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

NAFA FINANCIAL SECTOR INCOME FUND

**QUARTERLY
REPORT
September
30 2016**




Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

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. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director
Mr. Koh Boon San	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Saiyed Hashim Ishaque	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Lui Mang Yin (Martin Lui)	Member
Mr. Abdul Hadi Palekar	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
JS Bank Limited
Khushhali Bank Limited
Samba Bank Limited
Dubai Islamic Bank Pakistan Limited
Zarai Taraqiyati Bank Limited
Bankislami Pakistan Limited

NAFA FINANCIAL SECTOR INCOME FUND

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02
Beaumont Road,
Karachi - 75530, Pakistan.

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, I-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

Opposite Gul Haji Plaza, 2nd Floor
National Bank Building
University Road Peshawar,
UAN: 091-111 111 632 (nfa)
Fax: 091-5703202

Multan Office:

NBP City Branch, Hussain-a-Gahi, 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 quarter ended September 30, 2016.

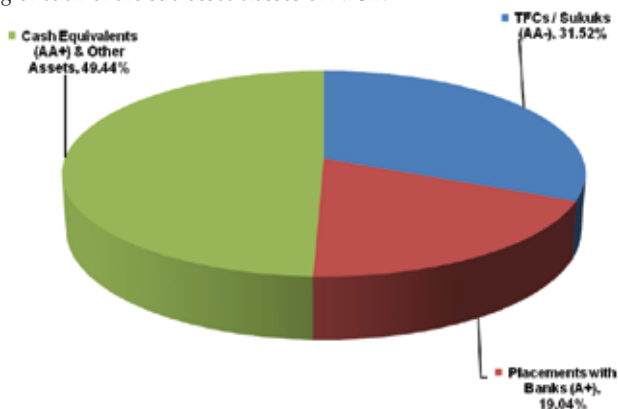
Fund's Performance

The size of NAFA Financial Sector Income Fund has decreased from Rs. 1,255 million to Rs. 1,144 million during the quarter, i.e. a decline of 9%. During the period under review, the unit price of the Fund has increased from Rs. 10.4723 on June 30, 2016 to Rs. 10.6384 on September 30, 2016 thus posting a return of 6.29% as compared to its Benchmark (6-Month KIBOR) return of 5.66%. 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, trading activity in TFCs/Sukuks remained skewed towards high quality issues with total traded value recorded at around Rs 1.5 billion during the quarter. The trades were mainly concentrated in the Banking sector, making up 64% share. State Bank of Pakistan (SBP) in its bi-monthly monetary policy announcements in July and September 2016 maintained the policy rate at 5.75% citing positives such as comfortable liquidity conditions coupled with record-high foreign exchange reserves and CPEC related projects gathering momentum being balanced against uncertain global oil prices, challenged exports outlook, and heavy scheduled foreign loan payments during FY17, and beyond. We see modest pickup in inflation to 5.0% by the year-end due to partial recovery in commodity prices, measured expected devaluation, and uptick in private sector borrowing.

The Fund has earned total income of Rs.21.54 million during the period. After deducting expenses of Rs.3.69 million, the net income is Rs.17.85 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NFSIF.



NAFA FINANCIAL SECTOR INCOME FUND

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: October 28, 2016
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ، بورڈ آف ڈائریکٹرز بھد مسرت 30 ستمبر 2016ء کو ختم ہونے والی سہ ماہی کے لیے NAFA فنانسئل سیکٹر انکم فنڈ (NFSIF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتا ہے۔

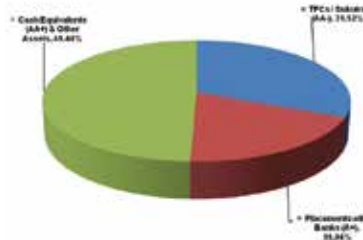
فنڈ کی کارکردگی

NAFA فنانسئل سیکٹر انکم فنڈ کا ساؤز اس سہ ماہی کے دوران 1,255 ملین روپے سے گھٹ کر 1,144 ملین روپے تک پہنچ گیا، یعنی زیر جائزہ کے دوران 9% کمی۔ اس مدت کے دوران یونٹ کی قیمت 30 جون 2016 کو 10.4723 روپے سے بڑھ کر 30 ستمبر 2016 کو 10.6384 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے اپنے بیچ مارک منافع (6 ماہی KIBOR) کے 5.66% کے مقابلے میں 6.29% منافع درج کرایا۔ فنڈ کی کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خاصا ہے۔

