



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

*Your investments & "NAFA" grow together*




*Joint - Venture Partners*

# NAFA INCOME OPPORTUNITY FUND

QUARTERLY REPORT  
MARCH 31  
2014



## MISSION STATEMENT



To rank in the top quartile  
in performance of  
**NAFA FUNDS**  
relative to the competition,  
and to consistently offer  
Superior risk-adjusted returns to investors.

## Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	07
CONDENSED INTERIM INCOME STATEMENT	08
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	09
CONDENSED INTERIM DISTRIBUTION STATEMENT	10
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	11
CONDENSED INTERIM CASH FLOW STATEMENT	12
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	13

# NAFA INCOME OPPORTUNITY FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

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

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

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

### Human Resource Committee

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

### Trustee

Central Depository Company of Pakistan Limited (CDC)  
CDC House, 99-B, Block "B" S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
SILK Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (PAK) Limited  
The Bank of Khyber  
The Bank of Punjab  
Summit Bank Limited  
United Bank Limited  
Samba Bank Limited  
UBL Ameen  
Sindh Bank Limited  
Al Baraka Bank Limited  
Bujr Bank Limited  
Barclays Bank Limited

# NAFA INCOME OPPORTUNITY FUND

## **Auditors**

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

## **Legal Advisor**

M/s Jooma Law Associates  
205, E.I. Lines, Dr. Daudpota Road,  
Karachi.

## **Head Office:**

7th Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 111-111NFA (111-111-632),  
(Toll Free): 0800-20001,  
Fax: (021) 35825329  
Website: [www.nafafunds.com](http://www.nafafunds.com)

## **Lahore Office:**

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

## **Islamabad Office:**

Plot No. 395, 396  
Industrial Area, 1-9/3 Islamabad.  
UAN: 051-111-111-632  
Phone: 051-2514987  
Fax: 051-4859031

## **Peshawar Office:**

1st Floor, Haji Tehmas Centre,  
Near KFC, Tehkal Payan  
University Road, Peshawar.  
Phone: 92-91-5711784, 5711782  
Fax: 92-91-5211780

## **Multan Office:**

NBP City Branch, Hussain-a-Gahi, Multan.  
Phone No: 061-4502204  
Fax No: 061-4502203

# NAFA INCOME OPPORTUNITY FUND

## DIRECTORS' REPORT

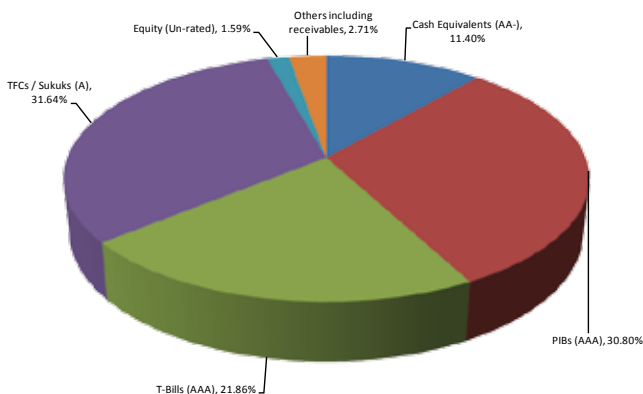
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Opportunity Fund** for the period ended March 31, 2014.

### Fund's Performance

The size of NAFA Income Opportunity fund increased from Rs. 1,869 million to Rs. 2,912 million during the period, i.e. an increase of 55.8%. During nine month period, the unit price of the Fund increased from Rs. 9.8352 (Ex-Div) on June 30, 2013 to Rs. 10.9558 on March 31, 2014, thus showing an annualized return of 15.18% as compared to its Benchmark (6-Month KIBOR) return of 9.70%. During the third quarter, the Fund size increased by 44.02%. During the quarter, the unit price of the Fund has increased from Rs. 10.4129 (Ex-Div) on December 31, 2013 to Rs. 10.9558 on March 31, 2014, thus showing an annualized return of 21.14% as compared to its Benchmark return of 10.13% for the same period. The performance of the Fund is net of management fee and all other expenses.

