



NAFA CASH FUND

Monthly Report

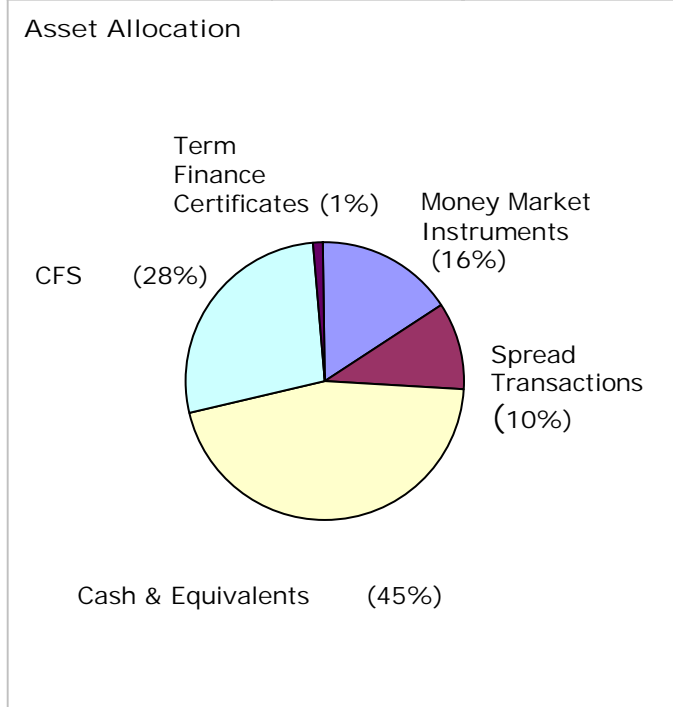
Unit Price (31/5/2006): Rs. 10.11

May 2006

Your investments and "NAFA" grow together

General Information			
Launch Date:	April 22, 2006	Listing:	Lahore Stock Exchange
Fund Size:	Rs. 3.89 billion	Custodian & Trustee:	Central Depository Company (CDC)
Type:	Open-end – Fixed Income Fund	Auditors:	A. F. Ferguson & Company
Dealing:	Daily	Benchmark:	1-month KIBOR rate
Settlement:	2-3 business days	Fund Manager(s)	Ms. Rukhsana Narejo
Load:	No entry or exit load	Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-
Management Fee:	1.5% per annum		

Investment Objective			Fund Manager Commentary		
<p>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.</p>			<p>In a short span of six weeks the Fund size has grown to Rs 3.89 billion. This is an indication of the confidence that investors have shown in our sponsors and management, and we are thankful to our investors for this. Our unit price has grown gradually increasing by 1 paisa every third or fourth day. Some investors complained that the growth is slow, till we showed them the maths. A one paisa growth every 3rd day is a 10 paisa increase in a month on a unit price of about Rs 10, i.e. a 1% return in a month or 12% in a year. Since inception, the annualized return is 10.09%, and this is tax-exempt.</p>		
Annualized Performance (%)	May 2006	Since-Launch			
NAFA Cash Fund:	10.08%	10.09%			
Benchmark:	9.06%	9.10%			



CFS and spread transaction rates have experienced a drastic drop over the last six weeks due to a significant drop and lack of interest in the stock market. The rates have dropped from 18% pa then to about 13% pa now. Since mutual funds at present are not allowed to provide their own margins under SECP Rules, and brokers provide the margin on their behalf, the net return to funds is lower than the market CFS rates. Draft Rules of CFS II (new CFS) envisages that the lenders (including mutual funds) can provide their own margins. If implemented, these Rules will benefit mutual funds as they will be paying lower fees to brokerage houses. New CFS Rules will also strengthen the system by eliminating netting of brokerage houses.

We expect that we will be able to increase our return on the Fund in the future as CFS rates are expected to start rising as the interest and confidence of investors in the stock market improves. Also, new CFS will enable us to keep a higher percentage of the prevailing rates and pay less to brokers. Various new investment-grade TFCs with good premiums over the KIBOR rate are expected to be issued in the next few weeks, and we are eyeing to increase our exposure to floating rate TFCs.

<p>Disclaimer:</p> <p><i>Investor should note the price of units may go down as well as up. Please refer to respective offering document(s).</i></p>	<p>National Fullerton Asset Management Ltd. 9th 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 Email: info@nafafunds.com</p>
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