

# NAFA Funds

Monthly Report (May 2010)



National Fullerton  
Asset Management Limited  
(A Subsidiary of National Bank of Pakistan)

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National Fullerton Asset Management Limited

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**National Fullerton  
Asset Management Limited**  
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# Capital Market Review

May 2010

## Stock Market Review

During the month of May 2010, the Stock Market exhibited downward trend. The month started with KSE-30 Index at 10490 level. Stocks gained on the news of receipt of US \$ 656 million for the military operation and touched 10690 levels on 5th May. Uncertainties over the levy of additional taxes in the upcoming budget and fear of selling by large foreign investors in the key holdings kept the local investors on the sideline. Uncertainty over the political front with the Supreme Court hearings on the corruption cases and 18th Amendment bill further weakened the investors' sentiments. As a result, the receipt of IMF tranche of US \$ 1.2 billion and US \$ 944 million towards the coalition support fund failed to improve the confidence of the local investors. Moreover, selling in the global markets due to the debt crises in some European countries spread to the local market as well. KSE -30 Index closed the month at 9243 level showing a decline of 11.88% during the month.

Oil and Gas, Fixed Line Communication, Electricity, Automobile and Parts sectors outperformed the market during the month. While, Banks, Chemicals, Construction and Materials sectors lagged the market. The index heavy weight Oil and Gas Exploration companies performed better than the market due to foreign buying. The falling cement prices and rumors of increase in the taxes in the upcoming budget resulted in the selling in the cement stocks. The news to slap additional tax on the banks earning spread exceeding 5% put pressure on the banking stocks. The lower off take numbers and gas supply cut to the fertilizer companies weakened the investor confidence in the sub sector. Net Foreign Portfolio Investment (FPI) activity remained subdued during the month and was recorded at around US \$ 25.6 million versus US \$ 81 million for the previous month. Trading activity declined significantly during the month with average daily traded volume recorded at around 101 million shares versus around 194 million shares during the previous month.

Going forward, the key triggers for the market are: (i) inflation trend; (ii) resolution of energy related circular debt issue (iii) progress on the leverage product; (iv) foreign portfolio inflows; (v) materialization of foreign assistance; and (vi) law and order situation. Valuations have become fairly attractive with the market placed at a forward PE of 7x and the dividend yield risen to 8.1% .

## Fixed Income Review

The much awaited inflow of USD 944 million from US Coalition Support Fund (CSF) was received. In addition to this, the USD 1.2 billion IMF funding also materialized during May which included budgetary support funding of US\$ 374 million. Improved liquidity has provided some respite to the market. CPI for April'10 stood at 13.3% YoY, up by 40bps as compared to that of March'10. Some relief is expected due to lower petroleum prices, however, this may be short lived as the government aims to apply a surcharge in the upcoming budget.

The monthly average remittances for the period July 2009-April 2010 registered an increase of 14.96 percent with the monthly figure increased to \$730.67 million as compared to \$635.56 million during the corresponding period of the last fiscal year. Additionally, as we have mentioned in our previous reports, both current account and trade deficit numbers continue to show improvement. However, despite all this, problems on the fiscal side have not been controlled. Infact, government borrowing shows no signs of decline and removal of subsidies are likely to keep inflation high, which is why the State Bank has opted to keep the discount rate unchanged.

In the TFC market a few issues (which were previously not traded) were traded at lower prices as price discovery took its toll. As panic selling has gradually disappeared in the market, we advise that income fund investors should take a longer term view in order to take advantage of the attractive yields on debt issues. Conversely, for investors with a shorter investment horizon, NAFA Government Securities Liquid Fund and NAFA Savings Plus Fund continue to post satisfactory returns in line with the market.

In the T bills auctions of May, SBP accepted Rs. 165 billion (combined for both auctions) versus the target of Rs. 135 billion. The cut off yields for the last auction of the month were noted at 11.92%, 12.09% and 12.19% for the 3 months, 6 months and 12 months T Bills, respectively. These were notably lower than the cutoffs observed during April which is the result of ample liquidity as mentioned earlier. Going forward, both inflation as well as interest rates are not expected to ease as Government borrowing remains high, fiscal targets remain unachieved and utility prices expected to continue to rise.

