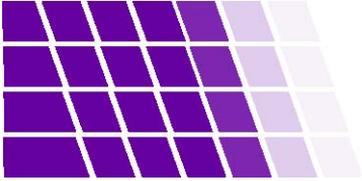


MISSION STATEMENT

To rank in the top quartile
in performance of
NAFA FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors

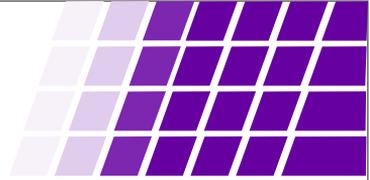


NAFA FUNDS

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NAFA FUNDS



FUNDS' 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
Mr. Raymond H. Kotwal	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shahid Anwar Khan	Director
Syed Naseer ul Hassan	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Raymond H. Kotwal	Member

Trustee

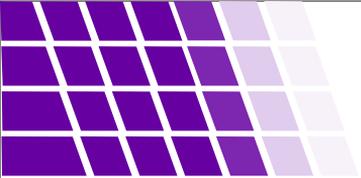
Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shahra-e-Faisal, Karachi.

Bankers to the Fund

NAFA ISLAMIC INCOME FUND

Al-Baraka Islamic Bank
Allied Bank Limited
Askari Bank Ltd.
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dawood Islamic Bank
Emirates Global Islamic Bank Ltd.
Habib Bank Limited
Habib Metropolitan Bank Ltd.
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank(PAK)Ltd.
The Bank of Khyber
United Bank Ltd.
Bank Al Habib Ltd.





NAFA FUNDS

Auditors

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

Legal Advisor

Jooma & Soomro, Advocates and Legal Consultants
103, Ammera Centre,
Shahrah-e-Iraq, Karachi.

Head Office

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

Lahore Office :

68-B-1, M.M. Alam Road,
Gulberg 3, Lahore.
Uan : 042-111-111-632
Phone No. 042-5778248-63
Fax: 042-5876806

Islamabad Office:

Plot No. 395, 396 Industrial Area, 1-9/3, Islamabad
Uan : 051-111-111-632 Phone : 051-2514987
Fax: 051-4859031

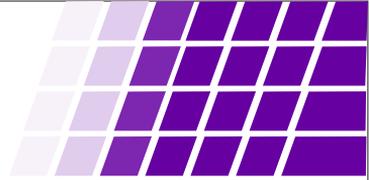
Peshawar Office:

1st Floor Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshwar.
Phone No. 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

82 Khan Centre Near SP Chowk
Abdali Road, Multan Cantt,
Multan.

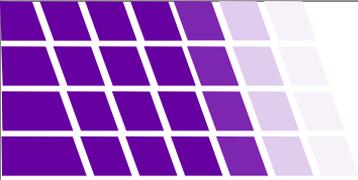
NAFA ISLAMIC INCOME FUND



NAFA ISLAMIC INCOME FUND

**HALF YEARLY REPORT
FOR THE HALF YEAR ENDED DECEMBER 31, 2008
(UN-AUDITED)**





NAFA ISLAMIC INCOME FUND

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NAFA ISLAMIC INCOME FUND

DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Islamic Income Fund for the half year ended December 31, 2008.

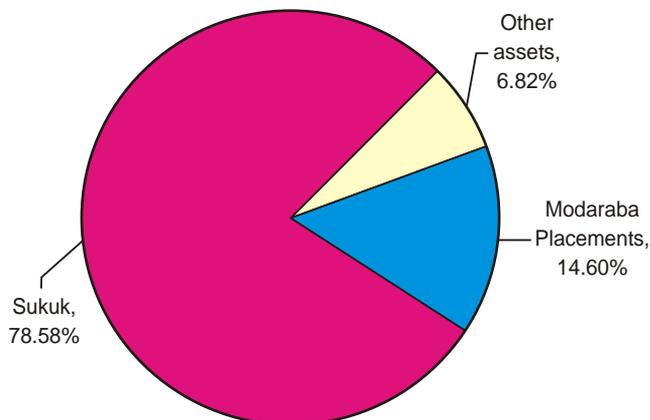
Fund's Performance

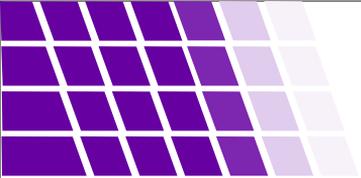
Assets under management of NAFA Islamic Income Fund have reduced from Rs.881 million to Rs.562 million during the period, i.e. a decline of 36.21%. This is due to an overall run on the mutual fund industry as a result of a liquidity crunch in the financial markets, the resultant drop in value of all asset classes, and general uncertainty among investors. Due to reduction in market value of debt securities in the fund on account of liquidity crunch during the period, the Unit Price of your Fund has decreased from Rs.9.8408 on June 30, 2008 (Ex-Div) to Rs.8.6971 on December 31, 2008, thus showing a decline of 11.62% during the period.

