



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

**NAFA ISLAMIC INCOME FUND**  
*Formerly; NAFA Islamic Aggressive Income Fund*

**QUARTERLY  
REPORT**  
**March  
31 2017**




*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 ISLAMIC INCOME FUND

*Formerly; NAFA Islamic Aggressive Income Fund*

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# NAFA ISLAMIC INCOME FUND

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## 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. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Humayun Bashir	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Foo Chiah Shiung (Kelvin Foo)	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 Shakra-e-Faisal, Karachi.

### Bankers to the Fund

Al-Baraka Islamic Bank  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Burj Bank Limited  
Dubai Islamic 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  
Habib Metropolitan Bank Limited

# NAFA ISLAMIC INCOME FUND

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## **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:**

7<sup>th</sup> 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 INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Islamic Income Fund (NIIF)** (formerly: NAFA Islamic Aggressive Income Fund) for the period ended March 31, 2017.

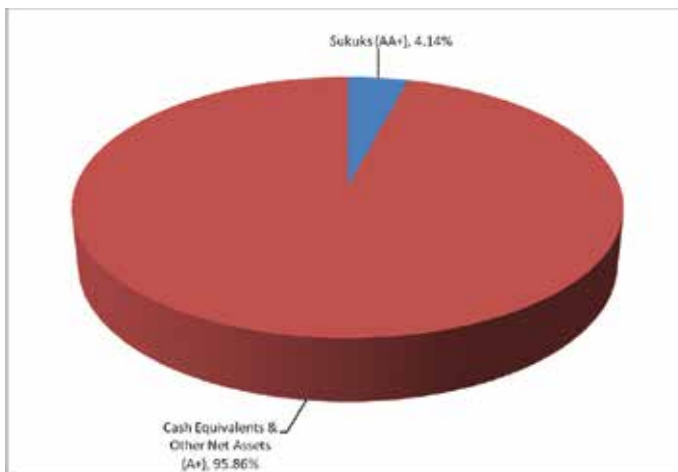
### Fund's Performance

The size of NAFA Islamic Income Fund has increased from Rs. 2,567 million to Rs. 3,076 million during the period (i.e. a growth of 20%). During the period, the unit price of the Fund has increased from Rs. 9.4856 on June 30, 2016 to Rs. 9.8606 on March 31, 2017, thus showing return of 5.3% as compared to its benchmark return of 4.3% for the same period. The performance of the Fund is net of management fee and other expenses.

SECP has approved the change in category of NAFA Islamic Aggressive Income Fund from Shariah Compliant Aggressive Income Fund to Shariah Compliant Income Fund w.e.f. March 14, 2017. Consequently the name of NAFA Islamic Aggressive Income Fund has been changed to NAFA Islamic Income Fund from March 14, 2017. The Fund has been awarded stability rating of 'A- (f)' by PACRA.

During the period under review, State Bank of Pakistan (SBP) maintained the discount rate and policy rate at 6.25% and 5.75% respectively. The improved interbank liquidity conditions (due to net government retirement and increase in bank deposits) were well calibrated through the open market operations – keeping the weighted average overnight repo rate close to the policy rate. Overall trading activity in corporate debt securities was recorded at Rs. 7.8 billion. The trades were primarily concentrated in Banking sector TFCs. CPI on year-on-year basis was recorded at 4.01% in 9MFY17 as compared to 2.64% in corresponding period last year.

The Fund has earned total income of Rs.141.141 million during the period. After accounting for expenses of Rs.24.164 million, the net income is Rs.116.977 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIIF:



# NAFA ISLAMIC INCOME FUND

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## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: April 28, 2017  
Place: Karachi.