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

The Fund has earned total income of Rs.231.20 million during the period. After deducting expenses of Rs.22.47 million, the net income is Rs.208.73 million. The asset allocation of the Fund as on March 31, 2014 is as follows:



# NAFA INCOME OPPORTUNITY FUND

## Income Distribution

In addition to interim distribution of 2.00% of opening ex-NAV, the Board of Directors of the Management Company has approved an interim distribution of 2.00% of opening ex-NAV (2.004% of the par value) for the quarter ended March 31, 2014.

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: April 30, 2014  
Place: Karachi.

# NAFA INCOME OPPORTUNITY FUND

## Condensed Interim Statement of Assets and Liabilities ( Un-audited) As at 31 March 2014

	Note	31 March 2014 (Un-audited)	30 June 2013 (Audited)
(Rupees in '000)			
<b>ASSETS</b>			
Balances with banks		331,881	716,381
Investments	4	2,501,306	1,074,391
Deposits, prepayments and other receivables		471,126	464,978
Profit receivable		105,571	97,241
<b>Total assets</b>		3,409,884	2,352,991
<b>LIABILITIES</b>			
Payable to Management Company		7,405	2,838
Payable to Central Depository Company of Pakistan Limited - Trustee		265	198
Payable to Securities and Exchange Commission of Pakistan		1,117	1,243
Payable against redemption of units		445,129	440,064
Accrued expenses and other liabilities		43,729	39,296
<b>Total liabilities</b>		497,645	483,639
<b>Net assets</b>		2,912,239	1,869,352
<b>Unit holders' funds (as per statement attached)</b>		2,912,239	1,869,352
Contingencies and commitments	5		
<b>Number of Units</b>			
Number of units in issue		265,817,242	175,369,497
<b>Rupees</b>			
Net asset value per unit		10.9558	10.6595

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA INCOME OPPORTUNITY FUND

## Condensed Interim Income Statement (Un-audited) For the nine months and quarter ended 31 March 2014

Note	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
----- Rupees in '000 -----				
<b>INCOME</b>				
Gain / (loss) on sale of investments - net	2,411	(662)	2,404	128
Profit on bank deposits and term deposit receipts	72,050	19,830	32,204	12,274
Income from term finance certificates, sukuk bonds	132,980	221,405	52,675	42,556
Income from government securities	5,825	14,389	3,598	151
Income from money market placements	1,113	1,723	-	1,460
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	16,818	(22,477)	14,029	(6,825)
Recovery - fair value of ordinary shares received on partial settlement of investment	-	49,693	-	-
<b>Total income</b>	<b>231,197</b>	<b>283,901</b>	<b>104,910</b>	<b>49,744</b>
<b>EXPENSES</b>				
Remuneration of Management Company	22,345	18,168	8,615	6,342
Sindh sales tax on management fee	4,182	2,906	1,599	1,014
Federal Excise Duty on remuneration to Management Company	3,575	-	1,378	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,905	1,668	698	569
Annual fee - Securities and Exchange Commission of Pakistan	1,117	908	431	317
Annual listing fee	32	29	12	9
Brokerage and other transaction costs	86	8	34	-
Settlement charges and bank charges	226	169	99	32
Auditors' remuneration	433	355	90	50
(Reversal) / Impairment loss on investments classified as 'available for sale & held for trading'	(15,945)	155,005	(30,356)	(1,964)
Stability rating fee	174	110	53	-
Legal and professional charges	71	3	41	-
Other expenses	11	-	-	-
<b>Total expenses</b>	<b>18,212</b>	<b>179,329</b>	<b>(17,306)</b>	<b>6,369</b>
<b>Net income / (loss) from operating activities</b>	<b>212,985</b>	<b>104,572</b>	<b>122,216</b>	<b>43,375</b>
Provision for Workers' Welfare Fund	6	(4,259)	(2,444)	(1,615)
<b>Net income / (loss) for the period before taxation</b>	<b>208,726</b>	<b>102,727</b>	<b>119,772</b>	<b>41,760</b>
Taxation	7	-	-	-
<b>Net income / (loss) for the period after taxation</b>	<b>208,726</b>	<b>102,727</b>	<b>119,772</b>	<b>41,760</b>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## Condensed Interim Statement of Comprehensive Income (Un-audited) For the nine months and quarter ended 31 March 2014

