NAFA Funds

Monthly Report (Sep 2009)

National Fullerton Asset Management Limited

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National Fullerton Asset Management Limited

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National Fullerton
Asset Management Limited

Investment Outlook

Dr. Amjad Waheed, CFA
Chief Executive Officer

Excessive Government Borrowing and Capital Markets

Government borrowing has increased drastically over the last couple of years. In FY07, the budget deficit was Rs 377 billion, which crossed Rs 777 billion in FY08. This was brought down by the Government to Rs 582 billion in FY09 by drastically cutting the development spending, but is expected to cross the Rs 800 billion mark in FY10 if the first quarter of FY10 is any indicator of things to come. Government borrowing from July 1 to mid-September, 2009 from the State Bank of Pakistan, commercial banks and national savings schemes is over Rs 200 billion versus Rs 146 billion in the same period last year – an increase of over 37%.The economy is expected to grow at a moderate rate of 3% in FY10, and revenue collection is not expected to grow by more than 12% in FY10.

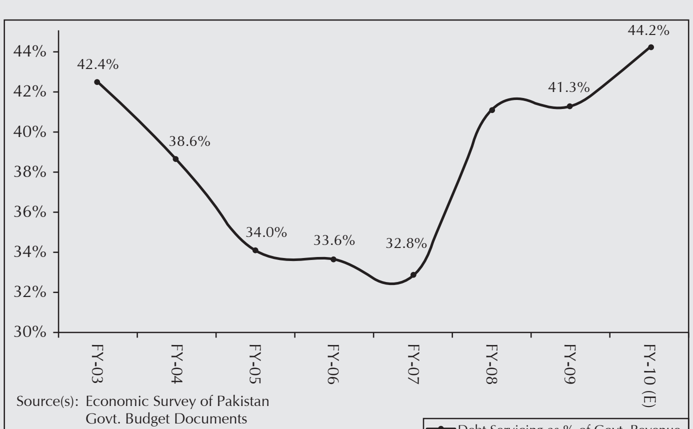
Pakistan's debt servicing to total Government Revenues ratio had declined from around 42% in FY03 to 33% in FY07. However, this ratio rose to over 41% in FY08 and FY09 (Chart-01), and is expected to cross 44% in FY10 if the present excessive borrowing trend continues. If the Government does not take the difficult decisions to increase taxes and cut its non-productive spending, almost half of total government revenues will be consumed by debt servicing in the next couple of years, leaving very little to be spent on the human and physical infrastructure of the country.

Government spending in Pakistan and other emerging countries is not very efficient due to waste and corruption. Private sector is considered more productive and efficient than the Government. Yet Government spending has started crowding out the private sector (see Chart 2), which will make it very difficult for the economy to revert back to its historical growth rate. In FY08 the private sector borrowed Rs 408 billion from the banking sector, which declined substantially to Rs 19 billion in FY09. During July – mid September period of FY10, the private sector has paid back Rs 69 billion to the banking sector instead of borrowing, which is a matter of concern. A key reason of this negative trend is that the private sector is reluctant to borrow at the prevailing higher rates, which may have been lower had the Government not borrowed so excessively. Another reason is that banks prefer to lend to the Government due to attractive rates and risk aversion.

Successive governments in the 1990s followed the policy of excessive borrowing and spending, which led us into to a debt trap where the total debt to GDP ratio reached around 100%. Businessmen preferred to simply put their money in national saving schemes and earn very attractive returns instead of investing in new businesses. The economy, employment and exports suffered as a result. We seem to be heading towards the same path again. If the Government will borrow at 14% from national savings schemes, the private sector will be forced to borrow at even higher rates, where it may not be possible for it to be profitable, especially considering the state of the economy.

