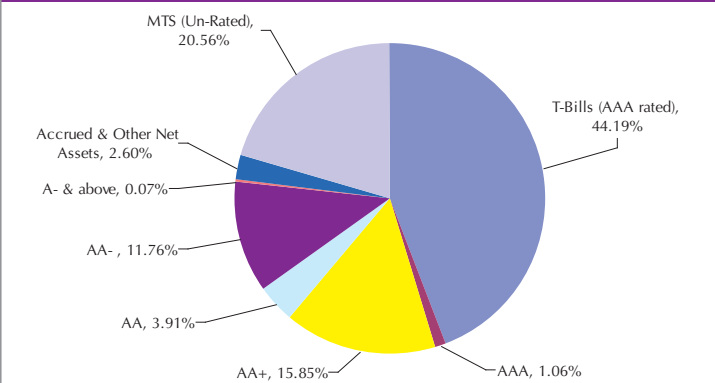
Asset Allocation (% of NAV)	31-Jan-12	30-Dec-11
T-Bills	44.19%	32.74%
Commercial Paper	7.48%	11.59%
Placements with Banks	-	8.28%
Placements with DFIs	16.55%	8.28%
Margin Trading System (MTS)	20.56%	27.54%
Cash Equivalents	8.62%	8.68%
Other Net Assets	2.60%	2.89%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

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 March 11, 2012.

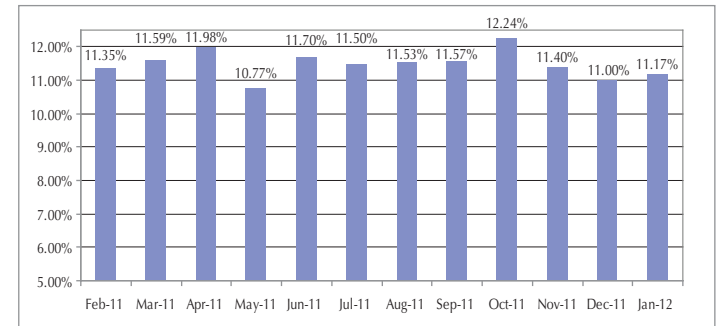
The Fund Size registered an impressive growth of around 55% during the month.

The average time to maturity of your Fund is around 81 days.

**Credit Quality of the Portfolio as of January 31, 2012 (% of NAV)**



**Monthly Annualized Returns of NSPF for last 12 months**



**Name of the Members of Investment Committee**

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

**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.



MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/01/2012): Rs. 10.1488

January 2012

## Performance

Performance % *	January 2012	Jul. 2011- Jan. 2012	Trailing 12 Months	Since Launch August 21, 2010
NAFA Riba Free Savings Fund	10.20%	11.72%	11.64%	10.97%
Benchmark	8.39%	8.39%	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. 754 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:	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 NRFSSF for the month of January 2012 is 10.20%. Since the Fund's inception over eighteen months ago, the Fund has out-performed its benchmark by 2.64% on an annualized basis. This outperformance is net of management fee and all other expenses. The management is announcing monthly dividends since July 2011 and intends to continue this policy in the future as well.

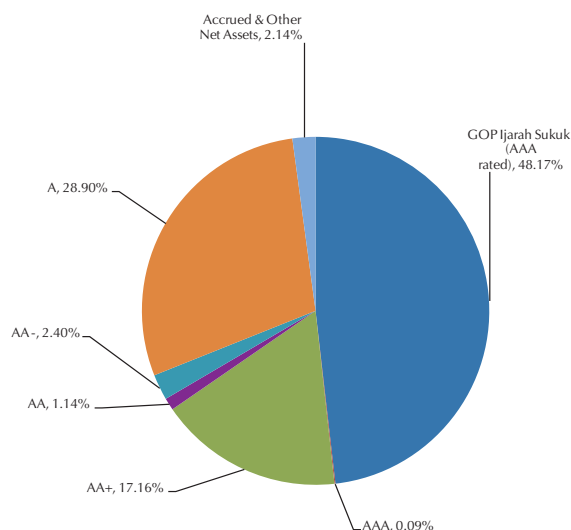
We aim to consistently provide better returns than profit rates offered by Islamic Banks / Islamic windows of commercial banks, while also providing easy liquidity along with a high quality credit profile. The Fund is not authorized to invest in corporate debt securities and the stock market. With stability 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 48% allocation. The outstanding amount of GOP Ijarah sukuks is around Rs. 293 billion. SBP has set a target of Rs 50 billion for next Ijarah Sukuks auction in February 2012 against maturity of around Rs 20 billion. GOP Ijarah sukuks are floating rate Shariah compliant debt securities with six monthly coupon resets and an average duration of three months. This minimizes pricing risk.

