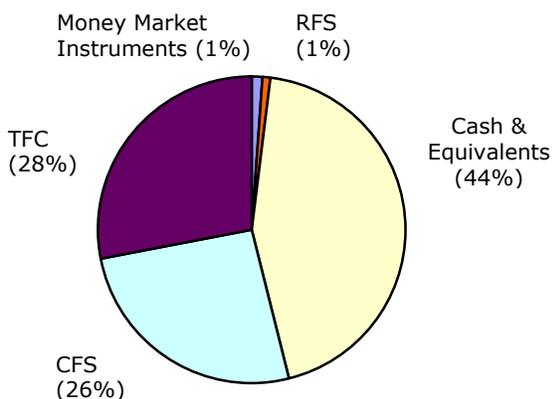


Investment Objective	Performance					
	Annualized Performance (%) *	FY - 2007 (Jan – Dec)	HY1 - 2007 (Jul-Dec)	Q2 - 2007 (Oct –Dec)	December 2007	Since Launch April 22, 2006
To seek preservation of capital and earn a reasonable rate of return via investing in money market and debt securities with investment-grade rating, CFS and spread transactions.	<b>NAFA Cash Fund</b>	<b>9.9%</b>	<b>9.5%</b>	<b>9.3%</b>	<b>9.1%</b>	<b>10.8%</b>
	<b>Benchmark</b>	9.1%	9.3%	9.4%	9.4%	9.5%
	<b>Monthly profit on Rs. 100,000 invested</b>	Rs. 819	Rs. 789	Rs. 775	Rs. 776	Rs. 18,329
* Returns are net of management fee & all other expenses						

General Information	Fund Manager Commentary
<p>Launch Date: April 22, 2006            Fund Size: Rs. 23.07 billion            Type: Open-end – Fixed Income Fund            Dealing: Daily            Settlement: 2-3 business days            Load: No entry or exit load            Management Fee: 1.5% per annum            Fund Stability Rating: A(f)            Performance Rating: 5-Star (JCR-VIS)</p>	<p>Performance for the current month depicted a slight improvement with an annualized return of 9.1% as compared to the preceding month's annualized return of 9.0%. The primary contributing factor was year-end liquidity crunch that led to an increase in interest rates. Additionally, CFS rates also increased as a result of the year-end liquidity crunch and bank deposits also followed suite. NAFA Cash Fund's return remained atop the peer group average. Furthermore, the fund size grew during the month by 3%.</p> <p>Inflationary pressures persist mainly due to CPI inflation that is approximately at 9% per annum. A hike in fuel prices is imminent as the government has still not passed on the increase in international oil prices to the domestic consumers. Once the increase in prices is passed on to the consumers it is likely that inflation shall persist, if not increased owing to increase in transport and freight costs. The country's fiscal deficit is worsening due to high government borrowings and subsequent rise in debt servicing costs. The year-end political crisis is likely to impact the general state of the economy as well.</p>
<p>Listing: Lahore Stock Exchange            Custodian &amp; Trustee: Central Depository Company (CDC)            Auditors: A. F. Ferguson &amp; Co. Chartered Accountants            Benchmark: 3-Month T-Bills (PKRV)            Fund Manager(s): Ms. Rukhsana Narejo, CFA            Minimum Subscription: Growth Unit: Rs. 10,000/-            Income Unit: Rs. 100,000/-</p>	

**Asset Allocation (as on 31<sup>st</sup> December 2007)**



There is a growing trend amongst the corporate entities to fulfill their financing needs via issuance of fixed income securities contrary to their traditional reliance on bank borrowings. This trend is benefiting income funds as they now have better options pertaining to their investments. NCF has largely invested in TFCs issued by companies in the power, construction and infrastructure related sectors.

CFS rates are rising and interest rates are also expected to rise in the future on account of increased government borrowings and inflation. Your Fund is expected to benefit from such a scenario.

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

**National Fullerton Asset Management Ltd.**

9<sup>th</sup> Floor, Adamjee House, I.I.Chundrigar Road,  
Karachi-74000, Pakistan.  
Toll Free: 0800-20001 UAN: +92-21-111-111-632.  
Fax: +92-21-2467605.

Website: [www.nafafunds.com](http://www.nafafunds.com) Email: [info@nafafunds.com](mailto:info@nafafunds.com)

Your investments & "NAFA" grow together



Joint - Venture Partners