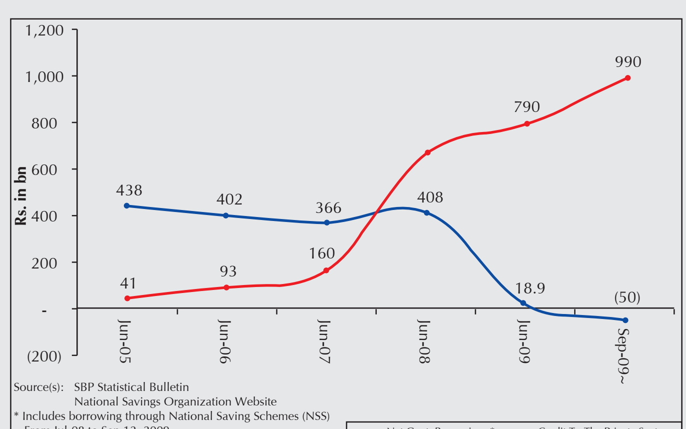
In the event that Government continues with its policy of excessive borrowing, interest rates will continue to be high, which is good for fixed income investors. However, higher interest rates reduce profitability of companies and result in investors preferring investing in fixed income versus equities. The Stock Market is fairly priced now at a price-to-earnings ratio of 8.5x, based on a 16% expected growth in corporate earnings in FY10. From here onwards, the rise in the Stock Market will be in line with corporate earnings growth.

Private Sector Credit Vs. Net Govt. Borrowing (Chart-01)



Source(s): Economic Survey of Pakistan
Govt. Budget Documents
The FY-10 estimate is that of NAFA

Debt Servicing as % of Total Govt. Revenues (Chart-02)



Source(s): SBP Statistical Bulletin
National Savings Organization Website
* Includes borrowing through National Saving Schemes (NSS)
~ From Jul-08 to Sep 12, 2009

NAFA Government Securities Liquid Fund (NGSLF)

National Fullerton Asset Management Limited

Unit Price (30/09/2009): Rs. 10.2515

September 2009

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

Performance

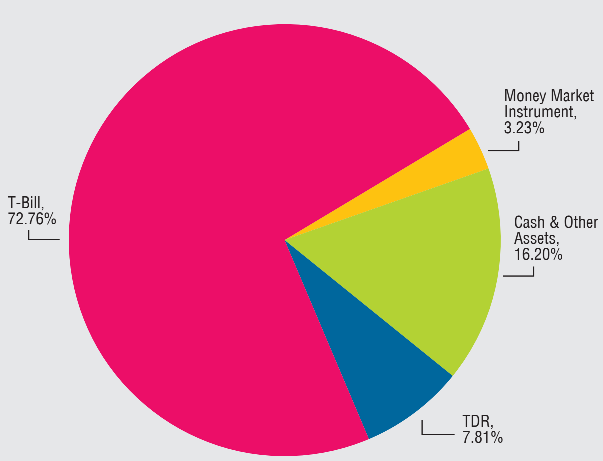
Performance (%)*	Jul - Sep 2009	Aug 2009	Sep 2009	Since Launch May 16, 2009
NAFA Government Securities Liquid Fund	**10.25%**	**9.53%**	**10.54%**	**10.79%**
Benchmark	11.41%	11.47%	11.69%	11.80%

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

General Information

Launch Date:	May 16, 2009
Fund Size:	Rs. 2,946 million
Type:	Open-end – Money Market 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:	70% 3-Month T-Bills and 30% average 3-Month deposit rates (AA and above rated banks)
Fund Manager:	Ahmad Nouman
Min. Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-

Asset Allocation (as on 30th September 2009)



Fund Manager's Commentary

NAFA Government Securities Fund (NGSLF) earned an annualized return of 10.54% during the month of September. The return earned during the month is better than the previous month's return due to reinvesting of maturing securities at higher rates.

In the fortnightly T-Bill auctions held during September 2009, the cut-off for 3-Month T-Bill was 12.52% on September 10 and 12.49% on September 26, 2009. Overall, the money market remained tight during the month; 90 day PKRV (Pakistan revaluation rates) remained within the range of 12.31% to 12.38%. For the coming quarter i.e October to December, 2009 the SBP has announced T-Bill auction target of Rs. 145 bn against the maturities of around Rs. 62 bn. Market rates should remain firm to attract the banks help achieve SBP T-Bills auction target. In the recent Monetary Policy announcement the SBP kept the Discount Rate unchanged at 13% p.a. Next Monetary Policy announcement is due in end-November, 2009. We expect a 50-100 basis points reduction in the Discount Rate at that time.

Outstanding stock of T-Bills (MTBs) is more than a trillion rupees now. Data from SBP suggests that banks are holding T-Bills considerably in excess of the Statutory Liquidity Requirement (SLR). This coincides with the banks' risk aversion stance. Credit to private sector has declined by around Rs. 69 bn during the period from July 01, 2009 to September 12, 2009. Rising Net Foreign Assets (NFA) has brought some relief to the liquidity situation as NFA of the banking system has increased by around Rs. 126 bn or 24.5% during the period of July 01, 2009 to September 12, 2009. Expected foreign inflows may provide some meaningful improvement in the liquidity in the coming months, but that is yet to be seen. The positive balance in the Current Account through declining imports and rising expatriates' remittances is a healthy sign for interest rates stability. In the long-run structural reforms in fiscal management, rise in productivity and exports remain the key areas.

