



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

NAFA INCOME OPPORTUNITY FUND

QUARTERLY REPORT

MARCH 31

2015



Your investments & "NAFA" grow together



NBP

National Bank of Pakistan

**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

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NAFA 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. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

Company Secretary & 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. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	Member

Trustee

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

Bankers to the Fund

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
Khushhali Bank Limited
The Bank of Khyber
The Bank of Panjab
Summit Bank Limited
United Bank Limited
UBL Ameen
Sindh Bank Limited
Al Baraka Bank Limited
Bujr 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

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:

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

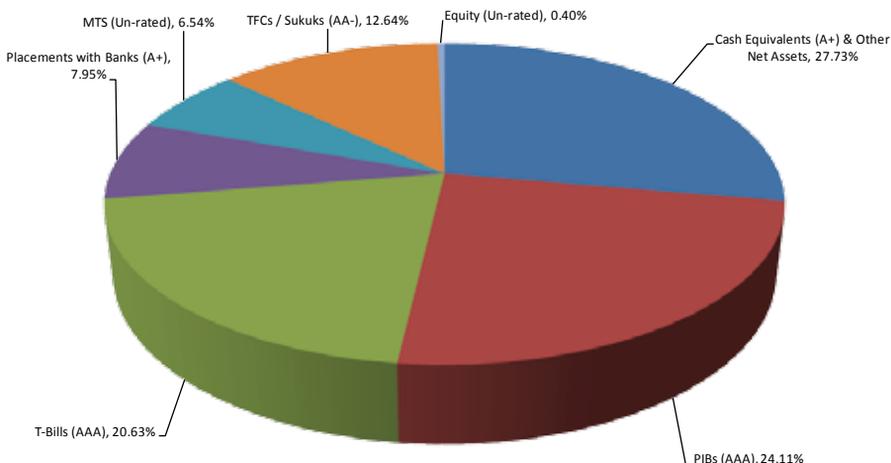
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Opportunity Fund** for the period ended March 31, 2015.

Fund's Performance

The size of NAFA Income Opportunity fund increased from Rs. 4,353 million to Rs. 7,550 million during the period, i.e. an increase of 73.5%. During nine month period, the unit price of the Fund increased from Rs. 10.4676 on June 30, 2014 to Rs. 11.5203 on March 31, 2015, thus showing an annualized return of 13.40% as compared to its Benchmark (6-Month KIBOR) return of 9.58%. During the third quarter, the Fund size increased by 39.3%. During the quarter, the unit price of the Fund has increased from Rs. 11.1649 on December 31, 2014 to Rs. 11.5203 on March 31, 2015, thus showing an annualized return of 12.91% as compared to its Benchmark return of 8.63% for the same period. The performance of the Fund is net of management fee and all other expenses.

On the corporate debt sphere, trading activity in TFCs remains skewed towards the high quality issues, especially those belonging to the financial sector. Search for yields and dearth of primary issuance versus elevated demand kept the yield on the high credit quality corporate bonds depressed. Furthermore, helped by the economic rebound, and declining interest rates, we have seen recoveries from many non-performing corporate bonds. During the period under review, the State Bank of Pakistan reduced the policy rate by 200 bps to 8.0% mainly due to sharp decline in inflation, build-up of FX reserves, largely contained fiscal deficit, and improved external account position. Sovereign securities responded to the beginning of loose monetary policy period with yields on the PIBs and T-bills declining sharply. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

The Fund has earned total income of Rs.541.22 million during the period. After deducting expenses of Rs.140.49 million, the net income is Rs.400.73 million. The chart below presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIOF.



NAFA INCOME OPPORTUNITY 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: April 21, 2015
Place: Karachi.

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Assets and Liabilities (Un-audited) As at 31 March 2015

	Note	(Un-audited) March 31, 2015	(Audited) 30 June 2014
------(Rupees in '000)-----			
ASSETS			
Balances with banks		3,005,860	1,407,789
Receivable against Marginal Trading System		493,922	-
Investments	4	4,362,509	2,828,529
Deposits, prepayments and other receivables		469,199	464,990
Profit receivable		92,404	163,639
Total assets		8,423,894	4,864,947
LIABILITIES			
Payable to Management Company		27,359	6,690
Payable to Central Depository Company of Pakistan Limited - Trustee		580	358
Payable to Securities and Exchange Commission of Pakistan		2,863	1,817
Payable against redemption of units		806,362	453,578
Accrued expenses and other liabilities		36,591	49,934
Total liabilities		873,755	512,377
Net assets		7,550,139	4,352,570
Unit holders' funds (as per statement attached)		7,550,139	4,352,570
Contingencies and commitments	5		
Number of Units			
Number of units in issue		655,375,057	415,812,394
Rupees			
Net asset value per unit		11.5203	10.4676

