


MISSION STATEMENT



To rank in the top quartile
in performance of
NAFA FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.

NAFA FINANCIAL SECTOR INCOME FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Koh Boon San	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shakra-e-Faisal, Karachi.

Bankers to the Fund

Askari Bank Limited
Bank Alfalah Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
Faysal Bank Limited
MCB Bank Limited
Bank Al-Habib Limited
Habib Bank Limited
AlBaraka Islamic Bank Limited
The Bank of Punjab

NAFA FINANCIAL SECTOR INCOME FUND

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 111-111-NFA (111-111-632)
Helpline (Toll Free): 0800-20001
Fax: (021) 35825329

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town Lahore.
Contact: 042-35914272

Islamabad Office:

Plot No. 395, 396
Industrial Area, 1-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA FINANCIAL SECTOR INCOME FUND

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NAFA FINANCIAL SECTOR INCOME FUND

DIRECTORS' REPORT

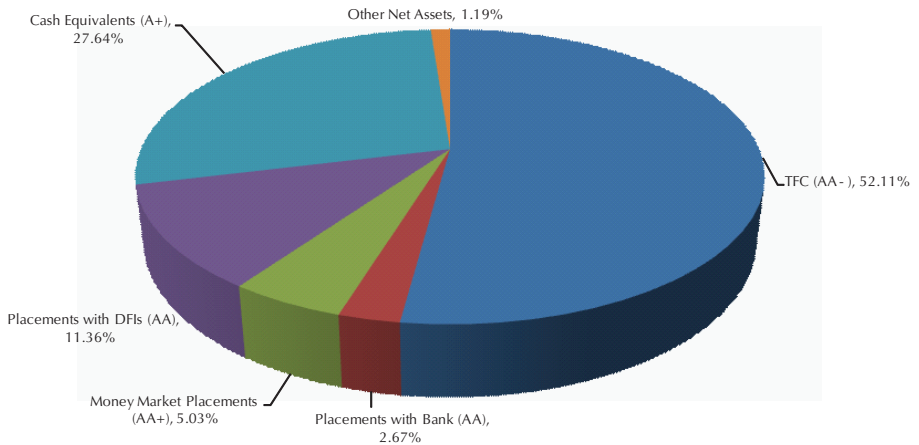
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of NAFA Financial Sector Income Fund for the half year ended December 31, 2012.

Fund's Performance

The Fund size of NAFA Financial Sector Income Fund increased substantially from Rs. 2,768 million to Rs. 3,741 million during the period, i.e. a growth of 35.16%. During the period, the unit price of the Fund has increased from Rs. 9.8540 (Ex - Div) on June 30, 2012 to Rs. 10.3331 on December 31, 2012, thus showing an annualized return of 9.64% as compared to its Benchmark (70% 6 month KIBOR & 30% average 3 month deposit rates of A & above rated banks) return of 9.21%.

NFSIF is an Income Scheme that invests a minimum of 70% of its assets in financial sector debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities (mainly banks) is AA-. Duration of the Fund cannot be more than one year. This minimizes interest rate risk. The Fund invests at least 25% of its assets in less than 90 days T-Bills or saving accounts with banks rated A and above, which further enhances the liquidity profile of the Fund. The Fund has been awarded stability rating of A+(f) by PACRA.

The Fund has earned total income of Rs.193.43 million during the period. After deducting expenses of Rs.36.59 million, the net income is Rs.156.84 million. The asset allocation of the Fund as on December 31, 2012 is as follows:



NAFA FINANCIAL SECTOR INCOME FUND

Income Distribution

The Board of Directors of the Management Company, in addition to interim distribution of 2.75% of opening ex-NAV for the quarter ended September 30, 2012, has approved further interim distribution of 2.25% of opening ex-NAV (2.278% of the par value) for the period ended December 31, 2012.

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 26, 2013
Place: Karachi.

