

FUND MANAGER REPORT - OCTOBER 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

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. 75 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 in to 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 September 2010 registered a YoY increase of 15.71% due to high food and energy prices, whereas average inflation during July – September 2010 registered a YoY increase of 13.77%. Current account deficit showed a decline of 7% YoY during the 1QFY11 mainly on account of higher home remittances.

Money Markets remained liquid during October 2010. SBP conducted two T-Bill auctions in which cut off rates were increased from previous month by 4 to 43 bps to 12.7933%, 13.1193% and 13.2175% in 3, 6 and 12 months respectively. After rejecting bids in first two PIB auctions, Government accepted PKR6.38bn in third PIB auction of FY11 against the target of PKR20bn. Majority of accepted amount was in the 10 year tenor and the cut off rate was of 14.09%. The cut off for the 3, 5 and 20 year was at 13.89%, 13.99% and 14.19% respectively, while bids for 7, 15 and 30 year were rejected.

NIT Government Bond Fund (NIT GBF) yielded an annualized return of 11.35% for the month of October 2010, surpassing its benchmark by 21 bps. Whereas, the Fund's annualized year to date return stood at 10.37%. The fund remains invested at around 96% of total assets in Govt. Securities, while the remaining portion of the fund is in the form of cash with banks and others.

The fund is continued to adopt a cautious approach by investing in short term Treasury Bills owing to further tightening of monetary policy in subsequent months.

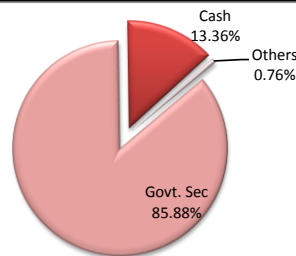
Benchmark

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%

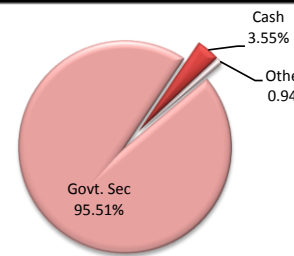
Technical Information

Net Assets	PKR 3.03 Bln
Nav per Unit (31st Oct 2010)	10.3359
Weighted Average Maturity	261
Leveraging	Nil
Standard Deviation	0.03

Asset Allocation as of Sep 2010



Asset Allocation as of Oct 2010

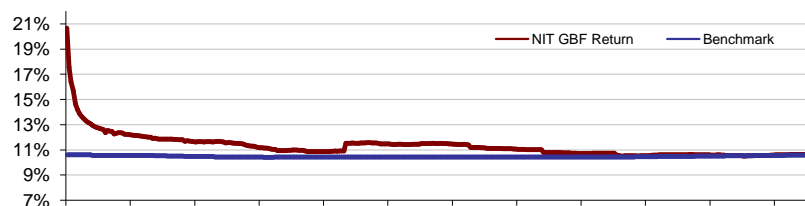


Return History

	NIT-GBF*	Benchmark
September-10	10.13%	10.92%
October-10	11.35%	11.14%
Year to Date	10.37%	10.84%
Since Inception	10.63%	10.57%
FY 2010	10.77%	10.42%

* Morning Star Method

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/ Comp. Secretary	Khurram Aftab - Fund Manager

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