



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

Your investments & "NAFA" grow together




Joint - Venture Partners

NAFA FINANCIAL SECTOR INCOME FUND

QUARTERLY REPORT
MARCH 31
2014



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.

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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. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shahra-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
Al Baraka Islamic Bank Limited
The Bank of Punjab Limited
Burj Bank Limited
Summit Bank Limited
Sindh Bank Limited
United Bank Limited

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: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town, Lahore.
UAN: 042-111-111-632
Fax: 92-42-35861095

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-Gahj, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA FINANCIAL SECTOR INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Financial Sector Income Fund (NFSIF)** for the period ended March 31, 2014.

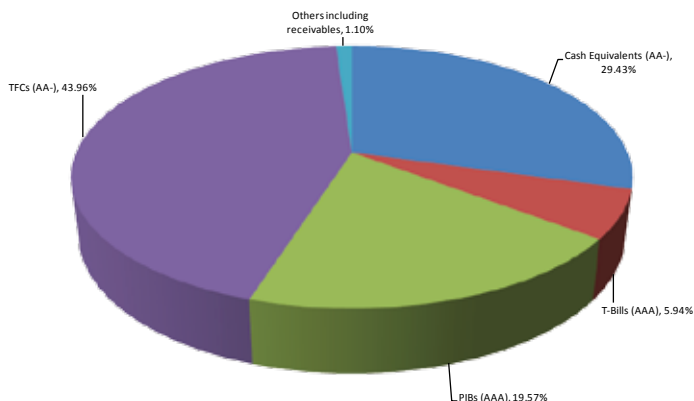
Fund's Performance

The size of NAFA Financial Sector Income Fund declined from Rs. 4,962 million to Rs. 2,675 million during the period, i.e. a decline of 46.1%. During the nine month period, the unit price of the Fund increased from Rs. 9.8715 (Ex-Div) on June 30, 2013 to Rs. 10.5090 on March 31, 2014, thus showing an annualized return of 8.60% as compared to its Benchmark (70% 6 month KIBOR & 30% average 3 month deposit rates of A & above rated banks) return of 8.82%. During the third quarter, the size of the Fund decreased by 13.41%. During the quarter, the unit price of the Fund increased from Rs. 10.2488 (Ex-Div) on December 31, 2013 to Rs. 10.5090 on March 31, 2014, thus showing an annualized return of 10.30% as compared to its Benchmark annualized return of 9.25% for the same period. The performance of the Fund is net of management fee and all other expenses.

The Fund is unique as it invests a minimum of 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity / instrument rating of debt securities are AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

On the corporate debt sphere, we have witnessed primary issuance of corporate debts amid pick up in economy activity. Trading activity in TFCs was skewed towards high quality issues, especially belonging to the financial sector. Most TFCs in the Fund are floating rate linked to KIBOR. Therefore, increase in interest rates will increase the coupon income of the TFC portfolio. The State Bank of Pakistan increased the policy rate by 100bps to 10% during the period under review; citing upside risks to the external account, depleting FX reserves, and rising inflation expectations.

The Fund has earned total income of Rs.329.77 million during the period. After deducting expenses of Rs.76.49 million, the net income is Rs.253.28 million. The asset allocation of the Fund as on March 31, 2014 is as follows:



NAFA FINANCIAL SECTOR INCOME FUND

Income Distribution

In addition to interim distribution of 4.00% of opening ex-NAV, the Board of Directors of the Management Company has approved further interim distribution of 2.50% of opening ex-NAV (2.567% of the par value) for the quarter ended March 31, 2014.

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: April 30, 2014
Place: Karachi.

