



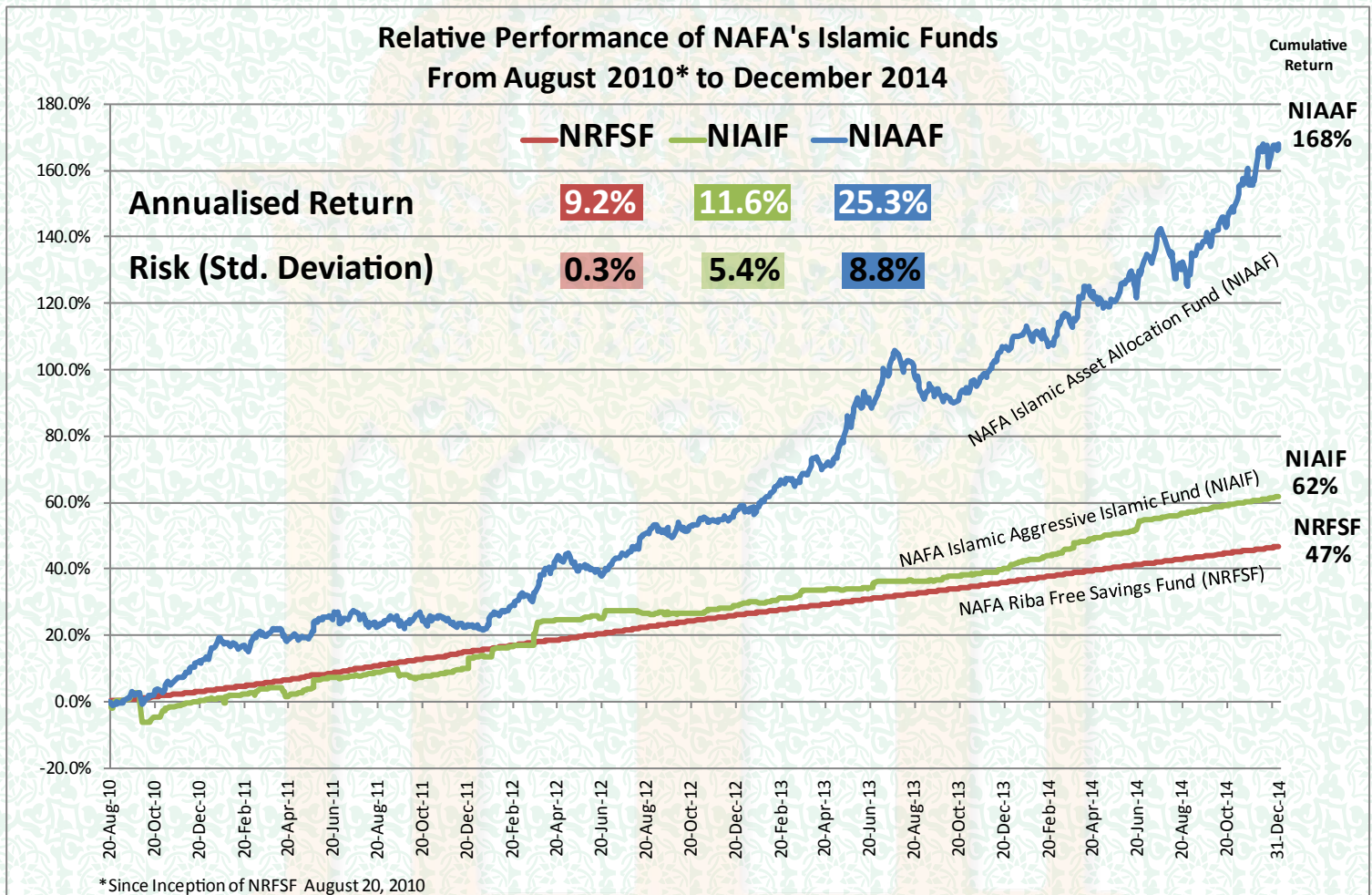
NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan



# Fund Manager Report of Shariah Compliant Schemes

## December 2014

Relative Performance of NAFA's Islamic Funds  
From August 2010\* to December 2014



Note: Detailed monthly reports of NAFA Funds are available on our website at [www.nafafunds.com](http://www.nafafunds.com)

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MANAGEMENT**

Joint - Venture Partners



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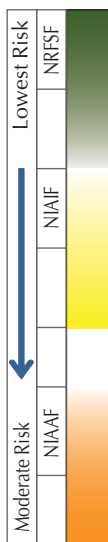




December 2014

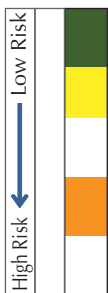
## NAFA ISLAMIC FUNDS PERFORMANCE

Mutual Funds - Collective Investment Schemes (CISs)



Fund Name	Fund Size (Rs. In Crore)	Stability* Rating	Inception Date	Dec-2014	FYTD-2015	Rolling 12 Months	FY-2014	FY-2013	FY-2012	FY-2011	FY-2010	Since Inception
<b>Fixed Income Islamic Funds</b>		<b>Annualized Returns</b>										
NAFA Riba Free Savings Fund	127	AA- (f)	20-Aug-10	8.0%	7.4%	7.8%	7.8%	8.7%	10.8%	n/a	n/a	9.2%
Benchmark				7.0%	7.0%	6.9%	6.7%	7.3%	8.3%	n/a	n/a	7.5%
NAFA Islamic Aggressive Income Fund	74	A- (f)	26-Oct-07	8.6%	9.2%	14.5%	13.6%	6.8%	19.0%	9.0%	(4.9%)	6.6%
Benchmark				6.8%	6.9%	6.7%	6.5%	7.0%	7.9%	7.1%	6.5%	6.7%
<b>Equity Related Islamic Funds</b>		<b>Star Ranking*</b>	<b>Cumulative Returns</b>									<b>Annualized Return</b>
NAFA Islamic Asset Allocation Fund (Formerly; NIMF)**	110	**** (4-star)	26-Oct-07	3.3%	15.1%	29.8%	22.2%	36.3%	13.3%	28.4%	17.5%	15.5%
Benchmark				1.1%	5.0%	13.0%	17.7%	28.4%	11.1%	24.4%	21.3%	11.5%

### NAFA ISLAMIC PENSION FUND (NIPF) - Voluntary Pension Schemes (VPSs)



Fund Name	<b>Annualized Returns</b>											
NIPF - Money Market sub Fund	5		2-Jul-13	6.3%	4.8%	6.7%	n/a	n/a	n/a	n/a	n/a	6.6%
NIPF - Debt sub Fund	7		2-Jul-13	6.1%	3.7%	6.1%	n/a	n/a	n/a	n/a	n/a	6.7%
			<b>Cumulative Returns</b>									<b>Annualized Return</b>
NIPF - Equity sub Fund	10		2-Jul-13	2.6%	27.9%	50.0%	n/a	n/a	n/a	n/a	n/a	44.9%

n/a = Not applicable.

