



NAFA Funds Annual Report 2008



Managed by: National Fullerton Asset Management Limited



Your investments & NAFA grow together



Joint - Venture Partners



NAFA ISLAMIC MULTI ASSET FUND





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NAFA ISLAMIC MULTI ASSET FUND

DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the first Annual Report of **NAFA Islamic Multi Asset Fund** for the period since launch to June 30, 2008.

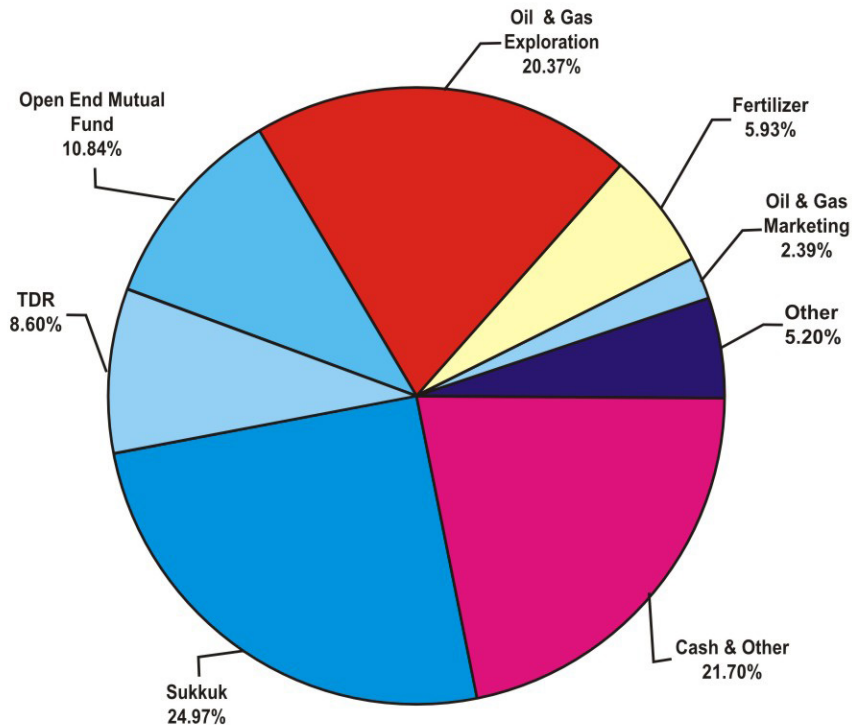
Fund's Performance

NAFA Islamic Multi Asset Fund commenced its investment activity on October 29, 2007 with an initial fund size of Rs.846.99 million. The Fund typically invests 50% of its assets in "Sharia-Compliant" shares listed on the stock exchange. Following the launch, the stock market has declined due to increased political uncertainty, due to which the fund size has reduced to Rs.697.59 million as on June 30, 2008. During this period, Unit Price of your Fund has decreased from Rs.10 on October 28, 2007 to Rs.9.5360 on June 30, 2008, thus showing decline of 4.64%.

NAFA Islamic Multi Asset Fund has earned a total loss of Rs.9.62 million during the period. After deducting expenses of Rs.24.26 million, the net loss is Rs.33.88 million, translating into loss per unit of Rs.0.4640.

The asset allocation of the Fund as on June 30, 2008 is as follows:

Asset Allocation as on June 30, 2008





NAFA ISLAMIC MULTI ASSET FUND

Income Distribution

Due to net loss for the period, no distribution has been approved.

Taxation

On account of net loss, no provision for taxation was made in the financial statements of the Fund.

Auditors

The present auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

Pattern of Unit-holders

The pattern of Unit-holding as on June 30, 2008 is disclosed in the note 24 to these financial statements.

Directors' Statement in Compliance with Code of Corporate Governance

The part of the Directors' report to unit-holders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements, prepared by the management company of NAFA Islamic Multi Asset Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of NAFA Islamic Multi Asset Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon NAFA Islamic Multi Asset Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. The Board of Directors of National Fullerton Asset Management Limited held six meetings during the current financial year. The attendance of all directors is disclosed in the note 25 to these financial statements:

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing us with the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment enthusiasm shown by the staff and the Trustees.

On behalf of the Board of
National Fullerton Asset Management Limited

Masood Karim Shaikh, FCA
Chairman

Dr. Amjad Waheed, CFA
Chief Executive

Date: August 11, 2008
Place: Karachi.

NAFA ISLAMIC MULTI ASSET FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC MULTI ASSET FUND

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

NAFA Islamic Multi Asset Fund (Fund), an open-end scheme was established under a trust deed dated August 20, 2007 executed between National Fullerton Asset Management Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

In our opinion, the management company has in all material respects managed the Fund during the period from September 17, 2007 to June 30, 2008 in accordance with the provisions of the following:

- (i) limitations imposed on the investment powers of the management company under the constitutive documents of the Fund;
- (ii) the pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 04, 2008



NAFA ISLAMIC MULTI ASSET FUND

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO JUNE 30, 2008.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 43 of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

NAFA Islamic Multi Asset Fund (the Fund) is an open end mutual fund and is listed at the Lahore Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of NAFA and other necessary personnel to manage its affairs.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present the Board consist seven directors including six independent non-executive directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy was occurred in the Board.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the directors and distributed to employees of the Management Company.
6. The Board has developed a vision/mission statement overall corporate strategy and significant policies of the Fund. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. All the members of Board are well aware of operations of the Fund and the Management Company, therefore no orientation courses were arranged during the year.
10. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
11. Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 19 to the financial statements "Transactions with Connected Persons".

NAFA ISLAMIC MULTI ASSET FUND

14. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. Terms of Reference of the Audit Committee have been prepared and advised to the Committee for compliance.
17. There exists an effective internal audit function within the company.
18. The Management Company has appointed the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The Statutory Auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

ate: August 11, 2008
Place: Karachi.

Dr. Amjad Waheed, CFA
Chief Executive



NAFA ISLAMIC MULTI ASSET FUND

FUND MANAGER'S REPORT

NAFA Islamic Multi Asset Fund

NAFA Islamic Multi Asset Fund (NIMF) is an open-end, Shariah Compliant, Balanced Fund.