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# NAFA Government Securities Liquid Fund (NGSLF)

**National Fullerton  
Asset Management Limited**  
(A Subsidiary of National Bank of Pakistan)

Unit Price (31/05/2010): Rs. 10.1922

May 2010

## Performance

Performance (%)*	May 2010	Jan. - May 2010	Since Launch May 16, 2009
<b>NAFA Government Securities Liquid Fund</b>	<b>10.36%</b>	<b>10.57%</b>	<b>10.72%</b>

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

## General Information

Launch Date:	May 16, 2009
Fund Size:	Rs. 6,224 million
Type:	Open-end – Money Market Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 am – 4:30 pm
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	No entry or exit load
Management Fee:	1.5% per annum
Risk Profile:	Very Low
Fund Stability:	“AA+(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 and 30% average 3-Month deposit rates (AA and 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
Leverage: (Amount of leveraging /borrowing done by the Fund.)	Nil

## 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's Commentary

The Fund earned an annualized return of 10.36% during the month. We expect this return to remain stable over short-term i.e. next few months.

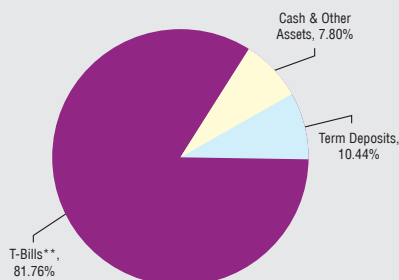
The return on your Fund is a reflection of return on short-term Government securities. The internal risk guideline of NGSLF is to buy Treasury Bills of maximum 3-months remaining maturity. In the first eleven months of FY 2010, the Central Government borrowing increased by Rs 236.5 bln from scheduled banks mainly through T-Bills. This is 32% higher as compared to the borrowing level at the start of FY 2010. The outstanding stock of market T-Bills is over Rs 1.278 trillion now. With Government financing needs intact, we expect the short-term interest rates to remain stable or inch upwards.

The investment value of NGSLF has not declined on any day since the launch of the Fund in May, 2009. This is an indicator of the stability and safety of your Fund based on its investment policy of investing only in short-term Govt. T-Bills and AA & above rated Banks.

Credit split of Fund's Assets is as follows:

Rating	% Allocation (May)	% Allocation (April)
AAA	81.78%	83.96%
AA+	6.49%	6.36%
AA	11.61%	10.31%
Accrued, deferred costs & unrealized sales/(Payables)	0.12%	(0.63)%

## Asset Allocation (as on 31st May 2010)



\* Includes Reverse Repo via Master Repurchase Agreement (MRA)

## Name of the Members of Investment Committee

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

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# NAFA Savings Plus Fund (NSPF)

**National Fullerton  
Asset Management Limited**

(A Subsidiary of National Bank of Pakistan)

Unit Price (31/05/2010): Rs. 10.2688

May 2010

## Performance

Performance (%)*	May 2010	Jan. - May 2010	Since Launch Nov 21, 2009
<b>NAFA Savings Plus Fund</b>	<b>9.65%</b>	<b>9.90%</b>	<b>10.19%</b>

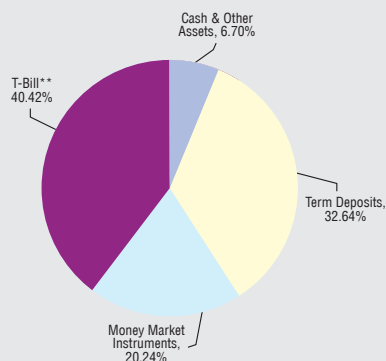
\* Represents Annualized Return  
(Returns are net of management fee & all other expenses)

## General Information

Launch Date:	Nov 21, 2009
Fund Size:	Rs. 613 million
Type:	Open-end – Income Fund
Dealing days:	Daily – Monday to Friday
Dealing Time:	(Mon - Fri) 9:00 am – 4:30 pm
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 rates (A and above rated banks)
Fund Manager:	Irfan Malik, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA

Leverage: (Amount of leveraging /borrowing done by the Fund.) Nil

## Asset Allocation (as on 31st May 2010)



\*Includes Reverse Repo via Master Repurchase Agreement (MRA)

## 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's Commentary

The Fund earned an annualized return of 9.65% during the month. We believe the return of your Fund is in line with market interest rates and will remain stable in the coming months. The Fund intends to provide its investors consistently better return than bank deposits while offering similar features to those of bank savings accounts. During the month, we have increased the allocation of AAA rated T-bills in your Fund.