- Return is reported where full period performance is available.

\* Stability rating/Star ranking (3 years) has been assigned by PACRA

\*\*The fund category was changed to Islamic Asset Allocation from Islamic Balanced with effect from April 22, 2014. Consequently, allowed equity range is now 0% to 90% which previously was 30% to 70%.

Notes: 1) The calculation of performance does not include cost of front-end load.

2) Tax credit also available as per section 62 & 63 of Income Tax Ordinance.

3) Taxes apply. Tax rate on Dividend for individuals is 10% , CGT rate is 12.5% for up to 1 year holding period , 10% for 1-2 years holding period and 0% for more than 2 years holding period.

**Note: Detailed monthly reports of NAFA Funds are available on our website at [www.nafafunds.com](http://www.nafafunds.com)**

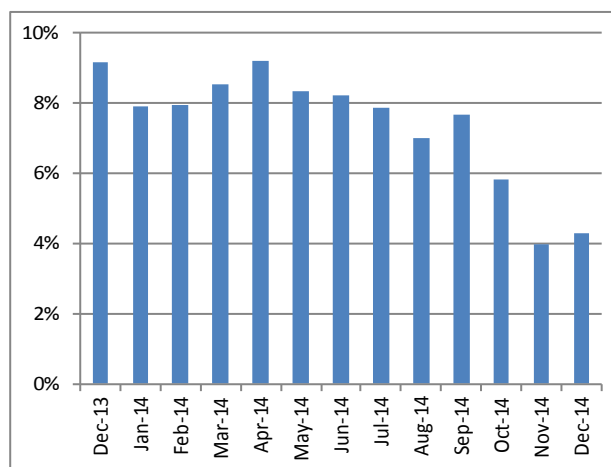
**Disclaimer:** This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds and pension funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependent 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. The investors are advised in their own interest to carefully read the contents of the Offering Documents in particular the Investment Policies.

## Economic and Investment Outlook 2015

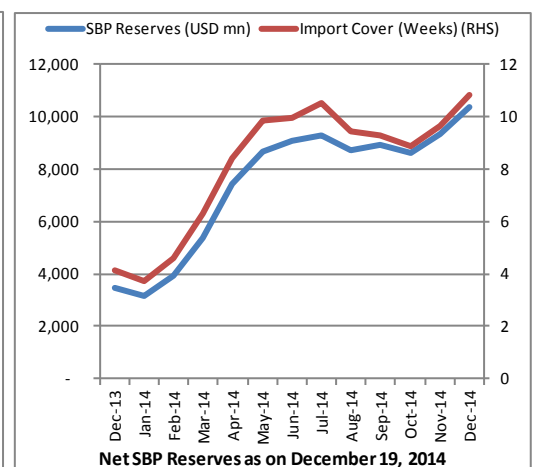
*The year 2014 has ended on an optimistic note for the domestic economy.*

The year 2014 has ended on an optimistic note for the domestic economy. Key positives include: i) significant abatement in inflationary pressures as captured in subdued headline inflation numbers, particularly in 4QCY14; ii) strengthening of external account position as reflected in rising forex reserves and stabilization of Pak rupee; iii) considerable fall in money market yields following a reduction in policy rate in November; iv) contained budget deficit demonstrating government's commitment to fiscal discipline; and v) decline in political tensions after prolonged sit-ins and demonstrations by some opposition parties.

### Significant Decline in Headline Inflation



### Healthy Increase in Forex Reserves



*Subject to continuation of structural reforms and a stable political and security situation, we hold a positive economic and investment outlook for 2015.*

With 2014 coming to an end, key question on the mind of investors is what lies ahead in 2015 for the local financial markets. Subject to continuation of structural reforms and a stable political and security situation, we hold a positive economic and investment outlook for 2015.

Being a big net commodity importer, Pakistan stands to benefit immensely from the latest decline in global commodity prices, especially 50% drop in crude oil prices. First, oil makes up about 40% of Pakistan's imports. Based on FY14 trade figures, every USD10/bbl drop in oil price saves Pakistan an annual USD1.4 billion in imports. The recent decline, if sustained, could lower country's import bill by USD5-6 billion over a 12 month period. The above would significantly strengthen Pakistan's external account position. Second, lower oil prices would enhance GDP growth rate due to its positive impact on household income and lower cost of production for the industry. Third, lower oil prices would keep inflationary pressures at bay. Lastly, cheaper oil narrows Pakistan's budget deficit by reducing energy subsidies, which are huge.

*We expect macroeconomic indicators to depict a healthy trend in the new calendar year.*

We expect that higher household expenditures, lower input costs and an expected improvement in energy supply is likely to bolster GDP growth to 5%. Inflation is expected to remain benign at 6%-7% due to continued soft commodity prices and restricted money supply growth. Budget deficit for the current fiscal year is expected to be around 5.5% of GDP on account of lower subsidies and development expenditures. In view of further expected improvement in foreign exchange reserves and external account, exchange rate is likely to remain stable in 2015.