# NAFA ISLAMIC INCOME FUND

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## ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 مارچ 2017ء کو ختم ہونے والی مدت کے لیے NAFA اسلامک انکم فنڈ (NIIF) (سابقہ: NAFA اسلامک ایگریسیو انکم فنڈ) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

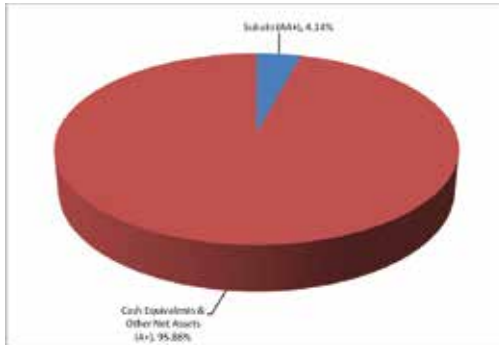
### فنڈ کی کارکردگی

NAFA اسلامک انکم فنڈ کا سا سزاس مدت کے دوران 2,567 ملین روپے سے بڑھ کر 3,076 ملین روپے ہو گیا، یعنی 20% کا اضافہ۔ اس مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2016ء کو 9.4856 روپے سے بڑھ کر 31 مارچ 2017ء کو 9.8606 روپے تک پہنچ چکی ہے، لہذا فنڈ نے اسی مدت کے لیے 4.3% پیچ مارک منافع کے مقابلے میں 5.3% منافع درج کیا۔ یہ کارکردگی منجھٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے NAFA اسلامک ایگریسیو انکم فنڈ کی ایک قسم کو شریعہ کھیلائنٹ ایگریسیو انکم فنڈ سے شریعہ کھیلائنٹ انکم فنڈ میں تبدیلی کی منظوری دی ہے، یہ تبدیلی 14 مارچ 2017ء سے لاگو ہوگی۔ جس کے نتیجے میں NAFA اسلامک ایگریسیو انکم فنڈ کا نام 14 مارچ 2017ء سے NAFA اسلامک انکم فنڈ ہوگا۔ اس فنڈ کو PACRA کی طرف سے A-(f) کی اسٹیٹیمینٹ ریٹنگ دی گئی ہے۔

زیر جائزہ مدت میں اسٹیٹ بینک آف پاکستان (SBP) نے ڈسکاؤنٹ ریٹ اور پالیسی ریٹ بالترتیب 6.25% اور 5.75% کی شرح پر برقرار رکھا۔ بہتر انٹرنیشنل سیالیت کی صورتحال (نیٹ گورنمنٹ ریٹائرمنٹ اور بینک ڈپازٹس میں اضافہ کے سبب) کی قدر و قیمت کا اوپن مارکیٹ آپریشنز کے ذریعہ بہتر تعین کیا گیا۔ جبکہ ریپو کے ریٹ کی شرح کی قدر کو پالیسی ریٹ سے قریب تر رکھا گیا۔ مجموعی طور پر کارپوریٹ ڈیٹ سیکورٹیز کی تجارتی سرگرمیاں 7.8 ملین روپے رہیں۔ تجارت میں ابتدائی توجہ بینکنگ کے شعبہ TFCs پر رہی۔ مالی سال 2017ء کے نو ماہ میں سال بہ سال بنیاد پر CPI % 4.01 ریکارڈ کیا گیا جو گزشتہ سال اسی مدت میں 2.64% تھا۔

فنڈ نے اس مدت کے دوران 141.141 ملین روپے منافع دیا۔ 24.164 ملین روپے اخراجات منہا کرنے کے بعد خالص منافع 116.977 ملین روپے ہے۔ درج ذیل چارٹ NIIF کی ایسیٹ الیکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:-





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## اظہارِ تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابلِ قدر یونٹ ہولڈرز کا شکر یہ 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 منجنت لمیٹڈ

## ڈائریکٹر

## چیف ایگزیکٹو

بتاریخ

28 اپریل 2017ء

مقام: کراچی

# NAFA ISLAMIC INCOME FUND

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## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2017