NSPF is the highest rated income fund in the market, with many features similar to those of money market funds. For instance, it cannot invest in any avenue which has more than six months to maturity, it cannot invest in TFCs/ Sukuks, and it can only invest in money market instruments with a minimum credit rating 'AA' and above. The return of NSPF is very stable with minimal volatility and we expect this to continue. This can be ascertained from its fairly stable daily increase in its unit price during last six months. The investment value has not declined on any day since the Fund's launch in November, 2009.

Credit split of Fund's Assets is as follows:

Rating	% Allocation (May)	% Allocation (April)
AAA	40.50%	32.31%
AA+	12.37%	15.60%
AA	12.07%	17.60%
AA-	17.95%	18.44%
A	16.41%	15.66%
Accruals, deferred costs & unrealized sales	0.70%	0.39%

## Name of the Members of Investment Committee

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

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# NAFA Cash Fund (NCF)

Unit Price (31/05/2010): Rs. 9.8156

May 2010

## Performance

Performance (%)	May 2010*	Jan. - May 2010**	Jan. - Dec. 2009**	Since Launch April 22, 2006**
<b>NAFA CASH Fund</b>	<b>(0.14)%</b>	<b>1.10%</b>	<b>12.54%</b>	<b>8.09%</b>

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

## General Information

Launch Date: April 22, 2006  
Fund Size: Rs. 3,989 million  
Type: Open-end – Income Fund  
Dealing Days: Daily - Monday to Friday  
Dealing Time: 9:00 am – 4:30 pm  
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+ (f)" by PACRA  
Listing: Lahore Stock Exchange  
Custodian & Trustee: Central Depository Company (CDC)  
Auditors: A. F. Ferguson & Co.  
Chartered Accountants  
Benchmark: 1-Month KIBOR  
Fund Manager: Irfan Malik, CFA  
Minimum Subscription: Growth Unit: Rs. 10,000/-  
Income Unit: Rs. 100,000/-  
Asset Manager Rating: AM2- by PACRA  
Leverage: (Amount of leveraging /borrowing done by the Fund.) Nil

## 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's Commentary

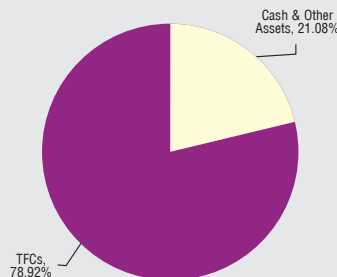
The unit price of your Fund declined by 0.14% during the month. The return is negative mainly because a TFC traded at substantial discount to its par value presently offering a yield of 24.8% p.a. However, this is likely to reverse in the coming weeks resulting in improved performance of the Fund.

The weighted average yield to maturity on the TFCs held in NAFA Cash Fund is around 16.96% p.a. The weighted average maturity of the NAFA Cash Fund is 2.43 years and the weighted average rating of the TFC portfolio is A-.

## Name of the Members of Investment Committee

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

## Asset Allocation (as on 31st May 2010)



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# NAFA Income Fund (NIF)

Unit Price (31/05/2010): Rs. 10.5492

May 2010

## Performance

Performance (%)*	May 2010	Jan. - May 2010	Jan. - Dec. 2009	Since Launch March 29, 2008
<b>NAFA Income Fund</b>	<b>60.65%</b>	<b>1.54%</b>	<b>13.50%</b>	<b>5.54%</b>

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

## General Information

Launch Date: March 29, 2008  
 Fund Size: Rs. 582 million  
 Type: Open-end – Income Fund  
 Dealing Days: Daily – Monday to Friday  
 Dealing Time: 9:00 am – 4:30 pm  
 Settlement: 2-3 business days  
 Pricing Mechanism: Forward Pricing  
 Load: Front end: 1.0%  
 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: 3-Month T-Bills  
 Fund Manager: Ahmad Nouman, CFA  
 Minimum Subscription: Growth Unit: Rs. 10,000/-  
 Income Unit: Rs. 100,000/-  
 Asset Manager Rating: AM2- by PACRA  
 Leverage: (Amount of leveraging /borrowing done by the Fund.) Nil

