NATIONAL INVESTMENT TRUST LIMITED

NATIONAL INVESTMENT (UNIT) TRUST

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FUND MANAGER REPORT – 2015-16

NI(U)T Objective

The core objective of NI(U)T is to maximize return for Unit holders, provide a regular stream of current income through dividends, while long term growth is achieved by the management of diversified portfolio and investments into growth and high yielding equity securities.

Profile of Investment Manager

National Investment Trust Ltd. (NITL) is the first and the largest Asset Management Company of Pakistan, formed in 1962. With approximately Rs. 92 billion assets as of June 30, 2016, the family of Funds of NIT comprises of 9 funds including 4 equity Funds, 2 fixed Income Funds, 1 money market Fund, 1 conventional Pension Fund and 1 Islamic Pension Fund. NIT's tally of nationwide branches is 23 and sales desk is also available in financial hub at Abbottabad, yet another milestone as no other Mutual Fund in Pakistan has such a vast network of nationwide branches. Further, to cater to the matters relating to investments in NIT and day to day inquiries/issues of its unit holders, a state of the art Investors' Facilitation Centre is also in place. The Board of Directors of NITL consists of representatives of leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The Company has been assigned an Asset Manager rating of "AM2+" by PACRA, which demonstrates that the Asset Manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors. All Investment decisions are taken by the Investment Committee of NITL.

Fund Information (NI(U)T:

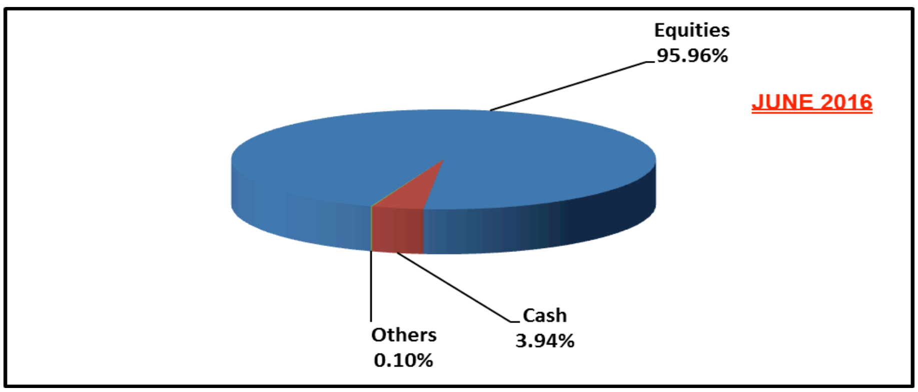
• Launch date	12th November 1962	• Minimum Investment:	Rs. 5,000
• Type	Open End Equity Fund	• Management Fee:	1.00%
• Fund Manager	Manzoor Ahmed	• Front End Load:	3.00%
• Fund Size as on June 30, 2016	Rs. 66.830 billion	• Back End Load:	0.00%
• Par Value	Rs. 10	• Auditors:	KPMG Taseer Hadi & Co.
• NAV/unit	Rs. 65.15	• Trustee:	Central Depository Company of Pakistan Ltd.
• Pricing Mechanism	Forward Pricing	• Risk Profile	Moderate / High
• Benchmark	KSE 100 Index	• Asset Manager Rating	AM2+

Fund Performance Analysis:

	2015-16	2014-15
Opening Net Assets (Rs. in billion)	70.852	59.902
Opening NAV /unit (Rs.) (Ex Div)	63.75	56.59
Ending Net Assets (Rs. in billion)	66.830	70.852
Ending NAV/unit (Rs.)	65.15	63.75
Cash Distribution / unit (Rs.) (Interim)	4.50	4.25
Total Return (%)	9.59%	20.25%
Maximum Funds under management during the year (Rs. in billion)	73.018	76.458