Investment Objective of the Fund

Objective of NIMF is to provide investors with a combination of capital growth and income by investing in Shariah Compliant investments. NIMF aims to achieve attractive returns at moderate levels of risk by investing in a variety of Shariah Compliant securities, instruments and avenues.

Fund's Performance Review

The return of NIMF from its inception i.e. 29th October 2007 to 30th June 2008 is -4.64%. The negative return is attributable to the poor performance of the stock market over this period. Since there was no Islamic Equity Index maintained by Karachi Stock Exchange during this period, it is difficult to compare the performance of the Fund with a publicly available benchmark. However, if we construct a benchmark which consists 50% of KSE-100 Index and 50% of average profit rate of Islamic Banks, the performance can be compared as under:

50% KSE-100 and 50% average profit rate of Islamic Banks	-7.01%
Performance of NIMF	-4.64%

After the close of its Initial Offering Period, NIMF started investing the funds on 29th Oct 2007. The period from 29th Oct 2007 to 30th June 2008 was a difficult one from an investor's perspective. The country was marred by political as well as economic turmoil. The stock market remained very volatile during this period. During the first week of November 2007, emergency was imposed in the country. A few weeks later, there was another political crisis due to the assassination of the chairperson of one of the largest political parties in the country. There were widespread riots throughout the country and the general elections were also postponed for a few weeks. Towards the end of April 2008, there was a growing realization that the economical situation of the country had deteriorated significantly. During May and June 2008, the stock market dropped by 18.73%.

Pakistan has been running a fiscal deficit as well as a trade deficit over the past few years. The country has been dependent on foreign inflows in the form of foreign remittances and foreign investments in order to finance its trade deficit and on domestic as well as external borrowing in order to meet the budget deficits. The vulnerability of the economy was quickly exposed by sharp rises in international prices of commodities including oil, food and industrial raw materials. The trade deficit widened very sharply on one hand and the budget deficit spiraled out of control on the other hand. Due to the widening trade deficit, foreign exchange reserves started to deplete and the Rupee fell sharply during the last quarter of the fiscal year. In order to meet the budget deficit, the government resorted to huge deficit financing from the State Bank of Pakistan. During May 2008, the State Bank of Pakistan introduced stringent measures, including higher interest rates, aimed at controlling inflation and containing excessive demand pressures resulting from a combination of subsidies and deficit financing. Higher interest rates further depressed the stock prices, adversely affected the earnings by raising the cost of doing business and also created a liquidity crunch which exacerbated the slide of the stock market.

The stock market volatility remained very high during the period under consideration. The market turned bullish and bearish within short intervals of time until it firmly settled into a bearish trend towards the end of the fiscal year. NIMF did not follow a consistently bullish or bearish strategy. The Fund tried to remain market weight (market weight implies investment of 50% of the Fund in equity) on average. At times, the Fund did make some tactical allocations by taking an overweight (in order to enhance its gains) or underweight (in order to minimize its risk) stance in equities.

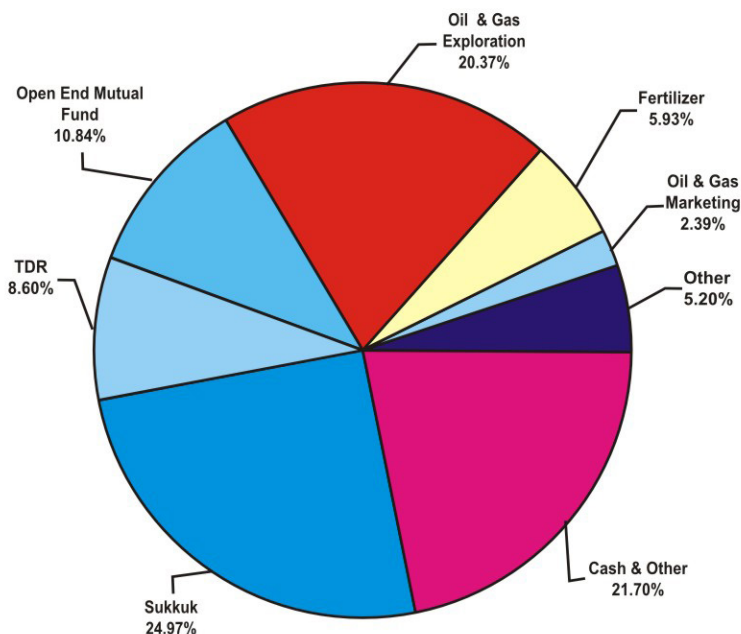
Our income generating portfolio performed quite well during the fiscal year despite the fact that Shariah Compliant investment opportunities available to the Fund were quite limited. Our priority was to build a diversified sukuk portfolio with an attractive yield. Within a few months, we were able to build a sizeable portfolio of sukuks. Our investment in sukuks remained above 20% of the Fund size on average.

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The opportunities for spread transactions in Shariah Compliant securities remained few and far between. Our exposure to spread transactions remained quite limited during the fiscal year.

Returns on Mudarabah placements improved towards the end of the fiscal year because of tighter monetary policy adopted by State Bank of Pakistan in May 2008.

As on 30 June 2008, we were significantly underweight in equity (34%) and over weight in income generating investments (66%) which included sukuks (25%) and mudarabah placements (30%). Detailed asset allocation of the Fund as on 30 June 2008 is as follows:



Due to net loss for the period, no distribution of dividend has been approved.

