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

NAFA ISLAMIC AGGRESSIVE INCOME FUND

HALF YEARLY REPORT DECEMBER 31 2015




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 ISLAMIC AGGRESSIVE INCOME FUND

FUND'S INFORMATION

Management Company

NPB Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

| | |
|------------------------|-------------------------|
| Mr. Nausherwan Adil | Chairman |
| Dr. Amjad Waheed | Chief Executive Officer |
| Mr. Nigel Poh Cheng | 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 & 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. Nausherwan Adil | Chairman |
| Mr. Nigel Poh Cheng | 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

Al-Baraka Islamic Bank
Bank Alfalah Limited
Burj Bank Limited
National Bank of Pakistan
NIB Bank Limited
Silk Bank Limited
Meezan Bank Limited
Habib Bank Limited
Bank Islami Pakistan Limited
Sindh Bank Limited
Summit Bank Limited
United Bank Limited

NAFA ISLAMIC AGGRESSIVE 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: 111-111-NFA (111-111-632)
Helpline (Toll Free): 0800-20001
Fax: (021) 35825329

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 ISLAMIC AGGRESSIVE INCOME FUND

DIRECTORS' REPORT

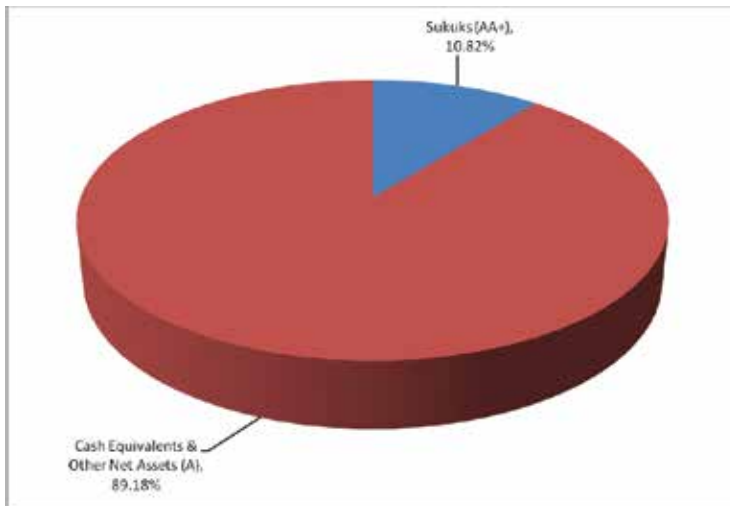
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Islamic Aggressive Income Fund (NIAIF)** for the half year ended December 31, 2015.

Fund's Performance

The size of NAFA Islamic Aggressive Income Fund has increased from Rs. 1,207 million to Rs. 1,407 million during the period, i.e. a growth of 16.6%. During the period, the unit price of the Fund has increased from Rs. 9.4745 on June 30, 2015 to Rs. 9.8493 on December 31, 2015, thus showing return of 7.85% as compared to its Benchmark (Average 3-Month deposit rate of Islamic Banks) return of 4.96% for the same period. The performance of the Fund is net of management fee and other expenses.

NIAIF is categorized as Islamic Aggressive Income Scheme and has been awarded stability rating of 'A-(f)' by PACRA. Trading activity in Sukuks remained depressed. Dearth of high credit quality corporate Sukuks further depressed the secondary market yields. During the period under review, the State Bank of Pakistan reduced the discount rate by 50 bps to 6.5%. SBP highlighted i) benign inflation readings and anchored near-term expectation; ii) high real lending rates; iii) comfortable external account position; and (iv) improving law and order situation and macroeconomic stability. Sovereign securities responded to the loose monetary policy stance with yields on the short term and long term sovereign bonds declining accordingly. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

The Fund has earned total income of Rs.58.12 million during the period. After accounting for expenses of Rs.6.59 million, the net income is Rs.51.53 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIAIF:



NAFA ISLAMIC AGGRESSIVE 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: February 26, 2016
Place: Karachi.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

NAFA ISLAMIC AGGRESSIVE 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 Islamic Aggressive 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, 2015 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
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 26, 2016

