



National Fullerton  
Asset Management Limited

# NAFA Income Fund (NIF)

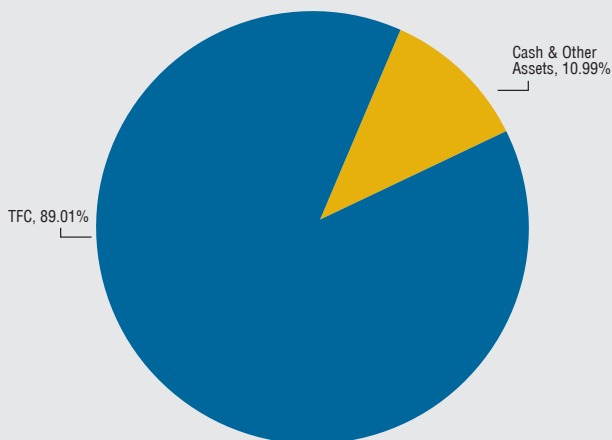
Unit Price (31/10/2009): Rs. 10.2666

October 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 - Oct 2009*	Oct 2009*	Since Launch March 29, 2008**
	<b>NAFA Income Fund</b>	<b>(2.04)%</b>	<b>13.55%</b>	<b>10.99%</b>	<b>9.43%</b>
	<b>Benchmark</b>	12.53%	13.21%	13.16%	21.33%
* 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. 697 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>The Fund earned an annualized return of 10.99% during the month. We expect liquidity situation in the market to improve in the coming months on the back of foreign inflows. Consequently NIF can be a beneficiary if this happens due to likely capital gains in TFCs.</p> <p>With the continuing fall in inflation (CPI) numbers and signs of economic recovery starting to emerge, we are anticipating a cut in SBP policy rate. The improvement in the current account deficit and foreign reserves are being positively viewed by the market players. Furthermore, flows from Friends of Pakistan and Kerry Lugar Bill are also expected to improve liquidity in the form of foreign inflows. The stability in yields of Government Securities is also indicative of the fact that confidence in the economy is rising. All eyes are on the Government to display more discipline in fiscal and monetary management in addition to playing a role in stabilizing market imbalances of commodities. With the encouraging support of international community towards Pakistan's efforts on war on terror, foreign inflows seem more likely, which will help improve liquidity in the system.</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 31st October 2009)



The weighted average yield to maturity on the TFCs held in NIF is around 19.75% p.a. With expected decline in interest rates, coupled with improvement in liquidity, we expect upside potential in TFC prices. This strategy bodes well with our view of ease in monetary policy in the next few months. The "AA" rating category TFCs make up more than 58% of the TFC portfolio whereas the "A" rating category are 29%, which signify the overall quality of the portfolio. This simultaneously shows that the Fund is geared up to realize anticipated price increase in the TFC universe.

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