Note	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	----- Rupees in '000 -----			
Net income / (loss) for the period after taxation	208,726	102,727	119,772	41,760
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	17,991	645	3,188	9,095
Total comprehensive income for the period	<u>226,717</u>	<u>103,372</u>	<u>122,960</u>	<u>50,855</u>

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For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## Condensed Interim Distribution Statement (Un-audited) For the nine months and quarter ended 31 March 2014

	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	----- Rupees in '000 -----			
<b>Undistributed income brought forward</b>	187,621	28,453	173,230	89,517
Final distribution for the year ended 30 June 2013: 6.377%				
- Bonus units	(57,480)	-	-	-
- Cash distribution	(51,458)	-	-	-
Interim distribution for the half year ended 31 Dec 2013 : 2.004%				
- Bonus units	(25,146)	-	(25,146)	-
- Cash distribution	(15,167)	-	(15,167)	-
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' funds	58,970	579	53,377	482
Net income / (loss) for the period after taxation	208,726	102,727	119,772	41,760
<b>Undistributed income carried forward</b>	<u>306,066</u>	<u>131,759</u>	<u>306,066</u>	<u>131,759</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## Condensed Interim Statement of Movement in Unit Holder's Fund (Un-audited) For the nine months and quarter ended 31 March 2014

	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
----- Rupees in '000 -----				
Net assets at beginning of the period	1,869,352	1,545,532	2,022,128	1,674,577
Issue of 133,969,122 units including bonus units of 8,116,841 (2013: 15,471,298 units)	1,339,287	151,795	939,762	50,727
Redemption of 43,521,377 units (2013: 5,191,615 units)	(456,492)	(51,896)	(157,444)	(27,356)
	882,795	99,899	782,318	23,371
Issue of bonus units in respect of final distribution for the year ended 30 June 2013: 6.377%	57,480	-	-	-
Interim distribution for the half year ended 31 Dec 2013 : 2.004%	25,146	-	25,146	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - amount representing (income) / loss - that form part of the unit holders' funds-net	(58,970)	(579)	(53,377)	(676)
	(58,970)	(579)	(53,377)	(676)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	17,991	645	3,188	9,095
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	16,818	(22,477)	14,029	(6,825)
Gain / (loss) on sale of investments - net	2,411	(662)	2,404	128
Other operating income / (loss)	189,497	125,866	103,339	48,457
<b>Net income / (loss) for the period after taxation</b>	<b>208,726</b>	<b>102,727</b>	<b>119,772</b>	<b>41,760</b>
<b>Distributions:</b>				
Final distribution for the year ended June 30, 2013: 6.377%				
- Bonus distribution	(57,480)	-	-	-
- Cash distribution	(51,458)	-	-	-
Interim distribution for the half year ended 31 Dec 2013 : 2.004%				
- Bonus units	(25,146)	-	(25,146)	-
- Cash distribution	(15,167)	-	(15,167)	-
	(149,251)	-	(40,313)	-
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed	58,970	579	53,377	676
<b>Net assets as at end of the period</b>	<b>2,912,239</b>	<b>1,748,803</b>	<b>2,912,239</b>	<b>1,748,803</b>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## Condensed Interim Cash Flow Statement (Un-audited) For the nine months and quarter ended 31 March 2014

