

NAFA Funds

Monthly Report (May 2012)



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

Managed by:
NBP Fullerton Asset Management Limited

9th Floor, Adamjee House, I. I. Chundrigar Road, Karachi.
Helpline (Toll Free): 0800-20001 FAX: (021) 32467439
UAN (Khi/Lhr/Isb): 111-111-NFA (111-111-632)
Website: www.nafafunds.com
Email: info@nafafunds.com

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Dr. Amjad Waheed, CFA
Chief Executive Officer

Impact on Inflation, Interest Rates and Exchange Rates

The budget seems ambitious both in terms of the revenue targets and rationalizing Government expenditures. Thus, the budget deficit for the next fiscal year is again expected to touch around 7.5% of GDP or around Rs 2 trillion. The deficit is expected to be predominantly financed by domestic borrowing via National Savings Schemes and from commercial banks due to lack of significant foreign flows. This would fuel inflationary pressures, which may force State Bank of Pakistan to increase the discount rate. The Pakistani rupee is also expected to further weaken against foreign currencies due to rising pressures on the external accounts emanating from muted Foreign Direct Investment, Foreign Portfolio Investment and scheduled payments to IMF. Therefore, investors are advised to invest in instruments and bank deposits of 1-year maturity or less to avoid pricing and interest rate risk.

Implications for the Stock Market

The Finance Bill has proposed to incorporate the newly introduced Capital Gains Tax Ordinance wherein no source of income will be asked by FBR for investments in listed securities made for over 120 days. This will give comfort to investors. Also, the reduction in turnover tax from 1% to 0.5% will help companies presently incurring losses or earning small profits. However, if inflation and interest rates rise, as stated above, the stock market may react negatively.

Impact on Mutual / Pension Funds Investors

The Government has proposed to increase limit of investment eligible for tax credit for individual investors (salaried & non-salaried) from 15% to 20% of the taxable income. Further, the maximum amount allowable for tax credit is increased to Rs 1,000,000 from Rs 500,000. As the Table below depicts, individuals who avail the tax credit can significantly enhance return on their investment in money market funds. For instance, the tax benefit for an individual investor with taxable income of Rs 5,000,000 is Rs 148,500. In other words, for this investor the expected return on a money market fund increases to 25% p.a.

Salaried Individuals

Taxable Income (Rs per annum)	Tax on Salary (Rs)	Allowable Mutual Fund Investment for Tax Credit (Rs)	Expected Return on Money market Mutual Fund (Rs)	Tax Saving (Rs)	Total Benefit (Rs)	Overall Expected Return on Money Market Mutual Fund (p.a.)
			10% p.a.			
500,000	5,000	100,000	10,000	1,000	11,000	11.00%
750,000	17,500	150,000	15,000	3,500	18,500	12.33%
1,000,000	42,500	200,000	20,000	8,500	28,500	14.25%
1,500,000	92,500	300,000	30,000	18,500	48,500	16.17%
2,000,000	167,500	400,000	40,000	33,500	73,500	18.38%
2,500,000	242,500	500,000	50,000	48,500	98,500	19.70%
3,000,000	342,500	600,000	60,000	68,500	128,500	21.42%
3,500,000	442,500	700,000	70,000	88,500	158,500	22.64%
4,000,000	542,500	800,000	80,000	108,500	188,500	23.56%
5,000,000	742,500	1,000,000	100,000	148,500	248,500	24.85%

**Benefits for the non-salaried class individual investor are significantly higher than the salaried class for the same taxable income level*

In addition, to encourage savings for retirement, the Government has proposed benefit to the pension fund investors. Any monthly installment received by the pension fund investor from any income payment plan by the pension fund manager will be tax exempt if the investment is held for a period of 10 years. Moreover, any withdrawal of accumulated balance by the pension fund investor from an approved pension fund that represents the transfer of balance from an approved provident fund will also be tax exempt.

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.



Stock Market Review

During the month of May the stock market exhibited lot of volatility. The month started on a positive note and the market extended the gains of the last couple of months. However, lack of progress in Pak-US diplomatic relations, turmoil in the global equity markets, and pressures on the Pak rupee unnerved the local investors. The uncertainties associated with the upcoming Federal budget further jittered the local investors. However, foreign investors took fresh positions in the market. The month started with KSE-100 index at 13,990 levels and after touching a high of 14,701 levels on May 7, 2012, closed the month at 13,787 levels. Overall, during the month the market decreased by 1.5%. Trading activity remained healthy with average daily trading volume at 194 million.

Macroeconomic indicators have depicted deterioration. The current account deficit for the period July to April 2012 has increased to US \$ 3 billion against the surplus of US \$ 466 million in the corresponding period last year. This, together with anemic financial flows has exerted pressures on the FX reserves and the Pak rupee. Similarly, fiscal deficit has swelled due to exorbitant increase in current expenditures. Financing of this yawning fiscal deficit from the domestic sources due to muted foreign flows is crowding out the private sector and fueling inflationary pressures. Therefore, materialization of the targeted foreign flows will be the key determinant of the inflation and interest rates outlook.

The Oil and Gas, Banking and Chemicals sectors lagged the market. On the other hand, Industrial Engineering, Food Producers, and Electricity sectors performed better than the market. The talks of the increase in taxes on the Banks treasury investments weakened investors' sentiments in the sector. Combination of subdued off-take numbers, increase in input cost and price pressures kept investors from taking positions in the fertilizer sub-sector. Due to attractive dividend yields and sanguine valuations investors took fresh position in the Electricity sector. Healthy dispatches, declining coal prices in the international markets and expected decrease in FED in the upcoming federal budget improved investors' sentiments in Cement sub-sector.

As per our estimates, the stock market is valued at 7.4X estimated earnings on average. In our view, progress on the Pak-US diplomatic relations, Inflation and interest rate outlook, foreign financial and capital inflows will be the key drivers of the market.

