

**National Fullerton  
Asset Management Limited**

# Investment Outlook

Dr. Amjad Waheed, CFA  
Chief Executive Officer

## Capital Markets in FY 2010

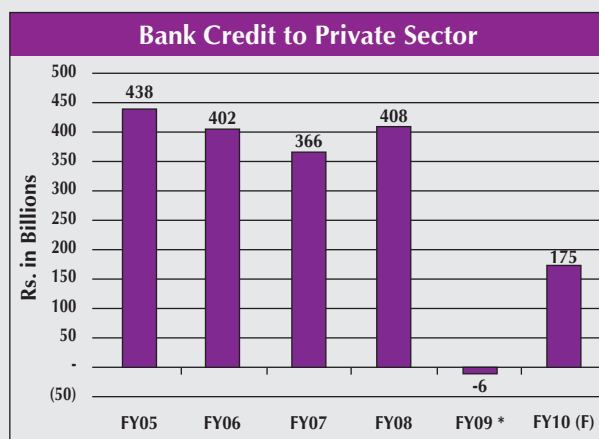
Fiscal Year (FY) 2009 (July 1, 2008 – June 30, 2009) was a very difficult year for the Pakistani capital markets. Interest rates remained very high, driven by high inflation and risk aversion, resulting in crowding out of the private sector. Private sector borrowing dropped drastically from Rs 408 billion in FY08 to a negative Rs 6 billion in FY09 (Chart 1). A sharp rise in interest rates and abnormal tightening of liquidity kept the bond / TFCs prices volatile and depressed. The Stock Market (KSE 100 Index) declined by 41.72% in FY09, which is one of the worst performances in the history of the Pakistani stock market.

The following three factors will have a major impact on capital markets in FY10: (i) extent of government domestic borrowing; (ii) amount of foreign funding; and (iii) law and order situation. The recently announced budget for FY10 seems expansionary in nature. The Government plans to increase development spending to over Rs 646 billion from Rs 419 billion last fiscal year, which is admirable. But this is not being done by reducing non-productive spending. In fact, development spending, non-development spending and debt servicing are all projected to rise significantly in FY10. Revenue collection is projected to remain at a dismal 9.3% of GDP. This means that there will again be extensive reliance on borrowing and foreign inflows. The Government has projected to borrow Rs 250 billion again next year mainly from national savings schemes. Actual borrowing may turn out to be much higher. This will most likely again crowd out the private sector, which is the more productive and efficient sector relative to the Government. This will also force businesses to borrow at high rates, as the Government will continue to offer attractive rates on national savings schemes.

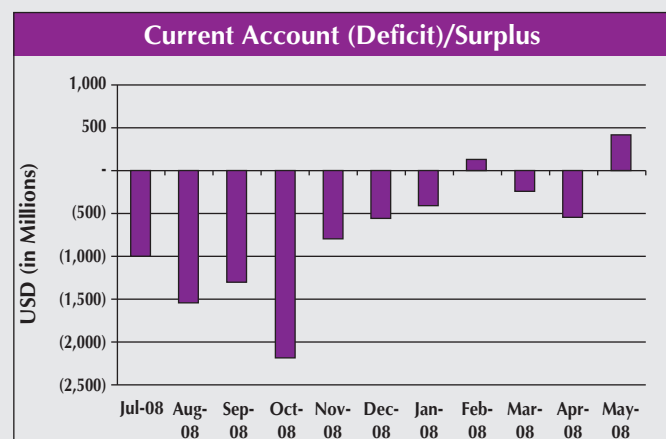
Inflation (CPI) has dropped from 25.33% p.a. in August, 08 to an estimated 13% p.a. in June 2009. We had earlier projected the inflation and interest rates to decline to single digits by October 2009. However, after seeing an expansionary budget, and expected rise in power rates and petroleum prices, we expect interest rates (6-month KIBOR) to be around 12% and the inflation rate to be at 9.5% by October 2009, which will only gradually go down further provided sufficient foreign funding materializes. The government is expecting over US\$ 6 billion from the international donor agencies, the US, and Friends of Pakistan. Of this, US\$ 2 billion is expected till September, 2009. If this materializes, liquidity will improve substantially, resulting in lowering of interest rates. The current account balance is well under control, with a surprise current account surplus of US\$ 406 million reported in May, 2009 (Chart 2). Following the success of the Swat Operation, terrorism is expected to be relatively better contained in FY10, although not completely eliminated.