یہ فنڈ منفرد ہے کیوں کہ یہ اپنے اثاثوں کا کم از کم 70% فنانسئل سیکٹر (بنیادی طور پر بینکس) ڈیٹ سیکورٹیز، انسٹرومنٹ یا ڈپازٹس میں سرمایہ کاری کرتا ہے۔ ڈیٹ سیکورٹیز کی کم از کم اسٹیٹس / انسٹرومنٹ ریٹنگ AA- ہیں۔ اس سے کریڈٹ رسک میں کمی ہوتی ہے اور اس کے ساتھ ساتھ فنڈ کی لیکویڈیٹی میں اضافہ ہوتا ہے۔ فنڈ کی میعاد ایک سال سے زائد نہیں ہو سکتی۔ یہ انٹرسٹ ریٹ یا پرائسنگ رسک کم کرتا ہے۔ فنڈ اپنے اثاثوں کا 90.25% دن سے کم مدت کے T-بلز یا بینکوں کے ساتھ سیونگ اکاؤنٹس میں انویسٹ کرتا ہے جس سے فنڈ کے لیکویڈیٹی پروفائل میں مزید اضافہ ہو جاتا ہے۔

کاروباری قرض کے حلقے میں TFCs / سکوک میں تجارتی سرگرمیوں کے اعلیٰ کوالٹی اجراء کی کارروائیوں کی طرف جھکاؤ رہا، جن کے لین دین کی مجموعی مالیت اس سہ ماہی کے دوران 1.5 ارب روپے ریکارڈ کی گئی۔ لین دین کا اصل ارتکاز بینکاری کے شعبے میں رہا جس کا حصہ 64% بنتا ہے۔ اسٹیٹ بینک آف پاکستان نے اپنے جولائی اور ستمبر 2016 کے دو ماہی مالیاتی پالیسی بیانات میں پالیسی ریٹ 5.75% برقرار رکھا، لیکویڈیٹی کی باسہولت صورت حال کے ساتھ زرمبادلہ کے ریکارڈ بلند ذخائر اور سیبک سے متعلق منصوبوں کی رفتار میں اضافے کے مثبت پہلوؤں کی بدولت تیل کی غیر یقینی عالمی قیمتوں، برآمدات سے متعلق چیلنج آمیز امکانات اور مالی سال 2017 میں اور اس کے بعد شیڈیول غیر ملکی قرضوں کی بھاری واپسی کے اثرات بیلنس میں رہنے کی توقع ہے۔ ہم ایشیائے صرف کی قیمتوں میں جزوی بحالی، روپے کی قدر میں نئی تلی متوقع کمی اور نجی شعبے کی طرف سے قرضوں میں اضافے کی وجہ سے سال کے اختتام تک افراط زر میں 5% تک معتدل اضافہ دیکھ رہے ہیں۔

فنڈ نے اس مدت کے دوران 21.54 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 3.69 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 17.85 ملین روپے ہے۔ درج ذیل چارٹ NFSIF کی ایسیٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:



اظہارِ تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابلِ قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہارِ تشکر کرتا ہے۔
بورڈ اپنے اسٹاف اور ٹرسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 اکتوبر 2016

مقام: کراچی

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2016

	Note	Un-Audited September 30, 2016	Audited June 30, 2016
(Rupees in '000)			
ASSETS			
Balances with banks		599,562	336,091
Investments	4	578,341	510,716
Profit receivable	5	11,801	6,424
Preliminary expenses and floatation costs		15	69
Security deposit		100	100
Receivable against issue of units		-	463,064
Prepayments and other receivables		319	345
Total assets		1,190,138	1,316,809
LIABILITIES			
Payable to the Management Company		17,638	17,125
Payable to Central Depository Company of Pakistan Limited - Trustee		330	137
Payable to the Securities and Exchange Commission of Pakistan		213	822
Payable against redemption of units		949	18,328
Accrued expenses and other liabilities	6	27,207	25,698
Total liabilities		46,337	62,110
NET ASSETS		1,143,801	1,254,699
Unit holders' fund (as per statement attached)		1,143,801	1,254,699
CONTINGENCIES AND COMMITMENTS			
Number of units in issue	9	107,516,125	119,810,599
Net asset value per unit		10.6384	10.4723