	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
----- Rupees in '000 -----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	208,726	102,727	119,772	41,760
<b>Adjustments:</b>				
Net unrealised (appreciation) / diminution in the fair value of investments classified as financial assets at 'fair value through profit or loss' - net	(16,818)	22,477	(14,029)	6,825
(Gain) / loss on sale of investments	(2,411)	662	(2,404)	(128)
Impairment loss on investments classified as 'available for sale'	(15,945)	155,005	(30,356)	(1,964)
	<u>173,552</u>	<u>280,871</u>	<u>72,983</u>	<u>46,493</u>
<b>(Increase) / decrease in assets</b>				
Investments - net	(1,373,750)	(172,894)	(1,695,634)	(41,983)
Deposits, prepayments and other receivables	(6,148)	(142)	(6,098)	(122)
Profit receivable	(8,330)	18,437	(25,825)	(2,128)
	<u>(1,388,228)</u>	<u>(154,599)</u>	<u>(1,727,557)</u>	<u>(44,233)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to Management Company	4,567	402	2,408	154
Payable to Central Depository Company of Pakistan Limited Trustee	67	22	49	8
Payable to Securities and Exchange Commission of Pakistan	(126)	(596)	431	317
Accrued expenses and other liabilities	4,433	1,842	2,719	1,510
	<u>8,941</u>	<u>1,670</u>	<u>5,607</u>	<u>1,989</u>
<b>Net cash inflow from operating activities</b>	<u>(1,205,735)</u>	<u>127,942</u>	<u>(1,648,967)</u>	<u>4,249</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Net receipts against issue of units	1,339,287	151,795	939,762	50,727
Net payments against redemption of units	(451,427)	(51,896)	(154,215)	(27,356)
Distributions paid during the period	(66,625)	-	(15,167)	-
<b>Net cash outflow from financing activities</b>	<u>821,235</u>	<u>99,899</u>	<u>770,380</u>	<u>23,371</u>
<b>Net decrease in cash and cash equivalents during the period</b>	<u>(384,500)</u>	<u>227,841</u>	<u>(878,587)</u>	<u>27,620</u>
Cash and cash equivalents at beginning of the period	716,381	261,841	1,210,468	462,062
<b>Cash and cash equivalents at end of the period</b>	<u><u>331,881</u></u>	<u><u>489,682</u></u>	<u><u>331,881</u></u>	<u><u>489,682</u></u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## Notes to and forming part of the Condensed Interim Financial information (Unaudited) For the nine months and quarter ended 31 March 2014

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity 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 11 February 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 January 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters.

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 and Principal office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

NAFA Income Opportunity 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.

The core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return. The principal activity of the Fund is to make investments in money market and debt securities having a good credit rating and liquidity subject to the guidelines prescribed by SECP. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2 to the Management Company and a stability rating of BBB+ 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 funds.

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

The disclosures made in this condensed interim financial information have been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2013.

In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors

# NAFA INCOME OPPORTUNITY FUND

of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2014.

## 3 SIGNIFICANT ACCOUNTING POLICIES

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

## 4 INVESTMENTS

(Un-Audited) (Audited)  
March June  
31, 2014 30, 2013  
(Rupees in '000)

### Financial assets 'at fair value through profit or loss' - held for trading

Equity securities - listed	4.1	-	-
Government Securities	4.2	1,533,588	-
Term finance certificates	4.3	222,517	293,978
Sukuk bonds	4.3	215,600	-
		<u>1,971,705</u>	<u>293,978</u>

### Available for sale

Equity securities - listed	4.4	46,219	46,784
Term finance certificates - listed	4.5	62,398	232,201
Term finance certificates - unlisted	4.5	250,792	215,830
Sukuk bonds	4.5	170,192	235,596
		<u>529,601</u>	<u>730,411</u>

### Loans and receivable

Investment in certificate of investments		-	50,002
		-	50,002
		<u>2,501,306</u>	<u>1,074,391</u>

### 4.1 Equity securities - listed

Name of the investee company	Number of shares				Market value /Carrying value as at 31 March 2014	Investment as a percentage of	
	As at July 1, 2013	Purchases during the period	Sales during the period	As at 31 March 2014		Market value of net assets	Market value of total investments

(Rupees in '000)

Fully paid ordinary shares of Rs 10 each

#### Textile composite

Azgard Nine Limited - Non-voting	308	-	-	308	-	-
				<u>-</u>		
				<u>13</u>		
Cost of investment before fair value adjustment as at 31 March 2014				<u>13</u>		
Impairment loss				<u>13</u>		

