



National Fullerton
Asset Management Limited

NAFA Income Fund (NIF)

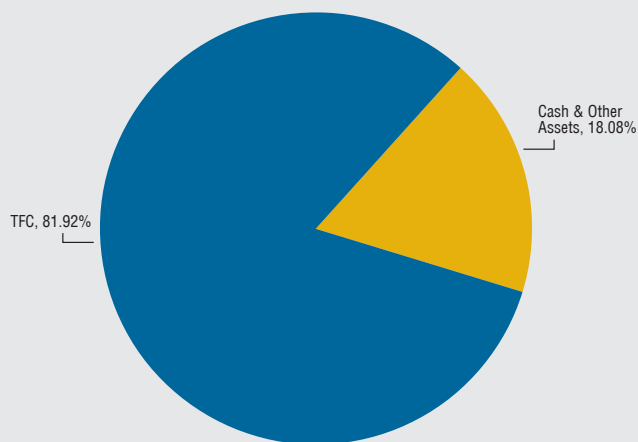
Unit Price (30/09/2009): Rs. 10.1761

September 2009

| Investment Objective | Performance | | | | |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------|-----------------|--------------|-------------------------------|
| To earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets. | 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 | Fund Manager's Commentary |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 | <p>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.</p> <p>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.</p> |
| 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)



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).