NAFA ISLAMIC AGGRESSIVE INCOME FUND

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Aggressive Income Fund** ("the Fund") as at 31 December 2015 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, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this 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 interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matter

The figures for the three months period ended 31 December 2015 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 26, 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Condensed Interim Statement of Assets and Liabilities As at 31 December 2015

| | Note | (Un-Audited) December 31, 2015 | Audited June 30, 2015 |
|---|------|--------------------------------------|-----------------------------|
| ------(Rupees in '000)----- | | | |
| Assets | | | |
| Bank balances | 6 | 1,245,606 | 999,642 |
| Investments | 7 | 152,251 | 36,084 |
| Profit receivables | | 10,922 | 4,036 |
| Receivable against conversion of units | 10 | 8,884 | 268,776 |
| Advance, deposits and prepayment | | 153 | 272 |
| Total assets | | 1,417,816 | 1,308,810 |
| Liabilities | | | |
| Payable to NBP Fullerton Asset Management Limited - Management Company | 8 | 6,125 | 3,875 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | 229 | 150 |
| Payable to Securities and Exchange Commission of Pakistan | | 526 | 572 |
| Payable against redemption of units | | 499 | 76,695 |
| Payable against conversion of units | 10 | - | 7,316 |
| Dividend payable | | - | 5,701 |
| Accrued expenses and other liabilities | 11 | 3,866 | 7,107 |
| Total liabilities | | 11,245 | 101,416 |
| Net assets | | 1,406,571 | 1,207,394 |
| Unit holders' funds (as per statement attached) | | 1,406,571 | 1,207,394 |
| Contingencies and commitments | 12 | | |
| | | (Number of units) | |
| Number of units in issue | | 142,808,669 | 127,435,777 |
| -----Rupees----- | | | |
| Net assets value per unit | | 9.8493 | 9.4745 |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive

For NBP Fullerton Asset Management Limited
(Management Company)

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Condensed Interim Income Statement (Unaudited) For the six and three months period ended 31 December 2015

| Note | Six months period ended | | Three months period ended | |
|--|-------------------------|---------------|---------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| ----- Rupees in '000 ----- | | | | |
| Income | | | | |
| | 9,315 | 4,276 | 4,876 | 2,106 |
| Income from ijarah and sukuk bonds | | | | |
| Profit on bank deposits | 47,805 | 26,099 | 27,042 | 15,856 |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 7.4 | 1,197 | 82 | 1,163 |
| Gain on sale of investments | | 17 | | - |
| Total income | 58,334 | 30,457 | 33,081 | 18,062 |
| Expenses | | | | |
| Remuneration of NBP Fullerton Asset Management Limited - Management Company | 6,771 | 3,001 | 3,827 | 1,789 |
| Sindh Sales Tax on remuneration of Management Company | 1,102 | 522 | 622 | 297 |
| Federal Excise Duty on remuneration of Management Company | 1,084 | 480 | 613 | 286 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 1,024 | 457 | 560 | 304 |
| Sindh Sales Tax on remuneration of Trustee | 143 | - | 102 | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 13 | 183 | 183 | - |
| Annual fee - Securities and Exchange Commission of Pakistan | 526 | 225 | 305 | 134 |
| Settlement and bank charges | 254 | 57 | 111 | (12) |
| Annual listing fee | 20 | 15 | 10 | 8 |
| Auditors' remuneration | 287 | 300 | 140 | 188 |
| Mutual fund rating fee | 139 | 121 | 69 | 61 |
| Printing charges | 50 | - | 25 | (26) |
| Reversal of provision against non-performing sukuk bonds classified as 'available for sale' | 7.5 | (5,000) | (2,500) | - |
| Other expenses | 5 | 25 | 5 | 25 |
| Total expenses | 6,588 | 5,203 | 4,072 | 3,054 |
| Net income from operating activities | 51,746 | 25,254 | 29,009 | 15,008 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | (215) | - | (1,891) | - |
| Provision for Workers' Welfare Fund | 11.1 | - | (505) | (300) |
| Net income for the period before taxation | 51,531 | 24,749 | 27,118 | 14,708 |
| Taxation | 14 | - | - | - |
| Net income for the period | 51,531 | 24,749 | 27,118 | 14,708 |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Condensed Interim Statement of Comprehensive Income (Unaudited) For the six and three months period ended 31 December 2015