Going forward, we expect the return of your Fund to remain stable at around the current levels.

NAFA Cash Fund (NCF)

National Fullerton Asset Management Limited

Unit Price (30/09/2009): Rs. 10.1422

September 2009

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.

Performance

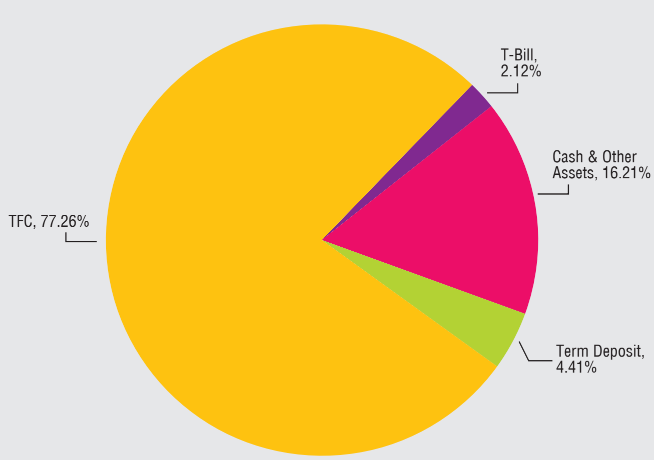
Performance (%)*	Apr - Dec 2006	Jan - Dec 2007	Jan - Dec 2008	Jan - Sep 2009	Sep 2009	Since Launch April 22, 2006
NAFA Cash Fund	**10.65%**	**10.28%**	**2.92%**	**13.72%**	**11.23%**	**8.88%**
Benchmark	9.87%	10.07%	12.95%	13.68%	13.57%	11.64%

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

General Information

Launch Date:	April 22, 2006
Fund Size:	Rs. 6,798 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
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-

Asset Allocation (as on 30th September 2009)



Fund Manager's Commentary

NAFA Cash Fund earned an annualized return of 11.23% during September, 2009. 6-Months KIBOR remained stable during the month, starting at 12.56% and closing the month at 12.65%.

The major news during the month were; (i) SBP announced no change in the current Discount Rate of 13% p.a. in its Monetary Policy Announcement on Sep 29, 2009; (ii) US Senate passed the Kerry-Lugar Bill worth USD 1.5 bn annual aid to Pakistan in each of the next five years; (iii) a TFC amounting to Rs. 85 bn has been issued by PEPCO to help resolve the energy sector crises because of the circular debt; (iv) IMF loan third tranche of USD 1.2 bln has been received; (v) Month on Month CPI increased to 1.7%, while YoY CPI decreased to 10.7%, YoY Core Inflation-Non-food Non-Energy(NFNE) declined to 12.6% from 14% in July; (vi) Remittances from Pakistanis working abroad reached a record high of USD 780 mn in August, 2009 as compared to USD 592 mn in August, 2008.

With expected foreign inflows in the coming months (USA and other Friends of Pakistan), it is likely that the liquidity will improve. However, the timely materialization of these committed inflows is also critical. Expected increase in electricity prices may restrict inflation numbers to come down meaningfully. Govt.'s recent announcement of decrease in domestic fuel prices is likely to have a positive impact on inflationary expectations, going forward.

The overall trend of macro-economic developments suggests more positives than negatives. With improved confidence in the capital markets, we believe that your Fund can likely benefit from expected improvement in TFC prices. The TFCs are still trading at significant discounts to their par values. We expect this gap to gradually decline in the coming months. Hence, we expect good return of the Fund in the coming months.