NAFA Islamic Income Fund has earned total income of Rs.56.80 million during the period. After deducting expenses of Rs.70.46 million, the net loss is Rs.13.66 million. The resultant per unit loss, after accounting for unrealized revaluation loss of Rs.53.25 million on available for sale investments, is Rs.1.1438

The asset allocation of the Fund as on December 31, 2008 is as follows:

Asset Allocation as on December 31, 2008





NAFA ISLAMIC INCOME FUND

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee and the Shariah & Technical Advisor

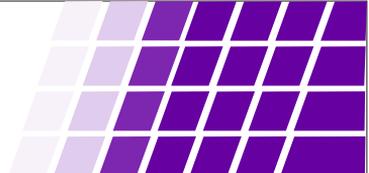
On behalf of the Board of
National Fullerton Asset Management Limited

Masood Karim Shaikh, FCA
Chairman

Dr. Amjad Waheed, CFA
Chief Executive

Date: February 17, 2009
Place: Karachi.

NAFA ISLAMIC INCOME FUND



TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA Islamic Income Fund (the Fund), an open-end scheme was established under a trust deed dated August 20, 2007 executed between National Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2008 to December 31, 2008 in accordance with the provisions of the following.

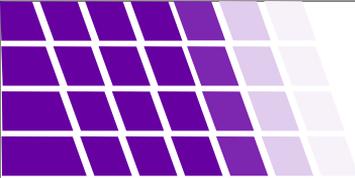
- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: February 27, 2009



NAFA ISLAMIC INCOME FUND

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Income Fund** as at December 31, 2008, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' funds together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2008. The Management Company (National Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim cashflow statement and condensed interim statement of movement in unit holders' funds for the quarters ended December 31, 2008 and 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2008.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.

Chartered Accountants

Dated : February 24, 2009
Karachi

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2008

	Note	Unaudited December 31, 2008	Audited June 30, 2008
----- Rupees in '000 -----			
Assets			
Balances with banks	4	82,093	19,295
Investments	5	441,470	546,330
Loans and receivables	6	-	280,000
Profit receivable	7	26,462	31,089
Deposits, prepayments and other receivables		13,215	4,866
Preliminary expenses and floatation costs		1,908	2,160
Total assets		565,148	883,740
Liabilities			
Payable to National Fullerton Asset Management Limited - Management Company		1,150	1,254
Payable to Central Depository Company of Pakistan Limited - Trustee		103	156
Payable to Securities and Exchange Commission of Pakistan		393	692
Payable on redemption of units		1,232	-
Accrued expenses and other liabilities	8	489	440
Total liabilities		3,367	2,542
Net assets		561,781	881,198
Unit holders funds (as per statement attached)		561,781	881,198
Commitments	10		
		Number of units	
Number of units in issue		64,594,305	85,113,980
		Rupees	
Net asset value per unit		8.6971	10.3532

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

Note	Half year ended December 31, 2008	For the period from September 17, 2007 to December 31, 2007		
		December 31, 2008	December 31, 2007	
----- Rupees in '000 -----				
Income				
Gain on sale of investments	27	-	-	-
Income from sukuk bonds	42,357	4,119	22,356	4,119
Income from spread transactions	18	1,215	-	1,215
Income from term deposit musharika certificates	8,672	4,615	1,967	4,615
Profit on bank deposits	4,446	6,783	2,218	6,783
Total income	55,520	16,732	26,541	16,732
Expenses				
Remuneration of National Fullerton Asset Management Limited - Management Company	6,115	2,730	2,521	2,730
Remuneration of Central Depository Company of Pakistan Limited - Trustee	814	360	336	360
Annual fee - Securities and Exchange Commission of Pakistan	393	182	153	182
Securities transaction cost	15	154	-	154
Settlement and bank charges	93	25	45	25
Annual listing fee	15	8	7	8
Auditors' remuneration	272	117	173	117
Impairment loss on investments classified as 'available for sale'	62,364	-	62,364	-
Amortisation of preliminary expenses and floatation costs	252	90	126	90
Printing and related charges	131	-	87	-
Total expenses	70,464	3,666	65,812	3,666
Net (loss) / income from operating activities	(14,944)	13,066	(39,271)	13,066
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	1,279	(1,335)	2,445	(1,335)
Net (loss) / income for the period	(13,665)	11,731	(36,826)	11,731