| Note | Six months period ended | | Three months period ended | | |
|---|----------------------------|---------------|---------------------------|---------------|-----|
| | 2015 | 2014 | 2015 | 2014 | |
| | ----- Rupees in '000 ----- | | | | |
| Net income for the period | 51,531 | 24,749 | 27,118 | 14,708 | |
| Other comprehensive income for the period | | | | | |
| Items to be reclassified to income statement in subsequent periods: | | | | | |
| Net unrealised appreciation on re-measurement of investments classified as 'available for sale' | 7.3 | 1,778 | 1,948 | 1,460 | 359 |
| Total comprehensive income for the period | <u>53,309</u> | <u>26,697</u> | <u>28,578</u> | <u>15,067</u> | |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive

For NBP Fullerton Asset Management Limited
(Management Company)

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Condensed Interim Distribution Statement (Unaudited) For the six and three months period ended 31 December 2015

| | Six months period ended | | Three months period ended | |
|---|----------------------------|---------------|---------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | ----- Rupees in '000 ----- | | | |
| Undistributed income brought forward comprising: | | | | |
| - Realised income | 36,537 | 20,960 | 60,962 | 35,384 |
| - Unrealised income / (loss) | 24 | 443 | 34 | (18) |
| | <u>36,561</u> | <u>21,403</u> | <u>60,996</u> | <u>35,366</u> |
| Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net | 217 | 5,753 | 195 | 1,831 |
| Net income for the period | 51,531 | 24,749 | 27,118 | 14,708 |
| Undistributed income carried forward | <u>88,309</u> | <u>51,905</u> | <u>88,309</u> | <u>51,905</u> |
| Undistributed income carried forward comprising: | | | | |
| - Realised income | 87,112 | 51,823 | 87,112 | 51,823 |
| - Unrealised income | 1,197 | 82 | 1,197 | 82 |
| | <u>88,309</u> | <u>51,905</u> | <u>88,309</u> | <u>51,905</u> |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Condensed Interim Statement of Movement In Unit Holders' Fund (Unaudited) For the six and three months period ended 31 December 2015

| | Six months period ended | | Three months period ended | |
|---|-------------------------|-----------|---------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| ----- Rupees in '000 ----- | | | | |
| Net assets at beginning of the period [Rs. 9.4745 per unit (2014: Rs. 9.3825 per unit)] | 1,207,394 | 431,004 | 1,281,286 | 659,634 |
| Issue of 188,269,151 units (2014 : 67,688,682 units) | 1,823,019 | 646,868 | 1,284,259 | 324,529 |
| Redemption of 172,896,259 units (2014 : 38,523,710 units) | (1,677,366) | (369,050) | (1,189,443) | (263,711) |
| | 145,653 | 277,818 | 94,816 | 60,818 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed-net | | | | |
| - amount representing loss transferred to condensed interim income statement | 215 | - | 1,891 | - |
| - amount representing (income) transferred to condensed interim distribution statement | (217) | (5,753) | (195) | (1,831) |
| Net unrealised appreciation on re-measurement of investments classified as 'available for sale' | 1,778 | 1,948 | 1,460 | 359 |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 1,197 | 82 | 1,163 | 100 |
| Gain on sale of investments | 17 | - | - | - |
| Other net income for the period | 50,317 | 24,667 | 25,955 | 14,608 |
| Total comprehensive income for the period | 53,309 | 26,697 | 28,578 | 15,067 |
| Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net | 217 | 5,753 | 195 | 1,831 |
| Net assets at end of the period [Rs. 9.8493 per unit (2014: Rs. 9.759 per unit)] | 1,406,571 | 735,519 | 1,406,571 | 735,519 |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Condensed Interim Cash Flow Statement (Unaudited) For the six and three months period ended 31 December 2015