Pattern of Unit Holders for NAFA Islamic Multi Asset Fund as on June 30, 2008

Size of Unit Holding (Units)	No. of Unit Holders
Up to 1,000	487
1,001- 5,000	210
5,001-10,000	100
10,001-50,000	150
50,001-100,000	21
100,001- 500,000	21
500,001-1,000,000	4
1000,001-5,000,000	9
5,000,001-10,000,000	4
	1,006

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

NAFA ISLAMIC MULTI ASSET FUND

Report of the Shariah Advisor –NAFA Islamic Multi Asset Fund

Karachi

September 09, 2008/ Ramadan 08, 1429 A.H

In the capacity of Shariah Adviser, we have prescribed five criteria for Shariah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Illiquid assets to total assets, (iv) Investment in non-Shariah compliant activities and income from non-compliant investments, and (v) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shariah compliance with the Shariah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of NIMF in light of Shariah requirements. The following is a list of investments of NIMF as on June 30, 2008 and their evaluation according to the screening criteria established by us. (The latest accounts of the Investee companies available as on December 31, 2007 have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) Illiquid Assets to Total Assets (>20%)	(iv)		(v) Net Liquid Assets vs. Share Price (B>A)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
Attock Cement Pakistan Limited	Cement Manufacturer	3.42%	93%	0.35%	0%	(35.27)	99.7
Cherat Paperack Limited	Manufacturers of paper and Board	23.01%	82%	0.59%	4.25%	(75.32)	189.55
Engro Chemical Pakistan Limited	Manufacturers of Fertilizers and Chemicals	36.04%	81%	0.67%	12.58%	(111.41)	265.75
Fauji Fertilizer Bin Qasim Limited	Manufacturers of Fertilizers	27.92%	78%	4.26%	5.72%	(16.18)	42.05
Ghani Glass	Manufacturers of Glass used in construction	17%	62%	2%	1%	(0.02)	80.37
Huffaz Seamless Pipe Industries	Manufacturer of seamless steel pipes	3.19%	60%	0.01%	3.91%	47.04	96.23
Kohinoor Energy Limited	Producer of Power & energy	6.61%	72%	0.35%	0%	5.94	31.8
K.S.B. Pumps	Manufacturers of Pumps and Valves	4.42%	41%	0%	0%	12.46	198.6
Mari Gas	Exploration and Production of Oil & Gas	11.42%	39%	1.78%	0%	(7.51)	270.75
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0%	63%	1.73%	0.91%	3.06	119.45
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0%	77%	1.13%	2.83%	0.55	334.4

NAFA ISLAMIC MULTI ASSET FUND

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) Illiquid Assets to Total Assets (>20%)	(iv)		(v) Net Liquid Assets vs. Share Price (B>A)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.21%	76%	3.71%	4.12%	1.27	245.05
Pakistan State Oil Company Limited	Distribution of Oil & Gas	5.21%	51%	0%	0%	(144.83)	406.5
Pakistan Telecommunication Company Limited	Telecom	1.90%	60%	3.34%	0%	(1.59)	42.05
Pakistan Refinery Limited	Refines crude oil to petroleum products	1.68%	41%	0.11%	0.01%	(69.95)	249.85
The Hub Power Company Limited	Producer of Power & energy	36.26%	67%	0.11%	0%	(4.88)	30.5
BankIslami Pakistan Limited	Islamic Commercial Bank			**			
Meezan Bank Limited	Islamic Commercial Bank			**			

* All interest based debts

** These ratios are for the calculation of non-Shari'ah Compliant Element in the business and are not relevant for Islamic Banks

In light of the above, we hereby certify that all the provisions of the Scheme and investments in equities made on account of NIMF by NAFA are Shariah compliant and in accordance with the criteria established by us.

ii. On the basis of information provided by the management, all operations of NIMF for the period ended June 30, 2008 have been in compliance with the Shariah principles.

iii. There are investments made by NIMF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income). In such cases, the management company has been directed to set aside as charity such proportion of the income from Investee companies in order to purify the earnings of the Fund.

During the Period a provision of Rupees 223,576 was transferred to Charity account.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Bilal Ahmed Qazi
Shari'ah Advisor

For and on behalf of Meezan bank Limited
Shari'ah Technical Services and Support Provider



NAFA ISLAMIC MULTI ASSET FUND

SHARIAH COMPLIANCE AUDITORS' REPORT TO THE MANAGEMENT COMPANY

We have audited the compliance of the investments made by the **NAFA Islamic Multi Asset Fund** by the Shariah Advisor and Shariah Technical Services and Support Provider of the Fund for the period from September 17, 2007 to June 30, 2008.

It is the responsibility of the Management Company to appoint a Shariah Advisor and establish and maintain a system of internal control to ensure compliance with the Shariah guidelines advised by the Shariah Advisor and Shariah Technical Services and Support Provider of the Fund. Our responsibility is to carry out procedures to enable us to report on the compliance of investment made by the Fund with Shariah guidelines, as a prescribed by the Shariah Advisor and Shariah Technical Services and Support Provider.

We conducted our audit in accordance with the International Standards on Auditing applicable to compliance auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund has complied, in all material respects, with the Shariah guidelines as prescribed by the Shariah Advisor and Shariah Technical Services and Support Provider. An audit includes examining appropriate evidence on a test basis. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, investment made by the Fund during the period from September 17, 2007 to June 30, 2008 were , in all material respects, in compliance with the Shariah compliant avenues as approved by the Shariah Advisor and Shariah Technical Services and Support Provider of the Fund.

Dated: September 9, 2008
Karachi

A.F Ferguson & Co.
Chartered Accountants



NAFA ISLAMIC MULTI ASSET FUND

REVIEW REPORTS TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the code of corporate governance prepared by the Board of directors of National Fullerton Asset Management Limited, Management Company of NAFA Islamic Multi Asset Fund to comply with XIII of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Fund 's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control covers all control and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2008.

Dated: September 9, 2008
Karachi

A.F Ferguson & Co.
Chartered Accountants



NAFA ISLAMIC MULTI ASSET FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of NAFA Islamic Multi Asset Fund which comprise the statement of assets and liabilities as at June 30, 2008, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the period from September 17, 2007 to June 30, 2008 and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2008 and of its financial performance, cash flows and transactions for the period from September 17, 2007 to June 30, 2008 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

Dated: August 28, 2008
Karachi.

