



NAFA CASH FUND (NCF)

Monthly Report

Unit Price (30/11/2007): Rs. 10.4307

November 2007

Investment Objective	Performance					
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.	Annualized Performance (%) *	FY - 2006 (Jul – Jun)	Q1-2007 (Jul-Sep)	October 2007	November 2007	Since Launch April 22, 2006
	NAFA Cash Fund	10.3%	9.6%	9.6%	9.0%	10.8%
	Benchmark	8.8%	9.1%	9.3%	9.3%	9.5%
	Monthly profit on Rs. 100,000 invested	Rs. 855	Rs. 803	Rs. 812	Rs. 738	Rs. 17,418
<i>* Returns are net of management fee & all other expenses</i>						

General Information	Fund Manager Commentary						
<p>Launch Date: April 22, 2006 Fund Size: Rs. 22.4 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>Listing: Lahore Stock Exchange Custodian & Trustee: Central Depository Company (CDC) Auditors: A. F. Ferguson & 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>	<p>NAFA Cash Fund has earned an annualized return of about 9% during the month, which is 27 basis points better than its peer group average. Due to year-end liquidity crunch, the value of some TFCs in our portfolio has declined, as a result of which the return on the Fund is slightly lower as compared to October. Going forward, the Term Deposit Receipts (TDRs) rates are expected to rise as a result of year-end demand from the banks. Thus, TDR rates are expected to be higher than CFS and TFCs.</p> <p>Year-on-year inflation rose by 9.3% for the month of October. The primary reason of this rise is 14.7% YOY increase in food inflation, which constitutes 40% of the CPI basket. Another contributing factor was 7.8% increase in house rent index, which constitutes 23% of the CPI basket. The Government has not yet passed on the rise in international oil prices to the consumers, but this is expected anytime. This is expected to further increase inflation. Reduction in government revenues due to the oil subsidy has been financed by borrowing through Pakistan Investment Bonds. The total government borrowing has already reached Rs.110 billion in 4-months as against Rs.92.8 billion for the whole of FY07.</p> <p>Interest rates are expected to rise in the future due to; (i) higher than expected inflation; (ii) higher borrowing by the Government; and (iii) year-end liquidity crunch. NAFA Cash Fund, being a low duration Fund, will be in a position to take maximum advantage of this opportunity as its current duration is only 70 days. Majority of NAFA Cash Fund's portfolio constitutes floating rates securities that should benefit from rising interest rates. NAFA Cash Fund's TFC portfolio increased to 29% from 26% last month despite a 4.7% increase in the Fund size.</p>						
<p>Asset Allocation (as on 30th November 2007)</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Money Market Instruments (1%)</td> <td>RFS (1%)</td> </tr> <tr> <td>TFC (29%)</td> <td>Cash & Equivalents (35%)</td> </tr> <tr> <td>CFS (34%)</td> <td></td> </tr> </table>	Money Market Instruments (1%)	RFS (1%)	TFC (29%)	Cash & Equivalents (35%)	CFS (34%)		
Money Market Instruments (1%)	RFS (1%)						
TFC (29%)	Cash & Equivalents (35%)						
CFS (34%)							
<p>Disclaimer: The price of units may go down as well as up. Please refer to respective offering document(s).</p>							

** Benchmark has been changed from 1-Month KIBOR to 3-Months T-Bill (PKRV) rates.