	Note	(Un-audited) 31 March 2017	(Audited) 30 June 2016
(Rupees in '000)			
<b>ASSETS</b>			
Bank Balances		2,971,936	2,345,246
Investments	4	128,309	142,925
Profit receivable		12,015	11,482
Receivable against conversion of units		-	296,770
Advances, deposits, prepayments and other receivables		3,436	276
<b>Total assets</b>		<b>3,115,696</b>	<b>2,796,699</b>
<b>LIABILITIES</b>			
Payable to the Management Company		9,670	9,829
Payable to the Trustee		321	291
Payable to Securities and Exchange Commission of Pakistan		1,525	1,382
Payable against redemption of units		20,439	-
Payable against conversion of units		-	202,495
Dividend Payable		-	601
Accrued expenses and other liabilities		7,896	15,353
<b>Total liabilities</b>		<b>39,851</b>	<b>229,951</b>
<b>NET ASSETS</b>		<b>3,075,845</b>	<b>2,566,748</b>
Unit holders' funds (As per statement attached)		3,075,845	2,566,748
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
(Number of units)			
<b>NUMBER OF UNITS IN ISSUE</b>		311,933,941	270,595,371
(Rupees)			
<b>NET ASSET VALUE PER UNIT</b>		9.8606	9.4856

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

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## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2017

Note	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in '000)			
<b>INCOME</b>				
Capital Gain on sale of investments	30	17	30	-
Income from sukuk bonds	6,708	15,672	2,175	6,357
Profit on bank deposits	118,893	78,914	37,752	31,109
Reversal of provision for Workers' Welfare Fund	2,944	-	2,944	-
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss - net	354	1,048	(1,429)	(149)
<b>Total Income</b>	128,929	95,651	41,472	37,317
<b>EXPENSES</b>				
Remuneration of the Management Company	11,896	10,321	3,671	3,550
Sindh Sales Tax on Management fee	1,547	1,678	478	576
Federal Excise Duty on remuneration to Management Company	-	1,652	-	568
Remuneration of the Trustee	2,367	1,665	778	641
Sindh Sales Tax on remuneration of Trustee	308	233	101	90
Allocation of operational expenses from the Management Company	2,034	689	668	506
Annual fee - Securities and Exchange Commission of Pakistan	1,525	906	501	380
Settlement and bank charges	191	371	117	117
Annual listing fee	41	30	13	10
Auditors' remuneration	466	377	120	90
Impairment loss / (reversal) on investments classified as "available for sale"	-	(7,500)	-	(2,500)
Rating fee	221	214	78	75
Printing Charges	50	50	-	-
Legal and professional charges	21	-	21	-
Shariah advisor fee	242	-	92	-
Provision for sindh workers' welfare fund - previous years	868	-	868	-
Other Expenses	-	5	-	-
<b>Total Expenses</b>	21,777	10,691	7,506	4,103
<b>Net income from operating activities</b>	107,152	84,960	33,966	33,214
Element of income and capital gains included in prices of units issued less those in units redeemed - net	12,212	33,191	16,860	33,406
Provision for sindh workers' welfare fund	5 (2,387)	-	(2,387)	-
<b>Net income for the period before taxation</b>	116,977	118,151	48,439	66,620
Taxation	8 -	-	-	-
<b>Net income for the period after taxation</b>	116,977	118,151	48,439	66,620

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

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## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Net income for the period after taxation	116,977	118,151	48,439	66,620
<b>Other comprehensive income / (loss) for the period</b>				
Net unrealised appreciation in market value of investments classified as 'available for sale'	-	1,842	-	64
<b>Total comprehensive income for the period</b>	<u>116,977</u>	<u>119,993</u>	<u>48,439</u>	<u>66,684</u>

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For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

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## CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Undistributed income brought forward	39,547	36,561	108,085	88,309
Net income for the period after taxation	116,977	118,151	48,439	66,620
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount that forms part of the unit holders' fund	-	1,399	-	1,182
Undistributed income carried forward	<u>156,524</u>	<u>156,111</u>	<u>156,524</u>	<u>156,111</u>

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For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