Fixed Income Review

The last T-Bills auction held on May 30, 2012 witnessed an interesting bid pattern, where more than 99% of the bids were placed in 3 months tenor. This signals an uptick in the interest rates going forward. Incessant Government borrowing from SBP (net increase of Rs 390.5 bln or 32.5%) and scheduled banks (net increase of Rs 694.4 bln or 49.5%) during FY 2012 is fuelling inflation expectations. Depleting FX reserves are exerting pressures on the Pak rupee and during FY 2012, Rupee has depreciated by more than 9% against US Dollar in inter-bank market. Therefore, materialization of foreign inflows remains the key determining factor for inflation expectations and policy Rate decision by State Bank of Pakistan. This is also critical for the twin deficits, current account and fiscal, to remain under manageable level. Inflation numbers for the first ten months of FY12 have largely remained within the SBP target, as the below table depicts.

Inflation Index	Headline - General CPI	Core inflation - NFNE	Core inflation - trimmed
Year on Year -April 2012	11.3%	10.9%	11.0%
12 months moving average	11.2%	10.3%	11.5%

Interest rates in the interbank markets remained at around the same levels during the month reflecting adequate liquidity in the system. Trading activity of TFCs moderated to pre-March 2012 levels, with total traded value reported by MUFAP of Rs 1,074 mln. Banking sector bonds maintained their monthly average contribution of over 70% in the total traded value of private sector bonds.

NAFA Government Securities Liquid Fund is the only 'AAA(f)' rated money market fund in Pakistan greater than Rs 10 billion in size. The last four funds in fixed income category launched by NAFA, namely NAFA Savings Plus Fund, NAFA Riba Free Savings Fund, NAFA Financial Sector Income Fund and NAFA Money Market Fund are all performing well posting double digit returns. The returns of these funds are expected to remain attractive, considering their very low credit risk profile and investment in securities and instruments with either short maturities or floating rate coupon rates.



"May 2012"

FUND NAME	FUND SIZE (Rs. In million)	FUND LAUNCH DATE	STABILITY RATING / STAR RANKING *	May-2012	LAST ONE YEAR	SINCE LAUNCH
NAFA Government Securities Liquid Fund ¹	16,776	16-May-09	AAA (f)	10.60%	11.05%	11.02%
NAFA Money Market Fund ¹	21,192	24-Feb-12	AA (f)	10.54%	n/a	10.82%
NAFA Savings Plus Fund ¹	1,358	21-Nov-09	AA- (f)	10.28%	11.16%	10.68%
NAFA Riba Free Savings Fund ¹	870	21-Aug-10	AA- (f)	10.63%	10.73%	10.72%
NAFA Financial Sector Income Fund ¹	2,597	28-Oct-11	n/a	11.65%	n/a	12.36%
NAFA Asset Allocation Fund ²	485	21-Aug-10	n/a	-2.38%	15.31%	36.96%
NAFA Multi Asset Fund ²	633	22-Jan-07	★★★★ (4-star)	-1.17%	14.40%	71.57%
NAFA Islamic Multi Asset Fund ²	268	29-Oct-07	★★★★ (4-star)	-1.13%	12.17%	47.04%
NAFA Stock Fund ²	1,114	22-Jan-07	★★★★ (4-star)	-0.78%	21.50%	40.34%

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

HEAD OFFICE

9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi. UAN: 021-111-111-632, Toll Free: 0800-20001 Fax: 021-32467439

Islamabad Office

Address: Plot # 395, 396 Industrial Area,
I-9/3, Islamabad
UAN: 051-111-111-632
Fax: 051-4859029

Lahore Office

Address: House # 10 - A, Block -S,
Gulberg - II, Lahore.
UAN: 042 111-111-NFA (632)
Fax No: (+92-42) 3576037

Peshawar Office

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

Multan Office

Address: NBP City Branch, Hussain-a-
Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203



MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/05/2012): Rs. 10.0681

May 2012

Performance

Performance % *	May 2012	Jul. 2011- May. 2012	Trailing 12 Months	Since Launch May 16, 2009
NAFA Government Securities Liquid Fund	10.60%	10.96%	11.05%	11.02%
Benchmark	10.54%	10.80%	10.86%	11.00%

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

General Information

Launch Date: May 16, 2009
Fund Size: Rs. 16,776 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

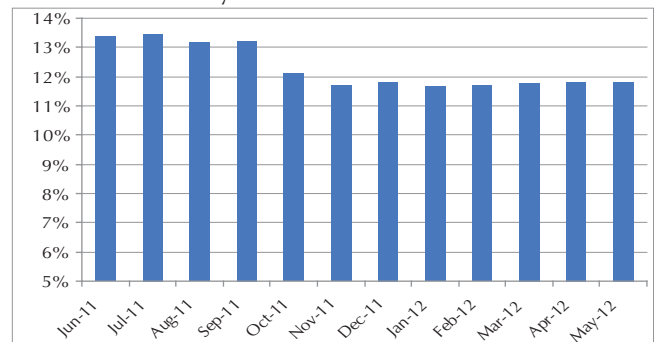
The Fund earned an annualized return of 10.60% during May 2012. The return for the eleven months of FY12 is 10.96% p.a. against the benchmark return of 10.80% p.a., hence an out-performance of 16 bps. This out-performance is net of management fee and all other expenses.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of the Fund. Last 365 days' average daily allocation in short-term Government Securities was 88.49%. The investment value of NGSLF has not declined on any day since the launch of the Fund in May 2009. As of May 31, 2012, weighted average time to maturity of T-Bills asset class in your Fund is 45 days, while that of overall Fund is also 45 days.