*In our view, an unforeseen and significant deterioration in political situation is the chief risk to macroeconomic stability and budding economic recovery.*

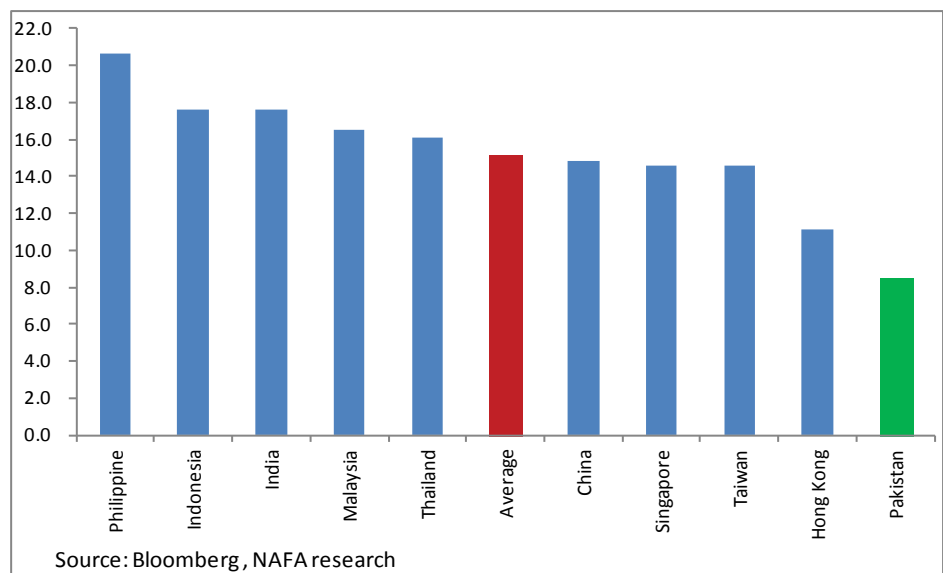
Our view is premised on continuation of structural reforms agenda which requires consensus among major political parties. As mentioned in the latest IMF staff report, Pakistan would need to continue with fiscal, financial and energy reforms and undertake some strategic privatizations of power distribution companies in CY15 and beyond. Some of the measures agreed with IMF, including hike in gas and electricity tariffs, additional taxation measures to plug revenue shortages, restructuring of Public Sector Enterprises (PSEs) and strategic privatizations, being publicly unpopular would require broad agreement between political parties. In our view, an unforeseen and significant deterioration in political situation is the chief risk to the macroeconomic stability and budding economic recovery.

Debt markets have already started responding to falling inflation expectations and improving macroeconomic outlook as yields on long-term bonds (3-10 years) have declined by around 300bp in the last quarter of the CY14. We see strong likelihood of another 50-100bp cut in discount rate in the next monetary policy review meeting. We expect the yield on the debt instruments to remain subdued in CY15 due to benign inflation outlook, restricted budget deficit and higher government borrowing from external sources.

*Stock market remained buoyant with the benchmark KSE-100 Index rising by 27% during 2014.*

Notwithstanding some hiccups witnessed at the height of the political crisis during Aug-Nov, Pakistani stock market remained buoyant with the benchmark KSE-100 Index rising by 27% during CY14 despite lackluster performance of index heavy Oil & Gas sector amid collapsing global oil prices. It merits mention that our NAFA Stock Fund has generated 39% return during CY14, out-performing the stock market by 12%. This out-performance is net of management fee and all other expenses.

**Pakistan Stock Market Trading at a Significant PE Discount to Regional Peers**





*Despite lower earnings growth, we expect the stock market to deliver double-digit returns in 2015 on earnings multiple rerating.*

The stock market is now trading at reasonable forward earnings multiple of 8.5, which is attractive in comparison with regional peers and historical levels. Corporate earnings growth is expected to decelerate to 10% in 2015 due to the drag from oil stocks. However, we see strong possibility of multiple rerating due to improving macroeconomic fundamentals going forward and easy monetary environment. We expect that in view of falling inflation and lower oil prices, companies with high dividend yield, gearing and/or energy-intensive manufacturing are likely to outperform. Despite relatively lower corporate earnings growth, we expect the stock market to deliver healthy returns in 2015 on earnings multiple rerating.





December 2014

## Stock Market Review

During the month of December, the benchmark KMI 30 index advanced by around 1.9%, taking the CY14 increase to around 20% despite the market being weighed down by the subdued performance of index heavy Oil & Gas sector. This marked another year of above average performance that came on the heels of the 46% and 45% returns posted by the market in CY13 and CY12 respectively. The domestic investment landscape of the outgoing year was characterized by the countervailing forces that spiked the stock market volatility. On the positive side, the buildup of FX reserves, stability in exchange rate, controlled inflation, narrowing of fiscal deficit, a pick up in GDP growth and healthy foreign investment activity underpinned the rally in the market. On the negative side, fluid domestic political situation amid sit-ins by two parties resulted in political dysfunction triggering the risk-off sentiments during the latter half of the year. However, towards the end of the year, decision by protesting party (PTI) to end the protests, following tragic attack on school in Peshawar, was cheered by the market which closed the year on a strong note.

Electricity, Construction & Materials, Automobile & Parts, General Industrials, and Pharma & Bio Tech sectors performed better than the market during CY14. On the other hand, index heavy Oil & Gas sector considerably lagged. Cheap valuations and attractive dividend yields resulted in the robust performance of the Power sub-sector. Strong rally was witnessed in the Pharma sector on speculation of new drugs introduction by some major players and positive announcement on drug pricing policy. Automobile & Parts sector out-performed due to healthy earnings growth resulting from improving sales volume and expected margin improvement amid JPY weakening. Bull run continued in cement stocks driven by strong earnings growth resulting from falling coal prices and steady domestic demand growth. Sell-off in the Oil & Gas sector was witnessed following collapsing global oil prices.

As per our estimates, the market is now trading at 8.5 times 12-months forward earnings and offers around 6% dividend yield. Corporate earnings are expected to grow at around 10%, much lower than historical average due to negative earnings growth of index heavy Oil and Gas sector amid collapsing global oil prices. We expect the market to post healthy returns in CY2015 on the back of reasonable valuations, improved economic indicators, monetary easing, and expectations of strong foreign inflows. In this backdrop, we prefer stocks over bonds but conditions call for selectivity. We are closely monitoring the developments in capital market and will alter the allocation of our equity funds accordingly.

## Money Market Review

In line with the market expectation, inflation as measured by the CPI clocked in at 4.3% for December as compared to 3.96% for November14. During CY 14, Pak rupee stabilized amid buildup in FX reserves to US \$ 15 billion amid net inflows from IMF, successful issuance of Eurobond & Islamic Sukuk, release of coalition Support Fund, auction of 3G and 4 G licenses, and SPO of UBL, PPL and ABL. Inflation remained anchored amid controlled government borrowing from the banking system and falling commodity prices. We expect the inflation expectations to remain anchored in the near term amid collapsing oil prices, relatively better fiscal management, and stable exchange rate. We see 50-100 bps policy rate cut in the upcoming monetary policy review scheduled in mid-January on the back of mitigation of risks to external accounts, benign inflation outlook, and abatement in political tension.