Earnings per unit

11

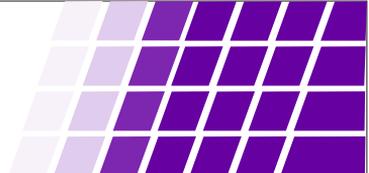
The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC INCOME FUND



CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

	Half year ended December 31, 2008	For the period from September 17, 2007 to December 31, 2007		Quarter ended	
		December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	----- Rupees in '000 -----				
Undistributed income brought forward	29,760	-	31,006	-	-
Distribution:					
Final distribution 2008: 2.60% (Date of distribution: July 3, 2008) (2007: Nil)					
Bonus units	(12,108)	-	-	-	-
Cash distribution	(10,004)	-	-	-	-
Interim distribution 2009: 2.60% (Date of distribution: October 16, 2008) (2008: Nil)					
Bonus units	(10,747)	-	(10,747)	-	-
Cash distribution	(12,155)	-	(12,155)	-	-
Net element of loss and capital losses included in prices of units sold less those in units repurchased - amount representing income that forms part of the unit holders' funds	(2,123)	-	(2,320)	-	-
Net income / (loss) for the period	(13,665)	11,731	(36,826)	11,731	11,731
Undistributed income / (loss) carried forward	<u>(31,042)</u>	<u>11,731</u>	<u>(31,042)</u>	<u>11,731</u>	<u>11,731</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

	Half year ended December 31, 2008	For the period from September 17, 2007 to December 31, 2007	December 31, 2008	Quarter ended December 31, 2007
	----- Rupees in '000 -----			
Net assets at the beginning of the period	881,198	-	915,458	-
Issue of 82,317,208 units including 2,259,291 bonus units (2007: 146,959,387 units)	793,274	1,473,727	356,561	1,473,727
Redemption of 102,836,883 units (2007: 57,075,650 units)	(1,022,342)	(576,227)	(605,725)	(576,227)
	(229,068)	897,500	(249,164)	897,500
Bonus distribution: Issue of bonus units				
Final distribution 2008: 2.60% (Date of distribution: July 3, 2008) (2007: Nil)	12,108	-	-	-
Interim distribution 2009: 2.60% (Date of distribution: October 16, 2008) (2008: Nil)	10,747	-	10,747	-
	22,855	-	10,747	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to Income Statement	(1,279)	1,335	(2,445)	1,335
- amount representing loss that forms part of the unit holders' funds - transferred to Distribution Statement	2,123	-	2,320	-
	844	1,335	(125)	1,335
Net unrealised diminution in the value of investments classified as 'available for sale'	(53,246)	-	(53,087)	-
Net income for the period	(13,665)	11,731	(36,826)	11,731
Distribution:				
Final distribution 2008: 2.60% (Date of distribution: July 3, 2008) (2007: Nil)				
- Bonus units	(12,108)	-	-	-
- Cash distribution	(10,004)	-	-	-
Interim distribution 2009: 2.60% (Date of distribution: October 16, 2008) (2008: Nil)				
- Bonus units	(10,747)	-	(10,747)	-
- Cash distribution	(12,155)	-	(12,155)	-
	(45,014)	-	(22,902)	-
Net element of loss and capital losses included in prices of units sold less those in units repurchased				
- amount representing loss that forms part of the unit holders' funds	(2,123)	-	(2,320)	-
Net assets as at the end of the period	<u>561,781</u>	<u>910,566</u>	<u>561,781</u>	<u>910,566</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