In the three T-Bill auctions of May, MoF cumulatively accepted around Rs. 450 billion in realized value against the target of Rs. 430 billion. The cut-off yields (p.a.) for the last T-Bill auction were noted at 11.87% and 11.94% for the 3 months and 6 months, respectively, and 1 year T-Bill bids were rejected. Last auction bid pattern depicted almost all participation in 3 months, while negligible bids were placed in 6 months and one year T-Bills.

The macroeconomic indicators are depicting a sign of uptick in interest rates going forward. Due to its short maturity the Fund will benefit from any increase in interest rates. We are also monitoring the capital market conditions and will rebalance the portfolio accordingly.

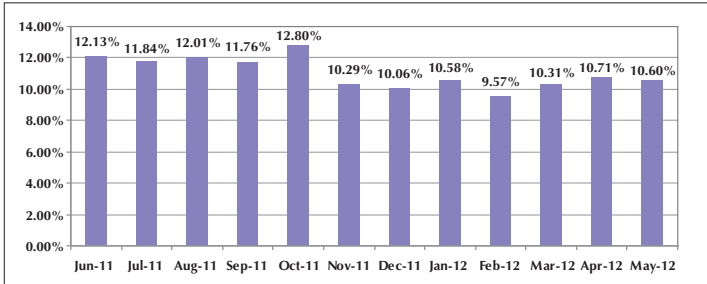
Last 12 months monthly average of secondary market yields of 3 month T-Bills



Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

T-Bills (Including Reverse Repo via Master Repurchase Agreement)	92.74%	90.82%
Placements with Banks	-	1.23%
Placements with DFIs (AA+ & above rated)	5.27%	5.52%
Cash Equivalents	1.74%	1.99%
Other including receivables	0.25%	0.44%
Total	100.00%	100.00%
Leverage	Nil	Nil

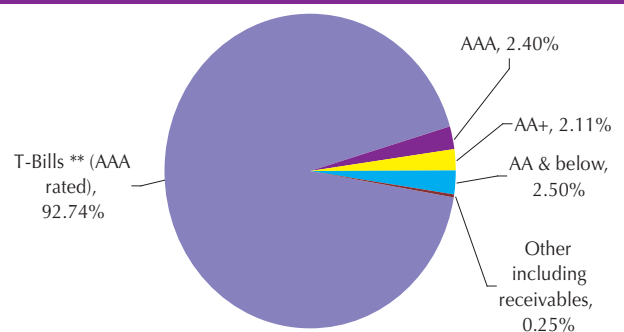
Monthly Annualized Returns of NGSLF for last 12 months



Name of the Members of Investment Committee

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

Credit Quality of the Portfolio as of May 31, 2012 (% of Total Assets)



** Including Reverse Repo via Master Repurchase Agreement

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/05/2012): Rs. 10.0193

May 2012

Performance

Performance % *	May 2012	Since Launch February 24, 2012
NAFA Money Market Fund	10.54%	10.82%
Benchmark	7.33%	7.30%

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

General Information

Launch Date:	February 24, 2012
Fund Size:	Rs. 21,192 million
Type:	Open-end – Money Market Fund
Dealing Days:	Daily – Monday to Saturday
Dealing Time:	(Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Front end: 0%, Back end: 0%
Management Fee:	1.25% per annum
Risk Profile:	Very Low
Fund Stability Rating:	"AA (f)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	3-Month deposit rates (AA & above rated banks)
Fund Manager:	Salman Ahmed
Minimum	Growth Unit: Rs. 10,000/-
Subscription:	Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2- 'Positive Outlook' by PACRA

Investment Objective

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

Fund Manager Commentary

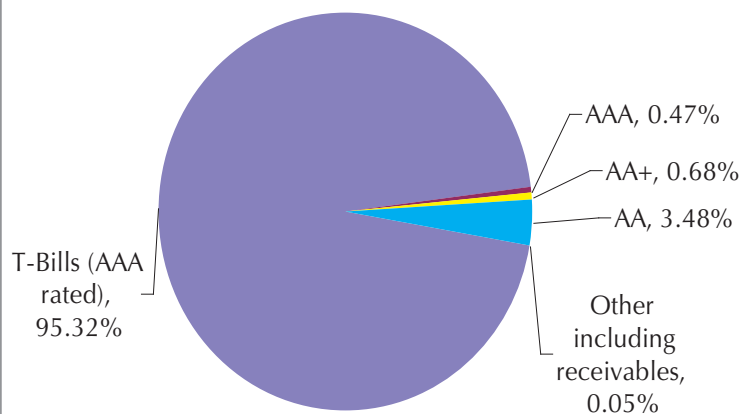
The Fund earned an annualized return of 10.54% during May 2012 against the benchmark return of 7.33% p.a., thus registering an out-performance of 3.21% p.a. This out-performance is net of management fee and all other expenses. The Fund size surpassed Rs 20 billion mark during the month.

Being a money market scheme, the investment guidelines of the Fund are very restrictive. The authorized investments of the Fund include T-Bills, Bank Deposits and Money Market instruments. Minimum rating is AA, while the Fund is not allowed to invest in any security exceeding six month maturity. The weighted average time to maturity of the Fund cannot exceed 90 days. The Fund is rated AA(f) by PACRA which denotes a very strong capacity to maintain relative stability in returns and possesses very low exposure to risks. The management is announcing monthly dividends in the Fund.

As the chart below depicts, during the month the allocation of the Fund in AAA rated T-Bills was increased to around 95% versus 50.11% during the previous month. The weighted average time to maturity of the T-bill portfolio is 59 days while that of the overall Fund is also 59 days. The exposure in Money Market placements declined due to increase in the Fund size. The Fund intends to vigilantly monitor interest rate movements and associated expectations to adjust the Fund's maturity prudently.

We are also vigilant to the developments in the capital market conditions and will proactively rebalance the portfolio of the Fund.