NAFA FINANCIAL SECTOR INCOME FUND

TRUSTEE REPORT TO THE UNIT HOLDERS

NAFA FINANCIAL SECTOR INCOME FUND

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Financial Sector Income Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 28, 2013

NAFA FINANCIAL SECTOR INCOME FUND

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNITHOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Financial Sector Income Fund** as at December 31, 2012, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2012. The Management Company (NBP Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Engagement Partner: *Rashid A. Jafer*
Dated: February 28, 2013
Karachi

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2012

	Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
(Rupees in '000)			
ASSETS			
Bank balances	4	1,134,043	125,856
Investments	5	2,562,276	2,595,324
Profit receivable		65,068	59,557
Preliminary expenses and floatation cost		835	945
Security deposit		100	100
Prepayments and other receivables		121	108
Total assets		3,762,443	2,781,890
LIABILITIES			
Payable to the Management Company		9,732	5,078
Payable to Central Depository Company of Pakistan Limited - Trustee		347	257
Payable to the Securities and Exchange Commission of Pakistan		1,262	838
Payable on redemption of units		3,407	4,465
Accrued expenses and other liabilities		6,993	3,585
Total liabilities		21,741	14,223
NET ASSETS		3,740,702	2,767,667
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		3,740,702	2,767,667
CONTINGENCIES AND COMMITMENTS	6	-	-
(Number of units)			
NUMBER OF UNITS IN ISSUE		362,010,763	265,532,658
(Rupees)			
NET ASSET VALUE PER UNIT		10.3331	10.4231

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

Note	Half year ended December 31, 2012	For the period from October 18, 2011 to December 31, 2011	Quarter ended December 31, 2012
------(Rupees in '000)-----			
INCOME			
Capital gain / (loss) on sale of investments - net	1,287	(44)	461
Income from government securities	39,280	4,331	15,738
Income from letters of placement	2,285	622	-
Income from certificates of investment	9,083	-	7,928
Income from term finance certificates and sukuk bonds	126,797	14,925	65,799
Profit on bank deposits	16,357	1,650	9,849
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	(1,662)	1,661	(5,098)
Total Income	193,427	23,145	94,677
EXPENSES			
Remuneration of the Management Company	25,244	2,223	13,419
Sindh Sales tax on Management Company's Remuneration	4,039	356	2,147
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	1,859	270	975
Annual fee - Securities and Exchange Commission of Pakistan	1,262	120	671
Securities' transaction cost	112	319	20
Bank charges	359	145	250
Listing fee	20	5	10
Auditors' remuneration	272	191	145
Printing charges	-	30	(47)
Rating fee	113	-	57
Amortisation of preliminary expenses and floatation cost	110	38	55
Total Expenses	33,390	3,697	17,702
Net income from operating activities	160,037	19,448	76,975
Provision for Workers' Welfare Fund	(3,201)	(389)	(1,540)
Net income for the period before taxation	156,836	19,059	75,435
Taxation	8	-	-
Net income for the period after taxation	156,836	19,059	75,435
Earnings per unit	9		

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

Note	Half year ended December 31, 2012	For the period from October 18, 2011 to December 31, 2011	Quarter ended December 31, 2012
	------(Rupees in '000)-----		
Net income for the period after taxation	156,836	19,059	75,435
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	<u>156,836</u>	<u>19,059</u>	<u>75,435</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

Note	Half year ended December 31, 2012	For the period from October 18, 2011 to December 31, 2011	Quarter ended December 31, 2012
	------(Rupees in '000)-----		
Undistributed income brought forward comprising:			
- Realised income	94,644	-	115,989
- Unrealised income	17,699	-	3,436
	<u>112,343</u>	<u>-</u>	<u>119,425</u>
Net income for the period	156,836	19,059	75,435
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	13,786	3,266	7,212
Final distribution for the year ended June 30, 2012			
- Re 0.3 per unit declared on July 9, 2012			
- Cash distribution	(44,925)	-	-
- Issue of bonus units	(35,968)	-	-
Interim distribution for the quarter ended September 30, 2012			
- Re 0.2784 per unit declared on October 23, 2012			
- Cash distribution	(41,691)	-	(41,691)
- Issue of bonus units	(51,664)	-	(51,664)
	<u>(174,248)</u>	<u>-</u>	<u>(93,355)</u>
Undistributed income carried forward	<u>108,717</u>	<u>22,325</u>	<u>108,717</u>
Undistributed income comprising:			
- Realised income	110,379	20,664	113,588
- Unrealised (loss) / income	(1,662)	1,661	(4,871)
	<u>108,717</u>	<u>22,325</u>	<u>108,717</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