*Formerly; NAFA Islamic Aggressive Income Fund*

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
----- (Rupees in '000) -----				
Net assets at the beginning of the period	2,566,748	1,207,394	2,566,198	1,406,571
Issue of 572,439,699 units (2016: 383,736,756 units)	5,542,823	3,762,344	1,583,807	1,939,325
Redemption of 531,101,129 units ( 2016: 284,408,549 units)	(5,138,491) 404,332	(2,786,668) 975,676	(1,105,739) 478,068	(1,109,302) 830,023
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing loss and capital losses that form part of unit holders' fund - transferred to Income Statement	(12,212)	(33,191)	(16,860)	(33,406)
amount representing loss and capital losses that form part of unit holders' fund - transferred to Distribution Statement	-	(1,399)	-	(1,182)
	(12,212)	(34,590)	(16,860)	(34,588)
Net unrealised appreciation on remeasurement of investments classified as 'available for sale'	-	1,842	-	64
Gain on sale of investments	30	17	30	-
Other income for the period	116,947	118,134	48,409	66,620
	116,977	118,151	48,439	66,620
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	-	1,399	-	1,182
Net assets as at the end of the period	<u>3,075,845</u>	<u>2,269,872</u>	<u>3,075,845</u>	<u>2,269,872</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

*Formerly; NAFA Islamic Aggressive Income Fund*

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
------(Rupees in '000)-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income / (loss) for the period before taxation	116,977	118,151	48,439	66,620
Adjustments				
(Gain) on sale of investments	(30)	(17)	(30)	-
Impairment loss / (reversal of impairment loss) on investments classified as 'available for sale and held for trading'	-	(7,500)	-	(2,500)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(12,212)	(33,191)	(16,860)	(33,406)
Net unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(354)	(1,048)	1,429	149
	<u>104,381</u>	<u>76,395</u>	<u>32,978</u>	<u>30,863</u>
(Increase) / decrease in assets				
Investments	15,000	(99,976)	15,000	8,199
Profit receivable	(533)	(12,694)	3,402	(5,808)
Advances, deposits, prepayments and other receivables	(3,160)	28	(3,276)	(91)
	<u>11,307</u>	<u>(112,642)</u>	<u>15,126</u>	<u>2,300</u>
Increase / (decrease) in liabilities				
Payable to the Management Company	(159)	2,791	874	541
Payable to the Trustee	30	114	(2)	35
Annual fee payable to Securities and Exchange Commission of Pakistan	143	334	501	380
Accrued expenses and other liabilities	(7,457)	(2,552)	(5,308)	689
	<u>(7,443)</u>	<u>687</u>	<u>(3,935)</u>	<u>1,645</u>
Net cash inflow / (outflow) from operating activities	<u>108,245</u>	<u>(35,560)</u>	<u>44,169</u>	<u>34,808</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Net receipts from issue of units	5,839,593	4,031,120	1,583,807	1,948,209
Net payments on redemption of units	(5,320,547)	(2,720,072)	(1,085,300)	(959,194)
Distributions paid during the period	(601)	(5,701)	-	-
Net cash inflow from financing activities	<u>518,445</u>	<u>1,305,347</u>	<u>498,507</u>	<u>989,015</u>
Net increase in cash and cash equivalents during the period	<u>626,690</u>	<u>1,269,787</u>	<u>542,676</u>	<u>1,023,823</u>
Cash and cash equivalents at the beginning of the period	2,345,246	999,642	2,429,260	1,245,606
Cash and cash equivalents at the end of the period	<u><u>2,971,936</u></u>	<u><u>2,269,429</u></u>	<u><u>2,971,936</u></u>	<u><u>2,269,429</u></u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

## Formerly; NAFA Islamic Aggressive Income Fund

### Notes to and forming part of the Condensed Interim Financial information (Un-audited) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2017

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Income Fund (formerly; 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. 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. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

Management Company has obtained approval of SECP, pursuant to which the category of the Fund has changed from shariah compliant aggressive fixed income scheme to 'shariah compliant income scheme' and the name of the Fund will be 'NAFA Islamic Income Fund' with effect from March 14, 2017.