| Note | Six months period ended | | Three months period ended | |
|--|-------------------------|-----------|---------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| ----- Rupees in '000 ----- | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income for the period before taxation | 51,531 | 24,749 | 27,118 | 14,708 |
| Adjustments: | | | | |
| Gain on sale of investments | (17) | - | - | - |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | 215 | - | 1,891 | - |
| Reversal of provision against non-performing sukuk bonds classified as 'available for sale' | (5,000) | - | (2,500) | - |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | (1,197) | (82) | (1,163) | (100) |
| | 45,532 | 24,667 | 25,346 | 14,608 |
| (Increase) / decrease in assets | | | | |
| Investments - net | (108,175) | 4,357 | (123,420) | 3,692 |
| Profit receivable | (6,886) | 2,314 | 271 | 3,150 |
| Advance, deposits, prepayment and other receivable | 119 | (470) | 79 | (508) |
| | (114,942) | 6,201 | (123,070) | 6,334 |
| (Decrease) / increase in liabilities | | | | |
| Payable to NBP Fullerton Asset Management Limited - Management Company | 2,250 | 1,838 | 1,519 | 713 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 79 | 71 | 64 | 25 |
| Payable to Securities and Exchange Commission of Pakistan | (46) | 76 | 305 | 134 |
| Accrued expenses and other liabilities | (3,241) | 731 | (333) | 270 |
| | (958) | 2,716 | 1,555 | 1,142 |
| Net cash (used in) / generated from operating activities | (70,368) | 33,584 | (96,169) | 22,084 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Amount received on issue of units | 2,082,911 | 646,868 | 1,275,375 | 324,529 |
| Payments against redemption of units | (1,760,878) | (369,109) | (1,191,840) | (263,261) |
| Distributions paid during the period | (5,701) | - | - | - |
| Net cash from financing activities | 316,332 | 277,759 | 83,535 | 61,268 |
| Net increase / (decrease) in cash and cash equivalents during the period | 245,964 | 311,343 | (12,634) | 83,352 |
| Cash and cash equivalents at beginning of the period | 999,642 | 369,986 | 1,258,240 | 597,977 |
| Cash and cash equivalents at end of the period | 6 1,245,606 | 681,329 | 1,245,606 | 681,329 |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Notes to and forming part of the Condensed Interim Financial information For the six and three months period ended 31 December 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Aggressive Income Fund ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from 22 November 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/ NIF/458/2011 dated 15 November 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Trust Deed executed between the Management Company, CDC and MCBFSL. Thereafter, on 25 August 2014, CDC was re-appointed as the new Trustee of the fund, after MCBFSL retired on prior day.

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 No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange (subsequent to the period end due to demutualization, all Stock Exchange are integrated into Pakistan Stock Exchange). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as an income scheme and its core objective is to provide preservation of capital and earn a reasonable rate of return. The principal activity of the Fund is to make investments in Shariah compliant securities, having a good credit rating and liquidity subject to the guidelines prescribed by SECP.

The Pakistan Credit Rating Agency Limited 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 Central Depository Company of Pakistan Limited (CDC) as the 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 requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, 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 Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2015.

2.3 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38(2)(f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

NAFA ISLAMIC AGGRESSIVE INCOME FUND

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

3 SIGNIFICANT 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 financial statements of the Fund as at and for the year ended 30 June 2015, except for the following standards which became effective during the period.

3.1 New, Amended And Revised Standards And Interpretations of IFRSs

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurements'. These standards became applicable from 1 January 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Fund.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the Fund, except certain additional disclosures.

4 ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2015.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2015.

| | Note | (Un-Audited) December 31, 2015 | Audited June 30, 2015 |
|---|------|--------------------------------------|-----------------------------|
| ----- Rupees in '000 ----- | | | |
| 6 BALANCES WITH BANKS | | | |
| In savings accounts | | 37,854 | 19,995 |
| In current accounts | 6.1 | <u>1,207,752</u> | <u>979,647</u> |
| | | <u>1,245,606</u> | <u>999,642</u> |
| 6.1 These accounts carry mark-up rates ranging from 4% to 7.9% (30 June 2015: 5.5% to 10.2%) per annum. | | | |
| 7 INVESTMENTS | Note | (Un-Audited) December 31, 2015 | Audited June 30, 2015 |
| ----- Rupees in '000 ----- | | | |
| Available for sale | | | |
| Sukuk bonds | 7.1 | 8,865 | 21,060 |
| Financial assets at fair value through profit or loss - held for trading | | | |
| Ijara and sukuk bonds | 7.2 | <u>143,386</u> | <u>15,024</u> |
| | | <u>152,251</u> | <u>36,084</u> |