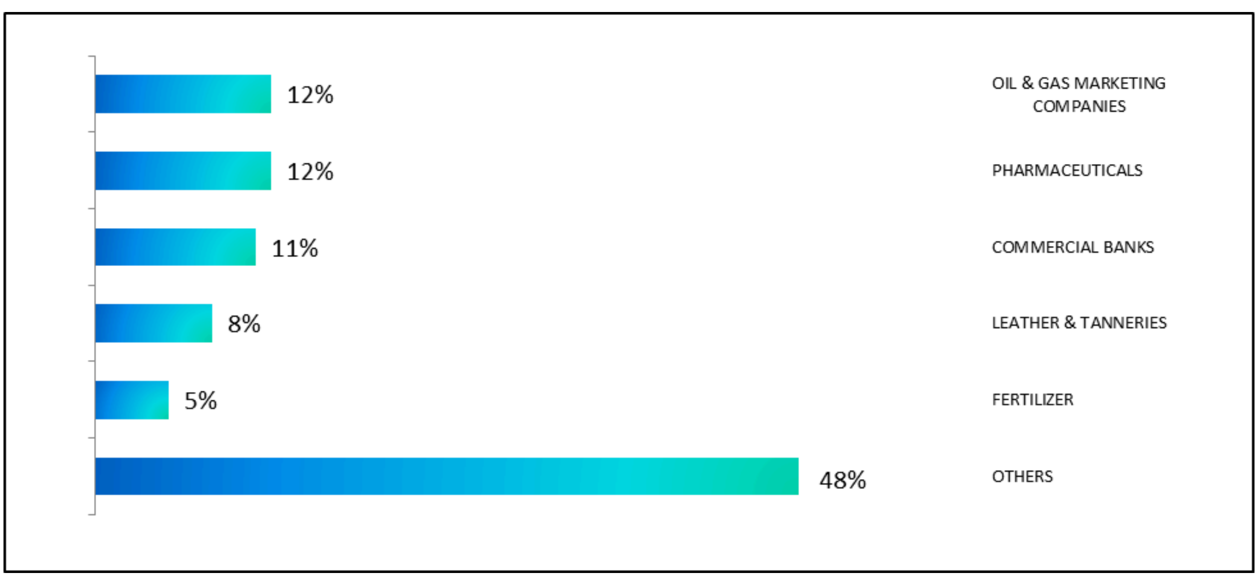
Asset Allocation

Keeping in view the market conditions, the Fund has been changing its asset allocation during the year. As on 30th June 2016, the Fund was invested to the extent of 95.96% in Equities whereas the remaining exposure was in cash and others. The asset allocation position of the Fund as on 30-06-2016 is depicted in the chart below:



Sector Wise Breakdown of Equity Portfolio

Sector-wise breakdown of Fund's Equity portfolio as % of total assets as on 30-06-2016 is given below:



During the year, NI(U)T continued to remain substantially invested in the oil & gas marketing sector with an exposure of 12%. The oil and gas sector has been an underperformer with an overall depreciation of 6.5% in market value in contrast to the KSE-100 index which appreciated by 9.8%. This underperformance is attributable mainly to the lower International Oil Prices. During the year, your Fund reduced its exposure in this sector at opportune moments. It may be pertinent to mention that the Fund's holding in PSO and SNGPL which constitutes about 12% of the portfolio continued to remain frozen under the directive of the Government of Pakistan.

Exposure in Pharmaceutical & Leather Sectors was also increased to 12% and 8% from 8 % and 7% respectively. Your Fund mostly maintained a hold stance in these sectors, anticipating further growth potential and brighter prospects of outperforming the benchmark in the future as well.

The Fund maintained exposure in the banking sector at 11% this year. The sector's profitability also remained muted due to lower banking spreads, continued lower DR and roll-over risk on the high yielding PIBs

Exposure in the Fertilizer sector decreased from 7% to 5%. The fund prudently maneuvered its buying and selling strategies in this sector considering the industry dynamics and suitable opportunities available in the market.

The Fund also took buy / sell positions in other sectors during the year to benefit from short term trading opportunities available in the market.

Top Ten Holdings

Top ten holdings of the Fund's portfolio as % of total assets as on June 30th 2016 are as follows:

Pakistan State Oil	Mari Petroleum Ltd.
Bata Pakistan Ltd.	Pakistan Tobacco Co. Ltd.
Bank Al-Habib Ltd.	Abbott Laboratories Pakistan
Fauji Fertilizer Co. Ltd.	GlaxoSmith Kline (Pak) Ltd.
Packages Ltd.	Ferozsons Laboratories

