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

NAFA 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.

NAFA INCOME FUND

Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	09
CONDENSED INTERIM INCOME STATEMENT	10
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	11
CONDENSED INTERIM DISTRIBUTION STATEMENT	12
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	13
CONDENSED INTERIM CASH FLOW STATEMENT	14
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	15

NAFA 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

MCB Financial Service Limited
3rd Floor, Adamjee House,
I.I. Chundrigar Road Karachi - 7400

Bankers to the Fund

Allied Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Bank of Punjab
National Bank of Pakistan
NIB Bank Limited
Habib Bank Limited
Burj Bank Limited
Sindh Bank Limited
Silk Bank Limited
Dubai Islamic Bank Pakistan Limited
United Bank Limited
JS Bank Limited
Khushhali Bank Limited
Zarai Taraqiati Bank Limited
Tameer Bank Limited
Summit Bank Limited

NAFA INCOME FUND

Auditors

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court,
A-35, Block 7 & 8,
KCHSU, Sharae Faisal
Karachi-75350 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 INCOME FUND

DIRECTORS' REPORT

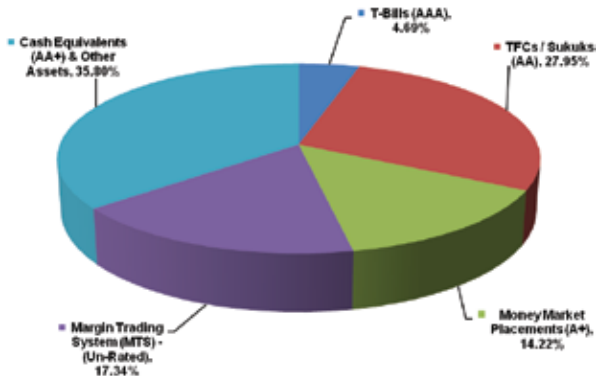
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Fund** (NIF) for the quarter ended September 30, 2016.

Fund's Performance

The size of NAFA Income Fund has increased from Rs. 619 million to Rs. 636 million during the quarter, i.e. a growth of 3%. During the period under review, the unit price of NAFA Income Fund has increased from Rs. 9.7377 on June 30, 2016 to Rs. 9.9284 on September 30, 2016, thus posting a return of 7.77% as compared to its Benchmark (6-Month KIBOR) return of 6.03%. The performance of the Fund is net of management fee and all other expenses.

NIF is categorized as an Income Scheme and has been awarded stability rating of A (f) by PACRA. On the corporate debt sphere, trading activity in TFCs/Sukuks remained skewed towards high quality issues with total trade value touching around Rs 1.5 billion during the quarter. The trades were mainly concentrated in the Banking sector, making up 64% share. The State Bank of Pakistan (SBP) in its bi-monthly monetary policy announcements in July and September 2016 maintained the policy rate owing to YoY increase in monetary aggregates (M2), comfortable liquidity conditions coupled with record-high foreign exchange reserves and CPEC related projects gathering momentum. Besides, SBP also highlighted that the expected pick up in domestic demand, improvements in current & expected economic conditions and rise in consumer confidence are the main drivers for determining inflation during FY17. However, uncertain global oil price continues to remain a major risk along with challenged exports outlook, heavy scheduled foreign loan payments during FY17 and possible currency devaluation. We see pickup in inflation to 5.0% by year-end due to partial recovery in commodity prices, expected devaluation, and uptick in private sector borrowing.

The Fund has earned total income of Rs.14.64 million during the period. After deducting expenses of Rs.2.42 million, the net income is Rs.12.22 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIF.



NAFA 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.

NAFA INCOME FUND

ڈائریکٹرز رپورٹ

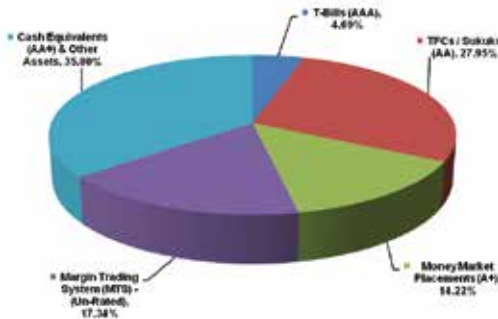
NBP فلٹرن ایسیٹ مینجمنٹ لمیٹڈ، بورڈ آف ڈائریکٹرز بھد مسرت 30 ستمبر 2016ء کو ختم ہونے والی سہ ماہی کے لیے NAFA اسلامک انکم فنڈ (NIF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتا ہے۔