**For National Fullerton Asset Management Limited
(Management Company)**

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

	Half year ended December 31, 2008	For the period from September 17, 2007 to December 31, 2007	Quarter ended December 31, 2008	Quarter ended December 31, 2007
----- Rupees in '000 -----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	(13,665)	11,731	(36,826)	11,731
Adjustments				
Amortisation of preliminary expenses and floatation costs	252	90	126	90
Gain on sale of investments	(27)	-	-	-
Impairment loss on investments classified as 'available for sale'	62,364	-	62,364	-
Net element of income and capital gains included in prices of units issued less those in units redeemed	(1,279)	1,335	(2,445)	1,335
	47,645	13,156	(39,145)	13,156
(Increase) / decrease in assets				
Receivable against sale of Investments	-	(46,504)	-	(46,504)
Investments	(10,723)	(335,660)	10,516	(335,660)
Loans and receivables	280,000	(280,000)	280,000	(280,000)
Profit receivable	4,627	(14,323)	1,102	(14,323)
Receivable against sale of units	-	(5,759)	-	(5,759)
Preliminary expenses and floatation costs	-	(2,500)	-	(2,500)
Deposits, prepayments and other receivables	(8,349)	(2,622)	(10,316)	(2,622)
	265,555	(687,368)	281,302	(687,368)
Increase / (decrease) in liabilities				
Payable to National Fullerton Asset Management Limited - Management Company	(104)	7,868	(145)	7,868
Payable to Central Depository Company of Pakistan Limited - Trustee	(53)	169	(61)	169
Payable to Securities and Exchange Commission of Pakistan	(299)	182	(539)	182
Payable on redemption of units	1,232	60,557	1,232	60,557
Accrued expenses and other liabilities	49	1,155	141	1,155
	825	69,931	628	69,931
Net cash inflow / (outflow) on operating activities	314,025	(604,281)	242,785	(604,281)
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of units	793,274	1,473,727	(665,781)	1,473,727
Payments on redemption of units	(1,022,342)	(576,227)	416,617	(576,227)
Distribution paid	(22,159)	-	(12,155)	-
Net cash inflow / (outflow) on financing activities	(251,227)	897,500	(261,319)	897,500
Net increase in cash and cash equivalents during the period	62,798	293,219	43,830	293,219
Cash and cash equivalents at the beginning of the period	19,295	-	38,263	-
Cash and cash equivalents at the end of the period	82,093	293,219	82,093	293,219

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited (Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Income Fund (NIIF) 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 August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 3, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

NIIF is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering to the Fund. The Fund is listed on the Lahore Stock Exchange. The units of the Fund were initially offered for public subscription at par from October 22, 2007 to October 26, 2007.

The core objective of the Fund is to seek preservation of capital and earn a reasonable rate of return by investing in Shariah compliant investments. The Fund will comprise of investments of various investment horizons, with a significant amount invested in short term investments for the purpose of maintaining liquidity.

JCR-VIS Credit Rating Company Limited (JCR-VIS) has revised the rating of the Management Company to AM-Developing Situation from AM2 on December 29, 2008. The Management Company has initiated the process of obtaining the rating of the Fund. Pending completion of this process, the rating of the Fund has not been disclosed in these condensed interim financial statements.

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the published financial statements of the Fund for the period from September 17, 2007 to June 30, 2008.

4 BALANCES WITH BANKS

Note	December 31, 2008 (Unaudited)	June 30, 2008 (Audited)
	-----Rupees in '000-----	
	6,468	5,580
	<u>75,625</u>	<u>13,715</u>
	<u>82,093</u>	<u>19,295</u>

5 INVESTMENTS

At fair value through profit or loss - held for trading

Equity securities purchased under futures sale contracts	5.1	-	-
--	-----	---	---

Available for sale

Sukuk and ijara bonds	5.2	<u>441,470</u>	<u>546,330</u>
		<u>441,470</u>	<u>546,330</u>

NAFA ISLAMIC INCOME FUND

5.1 Equity securities purchased under futures sale contracts

These securities are held under ready / future transactions. These securities are purchased in the ready "T+2" market and simultaneously sold in the future market. The Fund has no open exposure to the stock market. The details are as follows:

Name of the investee company	Number of shares				Market value as at December 31, 2008	Market Value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2008	Purchases during the period	Sales during the period	As at December 31, 2008			

Fully paid ordinary shares of Rs 10 each

Oil and Gas Marketing Companies

Pakistan State Oil Company Limited	-	7,000	7,000	-	-	-	-
------------------------------------	---	-------	-------	---	---	---	---