National Fullerton Asset Management Limited

NAFA Income Fund (NIF)

Unit Price (30/09/2009): Rs. 10.1761

September 2009

Investment Objective

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

Performance

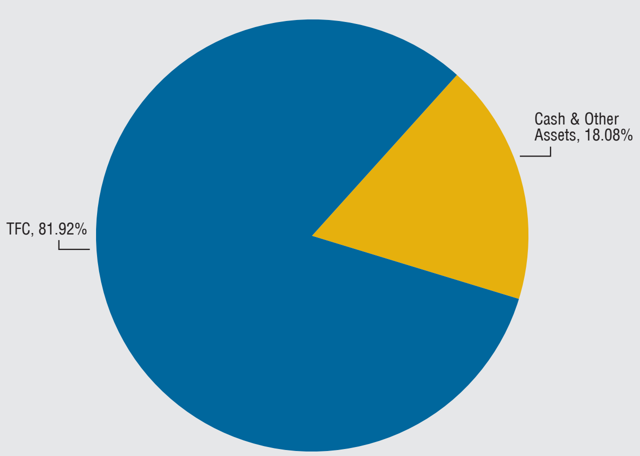
Performance (%)	Mar - Dec 2008*	Jan - Sep 2009*	Sep 2009*	Since Launch March 29, 2008**
NAFA Income Fund	**(2.04)%**	**13.84%**	**3.30%**	**8.47%**
Benchmark	12.53%	13.22%	13.14%	20.06%

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

General Information

Launch Date:	March 29, 2008
Fund Size:	Rs. 759 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
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 September 2009)



Fund Manager's Commentary

During the month of September, NIF earned an annualized rate of return of 3.30%. This is because TFCs/Sukuks in the Fund traded at lower prices during the month on the back of tighter market liquidity. However, if we analyze the return of your Fund in the first nine months of the calendar year so far i.e. from Jan 2009 to Sep, 2009, your Fund has earned an annualized return of 13.84%. This is better than the benchmark return by 62 basis points.

The major news during the month were; (i) SBP announced no change in the current Discount Rate of 13% p.a. in its Monetary Policy Announcement on Sep 29, 2009; (ii) US Senate passed the Kerry-Lugar Bill worth USD 1.5 bn annual aid to Pakistan in each of the next five years; (iii) a TFC amounting to Rs. 85 bn has been issued by PEPCO to help resolve the energy sector crises because of the circular debt; (iv) IMF loan third tranche of USD 1.2 bln has been received; (v) Month on Month CPI increased to 1.7%, while YoY CPI decreased to 10.7%, YoY Core Inflation-Non-food Non-Energy(NFNE) declined to 12.6% from 14% in July; (vi) Remittances from Pakistani's working abroad reached a record high of USD 780 mn in August, 2009 as compared to USD 592 mn in August, 2008.

With expected foreign inflows in the coming months (USA and other Friends of Pakistan), it is likely that the liquidity will improve. However, the timely materialization of these committed inflows is also critical. Expected increase in electricity prices may restrict inflation numbers to come down meaningfully. Govt.'s recent announcement of decrease in domestic fuel prices is likely to have a positive impact on inflationary expectations, going forward.

The TFCs are still trading at significant discounts to their par values. We expect this gap to gradually decline in the coming months. Hence, we expect good return on the Fund in the coming months.

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

NAFA Islamic Income Fund (NIIF)

National Fullerton Asset Management Limited

Unit Price (30/09/2009): Rs. 8.4446 — September 2009

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.

Performance

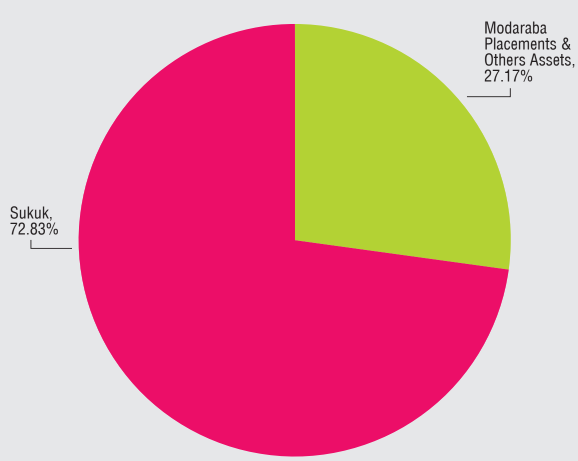
Performance (%)	Oct - Dec 2007*	Jan - Dec 2008*	Jan - Sep 2009**	Sep 2009**	Since Launch October 29, 2007**
NAFA Islamic Income Fund	**7.67%**	**(7.88)%**	**(2.90)%**	**(10.95)%**	**(9.41)%**
Benchmark	5.31%	5.57%	5.46%	0.55%	12.37%

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

General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 349 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
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
Min. Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-

Asset Allocation (as on 30th September 2009)