The annexed notes form 1 to 10 an integral part of these 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 period and quarter ended 31 March 2015

	Note	Nine months ended		Quarter ended	
		March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
------(Rupees in '000)-----					
INCOME					
Gain on sale of investments - net		13,657	2,411	1,821	2,404
Income from Marginal Trading system		19,105	-	18,903	-
Profit on bank deposits and term deposit receipts		122,304	72,050	54,640	32,204
Income from term finance certificates, sukuk bonds		121,111	132,980	34,771	52,675
Income from government securities		159,430	5,825	67,222	3,598
Income from money market placements		2,116	1,113	-	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		103,493	16,818	36,439	14,029
Total income		541,216	231,197	213,796	104,910
EXPENSES					
Remuneration of Management Company		57,268	22,345	24,830	8,615
Sindh sales tax on management fee		9,965	4,182	4,321	1,599
Federal Excise Duty on remuneration to Management Company		9,163	3,575	3,973	1,378
Remuneration of Central Depository Company of Pakistan Limited - Trustee		3,819	1,905	1,553	698
Annual fee - Securities and Exchange Commission of Pakistan		2,863	1,117	1,241	431
Annual listing fee		30	32	10	12
Brokerage and other transaction costs		300	86	40	34
Settlement charges and bank charges		2,068	226	1,623	99
Auditors' remuneration		631	433	228	90
(Reversal) / Impairment loss on investments classified as 'available for sale & held for trading'		45,717	(15,945)	(4,853)	(30,356)
Stability rating fee		133	174	-	53
Legal and professional charges		25	71	-	41
Other expenses		325	11	-	-
Total expenses		132,307	18,212	32,966	(17,306)
Net income from operating activities		408,909	212,985	180,830	122,216
Provision for Workers' Welfare Fund	6	(8,178)	(4,259)	(3,616)	(2,444)
Net income for the period before taxation		400,731	208,726	177,214	119,772
Taxation	7	-	-	-	-
Net income for the period after taxation		400,731	208,726	177,214	119,772

The annexed notes form 1 to 10 an integral part of these 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 period and quarter ended 31 March 2015

	<u>Nine months ended</u>		<u>Quarter ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	------(Rupees in '000)-----			
Net income for the period after taxation	400,731	208,726	177,214	119,772
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	77,072	17,991	26,443	3,188
Total comprehensive income for the period	<u>477,803</u>	<u>226,717</u>	<u>203,657</u>	<u>122,960</u>

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

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 period and quarter ended 31 March 2015

	<u>Nine months ended</u>		<u>Quarter ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	------(Rupees in '000)-----			
Undistributed income brought forward	329,325	187,621	617,153	173,230
Final distribution (Distribution June 30,2014: Nil)				
- Bonus units	-	(57,480)	-	-
- Cash distribution	-	(51,458)	-	-
Interim distribution (Half year ended 31 Dec 2014 :Nil)				
- 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	212,092	58,970	147,781	53,377
Net income for the period after taxation	400,731	208,726	177,214	119,772
Undistributed income carried forward	<u>942,148</u>	<u>306,066</u>	<u>942,148</u>	<u>306,066</u>

The annexed notes form 1 to 10 an integral part of these 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 period and quarter ended 31 March 2015

	Nine months ended		Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	------(Rupees in '000)-----			
Net assets at beginning of the period	4,352,570	1,869,352	5,419,122	2,022,128
Issue of 560,526,406 units including Nil bonus units (2014: 133,969 units including 8,116,841 bonus units)	6,271,120	1,339,287	3,829,501	939,762
Redemption of 320,963,743 units (2014: 43,521,377 units)	(3,551,354)	(456,492)	(1,902,141)	(157,444)
	2,719,766	882,795	1,927,360	782,318
Issue of Nil bonus units in respect of final distribution for the year ended 30 June 2014	-	57,480	-	-
Interim distribution	-	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	(212,092)	(58,970)	(147,781)	(53,377)
	(212,092)	(58,970)	(147,781)	(53,377)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	77,072	17,991	26,443	3,188
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	103,493	16,818	36,439	14,029
Gain on sale of investments - net	13,657	2,411	1,821	2,404
Other operating income	283,581	189,497	138,954	103,339
Net income for the period after taxation	400,731	208,726	177,214	119,772
Distributions:				
Final distribution				
- Bonus distribution	-	(57,480)	-	-
- Cash distribution	-	(51,458)	-	-
Interim distribution				
- Bonus units	-	(25,146)	-	(25,146)
- Cash distribution	-	(15,167)	-	(15,167)
	-	(149,251)	-	(40,313)
Element of income and capital gains included in prices of units issued less those in units redeemed	212,092	58,970	147,781	53,377
Net assets as at end of the period	7,550,139	2,912,239	7,550,139	2,912,239