During the month, liquidity tightening was witnessed in the shorter end of the yield curve with less than 90 days T-bills trading within the range of 9.5% - 10% and T-Bills between 3 and 6 months tenors within 9.5% - 9.7% range. On the contrary, significant decrease in yields was witnessed in the longer maturities T-Bills and PIBs in anticipation of Discount Rate cut in the upcoming monetary policy review. In the two T-Bills auctions during the month, an amount of Rs 124 billion was accepted against the target of Rs 175 billion and maturity of Rs 97 billion. The cut-off annualized yields for the last T- Bill auction was noted at 9.48% for 3 and 6 month tenors and 9.47% for 12 month tenor respectively with bid pattern skewed towards the 12-month tenor. In PIB auction during the month, an amount of Rs. 162 billion was accepted against the target of Rs. 50 billion and participation of Rs. 358 bn at a cut-off yield of 10.6%, 10.8%, and 11.7% in the 3 year, 5 year and 10 year tenors respectively. During the month, SBP increased the maturities of GOP Ijarah 9, 10, 11, 12 and 13 to 21st November 2015.

We have adjusted the portfolio of our money market and income funds based on the developments in the capital market.

## Our Contacts

**Contact our Investment Consultant for free Investment advice**

Call 0800-20001 || UAN 111-111-632 || sms NAFA INVEST to 8080 || [www.nafafunds.com](http://www.nafafunds.com) || [info@nafafunds.com](mailto:info@nafafunds.com)

**Disclaimer:** This publication is for informational purpose 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.



MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/12/2014): Rs. 10.4812

December 2014

## Performance %

Performance Period	December 2014	FYTD 2015	Rolling 12 Months	FY 2014	FY 2013	FY 2012	Since Launch August 20, 2010 *
NAFA Riba Free Savings Fund	8.0%	7.4%	7.8%	7.8%	8.7%	10.8%	9.2%
Benchmark	7.0%	7.0%	6.9%	6.7%	7.3%	8.3%	7.5%

\* Annualized Return Based on Morning Star Methodology  
All other returns are Annualized Simple Return [Net of management fee & all other expenses]

## General Information

Launch Date:	August 20, 2010
Fund Size:	Rs. 1,273 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: without Life Insurance: 0.5%, with Life Insurance: 5% (Nil on investment above Rs. 16 million), Back end: 0%
Management Fee:	1.25% per annum
Risk Profile:	Very Low
Fund Stability Rating:	"AA-(f)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Average 6-month deposit rate 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 by PACRA (Very High Investment Management Standards)

## 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 Fund generated an annualized return of 8.0% for the month of December 2014 versus the Benchmark return of 7.0%. During the last one year the Fund has outperformed its Benchmark by 0.9% by earning an annualized return of 7.8%. This outperformance is net of management fee and all other expenses.

The Fund aims to consistently provide better return than the 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 allowed to invest in short-term Shariah compliant money market securities of up to six months maturity rated AA- or better. The Fund is not authorized to invest in corporate debt securities and the Equities. With stability rating of AA-(f), NRFSF is amongst the highest rated Islamic Income Funds in the market.

The allocation of the Fund is around 10.6% in GOP Ijarah Sukuks, which are floating rate instruments with 6-months coupon re-setting. Around 88.0% of the portfolio is invested in bank deposits which enhances the liquidity profile of the Fund.

The weighted average time to maturity of the Fund is 38 days. We will rebalance the portfolio based on economic and capital market outlook.

Asset Allocation (% of Total Assets)	31-Dec-14	29-Nov-14
GOP Ijarah Sukuk - Govt. Backed	10.55%	9.58%
Cash Equivalents	88.02%	89.19%
Other including receivables	1.43%	1.23%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Top Holdings (as at December 31, 2014)

Name of Sukuk	% of Total Assets
GOP Ijarah (Sukuk XIII)	3.62%
GOP Ijarah (Sukuk X)	3.08%
GOP Ijarah (Sukuk XIV)	2.00%
GOP Ijarah (Sukuk XI)	1.85%
<b>Total</b>	<b>10.55%</b>

## WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs.9,963,938/-. If the same were not made the NAV per unit/last one year return of scheme would be higher by Rs.0.0821/0.84%. For details investors are advised to read note 8 of the Financial Statements of the Scheme for the quarter ended September 30, 2014.

## Name of the Members of Investment Committee

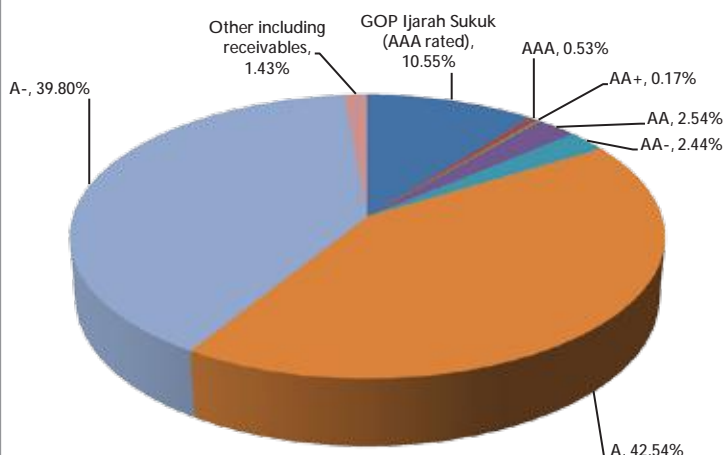
Dr. Amjad Waheed, CFA  
Sajjad Anwar, CFA  
Muhammad Ali Bhabha, CFA, FRM  
Syed Suleman Akhtar, CFA  
Salman Ahmed

Notes: 1) The calculation of performance does not include cost of front end load.

2) Taxes apply. Further, tax credit also available as per section 62 of Income Tax Ordinance.

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## Credit Quality of the Portfolio as of December 31, 2014 (% of Total Assets)







## Performance %

Performance Period	December 2014	FYTD 2015	Rolling 12 Months	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	Since Launch October 26, 2007*
NAFA Islamic Asset Allocation Fund (Formerly: NAFA Islamic Multi Asset Fund)	3.3%	15.1%	29.8%	22.2%	36.3%	13.3%	28.4%	17.5%	15.5%
Benchmark**	1.1%	5.0%	13.0%	17.7%	28.4%	11.1%	24.4%	21.3%	11.5%

\* Annualized Return

All Other returns are Cumulative [Net of management fee & all other expenses]

**Note:\*\*** KSE-30 is used as equity component for the Benchmark before June 30, 2008, the launch date of KMI-30 Index. The fund category was changed to Islamic Asset Allocation from Islamic Balanced with effect from April 22, 2014. Consequently, allowed equity range is now 0% to 90% which previously was 30% to 70%. Previous benchmark was 50% KSE-30 Index & 50% 3-month KIBOR.

