



**Manzoor Ahmed | Acting Managing Director / Chairman  
National Investment Trust Limited**

## CHAIRMAN'S REVIEW

# TO OUR UNIT HOLDERS

I am pleased to present the financial performance of NIT's family of funds for the first quarter ended September 30, 2013.

The economic growth of Pakistan remained under pressure due to deterioration of major economic factors. Severe energy shortages along with sensitive security condition of the country have further impacted the economic output and slowed the overall recovery process. The uncertainties associated with the global economy have further complicated the issues and economic scenario.

During the first quarter ended on September 30, 2013, the KSE-100 Index closed at 21,833 level witnessing a 3.94% growth from 21,005 level on June 30, 2013. The State Bank of Pakistan (SBP) also increased the discount rate by 50 bps to reach the level of 9.5% during this period.

We at NIT are ready to tackle the challenges in a positive manner and endeavor to achieve satisfactory results.

It may be noted that the previous accounting policy of recognition and determination of "element of income" caused unnecessary volatility on the bottom line earning of

the Fund as it heavily depends upon sale & repurchase of units rather than purely on actual performance of the Portfolio management. It overshadowed the core earnings realized through operating activities of the Fund. After a thorough study, the issue of "element of income" was discussed at length in the meeting of the Board of Directors in the presence of Auditors wherein it was decided to resolve this issue once for all across all funds under management of NITL. After approval from Board of Directors, an appropriate policy for "element of income", as per the international accounting standards and industry practices, has been adopted effective from 1st July 2013.

## 1) NATIONAL INVESTMENT (UNIT) TRUST - NI(U)T

During the first quarter, your Fund outperformed the benchmark of KSE-100 Index by a margin of 0.85%. The NAV of the Fund increased from Rs. 38.66 (Ex-dividend) as on June 30, 2013 to Rs. 40.51 on September 30, 2013 giving a total return of 4.79% against an increase of 3.94% in the benchmark KSE 100 Index, which increased from 21,005 levels on June 30, 2013 to 21,833 as on September 30, 2013.

During the period under review, the Fund registered a 333% growth in realized capital gains which increased to Rs. 761 million during the quarter ended September 30, 2013 against Rs. 176 million during the corresponding quarter of last year whereas, dividend income showed an increase of 14% to Rs. 538 million as against Rs. 473 million in the corresponding quarter of last year. Due to the healthy growth in capital gains and dividend income, net income from operating activities stood at Rs.1290 million, showing a remarkable growth of 63% as against an amount of Rs. 791 million in the corresponding quarter of last year. The Fund earned a net income for the period amounting to Rs. 1,247 million as against an income of Rs. 184 million in the same period of the last year, showing an increase of 578% (an increase of EPU by 693% from Re. 0.14 per unit to Rs. 1.11 per unit).

During the period, gross sale of units aggregated to an amount of Rs. 1,439 million (excl. CIP) against Rs. 411 million during the corresponding period last year, an increase of 250%.

Highlights of the financial performance of the fund is as follows:

### Financial Performance of NI(U)T

	SEP 2013 (Rs. Million)	SEP 2012 (Rs. Million)	Change (%)
Capital Gains	761	176	333%
Dividend Income	538	473	14%
Net Income	1,247	184	578%
Unit holders' Funds	45,649	40,402	13%
NAV (Rs per Unit)	40.51	30.05	35%
Earnings per Unit (Rs)	1.11	0.14	693%
Transactions in shares			
Buying - Shares	10	133	(92)%
Selling – Shares	1,376	354	289%
Gross Sale of Units (excl. CIP)	1,439	411	250%

## 2) NIT STATE ENTERPRISE FUND - NIT SEF

The Fund realized capital gains of Rs. 1,331 million for the first quarter under review against Rs. 674 million in the corresponding quarter last year, depicting a growth of 98%, whereas dividend income earned by the Fund stood at Rs. 142 million against Rs. 243 million of corresponding quarter last year. Due to remarkable growth in realized capital gains, net income from operating activities increased by 57% i.e. from Rs. 890 million of last quarter to Rs. 1,394 million this quarter. During the quarter under review, the Fund earned a net income of Rs. 1,349 million translating into an earning per unit of Rs. 9.25 against Rs. 538 million translating into an earning per unit of Rs. 4.25 in September 30, 2012, growth of 117.65%. The Net Asset Value of units of NIT-SEF increased by 5.56% from Rs. 112.84 as on June 30, 2013 (EX-Dividend) to Rs. 119.11 as on September 30, 2013 compared to the benchmark KSE-100 index which increased by 3.94% during the same period, hence reflecting an outperformance of 1.62%.

Highlights of the financial performance of the fund is as follows:

#### Financial Performance of NIT SEF

	SEP 2013 (Rs. Million)	SEP 2012 (Rs. Million)	Change (%)
Capital Gains	1,331	674	98%
Dividend Income	142	243	(42)%
Net Income	1,349	538	151%
Unit holders' Funds	16,497	21,533	(23)%
NAV (Rs per Unit)	119.12	94.74	26%
Earnings per Unit (Rs)	9.25	4.35	113%
Transactions in shares			
Buying – Shares	133	14	850%
Selling – Shares	2,221	1,343	65%

#### Repayment of Loan to Financier

NIT State Enterprise Fund (NIT SEF) was established in January 2009 to support the stock market by investing in the eight stocks of State owned/ controlled Enterprises. Financing was obtained by NITL from institutions for the purpose of investments in units of NIT SEF pursuant to establishment of NIT SEF.