# NAFA INCOME OPPORTUNITY FUND

## 4.2 Government Securities

Issue date	Tenor	Face Value				Market value / as at 31 March 2014	Investment as a percentage of	
		As at July 01, 2013	Purchases during the period	Sales / matured during the period	As at 31 March 2014		Market value of net assets	Market value of total investments
		-----Rupees in '000-----				----- % -----		
<b>Market Treasury Bills</b>								
24-Jan-13	6 Months	-	40,000	40,000	-	-	-	-
26-Jul-12	12 Months	-	600,000	600,000	-	-	-	-
19-Sep-13	3 Months	-	250,000	250,000	-	-	-	-
28-Nov-13	3 Months	-	70,000	70,000	-	-	-	-
26-Dec-13	3 Months	-	100,000	100,000	-	-	-	-
20-Feb-14	3 Months	-	400,000	-	400,000	395,052	13.57%	15.79%
28-Feb-14	6 Months	-	140,000	-	140,000	138,648	4.76%	5.54%
20-Mar-14	3 Months	-	105,000	-	105,000	102,923	3.53%	4.11%
<b>Pakistan Investment Bonds (PIB)</b>								
18-Jul-13	3 years	-	1,167,500	275,000	892,500	896,965	30.80%	35.86%
						1,533,588	52.66%	61.31%
Cost of investment before fair value adjustment as at 31 March 2014						1,515,555		

## 4.3 Term finance certificates & Sukuk Bonds - At fair value through profit or loss - held for trading

4.3.1 All term finance certificates have a face value of Rs 5,000 each.

Name of the investee company	Number of certificates				Market value / Carrying value as at 31 March 2014	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sales / matured during the period	As at 31 March 2014		Net assets	Market value of total investments	
(Rupees in '000)								
<b>Term finance certificates</b>								
Bank Alfalah Limited - V	20,000	-	-	20,000	101,922	3.50%	4.07%	
Bank Al-Habib Limited	500	-	-	500	2,521	0.09%	0.10%	
Engro Corporation Limited	5,200	-	-	5,200	25,943	0.89%	1.04%	
Escort Investment Bank Limited	10,000	-	-	10,000	1,842	0.06%	0.07%	
Gharibwal Cement Limited (note 4.3.3)	5,000	-	5,000	-	-	-	-	
Jahangir Siddiqui and Company Limited	-	15,000	-	15,000	75,000	2.58%	3.00%	
Pace (Pakistan) Limited (note: 4.3.4)	30,000	-	-	30,000	-	-	-	
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	15,289	0.52%	0.61%	
					95,700	222,517		
<b>Sukuk bonds</b>								
HUBCO Islamic Sukuk (13 MAR-13 to 12 SEP-13)	10,200	-	10,200	-	-	-	-	
HUBCO Islamic Sukuk (14 FEB-13 to 14 AUG-13)	17,000	-	17,000	-	-	-	-	
K-Electric Limited - AZM Sukuk	-	43,120	-	43,120	215,600	7.40%	8.62%	
					43,120	215,600		
					138,820	438,117		
Carrying value as at 31 March 2014					589,152			
Provision for impairment losses as at 31 March 2014					149,820			



# NAFA INCOME OPPORTUNITY FUND

4.3.2 Fair value of performing listed term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at 31 March 2014.

4.3.3 This represents investment in privately placed term finance certificates. On 18 July 2009, the scheduled redemption date, principal redemption of Rs. 5 thousands and profit redemption of Rs. 2.291 million were not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The said investment has been sold during the period.

4.3.4 This represents investment in listed term finance certificates with a term of five years. On 15 August 2011, the scheduled profit payment date, principal redemption of Rs. 30 thousands and profit redemption of Rs. 11.806 million were not received by the Fund. As at 31 March 2014, the investment has been fully provided as required by SECP circular no. 33 of 2012.