Note	Half year ended December 31, 2012	For the period from October 18, 2011 to December 31, 2011	Quarter ended December 31, 2012
	------(Rupees in '000)-----		
Net assets at the beginning of the period	2,767,667	-	3,360,200
Issue of 157,089,072 units including 8,624,089 bonus units (Dec 2011: 104,590,597 units)	1,525,809	1,049,409	749,235
Redemption of 60,610,967 units (Dec 2011: 1,803,573 units)	(622,994)	(18,272)	(402,477)
	902,815	1,031,137	346,758
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	(13,786)	(3,266)	(7,212)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	(1,662)	1,661	(5,098)
Capital gain / (loss) on sale of investments - net	1,287	(44)	688
Other income (net of expenses) for the period	157,211	17,442	79,845
	156,836	19,059	75,435
Distribution of bonus units during the period	87,632	-	51,664
Final distribution for the year ended June 30, 2012			
- Re 0.3000 per unit declared on July 9, 2012			
- Cash distribution	(44,925)	-	
- Issue of bonus units	(35,968)	-	
Interim distribution for the quarter ended September 30, 2012			
- Re 0.2784 per unit declared on October 23, 2012			
- Cash distribution	(41,691)	-	(41,691)
- Issue of bonus units	(51,664)	-	(51,664)
	(174,248)		(93,355)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed			
- transferred to distribution statement	13,786	3,266	7,212
Net assets as at the end of the period	<u>3,740,702</u>	<u>1,050,196</u>	<u>3,740,702</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

Note	Half year ended December 31, 2012	For the period from October 18, 2011 to December 31, 2011	Quarter ended December 31, 2012
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation	156,836	19,059	75,435
Adjustments for :			
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss' - net	1,662	(1,661)	5,098
Amortisation of preliminary expenses and floatation cost	110	38	55
	<u>158,608</u>	<u>17,436</u>	<u>80,588</u>
(Increase) / decrease in assets			
Investments- net	31,386	(944,296)	305,461
Profit receivable	(5,511)	(18,665)	10,858
Receivable against sale of units	-	-	6,143
Prepayments and other receivables	(13)	(115)	(70)
	<u>25,862</u>	<u>(963,076)</u>	<u>322,392</u>
Increase / (decrease) in liabilities			
Payable to the Management Company	4,654	2,740	1,190
Payable to Central Depository Company of Pakistan Limited - Trustee	90	145	4
Payable to the Securities and Exchange Commission of Pakistan	424	120	671
Payable on redemption of units	(1,058)	-	3,306
Accrued expenses and other liabilities	3,408	926	580
	<u>7,518</u>	<u>3,931</u>	<u>5,751</u>
Formation cost incurred	-	(1,093)	-
	<u>-</u>	<u>(1,093)</u>	<u>-</u>
Net cash generated from / (used in) operating activities	<u>191,988</u>	<u>(942,802)</u>	<u>408,731</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units	1,525,809	1,049,409	749,235
Payment on redemption of units	(622,994)	(18,272)	(402,477)
Distribution paid	(86,616)	-	(41,691)
Net cash generated from financing activities	<u>816,199</u>	<u>1,031,137</u>	<u>305,067</u>
Net increase in cash and cash equivalents during the period	<u>1,008,187</u>	<u>88,335</u>	<u>713,798</u>
Cash and cash equivalents at the beginning of the period	125,856	-	420,245
Cash and cash equivalents as at the end of the period	<u>4</u> <u>1,134,043</u>	<u>88,335</u>	<u>1,134,043</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

NOTES THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The principal office of the Management Company is situated at 7th Floor Clifton Diamond Building, Block No.4, Scheme No.5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units of the Fund are offered for public subscription on a continuous basis. These units are transferable and can be redeemed by surrendering these to the Fund. The Fund is categorized as Open-End "Income Scheme" as per the criteria laid down by SECP for categorization of Collective Investment Schemes (CIS).

The objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial sector term finance certificates, sukus, bank deposits and short-term money market instruments.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2 to the Management Company and a stability rating of A+(f) to the Fund.

Title to the assets of the Fund is held in the name of CDC as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Fund for the period from October 28, 2012 to June 30, 2012.

This condensed interim financial information is unaudited. However, a review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.

In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2012.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The following new standards and amendments to existing standards are mandatory for the first time for the financial periods beginning on or after July 1, 2012:

NAFA FINANCIAL SECTOR INCOME FUND

Amendment to IFRS 7, 'Financial instruments': The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRSs financial statements to those that prepare financial statements in accordance with US GAAP. The adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

There are certain other new standards, amendments and interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

2.3 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments to approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or are not expected to have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements for the period ended June 30, 2012.

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the period ended June 30, 2012.

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Fund for the period ended June 30, 2012.

	Note	(Un-audited) December 31, 2012	(Audited) June 30, 2012
(Rupees in '000)			
4 BANK BALANCES			
In savings accounts	4.1	1,031,278	121,670
In current accounts		102,765	4,186
		<u>1,134,043</u>	<u>125,856</u>

These carry profit at rates ranging from 6.00% to 11.00% (June 30, 2012: 6.00% to 11.00%) per annum.

5 INVESTMENTS

At fair value through profit or loss

Term finance certificates - listed	5.1	1,401,602	1,204,815
Term finance certificates - unlisted	5.2	547,674	546,185
Government securities	5.3	-	724,324

Loans and receivables

Letters of placement		-	120,000
Certificates of Investment	5.5	425,000	-
Sukuk certificates	5.6	188,000	-
		<u>2,562,276</u>	<u>2,595,324</u>

NAFA FINANCIAL SECTOR INCOME FUND

5.1 Term finance certificates - listed

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of Certificates / bonds				Market value as at December 31, 2012	Investment as a percentage of	
	As at July 01, 2012	Purchases during the period	Sales / Mature during the period	As at December 31, 2012		Net assets	Market value of total investments
Rupees in '000						----- % -----	
Term finance certificates - listed							
Bank Al-Habib Limited -I	27,000	-	27,000	-	-	0.15	0.22
Bank Al-Habib Limited -II	1,077	-	1,077	5,539	5,539	8.07	11.78
Faysal Bank Limited	60,000	-	1,000	59,000	301,857	0.60	0.87
Allied Bank Ltd	4,400	-	-	4,400	22,342	0.35	0.51
United Bank Limited -III	3,900	-	-	3,900	13,193	12.01	17.54
United Bank Limited -IV	83,100	5,000	-	88,100	449,394	7.30	10.67
NIB Bank Limited	47,600	7,000	-	54,600	273,193	1.56	2.36
Askari Bank Limited -II	3,000	-	-	3,000	15,095	3.62	5.29
Askari Bank Limited -III	2,600	23,736	-	26,336	135,538	1.56	1.75
Askari Bank Limited -IV	-	44	-	44	4,862	0.80	1.17
Soneri Bank Limited	24,000	-	-	24,000	29,793	1.35	1.97
Pak Libya Holding Company (Pvt) Limited	-	10,000	-	10,000	50,359	2.10	2.36
Allied Bank Ltd II	13,000	-	-	13,000	60,437	38.31	54.72
				287,457	1,401,602		
					1,404,812		
					(3,210)		