Corporate earnings are expected to rise by 15%, on average, for FY10. We project the Stock Market (KSE 100 Index) to be around the 9,500 level by June 2010. Presently it is trading around 7162 level. This means that a 33% upside is expected in one year. This is based on an assumption of slow and steady recovery in economic growth rate. Good rated TFCs declined substantially in 2H, FY09. They have risen since then, but are still trading, on average, 8% below their par value. We expect that these will be trading at around par by end of FY10. Thus, both NAFA equity-related funds and cash / income funds are expected to do well in FY10.

(Chart 1)



(Chart 2)



\* Till June 20, 2009



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# NAFA Government Securities Liquid Fund (NGSLF)

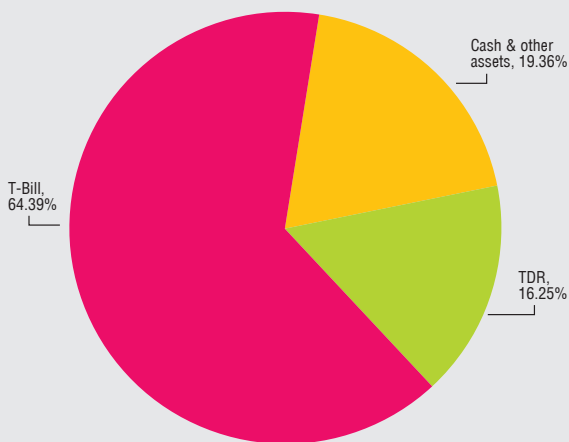
Unit Price (30/06/2009): Rs. 10.1425

June 2009

Investment Objective	Performance		
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	<b>Performance (%)*</b>	<b>June 2009</b>	<b>Since Launch May 16, 2009</b>
	<b>NAFA Government Securities Liquid Fund</b>	<b>11.51%</b>	<b>11.88%</b>
	<b>Benchmark</b>	11.56%	12.58%
* Represents Annualized Return (Returns are net of management fee & all other expenses)			

General Information		Fund Manager's Commentary
Launch Date:	May 16, 2009	NAFA Government Securities Liquid Fund earned an annualized return of 11.51% during the month.
Fund Size:	Rs. 1,415 million	
Type:	Open-end – Money Market Fund	The NAFA Government Securities Liquid Fund with a AA+ (f) stability rating is among the highest rated funds in the industry. The average bank deposit rate at present based on SBP statistics is 6.60%. In comparison, NAFA Government Securities Liquid Fund is presently yielding 11.51% (tax-exempt), which we believe is very attractive for our investors. In case of redemptions, we are generally paying our investors within 1 business day.
Dealing:	Daily - Monday to Friday	
Settlement:	2-3 business days	
Load:	No entry or exit load	
Management Fee:	1.5% per annum	
Listing:	Lahore Stock Exchange	The medium to long-term money market rates witnessed a downward trend in this month. The reasons for the decrease in the rates are; i) expected 100 basis points cut in the Policy Rate; and ii) expected decline of inflation rate in the vicinity of single digit during FY10. The market expectation of decline in inflation rate is based on the high base effect, and lower food inflation. Besides these factors, liquidity is expected to improve, which will put a downward pressure on the interest rates. The liquidity situation is expected to improve going forward due to, i) expected foreign aid for Internally Displaced People (IDP); ii) Budgetary help being sought from IMF and the release of the funds from Friends of Democratic Pakistan; and iii) tripling of the economic and development aid by the United States of America. Market expectation of the decrease in the interest rates was visible from heavy participation in 6- Month and 1-year T-Bill auctions and decrease in the T-Bill cut-off rates in the range of 70 basis points. The medium to long-term rates have decreased significantly during the month, we expect the short-term rates to follow the trend at the start of next quarter due to expected improvement in the liquidity in the market.
Custodian & Trustee:	Central Depository Company (CDC)	
Auditors:	A. F. Ferguson & Co. Chartered Accountants	
Benchmark:	70% 3-Month T-Bills & 30% average 3-month deposit rate (AA & above rated banks)	
Fund Manager:	Rukhsana Narejo, CFA	
Min. Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-	We expect NAFA Government Securities Liquid Fund to continue to remain attractive to investors and offer a higher return than bank deposits.