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT MARCH 31, 2014

	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
ASSETS			
Bank balances		786,910	1,321,210
Investments	4	1,858,303	2,634,567
Profit receivable		62,586	62,690
Preliminary expenses and floatation costs		563	726
Security deposit		100	100
Receivable against issue of units		-	964,360
Prepayments and other receivables		34	129
Total assets		2,708,496	4,983,782
LIABILITIES			
Payable to the Management Company		13,181	7,819
Fee payable to Central Depository Company of Pakistan Limited - Trustee		267	352
Payable to the Securities and Exchange Commission of Pakistan		2,380	2,776
Payable against redemption of units		2,025	-
Accrued expenses and other liabilities		15,952	10,501
Total liabilities		33,805	21,448
NET ASSETS		<u><u>2,674,691</u></u>	<u><u>4,962,334</u></u>
Unit holders' fund (as per statement attached)		<u><u>2,674,691</u></u>	<u><u>4,962,334</u></u>
CONTINGENCIES AND COMMITMENTS			
	5		
		----- Number of Units -----	
Number of units in issue		<u><u>254,515,225</u></u>	<u><u>482,880,329</u></u>
		----- Rupees -----	
Net asset value per unit		<u><u>10.5090</u></u>	<u><u>10.2765</u></u>

The annexed notes 1 to 10 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 NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2014

Note	Nine month ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
-----Rupees in '000-----				
INCOME				
Capital gain / (loss) on sale of investments - net	244	1,188	3,698	(99)
Income from term finance certificates and sukuk bonds	117,720	186,629	34,100	59,832
Income from government securities	13,399	39,280	8,425	-
Profit on bank deposits and Term Deposit Receipts	183,997	49,685	35,650	33,328
Income on money market placements	7,543	20,475	-	9,107
Net unrealised appreciation in the value of investments classified as financial assets at fair value through profit or loss ¹	6,869	2,830	6,824	4,492
Total income	329,772	300,087	88,697	106,660
EXPENSES				
Remuneration of the Management Company	47,609	40,258	10,591	15,014
Sindh sales tax on remuneration of the Management Company	8,913	6,441	1,965	2,402
Federal excise duties on remuneration of the Management Company	7,618	-	1,695	-
Remuneration of the Trustee	3,335	2,919	809	1,060
Annual fee - Securities and Exchange Commission of Pakistan	2,381	2,013	530	751
Securities transaction cost	72	143	45	31
Settlement and bank charges	582	595	185	236
Annual listing fee	30	30	10	10
Auditors' remuneration	376	362	81	90
Printing charges	66	-	-	-
Fund's Rating fee	150	167	50	54
Legal and Professional Charges	30	-	-	-
Amortisation of preliminary expenses and floatation costs	164	164	54	54
Total expenses	71,326	53,092	16,015	19,702
Net income from operating activities	258,446	246,995	72,682	86,958
Provision for workers' welfare fund	6 (5,169)	(4,940)	(1,454)	(1,739)
Net income for the period before taxation	253,277	242,055	71,228	85,219
Taxation	7 -	-	-	-
Net income for the period after taxation	253,277	242,055	71,228	85,219

The annexed notes 1 to 10 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 NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2014

	<u>Nine month ended</u>		<u>Quarter ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	-----Rupees in '000-----			
Net income for the period after taxation	253,277	242,055	71,228	85,219
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>253,277</u>	<u>242,055</u>	<u>71,228</u>	<u>85,219</u>

The annexed notes 1 to 10 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 NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2014

	<u>Nine month ended</u>		<u>Quarter ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	-----Rupees in '000-----			
Undistributed income brought forward	106,774	112,343	171,445	108,717
Net income for the period	253,277	242,055	71,228	85,219
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	(49,135)	26,247	(9,410)	12,461
Final distribution for the year ended June 30, 2013				
- Re 0.0101 per unit declared on July 11, 2013				
- Cash distribution	(2,438)	(44,925)	-	-
- Issue of bonus units	(2,463)	(35,968)	-	-
Interim distribution for the quarter ended September 30, 2013				
- Re 0.1540 per unit declared on October 30, 2013				
- Cash distribution	(37,174)	(41,691)	-	-
- Issue of bonus units	(35,578)	(51,664)	-	-
Interim distribution for the quarter ended December 31, 2013				
- Re 0.2567 per unit declared on February 13, 2014				
- Cash distribution	-	-	-	-
- Issue of bonus units	(69,644)	(91,476)	(69,644)	(91,476)
	(147,297)	(265,724)	(69,644)	(91,476)
Undistributed income carried forward	<u>163,619</u>	<u>114,921</u>	<u>163,619</u>	<u>114,921</u>