NAFA ISLAMIC AGGRESSIVE INCOME FUND

7.1 Sukuk bonds - available for sale

| Name of the investee | Number of bonds | | | As at December 31, 2015 | Market value as at December 31, 2015 | Market value as a percentage of net assets | Market value as a percentage of total investments | Percentage of issue size of sukuk held |
|--|---------------------|-----------------------------|----------------------------------|-------------------------|--------------------------------------|--|---|--|
| | As at July 01, 2015 | Purchases during the period | Sales/ matured during the period | | | | | |
| | | | | | Rupees in '000 | -----:-----% | | |
| Engro Fertilizer Limited | 4,600 | - | 4,600 | - | - | - | - | - |
| Maple Leaf Cement Factory Limited | 5,312 | - | - | 5,312 | 8,865 | 0.63 | 5.82 | 0.33 |
| Kohat Cement Company Limited | 20,000 | - | - | 20,000 | - | - | - | 1.21 |
| New Allied Electronics Industries (Private) Limited - 1st issue (note 7.1.4 and 7.1.6) | 352,000 | - | - | 352,000 | - | - | - | 18.33 |
| New Allied Electronics Industries (Private) Limited - 2nd issue (note 7.1.4 and 7.1.6) | 1,000 | - | - | 1,000 | - | - | - | 0.65 |
| Pak Elektron Limited (note 7.1.5 and 7.1.6) | 7,000 | - | - | 7,000 | - | - | - | 1.25 |
| | <u>389,912</u> | <u>-</u> | <u>4,600</u> | <u>385,312</u> | <u>8,865</u> | | | |
| Carrying value of investments as at 31 December 2015 | | | | | <u>129,492</u> | | | |
| Provision for impairment losses as at 31 December 2015 | | | | | <u>122,405</u> | | | |

* In case of debt securities against which provision has been made, these are carried at amortised cost less provision.

7.1.1 Significant terms and conditions of sukuk bonds outstanding as at 31 December 2015 are as follows:

| Sukuk bonds | Remaining principal (per Sukuk) | Mark-up rate (per annum) | Issue date | Maturity date |
|---|---------------------------------|--------------------------|-------------------|-------------------|
| -----Rupees in '000----- | | | | |
| Kohat Cement Company Limited a) Eden Housing Limited - Sukuk * | - | 1.8% + 6 Month KIBOR | 20 December 2007 | 20 December 2015 |
| Maple Leaf Cement Factory Limited b) Pak Electron Limited * | 1677 | 1.7% + 3 Month KIBOR | 03 December 2007 | 03 December 2018 |
| New Allied Electronics Industries (Private) Limited - 1st issue | 313 | 2.6% + 3 Month KIBOR | 27 July 2007 | 27 July 2012 |
| New Allied Electronics Industries (Private) Limited - 2nd issue | 4,905 | 2.2% + 6 Month KIBOR | 03 December 2007 | 03 December 2012 |
| Pak Elektron Limited | 1071 | 1.75% + 3 Month KIBOR | 28 September 2007 | 28 September 2012 |

7.1.2 All sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics (Private) Limited - 1st issue which have a face value of Rs 312.5.

7.1.3 Fair value of all sukuk bonds are determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

7.1.4 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. The investment has been fully provided. The income suspended on these term finance certificate and sukuk up to 31 December 2015 amounted to Rs. 108.9 (30 June 2015: Rs. 103.65 million) and Rs. 4.853 million respectively (30 June 2015: Rs. 4.632 million).

7.1.5 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 0.563 million was not received by the Fund. The investment has been fully provided. The income suspended on these sukuk bonds up to 31 December 2015 amounted to Rs. Nil (30 June 2015: Rs. 0.009 million).

7.1.6 Circular no. 7 of 2009 dated 6 March 2009 issued by SECP requires vide circular no. 16 dated 7 July 2010 that rating of any security in the portfolio shall not be lower than investment grade. As of 31 December 2015 ratings of the above mentioned sukuk bonds were below investment grade, however at the time of investment these securities were of the investment grade.