## General Information

Launch Date:	October 26, 2007
Fund Size:	Rs. 1,102 million
Type:	Shariah Compliant - 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: without Life Insurance: 3%, with Life Insurance: 5% (Nil on investment above Rs. 16 million), Back end: 0%
Management Fee:	2% per annum
Risk Profile:	Moderate
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	KPMG Taseer Hadi & Co. Chartered Accountants
Benchmark:**	Average of (i) average 3-month Islamic banks deposit rate (ii) 6-month KIBOR or its Shariah Compliant equivalent (iii) KMI 30 Index
Fund Manager:	Asim Wahab Khan, CFA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2 by PACRA (Very High Investment Management Standards)

## Investment Objective

To provide investors with a combination of capital growth and income by investing in Shariah compliant investments. NIAAF (Formerly 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, unit price (NAV) of NAFA Islamic Asset Allocation Fund (NIAAF) (Formerly: NAFA Islamic Multi Asset Fund) increased by 3.3%, whereas the Benchmark increased by 1.1%, thus your Fund outperformed the Benchmark by 2.2%. Since inception your Fund has posted 180.8% return, versus 118.3% by the Benchmark. Thus, an outperformance of 63% was recorded. This outperformance is net of management fee and all other expenses.

NIAAF started off the month with an allocation of around 63% in equities, which was increased to around 70% towards the end of the month on the back of improving macroeconomic outlook. NIAAF outperformed the Benchmark in December as the Fund was underweight in key Oil and Gas sector stocks which underperformed the market and overweight in select Construction & Materials and Electricity sectors stocks which outperformed the market. During the month, the allocation was primarily increased in Construction and Materials and Chemicals sectors whereas it was reduced primarily in Oil & Gas sector.

## Asset Allocation (% of Total Assets) 31-Dec-14 28-Nov-14

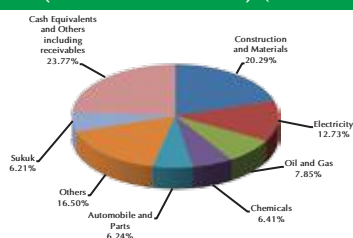
Equities / Stocks	70.02%	62.95%
Sukuks	6.21%	7.52%
Cash Equivalents	23.05%	27.73%
Others including receivables	0.72%	1.80%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

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

	PER	PBV	DY
NIAAF	8.2	2.6	5.3%
KMI-30	7.9	2.3	7.3%

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

## Asset Allocation (% of Total Assets) (as on 31 December, 2014)



## Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA  
Sajjad Anwar, CFA  
Syed Suleman Akhtar, CFA  
Muhammad Ali Bhabha, CFA, FRM  
Asim Wahab Khan, CFA  
Muhammad Imran, CFA, ACCA

## WORKERS' WELFARE FUND (WWF)

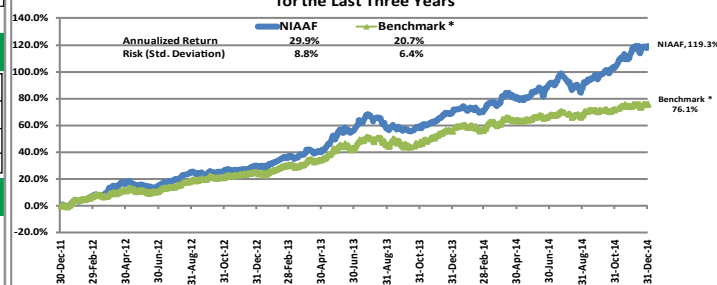
The scheme has maintained provision against Workers' Welfare Fund's liability to the tune of Rs 8,938,338/-If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs 0.1214/1.05%.For details investors are advised to read the Note 8 of the Financial Statements of the Scheme for the period ended September 30, 2014.

**Notes:** 1) The calculation of performance does not include cost of front end load.

2) Taxes apply. Further, tax credit also available as per section 62 of Income Tax Ordinance.

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## Relative Performance of NAFA Islamic Asset Allocation Fund (NIAAF) (Formerly: NAFA Islamic Multi Asset Fund) for the Last Three Years



\* Please see Note below the performance table.

## Top Ten Holdings (as on 31 December, 2014)

Name	Asset Class	% of Total Assets	Name	Asset Class	% of Total Assets
D G Khan Cement Co Ltd	Equity	6.75%	Lucky Cement Ltd	Equity	3.60%
Hub Power Company Ltd	Equity	4.90%	Pak Petroleum Ltd	Equity	3.49%
Maple Leaf Cement Ltd	Equity	4.19%	Nishat Mills Ltd	Equity	3.38%
Kot Addu Power Co Ltd	Equity	4.19%	Pioneer Cement Ltd	Equity	3.06%
K Electric Ltd	Sukuk	4.10%	Thal Ltd	Equity	2.61%

## 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	4,921,875	4,921,875	-	-	-	-
Maple Leaf Cement (Sukuk I)****	SUKUK	30,440,625	-	23,978,080	2.18%	2.11%	19.57%
Pak Elektron Limited (Sukuk)	SUKUK	21,428,571	21,428,571	-	-	-	-
<b>Total</b>		<b>56,791,071</b>	<b>26,350,446</b>	<b>23,978,080</b>	<b>2.18%</b>	<b>2.11%</b>	

\*\*\*\*Said TFC is performing but classified as non Compliant on the basis of required rating. Due to this the difference between the Value of Investment before provision and after provision is mark to market loss instead of provisioning.



MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/12/2014): Rs. 9.7590

December 2014

## Performance %

Performance Period	December 2014	FYTD 2015	Rolling 12 Months	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	Since Launch October 26, 2007*
NAFA Islamic Aggressive Income Fund	8.6%	9.2%	14.5%	13.6%	6.8%	19.0%	9.0%	(4.9%)	6.6%
Benchmark	6.8%	6.9%	6.7%	6.5%	7.0%	7.9%	7.1%	6.5%	6.7%

\* Annualized Return Based on Morning Star Methodology  
All other returns are Annualized Simple Return

[Net of management fee & all other expenses]

## General Information

Launch Date:	October 26, 2007
Fund Size:	Rs. 736 million
Type:	Open-end – Shariah Compliant Aggressive Income 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: 1% (Nil on investment above Rs. 16 million), Back end: 0%
Management Fee:	1.0% per annum
Risk Profile:	Low to Medium
Fund Stability Rating:	"A-(f)" by PACRA
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC) (Effective 25th August 2014).
Auditors:	KPMG Taseer Hadi & Co. Chartered Accountants
Benchmark:	Average 3-month deposit rate of Islamic Banks
Fund Manager:	Muhammad Imran, CFA, ACCA
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Asset Manager Rating:	AM2 by PACRA (Very High Investment Management Standards)

## 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 Commentary

During the month under review, the Fund posted an annualized return of 8.6% as compared to the Benchmark return of 6.8%, thus registering an outperformance of 1.8% p.a. Outperformance of the Fund during the month is due to gains on principal payment from cement sub-sector Sukuk holding. During CY14, the Fund has posted 14.5% annualized return versus 6.7% by the Benchmark, hence an outperformance of 7.8% p.a. This outperformance is net of management fee and all other expenses.

The allocation in corporate Sukuks stood at around 6.9% of the fund size. Around 91.5% allocation in bank deposits provides diversification and liquidity to the portfolio. Going forward, we will rebalance the allocation of the portfolio based on the capital market outlook.

The weighted average Yield-to-Maturity (YTM) of the Sukuk portfolio is around 12.6% p.a. and weighted average time to maturity is 1.6 years. The weighted average time to maturity of the Fund is 40 days.

## Asset Allocation (% of Total Assets) 31-Dec-14 28-Nov-14

Sukus	6.91%	7.51%
Cash Equivalents	91.46%	90.25%
Other including receivables	1.63%	2.24%
Total	100.00%	100.00%
Leverage	Nil	Nil

## Top Sukuk Holdings (as at December 31, 2014)

Name of Sukuk	% of Total Assets
Engro Fertilizer Limited (Sukuk)	3.11%
K Electric Azm Sukuk	2.09%
Maple Leaf Cement (Sukuk I)	1.71%
Total	6.91%

## WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs.2,519,023/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs.0.0334/0.39%. For details investors are advised to read note 7 of the Financial Statements of the Scheme for the quarter ended September 30, 2014.

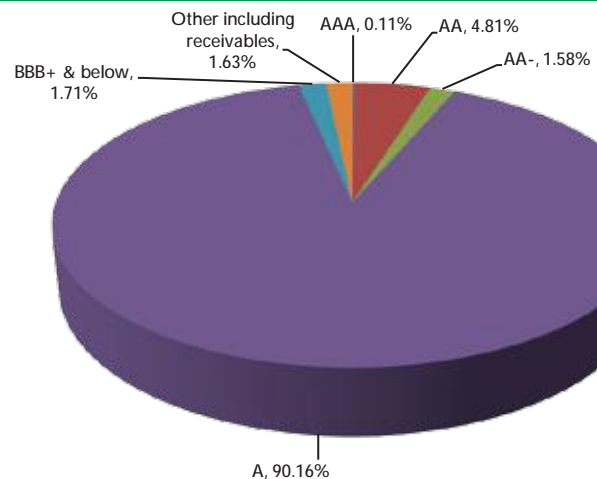
## Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA  
Sajjad Anwar, CFA  
Muhammad Ali Bhabha, CFA, FRM  
Syed Suleman Akhtar, CFA  
Muhammad Imran, CFA, ACCA

Notes: 1) The calculation of performance does not include cost of front end load.  
2) Taxes apply. Further, tax credit also available as per section 62 of Income Tax Ordinance.

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## Credit Quality of the Portfolio as of December 31, 2014 (% of Total Assets)





			Performance %**			
	Fund Size (Rs. in mn)	NAV Per Unit (Rs.) December 31, 2014	December 2014	FYTD 2015	Trailing 12 Months	Since Launch July 02, 2013
NIPF-Equity Sub-fund	101.0	175.6651	2.6%*	27.9%*	50.0%*	44.9%
NIPF-Debt Sub-fund	71.5	111.2110	6.1%	3.7%	6.1%	6.7%
NIPF-Money Market Sub-fund	50.3	111.1177	6.3%	4.8%	6.7%	6.6%

\* Cumulative Return  
\*\* Annualized Return  
[Net of management fee & all other expenses]

General Information	
Launch Date:	July 2, 2013
Fund Size:	Rs. 223 million
Type:	Open-end – Shariah Compliant Voluntary Pension Scheme
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
Pricing Mechanism:	Forward Pricing
Front end Load:	Upto 3% on Contributions
Back end	0%
Management Fee:	On average Annual Net Assets of each Sub-fund.
	Equity 1.50%
	Debt 1.50%
	Money Market 1.50%
Risk Profile:	Investor dependent
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	M. Yousuf Adil Saleem & Co. Chartered Accountants
Fund Manager:	Sajjad Anwar, CFA
Minimum Subscription:	Initial: Rs. 10,000/- Subsequent: Rs. 1,000/-
Asset Manager Rating:	AM2 by PACRA (Very High Investment Management Standards)
Leverage	Nil

**Investment Objective**  
To provide a secure source of savings and regular income after retirement to the Participants.

### Fund Manager's Commentary

#### During the month of December:

NIPF Equity Sub-fund unit price increased by 2.6% compared with KMI-30 Index return of 1.9%. The Sub-fund was around 93% invested in equities with major weights in Construction & Materials, Electricity, Oil & Gas and Automobile & Parts sectors. Equity sub-Fund maintains exposure of atleast 90% in listed equities on average.

NIPF Debt Sub-fund generated annualized return of 6.1%. The Sub Fund was invested primarily in GoP Ijara Sukuks and Islamic bank deposits. Debt sub-Fund maintains a minimum combined exposure of 50% in Islamic Government Securities (25% minimum) and A+ rated Islamic banks / AA rated Islamic windows.

NIPF Money Market Sub-fund generated annualized return of 6.3%. The Sub Fund was invested primarily in short-term GoP Ijara Sukuks and Islamic bank deposits. Money Market sub-Fund's average maturity can not exceed 1 year.

### Credit Quality of the Portfolio (as on 31 December, 2014)

	Debt	Money Market
Government Securities (AAA rated)	81.61%	87.37%
AAA	9.32%	8.71%
AA+	5.51%	2.19%
AA	1.45%	0.06%
A	-	0.02%
Others	2.11%	1.65%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Asset Allocation (% of Total Assets)		
Equity Sub-fund	31-Dec-14	28-Nov-14
Equity	92.80%	91.87%
Cash Equivalents	5.43%	7.15%
Others including receivables	1.77%	0.98%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Debt Sub-fund	31-Dec-14	28-Nov-14
Cash Equivalents	16.28%	23.69%
GoP Ijara Sukuk-Govt Backed	81.61%	74.81%
Others	2.11%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Money Market Sub-fund	31-Dec-14	28-Nov-14
Cash Equivalents	10.98%	17.66%
GoP Ijara Sukuk-Govt Backed	87.37%	79.61%
Others	1.65%	2.73%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### WORKERS' WELFARE FUND (WWF)

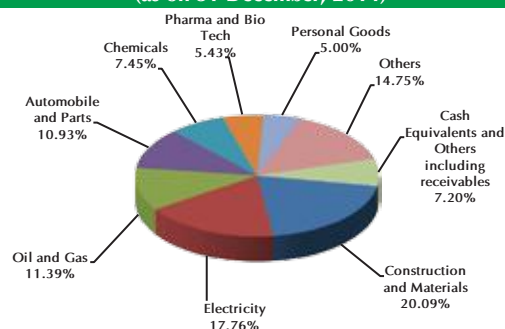
NIPF has maintained provisions against Workers' Welfare Fund's liability in individual sub-Funds as stated below:

	Total amount Provided upto December 31, 2014	Amount Per Unit Rs	Last One Year return would otherwise have been higher by:
Equity Sub-Fund <sup>1</sup>	637,914	1.1098	0.95%
Debt Sub-Fund <sup>2</sup>	88,738	0.1380	0.13%
Money Market Sub-Fund <sup>2</sup>	77,357	0.1711	0.16%

<sup>1</sup> Cumulative, <sup>2</sup> Annualized  
For details investors are advised to read the Note 7 of the Financial Statements of the Scheme for the period ended September 30, 2014.

Notes: 1) The calculation of performance does not include cost of front end load.  
2) Taxes apply. Further, tax credit also available as per section 63 of Income Tax Ordinance.

### Equity Sub Fund Asset Allocation (% of Total Assets) (as on 31 December, 2014)



### Top Ten Holdings of Equity Sub-fund (as on 31 December, 2014)

Name	(% of Total Assets)	Name	(% of Total Assets)
Hub Power Company Ltd	6.89%	Indus Motor Company Ltd	4.08%
Kot Addu Power	5.78%	D. G. Khan Cement Co Ltd	3.72%
Lucky Cement Ltd	4.64%	Meezan Bank Ltd	3.42%
Pakistan Petroleum Ltd	4.42%	Lalpur Power Ltd	3.04%
Maple Leaf Cement Factory Ltd	4.15%	Nishat Mills Ltd	2.76%

### (As on 31 December, 2014)

#### Top Holdings of Debt Sub-fund Top Holdings of Money Market Sub-fund

Name	(% of Total Assets)	Name	(% of Total Assets)
GoP Ijarah (Sukuk XI)	38.41%	GoP Ijarah (Sukuk IX)	38.81%
GoP Ijarah (Sukuk XIV)	37.72%	GoP Ijarah (Sukuk XIV)	31.08%
GoP Ijarah (Sukuk IX)	5.48%	GoP Ijarah (Sukuk XI)	17.48%
<b>Total</b>	<b>81.61%</b>	<b>Total</b>	<b>87.37%</b>

### Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA  
Sajjad Anwar, CFA  
Muhammad Ali Bhabha, CFA, FRM, Syed Suleman Akhtar, CFA,  
Asim Wahab Khan, CFA, Muhammad Imran, CFA, ACCA  
Salman Ahmed

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MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/12/2014): Rs.111.9224

December 2014

## Performance %\*

Performance Period	December 2014	FYTD 2015	Since Launch March 05, 2014
NAFA Islamic Principal Protected Fund-I (NIPPF-I)	2.6%	10.1%	13.0%
Benchmark	1.2%	4.4%	8.2%

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

## General Information

Launch Date:	March 5, 2014
Fund Size:	Rs. 1,719 million
Type:	Shariah Compliant - Open-end – Capital Protected 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:	Back end: 0%
Management Fee:	2% per annum
Risk Profile:	Low
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Fund's actual allocation.
Fund Manager:	Sajjad Anwar, CFA
Asset Manager Rating:	AM2 by PACRA (Very High Investment Management Standards)

## Investment Objective

The objective of NAFA Islamic Principal Protection Fund-I is to earn a potentially high return through dynamic asset allocation between shariah compliant Equities and Money Market investment avenues, while providing principal protection.

## Fund Manager's Commentary

NAFA launched its first open-end Islamic capital protected fund namely NAFA Islamic Principal Protected Fund (NIPPF-1) this March. The aim of the Fund is to provide capital growth over the long-term by investing in approved Shariah compliant equities and money market instruments while protecting initial investment value at Initial Maturity date, which is two years from launch date. The Fund is presently closed for new subscription.

Since inception, NIPPF- I has generated a cumulative return of 13.0% versus 8.2% return of the Benchmark. The current equity exposure stands at around 49%. Key holdings of the Fund belong to Construction & Materials, Electricity and Oil and Gas sectors. The Fund can invest up to 50% in equities. We are confident that the Fund will generate good returns considering the improved macroeconomic and political outlook and built in dynamic equity allocation mechanism of the Fund.