فنڈ کی کارکردگی

NAFA اسلامک انکم فنڈ (NIF) کا فنڈ سائز، اس سہ ماہی کے دوران 619 ملین روپے سے بڑھ کر 636 ملین روپے تک پہنچ گیا۔ یعنی 3% اضافہ۔ زیر جائزہ مدت کے دوران NAFA انکم فنڈ کے یونٹ کی قیمت 30 جون 2016 کو 9.7377 روپے سے بڑھ کر 30 ستمبر 2016 کو 9.9284 روپے ہو چکی ہے اور اس طرح اپنے بیچ مارک (KIBOR 6 ماہ) کے 6.03% منافع کے مقابلے میں 7.77% اضافہ دکھایا ہے۔ یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIF کی درجہ بندی بطور ایک انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے A(f) کی اسٹیبلٹی ریٹنگ دی گئی ہے۔ کاروباری قرض کے حلقے میں صلکوک میں تجارتی سرگرمیوں کا اعلیٰ کوالٹی اجرا کی کارروائیوں کی طرف جھکاؤ رہا، جن کے لین دین کی مجموعی مالیت اس سہ ماہی کے دوران تقریباً 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 برقرار رکھا، کیوڈیٹی کی باسہولت صورت حال کے ساتھ زرمبادلہ کے ریکارڈ بلند ذخائر اور سی پیک 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 شدید 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 اضافہ دیکھ رہے ہیں۔

فنڈ نے اس مدت کے دوران 14.64 ملین روپے آمدنی کمائی ہے۔ 2.42 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 12.22 ملین روپے ہے۔ درج ذیل چارٹ NIF کی ایسیٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:-



NAFA INCOME FUND

اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز
NBP فلٹرن ایسٹ منجنت لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 اکتوبر 2016

مقام: کراچی

NAFA 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		235,428	169,976
Investments	4	298,031	319,277
Profit receivable	5	5,287	5,287
Receivable against Margin Trading System		110,245	128,990
Advances, deposits, prepayments and other receivables		972	4,508
Total assets		<u>649,963</u>	<u>628,038</u>
Liabilities			
Payable to Management Company		3,785	3,632
Payable to Trustee		59	62
Payable to Securities and Exchange Commission of Pakistan		119	469
Accrued expenses and other liabilities	6	10,040	4,968
Total liabilities		<u>14,003</u>	<u>9,131</u>
Net Assets		<u>635,960</u>	<u>618,907</u>
Unit Holders' Fund (As per statement attached)		<u>635,960</u>	<u>618,907</u>
Contingencies and Commitments			
(Number of units)			
Number of units in issue		<u>64,054,508</u>	<u>63,557,779</u>
(Rupees)			
Net asset value per unit		<u>9.9284</u>	<u>9.7377</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 INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-audited)

	Note	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
(Rupees in '000)			
INCOME			
Gain on sale of investments - net		1	791
Income from term finance certificates, sukuk bonds and commercial papers		3,782	3,075
Income from Margin Trading System		1,699	1,838
Profit on bank deposits & term deposits		6,505	5,728
Income from Government Securities		561	2,368
Unrealised gain on investments at fair value through profit or loss - net		2,068	574
Total income		14,616	14,374
EXPENSES			
Remuneration of Management Company		1,129	1,489
Sindh sales tax on remuneration of the Management Company		147	243
FED on remuneration of the Management Company		-	238
Accounting and operational charges to the Management Company		158	-
Remuneration of Trustee		158	149
Sindh sales tax on remuneration of the Trustee Fee		21	13
Annual fee - Securities and Exchange Commission of Pakistan		119	112
Settlement and bank charges		437	366
Annual listing fee		10	8
Auditors' remuneration		138	150
Printing and related cost		13	25
Fund Rating Fee		92	70
(Reversal) / Impairment loss on investments classied as 'Availabe for sale and Held for trading'		-	(638)
Brokerage		-	6
Total expenses		2,422	2,231
Net income from operating activities		12,194	12,143
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		22	400
Net income for the period before taxation		12,216	12,543
Taxation	7	-	-
Net income for the period after taxation		12,216	12,543
Earning per unit	9		