7.1.7 The sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the user.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

7.2 Ijarah and sukuk bonds - At fair value through profit or loss - held for trading

| Name of the investee | Number of bonds | | | | Market value as at December 31, 2015 | Investment as a percentage of | | |
|--|------------------------------|-----------------------------|----------------------------------|-------------------------|--------------------------------------|--|---|--|
| | As at July 01, 2015 | Purchases during the period | Sales/ matured during the period | As at December 31, 2015 | | Market value as a percentage of net assets | Market value as a percentage of total investments | Percentage of issue size of sukuk held |
| | Rupees in '000 ----- % ----- | | | | | | | |
| Government of Pakistan Ijara Sukuk - 16 | - | 20,000 | - | 20,000 | 101,130 | 0.07 | 0.66 | 0.85 |
| K Electric - AZM Sukuk (5 Years) | - | 5,200 | - | 5,200 | 27,165 | 0.02 | 0.18 | 0.02 |
| K Electric - AZM Sukuk (3 Years) | 3,000 | - | - | 3,000 | 15,091 | 0.01 | 0.10 | 0.25 |
| | <u>3,000</u> | <u>25,200</u> | <u>-</u> | <u>28,200</u> | <u>143,386</u> | | | |
| Carrying value of investments as at 31 December 2015 | | | | | <u>142,189</u> | | | |

7.2.1 Significant terms and conditions of ijarah and sukuk bonds outstanding as at 31 December 2015 are as follows:

| Ijarah and sukuk bonds | Remaining principal (per Sukuk) | Mark-up rate (per annum) | Issue date | Maturity date |
|---|---------------------------------|--------------------------|------------------|------------------|
| -----Rupees in '000----- | | | | |
| Government of Pakistan Ijara Sukuk - 16 | 5000 | 5.8946% | 18 December 2015 | 18 December 2015 |
| K-Electric Limited - AZM Sukuk | 5000 | 2.25% + 3 month KIBOR | 19 March 2014 | 19 March 2017 |
| K-Electric Limited - AZM Sukuk | 5000 | 2.75% + 3 month KIBOR | 19 March 2014 | 19 March 2019 |

7.2.2 The ijarah and sukuk bonds have a face value of Rs. 5000 each.

| | Note | Un-Audited December 31, 2015 | Un-Audited December 31, 2014 |
|---|------|------------------------------|------------------------------|
| ----- Rupees in '000 ----- | | | |
| 7.3 Net unrealised appreciation on remeasurement of investments classified as 'available for sale' | | | |
| Market value of investments | 7.1 | 8,865 | 35,827 |
| Carrying value of investments | | (129,492) | (163,784) |
| | | <u>(120,627)</u> | <u>(127,957)</u> |
| Provision against non-performing sukuk | | | |
| Balance as at 1 July | | 127,405 | 129,905 |
| Reversal of provision due to redemption of principal | | (5,000) | - |
| Balance as at 31 December | 7.5 | <u>122,405</u> | <u>129,905</u> |
| | | <u>1,778</u> | <u>1,948</u> |
| 7.4 Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | | | |
| Market value of investments | 7.2 | 143,386 | 15,525 |
| Carrying value of investments | | (142,189) | (15,443) |
| | | <u>1,197</u> | <u>82</u> |
| 7.5 Movement in provision against non-performing sukuk | | | |
| Balance as at 1 July | | 127,405 | 129,905 |
| Reversal of provision due to redemption of principal | | (5,000) | - |
| Balance as at 31 December | | <u>122,405</u> | <u>129,905</u> |

NAFA ISLAMIC AGGRESSIVE INCOME FUND

| | Note | Un-Audited December 31, 2015 | Audited June 30, 2015 |
|--|------|------------------------------------|-----------------------------|
| ----- Rupees in '000 ----- | | | |
| 8 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY | | | |
| Management remuneration | 8.1 | 1,271 | 872 |
| Sindh Sales Tax | 8.2 | 204 | 152 |
| Federal Excise Duty | 8.3 | 2,720 | 1,637 |
| Sales load | | 1,115 | 715 |
| Sindh Sales Tax and Federal Excise Duty on sales load | | 632 | 499 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 13 | <u>183</u> | <u>-</u> |
| | | <u>6,125</u> | <u>3,875</u> |

8.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 1 percent per annum (30 June 2015: 1 percent per annum) of the average net assets of the Fund till 6 December 2015 and effective from 7 December 2015, the Management Company has revised its remuneration to the rate of 10% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1% of average annual net assets per annum.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 15% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2014. However, the rate has been revised from 15% to 14% effective from 1 July 2015.