The annexed notes form 1 to 10 an integral part of these 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 period and quarter ended 31 March 2015

	Nine months ended		Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	------(Rupees in '000)-----			
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period before taxation	400,731	208,726	177,214	119,772
Adjustments:				
Net unrealised (appreciation) / diminution in the fair value of investments classified as financial assets at 'fair value through profit or loss' - net	(103,493)	(16,818)	(36,439)	(14,029)
Gain on sale of investments	(13,657)	(2,411)	(1,821)	(2,404)
Impairment loss on investments classified as 'available for sale'	45,717	(15,945)	(4,853)	(30,356)
	<u>329,298</u>	<u>173,552</u>	<u>134,101</u>	<u>72,983</u>
(Increase) / decrease in assets				
Receivable against Marginal Trading System	(493,922)	-	(256,227)	-
Investments - net	(1,385,475)	(1,373,750)	(1,667,773)	(1,695,634)
Deposits, prepayments and other receivables	(4,209)	(6,148)	(3,575)	(6,098)
Profit receivable	71,235	(8,330)	54,804	(25,825)
	<u>(1,812,371)</u>	<u>(1,388,228)</u>	<u>(1,872,771)</u>	<u>(1,727,557)</u>
Increase / (decrease) in liabilities				
Payable to Management Company	20,669	4,567	8,712	2,408
Payable to Central Depository Company of Pakistan Limited Trustee	222	67	160	49
Payable to Securities and Exchange Commission of Pakistan	1,046	(126)	1,241	431
Accrued expenses and other liabilities	(13,343)	4,433	(17,870)	2,719
	<u>8,594</u>	<u>8,941</u>	<u>(7,757)</u>	<u>5,607</u>
Net cash inflow from operating activities	<u>(1,474,479)</u>	<u>(1,205,735)</u>	<u>(1,746,427)</u>	<u>(1,648,967)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts against issue of units	6,271,120	1,339,287	3,829,501	939,762
Net payments against redemption of units	(3,198,570)	(451,427)	(1,536,500)	(154,215)
Distributions paid during the period	-	(66,625)	-	(15,167)
Net cash outflow from financing activities	<u>3,072,550</u>	<u>821,235</u>	<u>2,293,001</u>	<u>770,380</u>
Net decrease in cash and cash equivalents during the period	<u>1,598,071</u>	<u>(384,500)</u>	<u>546,574</u>	<u>(878,587)</u>
Cash and cash equivalents at beginning of the period	1,407,789	716,381	2,459,286	1,210,468
	<u>3,005,860</u>	<u>331,881</u>	<u>3,005,860</u>	<u>331,881</u>

The annexed notes form 1 to 10 an integral part of these 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 period and quarter ended 31 March 2015

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).

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.

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 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 funds.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information for the nine months period ended 31 March 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ,

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, 2014. the provisions of or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors 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, 2015.

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, 2014.

NAFA INCOME OPPORTUNITY FUND

4 INVESTMENTS	Note	(Un-Audited) March 31, 2015	(Audited) June 30, 2014
(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held for trading			
Equity securities - listed	4.1	-	-
Pakistan Investment Bonds	4.2	1,820,330	1,523,760
Treasury Bills	4.2	1,557,429	-
Term finance certificates	4.3	496,966	587,132
	4.3	3,874,725	2,110,892
Available for sale			
Equity securities - listed	4.4	30,301	41,573
Term finance certificates - listed	4.5	65,400	65,426
Term finance certificates - unlisted	4.5	230,704	307,245
Sukuk bonds	4.5	161,379	256,509
		487,784	670,753
Loans and receivable			
Investment in certificate of investments		-	46,884
		-	46,884
		4,362,509	2,828,529