The core objective of the Fund 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 'AM1' w.e.f April 21, 2017 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 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

The disclosures made in this condensed interim financial information have been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2016

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declared that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2017.

#### 3 ACCOUNTING POLICIES

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



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	Note	(Un-audited) March 31, 2017	Audited June 30, 2016
----- Rupees in '000 -----			
<b>4 INVESTMENTS</b>			
<b>Available for sale</b>			
- Sukuk bonds	4.1	-	-
<b>At fair value through profit or loss - held for trading</b>			
Sukuk and Ijara bonds	4.2	<u>128,309</u>	<u>142,925</u>
		<u>128,309</u>	<u>142,925</u>

#### 4.1 Sukuk and Ijara bonds - available for sale

Description	Number of certificates				Market value as at As at March 31, 2017	Investment as a percentage of	
	As at July 01, 2016	Purchases during the period	Sales / matured during the period	As at March 31, 2017		Market value of net assets	Market value of total investments
Rupees in '000 ----- % -----							
New Allied Limited-1st issue (note 4.1.1.1)	352,000	-	-	352,000	-	-	-
New Allied Limited-2nd issue (note 4.1.1.1)	1,000	-	-	1,000	-	-	-
	<u>353,000</u>	<u>-</u>	<u>-</u>	<u>353,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying value of investments as at 31 March 2017				<u>114,905</u>			
Provision held				<u>114,905</u>			

4.1.1 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.

4.1.1.1 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.

#### 4.2 Sukuk and Ijara bonds - At fair value through profit or loss - held for trading

Description	Number of certificates				Market value as at As at March 31, 2017	Investment as a percentage of	
	As at July 01, 2016	Purchases during the period	Sales / matured during the period	As at March 31, 2017		Market value of net assets	Market value of total investments
Rupees in '000 ----- % -----							
K Electric AZM Sukuk (3 Years)	3,000	-	3,000	-	-	-	-
K Electric AZM Sukuk (5 Years)	5,200	-	-	5,200	26,959	0.88	21.01
GOP Ijara Sukuk 16	20,000	-	-	20,000	101,350	3.30	78.99
	<u>28,200</u>	<u>-</u>	<u>3,000</u>	<u>25,200</u>	<u>128,309</u>	<u>4.17</u>	<u>100.00</u>
Carrying value of investments as at 31 March 2017					<u>127,955</u>		

#### 5 PROVISION FOR SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. The MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. The MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. The SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. The MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

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In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of Sindh WWF should be made on a prudent basis on January 12, 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Accordingly, the provision for SSWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The Scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs.3.255 million. If the same were not made the NAV per unit of scheme would be higher by Rs.0.0104.

### 6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as on March 31, 2017 and June 30, 2016.

### 7 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.19 % per annum including 0.33 % representing government levies on collective investment scheme such as sales tax, worker's welfare fund and SECP fee for the period.

### 8 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision for 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.

### 9 DETAILS OF NON-COMPLIANT INVESTMENTS

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 Shariah Compliant 'Income Scheme'.

The Securities and Exchange Commission of Pakistan vide its circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
New Allied Electronics - Sukuk I	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular no. 7 of 2009	Sukuk	110,000	(110,000)	-	-	-
New Allied Electronics - Sukuk II		Sukuk	4,905	(4,905)	-	-	-

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9.1 At the time of purchase, these term finance certificates and sukuk were in compliance with the aforementioned circular. However, they were subsequently defaulted or were downgraded to non investment grade.

## 10 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

10.1 Connected persons include NBP Fullerton Asset Management Limited (NAFA) being the Management Company, Central Depository Company of Pakistan Limited, MCB Financial Services Limited (MCBFSL) being Ex-Trustee, National Bank of Pakistan (NBP) 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.

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

10.3 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.