The annexed notes 1 to 10 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 NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2014

	Nine month ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	-----Rupees in '000-----			
Net assets at the beginning of the period	4,962,334	2,767,667	3,088,840	3,740,702
Issue of 107,631,250 units including 10,395,746 bonus units (March 31 2013 : 247,979,918 units)	1,013,328	2,376,110	314,279	850,301
Redemption of 335,996,354 units (March 31 2013 : 102,635,377 units)	(3,514,636)	(1,057,631)	(799,656)	(434,637)
	(2,501,308)	1,318,479	(485,377)	415,664
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing (income) / loss that form part of unit holders' fund - transferred to distribution statement	49,135	(26,247)	9,410	(12,461)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6,869	2,830	6,824	4,492
Capital loss on sale of investments	244	1,188	3,698	(99)
Other operating income	246,164	238,037	60,706	80,826
Net income for the period	253,277	242,055	71,228	85,219
Distribution of bonus units during the period	107,685	179,108	69,644	91,476
Final distribution for the year ended June 30, 2013				
- Re 0.0101 per unit declared on July 11, 2013				
- Cash distribution	(2,438)	(44,925)	-	-
- Issue of bonus units	(2,463)	(35,968)	-	-
Interim distribution for the quarter ended September 30, 2013				
- Re 0.1540 per unit declared on October 30, 2013				
- Cash distribution	(37,174)	(41,691)	-	-
- Issue of bonus units	(35,578)	(51,664)	-	-
Interim distribution for the quarter ended December 31, 2013				
- Re 0.2567 per unit declared on February 13, 2014				
- Cash distribution	-	-	-	-
- Issue of bonus units	(69,644)	(91,476)	(69,644)	(91,476)
	(147,297)	(265,724)	(69,644)	(91,476)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(49,135)	26,247	(9,410)	12,461
Net assets as at the end of the period	2,674,691	4,241,585	2,674,691	4,241,585

The annexed notes 1 to 10 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 NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2014

	Nine month ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
-----Rupees in '000-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period before taxation	253,277	242,055	71,228	85,219
Adjustments :				
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(6,869)	(2,830)	(6,824)	(4,492)
Amortisation of preliminary expenses and floatation costs	164	164	54	54
	246,572	239,389	64,458	80,781
(Increase) / decrease in assets				
Investments	783,133	(171,460)	(681,722)	(202,846)
Advances, deposits, prepayments and other receivables	94	(47)	(11)	(34)
Receivable against issue of units	964,360	-	-	-
Profit receivable	104	(4,995)	(43,883)	516
	1,747,691	(176,502)	(725,616)	(202,364)
Increase / (decrease) in liabilities				
Payable to the Management Company	5,362	2,768	(861)	(1,886)
Payable to the Trustee	(85)	170	(159)	80
Payable to the Securities and Exchange Commission of Pakistan	(396)	1,175	529	751
Payable Against Purchase of Investment	-	39	-	39
Payable against redemption of units	2,025	(4,439)	(36,866)	(3,381)
Accrued expenses and other liabilities	5,451	5,569	1,811	2,161
	12,357	5,282	(35,546)	(2,236)
Net cash used in operating activities	2,006,620	68,169	(696,704)	(123,819)
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of units	1,013,328	2,376,110	314,279	850,301
Payment on redemption of units	(3,514,636)	(1,057,631)	(799,656)	(434,637)
Cash distribution	(39,612)	(86,616)	-	-
Net cash inflow from financing activities	(2,540,920)	1,231,863	(485,377)	415,664
Net increase in cash and cash equivalents during the period	(534,300)	1,300,032	(1,182,081)	291,845
Cash and cash equivalents at the beginning of the period	1,321,210	125,856	1,968,991	1,134,043
Cash and cash equivalents as at the end of the period	786,910	1,425,888	786,910	1,425,888

The annexed notes 1 to 10 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 TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2014

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 (CISs).