Fund Manager's Commentary

During the month of September, 2009, NAFA Islamic Income Fund's (NIIF) NAV declined by 10.95%. This is due to fully providing a non-performing Sukuk, New Allied Electronics (NAEL) Sukuk I in the books. NAEL was in the consumer electronics sector selling the famous brand of LG. NAEL's financial position deteriorated at the end of last year with the economic downturn. Restructuring of the Sukuk has not yet materialized. Therefore, due to the delay in its restructuring we had to provide for it. However, we expect that the Sukuk will be restructured in the coming months resulting in reversal of all or part of the provisioning that we have provided at this time. The Management has decided that in the future the Fund will only invest in 'AA-' and above rated Sukuks to reduce the risk of default. This Sukuk of NAEL had a credit rating of 'A-' at the time of investment and the company had a sound financial history.

On the economic front, the Current Account witnessed a positive balance in the month of August. This bodes well for the future as its break down depicts that imports were curtailed. Other important factor was a record figure of expatriates' remittances (USD 780 mn). US Senate also passed the Kerry-Lugar Bill sanctioning USD 1.5 bn each year for Pakistan through 2014. Equity foreign portfolio investment was also a positive figure during August and September, suggesting renewed confidence in Pakistan's capital markets. Better economic growth rate projections for FY 2010 as compared to the observed growth rate of 2% for FY 2009, is also a contributing factor in investor's confidence.

The issuance of Rs. 85 bn TFC by PEPCO to resolve the circular debt, Government's fiscal and monetary management discipline under the IMF program and expected foreign inflows from abroad can likely expedite the ongoing economic recovery, going forward.

We expect the performance of the Fund to improve in the coming months.

NAFA Multi Asset Fund (NMF)

National Fullerton
Asset Management Limited

Unit Price (30/09/2009): Rs. 9.8449

September 2009

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.

Performance

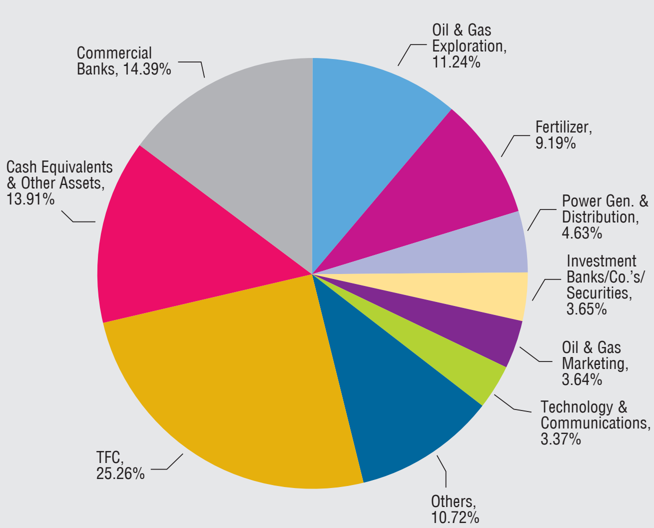
Performance (%)	Jan - Dec 2007	Jan - Dec 2008	Jul - Aug 2008 - 09	Sep 2009	Since Launch January 22, 2007
NAFA Multi Asset Fund	**44.06%**	**(39.82)%**	**(15.62)%**	**5.04%**	**20.14%**
Benchmark (50% KSE-30 Index & 50% 1-month KIBOR)	17.50%	(38.22)%	(11.14)%	4.36%	4.20%

Returns are net of management fee & all other expenses

General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 1,856 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
Listing:	Lahore Stock Exchange
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 Allocation (as on 30th September 2009)



Fund Manager's Commentary

During the month under review, NAFA Multi Asset Fund's (NMF) Net Asset Value (NAV) increased by 5.04% while the benchmark (50% KSE-30 index & 50% 1-month KIBOR) increased by 4.36%. Thus your Fund out-performed the benchmark by 0.68% during the month. Since inception on January 22, 2007 your Fund has increased by 20.14%, while the benchmark has increased by 4.20%. Thus, to date the out-performance of your Fund stands at 15.94%.

Anticipating a rally in the Stock Market, we remained over weight in equities and under weight in fixed income asset class. NMF is a balanced fund and market weight implies 50% in equities and 50% in fixed income. We remained overweight in auto, cement, power and OMC sectors.

