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Investment and  
**NAFA**  
grow together...

## NAFA CASH FUND

### QUARTERLY REPORT

For the Period ended September 30, 2006



*Managed by:*

**National Fullerton Asset Management Limited**

*A Joint Venture of*





NAFA (CA)

## MISSION STATEMENT

To rank in the top quartile  
in performance of  
**NAFA Cash Fund**  
relative to the competition,  
and  
to consistently offer  
superior risk-adjusted  
returns to investors



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# NAFA CASH FUND

## FUND'S INFORMATION

### Management Company

National Fullerton Asset Management Limited.

### Board of Directors of the Management Company

Mr. Masood Karim Shaikh	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Gerard Lee How Cheng	Director
Khawaja Iqbal Hassan	Director
Mr. Patrick Pang Chin Hwang	Director
Sheikh Khalid Jamil	Director
Mr. Shahid Anwar Khan	Director

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Sheikh Khalid Jamil	Member
Mr. Shahid Anwar Khan	Member

### Trustee

Central Depository Company of Pakistan Limited (CDC)  
CDC House, 99-B, Block "B", S.M.C.H.S, Main Shakra-e-Faisal, Karachi.

### Bankers to the Fund

Allied Bank Limited	Askari Commercial Bank Limited
Bank Alfalah Limited	Bank Al-Habib Limited
Habib Bank Limited	KASB Bank Limited
Muslim Commercial Bank Limited	My Bank Limited
National Bank of Pakistan	NIB Bank Limited
PICIC Commercial Bank Limited	Saudi Pak Commercial Bank Limited
Soneri Bank Limited	United Bank Limited



#### Auditors

A.F.Ferguson & Co.Chartered Accountants, State Life Building No.1-C,I.I.Chundrigar Road,P.O.Box 4716, Karachi.

#### Legal Advisor

Aly Shah & Co. Advocates and Legal Consultants, Suite 502, 5th Floor, Marine Pride, BC-2, Block-7, Khayaban-e-Iqbal, Clifton, Karachi.

#### Head Office

9th Floor,Adamjee House,I.I.Chundrigar Road, Karachi.

#### Lahore Office

83-A-E/1, Main Boulevard, Gulberg III, Lahore.

#### Islamabad Office

4th Floor, Ali Plaza, 1-E, Blue Area, Islamabad.



# NAFA CASH FUND

## DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the First Quarter Report of NAFA Cash Fund (NCF) for the period ended September 30, 2006.

### Fund's Performance

During the period under review, NCF has crossed a great landmark i.e. Rs. 5 billion within a short span of 90 days since launch. Net assets of the Fund have increased from Rs. 3.9 billion on June 30, 2006 to Rs.5.3 billion on September 30, 2006 – a rise of 36%. This is an indication of the confidence that investors have shown in our sponsors and the professional management.

The net income for the quarter ended September 30, 2006, including unrealized gain on investment was Rs.131.89 million translating into Earnings per Unit of Rs.0.26. During this quarter, the Fund earned an annualized rate of return of 10.2%.

### Change in Accounting Policy

During the current period, with effect from August 2, 2006, the management has decided to change its policy of accounting for transactions involving outright purchase of securities in the ready market and sale of the same securities in the future market in accordance with the requirements of IAS 39. This change in the accounting policy has been explained in note 3 to the financial statements.

### Future Prospects

The Fund's performance is likely to further improve due to the following:

- \* Enhanced cap of Rs. 55 billion on Continuous Financing Scheme (CFS) and phasing out of in-house badla, which is expected in November, 2006.
- \* Expected withdrawal by SECP the margin requirement, whereby mutual funds will now be allowed to place their own margins for CFS transactions.
- \* Rising trend of interest rates as many of Fund's investments are KIBOR-linked.

In the future, we will continue our strategy of optimizing the return of the Fund by investing in attractive, low-risk investment avenues.

### Acknowledgement

The Board takes this opportunity to thank its valued unit-holders and investors for their confidence and patronage. It would like to express its gratitude to Securities & Exchange Commission of Pakistan for its continued help and guidance.

The Board also wishes to place on record its appreciation for the hard work and dedication shown by the staff.

On behalf of the Board of  
National Fullerton Asset Management Limited

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman

Date: October 30, 2006  
Place: Karachi.



