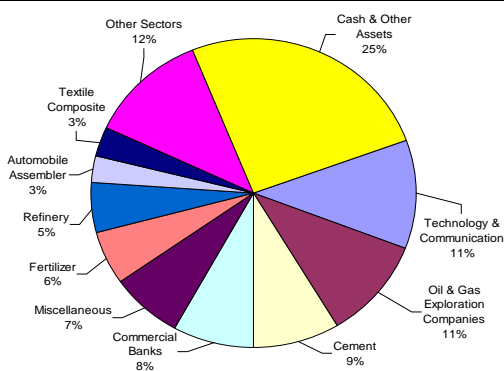


Investment Objective	Performance					
To provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund will be moderate to high.	<b>Return (%) *</b>	<b>Jan.22–Jun.30 2007</b>	<b>Jul. – Sep. 2007</b>	<b>Sept. 2007</b>	<b>Oct. 2007</b>	<b>Since Launch Jan. 22, 2007</b>
	<b>NAFA Stock Fund</b>	43.47%	4.78%	9.88%	11.38%	<b>65.12%</b>
	<b>Benchmark</b>	26.89%	-6.06%	8.62%	6.83%	<b>29.09%</b>
* Returns are net of management fee & all other expenses						

General Information	Fund Manager Commentary
<p>Launch Date: January 22, 2007            Fund Size: Rs. 1,881 million            Type: Open-end – Equity Fund            Dealing: Daily            Settlement: 2-3 business days            Load: Front end-3%, Back end-0%            Management Fee: 3% per annum</p>	<p>During the month under review, the KSE-30 Index increased by 6.83%, while NAFA Stock Fund's (NSF) Net Asset Value (NAV) increased by 11.38%, thus an out-performance of 4.55% was recorded. The Cumulative out-performance of NSF versus its benchmark (KSE-30 Index) since inception now stands at 36.03%.</p> <p>The month of October started with a sharp upsurge in all the KSE indices as the presidential election indicated continuation of economic policies. Moreover, the news of national reconciliation implied a more stable political environment. The market sentiment was so positive that the KSE-30 index touched its historic high of 18,163. This was an increase of 12.23% in just eighteen days from the beginning of the month. However the market could not sustain this over-heated level for long and profit taking brought it down to settle at 17,288.</p>
<p>Listing: Lahore Stock Exchange            Custodian &amp; Trustee: Central Depository Company            Auditors: A. F. Ferguson &amp; Co.            Chartered Accountants            Benchmark: KSE-30 Index            Fund Manager(s): Khurram Shehzad, CFA            Min. Subscription: Growth Unit: Rs. 10,000/-            Income Unit: Rs. 100,000/-</p>	

**ASSET ALLOCATION (On Oct. 31, 2007)**

	Portfolio	Market
<b>Price-to-Earnings Ratio</b>	8.92x	12.3x
<b>Price-to-Book Value</b>	2.19x	3.28x
<b>Dividend Yield</b>	4.13%	3.45%



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

As reported in the previous monthly report your Fund was invested in the market and thus we were able to benefit from the upsurge in the market. However we were concerned about the extraordinary sharp upward movement and it compelled us to gradually reduce the average weight in equities from a high of 96% to below 80%. The decision of moving from equities to cash proved correct as we were able to add on to our cumulative out-performance as well.

The sectors that out-performed the KSE-100 were Cable & Electrical Goods, Automobile Parts & Accessories and Synthetic & Rayon, while Leasing, Textile Weaving and Cement were the three most under-performing sectors.

The Market forecast Price-to-Earnings Ratio (PER) currently stands at 12.3x. This indicates that the market is still undervalued compared to the regional markets. A re-rating of the market to the regional PER level is expected. However political stability, continuation of economic policies and improvement in law & order situation is expected to play an important role in such re-rating.

**National Fullerton Asset Management Ltd.**

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