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

10.5 Details of the transactions with connected persons during the period are as follows:

	Nine month ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
-----Rupees in '000-----				
<b>Management Company</b>				
Management fee expense for the period	11,896	10,321	3,671	3,550
Front end load for the period	1,401	1,229	148	828
Sindh Sales tax on management fee	1,547	1,678	478	576
FED on Management Fee	-	1,652	-	568
Allocation of operational expenses from the Management Company	2,034	689	668	506
<b>National Bank of Pakistan - Sponsor</b>				
Units issued Nil units (2016: 75,887,249 units)	-	740,000	-	140,000
Units redeemed Nil units (2016: 75,887,249 units)	-	747,316	-	142,132
<b>Central Depository Company of Pakistan- Trustee</b>				
Trustee fee for the period	2,367	1,665	778	641
Sindh Sales tax on remuneration of Trustee	308	233	101	90
CDS charges	14	68	14	(5)
<b>Employees of Management Company</b>				
Units issued 8,337,528 units (2016: 6,550,466 units)	80,935	63,356	36,959	11,241
Units redeemed 7,361,405 units (2016: 6,457,271 units)	71,354	62,479	27,253	13,226
<b>Askari Bank Limited - Employees Gratuity Fund</b>				
Units issued / transferred in 8,269,103 units	81,000	-	81,000	-
<b>Pakistan Mobile Communication Ltd - Provident Fund</b>				
Units redeemed / transferred out 3,446,682 units	33,514	-	33,514	-
<b>Akhuwat</b>				
Units issued / transferred in 3,296,716 units	32,000	-	32,000	-
Units redeemed / transferred out 202,770 units	1,973	-	1,973	-
<b>Telenor Pakistan (Pvt) Limited - Employees PF</b>				
Units issued / transferred in 5,377,280 units	52,500	-	52,500	-
Units redeemed / transferred out 5,377,280 units	52,995	-	52,995	-
<b>Mr. Khalid Mehmood (CFO)</b>				
Units issued / transferred in 31,502 units	300	-	-	-
Units redeemed / transferred out 47,329 units	454	-	-	-

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	Un-audited 31 March 2017	Audited 30 June 2016
	------(Rupees in '000)-----	
<b>10.6 Amounts outstanding as at period end</b>		
<b>Management Company</b>		
Management fee payable	1,345	1,389
Sindh sales tax payable on Management Fee	173	223
FED payable on Management Fee	3,955	3,955
Sindh sales tax and Federal Excise Duty on sales load	942	1,026
Front end load	1,221	1,912
Allocation of operational expenses from the Management Company	2,034	1,324
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	284	255
Sindh Sales Tax on remuneration of Trustee	37	36
Security deposits	100	100
CDS Charges	77	66
<b>National Bank of Pakistan - Sponsor</b>		
Balance in current account	1,684	1,780
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment held by the Sponsor in the Fund 5,734,538 units (30 June 2016: 5,734,538 units)	56,546	54,396
<b>Employees of Management Company</b>		
Investment held in the Fund 3,479,892 units (30 June, 2016 : 2,503,769 units)	34,314	23,750
<b>Askari Bank Limited - Employees Gratuity Fund</b>		
Investment held in the Fund 8,269,103 units	81,538	-
<b>Akhuwat</b>		
Investment held in the Fund 3,093,946 units	30,508	-
<b>Mr. Khalid Mehmood</b>		
Investment held in the Fund (Nil Units: 30 June, 2016 : 15,827 units)	-	150
<b>PUNJAB POLICE WELFARE FUND</b>		
Investment held in the Fund 42,432,720 units	418,412	-
<b>Net Amount receivable / (payable) against transfer of units from / to:</b>		
NAFA Government Securities Liquid Fund	-	99,906
NAFA Islamic Asset Allocation Fund	-	22,710
NAFA Income Opportunity Fund	-	51,671
NAFA Islamic Stock Fund	-	71,978
NAFA Islamic Energy Fund	-	(202,495)
NAFA Riba Free Savings Fund	-	32,866
NAFA Stock Fund	-	24,561
NAFA Islamic Principa Preservation Fund	-	2,138

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11 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on April 28, 2017.

12 GENERAL

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

12.2 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the period 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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