8.3 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In 2014, the Honourable High Court of Sindh in a Constitutional petition relating to levy of FED on Mutual Funds has granted a stay order for the recovery of FED. As a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 2.79 million out of which Rs. 0.070 million have been paid to the Management Company. Had the provision not been made, the Net Assets Value (NAV) per unit of the fund as at 31 December 2015 would have been higher by Rs. 0.01954 per unit (30 June 2015: Rs. 0.0134 per unit).

| | Note | Un-Audited December 31, 2015 | Audited June 30, 2015 |
|--|------|------------------------------------|-----------------------------|
| ----- Rupees in '000 ----- | | | |
| 9 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee remuneration | | 201 | 150 |
| Sindh Sales Tax on trustee remuneration | 9.1 | <u>28</u> | <u>-</u> |
| | | <u>229</u> | <u>150</u> |

9.1 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 14% on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015.

10 RECEIVABLE / (PAYABLE) AGAINST CONVERSION OF UNITS

As at period end, units of Rs. 8.884 million (30 June 2015:Rs.954.843 million) have been issued and Nil (30 June 2015: Rs.693.383 million) have been redeemed (conversion / switching of units) as per the instructions of units holders of the respective funds between funds managed by the Management Company. However, receivable and payable were stated based on net settlement basis among funds and these were settled during the six months period ended 31 December 2015.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

| | Note | Un-Audited December 31, 2015 | Audited June 30, 2015 |
|--|------|------------------------------------|-----------------------------|
| ----- Rupees in '000 ----- | | | |
| 11 ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Provision for Workers' Welfare Fund | 11.1 | 2,944 | 2,944 |
| Auditors' remuneration | | 320 | 360 |
| Legal fee | | 25 | 125 |
| Printing charges | | 75 | 100 |
| Bank charges | | 67 | 4 |
| Brokerage | | 22 | 23 |
| Settlement Charges | | 74 | 6 |
| Withholding tax | | 18 | 1,985 |
| Capital gain tax | | 9 | 1,248 |
| Others | | 312 | 312 |
| | | <u>3,866</u> | <u>7,107</u> |

- 11.1 There has been no change in the status of litigation relating to Workers' Welfare Fund as reported in annual financial statements of the Fund for the year ended 30 June 2015.

However, after the exclusion of the Mutual Funds from federal statute on Workers' Welfare Fund, from 1 July 2015, the Fund has discontinued making the provision in this regard. Had the provision not been maintained, the Net Assets Value (NAV) per unit of the Fund as at 31 December 2015 would have been higher by Rs. 0.0206 per unit (30 June 2015: Rs. 0.0231 per unit).

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2015 and 30 June 2015.

13 ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES

Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.

The expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund with effect from 25 November 2015.

14 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 management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end as cash dividend, to the unit holders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

15 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 15.1 Connected persons include NBP Fullerton Asset Management Limited (NAFA) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, MCB Financial Services Limited being Ex-Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust, other collective investment schemes managed by the Management Company, directors, officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and officers of the Management Company and unit holders holding 10 percent or more units of the Fund.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

- 15.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 15.3 Remuneration and front end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 15.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.
- 15.5 Transactions during the period :

