

FUND MANAGER REPORT - AUGUST 2010

Fund's Basic Informations

Fund Type	Open-End
Category	Income Fund
Launch Date	18 th November, 2009
Listing	KSE, LSE & ISE
Stability Rating	Not Rated
Management Fee	1.25%
Front End Load	1.00%
Back End Load	Nil
Cutt-off timing	3.30 PM
Par Value	PKR 10.00
Min Subscription	Growth Unit PKR 5,000 Income Unit PKR 100,000
Trustee	Central Depository Co. (CDC)
Auditors	A.F Ferguson & Co.
Registrar	National Investment Trust Ltd.
Pricing Mechanism	Forward Pricing
Valuation Days	Daily (Monday to Friday) except public holiday
Redemption Days	Daily (Monday to Friday) except public holiday
Subscription Days	Each valuation day
AMC Rating	AM2 (PACRA)
Risk Profile	Low
Fund Manager	Khurram Aftab Ahmed

Benchmark

Average of weighted average yield of 6 month T-Bill auctions held during the period	70%
1 month average deposit rate of A rating and above schedule banks	30%

Technical Information

Net Assets	PKR 2.8 Bln
Nav per Unit (31st Aug 2010)	10.1611
Weighted Average Maturity	305
Leveraging	Nil
Standard Deviation	0.07

Return History

	NIT-GBF*	Benchmark
July-10	10.45%	10.53%
August-10	9.57%	10.80%
Year to Date	9.99%	10.65%
Since Inception	10.60%	10.47%
FY 2010	10.77%	10.42%

* Morning Star Method

Objective of the fund

The objective of NIT Government Bond Fund is to generate best possible return with minimum risk, for its Unit Holders, by investing primarily in the Government Securities.

Profile of Investment Managers

National Investment Trust Ltd. (NITL) is the first Asset Management Company of Pakistan, formed in 1962. NITL is the largest asset management company of Pakistan with approximately Rs. 69 billion assets under management. In order to cater to varied needs of investors, NITL for the very first time in the 48 years history of the company, ventured into fixed income category by launching two Funds in the FY10. NIT Government Bond Fund, a very low risk product was launched in Nov. 2009 followed by NIT Income Fund which was introduced in Feb. 2010. With the launching of these two funds the family of Funds of NIT has increased to six funds including 4 equity Funds and 2 fixed income Funds. NIT's distribution network comprises of 19 NIT branches, various Authorized bank branches all over Pakistan and Arab Emirates Investment Bank (AEIB) in Dubai (UAE). The Board of Directors of NITL consists of representatives of leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. During the year rating of NITL has also been improved by one notch to "AM2" by Pakistan Credit Rating Agency (PACRA), which denotes very strong capacity to manage risks inherent in asset management and the asset manager meets very high investment management industry standards and benchmarks. All Investment decisions are taken by the Investment Committee of NITL.

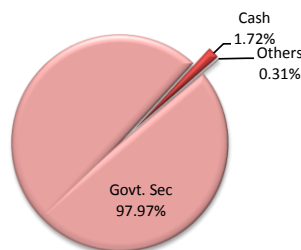
Fund Performance Review

Consumer Price Index (CPI) for July FY11 was recorded at 12.34% YoY. Significant increase in food prices (12.78% YoY) and fuel and lighting (21.79% YoY) primarily contributed to the increase in headline inflation as its weightage contributes significantly towards CPI. Current account deficit was recorded at USD635mn during July 2010, although the deficit was lower by USD10mn when compared to same period last year. However on a monthly basis it recorded an increase of 44% from Jun 2010. Impressive trend of home remittances was witnessed throughout the last fiscal year and it continued in the first month of the current fiscal year with an amount of USD791mn in July FY11 as against USD744mn in July FY10.

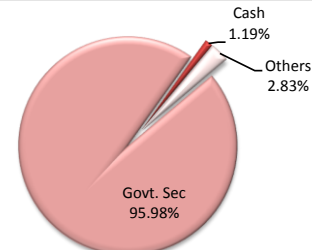
Money Market during the month remained on the upper band as SBP continued to intervene through frequent OMOs to efficiently manage liquidity. During the month under review SBP conducted two T-Bill auctions. The cut off rates increased on the back of rise in discount rate for all three tenors and ranged from 29 to 41 bps as compared to previous month. Cut off rates stood at 12.5171%, 12.6649% & 12.7873% for 3, 6 & 12 months tenor respectively.

NIT Government Bond Fund (NIT GBF) yielded an annualized return of 9.57% in July 2010 in comparison to the benchmark return of 10.80%, whereas, the Fund's annualized return since its inception (18th November 2009) was 10.60% against the benchmark return of 10.47%, an out-performance of 13 bps. The current month's return was lower due to the increase in the discount rate however returns will normalize during the coming month. In anticipation of rising interest rates, exposure in short term T-Bills was increased during the month. The weighted average maturity of the T-Bill portfolio has decreased to 128 days from 175 days over the last month. NIT GBF has around 96% of its total assets invested in Govt. Securities, while the remaining portion of the fund is in the form of cash with bank and others. NIT GBF will keep its strategy to invest in shorter tenor securities in the coming months due to uncertainty in the market so that it would best safeguard the interest of its unit holders.

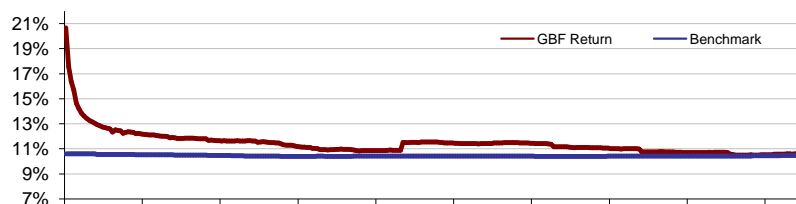
Asset Allocation as of Jul 2010



Asset Allocation as of Aug 2010



NIT-GBF Since Inception Return v/s Benchmark



Members of the Investment Committee

Wazir Ali Khoja - Managing Director

Manzoor Ahmed - Chief Operating Officer

Amir Amin - Head of Finance

Shahid Anwer - Head of MD's Sectt. & Personnel

Zubair Ahmed - Controller of Branches

Khurram Aftab - Fund Manager

Disclaimer: This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All Investments in Mutual Funds and Securities are subject to Market Risks. Our target return/dividend range can not be guaranteed. NIT-GBFs unit price is neither guaranteed nor administered/managed. It is based on Net Asset Value (NAV) and the NAV of NIT-GBF Units may go up or down depending upon the factors and forces affecting the Market. Past performance is not indicative of future results.

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