

## NAFA STOCK FUND (NSF) Monthly Report

NAV per unit (31/08/2007): Rs.11.3668

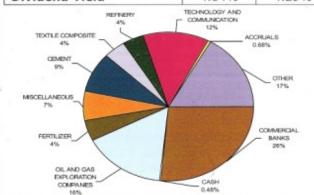
August 2007

Investment Objective			Performanc	е		
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.	Return (%) *	Jan.22-Mar.31 2007	Apr June 2007	July 2007	August 2007	Since Launch Jan. 22, 2007
	NAFA Stock Fund	4.38%	39.10%	6.79%	-10.21%	34.92%
	Benchmark	4.64%	22.25%	-2.81%	-10.35%	11.24%
	* Returns are net of management fee & all other expenses					

Gene	eral Information				
Launch Date: Fund Size: Type: Dealing: Settlement: Load: Management Fee:	January 22, 2007 Rs. 1,311 million Open-end – Equity Fund Daily 2-3 business days Front end–3%, Back end-0% 3% per annum				
Listing: Custodian & Trustee: Auditors: Benchmark: Fund Manager(s): Min. Subscription:	Lahore Stock Exchange Central Depository Company A. F. Ferguson & Company KSE-30 Index Khurram Shehzad, CFA Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-				

## ASSET ALLOCATION (On Aug. 31, 2007)

	Portfolio	Market
Price-to-Earnings Ratio	8.37x	10.47x
Price-to-Book Value	1.94x	3.14x
Dividend Yield	4.14%	4.29%



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

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## **Fund Manager Commentary**

During the month under review, the KSE-30 Index declined by 10.35%, and NAFA Stock Fund's (NSF) Net Asset Value (NAV) declined by 10.21%, thus an out-performance of 0.14% was recorded during the month under review. The Cumulative out-performance of NSF versus its benchmark (KSE-30 Index) since inception is 23.68%.

For the first 27 days of the month, the KSE-30 Index took nonstop battering and shed 13.72% of its value. The volumes were reduced by almost 36% as compared to the last month. The market Price-to-Earnings Ratio (PER) has reduced from 12.67x to 10.47x.

Your Fund (NSF) maintained an average weight of approximately 76% in equities based on the expected market correction. The decision of partially moving from equities to cash proved correct as we were able to partially protect the Fund from market fall.

The stock selection in Your Fund (NSF) is purely based upon, fundamental, technical and liquidity considerations. Our portfolio mostly comprises earnings-driven stocks that have the tendency to perform at the time of corporate announcements. We are therefore expecting good upside in our shareholdings as corporate results are expected over the next couple of months.

In terms of out-performance against the KSE-100 Index the Top-5 sectors were Textile Spinning, Vanaspati & Allied, Chemicals, Leather, Investment Banks and Pharma companies. The Top-5 underperformers were Closed-end mutual funds, Woolen, Engineering, Synthetics and Technology sectors. The entire energy sector out-performed the KSE-100 Index during the last month mainly because of its lack-luster performance in the recent bull-run.

We expect the stock market to start recovering some of its lost ground and we are gradually increasing the Fund's equity exposure to benefit from this trend.

The combination of human capacities and technological systems has proved to be value adding proposition for our valued unitholders as reflected in the overall performance.

Your investments & "NAFA" grow together



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