5.2 Sukuk and ijara bonds

Name of the investee company	Number of bonds				Market value as at December 31, 2008	Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2008	Purchases during the period	Sales during the period	As at December 31, 2008			

Rs in '000

Engro Chemical Pakistan Limited	21,000	-	-	21,000	94,500	16.82	21.41
Eden Builders Limited	-	3,312	-	3,312	13,662	2.43	3.09
Eden Housing Limited	10,000	-	-	10,000	41,250	7.34	9.34
Kohat Cement Company Limited (note 5.2.3.1)	20,000	-	-	20,000	67,620	12.04	15.32
Maple Leaf Cement Factory Limited	20,000	-	-	20,000	80,000	14.24	18.12
New Allied Electronics Industries (Private) Limited - 1st issue (note 5.2.3.2)	352,000	-	-	352,000	72,188	12.85	16.35
New Allied Electronics Industries (Private) Limited - 2nd issue (note 5.2.3.3)	1,000	-	-	1,000	3,500	0.62	0.79
Pak Electron Limited	15,000	5,000	5,000	15,000	63,750	11.35	14.44
Government of Pakistan Ijara bond	-	50	-	50	5,000	0.89	1.13

441,470

Carrying value as at December 31, 2008 before fair value adjustments

557,080

Impairment losses

62,364

5.2.1 All sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics (Private) Limited - 1st issue and Government of Pakistan Ijara bond which have a face value of Rs 312.5 and Rs 100,000 each respectively.

5.2.2 The SECP vide its circular No. 26/2008 dated November 5, 2008 has changed the basis of valuation of the term finance certificates and sukuk bonds. Under the said directive, all open-end mutual funds are required to value term finance certificates and sukuk bonds at the lower of discounted redeemable face value and the market value as determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP). The discount rates are based on the credit rating of the respective entities / issuers as notified by the rating agencies. Prior to the issuance of said directives, investment in sukuk bonds were valued at the rates notified by MUFAP.

5.2.3 During the half year ended December 31, 2008, the Fund did not receive redemption of principal and / or profit amounts on some of its investments, the details of which are as follows:

5.2.3.1 This represents investment in privately placed sukuk bonds issue with a term of five years. On December 20, 2008 i.e. The scheduled redemption date, principal redemption of Rs 6,800 thousand and profit redemption of Rs 7,250 thousand (aggregating to Rs 14,050 thousand) were not received by the Fund. Impairment losses amounting to Rs 29,202 thousand have been transferred to the income statement in this respect.

5.2.3.2 This represents sukuk bonds with a term of five years. The principal was to be redeemed from the fifteenth month of draw down by the investee company. However, on October 25, 2008 i.e. the scheduled redemption date, principal redemption of Rs. 6,875 thousand was not received by the Fund. Impairment losses amounting to Rs 31,628 thousand have been transferred to the income statement in this respect.

NAFA ISLAMIC INCOME FUND

5.2.3.3 This represents investment in privately placed sukuk bonds. On December 3, 2008 i.e. the scheduled redemption date, profit redemption of Rs 380 thousand was not received by the Fund. Impairment losses amounting to Rs 1,534 thousand have been transferred to the income statement in this respect.

December 31, June 30,
2008 2008
(Unaudited) (Audited)
-----Rupees in '000-----

6 LOANS AND RECEIVABLES

Placement of funds in term deposit musharika certificates with:

- Bank Alfalah Limited	-	140,000
- Emirates Global Islamic Bank Limited	-	140,000
	<u>-</u>	<u>280,000</u>

7 PROFIT RECEIVABLE

Profit on savings deposits	2,872	1,089
Income accrued on sukuk bonds	23,590	12,072
Income accrued on term deposit musharika certificates	-	17,928
	<u>26,462</u>	<u>31,089</u>

8 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	188	183
Payable to brokers	106	148
Bank charges payable	12	3
Withholding tax payable	49	42
Charity payable	3	64
Printing and related charges payable	131	-
	<u>489</u>	<u>440</u>

9 TAXATION

The Fund is exempt from income tax under clause 99 of part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains whether realized or unrealized, is distributed among the unit holders.

10 COMMITMENTS

There were no commitments as on December 31, 2008.

