

## NAFA Funds — exploring a new possibility

**D**r Amjad Waheed holds a doctorate degree in Business Administration with a major in Investments and Finance from Southern Illinois University, USA and is also a Chartered Financial Analyst (CFA). Dr Amjad has been associated with NAFA since its inception in 2006. Prior to joining NAFA, he served as the head of Equity Mutual Funds and Portfolios at Riyadh Bank, Saudi Arabia for five years where he managed around 7.5 billion US dollars invested in 22 mutual funds. Before that, Dr Amjad was the Head of Asset Management at NIT and Chief Operating Officer of FC ABN AMRO Equities for several years. Before moving back to Pakistan, he worked as Assistant Professor of Finance at Tennessee State University, USA and published several articles in top journals of the world such as the Journal of Banking and Finance and Financial Management.

Following is an interview with Dr Amjad Waheed.

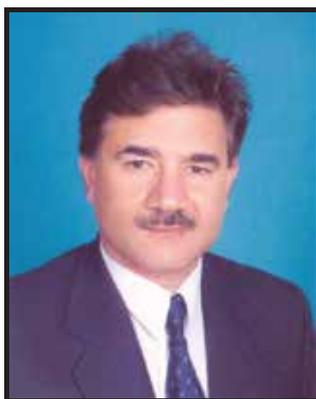
### What is the success story of NAFA since its inception?

NAFA is a joint venture between National Bank of Pakistan and Fullerton Fund Management Company of Singapore. It is now in its tenth year of operation. We are among the top four highest rated asset management companies in the country that have been awarded an AM2+ rating. The rating agency, PACRA, states that "The rating reflects the company's strong capacity to manage risks inherent in the asset management business.

The Asset Manager meets high investment management industry standards and benchmarks. We are presently managing over 40 billion rupees of investors' money.

### What are the key products and services offered by NAFA?

Investors' risk, return profile and investment needs differ. Recognising this, NAFA has launched mutual funds and pension funds in the low, medium and high-risk / return categories. We have a number of shariah-compliant Mutual and Pension Funds as well, and this is our fastest-growing area. In addition, we have over 100 investment advisory mandates from corporations and high-networth individuals to manage their employees' or personal funds. Our flagship fund is NAFA Stock Fund that has provided a 353 percent return to its investors over the last five years. This means that if someone invested one crore rupees in the fund five years ago, that investment is worth 4.5 crores today. The Fund has comprehensively beaten its benchmark (KSE 100 Index) and the Peer Group during this period.



**Dr. Amjad Waheed, CFA**  
Chief Executive Officer

NBP Fullerton Asset Management Limited (NAFA)

### What are the tax benefits of investing in Mutual and Pension Funds?

Mutual Funds and Pension Funds offer attractive tax benefits to individual investors. By investing in Mutual Funds, an individual investor can reduce his / her tax liability by 20 percent whereas by investing in Pension Funds, the investor can further reduce the tax liability by 20 to 50 percent, depending upon the age of the investor. Furthermore, long term gains realised by the investors are tax-free, making Mutual Fund/Pension Funds attractive investment options for the investors. In the recent budget, the maximum investment amount to claim tax benefit has been increased from one million to 1.5 million rupees that should further enhance the savings rate in the country.

### What are the future prospects for the industry?

In Pakistan, the total size of the Mutual Fund industry is 444 billion rupees (4.4 billion US dollars), which is 1.8 percent of Pakistan's GDP (economy). In India, the total size of the Mutual Fund industry is 191 billion US dollars, which is 9.3 percent of India's GDP. If the Mutual Fund industry in Pakistan had grown at the same pace as in India, the total size of the Mutual Fund industry would have been 24 billion US dollars rather than 4.4 billion US dollars. This would have helped to increase the savings and investment rates of Pakistan, which at around 15 percent of GDP is among the lowest in the world. This would have also helped the government reduce its reliance / borrowing on foreign donors and countries. To help increase the size of the Mutual Fund industry, the government needs to facilitate the industry and remove impediments in its growth. SECP is already playing a key role in bringing the industry regulations in line with international standards. To this end, SECP is in the process of amending NBFC rules and regulations in the near future.

### Where do you see NAFA in the next 5-10 years?

Presently, there are less than 200,000 investors in the Mutual Fund industry compared to about 30 million bank account holders. Thus there is a tremendous potential for the industry to grow its retail business. At present, NAFA has about 250 sales staff, marketing and selling NAFA Mutual and Pension Funds throughout the country. We plan to grow this sales team to 1000 sales staff in the next five years. This sales team will help investors in their financial planning to achieve their financial targets towards education and marriage of their children, owning their own home, and meeting regular monthly expenses, especially after retirement.

In line with international standards, there is now better awareness among corporations that they do not have the time and / or the expertise to manage their employees' funds in-house. Thus corporations have already started engaging Investment Advisors to help them with their investment decision making for treasury money and employees' retirement funds. NAFA is already providing investment advisory services to dozens of corporations, and expect to expand this business manifold in the future.

### What is your message to the investors?

People in Pakistan generally keep their savings in banks and national savings schemes. However, the return on these savings is very low and does not even compensate for inflation. It is, therefore, important for individuals to explore the possibility of investing in Mutual Funds. There are various categories of mutual funds with varying degrees of risk and return parameters. Investors need to understand what type of mutual fund investment will suit them based on their own risk profile and investment time period. Over the last 14 years, the average return on the stock market has been around 24 percent per year, whereas the average return on bank deposits has been about six percent per year. Hundred rupees invested 14 years ago in banks would have grown to 225 rupees today, whereas 100 rupees invested in the stock market would have grown to 2,130 rupees by now. For investors who have long investment horizons, it may be desirable that some portion of their assets should be in real estate and the stock market where the expected return is higher than bank deposits and national savings schemes in the long run. The best way to invest in equities for an individual investor is via mutual fund with a good track record, as an average investor may not have the time or the expertise to invest directly in the stock market.



NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

Your investments & "NAFA" grow together



Joint - Venture Partners

Rated **AM2+** by PACRA



**My Investment in  
NAFA Stock Fund  
grew from Rs. 1 Crore  
to Rs. 4.5 Crores  
in only 5 Years!**

	Last 5 years (July 2010 till June 2015)	
	Average Annualized Profit	Total Profit
NAFA Stock Fund	35%	353%
Peer Group Average*	29%	261%
Stock Market (KSE-100 Index)	29%	254%

**You can invest in NAFA Stock Fund with Rs.10,000 only**

**For information & Investment:**

**Call: 0800-20001 || SMS: NAFA INVEST to 8080 || [www.nafafunds.com](http://www.nafafunds.com)**

\*Average of all stock funds in the industry - NSF is an Equity Scheme rated ★★★★★ by PACRA.

**Disclaimer:** All investments in mutual funds are subject to market risks. Past performance is not necessarily indicative of future results. Please read the Offering Document to understand investment policies and the risks involved. Taxes apply.