## 4.4 Equity Securities - available for sale

### Equity securities - listed

Name of the investee company	Number of shares				Market value / Carrying value as at 31 March 2014	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sales during the period	As at 31 March 2014		Market value of net assets	Market value of total investments	Paid up capital of investee company
Fully paid ordinary shares of Rs 10 each								
<b>Chemicals</b>								
Agritech Limited (note 4.4.1)	4,040,090	-	-	4,040,090	46,219	1.59%	1.85%	1.03%
					<u>46,219</u>			
Carrying value as at 31 March 2014					<u>46,784</u>			

4.4.1 This represents shares received in partial settlement against TFC of Azgard Nine limited as explained in note 4.5.3. These shares have been marked to market at prevailing market price as of 31 March 2014 after obtaining approval from Securities and Exchange Commission of Pakistan.

# NAFA INCOME OPPORTUNITY FUND

## 4.5 Term finance certificates and sukuk bonds - Available for sale

Name of the investee company	Number of certificates				Market value / Carrying value as at 31 March 2014	Investment as a percentage of	
	As at July 1, 2013	Purchases during the period	Sales / Matured during the period	As at 31 March 2014		Net assets	Market value of total investments

(Rupees in '000)

### Term finance certificate - listed

#### Pakistan Mobile Communications (Private)

Limited	30,600	-	30,600	-	-	-	-
Worldcall Telecom Limited (note 4.5.2)	45,000	-	-	45,000	-	-	-
Allied Bank Limited	13,400	-	-	13,400	62,398	2.14%	2.49%
				58,400	62,398		

### Term finance certificate - unlisted

Avari Hotels International	35,040	-	-	35,040	67,628	2.32%	2.70%
Azgard Nine Limited III (note 4.5.3)	50,000	-	-	50,000	-	-	-
Azgard Nine Limited V (note 4.5.3.1)	16,436	-	-	16,436	-	-	-
Dewan Cement Limited (note 4.5.4)	30,000	-	-	30,000	-	-	-
Engro Corporation Limited PRP I	31,800	5,000	-	36,800	183,164	6.29%	7.32%
Agritech Ltd. I (note 4.5.5)	30,000	-	-	30,000	-	-	-
Agritech Ltd. V (note 4.5.6)	6,464	-	-	6,464	-	-	-
New Allied Electronics Industries (Private) Limited (note 4.5.7)	15,000	-	-	15,000	-	-	-
				219,740	250,792		

### Sukuk bonds

BRR Guardian Modaraba	10,000	-	-	10,000	28,498	0.98%	1.14%
Eden Builders Limited	7,956	-	7,956	-	-	-	-
Eden Housing Limited (note 4.5.8)	9,200	-	-	9,200	7,866	0.27%	0.31%
Kohat Cement Company Limited	50,000	-	-	50,000	2,168	0.07%	0.09%
Maple Leaf Cement Factory Limited (note 4.5.9)	80,000	-	-	80,000	131,660	4.52%	5.26%
New Allied Electronics Industries (Private) Limited (note 4.5.7)	9,000	-	-	9,000	-	-	-
Pak Elektron Limited (note 4.5.10)	24,000	-	-	24,000	-	-	-
				182,200	170,192		