A.F Ferguson & Co.
Chartered Accountants

NAFA ISLAMIC MULTI ASSET FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2008

	NOTE	2008 (Rupees in '000')
Assets		
Balances with banks	4	61,336
Receivable against sale of investments		78,638
Investments	5	486,194
Loans and receivables	6	60,000
Dividend and profit receivable	7	11,506
Deposits and prepayments	8	2,630
Preliminary expenses and floatation costs	9	2,160
Total assets		702,464
Liabilities		
Payable to National Fullerton Asset Management Limited - Management Company	10	3,590
Payable to Central Depository Company of Pakistan Limited - Trustee	11	136
Payable to Securities and Exchange Commission of Pakistan	12	549
Payable on redemption of units		19
Accrued expenses and other liabilities	13	584
Total liabilities		4,878
Net Assets		697,586
Unit Holders' Funds (as per statement attached)		697,586
Commitments	14	
Number of units		
Number of units in issue		73,153,134
Rupees		
Net asset value per unit	15	9.5360

The annexed notes 1 to 30 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC MULTI ASSET FUND

INCOME STATEMENT

FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO JUNE 30, 2008

	NOTE	For the period from September 17, 2007 to June 30, 2008 (Rupees in '000)
INCOME		
Loss on sale of investments - net		(35,847)
Income from Sukuk bonds		10,468
Income from Term Deposit Musharika Certificate	6.1	3,842
Income from spread transactions		1,389
Profit on bank deposits		7,346
Dividend income		7,733
Unrealised loss on investments at fair value through profit or loss - net		(9,046)
Unrealised loss on revaluation of futures sale contracts		(19)
		(14,134)
EXPENSES		
Remuneration of National Fullerton Asset Management Limited – Management Company	10.1	16,477
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	1,099
Annual fee - Securities and Exchange Commission of Pakistan	12.1	549
Securities transaction cost		5,238
Settlement and bank charges		264
Annual listing fee		30
Auditors' remuneration	16	261
Amortisation of preliminary expenses and floatation costs	9	340
Total Expenses		24,258
Net loss from operating activities		(38,392)
Element of income and capital gains included in prices of units issued less those in units redeemed		4,514
Net loss for the period before taxation		(33,878)
Taxation	17	-
Net loss for the period after taxation		(33,878)
Loss per unit	18	

The annexed notes 1 to 30 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC MULTI ASSET FUND

DISTRIBUTION STATEMENT

FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO JUNE 30, 2008

For the period from
September 17,
2007 to June 30,
2008
(Rupees in '000)

Net loss for the period	(33,878)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' funds	(414)
Loss carried forward	(34,292)

The annexed notes 1 to 30 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC MULTI ASSET FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO JUNE 30, 2008

For the period from
September 17,
2007 to June 30,
2008
(Rupees in '000)

Issue of 104,373,081 units	1,044,525
Redemption of 31,219,947 units	(308,893)
	735,632
Element of income and capital gains included in prices of units issued less those in units redeemed	
- amount representing (income) / losses and capital (gains) / losses transferred to Income Statement	(4,514)
- amount representing (income) / losses and capital gains / (losses) that form part of the unit holders' funds - transferred to Distribution Statement	414
	(4,100)
Net unrealised appreciation in the market value of investments classified as 'available for sale'	346
Unrealised loss on investments at fair value through profit or loss - net	(9,046)
Unrealised loss on revaluation of futures sale contracts	(19)
Loss on sale of investments - net	(35,847)
Other income (net of expenses)	11,034
	(33,878)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' funds	(414)
Net assets at the end of the period	697,586

The annexed notes 1 to 30 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC MULTI ASSET FUND

CASH FLOW STATEMENT

FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO JUNE 30, 2008

NOTE For the period from
September 17,
2007 to June 30,
2008
(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

Net loss for the period	(33,878)
Adjustments	
Unrealised loss on investments at fair value through profit or loss - net	9,046
Unrealised loss on revaluation of futures sale contracts	19
Amortisation of preliminary expenses and floatation costs	340
Element of income and capital gains included in prices of units issued less those in units redeemed	(4,514)
	(28,987)
(Increase) / decrease in assets	
Receivable against sale of investments	(78,638)
Investments	(494,894)
Loans and receivables	(60,000)
Dividend and profit receivable	(11,506)
Deposits and prepayments	(2,630)
	(647,668)
Increase / (decrease) in liabilities	
Payable to National Fullerton Asset Management Limited - Management Company	3,590
Payable to Central Depository Company of Pakistan Limited - Trustee	136
Payable to Securities and Exchange Commission of Pakistan	549
Payable on redemption of units	19
Accrued expenses and other liabilities	565
	4,859
Payment made for preliminary expenses and floatation costs	(2,500)
Net cash outflow on operating activities	(674,296)
CASH FLOW FROM FINANCING ACTIVITIES	
Receipts from issue of units	1,044,525
Payments on redemption of units	(308,893)
Net cash inflow from financing activities	735,632
Cash and cash equivalents at the end of the period	61,336

4

The annexed notes 1 to 30 form an integral part of these financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman



NAFA ISLAMIC MULTI ASSET FUND

NAFA ISLAMIC MULTI ASSET FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO JUNE 30, 2008

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Multi Asset Fund (NIMF) was established under a Trust Deed executed between National Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

NIMF is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering to the Fund. The units of the Fund were initially offered for public subscription at par from October 22, 2007 to October 26, 2007.

The core objective of the Fund is to provide investors with a combination of capital growth and income by investing in Shariah compliant investments. The Fund aims to achieve attractive returns at moderate levels of risk by investing in a variety of Shariah Compliant securities, instruments and avenues such as equities, musharikhah, murabahah, ijarah etc.

In accordance with the Trust Deed, the first accounting period of the Fund commenced on the date on which the Trust Property was first paid or transferred to the Trustee.

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned an asset manager rating of AM2 to the Management Company. The Management Company has initiated the process of obtaining the rating of the Fund. Pending completion of this process, the rating of the Fund has not been disclosed in these financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Amendments to published accounting standards effective in 2008

Amendments to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces certain new disclosures about the level of and the management of an entity's capital. Adoption of this amendment has only resulted in additional disclosures relating to the management of NIMF's unitholders' funds which have been set out in note 27 of these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 which are not considered relevant nor have any significant effect on the Fund's operations are not detailed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods

NAFA ISLAMIC MULTI ASSET FUND

beginning on or after January 1, 2008 are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements (Revised September 2007)	effective from January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from January 1, 2009
Amendments to IAS 27 (Revised) - Consolidated and Separate Financial Statements	effective from July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from April 28, 2008
IFRS 8 - Operating Segments	effective from January 1, 2009
FRIC 12 - Service Concession Arrangements	effective from January 1, 2008
FRIC 13 - Customer Loyalty Programmes	effective from July 1, 2008
FRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction	effective from January 1, 2008
FRIC 15 - Agreements for the Construction of Real Estate	effective from January 1, 2009
FRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from October 1, 2008

2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgement was exercised in application of accounting policies are as follows:

- i) Classification and valuation of investments (note 3.2 and note 5)
- ii) Amortisation of preliminary expenses and floatation costs (note 3.6 and note 9)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value.

2.6 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.2 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets. The



NAFA ISLAMIC MULTI ASSET FUND

management determines the appropriate classification of the investments made by the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

a) **Financial assets at fair value through profit or loss**

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'Financial assets at fair value through profit or loss'. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition these investments are marked to market using the closing market rates at the end of each day and are carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the Income Statement.

Investments in unquoted debt securities are also carried at fair value.

b) **Available for sale**

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices, are classified as 'available for sale'.

Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in equity is removed from equity and recognised in the income statement.

Investment in unquoted debt securities are also carried at fair value.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

3.3 **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition these are carried at amortised cost.

3.4 **Spread transactions (Ready-Future Transactions)**

In accordance with the requirements of IAS 39, securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative'.

3.5 **Impairment**

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment

NAFA ISLAMIC MULTI ASSET FUND

of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.

3.7 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.8 Taxation

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account tax credits, rebates and exemptions, if any, and is made in accordance with the provisions of the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.9 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.10 Financial assets and financial liabilities

Financial assets carried on the Statement of Assets and Liabilities include balances with banks, receivables against sale of investments, receivable against Continuous Funding System (CFS) transactions, investments, loans and receivables, income receivable and certain other receivables.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to National Fullerton Asset Management Limited – Management Company, payable to Central Depository Company of Pakistan Limited – Trustee, payable against redemption of units and accrued expenses and other liabilities.

The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

3.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

NAFA ISLAMIC MULTI ASSET FUND

3.12 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the fund is charging sales load (front end load) at the rate of three percent of net asset value per unit.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.13 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.14 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the payment is established.
- Income on sukuk bonds is recognised on time proportion basis.
- Income from Term Deposit Musharika Certificates is recognised on an accrual basis.
- Unrealised gains / losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

3.15 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Income Statement within the fair value net gain or loss.

	NOTE	2008 (Rupees in '000')
4 BALANCES WITH BANKS		
Current accounts	4.1	8,494
Savings accounts		52,842
		61,336

NAFA ISLAMIC MULTI ASSET FUND

- 4.1 The above balance includes riba based deposit account with Soneri Bank Limited amounting to Rs 68.486 thousand. In accordance with the provisions contained in the Trust Deed, NIMF can only place funds in riba free deposit accounts with Islamic banks or Islamic financial institutions or with Islamic branches / windows of other banks or financial institutions. Accordingly, the interest earned by the Fund on deposit account with Soneri Bank Limited is intended to be given out for charitable purposes by the Fund.

5 INVESTMENTS	NOTE	2008 (Rupees in '000')
At fair value through profit or loss - held for trading		
Equity securities - listed	5.1	224,893
Units of open end mutual funds	5.2	75,587
Available for sale		
Equity securities purchased under futures sale contracts	5.3	11,552
Sukuk bonds	5.4	174,162
		486,194

5.1 Equity securities - listed

Name of the investee company	Number of shares				Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	Purchase during the period	Bonus/right issue	Sales during the period	As at June 30, 2008			

(Rupees in '000')

Commercial Banks

Bank Islami Pakistan Limited	2,444,124	375,000	2,632,500	186,624	2,764	0.40	0.57
Meezan Bank Limited	578,500	66,600	645,000	100	3	0.00	0.00

Textile Composite

Nishat Mills Limited	150,000	-	150,000	-	-	-	-
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Jute

Thal Limited	152,000	-	152,000	-	-	-	-
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Cement

Attock Cement Pakistan Limited	163,000	-	159,300	3,700	285	0.04	0.06
D.G. Khan Cement Company Limited	60,000	-	60,000	-	-	-	-
Fauji Cement Company Limited	3,100,000	-	3,100,000	-	-	-	-
Pakistan Cement Company Limited	771,500	-	771,500	-	-	-	-

Refinery

Attock Refinery Limited	150,000	-	150,000	-	-	-	-
Bosicor Pakistan Limited	500,000	-	500,000	-	-	-	-
National Refinery Limited	122,000	-	122,000	-	-	-	-
Pakistan Refinery Limited	31,100	-	-	31,100	4,708	0.67	0.97

Power Generation & Distribution

Hub Power Company Limited	2,011,000	-	1,661,000	350,000	10,010	1.43	2.06
Kohinoor Energy Limited	60,000	-	44,500	15,500	421	0.06	0.08
Kot Addu Power Company Limited	387,400	-	387,400	-	-	-	-

Oil and Gas Marketing Companies

Pakistan State Oil Company Limited	382,500	-	352,500	30,000	12,517	1.79	2.57
Shell Pakistan Limited	69,100	-	69,100	-	-	-	-
Sui Northern Gas Pipelines Limited	100,000	-	100,000	-	-	-	-

NAFA ISLAMIC MULTI ASSET FUND

Name of the investee company	Number of shares				Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	Purchase during the period	Bonus/right issue	Sales during the period	As at June 30, 2008			
(Rupees in '000')							
Oil and Gas Exploration Companies							
Mari Gas Company Limited	62,200	-	51,200	11,000	2,965	0.43	0.61
Oil and Gas Development Company Limited	1,886,800	-	1,646,800	240,000	29,846	4.28	6.14
Pakistan Oilfields Limited	615,000	-	525,000	90,000	32,836	4.71	6.75
Pakistan Petroleum Limited	727,700	-	447,000	280,700	69,049	9.90	14.20
Engineering							
Huffaz Seamless Pipe Limited	59,200	10,720	-	69,920	4,894	0.70	1.01
K.S.B Pumps Limited	21,400	-	-	21,400	4,016	0.58	0.83
Automobile Assemblers							
Indus Motor Company Limited	65,000	-	65,000	-	-	-	-
Automobile Parts & Accessories							
Agriautos Industries Limited	100,900	-	100,900	-	-	-	-
Technology and Communication							
Pakistan Telecommunication Company Limited	2,116,100	-	1,966,100	150,000	5,796	0.83	1.19
TRG Pakistan Limited	550,000	-	550,000	-	-	-	-
Fertilizer							
Engro Chemical Pakistan Limited	743,800	14,000	648,800	109,000	30,608	4.39	6.30
Fauji Fertilizer Bin Qasim Limited	2,294,000	-	1,994,000	300,000	10,791	1.55	2.22
Fauji Fertilizer Company Limited	845,000	-	845,000	-	-	-	-
Pharmaceuticals							
Abbot Laboratories Pakistan Limited	20,500	-	20,500	-	-	-	-
Chemicals							
ICI Pakistan Limited	5,000	-	5,000	-	-	-	-
Pakistan PTA Limited	957,000	-	957,000	-	-	-	-
Paper and Board							
Cherat Papersack Limited	10,200	-	1,300	8,900	1,127	0.16	0.23
Packages Limited	155,600	-	155,600	-	-	-	-
Glass and Ceramics							
Ghani Glass Limited	114,500	-	94,500	20,000	2,257	0.32	0.46
Miscellaneous							
Siddiquesons Tins Plate Limited	295,500	-	295,500	-	-	-	-
Tri Pack Films Limited	127,700	-	127,700	-	-	-	-
					224,893	32.24	
Cost of investments as at June 30, 2008					234,228		

5.1.1 All shares have a nominal face value of Rs 10 each except for the shares of Agriautos Industries Limited and Thal Jute Limited which have a face value of Rs 5 each.

5.1.2 The above investments include securities with market value aggregating to Rs.21,724 thousand which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by SECP.

NAFA ISLAMIC MULTI ASSET FUND

5.2 Units of open end mutual funds

Name of the Investee company	Number of units				Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	Purchases during the period	Bonus/right issue	Sales during the period	As at June 30, 2008			
NAFA Islamic Income Fund	15,576,388	-	8,275,562	7,300,826	75,587	10.84	15.55
Cost of Investments as at June 30, 2008					75,298		

(Rupees in '000')

5.3 Equity securities purchased under futures sale contracts

These securities are held under Ready - Future transactions. These securities are purchased in the ready "T+2" market and simultaneously sold in the futures market. The details are as follows:

Name of the investee company	Number of shares			Market value as at June 30, 2008	Market Value as a percentage	Market Value as a percentage of total investment	
	Purchases during the period	Sales during the period	As at June 30, 2008				
Power Generation & Distribution							
Hub Power Company Limited	77,000	77,000	-	-	-	-	
Oil and Gas Marketing Companies							
Sui Northern Gas Pipeline Limited	19,000	19,000	-	-	-	-	
Pakistan State Oil Company Limited	210,000	200,000	10,000	4,172	0.60	0.86	
Oil and Gas Exploration Companies							
Oil and Gas Development Company Limited	311,000	311,000	-	-	-	-	
Pakistan Oilfields Limited	153,000	153,000	-	-	-	-	
Pakistan Petroleum Limited	75,500	45,500	30,000	7,380	1.06	1.52	
Fertilizer							
Engro Chemical Pakistan Limited	134,500	134,500	-	-	-	-	
Fauji Fertilizer Bin Qasim Limited	807,500	807,500	-	-	-	-	
					11,552	1.66	
Cost of investments as at June 30, 2008					11,805		

(Rupees in '000')

5.4 Sukuk bonds

Name of the investee company	Number of Bonds			Market value as at June 30, 2008	Market Value as a percentage of net assets	Market Value as a percentage of total investment	
	Purchases during the period	Sales during the period	As at June 30, 2008				
Eden Housing Limited	5,000	-	5,000	25,000	3.58	5.14	
Kohat Cement Company Limited	10,000	-	10,000	48,411	6.94	9.96	
Maple Leaf Cement Factory Limited	10,000	-	10,000	50,290	7.21	10.34	
New Allied Electronics Industries (Private) Limited	5,000	-	5,000	25,168	3.61	5.18	
Pakistan Electron Limited	5,000	-	5,000	25,293	3.63	5.20	
					174,162	24.97	
Cost of investments as at June 30, 2008					173,563		

(Rupees in '000')

NAFA ISLAMIC MULTI ASSET FUND

5.4.1 All sukuk bonds have a face value of Rs 5,000 each.

5.4.2 Fair value of sukuk bonds classified as available for sale is determined using rates notified by the Mutual Funds Association of Pakistan.

5.4.3 The SECP has relaxed the investments limits currently prescribed in regulation 64(5) and 64(8) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, to fifteen percent and thirty percent respectively for the Fund.

	NOTE	2008 (Rupees in '000')
6 LOANS AND RECEIVABLES		
Term Deposit Musharika Certificate	6.1	60,000
6.1		
This represents funds placed under term deposit with Bank AlFalah Limited. This certificate carries mark-up at the rate of 9.50% per annum, receivable on maturity i.e. October 28, 2008.		
7 DIVIDEND AND PROFIT RECEIVABLE		
Dividend receivable on equity securities		4,158
Profit on savings deposits		843
Income accrued on sukuk bonds		2,663
Income accrued on Term Deposit Musharika certificate		3,842
		11,506
8 DEPOSITS AND PREPAYMENTS		
Security deposits with:		
- National Clearing Company of Pakistan Limited		2,500
- Central Depository Company of Pakistan Limited		100
Prepaid Listing Fee		30
		2,630
9 PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation costs incurred		2,500
Less: amortisation during the period	9.1	340
Balance as at June 30, 2008		2,160
9.1		
Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from October 27, 2007 as per the requirements set out in the Trust Deed of the Fund.		
10 PAYABLE TO NATIONAL FULLERTON ASSET MANAGEMENT LIMITED – MANAGEMENT COMPANY		
Management fee	10.1	1,764
Front end load		1,826
		3,590

NAFA ISLAMIC MULTI ASSET FUND

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of three percent per annum for the current year. The remuneration is paid monthly in arrears.