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 INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-audited)

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Net income for the year after taxation	12,216	12,543
Other comprehensive income		
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	-	-
Total comprehensive income for the year	<u>12,216</u>	<u>12,543</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 INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-audited)

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
(Accumulated losses) brought forward	(3,374)	(3,825)
Net income for the period	12,216	12,543
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' fund	-	-
	12,216	12,543
Undistributed income carried forward	8,842	8,718

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 INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-audited)

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Net assets at the beginning of the year	618,907	583,494
Issued 1,093,395 units (September 30, 2015 :5,770,940 units)	10,779	57,087
Redemption of 596,666 units (September 30, 2015: 3,392,964 units)	(5,920)	(33,548)
	4,859	23,539
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to Income Statement	(22)	(400)
Gain on sale of investments	1	791
Unrealised diminution in the value of investments at fair value through profit or loss - net	2,068	574
Other net income for the year / period	10,147	11,178
	12,216	12,543
Net assets as at the end of the period	635,960	619,176

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 INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-audited)

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	12,216	12,543
Adjustments		
Unrealised loss on investments at fair value through profit or loss - net	(2,068)	(574)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(22)	(400)
	<u>10,126</u>	<u>11,569</u>
Decrease / (Increase) in assets		
Investments	23,314	28,693
Profit receivable	-	2,026
Receivable against Margin Trading System	18,745	(197,365)
Advances, deposits, prepayments and other receivables	3,536	37
	<u>45,595</u>	<u>(166,609)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	153	259
Payable to Central Depository Company of Pakistan Limited - Trustee	(3)	2
Payable to Securities and Exchange Commission of Pakistan	(350)	(292)
Accrued expenses and other liabilities	5,072	(146,448)
	<u>4,872</u>	<u>(146,479)</u>
Net cash generated from / (used in) operating activities	<u>60,593</u>	<u>(301,519)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	10,779	57,087
Payments on redemption of units	(5,920)	(33,548)
Net cash generated from financing activities	<u>4,859</u>	<u>23,539</u>
Net (decrease) / increase in cash and cash equivalents during the year / period	<u>65,452</u>	<u>(277,980)</u>
Cash and cash equivalents at the beginning of the period	169,976	483,554
Cash and cash equivalents at the end of the period	<u><u>235,428</u></u>	<u><u>205,574</u></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 INCOME FUND

NOTES TO AND FORMING PART OF THIS CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-audited)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited, a company incorporated under the Companies Ordinance, 1984, as Management Company and Central Depository Company of Pakistan Limited (CDC), also incorporated under the Companies Ordinance, 1984, as Trustee. The Trust Deed was executed on January 03, 2008 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). Subsequently, 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 November 22, 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 November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

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 registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building Block No. 4, Scheme No.5, Clifton, Karachi. Due to the fire incident at the registered office of the Management Company in the month of June 2016, its office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund categorised as income scheme and its units are listed on the Pakistan Stock Exchange. Units of the Fund are offered for public subscription on continuous basis. These units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund is to earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets. The Fund comprises of investments of various time horizons with a significant amount invested in short term investments for the purpose of maintaining liquidity.

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

Title of the assets of the Fund is held in the name of MCB Financial Services Limited (MCBFSL) 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 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 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 INCOME FUND

	Note	September 30, 2016 (Un-audited)	June 30, 2016 (Audited)
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1.1	128,053	86,796
Term finance certificates - unlisted	4.1.1	-	40,000
Sukuk bonds	4.2	49,713	48,903
Government Securities	4.3	29,803	41,578
		207,569	217,277
Available for sale			
Term finance certificates - listed	4.4	-	-
Sukuk bonds	4.4	-	-
		-	-
Loans and receivables			
Term deposits		90,462	102,000
		<u>298,031</u>	<u>319,277</u>