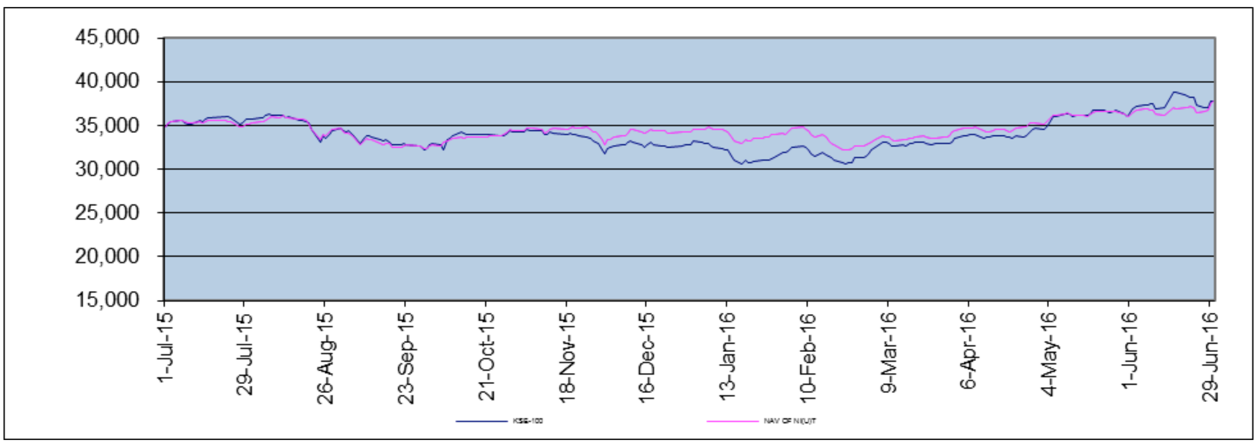
Categorization of Unit Holders By Size- (JUNE 2016)		
CATEGEORY	**NI(U)T UNIT HOLDERS**	**% OF HOLDING**
Institutional Investors	902	63%
Individual	47,268	37%
TOTAL:-	**48,170**	**100%**

Stock Market & Fund Performance Review

Pakistan's benchmark KSE-100 index posted a return of 9.84% or 3,385 points, and closed the fiscal year at 37,784 points. Average daily trading volume declined by 3.1% to clock in at 208mn shares. On the other hand, average daily traded value registered a decline of 14.3% to USD91mn, as participants remained focused on mid-tier stocks. The performance of stock markets presented a mixed trend during the first three quarters of the fiscal year mainly due to recession in oil prices internationally and selling pressure by the foreign funds managers. However, the PSX-100 index resumed its momentum from the start of the last quarter of the 2015-16 when the PSX index witnessed all time high levels. The relatively better performance of the Pakistan stock market during the last quarter of the fiscal year can be attributed to a number of positive factors including stable macroeconomic indicators, relative stable exchange rate, downward inflationary trend, prudent monetary policies and Pakistan's reclassification from a frontier market to an emerging market. During FY 16, foreign investors remained net sellers to the extent of USD 282 million. Despite hefty outflow from foreigners, stability in Pakistan's equity market is reflective of consistently improving macroeconomic fundamentals of Pakistan as well as the potential inherent in the market which has kept it resilient so far.

During the period under review, Pakistan's stock market entered in a new era of equity trading after merger of KSE, LSE and ISE into PSX. Its basic purpose is to enhance operating efficiency of Pakistan's Capital Market and provide investors, listed companies and trading right entitlement certificate (TREC) holders with a single, deep liquidity pool and fully integrated national trading platform. This will also raise the profile of Pakistan Capital Market internationally, encourage cross listing and global capital raising by Pakistani companies, and enhance systems and operations towards global best practices.

Relative Performance of NAV vs. KSE 100



During the period under review, the KSE-100 index increased by 9.84% whereas the NAV of your Fund increased by 9.59%, resulting in a slight under performance of 0.25%.

10 Year Performance of Fund

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	10yr. Annualized Return
NI(U)T (%)	44.83%	-5.76%	-41.48%	17.92%	24.00%	7.57%	58.42%	56.98%	20.25%	9.59%	15.20%
KSE 100 (%)	37.87%	-10.77%	-41.72%	35.74%	28.53%	10.45%	52.20%	41.16%	16.01%	9.84%	14.23%
Dividend Per Unit (Rs.)	6.20	6.50	3.25	2.25	4.00	3.50	3.75	4.10	4.25	4.50	

***FY 07, return is based on consolidated information of NI(U)T & LOC Funds**

Dividend declaration for the FY15-16:

The Board declared an interim cash dividend @ Rs. 4.50 per unit for unit holders of NI(U)T for the year ending on June 30, 2016 as compared to Rs. 4.25 per unit for the year ended on 30th June 2015. The payment of dividend @ Rs.4.50 per unit would involve a cash payout of about Rs. 4,500 million among its unit holders.