483,382

### Carrying value as at 31 March 2014

1,420,775

### Provision for impairment losses as at 31 March 2014

948,092

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

# NAFA INCOME OPPORTUNITY FUND

- 4.5.1.1 Fair value of all performing listed term finance certificates classified as available for sale is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at 31 March 2014.
- 4.5.2 MUFAP, on 8 November 2012 classified the TFCs as non-performing due to non payment during extended period. Subsequently, on 26 DEC 2012 a restructure agreement was approved by TFCs holders. In accordance with the terms of restructuring with the terms of restructuring, repayment period has been extended by two years and the principal amount is to be settled in three equal installments starting from 7 Oct, 2014. The investment has been fully provided.
- 4.5.3 On 12 April 2012, a share transfer and debt swap agreement was entered into between the Financial Institutions and Azgard Nine Limited (the issuer), whereby the issuer agreed to transfer its entire holding in Agritech Limited to the existing lenders / creditors, including the Term Finance Certificate (TFC) holders at the agreed settlement price, in partial settlement of the outstanding principal / redemption obligations. As part of the above arrangement, the Fund settled its investment in TFC of Azgard Nine Limited amounted to Rs. 141,403,150 in consideration of 4,040,090 ordinary shares of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at settlement date i.e. 31 October 2012.
- 4.5.3.1 These zero coupon privately placed term finance certificates (PPTFCs) were issued against the interest receivable on TFCs of Azgard Nine Limited under an agreement dated 28 June 2012 between the Management Company of the Company and Azgard Nine Limited. These PPTFCs are issued against the non performing securities, therefore the management, as a matter of prudence has recognised the above PPTFCs at nil value. The principal outstanding against these PPTFCs is to be redeemed in seven equal semi-annual instalments starting from 31 March 2014 and will mature on 31 March 2017. These PPTFCs have been classified as Non Performing Asset by MUFAP on 07 December 2012.
- 4.5.4 The Fund had advanced an amount of Rs 150 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was 09 January 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. The investment has been fully provided.
- 4.5.5 Agritech Limited defaulted in payment of principal and mark-up due on 30 May 2010. The investment has been fully provided.
- 4.5.6 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 investment has been fully provided.
- 4.5.7 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.
- 4.5.8 This represents investment in privately placed sukuk bonds issue with a term of five years. On 6 May 2011, these Sukuks were classified as non-performing by MUFAP. Accordingly he Fund has valued these sukuks at the price lower than the last price quoted by MUFAP. Although the Fund has received all installments due as per restructured term with certain delays, accrual of profit has been suspended and all income has been recognised on receipt basis.
- 4.5.9 Maple Leaf Cement Factory Limited defaulted for the second time in the payment of principal and mark-up due on 03 September 2011 (earlier default on 03 Dec 2009). In accordance with the requirements of circular 33 of 2012 issued by the SECP, the exposure has been classified as non-performing (both by fund and MUFAP) provision of 60% has been maintained against outstanding exposure and no further mark-up is being accrued after classification as non performing.
- 4.5.10 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 1.93 million was not received by the Fund. The investment has been fully provided.

## 5 CONTINGENCY AND COMMITMENT

There were no contingencies and commitments outstanding as at 31 March 2014 and as at June 30, 2013.

## 6 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / Mutual Funds (CISs) / Pension Funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income,

# NAFA INCOME OPPORTUNITY FUND

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

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

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

However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF as at March 31, 2014 amounting to Rs. 19.55 million (June 30, 2013: Rs 15.38 million) in this condensed interim financial information. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs 0.0736.

## 7 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company, on behalf of the Scheme, intends to distribute at least 90 percent of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 8 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 6 March 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 31 March 2014, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

# NAFA INCOME OPPORTUNITY FUND

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
Investment in Debt securities and Sukuks**	Azgard Nine Limited III	108,377	108,377	-	-	-
	Azgard Nine Limited V	82,180	82,180	-	-	-
	Agritech Limited I	149,860	149,860	-	-	-
	Agritech Limited V	32,320	32,320	-	-	-
	Saudi Pak Leasing Company Limited** *	41,321	-	15,289	0.52	0.45
	Maple Leaf Cement Factory Limited Sukuk	329,150	197,490	131,660	4.52	3.86
	New Allied Electronics Industries (Private) Limited - TFC	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk	44,149	44,149	-	-	-
	Dewan Cement Limited - TFC	150,000	150,000	-	-	-
	Pace Pakistan Limited	149,820	149,820	-	-	-
	Eden Housing - Sukuk II	12,075	4,209	7,866	0.27	0.23
	Kohat Cement Company Limited - Sukuk ***	2,891	-	2,168	0.07	0.06
	Escort Investment Bank Limited ***	2,498	-	1,842	0.06	0.05
	BRR Guardian Modaraba - Sukuk ***	38,125	-	28,498	0.98	0.84
	Pak Elektron Limited	51,429	51,429	-	-	-
	Worldcall Telecom Limited	96,371	96,371	-	-	-
	Equity Exposure	Azgard Nine Ltd. (Non-voting Ord.Sahres)	13	13	-	-
Agritech Limited		46,784	-	46,219	1.59	1.36

\*\* At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

\*\*\* Performing but below investment grade.