The month started with KSE 30 index at 9321 and closed the month at 10032 showing an increase of around 7.62%. Key factors responsible for the performance of the Stock Market during the month are: (i) net foreign inflows of around US $ 126 million; (ii) expectations of monetary policy loosening by SBP; (iii) lower YoY inflation (CPI); (iv) better than expected corporate earnings; (v) improved current account situation; (vi) resolution of circular debt issue. Trading activity remained very healthy during the month with daily average traded value at Rs.14.78 billion.

State Bank of Pakistan in its monetary policy review of September 2009, kept the discount unchanged at 13% mainly due to concern over inflation and external accounts. During the month of September 2009 interest rates slightly inched up due to tight liquidity situation.

The future direction of the Stock Market is dependent on the improvement of liquidity situation, foreign portfolio inflows and level of interest rate. We are expecting the performance of the Fund to improve in the coming months as we are holding undervalued stocks that are expected to perform better than the market.

National Fullerton Asset Management Limited

NAFA Islamic Multi Asset Fund (NIMF)

Unit Price (30/09/2009): Rs. 10.1767

September 2009

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.

Performance

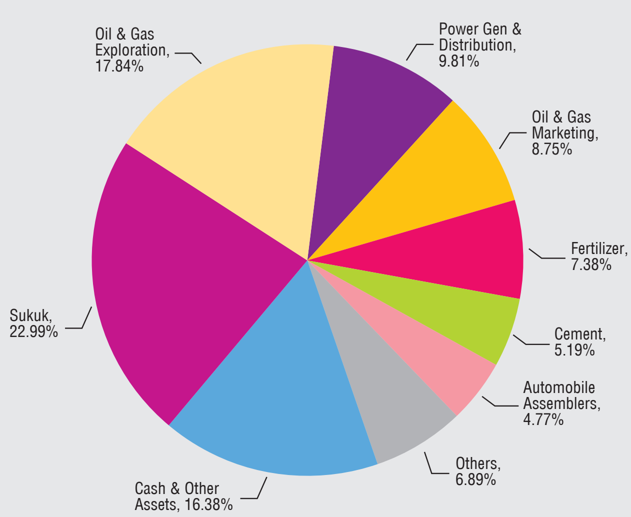
Performance (%)	Nov - Dec 2007	Jan - Dec 2008	Jul - Aug 2008 - 09	Sep 2009	Since Launch October 29, 2007
NAFA Islamic Multi Asset Fund	(2.42)%	(35.94)%	3.98%	2.64%	1.77%
Benchmark*	-	-	-	3.05%	-

Returns are net of management fee & all other expenses
* KMI - 30 Index was launched on 1st Sep, 2008

General Information

Launch Date:	October 29, 2007
Fund Size:	Rs. 601 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
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
Min. Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-

Asset Allocation (as on 30th September 2009)



Fund Manager's Commentary

During the month of September 2009, Net Asset Value (NAV) of NAFA Islamic Multi Asset Fund (NIMF) increased by 2.64%, whereas the benchmark increased by 3.05%, thus an under-performance of 0.41% was recorded.

We remained overweight in equities and under weight in fixed income asset class during the month. NIMF is a balanced fund and market weight implies 50% weight in equity and 50% in fixed income.

We witnessed a rising trend in the Stock Market during the month. KMI-30 Index gained around 5.49% to close the month at 13648. Key factors attributable to this performance of the Stock Market during the month are: (i) net foreign inflows of around US $ 126 million; (ii) expectations of monetary policy loosening by SBP; (iii) lower YoY inflation (CPI); (iv) better than expected corporate earnings; (v) improved current account situation; (vi) resolution of circular debt issue.

During the month, banking, auto and fertilizer sectors performed very well. While cement, technology, refinery and power sectors under-performed. Trading activity also remained healthy with daily average traded value around PKR 14.78 billion versus PKR 9.25 billion during the previous month.

In the monetary policy review of September 2009, SBP kept the discount unchanged at 13% mainly due to concern over inflation and external accounts. During the month of September 2009 interest rate remained range bound. 6-month KIBOR increased by 9 basis points to close the month at 12.65%. 6 month T-bills yield also increased by around 11 basis points and reached 12.46% from 12.35% at the beginning of the month. The key factor for this increasing trend in interest rates is tight liquidity situation due to heavy government borrowing.

Going forward, we are expecting the performance of the Fund to improve as we are holding undervalued stocks that are expected to perform better than the market.

