NBP Fullerton Asset Management Ltd.
A Subsidiary of National Bank of Pakistan

Where to Invest?

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It is always a challenge to decide where to invest your money, especially considering the economic and political risks facing the country at present. The safest avenues are bank deposits, national savings schemes and the Treasury bills. However, post 3% reduction of the discount rate by the State Bank of Pakistan, the return on these avenues has declined below 10% per annum. This return may be even lower than the prevailing inflation. Thus, in real terms investors of these avenues are earning a negative rate of return.

The real estate market is presently depicting an upward trend. However, this market is illiquid and exposes the investor to high price volatility. Moreover, it requires large sum of investments that majority of the investors may not have.

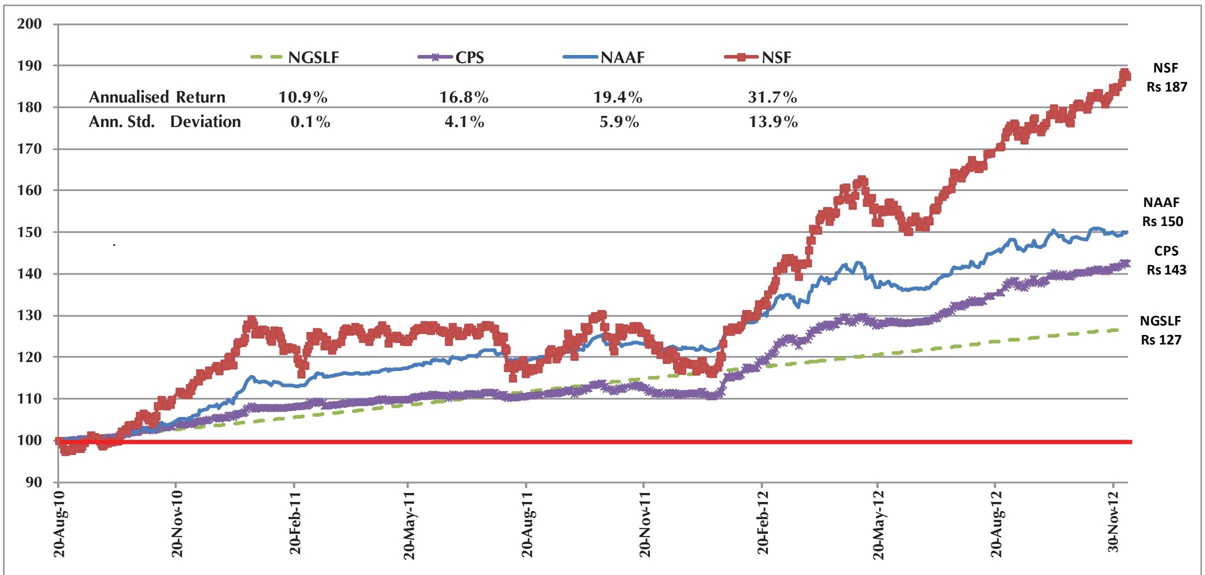
The stock market reflects the performance of the businesses listed on the stock exchange. Among them, there are good businesses which are run professionally and ethically as well as the bad ones which are run poorly. The challenge is to find and invest in those companies which are attractive based on their expected profitability; and are managed professionally and ethically. The Pakistani stock market has a high volatility (risk), but has generally yielded a higher return than Bank deposits, Treasury Bills, National Savings Schemes, and inflation over the medium term, that we define as 5-years or above.

Instead of investing large amounts in the stock market at all times, one can follow an asset allocation strategy, where one remains in the stock market when expecting a rise, but quickly shifts to safer avenues, when expecting a decline in the stock market. This strategy can help reduce the volatility and the downside risk if followed consistently backed by adequate research and analysis.

Another good strategy is a capital-protected strategy, where one takes exposure in the stock market, but with capital protection. In other words, this strategy preserves the value of the initial investment. This is equivalent to investing in the stock market, but with an insurance policy to protect against losses.

Below we present performance of key NAFA funds / strategies over the last 2 plus years. As can be seen, NAFA Government Securities Liquid Fund was the safest investment, but at the same time generated relatively lower return of around 11% per annum. Investors of NAFA Capital Protected strategy earned a return of around 17% per annum but with a capital protection, and much lower risk than that of the stock market. NAFA Asset Allocation Fund's investors earned a return of around 19% per annum, with volatility (risk) of less than half of the stock market. NAFA Stock Fund offered a return of around 32% per annum, but with a high volatility (risk). These are historical returns, and returns of the investors in these funds may be different in the future. However, the general lesson is that investors should take some exposure in the stock market to beat inflation. Asset allocation and Capital protected strategies allow investors to have some exposure to the stock market, but with a much lower level of risk relative to a 100% exposure in the stock market at all times. We encourage investors with a medium-term (5-year or above) investment horizon, to invest in these strategies.

Performance of Asset Classes Managed by NAFA from August 20, 2010 to November 30, 2012



- Returns are net of management fee and all other expenses
- Start date is the launch date of NAFA Asset Allocation Fund
- Rs. 100 invested under different strategies