11 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended December 31, 2008 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

12 TRANSACTIONS WITH CONNECTED PERSONS

12.1 Connected persons include National Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

NAFA ISLAMIC INCOME FUND

12.3 Transactions during the period

	Half year ended December 31, 2008	For the period from September 17, 2007 to December 31, 2007	Quarter ended December 31, 2008	Quarter ended December 31, 2007
----- Rupees in '000 -----				
National Fullerton Asset Management Limited				
- Management Company				
Management fee expense for the period	6,115	2,730	2,521	2,730
Front end load for the period	652	3,858	527	3,858
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	814	360	336	360
CDS charges for the period	1	17	(7)	17
National Bank of Pakistan - Sponsor				
Investments made by the Sponsor in the Fund (7,500,000 units)	-	75,000	-	75,000
Profit paid by the Fund on pre-IPO investment	-	417	-	417
Cash dividend	3,900	-	1,950	-
NIB Bank Limited - Sponsor				
Investments made by the Sponsor in the Fund (7,500,000 units)	-	75,000	-	75,000
Profit paid by the Fund on pre-IPO investment	-	417	-	417
Cash dividend	3,900	-	1,950	-
Alexandra Fund Management Pte. Limited - Sponsor				
Investments made by the Sponsor in the Fund (10,000,000 units)	-	100,000	-	100,000
Profit paid by the Fund on pre-IPO investment	-	556	-	556
Bonus units issued (2008: 530,885 units: 2007: 262,668 units)	5,371	-	2,720	-
NAFA Islamic Multi Asset Fund				
Units issued (7,194,267 units: 2007: Nil)	70,000	-	70,000	-
Units redeemed (7,488,895 units: 2007: Nil)	76,622	-	-	-
Bonus units issued (299,202 units: 2007: Nil)	3,025	-	1,127	-
NAFA Multi Asset Fund				
Units issued (6,737,137 units: 2007: Nil)	70,000	-	70,000	-
Units redeemed (7,512,417 units: 2007: Nil)	77,080	-	-	-
Bonus units issued (361,423 units: 2007: Nil)	3,656	-	1,752	-
Payment made for the purchase of sukuk bonds	-	50,300	-	50,300
NAFA Stock Fund				
Bonus units issued (904 units: 2007: Nil)	9	-	4	-
NAFA Cash Fund				
Payment received for the sale of sukuk bonds	25,811	-	-	-
Payment made for the purchase of sukuk bonds	-	60,360	-	60,360
Executives of the Management Company				
Units issued (380,793 units: 2007: 71,538 units)	3,462	721	2,568	721
Units redeemed (416,812 units: 2007: 410,168 units)	4,013	-	1,228	-
Bonus units issued (18,017 units: 14,782 units)	182	-	68	-

NAFA ISLAMIC INCOME FUND

December 31, 2008
(Unaudited)
-----Rupees in '000-----

June 30, 2008
(Audited)

12.4 Amounts outstanding as at period / year end

National Fullerton Asset Management Limited - Management Company

Management fee payable	751	1,123
Front end load payable	398	131

National Bank of Pakistan - Sponsor

Investment held by the Sponsor in the Fund (7,500,000 units: June 30, 2008:7,500,000)	65,228	77,649
Balance in current account	109	250

NIB Bank Limited - Sponsor

Investment held by the Sponsor in the Fund (7,500,000 units: June 30, 2008:7,500,000)	65,228	77,649
Balance in current account	3,622	1,373

Alexandra Fund Management Pte. Limited

Investment held by the Sponsor in the Fund (10,727,646 units: June 30, 2008:10,196,761 units)	93,299	105,569
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Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	100	149
CDS charges payable	3	7
Security deposit	100	100

NAFA Islamic Multi Asset Fund

Investment held in the Fund (7,305,400 units: June 30, 2008: 7,300,826 units)	63,536	75,587
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NAFA Multi Asset Fund

Investment held in the Fund (6,909,901 units: June 30, 2008: 7,323,758 units)	60,096	75,824
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NAFA Stock Fund

Investment held in the Fund (18,271 units: June 30, 2008: 17,367 units)	159	180
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Executives of the Management Company

Investment held in by the executives in the Fund (420,015 units: June 30, 2008: 438,016 units)	3,653	4,535
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13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on February 17, 2009

14 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman