



# **NAFA MULTI ASSET FUND**

# NAFA MULTI ASSET FUND

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# NAFA MULTI ASSET FUND

## DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the Third Annual Report of NAFA Multi Asset Fund for the year ended June 30, 2009.

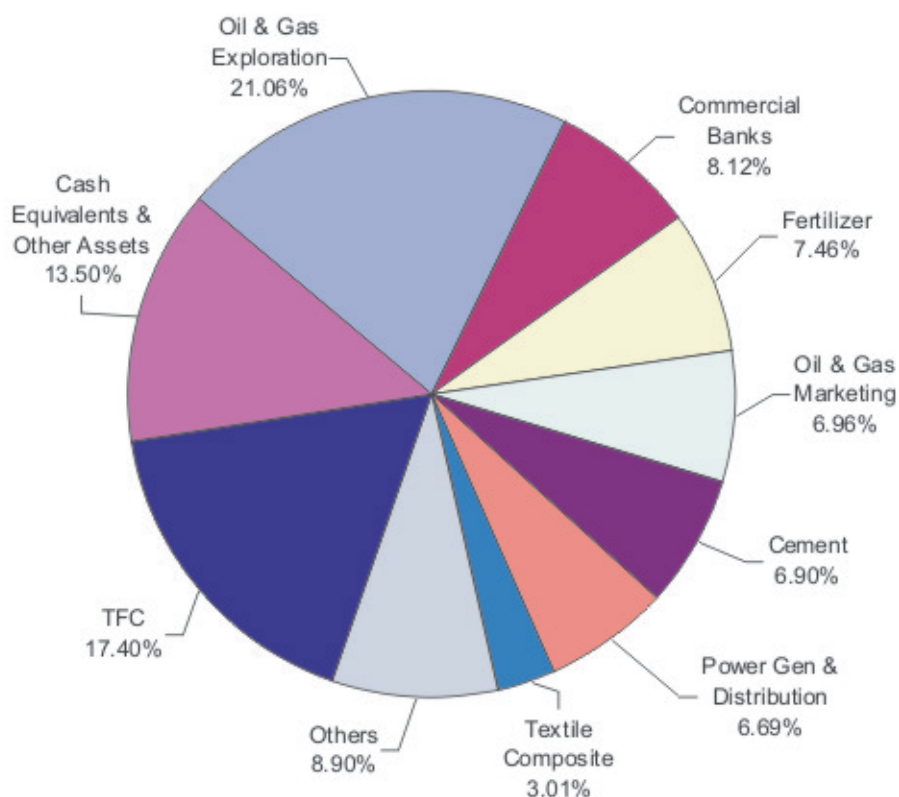
### Fund's Performance

Owing to high fiscal deficit, rising inflation, growing political uncertainties, worsening economic conditions, and severe liquidity crunch in the financial markets, the FY 2008-09 has been the most turbulent period in the history of local stock market and mutual fund industry. Resultantly, the size of NAFA Multi Asset Fund dropped to its lowest at Rs.1.4 billion during the year. Subsequent to lifting of freeze at the end of December, the stock market witnessed substantial recovery and the Fund Size has increased to Rs.1.78 billion as of June 30, 2009, translating into a growth of 27% from its bottom. During the fiscal year, the Fund has underperformed against its benchmark (50% KSE-30 Index, 50% 1-Month KIBOR) by 1.73%.

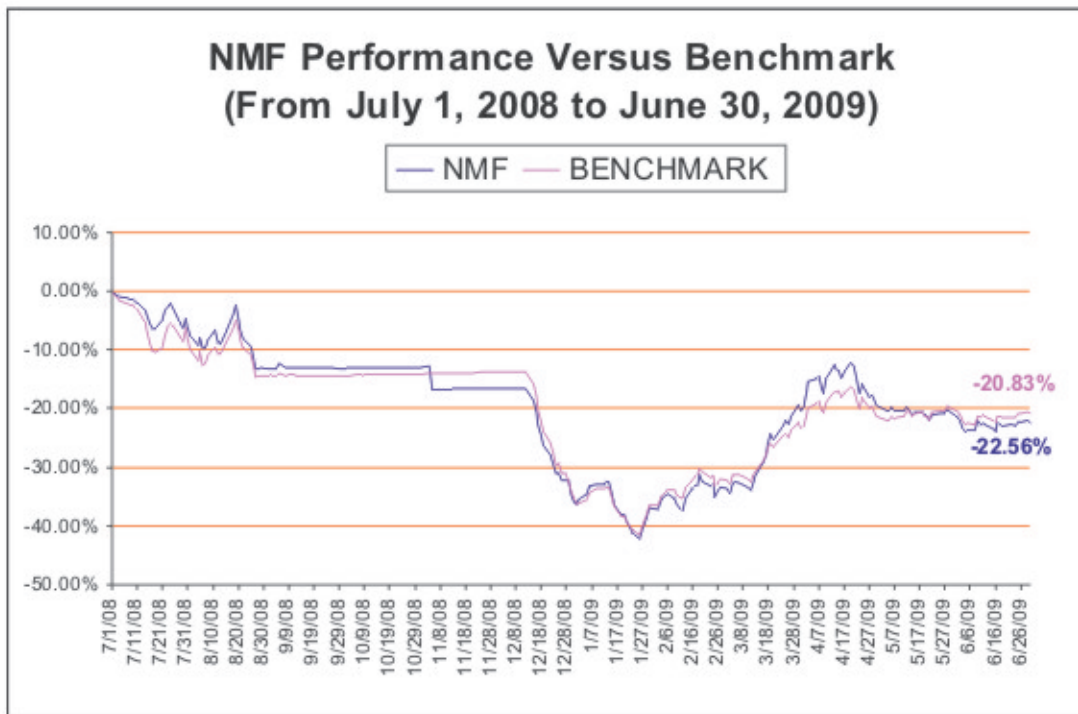
NAFA Multi Asset Fund has incurred a total loss of Rs.472.47 million during the year. After deducting total expenses of Rs.68.05 million, the net loss is Rs.540.52 million. During the year, the unit price of NAFA Multi Asset Fund has decreased from Rs.11.1079 on June 30, 2008 (Ex-Div) to Rs.8.6020 on June 30, 2009. The resultant per unit loss is Rs.2.5059.

The asset allocation of NAFA Multi Asset Fund as on June 30, 2009 is as follows:

### **Asset Allocation as on June 30, 2009**



# NAFA MULTI ASSET FUND



## Income Distribution

Due to net loss for the year, 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.

## Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company of NAFA 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 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.

# NAFA MULTI ASSET FUND

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 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. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of National Fullerton Asset Management Limited held five meetings during the current financial year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 27 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 21 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 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 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 31, 2009  
Place: Karachi.

# NAFA MULTI ASSET FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS

### Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA Multi Asset Fund (the Fund), an open-end scheme was established under a trust deed dated December 06, 2006, 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 year ended June 30, 2009 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, 2008 and the constitutive documents of the Fund.

#### **Kamran Qazi**

Chief Financial Officer & Company Secretary  
Central Depository Company of Pakistan Limited

Karachi, October 7, 2009

# NAFA MULTI ASSET FUND

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 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 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred during the year in the Board of the Management Company due to resignation of Khawaja Iqbal Hassan and Mr. Habib Yousuf Habib which were filled by Syed Naseer ul Hassan and Mr. Raymond H. Kotwal on October 16, 2008.
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.

# NAFA MULTI ASSET FUND

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. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. All the members of Board are well aware of operations of the Fund and Management Company, therefore no orientation courses were arranged during the year.
11. The Board has approved the appointment of Head of Internal Audit and his terms of employment.
12. Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 21 to the financial statements "Transactions with Connected Persons".
15. The Management Company has complied with the corporate and financial reporting requirements of the Code with respect to the Fund.
16. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the Committee.
17. 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.
18. There exists an effective internal audit function within the Management Company. 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.



# NAFA MULTI ASSET FUND

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.

Dated: August 31, 2009  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA MULTI ASSET FUND

## Fund Manager Report

### NAFA Multi Asset Fund

NAFA Multi Asset Fund (NMF) is an open-ended balanced fund.

### Investment Objective of the Fund

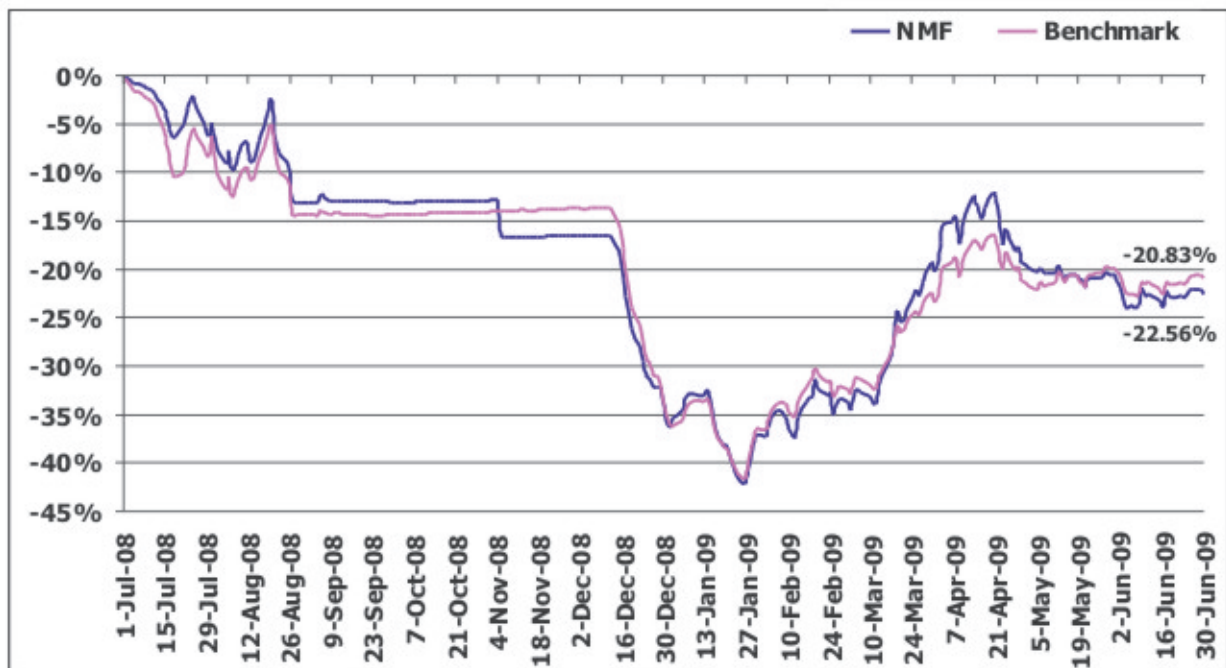
Objective of NMF is to provide investors with a combination of capital growth and income by investing in a variety of asset classes such as stocks, bonds, money market instruments, CFS etc. Thus main investment classes for the Fund are Equity and Fixed Income asset classes with a maximum range of 70% in any asset classes at a point in time. The risk profile of the fund is moderate.

### Benchmark

50% 1-Month KIBOR and 50% KSE-30 Index

### Fund Performance Review

During the year under review, the benchmark, 50% KSE-30 Index and 50% 1-month KIBOR, decreased by 20.83%, whereas NAFA Multi Asset Fund's (NMF) Net Asset Value (NAV) decreased by 22.56%, thus an under-performance of 1.73% was recorded. The chart below shows the performance of NSF against the benchmark for the year:



# NAFA MULTI ASSET FUND

During the year, we remained over weight in equities and under weight in fixed income. Post freeze of the stock market, our decision to remain over weight in equities benefited the Fund.

During FY 09 stock market remained under pressure. KSE-30 Index declined by around 69% till end of January 2009. Stock market remained frozen from August 27, 2008 till December 15, 2008. After touching the bottom at the end of January, KSE- 30 index rallied steadily and gained around 71%. Trading activity remained low with average trading volume recorded at half compared with the corresponding period last year.

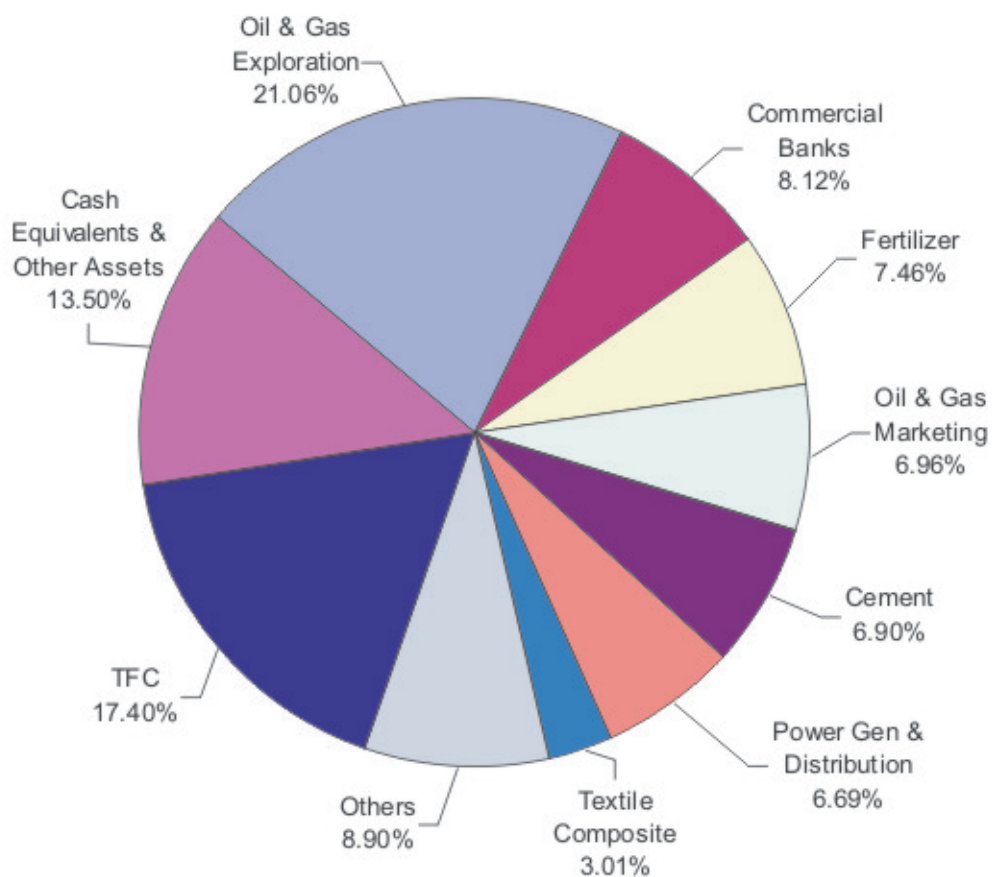
During the year, key factors responsible for the lackluster performance of the stock market were: i) soaring inflation lead by crude oil and commodity prices ii) widening current account and fiscal deficits iii) rising interest rates iv) declining foreign exchange reserves. GDP growth rate for FY09 remained at around 2%, due to abysmal performance of Large Scale Manufacturing (LSM) sector. As a result, YOY, CPI inflation reached a high of 25% in month of November 2008. Foreign exchange reserves of SBP reached around US \$3.5 billion in October 2008 from a high of US \$14.25 billion in October 2007. Pak rupee depreciated around 16.5% during the year. Deteriorating law and order situation in the country also remained serious concern for local and foreign investors.

Fixed income market also saw unprecedented events during the year. Due to shortage of liquidity, Term Finance Certificate (TFC) and sukuk lost around 30% of their par values. During the year as per the SECP Circular, the prices of TFCs and sukuks were marked down based on their credit ratings. However, with improvement in the liquidity conditions these instruments regained some of their lost values. Trading activity of sukuks and TFCs improved by the end of year. We are expecting that prices of these TFCs and sukuk will continue to recover as the liquidity condition further improves.

Since December we have seen improvement on both the economic and law and order front. Pakistan's budget deficit, current account deficit, interest rates, inflation and foreign exchange reserves have all shown substantial improvements. This is also reflected in a handsome recovery in the stock market and prices of sukuk/ TFCs. We expect the economy recovery to continue in FY 2009-10.

Attached chart shows the asset allocation. As of 30<sup>th</sup> June 2009 allocation in Equity, TFCs, and Cash Equivalents & Other Asset are 69%, 17% and 14% respectively of the Fund size. NAFA Multi Asset Fund's asset allocation has changed since June last year. As of 30<sup>th</sup> June 2008, its asset allocation in Equity, Fixed Income Mutual Funds, TFCs, CFS and Cash and Others was 38%, 13%, 14%, 17% and 18% respectively of the Fund size.

# NAFA MULTI ASSET FUND



## Income Distribution

No distribution has been approved for the year ended June 30, 2009 by the Board of Directors of the Management Company.

Pattern of Unit Holders for NAFA Multi Asset Fund As on June 30, 2009

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	200
1,001	5,000	351
5,001	10,000	184
10,001	50,000	354
50,001	100,000	47
100,001	500,000	81
500,001	1,000,000	12
1,000,001	5,000,000	16
5,000,001	10,000,000	4
10,000,001	100,000,000	5

**Total:** 1,254

# NAFA MULTI ASSET FUND

## 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 MULTI ASSET FUND

## REVIEW REPORT TO THE UNIT HOLDERS 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** (the Management Company) of **NAFA Multi Asset Fund** to comply with the Listing Regulation No. 35 (Chapter XI) of 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 Management Company's 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 system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-Regulation (xiii a) of Listing Regulation 35 notified by The Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

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 Management Company'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, 2009.

A.F. Ferguson & Co.  
Chartered Accountants  
Karachi

Dated: 14 September 2009

# NAFA MULTI ASSET FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Multi Asset Fund**, which comprise the statement of assets and liabilities as at June 30, 2009, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year then ended, 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 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 the 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 judgment, 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, 2009 and of its financial performance, cash flows and transactions for the year then ended 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 Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: 14 September 2009

Karachi

# NAFA MULTI ASSET FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2009

	Note	2009	2008
		-----Rupees in '000-----	
<b>Assets</b>			
Balances with banks	4	188,357	338,104
Receivable against sale of investments		16,473	154,480
Investments	5	1,573,961	1,712,417
Receivable against Continuous Funding System (CFS) transactions	6	-	453,294
Dividend and profit receivable	7	16,898	23,059
Advances, deposits, prepayments and other receivables	8	4,771	4,085
Preliminary expenses and floatation costs	9	1,278	1,778
<b>Total assets</b>		<b>1,801,738</b>	<b>2,687,217</b>
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company	10	4,174	26,957
Payable to Central Depository Company of Pakistan Limited - Trustee	11	227	302
Payable to Securities and Exchange Commission of Pakistan	12	1,815	2,119
Payable on redemption of units	13	-	17,991
Accrued expenses and other liabilities	14	18,135	8,354
<b>Total liabilities</b>		<b>24,351</b>	<b>55,723</b>
<b>Net Assets</b>		<b>1,777,387</b>	<b>2,631,494</b>
<b>Unit Holders' Funds (As per statement attached)</b>		<b>1,777,387</b>	<b>2,631,494</b>
<b>Commitments</b>	15		
<b>Number of units in issue</b>		<b>206,624,557</b>	<b>228,229,580</b>
<b>Net asset value per unit</b>	16	<b>8.6020</b>	<b>11.5300</b>

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 MULTI ASSET FUND

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	For the year ended June 30, 2009	For the year ended June 30, 2008
-----Rupees in '000-----			
<b>INCOME</b>			
(Loss) / gain on sale of investments - net		(574,707)	45,565
Income from term finance certificates and sukuk bonds		64,524	38,378
Income from Continuous Funding System (CFS) transactions		5,102	23,045
Income from spread transactions		1,994	18,257
Profit on bank deposits	17	30,670	31,101
Dividend income		52,326	25,260
Other income		-	31
Unrealised loss on investments at fair value through profit or loss - net		(87,899)	(102,471)
Unrealised gain on revaluation of futures sale contracts		-	425
<b>Total income</b>		<b>(507,990)</b>	<b>79,591</b>
<b>EXPENSES</b>			
Remuneration of National Fullerton Asset Management Limited - Management Company	10.1	49,319	52,840
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	2,973	3,119
Annual fee - Securities and Exchange Commission of Pakistan	12.1	1,815	2,119
Securities transaction cost		5,702	30,046
Settlement and bank charges		2,199	1,167
Annual listing fee		30	30
Auditors' remuneration	18	345	290
Printing charges		761	-
Fund rating fee		60	40
Other		70	-
Impairment loss on assets classified as available for sale	5.2.4	4,281	-
Amortisation of preliminary expenses and floatation costs	9	500	500
<b>Total expenses</b>		<b>68,055</b>	<b>90,151</b>
<b>Net loss from operating activities</b>		<b>(576,045)</b>	<b>(10,560)</b>
Element of income and capital gains included in prices of units issued less those in units redeemed		35,523	136,131
<b>Net (loss) / income for the year before taxation</b>		<b>(540,522)</b>	<b>125,571</b>
<b>Taxation</b>	19	-	-
<b>Net (loss) / income for the year after taxation</b>		<b>(540,522)</b>	<b>125,571</b>
<b>Earnings/ (loss) per unit</b>	20		

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 MULTI ASSET FUND

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	For year ended June 30, 2009	For the year ended June 30, 2008
	------(Rupees in '000)-----	
Undistributed income brought forward	313,822	280,409
Distribution:		
Final distribution for the year ended June 30, 2008: 7.598% (2007: 16.40%)		
-Bonus units	(89,962)	(158,792)
-Cash distribution	(6,373)	-
Interim distribution 2009: Nil, 2008: 3.377% (Date of distribution: April 16, 2008)		
-Bonus units	-	(67,180)
-Cash distribution	-	(6,912)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing (losses) / income that form part of the unit holders' funds	2,064	140,726
Net (loss) / income for the year	(540,522)	125,571
(Accumulated loss) / undistributed income carried forward	<u>(320,971)</u>	<u>313,822</u>

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 MULTI ASSET FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2009

	For the year Ended June, 30, 2009	For the year ended June 30, 2008
	-----Rupees in '000-----	
Net assets at the beginning of the year	2,631,494	1,248,644
Issue of 51,927,326 units - including 8,098,898 bonus units (2008: 315,404,311 units - including 19,314,768 bonus units)	430,873	3,669,076
Redemption of 73,532,349 units (2008: 183,998,851 units)	(690,325) (259,452)	(2,271,326) 1,397,750
Final distribution (bonus) for the year ended June 30, 2008: 7.598% (2007: 16.40%)	89,962	158,792
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing (income) / losses and capital (gains) / losses - transferred to Income Statement	(35,523)	(136,131)
- amount representing losses / (income) that form part of the unit holders' funds - transferred to Distribution Statement	(2,064) (37,587)	(140,726) (276,857)
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	(12,237)	2,572
Gain / (loss) on sale of investments	(574,707)	45,565
Unrealised loss on investments at fair value through profit or loss	(87,899)	(102,471)
Unrealised gain on revaluation of futures sale contracts	-	425
Other income (net of expenses)	122,084	182,052
Distribution:		
Final distribution for the year ended June 30, 2008: 7.598% (2007: 16.40%)		
- Bonus units	(89,962)	(158,792)
- Cash distribution	(6,373)	-
Interim distribution 2008: 3.377% (Date of distribution: April 16, 2008)		
- Bonus units	-	(67,180)
- Cash distribution	-	(6,912)
	(636,857)	(107,313)
Interim distribution: Issue of bonus units	-	67,180
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing (losses) / income that form part of the unit holders' funds	2,064	140,726
<b>Net assets at the end of the year</b>	<u>1,777,387</u>	<u>2,631,494</u>

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 MULTI ASSET FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	For the year ended June 30, 2009	For the year ended June 30, 2008
	-----Rupees in '000-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net (loss) / income for the year	(540,522)	125,571
<b>Adjustments</b>		
Unrealised loss on investments at fair value through profit or loss - net	87,899	102,471
Unrealised gain on revaluation of futures sale contracts	-	(425)
Amortisation of preliminary expenses and floatation costs	500	500
Element of income and capital gains included in prices of units issued less those in units redeemed	(35,523)	(136,131)
	<u>(487,646)</u>	<u>91,986</u>
<b>(Increase) / decrease in assets</b>		
Receivable against sale of investments	138,007	(148,237)
Investments	38,320	(1,022,966)
Receivable against Continuous Funding System (CFS) transactions	453,294	(170,465)
Dividend and profit receivable	6,161	(18,368)
Advances, deposits, prepayments and other receivables	(686)	(2,560)
	<u>635,096</u>	<u>(1,362,596)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to National Fullerton Asset Management Limited - Management Company	(22,783)	19,346
Payable to Central Depository Company of Pakistan Limited - Trustee	(75)	120
Payable to Securities and Exchange Commission of Pakistan	(304)	1,706
Payable on redemption of units	(17,991)	17,991
Accrued expenses and other liabilities	9,781	6,154
	<u>(31,372)</u>	<u>45,317</u>
<b>Net cash inflow from / (outflow on) operating activities</b>	<u>116,078</u>	<u>(1,225,293)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	430,873	3,669,076
Payments on redemption of units	(690,325)	(2,271,326)
Distributions paid	(6,373)	(6,912)
<b>Net cash inflow from / (outflow on) financing activities</b>	<u>(265,825)</u>	<u>1,390,838</u>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<u>(149,747)</u>	<u>165,545</u>
Cash and cash equivalents at the beginning of the year	338,104	172,559
<b>Cash and cash equivalents at the end of the year</b>	<u>4</u> <u>188,357</u>	<u>338,104</u>

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 MULTI ASSET FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Multi Asset Fund (NMF, the Fund) 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 December 6, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 20, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

NMF 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 them to the Fund.

The core objective of the fund is to provide its investors with a combination of capital growth and income. The Fund aims to achieve attractive returns at moderate levels of risk by investing in a variety of asset classes such as stocks, bonds, money market instruments, Continuous Funding System (CFS) etc.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2- to the Management Company. The Fund had one year performance ranking of five star for December 31, 2007. The Management Company has initiated the process of obtaining the rating of the Fund with PACRA.

### 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, 2008 (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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The SECP vide SRO 411(1) / 2008 dated April 28, 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures' IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only impacted the format and extent of disclosures presented in these financial statements.

IAS 39 (Amendment), Financial Instruments: Recognition and Measurement - Reclassification of Financial Assets became effective from January 1, 2009. This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The management has not re-classified any financial asset as a result of this amendment.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2008 but were considered not to be relevant or did not have any significant effect on the Fund's operations.

# NAFA MULTI ASSET FUND

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

IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective restatement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of the comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard is not expected to have a significant impact on the presentation of the financial statements.

IAS 39 (Amendment), Financial Instruments: Recognition and Measurement - Reclassification of Financial Assets (Effective from January 1, 2009). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The management is in the process of assessing the impact of its adoption on the Fund's financial statements.

IAS 32 (Amendment), 'Financial Instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. This amendment is not expected to have a significant effect on the financial statements of the Fund.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Fund's financial statements and have therefore not been analysed in detail.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Fund's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 01, 2009 but are considered not to be relevant or to have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

## 2.4 Critical accounting estimates and judgments

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 judgment in the process of applying the Fund's accounting policies. Estimates and judgments 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 judgment 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 cost (note 3.7 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.

# NAFA MULTI ASSET FUND

## 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 for the purpose of cash flow statement include demand deposits with banks, other short term liquid investments with original maturities of three months or less and bank overdrafts.

### 3.2 Financial assets

**3.2.1** The Fund classifies its financial assets in the following categories: at fair value through profit or loss, available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Financial assets are categorised as follows:

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

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

#### b) Available for sale

These are non-derivatives financial assets that are intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices.

#### c) Loans and receivables

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

### 3.2.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

### 3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

#### a) Basis of valuation of debt securities

The SECP vide its circular no. 1/2009 dated January 06, 2009 has changed the methodology for valuation of debt securities. Under the said directive, investment in debt securities are valued on the basis of rates determined by Mutual Fund Association of Pakistan (MUFAP). In determining of the rates MUFAP takes into account trading pattern of these securities and categorise them as traded, thinly traded and non traded securities. The circular specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities. Accordingly, investment in debt securities have been valued at the rates determined and announced by Mutual Funds Association of Pakistan (MUFAP) based on the methodology prescribed in the said circular. Prior to the issuance of the said circular investment in debt securities were valued as follows:

- (i) With effect from November 5, 2008 to January 9, 2009, at the lower of discounted redeemable face value of debt securities and the market value as determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP circular no. 26/2008 dated November 5, 2008.
- (ii) Prior to November 5, 2008, at the rates notified by MUFAP in accordance with the requirements of Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulation, 2007.

# NAFA MULTI ASSET FUND

## b) Basis of valuation of Equity Securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to equity until these are derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

Loans and receivables are carried at amortised cost using the effective interest method.

### 3.2.5 Impairment

The carrying value of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 1 of 2009 issued by the Securities and Exchange Commission of Pakistan

As allowed under circular No. 13 of 2009 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the management company on its website.

### Derecognition

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

### 3.2.7 Offsetting of financial assets and liabilities

3.2.6 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.

### 3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

### 3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

### 3.5 Securities under resale agreements – Continuous Funding System (CFS) transactions

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the respective transactions. Transaction costs are included in the initial measurement of all CFS transactions except for transaction costs that may be incurred on disposal.



# NAFA MULTI ASSET FUND

## 3.6 Spread transactions (Ready-Future Transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in the ready market is classified as "Investment at fair value through profit or loss" and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement.

## 3.7 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.

## 3.8 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. The sales load is payable to the Management Company, investment facilitators or distributors.

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.

## 3.9 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 unrealised gains / (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.

## 3.10 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.

## 3.11 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.

## 3.12 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.

# NAFA MULTI ASSET FUND

## 3.13 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.
- Income on reverse repurchase (reverse repo) transactions and Continuous Funding System (CFS) transactions is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the payment is established.
- Income on term finance certificates, sukuk bonds and commercial papers is recognised on time proportion basis.
- Income from clean placements and Certificates of Investment 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.

## 3.14 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 the 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	2009 (Rupees in '000)	2008 (Rupees in '000)
<b>4 BALANCES WITH BANKS</b>			
Current accounts		895	4,796
Savings accounts		<u>187,462</u>	<u>333,308</u>
		<u>188,357</u>	<u>338,104</u>
<b>5 INVESTMENTS</b>			
<b>5.1 At fair value through profit or loss - held for trading</b>			
Equity securities - listed	5.1.1	1,228,095	980,964
Units of open end mutual funds	5.1.2	36,606	334,453
Equity securities purchased under futures sale contracts	5.1.3	-	14,927
Term finance certificates - listed	5.1.4	<u>113,918</u>	<u>100,854</u>
		<u>1,378,619</u>	<u>1,431,198</u>
<b>5.2 Available for sale</b>	5.2.1		
Term finance certificates - unlisted		<u>58,599</u>	<u>90,070</u>
Term finance certificates - listed		<u>24,005</u>	<u>-</u>
Sukuk bonds		<u>112,738</u>	<u>167,792</u>
Commercial paper		<u>-</u>	<u>23,357</u>
		<u>195,342</u>	<u>281,219</u>
		<u>1,573,961</u>	<u>1,712,417</u>

# NAFA MULTI ASSET FUND

## 5.1.1 Equity securities Listed

Name of the investee company	Number of shares					Market value as at June 30, 2009	Investment as a percentage of		
	As at July 1, 2008	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2009		Net Assets	Market Value of Total Investment	Paid-up Capital of Investee Company
(Rupees in '000)-----%									
<b>Modarabas</b>									
First Equity Modaraba	1,440,000	-	-	1,440,000	-	-	-	-	-
<b>Investment Banks / Companies</b>									
Arif Habib Investment Management Limited	-	71,795	-	71,795	-	-	-	-	-
Arif Habib Securities Limited	-	3,957,636	56,250	3,151,686	862,200	23,831	1.34	1.51	0.23
Jahangir Siddiqui Company Limited	-	2,120,000	-	1,920,000	200,000	4,638	0.26	-	0.03
JS Investments Company Limited	2,000	-	-	2,000	-	-	-	-	-
Pervez Ahmed Securities Limited	-	50,000	-	50,000	-	-	-	-	-
<b>Commercial Banks</b>									
Bank Alfalah Limited	3,180,765	6,060,496	3,044,555	12,285,816	-	-	-	-	-
BankIslami Pakistan Limited	680,000	2,366,500	-	1,232,500	1,814,000	11,555	0.65	0.73	0.34
Habib Bank Limited	-	202,400	15,080	217,480	-	-	-	-	-
MCB Bank Limited	-	2,229,805	64,801	1,999,506	295,100	45,749	2.57	2.91	0.04
Meezan Bank Limited	-	20,500	-	20,500	-	-	-	-	-
National Bank of Pakistan	1	3,081,651	103,410	2,934,601	250,461	16,788	0.94	1.07	0.02
NIB Bank Limited	-	1,500,000	-	1,500,000	-	-	-	-	-
Soneri Bank Limited	-	12,700	-	12,700	-	-	-	-	-
United Bank Limited	124,900	4,146,371	199,707	2,638,000	1,832,978	70,184	3.95	4.46	0.16
<b>Insurance Companies</b>									
Adamjee Insurance Company Limited	88,100	526,912	-	440,012	175,000	14,698	0.83	0.93	0.16
<b>Textile Spinning</b>									
D.S. Industries Limited	-	153,826	-	153,826	-	-	-	-	-
<b>Textile Composite</b>									
Artistic Denim Mills Limited	175,000	-	-	175,000	-	-	-	-	-
Azgard Nine Limited	-	3,200,829	-	2,509,829	691,000	15,299	0.86	0.97	0.15
Azgard Nine Limited (Non-voting shares)	673,000	-	134,500	500	807,000	38,179	2.15	2.43	14.61
Azgard Nine Limited (Right Allotment)	-	-	99,693	99,693	-	-	-	-	-
Dawood Lawrencepur Limited	-	34,098	-	34,098	-	-	-	-	-
Nishat Mills Limited	-	713,910	-	713,910	-	-	-	-	-
<b>Sugar &amp; Allied Industries</b>									
J.D.W Sugar Mills Limited	83,500	-	-	83,500	-	-	-	-	-
<b>Cement</b>									
D.G. Khan Cement Company Limited	-	2,204,638	-	814,638	1,390,000	41,214	2.32	2.62	0.46
Kohat Cement Company Limited	957,700	139,970	-	1,097,670	-	-	-	-	-
Lucky Cement Limited	-	5,218,100	-	3,828,100	1,390,000	81,357	4.58	5.17	0.43
<b>Refinery</b>									
Attock Refinery Limited	-	934,800	5,560	858,360	82,000	10,233	0.58	0.65	0.10
National Refinery Limited	-	45,000	-	-	45,000	9,901	0.56	0.63	0.06
Pakistan Refinery Limited	-	33,000	-	-	33,000	2,963	0.17	0.19	0.09
<b>Power Generation &amp; Distribution</b>									
The Hub Power Company Limited	800,000	6,616,158	-	3,029,000	4,387,158	118,848	6.69	7.55	0.38
<b>Oil &amp; Gas Marketing</b>									
Attock Petroleum Limited	-	31,300	-	31,300	-	-	-	-	-
Pakistan State Oil Company Limited	50,000	1,494,150	-	965,050	579,100	123,725	6.96	7.86	0.34
<b>Oil &amp; Gas Exploration</b>									
Mari Gas Company Limited	75,000	-	-	75,000	-	-	-	-	-
Oil & Gas Development Company Limited	1,159,000	5,992,107	-	4,921,100	2,230,007	175,368	9.87	11.14	0.05
Pakistan Oilfields Limited	200,000	1,977,480	119,000	2,017,900	278,580	40,645	2.29	2.68	0.12
Pakistan Petroleum Limited	400,000	2,207,144	94,750	1,867,000	834,894	158,246	8.90	10.25	0.10
<b>Engineering</b>									
Crescent Steel & Allied Products Limited	-	131,100	5,000	136,100	-	-	-	-	-
<b>Automobile Assembler</b>									
Indus Motor Company Limited	-	203,200	-	110,000	93,200	10,040	0.55	0.64	0.12
<b>Transport</b>									
Pakistan International Container Terminal Limited	-	242,405	-	242,405	-	-	-	-	-
<b>Balance carried forward</b>									
					<b>18,270,678</b>	<b>1,013,461</b>	<b>57.02</b>	<b>64.39</b>	

# NAFA MULTI ASSET FUND

Name of the investee company	Number of shares					Market value as at June 30, 2009	Investment as a percentage of			
	As at July 1, 2008	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2009		Net Assets	Market Value of Total Investment	Paid-up Capital of Investee Company	
						(Rupees in '000)-----%				
Balance brought forward						18,270,678	1,013,461	57.02	64.39	-
<b>Technology &amp; Communications</b>										
Eye Television Network Limited	289,000	2,027,500	-	1,181,500	1,135,000	32,631	1.84	2.07	2.27	
Netsol Technologies Limited	1,478,800	1,609,270	535,320	3,623,390	-	-	-	-	-	
Pakistan Telecommunication Company Limited	362,000	2,800,476	-	3,162,476	-	-	-	-	-	
<b>Fertilizer</b>										
Engro Chemical Pakistan Limited	206,255	2,635,200	400,982	2,402,250	840,187	107,905	6.07	6.86	0.28	
Fauji Fertilizer Bin Qasim Limited	337,500	5,714,951	-	4,702,451	1,350,000	23,882	1.34	1.52	0.14	
Fauji Fertilizer Company Limited	-	419,000	78,400	487,500	9,900	861	0.05	0.05	-	
<b>Chemicals</b>										
Descon Oxychem Limited	-	1,380,257	-	1,380,257	-	-	-	-	-	
Sitara Peroxide Limited	-	243,500	-	243,500	-	-	-	-	-	
<b>Paper &amp; Board</b>										
Packages Limited	-	603,791	-	484,791	119,000	18,688	1.05	1.19	0.14	
<b>Miscellaneous</b>										
Tri Pack Films Limited	-	35,700	-	35,700	-	-	-	-	-	
Pace (Pakistan) Limited	3,340,000	2,703,448	-	547,500	5,495,948	30,667	1.73	1.92	2.36	
						27,220,713	1,228,095	69.10	78.00	
Carring value as at June 30, 2009						<u>1,306,931</u>				

5.1.1.1 All shares have a nominal face value of Rs 10 each.

5.1.1.2 Investments include equity securities with market value aggregating to Rs 141.842 million (2008: Rs 189.309 million) that 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 the SECP.

## 5.1.2 Units of open-end mutual funds

Name of the investee company	Number of shares					Market value as at June 30, 2009	Investment as a percentage of			
	As at July 1, 2008	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2009		Net Assets	Market Value of Total Investment	Paid-up Capital of Investee Company	
						(Rupees in '000)-----%				
NAFA Cash Fund	18,769,434	20,752,094	1,962,028	41,483,556	-	-	-	-	-	
NAFA Income Fund	5,519,036	8,708,694	346,629	14,574,359	-	-	-	-	-	
NAFA Islamic Income Fund	7,323,758	6,737,137	361,422	10,530,959	3,891,358	36,606	2.06	2.33	7.54	
						3,891,358	36,606	2.06	2.33	
Carring value as at June 30, 2009						<u>39,421</u>				

# NAFA MULTI ASSET FUND

## 5.1.3 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, 2009 (Rs. in '000')	Investment as a percentage of		
	As at July 1, 2008	Purchases during the year	Sales during the year	As at June 30, 2009		Net Assets	Market value of total investments	Paid-up capital of investee company
Fully paid ordinary shares of Rs 10 each								
<b>Investment banks / companies</b>								
Arif Habib Securities Limited	-	19,500	19,500	-	-	-	-	-
Jahangir Siddiqui & Company Limited	22,000	-	22,000	-	-	-	-	-
<b>Commercial banks</b>								
MCB Bank Limited	10,000	-	10,000	-	-	-	-	-
<b>Textile composite</b>								
Azgard Nine Limited	-	190,000	190,000	-	-	-	-	-
Nishat Mills Limited	-	125,000	125,000	-	-	-	-	-
<b>Oil &amp; gas marketing</b>								
Pakistan State Oil Company Limited	-	3,500	3,500	-	-	-	-	-
<b>Oil &amp; gas exploration</b>								
Pakistan Oilfields Limited	-	39,000	39,000	-	-	-	-	-
Pakistan Petroleum Limited	-	20,000	20,000	-	-	-	-	-
					-	-	-	-
Carring value as at June 30, 2009					-			

## 5.1.4 Term finance certificates - listed

Name of the investee company	Number of shares				Market value as at June 30, 2009 (Rs. in '000')	Investment as a percentage of		
	As at July 1, 2008	Purchases during the year	Sales during the year	As at June 30, 2009		Net Assets	Market value of total investments	Paid-up capital of investee company
Azgard Nine Limited	3,000	-	-	3,000	11,046	0.62	0.70	0.75
Engro Chemical Pakistan Limited	8,000	-	8,000	-	-	-	-	-
Pak Arab Fertilizer Company Limited	9,000	-	-	9,000	42,899	2.41	2.73	0.90
Saudi Pak Leasing Company Limited	-	10,000	-	10,000	36,985	2.08	2.35	6.67
United Bank Limited	-	35,000	30,000	5,000	22,988	1.29	1.46	0.42
				27,000	113,918	6.41	7.24	
Carring value as at June 30, 2009					120,166			

5.1.5 The SECP vide its circular no. 26/2008 dated November 5, 2008 and circular no. 01/2009 dated January 6, 2009 has changed the basis of valuation of term finance certificates and sukuk bonds as more fully explained in 3.2.4 (a) to the financial statements.

5.1.6 All term finance certificates have a face value of Rs 5,000 each.

# NAFA MULTI ASSET FUND

## 5.2.1 Available for sale

Name of the investee company	Number of certificates / bonds				Market value as at June 30, 2009 (Rs. In '000')	Investment as a		
	As at July 1, 2008	Purchases during the year	Sales during the year	As at June 30, 2009		Net Assets	Market value of total investments	Issue size
<b>Term finance certificate - unlisted</b>								
Avari Hotel Limited	6,000	-	-	6,000	28,004	1.58	1.78	0.95
Engro Chemical Pakistan Limited	2,000	-	-	2,000	8,800	0.50	0.56	0.25
Pakistan Mobile Communications Limited	5,000	-	-	5,000	21,795	1.23	1.38	0.71
				13,000	58,599	3.30	3.72	
<b>Term finance certificate - listed</b>								
Pakistan Mobile Communications Limited	5,000	-	-	5,000	24,005	1.00	2.00	0.44
<b>Sukuk bonds</b>								
Eden Builders Limited	-	1,590	-	1,590	7,961	0.45	0.51	0.40
Engro Chemical Pakistan Limited	20,000	-	10,000	10,000	49,130	2.76	3.12	1.67
Maple Leaf Cement Factory Limited	3,000	-	-	3,000	13,502	0.76	0.86	0.19
New Allied Electronics Industries (Private) Limited (note 5.2.4)	32,000	-	-	32,000	5,719	0.32	0.36	1.33
Pak Electron Limited	8,000	-	-	8,000	36,426	2.05	2.31	3.33
				54,590	112,738	6.34	7.16	
<b>Commercial paper</b>								
Azgard Nine Limited	5,000	-	5,000	-	-	-	-	-
				72,590	195,342			
<b>Carring value as at June 30, 2009</b>					211,860			
<b>Impairment losses</b>					4,281			

5.2.2 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics which have a face value of Rs 312.50 each.

5.2.3 The SECP vide its circular no. 26/2008 dated November 5, 2008 and circular no. 01/2009 dated January 6, 2009 has changed the basis of valuation of term finance certificates and sukuk bonds as more fully explained in 3.2.4 (a) to the financial statements.

5.2.4 This represents sukuk bonds with a term of five years secured against first pari passu charge over present and future fixed assets of the investee company, with 25% margin and personal guarantee. The principal was to be redeemed from the fifteenth month of draw down by the investee company. However, on October 24, 2008, that is, the scheduled redemption date, principal redemption of Rs 0.625 million was not received by the Fund. The Fund has outstanding suspended income of Rs 1.008 million as at June 30, 2009. The management has recognised an impairment loss of Rs 4.281 million in accordance with the requirement of Circular no. 01/2009.

## 6 RECEIVABLE AGAINST CFS TRANSACTIONS

The rates of return on CFS transactions outstanding at June 30, 2008 range between 10.26% and 22.76% per annum. No transactions are outstanding as at June 30, 2009.

	Note	2009	2008
<b>7 DIVIDEND AND PROFIT RECEIVABLE</b>			
		(Rupees in '000)	
Dividend receivable on equity shares		4,499	8,064
Income accrued on Continuous Funding System (CFS) transactions		-	1,746
Profit on savings and term deposits		824	2,964
Income accrued on term finance certificates and sukuk bonds		11,575	10,285
		<u>16,898</u>	<u>23,059</u>

# NAFA MULTI ASSET FUND

	Note	2009	2008
(Rupees in '000)			
<b>8</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Security deposits with:			
- National Clearing Company of Pakistan Limited		3,500	3,500
- Central Depository Company of Pakistan Limited		100	100
Receivable against transfer sales		1,000	-
Unrealised gain on revaluation of futures sale contracts		-	425
Prepaid mutual fund rating fee		75	60
Advance tax		28	-
Prepaid National Clearing Company of Pakistan Limited (NCCPL) fee		68	-
		<u>4,771</u>	<u>4,085</u>
<b>9</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
Opening balance	9.1	1,778	2,278
Less: amortisation during the period		<u>500</u>	<u>500</u>
Balance as at June 30, 2008		<u>1,278</u>	<u>1,778</u>
<b>9.1</b>	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 January 22, 2007 as per the requirements set out in the Trust Deed of the Fund.		
<b>10</b>	<b>PAYABLE TO NATIONAL FULLERTON ASSET MANAGEMENT LIMITED – MANAGEMENT COMPANY</b>	<b>Note</b>	<b>2009</b> <b>2008</b> <b>(Rupees in '000)</b>
Management fee	10.1	3,638	5,512
Others		<u>536</u>	<u>21,445</u>
		<u>4,174</u>	<u>26,957</u>
<b>10.1</b>	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, 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 fee is being calculated at the rate of 2.5 percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears.		
<b>11</b>	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED – TRUSTEE</b>	<b>Note</b>	<b>2009</b> <b>2008</b> <b>(Rupees in '000)</b>
Trustee fee	11.1	<u>227</u>	<u>302</u>
<b>11.1</b>	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, 2009 is as follows:			
<b>Amount of funds under management (Average NAV)</b>		<b>Tariff per annum</b>	
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	

# NAFA MULTI ASSET FUND

12	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2009 (Rupees in '000)	2008
	Annual fee	12.1	<u>1,815</u>	<u>2,119</u>

**12.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund with effect from November 21, 2008. Previously, annual fee of an amount equal to one tenth of one percent of the average annual net assets was accrued under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2007.

## 13 PAYABLE ON REDEMPTION OF UNITS

Payable as at June 30, 2008 included amounts of Rs 17.766 million and Rs 0.139 million payable to NAFA Cash Fund and NAFA Income Fund respectively on transfer - out of units to these funds. No amount is payable as at June 30, 2009.

14	ACCRUED EXPENSES AND OTHER LIABILITIES	2009 (Rupees in '000)	2008
	Auditors' remuneration	240	214
	Payable to Alexandra Fund Management Pte. Limited	-	484
	Settlement charges payable	131	50
	Payable to brokers	16,354	4,392
	Dividend payable to brokers	664	3,088
	Others	<u>746</u>	<u>126</u>
		<u>18,135</u>	<u>8,354</u>

## 15 COMMITMENTS

Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase and sale transactions have not been settled as at year end

<u>-</u>	<u>146,863</u>
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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 year end

<u>-</u>	<u>15,647</u>
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## 16 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 year end.



# NAFA MULTI ASSET FUND

	2009	2008
	(Rupees in '000)	
<b>17 PROFIT ON BANK DEPOSITS</b>		
Income on savings deposits	30,670	30,432
Income on term deposits	-	669
	30,670	31,101
<b>18 AUDITORS' REMUNERATION</b>		
Audit fee	225	200
Half yearly review	90	80
Out of pocket expenses	30	10
	345	290

## 19 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 ninety 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 incurred a net loss for the year. Accordingly no tax liability has been recorded for the current year.

## 20 EARNINGS / (LOSS) PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2009 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 21 TRANSACTIONS WITH CONNECTED PERSONS

**21.1** 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 and employee benefit funds of the Management Company.

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

**21.3** 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.

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

	For the year ended June 30, 2009	For the year ended June 30, 2008
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### 21.5 Details of the transactions with connected persons are as follows:

(Rupees in '000)

#### National Fullerton Asset Management Limited - Management Company

Management fee expense for the year	49,319	52,840
Front end load	5,316	46,719

#### NAFA Provident Fund Trust

Units issued / transferred in (2008: 70,828 units)	-	800
Units redeemed / transferred out (159,757 units; 2008: Nil)	1,545	-
Bonus units issued (5,849 units; 2008: 13,992 units)	65	164

# NAFA MULTI ASSET FUND

	For the year ended June 30, 2009	For the year ended June 30, 2008
	(Rupees in '000)	
<b>National Bank of Pakistan - Sponsor</b>		
Units redeemed / transferred out (2008: 5,446,411 units)	-	63,364
Bonus units issued (2008: 1,646,411 units)	-	18,532
Cash dividend	-	4,372
<b>NIB Bank Limited - Sponsor</b>		
Units redeemed / transferred out (7,500,000 units; 2008: 1,092,750 units)	70,895	12,724
Bonus units issued (2008: 1,092,750 units)	-	12,300
Income on bank deposits	8,433	6,254
Cash dividend	3,166	2,533
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Bonus units issued (446,763 units; 2008: 1,756,914 units)	4,963	20,269
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	2,973	3,119
CDS charges	313	545
<b>Chief Executive Officer</b>		
Units issued / transferred in (2008: 9,724,169 units)	-	124,009
Units redeemed / transferred out (2008: 10,187,968 units)	-	128,562
Bonus units issued (2008: 58,982 units)	-	664
<b>Employees of Management Company</b>		
Units issued / transferred in (213,755 units; 2008: 281,699 units)	1,842	3,474
Units redeemed / transferred out (204,123 units; 2008: 353,380 units)	1,774	4,383
Bonus units issued (1,693 units; 2008: 15,344 units)	19	173
<b>NAFA Cash Fund</b>		
Units issued / transferred in (20,752,094 units; 2008: 80,255,050 units)	215,000	840,000
Units redeemed / transferred out (41,483,556 units; 2008: 61,824,900 units)	409,170	647,757
Bonus units issued (1,962,028 units; 2008: 339,284 units)	21,794	3,582
<b>NAFA Income Fund</b>		
Units issued / transferred in (8,708,694 units; 2008: 5,519,036 units)	90,000	56,000
Units redeemed / transferred Out (14,574,359 units; 2008: Nil units)	140,046	-
Bonus units issued (346,629 units; 2008: Nil units)	3,850	-
Purchase of term finance certificates	175,000	-
<b>NAFA Islamic Income Fund</b>		
Units issued / transferred in (6,737,137 units; 2008: 17,050,628 units)	70,000	175,000
Units redeemed / transferred out (10,530,959 units; 2008: 9,726,870 units)	104,864	100,000
Sale of sukuk bonds	-	50,384
Bonus units issued (361,422 units; 2008: Nil units)	4,015	-
<b>21.6 Amounts outstanding as at year / period end</b>	<b>As at June 30, 2009</b>	<b>As at June 30, 2008</b>
<b>National Fullerton Asset Management Limited - Management Company</b>		
Management fee payable	3,638	5,512
Others	536	21,445
<b>NAFA Provident Fund Trust</b>		
Investment held by Nafa Provident Fund Trust (2008: 153,908 units)	-	1,775
<b>National Bank of Pakistan - Sponsor</b>		
Investment held by the sponsor in the Fund (7,500,000 units; 2008: 7,500,000 units)	64,515	86,475
Balance in current account	895	3,722

# NAFA MULTI ASSET FUND

	As at June 30, 2009	As at June 30, 2008
	(Rupees in '000)	
<b>NIB Bank Limited - Sponsor</b>		
Investment held by the sponsor in the Fund (2008: 7,500,000 units)	-	86,475
Balance in savings account	147,224	125,181
Profit receivable on bank deposits	-	572
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment held by the sponsor in the Fund (12,203,676 units; 2008: 11,756,914 units)	104,976	135,557
Profit payable by the Fund on pre-IPO investment	-	484
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	227	302
CDS charges	131	50
Security deposit	100	100
<b>Employees of Management Company</b>		
Investment held by the executives in the Fund (55,883 units; 2008: 44,558 units)	481	514
<b>NAFA Cash Fund</b>		
Investment held by the Fund (Nil units; 2008: 18,769,434 units)	-	202,276
<b>NAFA Income Fund</b>		
Investment held by the Fund (Nil units; 2008: 5,519,036 units)	-	56,353
<b>NAFA Islamic Income Fund</b>		
Investment held by the Fund (3,891,358 units; 2008: 7,323,758 units)	36,606	75,824

## 22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	-----2009-----	
	Qualification	Experience
1. Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	21
2. Sajjad Anwar	MBA, CFA	09
3. Rukhsana Narejo	MBA (Banking and Finance), CFA	09
4. Khurram Shehzad	MBA (Finance), CFA	11
5. Abdul Rehman Warriach	B.A, LLB, CFA, FRM	14

22.1 Khurram Shehzad is the manager of Nafa Multi Asset Fund and NAFA Stock Fund.

# NAFA MULTI ASSET FUND

## 23 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

		<b>2009</b>
1	Fortune Securities (Private) Limited	7.76%
2	Live Securities (Private) Limited	6.28%
3	Taurus Securities Limited	6.11%
4	Saao Capital Securities (Private) Limited	5.39%
5	KASB Securities Limited	5.14%
6	JS Global Capital Markets	5.00%
7	Moosani Securities (Private) Limited	4.70%
8	Alfalah Securities Limited	4.26%
9	Invest Capital & Securities Limited	4.17%
10	Invisor Securities (Private) Limited	4.02%
		<b>2008</b>
1	Fortune Securities (Private) Limited	7.63%
2	Global Securities Pakistan Limited	6.77%
3	Khoja Capital Management (Private) Limited	6.04%
4	Foundation Securities Limited	5.12%
5	Invest Capital & Securities (Private) Limited	4.80%
6	Invisor Securities (Private) Limited	4.64%
7	Invest and Finance Securities (Private) Limited	4.30%
8	Moosani Securities (Private) Limited	4.22%
9	Saao Capital Securities (Private) Limited	3.89%
10	Taurus Securities Limited	3.63%

## 24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 17th, 18th, 19th, 20th and 21st Board meetings were held on July 3, 2008, August 11, 2008, October 16, 2008, February 17, 2009 and April 17, 2009 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	
Mr. Masood Karim	5	3	2	18th 21st, meeting
Dr Amjad Waheed	5	5	-	
Mr. Gerard Lee How Cheng	5	5	-	
Mr. Iqbal Hassan (Resigning Director)	3	2	1	19th meeting
Patrick Pang Chin	5	5	-	
Shahid Anwar Khan	5	4	1	20th meeting
Masroor Ahmed Qureshi (Resigning Director)	1	-	1	17th meeting
Habib Yousuf Habib (Resigning Director)	1	1	-	
Rayomond H. Kotwal (New Director)	3	2	1	20th meeting
Syed Naseer ul Hasan (New Director)	3	3	-	

# NAFA MULTI ASSET FUND

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2009-----			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----			
<b>Assets</b>			
Balances with banks	188,357	-	188,357
Receivable against sale of investments	16,473	-	16,473
Investments	-	1,378,619	1,573,961
Dividend and profit receivable	16,898	-	16,898
Advances, deposits and other receivables	4,600	-	4,600
	<u>226,328</u>	<u>1,378,619</u>	<u>1,800,289</u>

-----As at June 30, 2009-----			
Liabilities at fair value through profit or loss	Other financial liabilities	Total	
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company	-	4,174	4,174
Payable to Central Depository Company of Pakistan Limited - Trustee	-	227	227
Accrued expenses and other liabilities	-	18,135	18,135
	-	<u>22,536</u>	<u>22,536</u>

-----As at June 30, 2008-----			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----			
<b>Assets</b>			
Balances with banks	338,104	-	338,104
Receivable against sale of investments	154,480	-	154,480
Investments	-	1,431,198	1,712,417
Receivable against Continuous Funding System (CFS) transactions	453,294	-	453,294
Dividend and profit receivable	23,059	-	23,059
Advances, deposits and other receivables	4,025	-	4,025
	<u>972,962</u>	<u>281,219</u>	<u>2,685,379</u>

-----As at June 30, 2008-----			
Liabilities at fair value through profit or loss	Other financial liabilities	Total	
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company	-	26,957	26,957
Payable to Central Depository Company of Pakistan Limited - Trustee	-	302	302
Payable on redemption of units	-	17,991	17,991
Accrued expenses and other liabilities	-	8,354	8,354
	-	<u>53,604</u>	<u>53,604</u>

# NAFA MULTI ASSET FUND

## 26 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 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 prices.

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.

Market risk comprises of three types of risk: currency risk, yield / interest rate risk and other price risk.

#### 26.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

#### 26.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Presently, the Fund holds KIBOR based interest bearing term finance certificates and sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 960.046 million (2008: Rs 701.045 million).

Presently, the Fund holds no fixed rate debt instruments.

The composition of the Fund's debt investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

-----As at June 30, 2009-----					
Rate of return in percentage	Total	--Exposed to yield / interest rate risk--			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
-----Rupees in '000-----					
<b>On-balance sheet financial instruments</b>	%				
<b>Financial assets</b>					
Balances with banks	1.30 - 15.00	188,357	187,462	-	895
Receivable against sale of investments		16,473	-	-	16,473
Investments	10.42 - 18.35	1,573,961	-	309,260	1,264,701
Dividend and profit receivable		16,898	-	-	16,898
Advances, deposits and other receivables		4,600	-	-	4,600
		<u>1,800,289</u>	<u>187,462</u>	<u>309,260</u>	<u>1,303,567</u>
<b>Financial liabilities</b>					
Payable to National Fullerton Asset Management Limited - Management Company		4,174	-	-	4,174
Payable to Central Depository Company of Pakistan Limited - Trustee		227	-	-	227
Accrued expenses and other liabilities		18,135	-	-	18,135
		<u>22,536</u>	<u>-</u>	<u>-</u>	<u>22,536</u>
<b>On-balance sheet gap</b>		<u>1,777,753</u>	<u>187,462</u>	<u>309,260</u>	<u>1,281,031</u>

# NAFA MULTI ASSET FUND

-----As at June 30, 2008-----

Rate of return in percentage	Total	--Exposed to yield / interest rate risk--			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

-----Rupees in '000-----

On-balance sheet financial instruments	%					
<b>Financial assets</b>						
Balances with banks	1.30 - 13.00	338,104	333,308	-	-	4,796
Receivable against sale of investments		154,480	-	-	-	154,480
Investments	10.42 - 15.14	1,712,417	1,250	380,823	-	1,330,344
Receivable against Continuous Funding System (CFS) transactions	10.26 - 22.76	453,294	453,294	-	-	-
Dividend and profit receivable		23,059	-	-	-	23,059
Advances, deposits and other receivables		3,600	-	-	-	3,600
		<u>2,684,954</u>	<u>787,852</u>	<u>380,823</u>	<u>-</u>	<u>1,516,279</u>
<b>Financial liabilities</b>						
Payable to National Fullerton Asset Management Limited - Management Company		26,957	-	-	-	26,957
Payable to Central Depository Company of Pakistan Limited - Trustee		302	-	-	-	302
Payable against redemption of units		17,991	-	-	-	17,991
Accrued expenses and other liabilities		8,354	-	-	-	8,354
		<u>53,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,604</u>
<b>On-balance sheet gap</b>		<u>2,631,350</u>	<u>787,852</u>	<u>380,823</u>	<u>-</u>	<u>1,462,675</u>
<b>Off-balance sheet financial instruments</b>						
CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase and sale transactions have not been settled as at June 30, 2008	14.05 - 23.20	146,863	146,863	-	-	-
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		15,647	-	-	-	15,647
<b>Off-balance sheet gap</b>		<u>162,510</u>	<u>146,863</u>	<u>-</u>	<u>-</u>	<u>15,647</u>

## 26.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Fund manages price risk by limiting individual equity securities to not more than ten percent of net assets attributable to holders of the Fund's assets. Moreover, the sector limits have also been restricted to twenty five percent. The equity investments either classified as "available for sale" or "fair value through profit or loss" are listed in the Karachi Stock Exchange. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed on a regular basis by the investment committee as well as the Board of Directors.

Presently, the Fund holds equity instruments at 'fair value through profit or loss' that expose the Fund to cash flow price risk. In case 5% increase / decrease in KSE 100 index, the net assets of the Fund and net income for the year would have been higher / lower by Rs 68.494 million (2008: 51.975 million).

## 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.

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.

The analysis below summarises the credit quality of the Fund's financial assets:

# NAFA MULTI ASSET FUND

## Balances with banks

	2009	2008
	(Rupees in '000)	
A1+, A2, A-1+, A1, A3	188,357	338,104
	<u>188,357</u>	<u>338,104</u>

## Investments - Term finance certificates and sukuk bonds

AA+ , AA , AA-	180,663	111,029
A+ , A , A-	85,893	50,535
BBB+ , BBB , BBB-	36,985	-
D	5,719	-
Non-rated	-	220,509
	<u>309,260</u>	<u>382,073</u>

Receivable against investment represent receivable from clearing house where credit risk is minimal due to inherent systematic measures taken therein. Dividend receivable does not carry any credit risk due to statutory protection.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2009 is the carrying amount of the financial assets. The term finance certificates and sukuk held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets.

## 26.3 Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

The Fund did not withhold any redemptions during the year except for the period from October 6, 2008 to January 6, 2009 for the reason mentioned below.

During the year, due to the introduction of a 'floor' on the equity prices at the stock exchanges and to protect the interest of the unit holders, SECP issued circular no. 23 of 2008 dated October 7, 2008 directing all asset management companies managing open end schemes with direct exposure to equity securities to suspend pricing, issuance and redemption of units till third business day after the floor is removed at the stock exchanges. The Management Company, in compliance with the said circular, suspended the pricing, issuance and redemption of units of the Fund with effect from October 7, 2008. On removal of the 'floor' on December 15, 2008, the Management Company, in exercise of the powers conferred by the NBFC Regulations and the Trust Deed, continued the suspension due to persistent inadequate trading volumes and lack of price discovery in the equity market. From January 5, 2009, the Management Company has withdrawn the suspension in dealing in the Fund and all outstanding investment, redemption and conversion forms were then processed.



# NAFA MULTI ASSET FUND

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cashflows.

-----As at June 30, 2009-----				
Total	Upto three months	Over three months and upto one year	Over one year	
-----Rupees in '000-----				
<b>Financial liabilities</b>				
Payable to National Fullerton Asset Management Limited – Management Company	4,174	4,174	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	227	227	-	-
Accrued expenses and other liabilities	18,135	18,135	-	-
	<u>22,536</u>	<u>22,536</u>	<u>-</u>	<u>-</u>

-----As at June 30, 2008-----				
Total	Upto three months	Over three months and upto one year	Over one year	
-----Rupees in '000-----				
<b>Financial liabilities</b>				
Payable to National Fullerton Asset Management Limited – Management Company	26,957	26,957	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	302	302	-	-
Payable on redemption of units	17,991	17,991	-	-
Accrued expenses and other liabilities	8,354	8,354	-	-
	<u>53,604</u>	<u>53,604</u>	<u>-</u>	<u>-</u>

## 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.

Currently, the Fund has no restrictions on the subscription and redemption of units and no specific capital.

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 29, 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.

Pattern of unit holding is as follows:

CATEGORY	As at June 30, 2009		
	Number of unit holders	Investment amount	Percentage Investment
(Rupees in '000)			
Individuals	1,158	198,945	11.19%
Associated companies / Directors	2	169,491	9.54%
Insurance companies	4	111,192	6.26%
Banks / DFIs	1	3,535	0.20%
Retirement funds	65	902,112	50.75%
Public limited companies	10	340,748	19.17%
Others	14	51,364	2.89%
	<u>1,254</u>	<u>1,777,387</u>	<u>100.00%</u>

# NAFA MULTI ASSET FUND

CATEGORY	As at June 30, 2008		
	Number of unit holders	Investment amount	Percentage Investment
	(Rupees in '000)		
Individuals	2,276	393,267	14.94%
Associated companies / Directors	3	308,507	11.72%
Insurance companies	6	143,584	5.46%
Banks / DFIs	7	4,565	0.17%
Retirement funds	-	-	-
Public limited companies	4	301,843	11.47%
Others	143	1,479,728	56.24%
	<u>2,439</u>	<u>2,631,494</u>	<u>100.00%</u>

## 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 tradable 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 August 31, 2009.

## 30 GENERAL

30.1 Figures have been rounded off to the nearest thousand rupees.

30.2 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed, CFA  
Chief Executive

Masood Karim Shaikh, FCA  
Chairman

# NAFA MULTI ASSET FUND

Performance Table	For the year ended June 30, 2009	For the year ended June 30, 2008	For the year ended June 30, 2007
Net assets (Rs '000)	1,777,387	2,631,494	1,248,644
Net income (Rs '000)	(540,522)	125,571	280,409
Net Asset Value per unit (Rs)	8.6020	11.1079	11.2560
Selling price per unit	8.8601	11.4538	11.6429
Repurchase price per unit	8.6020	11.1079	11.2560
Highest offer price per unit (Rs)	11.3735	12.8755	11.6447
Lowest offer price per unit (Rs)	6.6153	10.5951	8.6484
Highest redemption price per unit (Rs)	11.0422	12.4484	11.2578
Lowest redemption price per unit (Rs)	6.4226	10.2644	8.3487
<b>Total Return of the fund</b>	-22.56%	5.43%	28.96%
Capital Growth	-22.56%	-1.32%	12.56%
Income Distribution	0.00%	6.75%	16.40%
<b>Distribution</b>			
Interim distribution per unit	-	0.3377	
Final distribution per unit	-	0.4221	1.6400
<b>Distribution dates</b>			
Interim distribution	-	15-Apr-08	
Final distribution	-	3-Jul-08	5-Jul-08
<b>Average annual return (Launch date January 22, 2007)</b>			
Since Inception to June 30, 2009	4.98%		
Since Inception to June 30, 2008		35.56%	
Since Inception to June 30, 2007		-	28.96%
Portfolio Composition (See Fund Manager Report)		-	

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