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	Note	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
(Rupees in '000)			
INCOME			
Capital gain on sale of investments - net		-	2,394
Income from term finance certificates and commercial papers		7,573	10,392
Income from government securities		-	2,310
Income on bank and term deposit receipts		13,879	16,755
Unrealised diminution on re-measurement of investments classified as Financial assets 'at fair value through profit or loss' - net		(142)	(1,058)
Total income		21,310	30,793
EXPENSES			
Remuneration of the Management Company		2,033	4,983
Sindh sales tax on remuneration of the Management Company		264	809
Federal excise duties on remuneration of the Management Company		-	798
Accounting and operating charges to the Management Company		284	-
Remuneration of the Trustee		456	491
Sindh sales tax on remuneration of the Trustee		60	69
Annual fee - Securities and Exchange Commission of Pakistan		213	249
Securities transaction cost		-	1
Settlement and bank charges		101	188
Annual listing fee		10	10
Auditors' remuneration		138	138
Fund's Rating fee		75	70
Amortisation of preliminary expenses and floatation costs		55	55
Total expenses		3,689	7,861
Net income from operating activities		17,621	22,932
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		232	(1,039)
Net income for the period		17,853	21,893
Provision for workers' welfare fund	8	-	-
Net income for the period before taxation		17,853	21,893
Taxation	10	-	-
Net income for the period after taxation		17,853	21,893
Earnings per unit	7		

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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 QUARTER ENDED SEPTEMBER 30, 2016

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Net income for the period after taxation	17,853	21,893
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>17,853</u>	<u>21,893</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Accumulated income brought forward		
- Realised income	104,594	103,179
- Unrealised loss	<u>(4,924)</u>	<u>(4,038)</u>
	99,670	99,141
Net income for the period after taxation	17,853	21,893
Element of Income / (loss) and Capital gains / (losses) included in the prices of units issued less those in units redeemed	232	-
Undistributed income carried forward	<u>117,755</u>	<u>121,034</u>
Undistributed income comprising of :		
- Realised income	117,897	122,092
- Unrealised loss	<u>(142)</u>	<u>(1,058)</u>
	<u>117,755</u>	<u>121,034</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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 QUARTER ENDED SEPTEMBER 30, 2016

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Net assets at the beginning of the period	1,254,699	776,933
Issue of 26,455,131 units (2015: 144,069,548 units)	280,314	1,514,843
Redemption of 38,749,606 units (2015: 101,868,481 units)	(408,833)	(1,074,119)
	(128,519)	440,724
Element of Income / (loss) and Capital gains / (losses) included in the prices of units issued less those in units redeemed - net		
- transferred to income statement	(232)	1,039
Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(142)	(1,058)
Capital gain on sale of investments - net	-	2,394
Other income (net of expenses) for period	17,995	20,557
	17,853	21,893
Net assets as at the end of the period	1,143,801	1,240,589

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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 QUARTER ENDED SEPTEMBER 30, 2016

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	17,853	21,893
Adjustments :		
Net unrealised Diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	142	1,058
Amortisation of preliminary expenses and floatation costs	55	55
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(232)	1,039
	<u>17,818</u>	<u>24,045</u>
Decrease / (increase) in assets		
Investments	(67,768)	71,773
Profit receivable	(5,378)	(4,998)
Receivable against sale of units	463,065	-
Prepayments and other receivables	26	867
	389,945	67,642
Increase in liabilities		
Payable to the Management Company	513	(410)
Payable to Central Depository Company of Pakistan Limited - Trustee	193	(22)
Payable to the Securities and Exchange Commission of Pakistan	(609)	(1,223)
Accrued expenses and other liabilities	1,509	(5,513)
	<u>1,606</u>	<u>(7,168)</u>
Net cash generated from operating activities	<u>409,369</u>	<u>84,519</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	280,314	1,514,843
Payment on redemption of units	(426,212)	(2,241,016)
Cash distribution	-	(53,508)
Net cash (outflow) from financing activities	<u>(145,898)</u>	<u>(779,681)</u>
Net decrease in cash and cash equivalents during the period	<u>263,471</u>	<u>(695,162)</u>
Cash and cash equivalents at the beginning of the period	336,091	1,546,969
Cash and cash equivalents as at the end of the period	<u>599,562</u>	<u>851,807</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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 STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (UN-AUDITED)