The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments.

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

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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and 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 SECP prevail.

The disclosures made in this condensed interim financial information have been limited based on the requirements of the 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 year ended June 30, 2013.

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 March 31, 2014.

2.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are 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 did not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2013.

	Note	(Un-Audited) March 31, 2014	(Audited) June 30, 2013
----- Rupees in '000 -----			
4 INVESTMENTS			
At fair value through profit or loss			
Term finance certificates - listed	4.1	617,007	1,500,406
Term finance certificates - unlisted	4.2	558,911	514,161
Government securities			
Treasury Bills	4.3	158,992	-
Pakistan Investment Bond	4.5	523,393	-
Loans and receivables			
Certificates of Investment		-	300,000
Sukuk certificates		-	320,000
		<u>1,858,303</u>	<u>2,634,567</u>

NAFA FINANCIAL SECTOR INCOME FUND

4.1 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 March 31, 2014	Investment as a percentage of		
	As at July 01, 2013	Purchases during the period	Sales / Matured during the period	As at March 31, 2014		Net assets	Market value of total investments	
Rupees in '000						----- % -----		
Term finance certificates - listed								
Allied Bank Limited - I	4,400	-	-	4,400	11,062	0.41	0.60	
Allied Bank Limited - II	13,000	-	-	13,000	60,536	2.26	3.26	
Askari Bank Limited - II	3,000	-	3,000	-	-	-	-	
Askari Bank Limited - III	30,336	-	-	30,336	153,179	5.73	8.24	
Askari Bank Limited - IV	44	-	-	44	45,213	1.69	2.43	
Bank Al-Habib Limited - II	1,077	-	-	1,077	5,431	0.20	0.29	
Faysal Bank Limited - III	59,000	-	-	59,000	304,652	11.39	16.39	
NIB Bank Limited	54,600	-	54,600	-	-	-	-	
Pak Libya Holding Company (Pvt) Limited	10,000	-	-	10,000	33,683	1.26	1.81	
Pakistan Mobile Communication Limited	22,677	1,930	24,607	-	-	-	-	
United Bank Limited - III	3,900	-	-	3,900	3,251	0.12	0.17	
United Bank Limited - IV	88,100	-	88,100	-	-	-	-	
					<u>121,757</u>	<u>617,007</u>	<u>23.07</u>	<u>33.20</u>
Carrying Value as at March 31, 2014					627,740			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'					(10,733)			

4.2 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 March 31, 2014	Investment as a percentage of	
	As at July 01, 2013	Purchases during the period	Sales / Matured during the period	As at March 31, 2014		Net assets	Market value of total investments
Rupees in '000						----- % -----	
Term finance certificates - unlisted							
Bank Alfalah Limited - IV	70,200	-	-	70,200	376,444	14.07	20.26
Bank Alfalah Limited - IV FX	11,500	-	-	11,500	60,162	2.25	3.24
Jahangir Siddiqui & Company Limited	13,500	-	13,500	-	-	-	-
Standard Chartered Bank	10,000	-	-	10,000	50,205	1.88	2.70
Pakistan Mobile Communication Limited	-	14,420	-	14,420	72,100	3.95	3.88
					<u>106,120</u>	<u>558,911</u>	
Carrying Value as at March 31, 2014					552,486		
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'					6,425		