Credit Quality of the Portfolio as of May 31, 2012 (% of Total Assets)



Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

Asset Allocation (% of Total Assets)	31-May-12	30-Apr-12
T-Bills	95.32%	50.11%
Placements with DFIs	2.95%	35.73%
Money Market Placements	0.67%	11.71%
Cash Equivalents	1.01%	1.01%
Other including receivables	0.05%	1.44%
Total	100.00%	100.00%
Leverage	Nil	Nil

Name of the Members of Investment Committee

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



MONTHLY REPORT (MUFAP's Recommended Format)

Unit Price (31/05/2012): Rs. 10.0396

May 2012

Performance

Performance % *	May 2012	Jul. 2011- May. 2012	Trailing 12 Months	Since Launch November 21, 2009
NAFA Savings Plus Fund	10.28%	11.11%	11.16%	10.68%
Benchmark	8.40%	8.40%	8.45%	8.32%

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

General Information

Launch Date:	November 21, 2009
Fund Size:	Rs. 1,358 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:	1.50% per annum (w.e.f March 11, 2012)
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 10.28% during the month versus the benchmark return of 8.40% p.a., thus depicting an out-performance of 1.88% p.a. Last one year return of the Fund is 11.16% against benchmark return of 8.45%, hence an out-performance of 2.71%. Since its inception the out-performance of the Fund against the benchmark is 2.36% p.a. This out-performance is net of management fee and all other expenses.

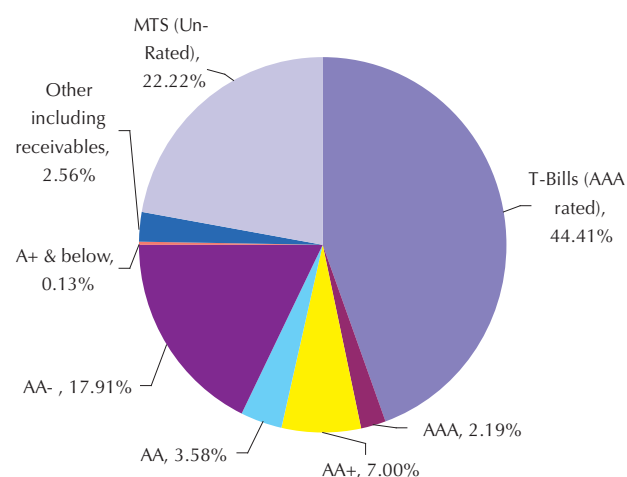
NSPF is one of the highest rated income funds in the market. It cannot invest in any avenue which has more than six months maturity, nor can it invest in debt securities and Equities. Moreover, it cannot invest in money market instruments below credit rating of 'AA-'. The investment value of the Fund has not declined on any day since its launch in November 2009.

The portfolio of NSPF is fairly diversified among Treasury bills, Money market placements, MTS and bank deposits etc. The allocation in T-Bills is around 44.41%, placements with DFIs is around 14%, MTS is around 22% and allocation in Money Market Placements issued by AA+ and AA rated entities is around 8% with asset class maturities at 60 days, 43 days, 60 days and 68 days respectively. The weighted average maturity of the entire Fund is around 53 days.

Our internal guidelines permit MTS 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.

We are striving to improve the performance of the Fund.

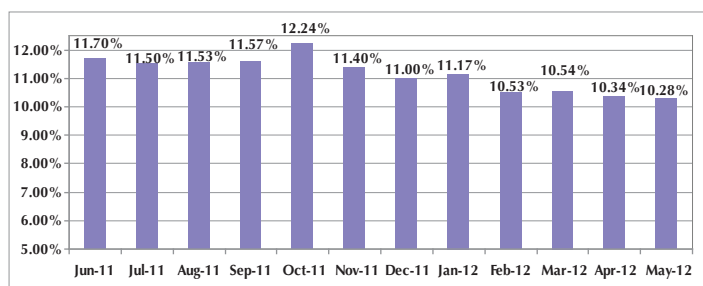
Credit Quality of the Portfolio as of May 31, 2012 (% of Total Assets)



Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

Asset Class	31-May-12	30-Apr-12
T-Bills	44.41%	39.70%
Money Market Placements	7.68%	7.82%
Placements with DFIs	14.26%	18.15%
Margin Trading System (MTS)	22.22%	23.41%
Cash Equivalents	8.87%	6.49%
Other including receivables	2.56%	4.43%
Total	100.00%	100.00%
Leverage	Nil	Nil

Monthly Annualized Returns of NSPF for last 12 months



Name of the Members of Investment Committee

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

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/05/2012): Rs. 10.1273

May 2012

Performance

Performance % *	May 2012	Jul. 2011- May. 2012	Trailing 12 Months	Since Launch August 21, 2010
NAFA Riba Free Savings Fund	10.63%	10.95%	10.73%	10.72%
Benchmark	8.23%	8.28%	8.30%	8.29%

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

General Information

Launch Date: August 21, 2010
Fund Size: Rs. 870 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: 1.25% per annum (w.e.f March 11, 2012)
Risk Profile: Very Low
Fund Stability Rating: "AA-(f)" by PACRA
Listing: Lahore Stock Exchange
Custodian & Trustee: Central Depository Company (CDC)
Auditors: A. F. Ferguson & Co.
Chartered Accountants
Benchmark: Average 6-month deposit rate of A- and above rated Islamic Banks
Fund Manager: Salman Ahmed
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