## Asset Allocation (% of Total Assets) 31-Dec-14 28-Nov-14

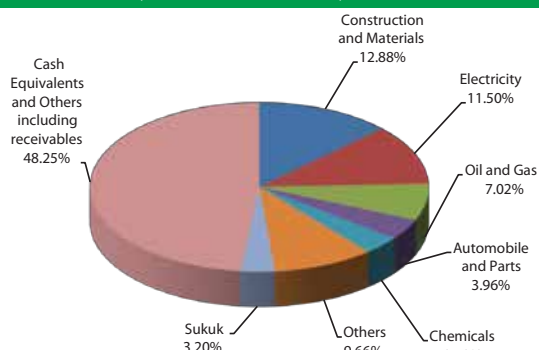
Equities / Stocks	48.55%	45.12%
Cash Equivalents	46.95%	49.10%
Sukuk	3.20%	3.23%
Others including receivables	1.30%	2.55%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

## Characteristics of Equity Portfolio\*\*

	PER	PBV	DY
NIPPF-I	8.2	2.4	5.2%
KMI-30	7.9	2.3	7.3%

\*\* Based on NAFA's estimates

## Asset Allocation (% of Total Assets) (as on 31 December, 2014)



## Top Ten Holdings (as on 31 December, 2014)

Name	Asset Class	% of Total Assets	Name	Asset Class	% of Total Assets
Kot Addu Power Co Ltd	Equity	4.84%	Lucky Cement Ltd	Equity	2.94%
Hub Power Company Ltd	Equity	4.46%	Pioneer Cement Ltd	Equity	2.84%
Maple Leaf Cement Ltd	Equity	3.72%	Thal Ltd	Equity	2.61%
GOP Ijara Sukuk XII	Sukuk	3.20%	Nishat Mills Ltd	Equity	1.93%
Pak Petroleum Ltd	Equity	3.13%	Engro Fertilizer Ltd	Equity	1.80%

## WORKERS' WELFARE FUND (WWF)

The scheme has maintained provision against Workers' Welfare Fund's liability to the tune of Rs 4,165,761/-If the same were not made the NAV per unit/ since inception return of scheme would be higher by Rs 0.2713/0.27%. For details investors are advised to read Note 7 of the Financial Statements of the Scheme for the period ended September 30, 2014.

Notes: 1) The calculation of performance does not include cost of front end load.  
2) Taxes apply. Further, tax credit also available as per section 62 of Income Tax Ordinance.

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## Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA  
Sajjad Anwar, CFA  
Muhammad Ali Bhabha, CFA, FRM  
Syed Suleman Akhtar, CFA  
Asim Wahab khan, CFA  
Muhammad Imran, CFA, ACCA



MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/12/2014): Rs.109.0792

December 2014

### Performance %\*

Performance Period	December 2014	FYTD 2015	Since Launch June 27, 2014
NAFA Islamic Principal Protected Fund-II (NIPPF-II)	2.4%	8.9%	9.1%
Benchmark	1.1%	4.4%	4.7%

\* Cumulative Returns [Returns are net of management fee & all other expenses]

### General Information

Launch Date:	June 27, 2014
Fund Size:	Rs. 1,366 million
Type:	Shariah Compliant - Open-end – Capital Protected 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 05:30 P.M
Settlement:	2-3 business days
Pricing Mechanism:	Forward Pricing
Load:	Back end: 0%
Management Fee:	2% per annum
Risk Profile:	Low
Listing:	Lahore Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	A. F. Ferguson & Co. Chartered Accountants
Benchmark:	Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Fund's actual allocation.
Fund Manager:	Sajjad Anwar, CFA
Asset Manager Rating:	AM2 by PACRA (Very High Investment Management Standards)

### Investment Objective

The objective of NAFA Islamic Principal Protection Fund-II is to earn a potentially high return through dynamic asset allocation between Shariah compliant Equities and Money Market investment avenues, while providing principal protection.

### Fund Manager's Commentary

NAFA launched its second Islamic capital protected fund namely NAFA Islamic Principal Protected Fund (NIPPF-II) on 27th June, 2014. The aim of the Fund is to provide capital growth over the long-term by investing in approved Shariah compliant equities and money market instruments while protecting initial investment value at the Initial Maturity date, which is two years from its launch date.

Since inception, NIPPF- II has generated a cumulative return of 9.1% versus 4.7% return of the Benchmark. The current equity exposure stands at around 48%. Key holdings of the Fund belong to Construction and Materials, Electricity and Oil and Gas sectors. The Fund can invest up to 100% in equities. We are confident that the Fund will generate good returns considering the improved macroeconomic and political outlook and built in dynamic equity allocation mechanism of the Fund.

### Asset Allocation (% of Total Assets) 31-Dec-14 28-Nov-14

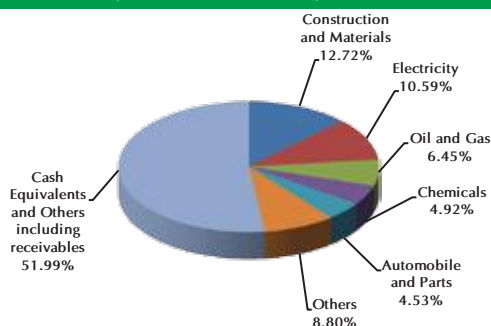
Equities / Stocks	48.01%	42.69%
Cash Equivalents	50.37%	54.45%
Others including receivables	1.62%	2.86%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Leverage	Nil	Nil

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

	PER	PBV	DY
NIPPF-II	8.3	2.4	5.3%
KMI-30	7.9	2.3	7.3%

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

### Asset Allocation (% of Total Assets) (as on 31 December, 2014)



### WORKERS' WELFARE FUND (WWF)

The scheme has maintained provision against Workers' Welfare Fund's liability to the tune of Rs 2,360,921/-If the same were not made the NAV per unit/ since inception return of scheme would be higher by Rs 0.1885/0.19%. For details investors are advised to read Note 7 of the Financial Statements of the Scheme for the period ended September 30, 2014.

Notes: 1) The calculation of performance does not include cost of front end load.  
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### Top Ten Holdings (as on 31 December, 2014)

Name	Asset Class	% of Total Assets	Name	Asset Class	% of Total Assets
Hub Power Co Ltd	Equity	4.35%	Nishat Mills Ltd	Equity	2.71%
Kot Addu Power	Equity	4.33%	Pak Petroleum Ltd	Equity	2.48%
Maple Leaf Cement Ltd	Equity	3.65%	Pak Suzuki Motor Co Ltd	Equity	2.13%
D G Khan Cement Co	Equity	3.07%	Engro Corporation Ltd	Equity	1.96%
Lucky Cement Ltd	Equity	3.02%	Engro Fertilizer Ltd	Equity	1.78%

### Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA  
Sajjad Anwar, CFA  
Muhammad Ali Bhabha, CFA, FRM  
Syed Suleman Akhtar, CFA  
Asim Wahab khan, CFA  
Muhammad Imran, CFA, ACCA