## Investment Objective

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

## Fund Manager's Commentary

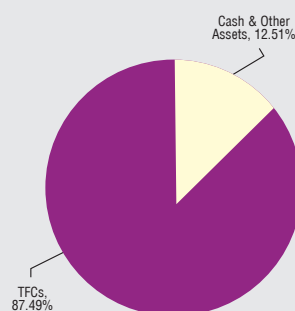
During the month of May 2010, NAFA Income Fund earned an annualized return of 60.65%. This is due to substantial unrealized capital gain on one of its TFCs. We expect some further recoveries in TFCs prices over the medium-term.

The weighted average yield to maturity of NAFA Income Fund is around 18.32% p.a. The weighted average maturity of NAFA Income Fund is 2.94 years. Thus the Fund is expected to perform well over a 3-year horizon.

## Name of the Members of Investment Committee

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

## Asset Allocation (as on 31st May 2010)



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# NAFA Islamic Income Fund (NIIF)

**National Fullerton  
Asset Management Limited**  
(A Subsidiary of National Bank of Pakistan)

Unit Price (31/05/2010): Rs. 7.1622

May 2010

## Performance

Performance (%)*	May 2010	Jan. - May 2010	Since Launch October 29, 2007
<b>NAFA Islamic Income Fund</b>	<b>11.72%</b>	<b>3.81%</b>	<b>(9.67)%</b>

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

## General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 170 million
Type:	Open-end – Shariah Compliant Income Fund
Dealing Days:	Daily – Monday to Friday
Dealing Time:	9:00 am – 4:30 pm
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end: 1.0%
Management Fee:	1.5% per annum
Risk Profile:	Low to Medium
Fund Stability Rating:	In process
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Average 1-month deposit rate of Islamic banks
Fund Manager:	Irfan Malik, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- by PACRA
Leverage: (Amount of leveraging / borrowing done by the Fund.)	Nil

## 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's Commentary

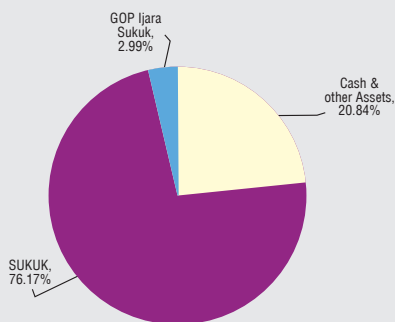
The Fund earned an annualized return of 11.72% during the month, which is an improvement over previous month's annualized return of 9.29%. This consistent improvement in return is attributed to recovery in prices of some Sukuk holdings in your Fund.

We believe that the current Sukuk prices are attractive, and the Sukuk portfolio is expected to perform well over the next couple of years. For new investors who want to invest in Islamic avenues only, we believe, NIIF provides them an opportunity to out-perform the rates available with Islamic Banks over medium-term time horizon.

## Name of the Members of Investment Committee

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

## Asset Allocation (as on 31st May 2010)



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# NAFA Multi Asset Fund (NMF)

**National Fullerton  
Asset Management Limited**  
(A Subsidiary of National Bank of Pakistan)

Unit Price (31/05/2010): Rs. 9.2658

May 2010

## Performance

Performance (%)*	May 2010	CYTD Jan. - May 2010	Since Launch January 22, 2007
<b>NAFA Multi Asset Fund</b>	<b>(3.83)%</b>	<b>1.47%</b>	<b>16.74%</b>
<b>Benchmark</b>	<b>(5.61)%</b>	<b>(0.63)%</b>	<b>3.48%</b>

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

## General Information

Launch Date: January 22, 2007  
 Fund Size: Rs. 1,005 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% 1-month 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's Commentary

During the month under review, NAFA Multi Asset Fund's (NMF) Net Asset Value (NAV) decreased by 3.83% while the benchmark (50% KSE-30 index & 50% 1-month KIBOR) decreased by 5.61%. Thus, your Fund out-performed the benchmark by 1.78% during the month. Since inception on January 22, 2007 your Fund has increased by 16.74%, while the benchmark has increased by 3.48%. Thus, to-date the out-performance of your Fund stands at 13.26%.