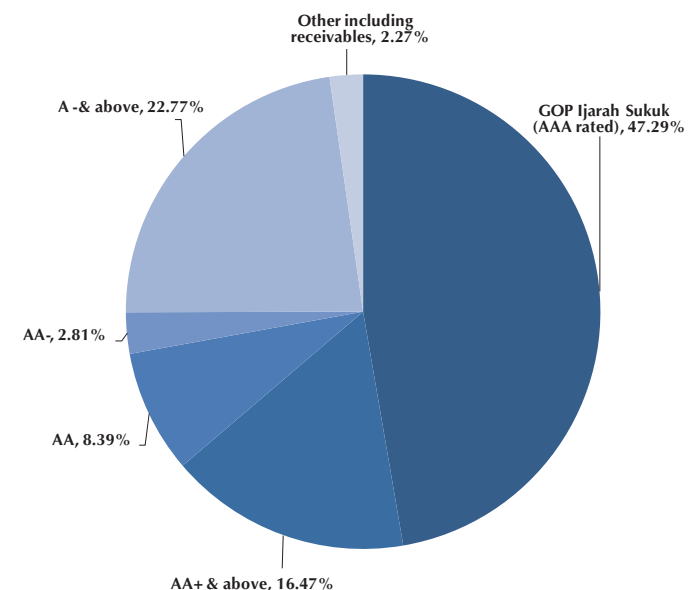
The annualized return generated by NRF SF for the month of May 2012 is 10.63% thus outperforming its benchmark by 2.4%. During FYTD, the Fund has out-performed its benchmark by 2.67% by earning an annualized return of 10.95%. This outperformance is net of management fee and all other expenses.

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

The allocation of the Fund is fairly diversified with significant exposure in GoP Ijarah sukuks, which are floating rate instruments with 6-months coupon re-setting. The remaining assets are invested in "AA" rated Shariah compliant money market instruments and bank deposits. This minimizes the credit risk exposure of the Fund along with the higher liquidity.

The average duration of the Fund is 66 days and the weighted average time to maturity of the Fund is 1.08 years.

Credit Quality of the Portfolio as of May 31, 2012 (% of Total Assets)



Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

	31-May-12	30-Apr-12
GOP Ijarah Sukuk - Govt. Backed	47.29%	45.32%
Islamic Money Market Placements	24.19%	23.20%
Cash Equivalents	26.24%	27.49%
Other including receivables	2.28%	3.99%
Total	100.00%	100.00%
Leverage	Nil	Nil

Top Ten Holdings (as at May 31, 2012)

Top 10 Sukuk Holding	
Name of Sukuks	% of Total Assets
GOP Ijarah (Sukuk IX)	17.92%
GOP Ijarah (Sukuk VIII)	11.43%
HUBCO Short Term Islamic Sukuk	11.41%
GOP Ijarah (Sukuk V)	9.72%
Engro Fertilizer Ltd. Short Term Sukuk	8.21%
KAPCO Short Term Islamic Sukuk	4.57%
GOP Ijarah (Sukuk X)	2.85%
GOP Ijarah (Sukuk XI)	2.40%
GOP Ijarah (Sukuk VI)	2.06%
GOP Ijarah (Sukuk VII)	0.91%
Total	71.48%

Name of the Members of Investment Committee

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

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Performance

Performance % *	May 2012	Jan. - May. 2012	Since Launch October 28, 2011
NAFA Financial Sector Income Fund	11.65%	12.08%	12.36%
Benchmark	10.80%	10.74%	10.75%

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

General Information

Launch Date: October 28, 2011
Fund Size: Rs. 2,597 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: Salman Ahmed
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 May 2012 is 11.65% versus the benchmark return of 10.8% p.a., thus out-performing the benchmark return by 0.85%. Since its inception the Fund's annualized return is 12.36% against the benchmark return of 10.75% p.a., hence out-performing the benchmark by 1.61%. This outperformance is net of management fee and all other expenses.

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.

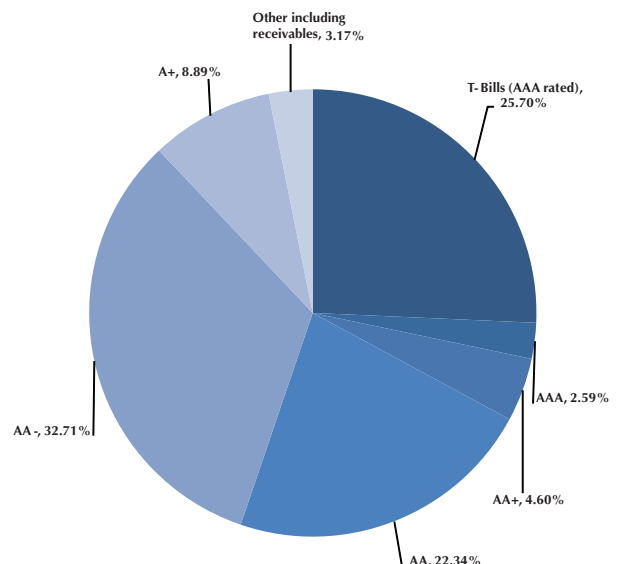
The Fund Size increased by 34% during the month. Exposure in TFCs was increased to 64.39% from 59.71% at the end of previous month. Exposure in banks will be enhanced to benefit from high profit rate on TDR due to half year end effect.

The weighted average time-to-maturity and yield-to-maturity of the Fund is 1.94 years and 12.56% p.a. respectively, while that of the TFC portfolio is 2.94 years and 13.55%. The weighted average credit quality of the Fund is AA+.

Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

T-Bills	25.70%	27.59%
TFCs	64.39%	59.71%
Placement with DFIs	4.60%	4.37%
Cash Equivalents	2.14%	4.33%
Other including receivables	3.17%	4.00%
Total	100.00%	100.00%
Leverage	Nil	Nil

Credit Quality of the Portfolio as of May 31, 2012 (% of Total Assets)



Top Ten TFC Holdings (as at May 31, 2012)

Name of TFCs	% of Total Assets
United Bank Limited IV	16.02%
Bank Alfalah Limited IV - FT	14.19%
Faysal Bank Limited III	11.51%
NIB Bank Limited	6.61%
Jahangir Siddiqui & Company Limited V	2.60%
Allied Bank Limited II	2.51%
Bank Alfalah Limited IV - FX	2.30%
Soneri Bank Limited	2.28%
Standard Chartered Bank (Pakistan) Limited IV	1.92%
Bank AL Habib Limited I	1.70%
Total	61.64%

Name of the Members of Investment Committee

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

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/05/2012): Rs.11.4209

May 2012

Performance

Performance % *	May 2012	Jul. 2011- May. 2012	Trailing 12 Months	Since Launch August 21, 2010
NAFA Asset Allocation Fund	(2.38%)	14.66%	15.31%	36.96%
Benchmark	(0.25%)	7.54%	7.23%	20.68%

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

General Information

Launch Date:	August 21, 2010
Fund Size:	Rs.485 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's Commentary

During the month under review, NAFA Asset Allocation Fund's (NAAF) Net Asset Value (NAV) decreased by 2.38% while the benchmark decreased by 0.25%. Thus your Fund under-performed the benchmark by 2.13%. Since inception on August 21, 2010 the Fund has increased by 36.96%, while the Benchmark has increased by 20.68%. Thus, to-date the out-performance of your Fund stands at 16.28%.

NAAF remained overweight in equities throughout the month, that contributed to the under-performance of the Fund. Fund's key holdings in the Construction & Materials sector out-performed the market, which benefited the Fund. On the other hand, the Fund's under-weight position in selected stocks in the Food Producers and Chemicals sectors contributed to NAAF's under-performance. During the month we increased the weightage of NAAF in the Construction & Material and Telecommunication sectors. While the weightage in Banks sector, Oil & Gas Marketing and Fertilizer sub-sectors was reduced.

As the graph depicts, NAAF has generated superior return along with downside protection due to proactive asset allocation and better security selection. We will strive to offer better returns to the investor going forward as well.

Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

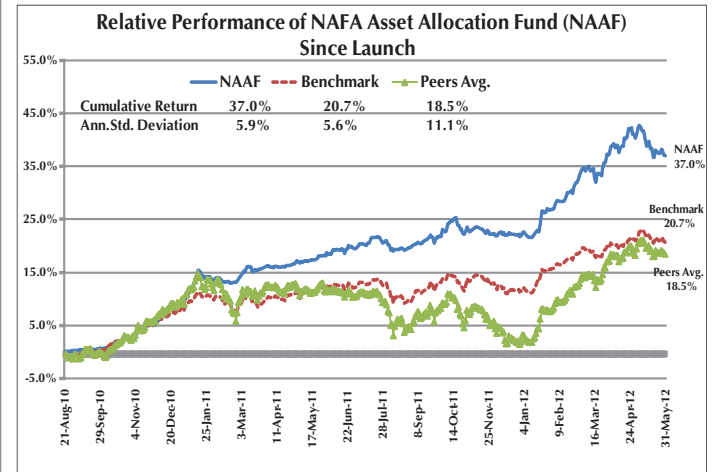
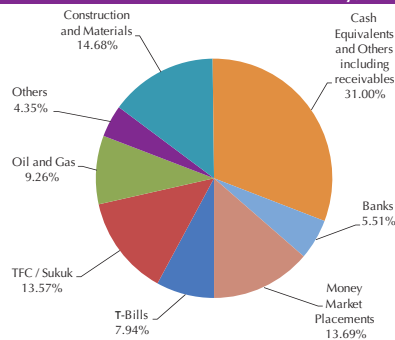
	31-May-12	30-Apr-12
Equities / Stocks	33.80%	48.69%
TFCs	13.57%	14.05%
Cash Equivalents	20.03%	9.50%
Money Market Placements (Short Term Sukuk)	13.69%	13.52%
T-Bills	7.94%	2.98%
Others including receivables	10.97%	11.26%
Total	100.00%	100.00%
Leverage	Nil	Nil

Characteristics of Equity Portfolio**

	PER	PBV	DY
NAAF	5.5	2.0	8.0%
KSE-30	7.4	3.4	7.9%

** Based on NAFA's estimates

Asset Allocation (as on 31st May, 2012)



Top Ten Holdings (as on 31st May, 2012)

Name	Asset Class	% of Total Assets
Hub Power Company	Sukuk	7.65%
Lucky Cement Limited	Equity	6.78%
Kot Addu Power Company	Sukuk	6.04%
Allied Bank Limited I	TFC	4.99%
Pakistan Petroleum Ltd.	Equity	4.66%
Pakistan Oilfields Ltd.	Equity	4.59%
Attock Cement Pakistan Ltd	Equity	4.41%
D. G. Khan Cement Co.	Equity	3.49%
Engro Corporation Rupiya Certificate	TFC	3.44%
Fauji Fertilizer Co. Ltd.	Equity	2.68%
Total		48.73%

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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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/05/2012): Rs.10.7673

May 2012

Performance

Performance % *	May 2012	Jul. 2011 - May. 2012	Trailing 12 Months	Since Launch January 22, 2007
NAFA Multi Asset Fund	(1.17%)	16.07%	14.40%	71.57%
Benchmark	(0.72%)	7.55%	6.73%	33.65%

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

General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 633 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's Commentary

During the month under review, NAFA Multi Asset Fund's (NMF) Net Asset Value (NAV) decreased by 1.17% while the benchmark decreased by 0.72%. Thus your Fund under-performed the benchmark by 0.45%. Since inception on January 22, 2007 your Fund has increased by 71.57%, while the benchmark has increased by 33.65%. Thus, to-date the out-performance of your Fund stands at 37.92%. This out-performance is net of management fee and all other expenses.

NMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. NMF predominantly remained over-weight in equities throughout the month and the under-performance of the Fund resulted from the volatile trend of the stock market. NMF's key holdings in the Construction & Materials sector out-performed the market, which benefited the Fund. On the other hand, the Fund's under-weight position in selected stocks in the Food Producers and Chemicals sectors contributed to NMF's under-performance. During the month we increase the weightage of NMF in the high dividend-yielding electricity sector. While the weightage in the Banks sector and Fertilizer sub-sector was reduced. At the end of the month, NMF was around 48% invested in equities.

Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

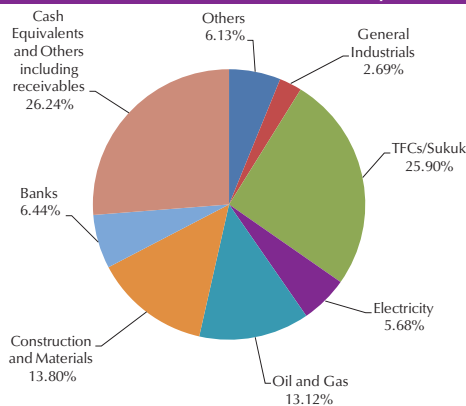
Equities / Stocks	47.86%	58.16%
TFCs / Sukuks	25.90%	25.96%
Cash Equivalents	20.93%	5.69%
Others including receivables	5.31%	10.19%
Total	100.00%	100.00%
Leverage	Nil	Nil

Characteristics of Equity Portfolio**

	PER	PBV	DY
NMF	5.7	1.9	7.8%
KSE-30	7.4	3.4	7.9%

** Based on NAFA's estimates

Asset Allocation (as on 31st May, 2012)



Top Ten Holdings (as on 31st May, 2012)

Name	Asset Class	% of Total Assets	Name	Asset Class	% of Total Assets
Maple Leaf Cement I	SUKUK	8.13%	Avari Hotels Limited	TFC	3.75%
Lucky Cement Limited	Equity	6.81%	Saudi Pak Leasing	TFC	3.52%
Pakistan Oilfields Ltd.	Equity	6.58%	Cherat Cement Co. Ltd	Equity	3.50%
Pak Petroleum Ltd.	Equity	6.29%	D. G. Khan Cement Co.	Equity	3.48%
Hub Power Co. Limited	Equity	5.68%	Eden Housing II	SUKUK	2.94%

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets	Yield to Maturity per annum
Eden Housing (Sukuk II)	SUKUK	29,062,500	10,131,507	18,930,993	2.99%	2.94%	52.42%
Maple Leaf Cement (Sukuk I)	SUKUK	88,270,859	35,898,611	52,372,248	8.28%	8.13%	36.62%
Pak Elektron Limited (Sukuk)	SUKUK	17,142,857	4,380,960	12,761,897	2.02%	1.98%	19.73%
Saudi Pak Leasing	TFC	34,353,300	11,671,637	22,681,663	3.58%	3.52%	20.44%
Maple Leaf Cement (Sukuk II)	SUKUK	3,315,000	3,315,000	-	-	-	-
New Allied Electronics (Sukuk I)	SUKUK	10,000,000	10,000,000	-	-	-	-
Total		182,144,516	75,397,715	106,746,801	16.87%	16.57%	

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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Performance

Performance % *	May 2012	Jul. 2011 - May. 2012	Trailing 12 Months	Since Launch October 29, 2007
NAFA Islamic Multi Asset Fund	(1.13%)	13.68%	12.17%	47.04%
Benchmark	(0.16%)	11.17%	11.41%	NA**

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

** KMI-30 Index was launched from September 2008

General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 268 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's Commentary

During the month under review, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) decreased by 1.13%, whereas the benchmark decreased by 0.16%, thus your Fund under-performed the benchmark by 0.97%.

NIMF is a Balanced Fund and market weight implies 50% weight in equities and 50% in fixed income asset class. The Fund's underperformance predominantly resulted from the volatile trend of the stock market during the month. NIMF benefited from the out-performance of its key holdings in the Cement sub-sector and its under-weight position in key stocks in the Fertilizer and Oil & Gas Exploration sub-sectors that lagged the market. On the other hand, the Fund's under-weight position in the Fixed Line Telecommunication sector contributed to its under-performance. During the month we increased the weightage of NIMF in the high dividend-yielding electricity sector. While the weightage in Oil & Gas sector and Fertilizer sub-sector was reduced. At the end of the month, NIMF was around 47% invested in equities.

Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

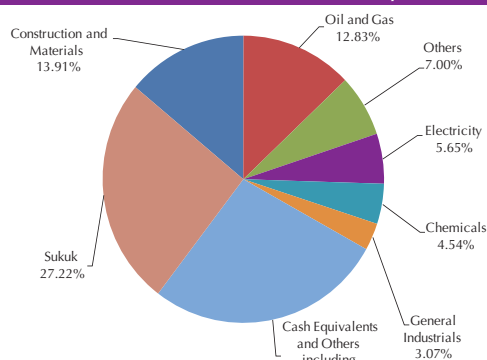
	31-May-12	30-Apr-12
Equities / Stocks	47.00%	59.32%
Sukuks	27.22%	26.75%
Cash Equivalents	20.62%	4.74%
Others including receivables	5.16%	9.19%
Total	100.00%	100.00%
Leverage	Nil	Nil

Characteristics of Equity Portfolio***

	PER	PBV	DY
NIMF	6.6	3.0	7.9%
KMI-30	7.2	3.7	8.3%

*** Based on NAFA's estimates

Asset Allocation (as on 31st May, 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 May, 2012)

