

## NAFA CASH FUND (NCF) Monthly Report

Unit Price (30/11/2007): Rs. 10.4307

November 2007

<b>Investment Objective</b>	Performance					
To seek preservation of capital and earn a reasonable	Annualized Performance (%) *	FY - 2006 (Jul – Jun)	Q1-2007 (Jul-Sep)	October 2007	November 2007	Since Launch April 22, 2006
rate of return via investing in	NAFA Cash Fund	10.3%	9.6%	9.6%	9.0%	10.8%
money market and debt	Benchmark	8.8%	9.1%	9.3%	9.3%	9.5%
securities with investment- grade rating, CFS and spread	Monthly profit on Rs. 100,000 invested	Rs. 855	Rs. 803	Rs. 812	Rs. 738	Rs. 17,418
transactions.	* Returns are net of management fee & all other expenses					

## **General Information**

Launch Date: April 22, 2006 Fund Size: Rs. 22.4 billion

Open-end – Fixed Income Fund Type:

Dealing: Daily

2-3 business days Settlement: Load: No entry or exit load 1.5% per annum Management Fee:

Fund Stability Rating: A(f)

Performance Rating: 5-Star (JCR-VIS)

Listina:

Custodian & Trustee:

Auditors:

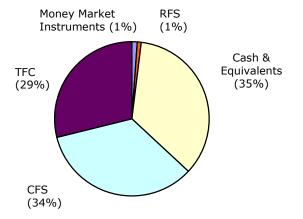
Benchmark \*\* Fund Manager(s) Minimum Subscription: Lahore Stock Exchange

Central Depository Company (CDC)

A. F. Ferguson & Co. Chartered Accountants 3-Month T-Bills (PKRV) Ms. Rukhsana Narejo, CFA Growth Unit:

Rs. 10,000/-Income Unit: Rs. 100,000/-

## Asset Allocation (as on 30<sup>th</sup> November 2007)



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

## **Fund Manager Commentary**

NAFA Cash Fund has earned an annualized return of about 9% during the month, which is 27 basis points better than its peer group average. Due to year-end liquidity crunch, the value of some TFCs in our portfolio has declined, as a result of which the return on the Fund is slightly lower as compared to October. Going forward, the Term Deposit Receipts (TDRs) rates are expected to rise as a result of year-end demand from the banks. Thus, TDR rates are expected to be higher than CFS and TFCs.

Year-on-year inflation rose by 9.3% for the month of October. The primary reason of this rise is 14.7% YOY increase in food inflation, which constitutes 40% of the CPI basket. Another contributing factor was 7.8% increase in house rent index, which constitutes 23% of the CPI basket. The Government has not yet passed on the rise in international oil prices to the consumers, but this is expected anytime. This is expected to further increase inflation. Reduction in government revenues due to the oil subsidy has been financed by borrowing through Pakistan Investment Bonds. The total government borrowing has already reached Rs.110 billion in 4-months as against Rs.92.8 billion for the whole of FY07.

Interest rates are expected to rise in the future due to; (i) higher than expected inflation; (ii) higher borrowing by the Government; and (iii) year-end liquidity crunch. NAFA Cash Fund, being a low duration Fund, will be in a position to take maximum advantage of this opportunity as its current duration is only 70 days. Majority of NAFA Cash Fund's portfolio constitutes floating rates securities that should benefit from rising interest rates. NAFA Cash Fund's TFC portfolio increased to 29% from 26% last month despite a 4.7% increase in the Fund size.

\*\* Benchmark has been changed from 1-Month KIBOR to 3-Months T-Bill (PKRV) rates.