	NOTE	2008 (Rupees in '000')
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee fee	11.1	118
CDS charges		18
		<u>136</u>

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2008 is as follows

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual Fee	12.1	549

12.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, the Fund is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to one-tenth of one percent of the average annual net assets of the Scheme.

13 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		183
Brokerage payable		83
Bank charges payable		30
Withholding tax payable		42
Unrealised loss on revaluation of futures sale contracts		19
Charity payable	4.1 & 13.1	227
		<u>584</u>

13.1 In accordance with the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the period, no amount has been given out to charitable institutions.

NAFA ISLAMIC MULTI ASSET FUND

2008
(Rupees in '000')

14 COMMITMENTS

Spread Transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transactions have not been settled as at period end

11,698

15 NET ASSET VALUE PER UNIT

The Net Asset Value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

For The Period from
September 17,
2007 to June 30, 2008
(Rupees in '000')

16 AUDITORS' REMUNERATION

Audit fee
Half yearly review
Out of pocket expenses

175

70

16

261

17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current year as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

18 LOSS PER UNIT

Loss per unit (LPU) for the period ended June 30, 2008 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating LPU is not practicable.

19 TRANSACTIONS WITH CONNECTED PERSONS

19.1 Connected persons include National Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being Trustee, National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

19.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

19.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

19.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA ISLAMIC MULTI ASSET FUND



For the period
from
September 17,
2007 to June 30,
2008
(Rupees in '000)

19.5 Details of the transactions with connected persons are as follows:

National Fullerton Asset Management Limited - Management Company

Management fee expense for the period	16,477
Front end load for the period	2,992
Preliminary expenses and floatation costs reimbursed	2,500

National Bank of Pakistan - Sponsor

Investment made by the Sponsor in the Fund (7,500,000 units)	75,000
Profit paid by the Fund on pre-IPO investment	417

NIB Bank Limited - Sponsor

Investment made by the Sponsor in the Fund (7,500,000 units)	75,000
Profit paid by the Fund on pre-IPO investment	417

Alexandra Fund Management Pte. Limited - Sponsor

Investment made by the Sponsor in the Fund (10,000,000 units)	100,000
Profit paid by the Fund on pre-IPO investment	556

Central Depository Company of Pakistan Limited - Trustee

Trustee fee for the period	1,099
CDS charges	102

Executives of the Management Company

Units issued / transferred in (26,090 units)	260
Units redeemed / transferred out (24,674 units)	246

NAFA Islamic Income Fund

Units issued (15,576,388 units)	160,000
Units redeemed (8,275,563 units)	85,000

19.6 Amounts outstanding as at period end

2008
(Rupees in '000)

National Fullerton Asset Management Limited

Management Fee payable	1,764
Front end load payable	1,826

National Bank of Pakistan

Investment held by the Sponsor in the Fund (7,500,000 units)	71,520
Balance in current account	1,520

NIB Bank Limited

Investment held by the Sponsor in the Fund (7,500,000 units)	71,520
Balance in current account	1,130

NAFA ISLAMIC MULTI ASSET FUND

For the period
ended June 30,
2008
(Rupees in '000')

Alexandra Fund Management Pte. Limited

Investment held by the Sponsor in the Fund (10,000,000 units)

95,360

Central Depository Company of Pakistan Limited - Trustee

Trustee fee payable

118

CDS charges payable

18

Security deposit

100

Executives of the Management Company

Units held in the Fund (1,416 units)

14

NAFA Islamic Income Fund

Investment held by the Fund (7,300,825 units)

75,587

20 YIELD / INTEREST RATE RISK

- 20.1 The Fund is mainly exposed to mark-up / interest rate risk on its investment portfolio. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that risk is managed within acceptable limits. Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off balance sheet instruments is based on settlement date.

June 30, 2008

Total	--Exposed to Yield/Interest risk--			Not exposed to Yield/Interest risk
	Upto three months	More than three months and upto one year	More than one year	

(Rupees in '000')

On-balance sheet financial instruments

Financial Assets

Balances with banks	61,336	52,842	-	-	8,494
Receivable against sale of investments	78,638	-	-	-	78,638
Investments	486,194	-	174,162	-	312,032
Loans and receivables	60,000	-	60,000	-	-
Dividend and profit receivables	11,506	-	-	-	11,506
Deposits	2,600	-	-	-	2,600
Sub-total	700,274	52,842	234,162	-	413,270

Financial Liabilities

Payable to National Fullerton Asset Management Limited - Management Company	3,590	-	-	-	3,590
Payable to Central Depository Company of Pakistan Limited - Trustee	136	-	-	-	136
Payable on redemption of units	19	-	-	-	19
Accrued expenses and other liabilities	584	-	-	-	584
Sub-total	4,329	-	-	-	4,329
On-balance sheet gap	695,945	52,842	234,162	-	408,941

NAFA ISLAMIC MULTI ASSET FUND

June 30, 2008

Total	--Exposed to Yield/Interest risk--			Not exposed to Yield/Interest risk
	Upto three months	More than three months and upto one year	More than one year	

(Rupees in '000')

Off-balance sheet financial instruments

Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transaction have not been settled as at June 30, 2008

Off-balance sheet gap

11,698	-	-	-	11,698
11,698	-	-	-	11,698

20.2 The rates of return on financial instruments are as follows:

Balances with banks

Term Deposit Musharika Certificate

Investment in sukuk bonds

2008
Percentage
per annum

1.50 - 10.50
9.50
11.64 - 15.14

21 MATURITIES OF ASSETS AND LIABILITIES

21.1 The maturity profile of the Fund's assets and liabilities based on contractual maturities is given below:

June 30, 2008

Total	Upto three months	More than three months and upto one year	More than one year
-------	-------------------	--	--------------------

(Rupees in '000')

Assets

Balances with banks	61,336	61,336	-	-
Receivable against sale of investments	78,638	78,638	-	-
Investments	486,194	312,032	9,986	164,176
Loans and receivables	60,000	-	60,000	-
Dividend and profit receivables	11,506	5,001	6,505	-
Deposits and prepayments	2,630	8	22	2,600
Preliminary expenses and floatation costs	2,160	125	375	1,660
	702,464	457,140	76,888	168,436