WWF Disclosure:

As of 30th June 2016, the Scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of **Rs. 507 million**, If the same were not made, the NAV per unit/ year to date return of the Scheme would be higher by **Rs. 0.49 / 0.82%**. For details, investors are advised to read the latest Financial Statement of the Scheme.

Economic Review

Pakistan's economy continues to maintain its growth momentum for the 3rd year in a row with real GDP growing at 4.7% in FY 2015-16 which is the highest in eight years. Economic growth is showing signs of sustained recovery aided by falling commodity and fuel prices, increased energy availability and improved security conditions. A strong performance from the industry and services sector led this growth in GDP. Agriculture, on the other hand, suffered particularly due to decline in agricultural growth (-0.19) % mainly due to decrease in production of cotton, rice and maize. Industrial growth accelerated on the back of higher activity in large-scale manufacturing and construction, the latter being driven primarily by initiation of China Pakistan Economic Corridor (CPEC) infrastructure and energy projects.

Agriculture sector is a vital component of Pakistan's economy as it contributes 19.8 % in GDP and it remains the largest employer absorbing 42.3 % of the country's total labor force. During FY 2015-16, the performance of agriculture sector as a whole remained dismal as it witnessed a growth of (-0.19) % against 2.9 % growth during the same period last year. According to the economic Survey of Pakistan, the growth of sub Sector of crops included important crops, other crops and cotton ginning remained negative while the other sub component of Agriculture sector like Livestock, Forestry and Fishing posted positive growth of 3.63 %, 8.84 % and 3.25 %, respectively.

Manufacturing is the second largest sector of the economy accounting for 13.6 % of Gross Domestic Product (GDP). This sector provides employment opportunities of 15.3 % to the total labor force. On average during FY 2015-16, Industrial growth was recorded at 6.8 % as compared to 3.6 % in the comparable period of last year. This growth was achieved due to the robust domestic demand that helped the industry to post strong growth in FY2015-16. From the supply side, continued low prices of key raw materials (POL, coal, palm oil), low financing cost, better law and order, and improved energy supplies supported growth in the industrial sector.

Services sector also met the planned target and has emerged as the most significant driver of economic growth. The share of the services sector has increased from 56.6 % of GDP in FY 2009 to 59.16 % in FY 2015-16. Services sector has witnessed a growth of 5.7 % in this fiscal year as compared to 5 % last year. Services sector performance remained broad based, as all components of services contributed positively.

During FY 2015-16, a net foreign direct investment was recorded at US$ 1.9 billion with growth of 5.4 %. The major inflow of FDI was from US, Hong Kong, UK, Switzerland and UAE. Oil & gas exploration, financial business, power, communications and Chemicals remained the major sectors for foreign investor's inflow.

FY2015-16 also witnessed growth of 6 % in Worker's remittances over last year. During the period, the remittances reached to US$ 19.9 billion as compared to US$ 18.7 billion last year.

Inflation during FY 2015-16 has been contained at 2.9 %, which is the lowest in 13 years. Food and non-food inflation have been estimated at 2.1 % and 3.4 %. The slower increase in food inflation over the previous year is due to moderate increase in prices of major consumable food items. The core inflation has also been anchored through appropriate fiscal and monetary measures.

Export competitiveness continued to suffer, with exports declining to USD 22 billion in FY16, as against USD 24 billion in FY15. Despite reduction in petroleum imports by USD 4.5 billion, mainly due to lower oil prices, overall import bill only reduced marginally to USD 40.5 billion in FY16, relative to USD 41.3 billion in FY15. Trade deficit deteriorated to USD 18.5 billion in FY16, mainly due to lower exports.

Looking ahead, we expect the KSE-100 index to post healthy returns in FY17. Large foreign inflows are expected to move towards Pakistan's stock market as EM index-tracking funds would rebalance portfolios to include Pakistani stocks with official inclusion slated for May 17. Further, the prevailing development theme under China-Pak Economic corridor (CPEC) would keep focus towards infrastructure related sectors (Cement, Steel, Power & IT). Moreover, PSX's strategic divestment to foreign investors is also likely to further bring our bourse into the limelight.

(Economic data source: Economic Survey of Pakistan, FBS & SBP Website)

Other Disclosures under NBFC Regulations 2008:

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008;

a. The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers / dealers by virtue of transactions conducted by the Fund.

b. There was no unit split undertaken during the year.