**Asset Allocation (as on 30th June 2009)**



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# NAFA Cash Fund (NCF)

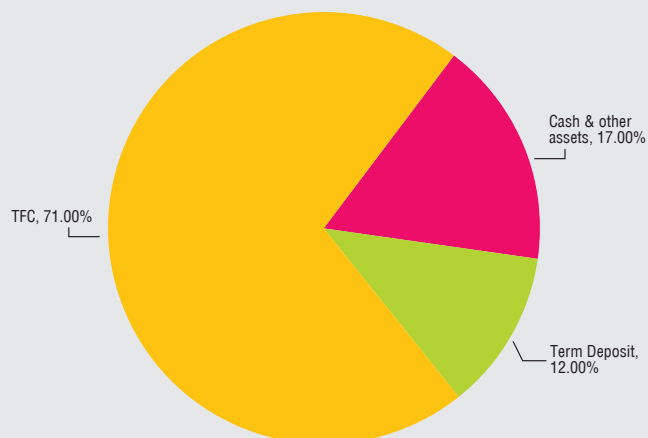
Unit Price (30/06/2009): Rs. 10.0959

June 2009

Investment Objective	Performance					
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.	<b>Performance (%)*</b>	<b>Jan - Dec 2007</b>	<b>Jan - Dec 2008</b>	<b>Jul - Jun 2008-09</b>	<b>Jun 2009</b>	<b>Since Launch April 22, 2006</b>
	<b>NAFA Cash Fund</b>	<b>10.28%</b>	<b>2.92%</b>	<b>5.49%</b>	<b>12.68%</b>	<b>8.78%</b>
	<b>Benchmark</b>	10.07%	12.95%	14.32%	14.28%	11.52%
* Represents Annualized Return (Returns are net of management fee & all other expenses)						

General Information		Fund Manager's Commentary
Launch Date:	April 22, 2006	<p>NAFA Cash Fund earned an annualized return of 12.68% during the month of June, 2009. The return earned during the month is slightly lower in comparison to 13.49% return earned by the investors during the month of May, 2009. The return during the month decreased because of the decrease in prices of a few Term Finance Certificates (TFCs) in the portfolio. Liquidity was generally tight in the month of June, which impacted valuation of some TFCs.</p> <p>The medium to long term money market rates witnessed a downward trend in this month. The reasons for the decrease in the rates are expected 100 basis points cut in the Policy Rate and expected decline of inflation rate in the vicinity of single digit during FY10. The expectation of decline in inflation rate is based on the high base effect, and lower food inflation. Besides these factors, liquidity is expected to improve, which will put a downward pressure on the interest rates. The liquidity situation is expected to improve going forward due to; i) expected foreign aid for Internally Displaced People (IDP); ii) budgetary help being sought from IMF and the release of the funds from Friends of Democratic Pakistan; and iii) tripling of the economic and development aid by the United States of America. Responding to expected improvement in liquidity and expected 100 basis points cut in the Policy Rates, the 6-Month KIBOR also decreased by 99 basis points and closed at 12.76% at the end of the month.</p> <p>Though medium to long-term rates in the money market especially Government securities have decreased considerably during the last one month, Yield to Maturities of Term Finance Certificates are yet to follow the trend. We expect that the prices of TFCs will recover as market interest rates come down and liquidity in the system improves. We expect FY10 to be a good year for investors in the Fund.</p>
Fund Size:	Rs. 7,665 million	
Type:	Open-end – Fixed Income Fund	
Dealing:	Daily - Monday to Friday	
Settlement:	2-3 business days	
Load:	No entry or exit load	
Management Fee:	1.5% per annum	
Listing:	Lahore Stock Exchange	
Custodian & Trustee:	Central Depository Company (CDC)	
Auditors:	A. F. Ferguson & Co. Chartered Accountants	
Benchmark:	1-Month KIBOR	
Fund Manager:	Rukhsana Narejo, CFA	
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-	

**Asset Allocation (as on 30th June 2009)**



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# NAFA Income Fund (NIF)

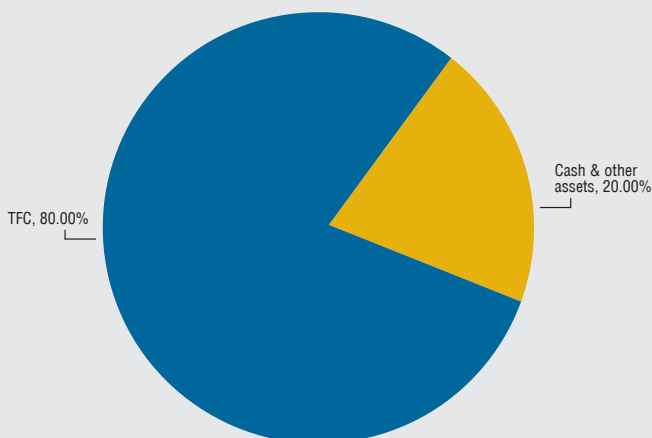
Unit Price (30/06/2009): Rs. 10.1237

June 2009

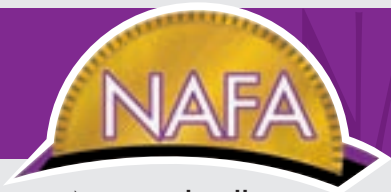
Investment Objective	Performance				
To earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets.	<b>Performance (%)</b>	<b>Mar - Dec 2008*</b>	<b>Jul - Jun 2008-09*</b>	<b>Jun 2009*</b>	<b>Since Launch March 29, 2008**</b>
	<b>NAFA Income Fund</b>	<b>(2.04)%</b>	<b>3.91%</b>	<b>25.51%</b>	<b>6.10%</b>
	<b>Benchmark</b>	12.53%	13.43%	13.53%	16.48%
* Represents Annualized Return ** Represents Cumulative Return (Returns are net of management fee & all other expenses)					

General Information	Fund Manager's Commentary
Launch Date: March 29, 2008 Fund Size: Rs. 1,036 million Type: Open-end – Fixed Income Fund Dealing: Daily - Monday to Friday Settlement: 2-3 business days Load: Front end: 1.0% Management Fee: 1.5% per annum	<p>During the month of June, NAFA Income Fund (NIF) has earned an annualized return of 25.51%. This is 11.98% better than the benchmark return.</p> <p>In the next quarter, we expect market liquidity to improve. Inflation is declining as is evident from (i) Year on Year (YoY) CPI (Consumer Price Index) of 14.4% in May, 2009 versus 17.2% in April, 2009; (ii) YoY Wholesale Price Index (WPI) declined to 4.7% in May, 2009, as against 8.3% in April, 2009. We expect a full percentage point cut in the Policy Discount Rate, which is currently at 14%. As the interest rate declines and liquidity in the system improves, TFCs prices are expected to rise, which is expected to keep the return on your Fund attractive. As economic indicators continue to improve, we expect State Bank of Pakistan to tilt its stance towards growth, from current prime focus on price stability. We expect KIBOR to move into single digits in next few quarters.</p> <p>Success of the Swat operation and realization of expected foreign financial inflows can go a long way in boosting investor confidence to increase their holdings of all financial assets including TFCs. With political stability, improved and stable foreign reserves, improving current account deficit and expected reduction in borrowing costs, one can expect a healthy economic recovery in FY 2010.</p> <p>Six months KIBOR closed the month of June at 12.76%, ninety nine basis points lower than the May closing. In the last T-Bill auction held on June 18, 6-months T-Bills cut-off rate was 12.44% as against 13.19% in the auction held on May 18, 2009. This again reasserts our expectation that short-term interest rates are trending down.</p>
Listing: Lahore Stock Exchange Custodian & Trustee: Central Depository Company (CDC) Auditors: A. F. Ferguson & Co. Chartered Accountants Benchmark: 3-Month T-Bills Fund Manager: Ahmad Nouman Minimum Subscription: Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-	

**Asset Allocation (as on 30th June 2009)**



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# NAFA Islamic Income Fund (NIIF)

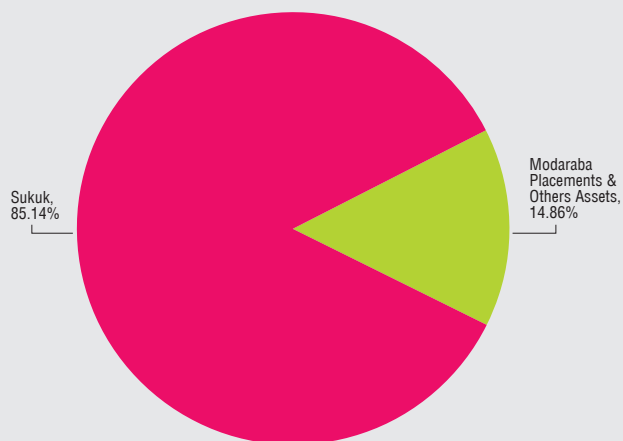
Unit Price (30/06/2009): Rs. 9.4069

June 2009

Investment Objective	Performance					
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.	<b>Performance (%)*</b>	<b>Oct - Dec 2007</b>	<b>Jan - Dec 2008</b>	<b>Jul - Jun 2008-09</b>	<b>Jun 2009</b>	<b>Since Launch October 29, 2007</b>
	<b>NAFA Islamic Income Fund</b>	<b>7.67%</b>	<b>(7.88)%</b>	<b>(4.41)%</b>	<b>9.90%</b>	<b>0.54%</b>
	<b>Benchmark</b>	<b>5.31%</b>	<b>5.57%</b>	<b>6.66%</b>	<b>7.27%</b>	<b>6.11%</b>
* Represents Annualized Return (Returns are net of management fee & all other expenses)						

General Information	Fund Manager's Commentary
<p>Launch Date: October 29, 2007            Fund Size: Rs. 517 million            Type: Open-end – Shariah Compliant Income Fund            Dealing: Daily - Monday to Friday            Settlement: 2-3 business days            Load: Front end: 1.0%            Management Fee: 1.5% per annum</p>	<p>During the month of June 2009, NAFA Islamic Income Fund (NIIF) earned an annualized return of 9.90% which is better than the benchmark return by 263 basis points.</p> <p>In the upcoming Monetary Policy Statement in July, we expect the discount rate to be cut down to 13% p.a. from the present 14% p.a. We expect this due to (i) declining inflation numbers i.e. Year on Year (YoY) Consumer Price Index (CPI) fell to 14.4% in May, 2009 from 17.2% in April, 2009; (ii) YoY Sensitive Price Indicator (SPI) fell to 11% in May, 2009 from 15% in April, 2009; (iii) negative private sector credit growth during FY 2008-09 and negative 8.2% growth in Large Scale Manufacturing; and (iv) shortly expected realization of announced foreign financial inflows which is expected to increase the domestic market liquidity. Based on this scenario, we expect some recovery in the Sukuks prices going forward.</p>
<p>Listing: Lahore Stock Exchange            Custodian &amp; Trustee: Central Depository Company (CDC)            Auditors: A. F. Ferguson &amp; Co. Chartered Accountants            Benchmark: Average 1-month deposit rate of Islamic Banks            Fund Manager: Rukhsana Narejo, CFA            Min. Subscription: Growth Unit: Rs. 10,000/-            Income Unit: Rs. 100,000/-</p>	

**Asset Allocation (as on 30th June 2009)**

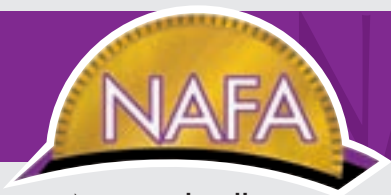


Other important factors to look for are the success of military operation in the northern areas of Pakistan, thereby bringing better law and order situation, continuation of political stability, stable foreign currency reserves and improving current account deficit. Fiscal discipline under the macro-economic stabilization package and IMF program will also bode well for the economic recovery of the country.

FY 2009 was not a good year for Sukuks and consequently the Fund. We expect FY 2010 to be a much better year for our investors in this Fund.

Six-month KIBOR closed the month of June at 12.76%, around hundred basis points less than the May closing. We expect KIBOR to gradually trend down further in the coming months.

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# NAFA Multi Asset Fund (NMF)

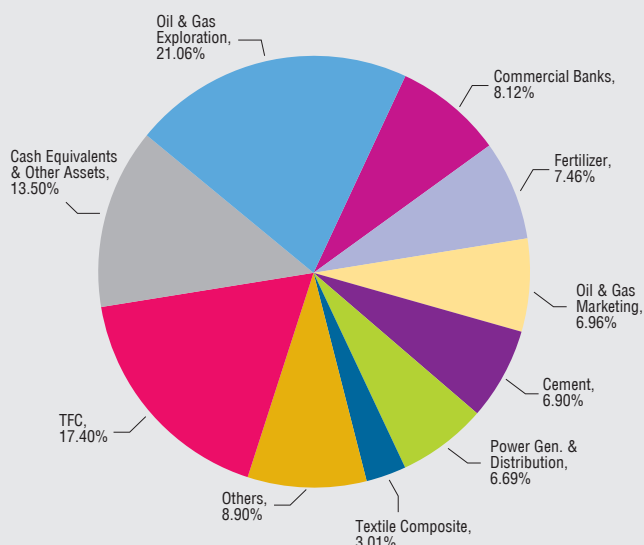
Unit Price (30/06/2009): Rs. 8.6020

June 2009

Investment Objective	Performance					
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.	<b>Performance (%)*</b>	<b>Jan - Dec 2007</b>	<b>Jan - Dec 2008</b>	<b>Jul - Jun 2008 - 09</b>	<b>Jun 2009</b>	<b>Since Launch January 22, 2007</b>
	<b>NAFA Multi Asset Fund</b>	<b>44.06%</b>	<b>(39.82)%</b>	<b>(22.56)%</b>	<b>(2.50)%</b>	<b>4.98%</b>
	<b>Benchmark (50% KSE-30 Index &amp; 50% 1-month KIBOR)</b>	17.50%	(38.22)%	(20.83)%	(1.23)%	(11.05)%
*Returns are net of management fee & all other expenses						

General Information	Fund Manager's Commentary
<p>Launch Date: January 22, 2007            Fund Size: Rs. 1,777 million            Type: Open-end – Balance Fund            Dealing: Daily - Monday to Friday            Settlement: 2-3 business days            Load: Front end – 3%, Back end - 0%            Management Fee: 2.5% per annum</p>	<p>During the month under review, NAFA Multi Asset Fund's (NMF) Net Asset Value (NAV) decreased by 2.50% while the benchmark (50% KSE-30 index &amp; 50% 1-month KIBOR) decreased by 1.23%. Thus your Fund under-performed the benchmark by 1.27% during the month. Since inception on January 22, 2007 your Fund has increased by 4.98%, while the benchmark has declined by 11.05%. Thus, to date the out-performance of your Fund stands at 16.03%.</p>
<p>Listing: Lahore Stock Exchange            Trustee: Central Depository Company            Auditors: A. F. Ferguson &amp; Co. Chartered Accountants            Benchmark: 50% KSE-30 Index &amp; 50% 1-month KIBOR            Fund Manager: Sajjad Anwar, CFA            Minimum Subscription: Growth Unit: Rs. 10,000/-            Income Unit: Rs. 100,000/-</p>	

**Asset Allocation (as on 30th June 2009)**



Expecting a pre-budget or post-budget rally in the Stock Market, we were over weight in equities and under weight in fixed income at the end of the last month. However, due to an expansionary budget, investors shied away from the Market. Moreover, uncertain law and order situation in connection with the on going military operation in northern areas and tight liquidity situation kept the investors on the sidelines. This is evident from the thin trading activity. Average traded value in the market was Rs. 5.6 billion during June 2009 as against Rs. 6 billion in the previous month. During the month, KSE 30 index declined by 3.71% to close the month at 7571.

During the month, the federal budget for the FY 2009-10 was announced with sizable Public Sector Development Programme (PSDP) allocation including the infrastructure spending. This came at a time when governments around the world are also providing stimulus to their ailing economies in the absence of private sector investments. However, financing of fiscal deficit which is, to a large extent, dependent on foreign inflows is the key risk factor. Interest rates in the Market have started coming down as is evident by a 0.99% decline in the 6-month KIBOR during the month. We are expecting further decline in interest rate due to easing of inflation in the coming months and improvement of liquidity due to foreign inflows. This bodes well for the Stock Market.