**STATEMENT OF ASSETS AND LIABILITIES**  
as at September 30, 2006 (Un-Audited)

	Note	September 30, 2006 (Rupees)	June 30, 2006 (Rupees)
<b>ASSETS</b>			
Balances with banks		1,560,093,532	2,111,086,088
Receivable against Continuous Funding System (CFS) transactions		2,066,566,165	242,491,730
Receivable against spread transactions		-	557,084,131
Investments	4	1,061,496,297	170,635,151
Loans and receivables		540,000,000	760,000,000
Security deposits		1,100,000	1,100,000
Income receivable	5	62,273,307	44,767,739
Preliminary expenses and floatation costs		2,278,060	2,404,100
<b>Total assets</b>		<b>5,293,807,361</b>	<b>3,889,568,939</b>
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	6	8,301,390	1,040,537
Payable to National Fullerton Asset Management Limited -Management Company.		7,264,825	13,067,176
Payable to Central Depository Company of Pakistan Limited -Trustee		573,480	410,936
Payable to Securities and Exchange Commission of Pakistan - Annual fee		2,028,785	681,472
<b>Total liabilities</b>		<b>18,168,480</b>	<b>15,200,121</b>
<b>Net assets</b>		<b>5,275,638,881</b>	<b>3,874,368,818</b>
Unit Holders' Funds (as per statement attached)		5,275,638,881	3,874,368,818
Number of Units in issue		514,313,136	380,152,449
Net asset value per unit		10.26	10.19

The annexed notes form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman

## INCOME STATEMENT for the Quarter ended September 30, 2006 (un-audited)

From July 1, 2006 to  
September 30, 2006  
(Rupees)

Income	
Profit on bank deposits	49,190,771
Income from Continuous Funding System (CFS) transactions	60,612,409
Income from spread transactions	8,151,286
Income from Term Finance Certificates	23,856,857
Income on certificates of deposit and clean placements	20,886,575
Gain on future transactions	4,145,613
Amortization of discount on term finance certificates	1,200,036
Unrealised gain on investments at fair value through profit or loss - net	2,557,079
<b>Total Income</b>	<b>170,600,626</b>
Expenses	
Remuneration of National Fullerton Asset Management Limited – Management Company	20,209,697
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,599,368
Brokerage	10,738,945
Annual fee - Securities and Exchange Commission of Pakistan	1,347,313
Annual listing fee	8,782
Settlement charges	1,292,395
Financial charges	38,400
Auditors' remuneration	128,628
Amortization of preliminary expenses and floatation costs	126,040
<b>Total Expenses</b>	<b>35,489,568</b>
Net income from operating activities	135,111,058
Element of income and capital gains included in prices of units issued less those in units redeemed	(3,218,913)
<b>Net income for the period</b>	<b>131,892,145</b>
Earnings per unit	0.26

The annexed notes form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman





**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
for the Quarter ended September 30, 2006 (Un-Audited)

From July 1, 2006 to  
September 30, 2006  
(Rupees)

Capital account brought forward (Including 7,222,897 bonus units)	3,873,753,470
Unappropriated income brought forward	615,348
Net assets at beginning of the period	<u>3,874,368,818</u>
Amount received on issue of 339,876,767 units	3,435,647,889
Amount paid on redemption of 212,938,977 units	(2,169,488,884)
	1,266,159,005
Element of income and capital gains included in prices of units issued less those in units redeemed	3,218,913
Net unrealised appreciation in the value of investments classified as 'financial assets at fair value through profit or loss'	2,557,079
Net income from operations	129,335,066
Net income for the period	131,892,145
Net assets as at the end of the period	<u><u>5,275,638,881</u></u>

The annexed notes form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman

## CASH FLOW STATEMENT for the Quarter ended September 30, 2006 (Un-Audited)

From July 1, 2006 to  
September 30, 2006  
(Rupees)

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net income for the period	131,892,145
Adjustments	
Unrealised gain on investments at fair value through profit or loss - net	(2,557,079)
Gain on future transactions	(4,145,613)
Amortization of preliminary expenses and floatation costs	126,040
Amortization of discount on term finance certificates	(1,200,036)
Remuneration of National Fullerton Asset Management Limited	
– Management Company	20,209,697
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,599,368
Element of income and capital gains included in prices of units issued less those in units redeemed	3,218,913
	<u>149,143,435</u>
Increase in assets	
Receivable against Continuous Funding System (CFS) transactions	(1,824,074,435)
Receivable against spread transactions	557,084,131
Investments	(882,958,418)
Loans and receivables	220,000,000
Income receivable	(17,505,568)
	<u>(1,947,454,290)</u>
Increase in liabilities	
Accrued expenses and other liabilities	7,260,853
Payable to Securities and Exchange Commission of Pakistan - Annual fee	1,347,313
	8,608,166
Paid to National Fullerton Asset Management Limited	(26,012,048)
Remuneration paid to Central Depository Company of Pakistan Limited - Trustee	(1,436,824)
Net cash outflow on operating activities	<u>(1,817,151,561)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Net receipts from issue of units	3,435,647,889
Net payments on redemption of units	(2,169,488,884)
	1,266,159,005
Net increase in cash and cash equivalents during the period	(550,992,556)
Opening cash and cash equivalents	<u>2,111,086,088</u>
Cash and cash equivalents as at September 30, 2006	<u><u>1,560,093,532</u></u>

The annexed notes form an integral part of these financial statements.