4.1 Term finance certificates and sukuk bonds

4.1.1 Term finance certificates - At fair value through profit or loss

Name of Investee Company	Number of certificates				Market Value as at September 30, 2016	Investment as percentage of		
	As at July 01, 2016	Purchases during the period	Sales during the period	As at September 30, 2016		Net assets	Market value of total investments	Issue size
Rupees in '000'								
Term finance certificates - listed								
Saudi Pak Leasing Company Limited (note 4.2.2)	15,000	-	-	15,000	-	-	-	10.00%
Bank Alfalah Limited	2,000	-	-	2,000	10,095	1.59%	3.39%	0.20%
Faysal Bank Limited	5,000	-	-	5,000	18,930	2.98%	6.35%	0.83%
Jahangir Siddiqui and Company Limited (08-04-14)	5,000	-	-	5,000	19,993	3.14%	6.71%	2.50%
Jahangir Siddiqui and Company Limited (24-06-16)	8,000	-	-	8,000	41,325	6.50%	13.87%	4.00%
Askari Bank Limited	7,400	-	-	7,400	37,710	5.93%	12.65%	0.93%
				42,400	128,053	20.14%	42.97%	
Term finance certificates - unlisted								
Agritech Limited II (note 4.2.3)	30,000	-	-	30,000	-	-	-	-
Agritech Limited V (note 4.2.4)	4,436	-	-	4,436	-	-	-	-
				34,436	-	-	-	-
				76,836	128,053	20.14%	42.97%	
Carrying cost of investments as at September 30, 2016					<u>340,173</u>			
Accumulated Impairment					<u>213,377</u>			

4.2 Sukuk bonds - At fair value through profit or loss

Name of Investee Company	Number of certificates / bonds				Market Value as at September 30, 2016	Investment as percentage of		
	As at July 01, 2016	Purchases during the period	Sales during the period	As at September 30, 2016		Net assets	Market value of total investments	Issue size
Rupees in '000'								
New Allied Electronics Industries (Private) Limited (note 4.2.5)								
K-Electric AZM Sukuk	10,000	-	-	10,000	-	-	-	-
	9,800	-	-	9,800	49,713	7.82%	16.68%	1.33%
				19,800	49,713	7.82%	16.68%	
Carrying cost of investments as at September 30, 2016					<u>97,958</u>			
Accumulated Impairment					<u>49,054</u>			

NAFA INCOME FUND

4.2.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.

4.2.2 This represents investment in listed term finance certificates with original term of five years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its terms on December 26, 2011 with new maturity in March 2017. During the year, the investee company again defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular no.1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.2.3 This represents investment in privately placed unlisted term finance certificates with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.2.4 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.2.5 This represents investment in privately placed sukuk with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of profit repayment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.3 Government Securities - at fair value through profit or loss - held for trading

Issue date	Tenor	Face Value				Market value as at March 31, 2016	Investment as a percentage of	
		As at July 01, 2015	Purchases during the period	Sales/ matured during the period	As at March 31, 2016		Net Assets	Market Value of total investments
						Rupees in '000	-----%-----	
Market Treasury Bills								
September 3, 2015	12 months	42,000	-	42,000	-	-	-	-
August 18, 2016	3 months	-	30,000	-	30,000	29,803	4.69	10.00
						<u>29,803</u>		
Carrying cost of investments as at September 30, 2016						<u>29,810</u>		

4.2 Term Finance Certificates and Sukuk Bonds - Available for Sale

Name of Investee Company	Number of certificates / bonds				Market Value as at September 30, 2016	Investment as percentage of		
	As at July 01, 2016	Purchases during the period	Sales during the period	As at September 30, 2016		Net assets	Market value of total investments	Issue size
Rupees in '000'								
Term finance certificate - listed Worldcall Telecom Limited (note 4.4.2)	14,000	-	-	14,000	-	-	-	1.75%
					<u>14,000</u>	-	-	-
Carrying cost of investments as at September 30, 2016					<u>26,881</u>			
Accumulated Impairment					<u>26,881</u>			
Sukuk bonds Eden Housing Limited (note 4.4.3)	20,000	-	-	20,000	-	-	-	13.75%
					<u>20,000</u>	-	-	-
Carrying cost of investments as at September 30, 2016					<u>19,688</u>			
Accumulated Impairment					<u>19,688</u>			

4.4.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.