During the quarter under review, NITL repaid Rs. 2.05 billion principal and interest thereon to all respective lenders from internally generated cash. It is worth mentioning that till September 30, 2013, NIT has repaid Rs. 15.75 billion to the lenders against principal obligations without even hurting the sentiments of the stock market. By repayment of Rs. 15.75 billion, the principal obligations now stands reduced from Rs. 17.2 billion to Rs. 1.45 billion.

### 3) NIT EQUITY MARKET OPPORTUNITY FUND - NIT EMOF

The Fund realized capital gains of Rs. 129 million as against Rs. 107 million of the corresponding quarter of the last year showing an increase of 21%, whereas dividend income earned by the Fund stood at Rs. 89 million against Rs. 57 million of the quarter ended September 2012, showing an increase of 56%. Due to the better earnings from capital gains and dividend income, net income from operating activities increased by 4% i.e. from Rs. 182 million in the quarter ended September 30, 2012 to Rs. 189 million this quarter. The Net Asset Value of units of NIT-EMOF increased by 1.87% from Rs.160.68 as on June 30, 2013 (EX-Dividend) to Rs. 163.74 as on September 30, 2013, compared to the benchmark KSE-100 index which increased by 3.94% during the period under review. The EPU of the Fund also showed a growth of 7% from Rs. 3.81 per unit to Rs. 4.07 per unit.

The Fund continued to redeem units to the four institutional investors who had invested in the Fund to support the stock market. During the period under review, 15% redemption of outstanding unit holding was offered and a redemption amount of Rs. 715 million was paid to unit holders.

Highlights of the financial performance of the fund is as follows:

#### Financial Performance of NIT EMOF

	SEP 2013 (Rs. Million)	SEP 2012 (Rs. Million)	Change (%)
Capital Gains	129	107	21%
Dividend Income	89	57	56%
Net Income	180	180	-
Unit holders' Funds	7,043	6,430	10%
NAV (Rs per Unit)	163.73	139.57	17%
Earnings Per Unit (Rs)	4.07	3.81	7%
Transaction in shares			
Buying – Shares	195	25	680%
Selling – Shares	252	260	(3)%

## 4) NIT GOVERNMENT BOND FUND - NIT GBF

The Fund earned a net income of Rs. 78 million during the quarter ended 30 September 2013, whereas it earned an annualized return 5.83% for its unit holders.

The Fund is currently invested around 99% of the total assets in Government Securities mainly comprising of Treasury Bills, while the remaining is in the form of cash and other assets.

The Fund has continued investing in short and medium tenor treasury bills to generate superior returns and suitably manage risk for its unit holders.

Highlights of the financial performance of the fund is as follows:

#### Financial Performance of NIT GBF

	SEP 2013 (Rs. Million)	SEP 2012 (Rs. Million)	Change (%)
Net Income	78	77	1%
Unit holders' Funds	4,333	3,230	34%
NAV (Rs. per Unit)	10.2315	10.2856	(1)%
Earnings Per Unit (Rs.)	0.1753	0.2451	(28)%
Transactions in T – Bills			
Purchases	1,908	2,024	(6)%
Sales	2,516	367	586%
Gross Sale of Units	656	496	32%

## 5) NIT INCOME FUND - NIT IF

The Fund earned an income of Rs. 65 million from government securities during the quarter ended 30 September 2013 as against an amount of Rs. 49 million in the corresponding period last year thereby showing an increase of 34%. Net income of the Fund stood at Rs. 67 million during the quarter ended 30 September 2013, whereas it earned an annualized return of 6.25% for its unit holders.

NIT IF will continue to build a portfolio within the investment avenues available while remaining cautious of quality of assets and scenario.

Highlights of the financial performance of the fund is as follows:

### Financial Performance of NIT IF

	SEP 2013 (Rs. Million)	SEP 2012 (Rs. Million)	Change (%)
Net Income	67	80	16%
Unit holders' Funds	3,376	2,807	20%
NAV (Rs per Unit)	10.3761	10.6034	(23)%
Earnings Per Unit (Rs)	0.1945	0.3115	(38)%
Transactions in Government Securities			
Purchases	2,581	1,474	75%
Sales	1,326	346	283%
Gross Sale of Units	314	301	4%

## FUTURE PROSPECTS

Overall economic prospects seem challenging under the existing uncertain domestic & global business environment. Further, the widening fiscal deficit, declining foreign exchange reserves and law and order situation have also affected the GDP growth rate.

Hopefully, the situation is expected to improve in the period ahead. Of course, much of it will depend on the implementation of key economic policy measures relating efficient management of the economy.

NIT being the largest Mutual Fund in the industry envisages to continue playing a dominating role in promoting a broad based participation in the country's equity and money markets in the years to come. I remain optimistic that NIT will keep playing an effective role in the further development of capital markets in the country and also to provide superior returns to its investors in the year to come.

## CONCLUSION

I would like to thank our unit holders for demonstrating their unshakable trust and faith in us. I am also thankful to the NIT employees for their hard work and dedication. I would also like to thank our Trustees - National Bank of Pakistan & Central Depository Company of Pakistan Limited, the Securities Exchange Commission of Pakistan, State Bank of Pakistan and the Ministry of Finance for their continued guidance, cooperation and support.

Yours truly,

**Chairman**

**Date: October 10, 2013**

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