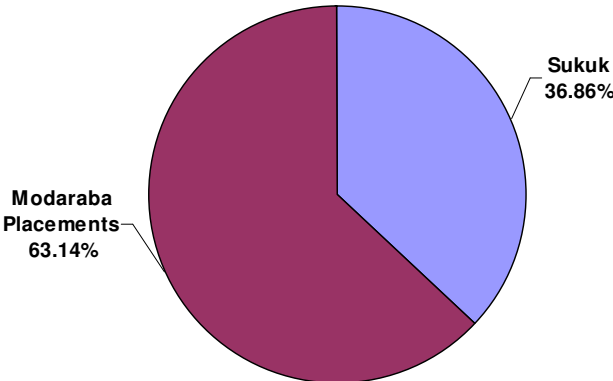


Investment Objective	Performance			
To seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in Shariah Compliant money market & debt securities having good credit rating and liquidity.	Annualized Performance (%)	November	December	Since Launch October 29, 2007
	NAFA Islamic Income Fund:	6.37%	7.64%	7.44%
	Benchmark:	5.17%	5.18%	5.19%
	Profit on Rs. 100,000 invested	Rs. 523	Rs. 649	Rs.1,305
<i>* Returns are net of management fee & all other expenses</i>				

General Information		Fund Manager Commentary
<p>Launch Date: October 29, 2007 Fund Size: Rs. 911 million Type: Open-end – Fixed Income Fund Dealing: Daily Settlement: 2-3 business days Load: Front end: 1.0% Management Fee: 1.5% per annum</p>		<p>During the outgoing month NAFA Islamic Income Fund (NIIF) has generated annualized return of 7.64% as against the benchmark (average banks deposit rate) of 5.18% translating in to an out performance of 2.46%. Moreover, on a month on month basis annualized return has improved by 1.27% from 6.37% to 7.64%.</p> <p>Due to the political situation companies have not been expanding and borrowing from banks. As a consequence banks have been holding excessive cash. The problem of excess liquidity is more acute in case of Islamic banks due to narrow product range on their asset side. This has resulted in lower profit rate on both short term and long term mudaraba placements. This scenario may change and profit rate may start rising in the market which should help your Fund.</p> <p>We are experiencing a substantial rise in the number of new sukuk being issued by corporates. This will offer us more investment opportunities to choose from. As the attached chart shows we have increased investment in sukuk from 11% of the Fund size last month to 37% this month. Moreover, allocation in the mudaraba placements has been reduced from 89% of the Fund size in the previous month to 63% this month. This has contributed to improvement in the performance of your Fund.</p> <p>Going forward, as and when we are able to identify more sukuk with good yields and manageable risk, the return on your Fund is expected to improve further.</p>
<p>Listing: Lahore Stock Exchange Custodian & Trustee: Central Depository Company (CDC) Auditors: A. F. Ferguson & Co. Chartered Accountants Benchmark: Average 1-month deposit rate of 4- Islamic banks Fund Manager(s): Sajjad Anwar, CFA Minimum Growth Unit: Rs. 10,000/- Subscription: Income Unit: Rs. 100,000/-</p>		
<p>Asset Allocation (as on 31st December 2007)</p> 		
<p>Disclaimer: The price of units may go down as well as up. Please refer to respective offering document(s).</p>		

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