In view of the expected slow down in the manufacturing sectors, we are holding positions in the defensive sectors with stable earning streams and attractive dividend yields. We expect FY 2010 to be a good year for our investors in the fund.

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# NAFA Islamic Multi Asset Fund (NIMF)

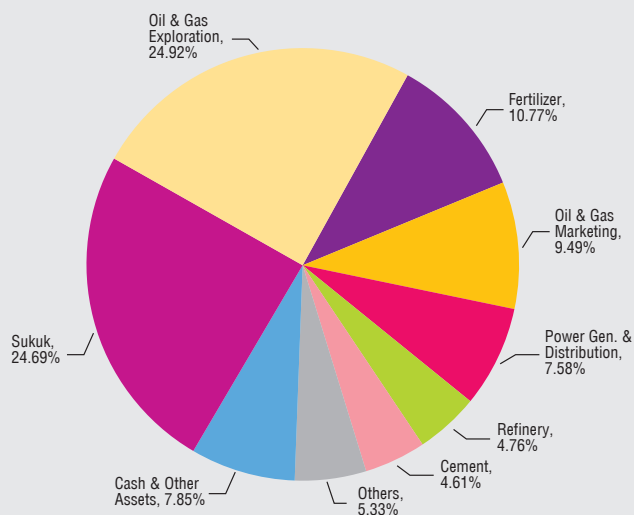
Unit Price (30/06/2009): Rs. 8.5736

June 2009

Investment Objective	Performance					
	Performance (%)*	Nov - Dec 2007	Jan - Dec 2008	Jul - Jun 2008 - 09	Jun 2009	Since Launch October 29, 2007
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.	<b>NAFA Islamic Multi Asset Fund</b>	<b>(2.42)%</b>	<b>(35.94)%</b>	<b>(10.09)%</b>	<b>1.10%</b>	<b>(14.26)%</b>
	<b>Benchmark**</b>	-	-	-	0.53%	-
	* Returns are net of management fee & all other expenses ** KMI - 30 Index was launched on 1st Sep, 2008					

General Information	Fund Manager's Commentary
<p>Launch Date: October 29, 2007 Fund Size: Rs. 535 million Type: Shariah Compliant - Open-end Balanced Fund Dealing: Daily - Monday to Friday Settlement: 2-3 business days Load: Front end - 3%, Back end - 0% Management Fee: 3% per annum</p> <p>Listing: Lahore Stock Exchange Custodian &amp; Trustee: Central Depository Company (CDC) Auditors: A. F. Ferguson &amp; Co. Chartered Accountants Benchmark: 50% KMI - 30 Index &amp; 50% average 1-month profit rate of Islamic banks Fund Manager: Sajjad Anwar, CFA Min. Subscription: Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-</p>	<p>During the month of June 2009, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) increased by 1.10%, whereas the benchmark increased by 0.53%, thus an out-performance of 0.57% was recorded.</p> <p>NIMF is a balanced fund and market weight implies 50% in equities and 50% in fixed income. Anticipating a post budget rally in the Stock Market, we were overweight in equities and under weight in fixed income during June 2009. The rumors of new taxes on the Stock Market in the budget for the year 2009-10 kept the investors nervous during the first half of the month. As a result, the Stock Market showed range bound activity during the month. However, towards the end of the month we have seen some positive activity in the Stock Market. The month started with KMI 30 Index at 10,609 and closed the month at 10,647, thus showing an increase of 0.36%.</p>

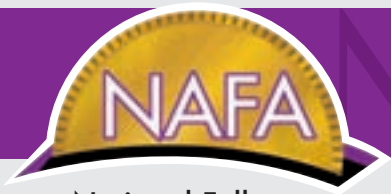
**Asset Allocation (as on 30th June 2009)**



As expected, interest rates showed a decline during the month in anticipation of cut in the discount rate by State Bank of Pakistan in their upcoming monetary policy statement in July 2009. As a result, 6-month KIBOR decreased by 99 basis points to close the month at 12.76% as against 13.75% at the beginning of the month. Moreover, yield on 6-month T-bills decreased by 70 basis points to 12.44% from 13.14% at the start of the month. Federal Budget for the FY 2009-10 has announced total outlays of Pak Rs. 2.5 trillion and an estimated fiscal deficit of 4.9% of the GDP. Government target for inflation for FY 2010 is set at 9.5%. PSDP allocation in the budget is set at around Rs. 646 billion. This would support growth in FY 2010. However, financing the fiscal deficit is the key risk factor, as it may keep interest rate high.