The Fund Size registered a healthy increase of around 19% during the month. The average duration of the Fund is 64 days.

Asset Allocation (% of NAV)	31-Jan-12	30-Dec-11
GOP Ijarah Sukuk - Govt. Backed	48.17%	49.26%
Islamic Commercial Paper	16.92%	12.20%
Cash Equivalents	32.77%	37.71%
Other Net Assets	2.14%	0.83%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Credit Quality of the Portfolio as of January 31, 2012 (% of NAV)



## Top Holdings (as at January 31, 2012)

Name of Sukuk / Islamic Commercial Paper	% of Net Assets
GOP Ijarah (Sukuk VIII)	16.70%
GOP Ijarah (Sukuk IX)	12.61%
HUBCO Islamic CP	11.61%
GOP Ijarah (Sukuk V)	11.34%
KAPCO Islamic CP	5.31%
GOP Ijarah (Sukuk VI)	4.43%
GOP Ijarah (Sukuk VII)	3.09%
<b>Total</b>	<b>65.09%</b>

## 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 (31/01/2012): Rs. 10.3118

January 2012

**Performance**

Performance % *	January 2012	Since Launch October 28, 2011
NAFA Financial Sector Income Fund	11.46%	12.52%
Benchmark	10.69%	10.75%

\* 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. 1,506 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 Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- 'Positive Outlook' by PACRA

**Investment Objective**

To provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs/Sukuks, Bank deposits and short-term money market instruments.

**Fund Manager Commentary**

The annualized return generated by NFSIF for the month of January 2012 is 11.46% versus the benchmark return of 10.69% p.a., thus out-performing the benchmark return by 0.77%. Since its inception the Fund's annualized out-performance against the benchmark is 1.77%. This outperformance is net of management fee and all other expenses. The size of your Fund registered an impressive 44% growth during the month.

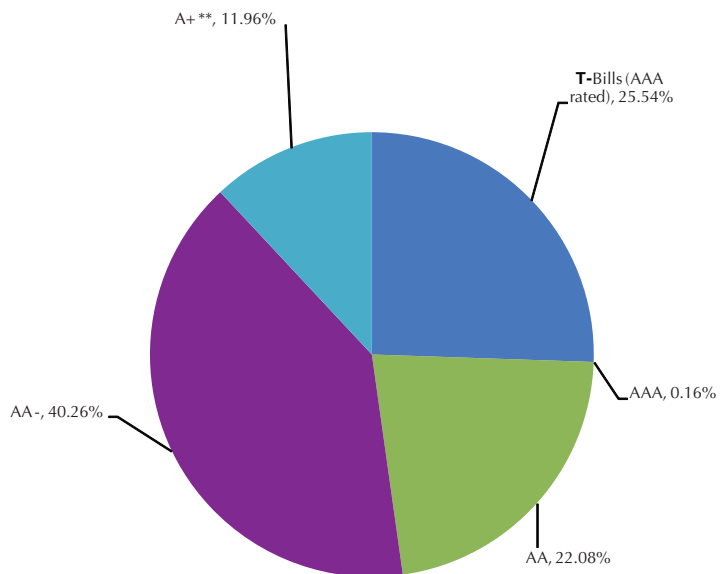
The Fund is unique as it invests a minimum of 70% of its assets in financial sector debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities (mainly banks) is AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. All debt securities 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 of the Fund is 2.45 years. The weighted average yield to maturity of the Fund is 13.60% p.a. The weighted average credit quality of the Fund is AA-.

**Asset Allocation (% of NAV)**

	31-Jan-12	30-Dec-11
T-Bills	25.54%	21.05%
TFCs	74.67%	69.04%
Cash Equivalents	4.50%	8.64%
Other Net (Liabilities) / Assets	(4.71)%	1.27%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

**Credit Quality of the Portfolio as of January 31, 2012 (% of NAV)**



**Top Holdings (as at January 31, 2012)**

Name of TFC	% of Net Assets
United Bank Limited IV	18.65%
Bank Alfalah Limited (Floater)	18.29%
Faysal Bank Limited II	17.40%
NIB Bank Limited	10.76%
Soneri Bank Limited	5.92%
Allied Bank Limited I	1.47%
United Bank Limited III	1.29%
Askari Bank Limited III	0.89%
<b>Total</b>	<b>74.67%</b>

**Name of the Members of Investment Committee**

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

\*\* Net of Other Net Liabilities

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MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/01/2012): Rs.10.8968

January 2012

## Performance

Performance % *	January 2012	Jul. 2011- Jan. 2012	Trailing 12 Months	Since Launch August 21, 2010
NAFA Asset Allocation Fund	4.09%	6.10%	11.38%	26.74%
Benchmark	3.71%	2.92%	4.75%	15.50%

\* 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. 397 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 4.09% 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 3.71%. Thus your Fund out-performed the benchmark by 0.38%. Since inception on August 21, 2010 your Fund has increased by 26.74%, while the Benchmark has increased by 15.50%. Thus, to-date the out-performance of your Fund stands at 11.24%.

At the beginning of the month, NAAF was around 25% invested in equities. The stock market continued to depict downward trend during the first half of the month on the back of noise in domestic politics, strain in PAK-US relations, and lack of any positive trigger. However, it rebounded sharply during the latter half of the month. The Fund out-performed during the month as its key holdings in the Fertilizer and Cement sub-sectors performed better than the market. Moreover, Fund's underweight position in the key Oil and Gas exploration company and Food Producer sector, which lagged the market contributed to the out-performance. On the other hand, drag on the Fund's performance was its over-weight in Electricity sector, which under-performed the market. We promptly built positions in key Banking sector stocks, which performed better than the market that benefited the Fund. The Fund invests in AA & above rated investment category TFCs.

NAAF is invested in stocks with sanguine valuations, stable earnings stream and low business risk. We are keeping a close watch on the developments in capital market and will shift our allocation accordingly.

## Top Ten Holdings (as on 31st January 2012)

Name	Asset Class	% of NAV
Pakistan Oilfields Ltd.	Equity	8.59%
Fauji Fertilizer Co. Ltd.	Equity	8.15%
Kot Addu Power	CP	7.56%
Allied Bank Limited I	TFC	6.33%
MCB Bank Limited	Equity	5.78%
Hub Power Company Limited	CP	5.04%
Pak Petroleum Ltd.	Equity	4.98%
Lucky Cement Limited	Equity	4.78%
United Bank Ltd.	Equity	4.32%
Engro Corporation Rupiya Certificate	TFC	4.31%
<b>Total</b>		<b>59.84%</b>

## Characteristics of Equity Portfolio\*\*

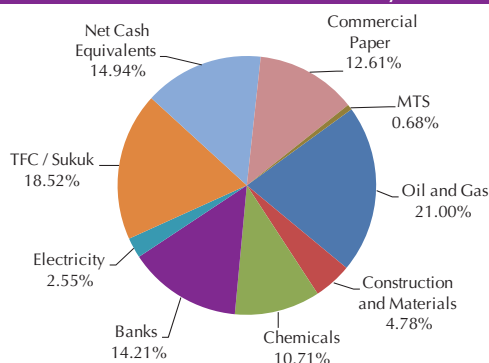
	PER	PBV	DY
NAAF	5.9	3.1	9.1
KSE-30	7.1	4.2	8.4

\*\* Based on NAFA's estimates

## Asset Allocation (% of NAV) 31-Jan-12 30-Dec-11

	31-Jan-12	30-Dec-11
Equities / Stocks	53.25%	25.34%
TFCs	18.52%	18.29%
Cash Equivalents	5.74%	14.83%
Commercial Paper	12.61%	12.44%
T-Bills	-	23.56%
MTS	0.68%	4.78%
National Savings Bond	-	2.50%
Other Net Assets / (Liabilities)	9.20%	(1.74%)
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Asset Allocation (as on 31st January 2012)



## Name of the Members of Investment Committee

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

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## Performance

Performance % *	January 2012	Jul. 2011- Jan. 2012	Trailing 12 Months	Since Launch January 22, 2007
NAFA Multi Asset Fund	4.43%	4.46%	8.87%	54.43%
Benchmark	5.31%	1.98%	2.95%	26.72%

\* 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. 586 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 4.43% while the benchmark (50% KSE-30 index & 50% 3-month KIBOR) increased by 5.31%. Thus your Fund under-performed the benchmark by 0.88%. Since inception on January 22, 2007 your Fund has increased by 54.43%, while the benchmark has increased by 26.72%. Thus, to-date the out-performance of your Fund stands at 27.71%. 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. The stock market depicted stellar performance during the month of January. During the first half of the month the market extended the losses of the previous two months. However, the market rallied during the latter half of the month. Expecting a downward trend in the stock market, NMF was around 38% invested in equities at the beginning of the month and we remained under-weight during the first half. However, with the improvement in the trend in the market we increased the weightage in equities during the latter half of the month that benefited the Fund. NMF's under-performance during the month was due to its under-weight in equities at the inception of the market rally and under-performance of key holdings in the General Industrials and Media sectors. Drag on the Fund's performance was its underweight stance in the selected banking stocks which out-performed the market. We increased exposure in selected fertilizer stocks which performed better than the market that benefited the Fund. The Fund remained under-weight in the Food Producer sector and selected oil exploration stock which lagged the market and contributed to its performance. Moreover, mark down of a corporate bond also contributed to the under-performance of the Fund.

NMF is invested in high dividend yielding stocks of defensive sectors. We are vigilant to the events in the capital markets and will alter the portfolio of NMF accordingly.

## Top Ten Holdings (as on 31st January 2012)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Fauji Fertilizer Co. Ltd.	Equity	10.56%	Avari Hotels Limited.	TFC	4.20%
Pakistan Oilfields Ltd.	Equity	9.44%	Engro Corporation Ltd.	Equity	4.11%
Maple Leaf Cement I.	Sukuk	8.94%	Lucky Cement Limited.	Equity	3.92%
MCB Bank Limited.	Equity	6.29%	Saudi Pak Leasing.	TFC	3.87%
Pak Petroleum Ltd.	Equity	5.86%	Eden Housing II.	Sukuk	3.75%

## Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets	Yield to Maturity per annum
Eden Housing II	SUKUK	33,750,000	11,765,621	21,984,379	3.75%	3.66%	43.10%
Maple Leaf Cement I	SUKUK	88,289,652	35,906,254	52,383,398	8.94%	8.73%	36.68%
Pak Elektron Limited	SUKUK	17,142,857	1,698,891	15,443,966	2.64%	2.57%	9.68%
Saudi Pak Leasing	TFC	34,353,300	11,671,637	22,681,663	3.87%	3.78%	19.43%
Maple Leaf Cement II***	SUKUK	3,315,000	3,315,000	-	0.00%	0.00%	N/A
New Allied Electronics I	SUKUK	10,000,000	10,000,000	-	0.00%	0.00%	N/A
<b>Total</b>		<b>186,850,809</b>	<b>74,357,403</b>	<b>112,493,406</b>	<b>19.20%</b>	<b>18.74%</b>	

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

Weighted Average Time to Maturity of Non Equity Assets	Limit	Excess
2.49 years	2 years	0.49 years

## Asset Allocation (% of NAV) 31-Jan-12 30-Dec-11

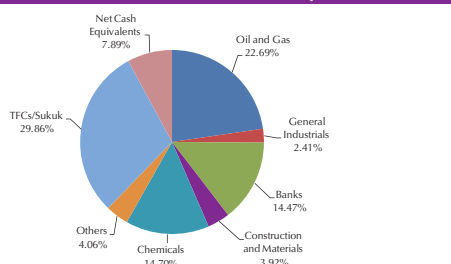
Equities / Stocks	62.25%	37.52%
TFCs / Sukuks	29.86%	36.51%
Commercial Paper	-	6.23%
Cash Equivalents	8.38%	8.83%
T-Bills	-	12.40%
Other Net Liabilities	(0.49%)	(1.49%)
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Characteristics of Equity Portfolio\*\*