Name	Asset Class	% of Total Assets	Name	Asset Class	% of Total Assets
Maple Leaf Cement I	SUKUK	10.84%	Pak Elektron Limited	SUKUK	5.84%
Lucky Cement Limited	Equity	8.51%	Hub Power Co. Limited	Equity	5.65%
Pakistan Oilfields Ltd.	Equity	6.57%	D. G. Khan Cement Co.	Equity	4.39%
Pak Petroleum Ltd.	Equity	6.25%	Eden Housing II	Sukuk	3.46%
Kohat Cement Limited	SUKUK	5.89%	Sitara Chemical Ind Ltd.	Equity	3.04%

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
Kohat Cement Limited ****	SUKUK	21,700,000	5,619,150	16,080,850	6.00%	5.89%	27.58%
Eden Housing II	SUKUK	14,531,250	5,065,754	9,465,496	3.53%	3.46%	52.42%
Maple Leaf Cement I	SUKUK	49,904,375	20,295,461	29,608,914	11.05%	10.84%	36.62%
Pak Elektron Limited	SUKUK	21,428,571	5,476,200	15,952,371	5.95%	5.84%	19.73%
Maple Leaf Cement II	SUKUK	1,875,000	1,875,000	-	-	-	-
Total		109,439,196	38,331,565	71,107,631	26.53%	26.03%	

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

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MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/05/2012): Rs.8.0719

May 2012

Performance

Performance % *	May 2012	Jul. 2011- May. 2012	Trailing 12 Months	Since Launch January 22, 2007
NAFA Stock Fund	(0.78%)	24.00%	21.50%	40.34%
Benchmark	(2.46%)	3.15%	0.51%	(10.76%)

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

General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 1,114 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's Commentary

During the month under review, the benchmark decreased by 2.46% whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) decreased by 0.78%, thus an out-performance of 1.68% was recorded. Since inception on January 22, 2007 the NAV of NSF has increased by 40.34% while the benchmark has declined by 10.76%, thus to date out-performance is 51.10%. This out-performance is net of management fee and all other expenses.

The stock market depicted a lot of volatility during the month. NSF out-performed as the Fund's key holdings in the Construction & Material sector performed better than the market. Further, NSF was underweight in key Fertilizer sub-sector stocks that under-performed, which benefited the Fund. During the month, we enhanced the weightage of NSF in the Construction & Materials, Electricity and Oil & Gas sectors. On the contrary, the allocation in Banks was reduced. During May, NSF predominantly remained invested in equities and at the end of the month was around 89% invested in equities.

The Fund is invested in stocks with sanguine valuations and strong growth prospects. The portfolio of NSF is priced at forward earnings multiple of 5.6x, offering 7.3% dividend yield. We are striving to continue to perform well going forward.

Asset Allocation (% of Total Assets) 31-May-12 30-Apr-12

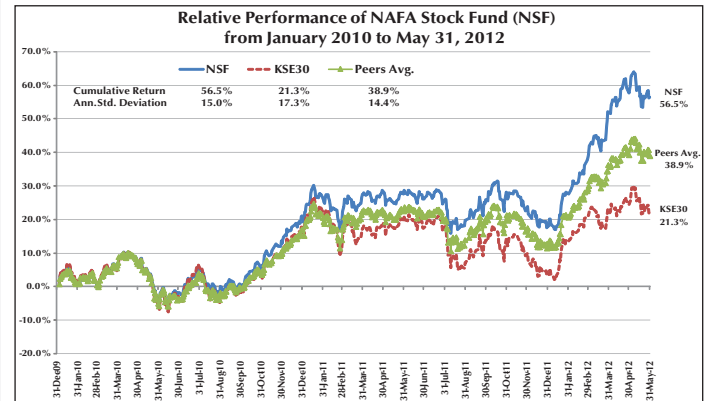
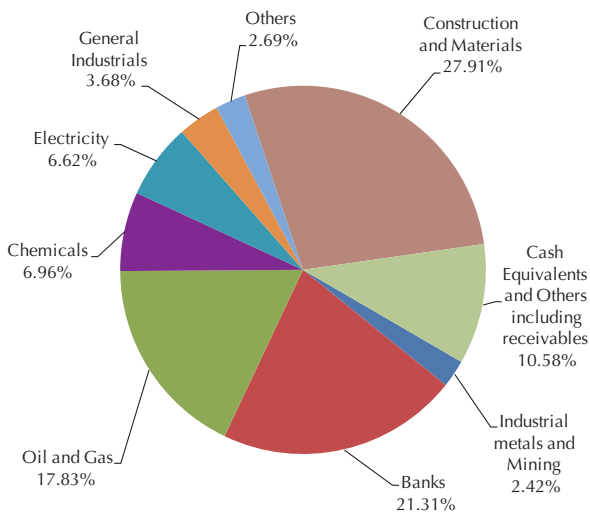
	31-May-12	30-Apr-12
Equities / Stock	89.42%	86.53%
Cash Equivalents	3.28%	2.53%
Others including receivables	7.30%	10.94%
Total	100.00%	100.00%
Leverage	Nil	Nil

Characteristics of Equity Portfolio**

	PER	PBV	DY
NSF	5.6	1.7	7.3%
KSE-30	7.4	3.4	7.9%

** Based on NAFA's estimates

Asset Allocation (as on 31st May, 2012)



Top Ten Equity Holdings (as on 31st May, 2012)

Name	% of Total Assets	Name	% of Total Assets
Pak Petroleum Ltd.	8.90%	MCB Bank Limited	5.33%
Lucky Cement Limited	8.76%	Meezan Bank Ltd.	4.88%
Pakistan Oilfields Ltd.	8.34%	Allied Bank Limited	4.88%
Cherat Cement Co. Ltd	7.41%	D. G. Khan Cement Co.	4.78%
Hub Power Co. Limited	6.62%	Attock Cem.Pak.Ltd	4.39%

Name of the Members of Investment Committee

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

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