## 9 TRANSACTIONS WITH CONNECTED PERSONS

- 9.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan 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.
- 9.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 9.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 9.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

# NAFA INCOME OPPORTUNITY FUND

## 9.5 Transactions during the period

	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	----- (Unaudited) -----			
	----- Rupees in '000 -----			
<b>NBP Fullerton Asset Management Ltd. (Management Company)</b>				
Remuneration expense for the period	22,345	18,168	8,615	6,342
<b>National Bank of Pakistan - Sponsor</b>				
Cash dividend	2,297	-	-	-
Sale of T-Bill	542,672	-	-	-
Bonus units issued: 68,443 units	-	-	-	-
<b>Central Depository Company of Pakistan Limited</b>				
Remuneration expense for the period	1,905	1,668	698	569
CDS Charges	128	5	54	2
<b>Employees of Management Company</b>				
Bonus units issued: 714 units (2013: Nil units)	-	-	-	-
Units Issued 929,604 units	9,940	-	6,953	-
Units Redeemed 539,015 units	5,755	-	3,023	-
<b>CDC Trustee NAFA Asset Allocation Fund</b>				
Purchase T-Bill	39,851	-	-	-
<b>CDC Trustee NAFA Government Securities Liquid Fund</b>				
Sale of T-Bill	60,603	-	-	-
<b>International Industries Limited - Gratuity Fund</b>				
Sale of T-Bill	5,420	-	-	-
<b>Thal Limited Employees Provident Fund</b>				
Sale of T-Bill	28,929	-	-	-
<b>Pak Arab Refinery Limited - Supervisory Staff Gratuity Fund</b>				
Sale of T-Bill	29,890	-	-	-
<b>Summit Bank Limited</b>				
Bank Profit	40	-	-	-
<b>The Hub Power Company Limited</b>				
Investment matured	136,000	-	-	-
<b>NBP Employees Pension Fund</b>				
Bonus units issued: 4,692,956 units	-	-	-	-
<b>NBP Employees Benevolent Fund Trust</b>				
Bonus units issued: 162 units	-	-	-	-

# NAFA INCOME OPPORTUNITY FUND

	31 March 2014 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
<b>9.6 Balances outstanding as at period / year end</b>		
<b>NBP Fullerton Asset Management Limited.</b>		
Remuneration payable to management company	3,407	2,257
Sindh sales tax on management fee	632	362
Federal excise duty on management fee	3,214	219
Sales Load payable	113	
Sales Tax on sales load	21	
FED on sales load	18	
<b>National Bank of Pakistan - Sponsor</b>		
Investment held by the Sponsor in the Fund: 3,670,134 units (30 June 2013: 3,601,691 units)	40,209	38,392
Balances in current account	1,439	639
<b>Employees of Management Company</b>		
Investment held in the Fund: 391,328 units (30 June 2013: Nil units)	4,287	-
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable	265	198
Security deposit	100	100
<b>Mr. Shahid Anwar Khan - Ex-Director</b>		
Investment held in the Fund: Nil units (30 June 2013: 94,454 units)	-	1,008
<b>NBP Employees Pension Fund</b>		
Investment held in the Fund: 60,689,413 units (30 June 2013: 55,996,457 units)	664,901	596,894
<b>NBP Employees Benevolent Fund Trust</b>		
Investment held in the Fund: 2,091 units (30 June 2013: 1,929 units)	23	21
<b>Summit Bank Limited</b>		
Balances in account	63	6,888
<b>The Hub Power Company Limited</b>		
Investment held	-	136,000

## 10 DATE OF AUTHORISATION FOR ISSUE

- 10.1 These condensed interim financial statements were authorised for issue on April 30, 2014 by the Board of directors of the Management Company.
- 10.2 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

*Your investments & "NAFA" grow together*



*Joint - Venture Partners*

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