We expect the Stock Market to perform well due to policy rate cuts by the SBP, further decrease in inflation in the coming months and expected improvement in liquidity situation with foreign inflows.

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# NAFA Stock Fund (NSF)

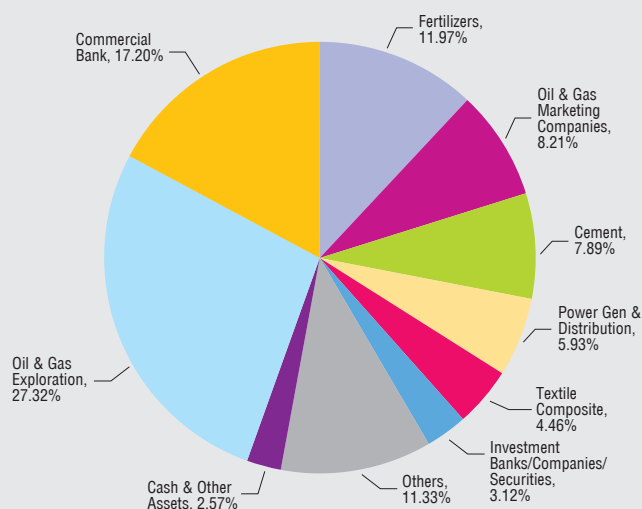
Unit Price (30/06/2009): Rs. 6.0685

June 2009

Investment Objective	Performance					
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.	<b>Performance (%)*</b>	<b>Jan - Dec 2007</b>	<b>Jan - Dec 2008</b>	<b>Jul - Jun 2008 - 09</b>	<b>Jun 2009</b>	<b>Since Launch January 22, 2007</b>
	<b>NAFA Stock Fund</b>	<b>61.59%</b>	<b>(60.21)%</b>	<b>(45.63)%</b>	<b>(4.69)%</b>	<b>(24.48)%</b>
	<b>Benchmark</b>	24.82%	(67.19)%	(47.15)%	(3.71)%	(43.47)%
* Returns are net of management fee & all other expenses						

General Information	Fund Manager's Commentary
Launch Date: January 22, 2007 Fund Size: Rs. 1,331 million Type: Open-end - Equity Fund Dealing: Daily - Monday to Friday Settlement: 2-3 business days Load: Front end - 3%, Back end - 0% Management Fee: 3% per annum	During the month under review, KSE-30 Index decreased by 3.71%, whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) decreased by 4.69%, thus an under-performance of 0.98% was recorded. Since inception on January 22, 2007 the NAV of NSF has declined by 24.48% and the benchmark has declined by 43.47%, thus to date out-performance is 18.99%.
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 Min. Subscription: Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-	
	We had small exposures in certain growth stocks which were undervalued considering their future growth prospects. These stocks under performed the Stock Market, which has been directionless for the last two months. We expect these shares to do well and out perform the Stock Market as the market recovers in the coming months.

**Asset Allocation (as on 30th June 2009)**



The Stock Market remained subdued throughout the month. A lower inflation number and a gradual decline in interest rates were unable to prop up the market in the absence of a product for stock market financing that could replace CFS. Liquidity also remained tight in the month of June, which affected the market.

Despite the lack of buying interest, the Market showed resilience on the downside and traded within a range. This is a sign of strength. A few positive triggers like a continuing decline in inflation & interest rates, foreign inflows improving the Government's capacity for fiscal spending, introduction of a substitute to CFS and lowering of policy rate by SBP are expected to lead to a rally in the near future.

We have tilted our portfolio more towards stocks with stable earnings & higher dividend yield. These stocks mainly belong to defensive sectors like oil & gas, fertilizer and power. We have also increased our exposure to cement sector which seems poised for a recovery on account of buoyant exports and improving domestic demand (because of falling interest rates and higher development spending planned by the Government).

**Disclaimer:** The price of units may go down as well as up. Please refer to the respective offering document(s).