4.3 Government securities

Issue date	Tenor	As at July 01, 2013	Face value			Market Value as at March 31, 2014	Investment as a percentage of	
			Purchases during the period	Sales / matured during the period	As at March 31, 2014		Net assets	Market value of total investments
Rupees in '000						----- % -----		
Market Treasury Bills								
2-May-13	3 Months	-	969,500	969,500	-	-	-	
26-Jul-12	12 Months	-	240,000	240,000	-	-	-	
24-Jan-13	6 Months	-	150,000	150,000	-	-	-	
19-Sep-13	3 Months	-	250,000	250,000	-	-	-	
28-Nov-13	3 Months	-	70,000	70,000	-	-	-	
26-Dec-13	3 Months	-	135,000	135,000	-	-	-	
23-Jan-14	3 Months	-	765,000	765,000	-	-	-	
6-Mar-14	3 Months	-	200,000	200,000	-	-	-	
20-Mar-14	3 Months	-	192,200	30,000	162,200	158,992	5.94	8.56
						<u>158,992</u>		
Carrying Value as at March 31, 2014						159,086		
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'						(94)		

NAFA FINANCIAL SECTOR INCOME FUND

4.4 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.

4.5 Pakistan Investment Bond

Issue date	Tenor	As at July 01, 2013	Face value			Market Value as at March 31, 2014	Investment as a percentage of	
			Purchases during the period	Sales / matured during the period	As at March 31, 2014		Net assets	Market value of total investments
						Rupees in '000	-----	% -----
27-Feb-14	3 years	-	415,000	415,000	-	-	-	-
27-Mar-14	3 years	-	275,000	-	275,000	276,376	10.33	14.87
27-Mar-14	5 years	-	250,000	-	250,000	247,017	9.24	13.29
					525,000	523,393		
						512,122		
						11,271		

Carrying Value as at March 31, 2014

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

5 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at March 31, 2014.

6 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) / Pension Funds 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 this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs / pension funds, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional Petition requesting the Court to dismiss the same. This response was contradictory to the earlier clarification issued by the Ministry. Show cause notices were then issued by the Federal Board of Revenue (FBR) to several mutual funds (CISs) / pension funds for the collection of WWF. In respect of such show cause notices, certain mutual funds (CISs) / pension funds have been granted stay by the Honorable SHC on the basis of the pending Constitutional Petition as referred to above.

In March 2013, a three member bench of the Sindh High Court in its judgement on various Constitutional Petitions challenging the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, held that WWF is a tax and consequently, the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through the Finance Act, 2006 and 2008 respectively (Money Bills) do not suffer from any constitutional or legal infirmity. This judgement was in contrast to the July 2011 single member bench decision of the Honorable Lahore High Court which had held such amendments as unlawful and unconstitutional for the reason that they were made through the money bills. For the CISs and pension funds, the issue of chargeability or otherwise of WWF levy to the CISs / pension funds is currently pending before the Honorable SHC.

In view of the pending decision, the Management Company of the Fund, as a matter of abundant caution, has continued to maintain the provision for WWF amounting to Rs. 14.506 million (June 30, 2013 : Rs. 9.337 million) in this condensed interim financial information. Had the same not been made the net asset value per unit of the Fund would have been higher by Re. 0.057 per unit.

7 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 unrealised) to its unit holders.

8 TRANSACTIONS WITH CONNECTED PERSONS

8.1 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 (NBP), and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

NAFA FINANCIAL SECTOR INCOME FUND

- 8.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 8.3 Remuneration and front - end load payable to the Management Company and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

----- Unaudited -----			
Nine month ended		Quarter ended	
March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
----- Rupees -----			

- 8.4 Details of the transactions with connected persons are as follows:

NBP Fullerton Asset Management Limited - Management Company				
Remuneration	47,609	40,258	10,591	15,014
Sindh Sales Tax on Management Company's remuneration	8,913	6,441	1,965	2,402
Federal excise duty on Management Company's remuneration	7,618	-	1,695	-
Front end load	1,734	-	343	-
Alexandra Fund Management Pte. Limited - Sponsor				
Bonus of 182,969 units issued during the period (March 31 2013 :847,171 units)	-	-	-	-
Redemption of 11,735,970 units (March 31, 2013: Nil units)	122,137	-	-	-
National Bank of Pakistan - Sponsor				
Bonus of 2,438,416 units issued during the period (March 31 2013 :3,280,954 units)	-	-	-	-
Issue of Nil Units during the period (March 31 2013 : 20,220 units)	-	211	-	-
Redemption of 143,056,058 units (March 31, 2013 : 5,500,502 units)	1,500,000	56,579	-	33,715
Distributions paid	39,612	86,616	-	-
Purchase of Pakistan Investment Bonds	-	179,386	-	-
Purchase of Market Treasury Bills	1,358,125	2,393,425	-	-
Placement of Term Deposit Receipts	500,000	-	-	-
Profit on Term Deposit Receipt	7,474	-	-	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee	3,335	2,919	809	1,060
CDS Charges	151	137	50	45
NAFA Asset Allocation Fund				
Purchase of Sukuk certificates	-	38,430	-	-
CFO / Company Secretary				
Bonus of 5,417 units issued during the period (March 31 2013 :1,123 units)	-	-	-	-
Issue of 181,291 units (March 31 2013: 96,936 units)	1,887	993	-	-
Redemption of 105,023 units (March 31 2013: 97,915 units)	1,110	1,012	1,000	531
Employees of the Management Company				
Bonus 14,017 units issued during the period (March 31 2013 : 37,562 units)	-	-	-	-
1,207,751 Units issued / transferred in during the period (March 31 2013 :1,388,654 units)	12,580	14,326	2,435	4,157
1,252,027 Units redeemed / transferred out during the period (March 31 2013 :1,532,998 units)	13,059	15,816	2,761	6,288
Summit Bank Limited				
Bank Profit	135	-	-	-
Byco Oil Pakistan Limited- Employee Provident Fund				
Sale of Treasury Bills	994	-	-	-
CDC Trustee NAFA Savings Plus Fund				
Sale of Treasury Bills	63,637	-	-	-
NAFA Government Securities Liquid Fund				
Sale of Treasury Bills	265,235	-	196,556	-
Olympia Chemicals Limited - Employees Provident Fund				
Nil Units issued / transferred in during the period (March 31 2013 :1,861,249 units)	-	11,956	-	11,956
Nil Units redeemed / transferred out during the period (March 31 2013 :924,751 units)	-	9,500	-	9,500

NAFA FINANCIAL SECTOR INCOME FUND

	(Un-Audited) As at March 31, 2014	(Audited) As at June 30, 2013
	----- Rupees in '000 -----	
8.5 Balances outstanding as at period end		
NBP Fullerton Asset Management Limited - Management Company		
Preliminary expenses and floatation costs paid by the Management Company on behalf of the Fund	1,092	1,092
Rating fee paid by the Management Company on behalf of the Fund	52	52
Security deposit with Central Depository Company of Pakistan Limited given by the Management Company on behalf of the Fund	100	100
Management remuneration payable	3,444	4,977
Sindh Sales Tax payable on Management Company's remuneration	640	797
Federal Excise Duty on Management Company's remuneration	6,602	481
Sales load and transfer load payable to the Management Company	1,251	320
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	267	352
Security deposit	100	100
CDC Charges Payable	29	-
Alexandra Fund Management Pte. Limited - Sponsor		
Units held nil units (June 30, 2013: 11,553,000 units)	-	118,724
National Bank of Pakistan - Sponsor		
Units held 100,772,966 units (June 30, 2013: 241,390,610 units)	1,059,023	2,480,651
Balance in current account	1,736	1,161
CFO / Company Secretary		
Units held 100,780 units (June 30, 2013: 19,094 units)	1,059	196
Employees of the Management Company		
Units held 387,914 units (June 30, 2013 : 250,012 units)	4,077	2,569
Summit Bank Limited		
Bank balance		
- in current accounts	2,089	-
- in Saving accounts	-	8,702
The Hub Power Company Limited		
Short term Islamic sukuk	-	320,000
Nafa Money Market Fund		
Amount receivable due to transfer of units on behalf of National Bank of Pakistan	-	964,360

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

9 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on April 30, 2014.

10 GENERAL

10.1 Figures have been rounded off to the nearest thousand rupees.

10.2 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



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

Your investments & "NAFA" grow together



Joint - Venture Partners

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