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 (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as 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 SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block 4, Scheme no. 5, Clifton, Karachi. The Management Company is a member of the Mutual Fund Association of Pakistan (MUFAP).

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

The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector 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 as at December 31, 2015 and an asset manager rating of AM2++ to the Management Company as at August 04, 2016.

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

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with 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, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulation or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

The directors of the asset management company declare that these condensed interim financial statements give a true and fair view of the fund

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed financial statements for the quarter ended September 30, 2016 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2016.

NAFA FINANCIAL SECTOR INCOME FUND

4 INVESTMENTS	Note	(Un-audited) September 30, 2016	(Audited) June 30, 2016
(Rupees in '000)			
At fair value through profit or loss - held for trading			
Investment in term finance certificates - listed	4.1	105,630	105,630
Investment in term finance certificates - unlisted	4.2	254,944	255,086
Loans and receivables			
Term deposit receipts	4.3	217,767	150,000
		<u>578,341</u>	<u>510,716</u>

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 September 30, 2016	Investment as a percentage of		
	As at July 01, 2016	Purchases during the period	Sale / matured during the period	As at September 30, 2016		Net Assets	Market value of total investments	Issue Size
Rupees in '000						-----%-----		
Term finance certificates - listed								
Faysal Bank Limited - III	27,900	-	-	27,900	105,630	9.23		18.26
				<u>27,900</u>	<u>105,630</u>	<u>9.23</u>		18.26
Carrying Value as at September 30, 2016					105,630			
Net unrealised diminution on re-measurement of investments as at September 30, 2016					<u>-</u>			

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 September 30, 2016	Investment as a percentage of		
	As at July 01, 2016	Purchases during the period	Sale / matured during the period	As at September 30, 2016		Net Assets	Market value of total investments	Issue Size
Rupees in '000						-----%-----		
Term finance certificates - unlisted								
Bank Alfalah Limited - IV FT	34,300	-	-	34,300	173,131	15.14	29.94	3.43
Askari Bank Limited - IV	44	-	-	44	44,580	3.90	7.71	4.40
Standard Chartered Bank	3,300	-	-	3,300	16,571	1.45	2.87	0.83
Jahangir Siddiqui and Company Limited	4,000	-	-	4,000	20,662	1.81	3.57	2.00
				<u>41,644</u>	<u>254,944</u>	<u>22.29</u>	<u>44.08</u>	
Carrying Value as at September 30, 2016					255,086			
Net unrealised diminution on re-measurement of investments as at September 30, 2016					<u>(142)</u>			

4.3 This represents term deposit receipts of Rs 217.767 million with JS Bank Limited respectively. They carry interest at the rate of 7.3% and will mature on Dec 29, 2016 respectively.

NAFA FINANCIAL SECTOR INCOME FUND

	Note	September 30, 2016	June 30, 2016
(Rupees in '000)			
5 PROFIT RECEIVABLE			
Profit receivable on bank deposits		892	52
Profit receivable on term finance certificates		9,026	1,567
Profit receivable on term deposit receipts		1,883	4,805
		<u>11,801</u>	<u>6,424</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		586	448
Provision for Workers' Welfare Fund	8	17,975	17,975
Brokerage		16	16
Printing charges		130	130
Legal fee		13	13
Settlement and bank charges		138	110
Rating fee payable		10	-
Other payable		1,000	-
Withholding tax payable		7,339	7,006
		<u>27,207</u>	<u>25,698</u>

7 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended September 30, 2016 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

8 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.30% p.a. including 0.19% representing government levies on collective Investment scheme such as Sales tax, Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the same period.