Carrying Value as at December 31, 2012

Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

5.2 Term finance certificates - unlisted

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of Certificates / bonds				Market value as at December 31, 2012	Investment as a percentage of	
	As at July 01, 2012	Purchases during the period	Sales / Mature during the period	As at December 31, 2012		Net assets	Market value of total investments
Rupees in '000						----- % -----	
Term finance certificates - unlisted							
Bank Alfah Limited -IV	70,200	-	-	70,200	366,944	9.81	14.32
Bank Alfah Limited -IV FX	11,500	-	-	11,500	62,456	1.67	2.44
Jahangir Siddiqui & Company Limited	13,500	-	-	13,500	67,724	1.81	2.64
Standard Chartered Bank	10,000	-	-	10,000	50,550	1.35	1.97
				105,200	547,674	14.64	21.37
					546,126		
					1,548		

Carrying Value as at December 31, 2012

Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

5.3 Government securities

Issue Date	Tenor	As at July 01, 2012	-----Face value-----			Market value as at December 31, 2012	Investment as a percentage of	
			Purchases during the period	Sales / matured during the period	As at December 31, 2012		Net assets	Market value of total investments
(Rupees in '000)						----- % -----		
Market Treasury Bills								
25-Aug-11	12 Months	-	100,000	100,000	-	-	-	
19-Apr-12	3 Months	25,000	-	25,000	-	-	-	
28-Jul-11	12 Months	50,000	-	50,000	-	-	-	
3-May-12	3 Months	320,000	40,000	360,000	-	-	-	
17-May-12	3 Months	275,000	-	275,000	-	-	-	
17-May-12	6 Months	-	100,000	100,000	-	-	-	
14-Jun-12	3 Months	50,000	-	50,000	-	-	-	
28-Jun-12	3 Months	12,500	-	12,500	-	-	-	
12-Jul-12	3 Months	-	250,000	250,000	-	-	-	
26-Jul-12	3 Months	-	175,000	175,000	-	-	-	
26-Jul-12	6 Months	-	50,000	50,000	-	-	-	
9-Aug-12	3 Months	-	275,000	275,000	-	-	-	
9-Aug-12	6 Months	-	100,000	100,000	-	-	-	
23-Aug-12	3 Months	-	150,000	150,000	-	-	-	

NAFA FINANCIAL SECTOR INCOME FUND

Issue Date	Tenor	As at July, 01 2012	-----Face value-----			Market value as at December 31, 2012	Investment as a percentage of	
			Purchases during the period	Sales/ matured during the period	As at December 31, 2012		Net assets	Market value of total investments
						(Rupees in '000)	-----	% -----
6-Sep-12	3 Months	-	250,000	250,000	-	-	-	-
20-Sep-12	3 Months	-	250,000	250,000	-	-	-	-
4-Oct-12	3 Months	-	250,000	250,000	-	-	-	-
4-Oct-12	6 Months	-	250,000	250,000	-	-	-	-
18-Oct-12	3 Months	-	175,000	175,000	-	-	-	-
18-Oct-12	6 Months	-	250,000	250,000	-	-	-	-
1-Nov-12	3 Months	-	250,000	250,000	-	-	-	-
1-Nov-12	6 Months	-	250,000	250,000	-	-	-	-
1-Nov-12	12 Months	-	250,000	250,000	-	-	-	-
15-Nov-12	3 Months	-	250,000	250,000	-	-	-	-
29-Nov-12	3 Months	-	200,000	200,000	-	-	-	-
13-Dec-12	3 Months	-	187,500	187,500	-	-	-	-
13-Dec-12	6 Months	-	187,500	187,500	-	-	-	-
13-Dec-12	12 Months	-	187,500	187,500	-	-	-	-

Carrying Value as at December 31, 2012

Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

5.4 The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

5.5 Certificates of Investment

Name of Issuer	Maturity Date	Rate	As at December 2012
Pak Brunei Investment Company Limited	28-Feb-13	10.10%	125,000
Pak-Libya Holding Company (Private) Limited	18-Mar-13	10.00%	300,000
			<u>425,000</u>

5.6 Sukuk certificates

Name of Issuer	Maturity Date	Rate	As at December 2012
HUBCO Power Company Limited	3-Feb-13	11.83%	100,000
HUBCO Power Company Limited	16-Feb-13	11.83%	38,000
Kot Addu Power Company Limited	11-Jun-13	10.60%	50,000
			<u>188,000</u>

6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2012.