For National Fullerton Asset Management Limited  
(Management Company)  
Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman



## NOTES TO THE FINANCIAL STATEMENTS for the Quarter ended September 30, 2006 (Un-Audited)

### 1. LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Cash Fund (NCF) was established under a Trust Deed executed between National Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

NCF is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return by investing primarily in money market and debt securities having a good credit rating and liquidity.

### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of International Accounting Standards-34 (IAS-34) "Interim Financial Reporting", NBFC Rules, 2003 and directives issued by the SECP. These financial statements are unaudited.

### 3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2006 are same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2006, except in respect of Ready-Future transactions.

Transactions involving outright purchase of securities in the ready market and sale of the same securities in the future market:

During the current period with effect from August 2, 2006, the management has decided to change its policy of accounting for these transactions in accordance with the requirements of IAS 39. Consequently, securities purchased by the Fund in the ready market are now carried on the Statement of Assets and Liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative'. Previously these transactions were accounted for by the Fund as 'spread transactions' by deleting the cost of investments from the books and recording the receivable based on the forward sale price. The difference between these two amounts was taken to the Income Statement over the period of the forward transaction.

The effect of the above change in accounting policy has not been quantified as it was not practical to do so.

		September 30, 2006 (Rupees)	June 30, 2006 (Rupees)
<b>4. INVESTMENTS</b>			
At fair value through profit or loss	4.1	435,496,297	144,369,140
Available for sale	4.2	626,000,000	26,266,011
		<u>1,061,496,297</u>	<u>170,635,151</u>
<b>4.1 Investments at fair value through profit or loss</b>			
Equities securities purchased under future sale contracts	4.1.1	48,228,500	-
Term Finance certificates	4.1.2	387,267,797	144,369,140
		<u>435,496,297</u>	<u>144,369,140</u>

**4.1.1 Equities securities purchased under future sale contracts**

These securities are held under Ready-Future transactions. These securities are purchased in the ready "T+3" market and simultaneously sold in the future market. The details are as follows:

Name of the investee company	Number of shares				Market value as at September 30, 2006 (Rupees)	Percentage of investments in relation to net assets of the Fund
	As at July 01, 2006	Purchases during the period	Sales during the period	As at September 30, 2006		

All the holding are in shares of Rs. 10/- each as otherwise stated.

**Investment Banks/ Cos./ Securities**

Pakistan Industrial Credit & Inv. Corp.	-	1,805,000	1,150,000	655,000	47,782,250	0.91
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**Commercial Banks**

Askari Commercial Bank Ltd.	-	200,000	200,000	-	-	-
The Bank of Punjab	-	39,500	39,500	-	-	-
Faysal Bank Ltd.	-	375,000	375,000	-	-	-
National Bank of Pakistan	-	900,000	900,000	-	-	-

**Textile Composite**

Nishat Mills Ltd.	-	5,000	-	5,000	446,250	0.01
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**Oil & Gas Marketing Cos.**

Pakistan State Oil Co. Ltd.	-	100,000	100,000	-	-	-
Sui Southern Gas Co. Ltd.	-	28,500	28,500	-	-	-

**Oil & Gas Exploration Cos.**

Pakistan Petroleum Ltd.	-	100,000	100,000	-	-	-
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**Technology & Communication**

Pakistan Telecommunication Co. Ltd.	-	500,000	500,000	-	-	-
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**Fertilizer**

Engro Chemical (Pakistan) Ltd.	-	50,000	50,000	-	-	-
Fauji Fertilizer Bin Qasim Ltd.	-	480,500	480,500	-	-	-

48,228,500



#### 4.1.2 Term Finance certificates - Listed

Name of the investee company	Number of securities			Market value as at September 30, 2006 (Rupees)	Percentage of investments in relation to net assets of the Fund	
	As at July 01, 2006	Purchases during the period	Sales during the period			
United Bank Ltd.	3,000	-	-	3,000	14,100,000	0.27
Faysal Bank Ltd.	-	10,000	-	10,000	48,625,000	0.92
First International Inv. Bank Ltd.	-	5,947	-	5,947	30,404,038	0.58
Jahangir Siddiqui & Co. Ltd.	-	18,000	-	18,000	90,000,000	1.71
Gharibwal Cement Ltd.	-	10,000	-	10,000	50,000,000	0.95
Chanda Oil and Gas Securitization Co. Ltd.	6,895	5,000	-	11,895	52,138,759	0.99
Pakistan Mobile Communications (Pvt.) Ltd.	20,000	-	-	20,000	102,000,000	1.93
					<u>387,267,797</u>	

Fair value of listed Term Finance Certificates classified as investments at fair value through profit or loss is determined using average of market rates obtained from brokers.