	PER	PBV	DY
NMF	5.8	3.2	8.9%
KSE-30	7.1	4.2	8.4%

\*\* Based on NAFA's estimates

## Asset Allocation (as on 31st January 2012)



## Name of the Members of Investment Committee

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

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MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/01/2012): Rs.9.3191

January 2012

## Performance

Performance % *	January 2012	Jul. 2011- Jan. 2012	Trailing 12 Months	Since Launch October 29, 2007
NAFA Islamic Multi Asset Fund	3.41%	2.36%	7.91%	32.40%
Benchmark	3.99%	4.19%	8.36%	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. 246 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 3.41%, whereas the benchmark (50% KMI-30 index & 50% average 3-month profit rate of Islamic Banks) increased by 3.99%, thus your Fund under-performed the benchmark by 0.58%.

NIMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. The stock market advanced during the month of January on the back of healthy results announcements, relaxation in CGT, improvement in domestic political climate and thaw in US-Pak diplomatic relations. During the first half of the month the market continued downward trend. However, the market took upward trend during the latter half of the month. NIMF was around 38% invested in equities at the beginning of the month and we remained under-weight during the first half of the month. However, with the improvement in the trend in the market allocation in equities was enhanced during the latter half of the month that benefited the Fund. NIMF's under-performance during the month was due to its under-weight in equities at the inception of the market rally and underperformance of key holdings in Oil and Gas and Electricity sectors. We increased the exposure in selected fertilizer companies, which performed better than the market that benefited the Fund. The Fund benefited from its under-weight stance in the Food Producer sector and selected oil exploration stock that lagged the market. Mark down of a corporate sukuk also contributed to the underperformance of the Fund. At the end of the month NIMF is overweight in equities with around 56% weightage.

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 6.7x offering 10.1% dividend yield. We are vigilant to the developments in the capital markets and will alter the portfolio of NIMF proactively.

## Asset Allocation (% of NAV)

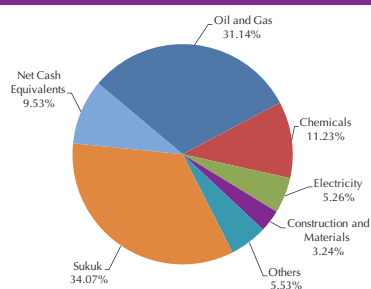
	31-Jan-12	30-Dec-11
Equities / Stocks	56.40%	37.70%
Sukuks	34.07%	36.18%
Shariah Compliant Commercial Paper	-	6.20%
Cash Equivalents	8.28%	19.55%
Other Net Assets	1.25%	0.37%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

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

	PER	PBV	DY
NIMF	6.7	4.5	10.1%
KMI-30	6.9	4.1	9.0%

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

## Asset Allocation (as on 31st January 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 31st January 2012)

Name	Asset Class	% of NAV	Name	Asset Class	% of NAV
Pakistan Oilfields Ltd.	Equity	14.30%	Pak Elektron Limited.	Sukuk	7.84%
Maple Leaf Cement I.	Sukuk	12.03%	Hub Power Co. Ltd.	Equity	5.26%
Fauji Fertilizer Co. Ltd.	Equity	11.22%	Oil & Gas Dev.Co.	Equity	5.12%
Pak Petroleum Ltd.	Equity	9.31%	Eden Housing II.	Sukuk	4.47%
Kohat Cement Limited.	Sukuk	8.22%	Lucky Cement Ltd.	Equity	3.24%

## Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets	YTM Per Annum
Eden Housing II	SUKUK	16,875,000	5,882,811	10,992,189	4.47%	4.38%	43.10%
Maple Leaf Cement I	SUKUK	49,915,000	20,299,782	29,615,218	12.03%	11.81%	36.68%
Pak Elektron Limited	SUKUK	21,428,571	2,123,614	19,304,957	7.84%	7.70%	9.68%
Kohat Cement Limited ****	SUKUK	30,300,000	10,058,873	20,241,127	8.22%	8.07%	30.69%
Maple Leaf Cement II****	SUKUK	1,875,000	1,875,000	-	0.00%	0.00%	N/A
<b>Total</b>		<b>120,393,571</b>	<b>40,240,080</b>	<b>80,153,491</b>	<b>32.56%</b>	<b>31.96%</b>	