9 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015. Accordingly no further provision for WWF has recorded subsequent to June 30, 2015.

However, without prejudice to the above and owing to the fact that the decision of Sindh High Court on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to record and retain provision of WWF in financial statements for the quarter ended September 30, 2016 which aggregates to Rs. 17.975 million. Had the same not been made the net asset value per unit / return of the Fund would have been higher by 0.1672 per unit respectively.

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at September 30, 2016 and June 30, 2016

11 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. The Fund has not recorded a provision for taxation in respect of income relating to the current period as the Management Company has decided to distribute the required minimum percentage of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

NAFA FINANCIAL SECTOR INCOME FUND

12 TRANSACTIONS WITH CONNECTED PERSONS

- 12.1 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.
- 12.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 12.3 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.

	Un-audited Quarter Ended September 30, 2016	Un-audited Quarter Ended September 30, 2015
	----- (Rupees in '000) -----	

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

NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	2,033	4,983
Sindh sales tax on remuneration of the Management Company	264	809
Accounting and operating charges to the Management Company	284	-
Federal excise duties on remuneration of the Management Company	-	798
Front end load	-	495
National Bank of Pakistan		
Dividend paid to sponsor	-	53,508
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	456	491
Sindh sales tax on remuneration of the Trustee	60	69
Settlement charges	-	74
Employees of the Management Company		
Nil Units issued / transferred in during the period (2015 : 1,418,035 units)	-	14,902
109,503 Units redeemed / transferred out during the period (2015 : 1,366,583 units)	1,149	14,391
NAFA Income Opportunity Fund		
Sale of Treasury Bills	-	46,880
JK Dairies (Private) Limited*		
23,586,463 Units issued / transferred in during the period (2015 : Nil units)	250,000	-
12,158,799 Units redeemed / transferred out during the period (2015 : Nil units)	129,000	-

NAFA FINANCIAL SECTOR INCOME FUND

	Un-audited Quarter Ended September 30, 2016	Audited June 30, 2016
12.5 Balances outstanding as at period end		
----- (Rupees in '000) -----		
NBP Fullerton Asset Management Limited - Management Company		
Preliminary expenses and floatation costs paid by Management Company on behalf of the Fund	-	17
Sales load and transfer load payable to the Management Company	378	836
Other Payable	696	152
Management remuneration payable	671	514
Sindh Sales Tax payable on Management Company's remuneration	87	84
Federal Excise Duties on Management Company's remuneration	14,947	14,947
Accounting and operating charges to the Management Company	859	575
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	330	137
Security deposit	100	100
National Bank of Pakistan - Sponsor		
Payable against Nil units (June 30, 2016 : Nil units redeemed as at June 30, 2015)	-	-
Profit receivable of bank balances	-	28
Bank balance	820	762
Employees of the Management Company		
Units held : 21,018 units (June 30, 2016 : 130,521 units)	224	1,367
Summit Bank Limited		
Bank balance	1,706	1,398
Amount payable against redemption of units to:		
NAFA Government Securities Liquid Fund	-	15,438
NAFA Government Securities Saving Fund	-	-
NAFA Islamic Asset Allocation Fund	-	-
NAFA Income Opportunity Fund	-	-
NAFA Islamic Active Allocation Plan III	-	174
NAFA Islamic Stock Fund	-	2,521
NAFA Riba Free Savings Fund	-	154
NAFA Multi Asset Fund	-	-
NAFA Stock Fund	-	-
NAFA Income Fund	-	-
Amount Receivable against issuance of units from:		
NAFA Income Opportunity Fund	-	423,934
NAFA Income Fund	-	30,566
NAFA Asset Allocation Fund	-	4,593
NAFA Islamic Energy Fund	-	3,971
JK Dairies (Private) Limited*		
Units held : 11,427,664 units (June 30, 2016 : Nil units)	121,572	-
Suraj Cotton Mills Limited*		
Units held : 11,333,522 units (June 30, 2016 : Nil units)	120,571	-

* These represents unit holder, holding 10% or more of the units in the fund at the close of the period.

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 28, 2016 by the Board of Directors of the Management Company.

14 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



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

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