| | ----- (Unaudited) ----- | | | |
|--|----------------------------|--------|---------------------------|--------|
| | Six months period ended | | Three months period ended | |
| | 2015 | 2014 | 2015 | 2014 |
| | ----- Rupees in '000 ----- | | | |
| NBP Fullerton Asset Management Company Limited - Management Company | | | | |
| Management remuneration | 6,771 | 3,001 | 3,827 | 1,789 |
| Federal Excise Duty on Management remuneration | 1,084 | 480 | 613 | 286 |
| Sindh Sales Tax on Management fee | 1,102 | 522 | 622 | 297 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 183 | - | 183 | - |
| Sales load for the period | 401 | 543 | 324 | 202 |
| National Bank of Pakistan - Sponsor | | | | |
| Units issued / transferred in (61,688,034 units) | 600,000 | - | 600,000 | - |
| Units redeemed / transferred out (61,688,034 units) | 605,184 | - | 605,184 | - |
| MCB Financial Services Limited - Ex-Trustee | | | | |
| Remuneration of the Trustee | - | 67 | - | - |
| Central Depository Company of Pakistan Limited - Trustee | | | | |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 1,024 | 390 | 560 | 304 |
| Sindh Sales Tax on remuneration of Trustee | 143 | - | 102 | - |
| CDS charges | 73 | 19 | 12 | (31) |
| Employees of Management Company | | | | |
| Units issued / transferred in 5,419,141 units (2014: 1,772,173 units) | 52,115 | 16,994 | 25,771 | 9,176 |
| Units redeemed / transferred out 5,124,324 units (2014 : 1,616,075 units) | 49,253 | 15,498 | 19,865 | 10,140 |

15.6 Balances outstanding as at period / year end

| | 31 December 2015 (Un-audited) | 30 June 2015 (Audited) |
|--|-------------------------------------|------------------------------|
| | (Rupees in '000) | |
| NBP Fullerton Asset Management Company Limited - Management Company | | |
| Management remuneration payable | 1,271 | 872 |
| Sindh Sales Tax payable on Management Fee | 204 | 152 |
| Federal Excise Duty payable | 2,720 | 1,637 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 183 | - |
| Sales load payable | 1,115 | 715 |
| Sindh Sales Tax and Federal Excise Duty on sales load | 632 | 499 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 229 | 150 |
| Security deposits | 100 | 100 |
| CDS Charges | 74 | 6 |

NAFA ISLAMIC AGGRESSIVE INCOME FUND

| | 31 December 2015 (Un-audited) | 30 June 2015 (Audited) |
|---|-------------------------------------|------------------------------|
| | (Rupees in '000) | |
| National Bank of Pakistan - Sponsor Balance in current account | 2,993 | 1,215 |
| Alexandra Fund Management Pte. Limited - Sponsor Units held 5,418,327 units (30 June 2015: 5,418,327 units) | 53,367 | 51,336 |
| Employees of Management Company Investment held 3,034,445 units (30 June 2015: 2,739,627 units) | 29,887 | 25,957 |
| Hamdard Laboratories Units held: 18,564,492 (30 June 2015: 18,564,492 units) | 182,847 | 175,889 |
| NAFA Asset Allocation Fund Net payable against conversion of units | - | 1,234 |
| NAFA Islamic Asset Allocation Fund Net payable against conversion of units | - | 2,097 |
| NAFA Income Opportunity Fund Net receivable against conversion of units | - | 544 |
| NAFA Islamic Stock Fund Net payable against conversion of units | - | 3,985 |
| NAFA Money Market Fund Net receivable against conversion of units | - | 8,777 |
| NAFA Riba Free Savings Fund Net receivable against conversion of units | - | 259,455 |

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Funds financial assets which are measured at fair value:

| | As at December 31, 2015 | | | |
|---|--------------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | -----Rupees in '000----- | | | |
| Investments in securities - at available for sale | - | 8,865 | - | 8,865 |
| Investments in securities - at fair value through profit and loss | - | 143,386 | - | 143,386 |
| | - | 152,251 | - | 152,251 |
| | ----- | | | |
| | ----- | | | |
| | As at June 30, 2015 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | -----Rupees in '000----- | | | |
| Investments in securities - at available for sale | - | 21,060 | - | 21,060 |
| Investments in securities - at fair value through profit and loss | - | 15,024 | - | 15,024 |
| | - | 36,084 | - | 36,084 |
| | ----- | | | |
| | ----- | | | |

- 16.1** There was no transfer between levels during the period.
- 16.2** There were no changes in valuation techniques during the period
- 16.3** The Fund has not disclosed the fair values of all other financial assets and financial liabilities as their carrying amounts are reasonable approximation of their fair values.

17 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on February 26, 2016.

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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