Liabilities

Payable to National Fullerton Asset Management Limited – Management Company	3,590	3,590	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	136	136	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee	549	549	-	-
Payable on redemption of units	19	19	-	-
Accrued expenses and other liabilities	584	584	-	-
	4,878	4,878	-	-
	697,586	452,262	76,888	168,436

NAFA ISLAMIC MULTI ASSET FUND

22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

	2008	
	Qualification	Experience in years
1 Dr. Amjad Waheed	Doctorate in Business Administration/ CFA	17
2 Adnan Faisal	MBA/ CFA	10
3 Khurram Shahzad	MBA/ CFA	9
4 Rukhsana Narejo	MBA/ CFA	6
5 Abdul Rehman Warraich	LLB/ CFA	13

Abdul Rehman Waraich is the Fund Manager of NIMF only.

23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

2008

1. Invest and Finance Securities (Private) Limited	8.12%
2. Taurus Securities Limited	7.38%
3. Orix Investment Bank Limited	5.05%
4. FDM Capital Securities (Private) Limited	4.87%
5. Al-Hooqani Securities and Investment Corporation (Private) Limited	4.44%
6. Motiwala Securities (Private) Limited	4.39%
7. Global Securities Pakistan Limited	4.17%
8. Al-Habib Capital Markets	4.11%
9. Moosani Securities (Private) Limited	4.08%
10. First Capital Equities Limited	4.05%

24 PATTERN OF UNIT HOLDING

Category	2008		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	954	85,052	12.19%
Associated Companies / Directors	3	238,400	34.17%
Insurance Companies	3	72,907	10.45%
Banks / DFIs	4	61,984	8.89%
NBFC	-	-	0.00%
Retirement Fund	-	-	0.00%
Public Limited Companies	-	-	0.00%
Others	42	239,243	34.30%
	1,006	697,586	100.00%

NAFA ISLAMIC MULTI ASSET FUND

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 12th, 13th, 14th, 15th and 16th Board meetings were held on July 5, 2007, August 8, 2007, October 18, 2007, February 15, 2008 and April 16, 2008 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Masood Karim	5	5	-	
Dr. Amjad Waheed	5	5	-	
Gerard Lee	5	4	1	12th meeting
Iqbal Hassan	5	4	1	16th meeting
Patrick Pang	5	5	-	
Shahid Anwar	5	2	3	12th, 13th and 16th meeting
Masroor Qureshi	5	5	-	

26 RISK MANAGEMENT POLICIES

26.1 Market risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market interest rates or market price of securities due to change in credit rating of the issuer of the instrument, change in market sentiments, supply and demand of securities and liquidity in the market. There is a possibility of default of participants and of failure of the financial markets / stock exchanges, the depositories, the settlement or the clearing system etc.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

26.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

26.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset at close to its fair value. In addition the Fund is exposed to daily cash redemption of units. The Management Company manages liquidity risk by following internal guidelines such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

26.4 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Yield / interest rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. A Fund is exposed to



NAFA ISLAMIC MULTI ASSET FUND

yield / interest rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Fund manages this risk by matching the repricing of financial assets and liabilities through risk management strategies. The position for financial instruments is based on earlier of contractual repricing date or maturity.

27 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 26, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 11, August 2008.

30 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed, CFA
Chief Executive

Masood Karim Shaikh, FCA
Chairman

NAFA ISLAMIC MULTI ASSET FUND



PERFORMANCE TABLE

For the period from
September 17,
2007 to June 30, 2008

(Rupees in '000')

Net assets at the period end (Rs '000')	697,586
Net income for the period end (Rs '000')	(33,878)
Net Asset Value per unit at the period end (Rs)	9.5360
Offer price per unit	9.8221
Redemption price per unit	9.5360
Highest offer price per unit (Rs)	10.7612
Lowest offer price per unit (Rs)	9.5581
Highest redemption price per unit (Rs)	10.4478
Lowest redemption price per unit (Rs)	9.2797
Total return of the fund	-4.64%
- capital growth	-4.64%
- income distribution	0%
Distribution	
Interim distribution per unit (Rs)	NIL
Final distribution per unit (Rs)	NIL
Average annual return of the fund (launch date October 29, 2007) (Since inception to June 30, 2008)	-4.64%

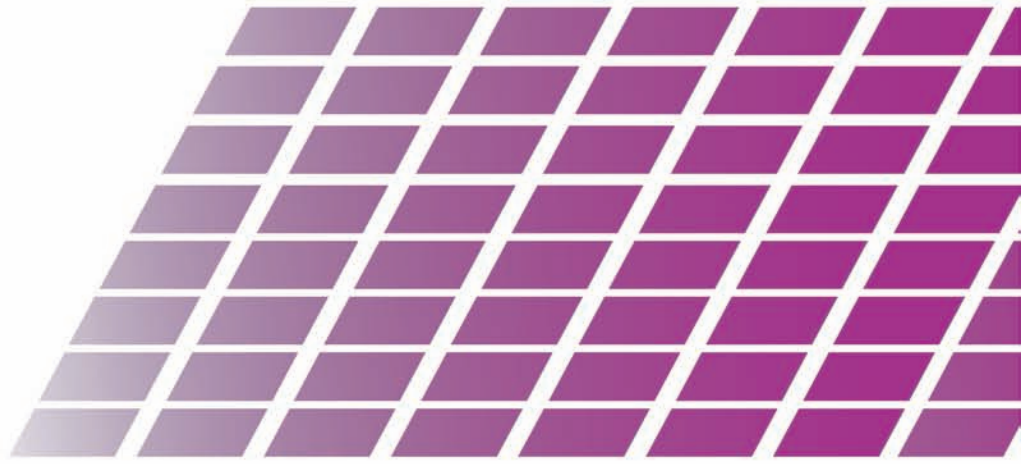
Portfolio composition (Please see Fund Manager Report)

Past performance is not necessarily indicative of future performance
and that unit prices and investment returns may go down, as well as up





NAFA ISLAMIC MULTI ASSET FUND



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