NAFA Stock Fund (NSF)

National Fullerton Asset Management Limited

Unit Price (30/09/2009): Rs. 7.4097

September 2009

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.

Performance

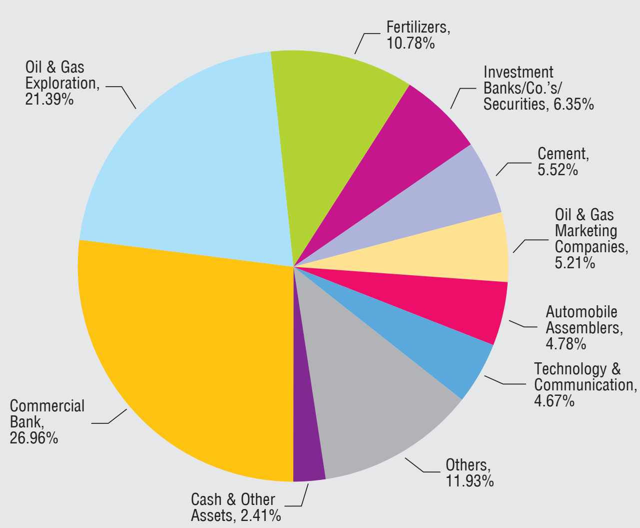
Performance (%)	Jan - Dec 2007	Jan - Dec 2008	Jul - Aug 2008 - 09	Sep 2009	Since Launch January 22, 2007
NAFA Stock Fund	**61.59%**	**(60.21)%**	**(38.77)%**	**8.41%**	**(7.79)%**
Benchmark	24.82%	(67.19)%	(34.94)%	7.62%	(25.10)%

Returns are net of management fee & all other expenses

General Information

Launch Date:	January 22, 2007
Fund Size:	Rs. 1,426 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
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/-

Asset Allocation (as on 30th September 2009)



Fund Manager's Commentary

During the month under review, KSE-30 Index increased by 7.62%, whereas NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 8.41%, thus an out-performance of 0.79% was recorded. Since inception on January 22, 2007 the NAV of NSF has declined by 7.79% and the benchmark has declined by 25.10%, thus to date out-performance is 17.31%.

The euphoric trend in the market continued on the back of sizeable foreign inflows, issue of PKR 85 bn TFC that has considerably eased the circular debt issue and good corporate earnings announced. During the month, positive sector specific developments were seen, particularly in the energy and fertilizer sector. Net foreign inflows during September stood at USD 126 mn outpacing USD 94 mn inflows during August. Market Average Daily Traded Value during September further increased to PKR 14.78 bn as against PKR 9.25 bn in August. Approval of the Kerry-Lugar bill assistance package for Pakistan by the United States also improved the investor sentiment.

NSF had high concentration in selected energy, fertilizer, banking and automobile stocks. Outperformance of these stocks enabled the Fund to perform better than the Benchmark. The energy exploration rallied on several notable oil and gas discoveries while the fertilizer sector was driven by higher sales. The automobile sector depicted good financial results on improved sales and margins. In banks, the Fund had exposure in selected index stocks that outperformed on easing concerns over NPL's and impairment losses.

Towards the end of the month, as the KSE-100 Index rallied towards the 10000 level, the market took a breather. In the September review, SBP has decided to keep the monetary stance unchanged on concerns over inflation and the external account. The Fund is shifting exposure from stocks that have recently outperformed to undervalued and growth stocks. Gradual improvement of liquidity in the financial system, improved security situation in the country and prospects of foreign inflows are expected to support the market in the coming months.

National Fullerton Asset Management Limited

Brands of the year Award 2008

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Off Sharah-e-Faisal, Karachi
UAN: 111-114-111
Fax: 021-4531063

Lahore Office

Address: 106-B-2, Main M.M. Alam Road,
Gulberg 3, Lahore
UAN: 042-111-111-632
Fax: 042-5876806

Multan Office

Address: Khan Centre,
Abdali Road, Multan
UAN: 061-111-111-632
Fax: 061-4511187

Karachi Nazimabad Office

Address: House No. D-26, Street No. 1,
Block N, North Nazimabad, Karachi
PABX: 021-6724120 - 35
Fax: 021-6724140

Islamabad Office

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

Peshawar Office

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

Hyderabad Office

Address: House # 559 Qasre-e-Jillani,
Saddar Cantt., Hyderabad
Fax: 022- 2730888
UAN: 022-111-111-632

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