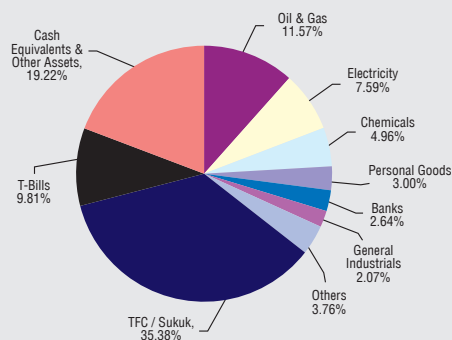
NMF is a balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. At the beginning of the month NMF was around 47% invested in equities. Anticipating weak investor sentiments in the Stock Market due to uncertain political situation and new taxes in the upcoming budget we gradually reduced our allocation in equities. We further reduced our allocation in the Banking sector during the month that contributed to the out performance of the Fund. Our holdings in General Industrials sector out performed the market. Our overweight strategy in Textile subsector underperformed the benchmark. Currently we are around 36% invested in equities. We are watching the market closely and will rebalance the portfolio accordingly.

We are invested in high dividend yielding stocks with stable earnings stream and attractive valuations.

## Asset Allocation %

	May-10	Apr.-10
Equities / Stock	35.59%	46.89%
TFC / Sukuk	35.38%	33.89%
Cash Equivalents & Other Assets	19.22%	19.22%
T-Bills	9.81%	Nil
Leverage	Nil	Nil

## Asset Allocation (as on 31st May 2010)



## Top Five Holding (Alphabetical)

Fauji Fertilizer Co. Ltd.  
 MCB Bank Ltd.  
 Oil & Gas Development Co. Ltd.  
 Pakistan Oil Fields Ltd.  
 The Hub Power Co. Ltd.

## Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA  
 Sajjad Anwar, CFA  
 Tanvir Abid, CFA  
 Irfan Malik, CFA

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# NAFA Islamic Multi Asset Fund (NIMF)

**National Fullerton  
Asset Management Limited**  
(A Subsidiary of National Bank of Pakistan)

Unit Price (31/05/2010): Rs. 9.5640

May 2010

## Performance

Performance (%)*	May 2010	CYTD Jan. - May 2010	Since Launch October 29, 2007
<b>NAFA Islamic Multi Asset Fund</b>	<b>(2.77)%</b>	<b>2.57%</b>	<b>(4.36)%</b>

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

## General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 381 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 1-month profit rate of Islamic banks.
Fund Manager:	Sajjad Anwar, CFA
Minimum	Growth Unit: Rs. 10,000/-
Subscription:	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's Commentary

During the month of May 2010, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) decreased by 2.77%, whereas the benchmark decreased by 4.46%, thus your Fund out-performed the benchmark by 1.69%.

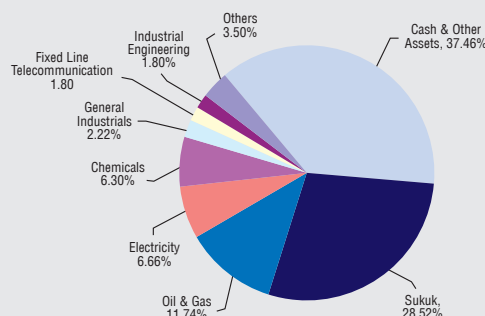
NIMF is a balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. We started the month with around 45% weight in equities. Anticipating a declining trend in the market, we further reduced our allocation in the equities during the month. We reduced allocation in the Cement sector during the month due to decrease in the cement prices and news of increase in the taxes in the upcoming budget. Our underweight strategy in the key Oil and Gas Marketing companies and over weight in Power and Fertilizer companies contributed to the outperformance of the Fund. Towards the end of the month NIMF is around 34% invested in the equities.

We are monitoring the market closely and rebalancing the portfolio accordingly. We stick to our strategy of holding positions in high dividend yielding stocks with stable earnings stream, low business risk, and sanguine valuations.

## Asset Allocation %

	May-10	Apr.-10
Equities / Stock	34.02%	45.42%
Sukuk	28.52%	27.04%
Cash Equivalents & Other Assets	37.46%	27.54%
Leverage	Nil	Nil

## Asset Allocation (as on 31st May 2010)



## Top Five Holding (Alphabetical)

Fauji Fertilizer Co. Ltd.  
Oil & Gas Development Co. Ltd.  
Pakistan Oil Fields Ltd.  
Pakistan Petroleum Ltd.  
The Hub Power Co. Ltd.

## Name of the Members of Investment Committee

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Tanvir Abid, CFA  
Irfan Malik, CFA

**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 the fund. All investments in mutual funds are subject to market risks. The price of units may go up as well as down. Past performance is not necessarily indicative of future results.



# NAFA Stock Fund (NSF)

**National Fullerton  
Asset Management Limited**  
(A Subsidiary of National Bank of Pakistan)

Unit Price (31/05/2010): Rs. 6.9092

May 2010

## Performance

Performance (%)*	May 2010	CYTD Jan. - May 2010	Since Launch January 22, 2007
<b>NAFA Stock Fund</b>	<b>(10.44)%</b>	<b>(4.15)%</b>	<b>(14.02)%</b>
<b>Benchmark</b>	<b>(11.88)%</b>	<b>(6.15)%</b>	<b>(30.98)%</b>

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

## General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 927 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's Commentary

During the month under review, KSE-30 Index decreased by 11.88%, whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) decreased by 10.44%, thus an out-performance of 1.44% was recorded. Since inception on January 22, 2007 the NAV of NSF has declined by 14.02% while that of the benchmark has declined by 30.98%, thus to date out-performance is 16.96%.

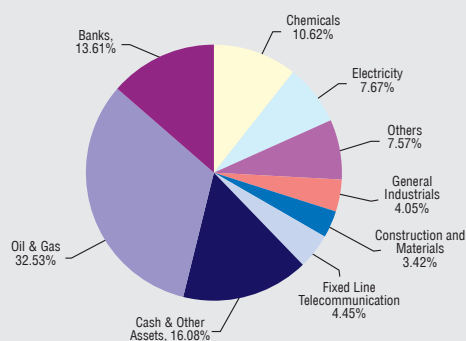
As the Stock Market depicted a downhill path during May 2010 on concerns over the budget and weak foreign portfolio inflows. Therefore, NSF maintained an under-weight stance in equities. At the start of the month NSF was 87.29% invested in equities. During the month the weight was gradually reduced to 83.92% in line with the bearish trend in the market. We reduced the weight of NSF across-the-board though primarily in Banks, Oil & Gas and Chemicals sectors. We significantly reduced our exposure in Banks on the back of possibilities of increase in the tax rate on banks in the upcoming budget. We slightly reduced NSF exposure towards the Oil & Gas sector following decline in crude oil prices. Similarly, exposure in the Chemicals sector was lowered on weak market sentiment. On the other hand, we maintained NSF exposure in the Power sector on the back of attractive dividend yields and defensive nature of the stocks. We increased our weightage in the General Industrials sector ensuing from attractive valuations. We also slightly increased exposure in Refineries on improved fundamentals.

Post-budget the market is likely to recover as negatives seem to be priced-in. NSF is invested in fundamentally sound stocks with attractive valuations.

## Asset Allocation %

	May-10	Apr.-10
Equities / Stock	83.92%	87.29%
Cash & Other Assets	16.08%	12.71%
Leverage	Nil	Nil

## Asset Allocation (as on 31st May 2010)



## Top Five Holding (Alphabetical)

Fauji Fertilizer Co. Ltd.  
MCB Bank Ltd.  
Oil & Gas Development Co. Ltd.  
Pakistan Oilfields Ltd.  
The Hub Power Co. Ltd.

## Name of the Members of Investment Committee

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

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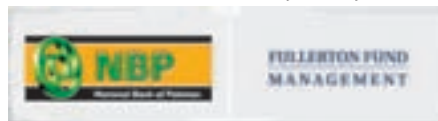
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*Your investments & NAFA grow together*



**Joint - Venture Partners**

Management Quality Rating AM2-  
(Good Quality Management)