4.4.2 This represents investment in listed term finance certificates of Worldcall Telecom Ltd. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.4.3 This represents investment in privately placed sukuk with a term of five years. The issuer defaulted on payment of principal and profit to certain sukuk holders due to which it was rated as "Defaulter" by the MUFAP. The management of the Fund as a matter of abundant caution has classified the investment as "Non-Performing". The amount of provision required as per SECP circular no. 01 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

NAFA INCOME FUND

	(Un-audited) September 30, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
5 PROFIT RECEIVABLE		
Profit on savings and term deposit accounts	881	3,019
Income accrued on term finance certificates and sukuk bonds - net	4,228	1,703
Profit receivable on MTS	178	565
Profit receivable on government securities	-	-
	<u>5,287</u>	<u>5,287</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditor's remuneration	528	390
Settlement charges payable	119	115
Bank charges payable	105	19
Brokerage	6	6
WWF	4,095	4,095
Printing charges payable	92	80
Legal and professional charges	13	13
Payable against redemption of units	5,000	-
Withholding tax	57	227
Other Payable	25	23
	<u>10,040</u>	<u>4,968</u>
7 Taxation		
<p>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 tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.</p>		
8 PROVISION FOR WORKERS' WELFARE FUND		
<p>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 of WWF has been recorded subsequent to June 30, 2015.</p> <p>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, 2016) 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. 4.095 million. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs.0.0639 per unit respectively.</p>		
9 EARNING PER UNIT		
<p>Earning per unit (EPU) for the quarter 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.</p>		
10 TOTAL EXPENSE RATIO		
<p>Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.53% p.a. including 0.18% representing government levies on collective Investment scheme such as Sales tax, Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.</p>		

NAFA INCOME FUND

11 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest atleast 25% of the net assets in cash and near cash instruments which include cash in bank accounts(excluding TDRs), treasury bills not exceeding 90 days maturity . Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at September 30, 2016, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

Type of Investment	Name of non-compliant investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		Rupees in '000			-----%-----	
Investment in Debe Securities	New Allied Electronics (Pvt) Ltd II	49,054	49,054	-	-	-
	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Eden Housing Ltd.	19,688	19,688	-	-	-
	Saudi Pak Leasing Co.	41,321	41,321	-	-	-
	Worldcall Telecom Limited.	26,881	26,881	-	-	-
			<u>309,000</u>	<u>309,000</u>	-	-

11.1 At the time of purchase, the above Term Finance Certificates were in compliance with the circular (i.e. investment grade) and was subsequently downgraded. In case of New Allied Electronics Industries (Private) Limited, Agri Tech Limited and Eden Housing Limited the downgrading has been made due to default in payments of due principal and markup.

12 TRANSACTIONS WITH CONNECTED PERSONS

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

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 is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

12.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

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

	For the Quarter Ended September 30, 2016	For the Quarter Ended September 30, 2015
	------(Rupees in '000)-----	
NBP Fullerton Asset Management Limited - Management company		
Management fee expense for the year / period	1,129	1,489
Sindh Sales Tax on remuneration of the management company	147	243
FED on remuneration of the management company	-	238
Reimbursement of operational expenses to the Management Company	158	-
MCB Financial Services Limited - Trustee		
Remuneration	158	149
Sindh sales tax on remuneration of the Trustee Fee	21	13
CDS charges	92	69
Employees of Management Company		
Units issued / transferred in Nil units (2015: 41,506 units)	-	405
Units redeemed / transferred out Nil units (2015: 1,925 units)	-	19

NAFA INCOME FUND

Un-Audited Audited
 Sep 30, 2016 June 30, 2016
 -----(Rupees in '000)-----

12.6 Amounts outstanding as at year / period end

NBP Fullerton Asset Management Limited - Management company		
Management fee payable	366	375
Sindh sales tax	48	61
Federal Excise Duty payable on Management Remuneration	2,799	2,808
Operational expenses	542	383
Front end load	28	5
Sindh sales tax & FED on sales load	2	-
National Bank of Pakistan - Sponsor		
Balance in current account	443	443
Employees of the Management Company		
Investment held in the fund 6,338 units (June 30, 2016 : 6,338 units)	63	62
MCB Financial Services Limited - Trustee		
Remuneration payable	52	54
Sindh Sales Tax on remuneration of the trustee	7	8
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund (55,607,983 units; June 30, 2016: 55,607,983 units)	552,098	541,494
Net amount receivable / (payable) against transfer of units from:		
- NAFA Financial Sector Income Fund	-	3,665

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 28, 2016.

14 GENERAL

- 14.1 Corresponding figures have been rearranged wherever necessary, for the purposes of comparison and better presentation.
- 14.2 Figures have been rounded off to the nearest thousand rupees.
- 14.3 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

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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