All Term Finance Certificates have a face value of Rs 5,000 each.

#### 4.2 Available for sale Term Finance certificates - Un-listed

Name of the investee company	Number of securities			Market value as at September 30, 2006 (Rupees)	Percentage of investments in relation to net assets of the Fund	
	As at July 01, 2006	Purchases during the period	Sales during the period			
Dewan Mushtaq Textile Mills Ltd.	8,266	-	8,266	-	-	
Dewan Textile Mills Ltd.	8,000	-	8,000	-	-	
Azgard Nine Ltd.	-	50,000	-	50,000	250,000,000	4.74
Pakistan Mobile Communications (Pvt.) Ltd.	-	60,000	-	60,000	300,000,000	5.69
Pakistan Mobile Communications (Pvt.) Ltd.	-	20,000	-	20,000	76,000,000	1.44
					<u>626,000,000</u>	

Unlisted Term Finance Certificates classified as available for sale are valued at cost as these are not quoted in the market.

All Term Finance Certificates have a face value of Rs 5,000 each.

	September 30, 2006 (Rupees)	June 30, 2006 (Rupees)
<b>5. INCOME RECEIVABLE</b>		
Dividend receivable on shares held under Continuous Funding System (CFS) transactions	1,861,875	2,161,400
Dividend receivable on shares held under spread transactions	325,881	6,954,500
Income accrued on Continuous Funding System (CFS) transactions	6,211,807	606,602
Income accrued on spread transactions	-	4,891,614
Profit on savings and term deposits	14,225,928	19,275,989
Income accrued on Term Finance Certificates	22,349,838	2,395,580
Income accrued on clean placements	4,018,253	5,713,013
Income accrued on Certificates of Investment	13,279,725	2,769,041
	<u>62,273,307</u>	<u>44,767,739</u>

	September 30, 2006 (Rupees)	June 30, 2006 (Rupees)
<b>6. ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration	136,232	200,000
Payable to unit holders	581,257	544,577
Listing fee payable	23,762	15,000
Settlement charges payable	484,550	160,397
Payable to brokers	4,596,339	104,154
Liabilities against revaluation of future contracts	2,371,612	-
Others	107,638	16,409
	<u>8,301,390</u>	<u>1,040,537</u>

July 01, 2006 to  
September 30,  
2006  
(Rupees)

#### 7. TRANSACTIONS WITH CONNECTED PERSONS/RELATED PARTIES

Connected persons include National Fullerton Asset Management Limited being the Management Company and National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the Sponsors.

National Fullerton Asset Management Limited - Management Company Management fee	20,209,697
National Bank of Pakistan - Sponsor Bonus units issued ( 237,500 units) Deposit held by the Fund with the Sponsor at September 30, 2006	2,375,000 1,292,912
NIB Bank Limited - Sponsor Bonus units issued ( 380,000 units) Deposit held by the Fund with the Sponsor at September 30, 2006 Income on bank deposits	3,800,000 90,017,168 12,602,223
Alexandra Fund Management Pte. Limited - Sponsor Bonus units issued ( 190,000 units)	1,900,000
Dr. Amjad Waheed (Chief Executive ) Bonus units issued ( 15,684.1509 units)	156,842
Spouse of Chief Executive Units issued ( 49,455.98 units) Units redeemed ( 627.8592 units)	500,000 6,429

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market norms.



#### 8. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2006 by the Board of Directors of the Management Company.

#### 9. GENERAL

- 9.1 Figures have been rounded off to the nearest rupee.
- 9.2 Since the Fund commenced its operation on April 22, 2006, the comparative figures for corresponding quarter of last year are not available in respect of Income Statement, Statement of Movement in Unit Holders' Fund and Cash Flow Statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive Officer

Masood Karim Shaikh  
Chairman



9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi.  
UAN: 111-111-NFA (632)  
Helpline: 0800-20001, Fax: (021) 2467605  
Website: [www.nafafunds.com](http://www.nafafunds.com)  
Email: [info@nafafunds.com](mailto:info@nafafunds.com)