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

Weighted Average Time to Maturity of Non Equity Assets	Limit	Excess
2.08 years	2 years	0.08 years

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MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/01/2012): Rs.6.5837

January 2012

## Performance

Performance % *	January 2012	Jul. 2011- Jan. 2012	Trailing 12 Months	Since Launch January 22, 2007
NAFA Stock Fund	8.55%	1.14%	1.14%	14.47%
Benchmark	9.76%	(3.57%)	(6.97%)	-16.57%

\* 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. 1,012 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 9.76% whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 8.55%, thus an under-performance of 1.21% was recorded. Since inception on January 22, 2007 the NAV of NSF has increased by 14.47% while the benchmark has declined by 16.57%, thus to date out-performance is 31.04%. 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.

The stock market depicted stellar performance during the month of January led by the healthy results announcements, relaxation in CGT, improvement in domestic political climate, and thaw in US-Pak diplomatic relations. During the previous two months, stock market depicted downward trend with a lot of volatility due to lack of any positive trigger, uncertain political situation and foreign selling. Expecting the continuation of this trend NSF was underweight in equities at the beginning of the month. During the second week of the month, we further reduced the allocation in equities on escalation of political tension that benefited the Fund initially. However, stock market rebounded very sharply during the second half of the month, which contributed to the under-performance of the Fund.

During the latter half of the month, we built positions in equities to around market weight. We enhanced the exposure in the Banking sector which out-performed the market and contributed to the performance of the Fund. Fund's key Cement sub-sector holding contributed to the under-performance of Fund due to its lagged performance. The Fund benefited from its underweight stance in the heavy-weight oil exploration stock due to its under-performance. The contribution in the Fund's performance also came from its over-weight stance in key fertilizer company, which performed better than the market. We reduced exposure in key stock of Electricity sector during the latter half of the month which benefited the Fund.

NSF is invested in stocks with sanguine valuations and strong growth prospects. The portfolio of NSF is priced at forward earnings multiple of 5.8x offering 8.2% dividend yield. We are closely monitoring the developments in the capital market and will rebalance the portfolio of the Fund.

## Asset Allocation (% of NAV)

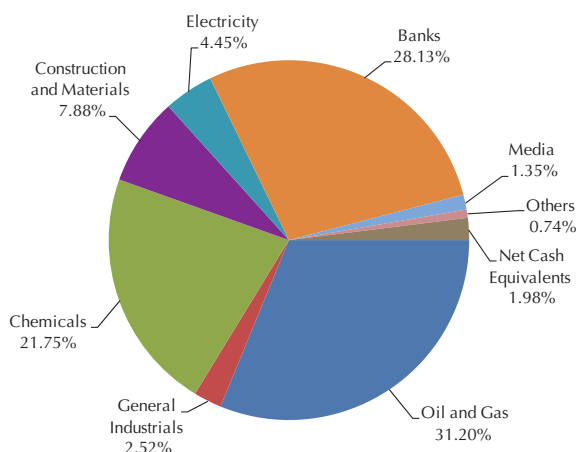
	31-Jan-12	30-Dec-11
Equities / Stock	98.02%	90.23%
Cash Equivalents	2.76%	7.80%
Other Net (Liabilities) / Assets	(0.78%)	1.97%
Total	100.00%	100.00%
Leverage	Nil	Nil

## Characteristics of Equity Portfolio\*\*

	PER	PBV	DY
NSF	5.8	2.5	8.2%
KSE-30	7.1	4.2	8.4%

\*\* Based on NAFA's estimates

## Asset Allocation (as on 31st January 2012)



## Top Ten Equity Holdings (as on 31st January 2012)

Name	% of NAV	Name	% of NAV
Fauji Fertilizer Co. Ltd.	11.76%	Oil & Gas Dev.Co. Ltd.	7.16%
MCB Bank Limited.	10.40%	National Bank of Pakistan.	5.72%
Engro Corporation Ltd.	9.94%	Lucky Cement Limited.	5.65%
Pakistan Oilfields Ltd.	9.25%	United Bank Ltd.	5.51%
Pak Petroleum Ltd.	8.48%	Hub Power Co. Ltd.	4.45%

## Name of the Members of Investment Committee

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

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