7 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In the light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the grounds that MUFAP is not an aggrieved party.

NAFA FINANCIAL SECTOR INCOME FUND

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF.

Further, a Constitutional Petition was filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustees and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

The Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to provide for WWF amounting to Rs 5,922 million as at December 31, 2012 (including Rs 3.201 million in respect of the current period). Had the same not been made the net asset value per unit as at December 31, 2012 of the scheme would have been higher by Rs 0.0164.

8 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. No provision for taxation for the current period has been made in this financial information as the Management Company intends to distribute the required minimum percentage of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealized) to its unit holders.

9 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended December 31, 2012 has not been disclosed as in the opinion of the management, determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

10 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan, and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

NAFA FINANCIAL SECTOR INCOME FUND

10.1 Details of the transactions with connected persons are as follows:

	Half year ended December 31, 2012	For the period from October 18, 2011 to December 31, 2011	Quarter ended December 31, 2012
----- Rupees in '000 -----			
NBP Fullerton Asset Management Limited - Management Company			
Remuneration	25,244	2,223	13,419
Sindh Sales Tax on Management Company's remuneration	4,039	356	2,147
Preliminary expenses and floatation costs	-	1,092	-
CDC deposit, listing fee and initial deposit	-	145	-
National Bank of Pakistan - Sponsor			
Issue of 20,220 units (December 31, 2011: 49,917,636)	211	500,000	-
Redemption of 2,219,549 units (December 31, 2011 Nil)	22,864	-	22,864
Distributions paid	86,616	-	41,691
Purchase of Pakistan Investment Bonds	179,386	-	153,449
Purchase of Market Treasury Bills	2,393,425	438,188	1,101,147
Purchase of Term Finance Certificates	-	1,042,728	-
Sale of Term Finance Certificates	-	50,926	-
Central Depository Company of Pakistan Limited - Trustee			
Remuneration of the Trustee	1,859	270	975
CDS Charges	92	-	46
Alexandra Fund Management Pte. Limited - Sponsor			
Issue of nil units (2011: 10,025,759 units)	-	100,258	-
Bonus of 601,966 units (2011: Nil)	-	-	-
Pre-IPO profit	-	151	-
Employees of the Management Company			
Issue of 986,928 units (2011: 365,530 units)	10,169	3,665	3,527
Bonus of 32,817 units (2011: Nil)	-	-	-
Redemption of 928,774 units (2011: 300,602 units)	9,528	3,022	4,681
NAFA Asset Allocation Fund			
Purchase of Sukuk certificates	38,430	-	-
CFO / Company Secretary			
Issue of 96,936 units (2011: Nil)	993	-	593
Redemption of 46,449 units (2011: Nil)	481	-	74

NAFA FINANCIAL SECTOR INCOME FUND

(Un-Audited)
As at
December
31, 2012

(Audited)
As at June
30, 2012

Rupees in '000

10.2 Balances outstanding as at period end

NBP Fullerton Asset Management Limited - Management Company

Preliminary expenses and floatation costs paid by Management Company on behalf of the Fund	1,092	1,092
Deposit on CDC accounts, initial deposit and annual listing fee paid by the Management Company on behalf of the Fund	151	151
Remuneration payable	4,704	3,306
Sindh sales tax payable on remuneration of the Management Company	753	529
Front end load payable	3,032	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	347	257
Security deposit	100	100

Alexandra Fund Management Pte. Limited - Sponsor

Units held 11,025,960 units (June 30, 2012: 10,423,994 units)	113,932	108,650
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Employees of the Management Company

Units held 495,783 units (June 30, 2012 : 404,812 units)	5,123	4,219
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National Bank of Pakistan - Sponsor

Units held 147,532,015 units (June 30, 2012: 149,731,345 units)	1,524,463	1,560,665
Bank balances		
- in current accounts	2,766	4,186

CFO / Company Secretary

Units held 50,487 units (June 30, 2012: Nil units)	522	-
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11 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 26, 2013 by the Board of Directors of the Management Company.

12 GENERAL

12.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

12.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director