4.1 Equity securities - listed

Name of the investee company	Number of shares				Market value /Carrying value as at 31 March 2015	Investment as a percentage of	
	As at July 1, 2014	Purchases during the period	Sales during the period	As at 31 March 2015		Market value of net assets	Market value of total investment

(Rupees in '000)

Fully paid ordinary shares of Rs 10 each

Textile composite

Azgard Nine Limited - Non-voting	308	-	-	308	-	-	-
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Cost of investment before fair value adjustment as at 31 March 2015

13
13

Impairment loss

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NAFA INCOME OPPORTUNITY FUND

4.2 Government Securities - Treasury Bills

Issue date	Tenor	Face Value				Market value / as at 31 March 2015	Investment as a percentage of	
		As at July 01, 2014	Purchases during the period	Sales / matured during the period	As at 31 March 2015		Market value of net assets	Market value of total investments
		-----Rupees in '000-----				----- % -----		
Market Treasury Bills								
05 Mar-2015 to 03 Mar-2016	12 Months	-	187,500	-	187,500	174,658	2.31%	4.00%
05 Mar-2015 to 03 Sep-2016	06 Months	-	187,500	-	187,500	181,316	2.40%	4.16%
05 Mar-2015 to 04 Feb-2016	12 Months	-	650,000	-	650,000	608,888	8.06%	13.96%
06 Feb-2015 to 06 Aug-2015	06 Months	-	250,000	250,000	-	-	-	-
08 Jan-2015 to 02 Apr-2015	03 Months	-	250,000	250,000	-	-	-	-
08 Jan-2015 to 07 Jan-2016	12 Months	-	250,000	125,000	125,000	117,766	1.56%	2.70%
13 Nov-2014 to 06 Feb-2015	03 Months	-	770,000	770,000	-	-	-	-
13 Nov-2014 to 12 Nov-2015	12 Months	-	67,700	-	67,700	64,524	0.85%	1.48%
19 Mar-2015 to 11 Jun-2015	03 Months	-	100,000	-	100,000	98,431	1.30%	2.26%
19 Mar-2015 to 17 Mar-2016	03 Months	-	250,000	-	250,000	232,219	3.08%	5.32%
20 Mar-2014 to 19 Mar-2015	12 Months	-	125,000	125,000	-	-	-	-
22 Jan-2015 to 21 Jan-2016	12 Months	-	250,000	250,000	-	-	-	-
22 Jan-2015 to 23 Jul-2015	06 Months	-	250,000	250,000	-	-	-	-
27 Nov-2014 to 26 Nov-2015	06 Months	-	83,790	-	83,790	79,627	1.05%	1.83%
						1,557,429	20.63%	35.70%
Cost of investment before fair value adjustment as at 31 March 2015						1,555,074		

Pakistan Investment Bonds (PIB)

18 July 2013 to 18 July-2016	3 years	1,544,500	484,200	1,518,200	510,500	530,679	7.03%	12.16%
17 July 2014 to 17 July-2017	3 years	-	1,350,000	446,700	903,300	961,849	12.74%	22.05%
17 July 2014 to 17 July-2019	5 years	-	112,500	-	112,500	124,241	1.65%	2.85%
18 July 2013 to 18 July-2018	5 years	-	50,000	-	50,000	54,555	0.72%	1.25%
19 July 2012 to 19 July-2015	3 years	-	35,000	-	35,000	35,324	0.47%	0.81%
22 July 2010 to 22 July-2020	3 years	-	100,000	-	100,000	113,682	1.51%	2.61%
						1,820,330	24.11%	41.73%
Cost of investment before fair value adjustment as at 31 March 2015						1,712,933		

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 2015	Investment as a percentage of		
	As at July 1, 2014	Purchases during the period	Sales / matured during the period	As at 31 March 2015		Market value of net assets	Market value of total investments	
(Rupees in '000)								
Term finance certificates								
Bank Alfalah Limited - V	20,000	12,550	-	32,550	163,152	2.16%	3.74%	
Bank Al-Habib Limited	500	-	-	500	-	-	-	
Engro Fertilizer Limited	25,762	-	25,762	-	-	-	-	
Escort Investment Bank Limited	10,000	-	10,000	-	-	-	-	
Jahangir Siddiqui and Company Limited II	18,400	-	-	18,400	44,752	0.59%	1.03%	
Jahangir Siddiqui and Company Limited III	15,000	-	-	15,000	71,061	0.94%	1.63%	
Pace (Pakistan) Limited (note 4.3.3)	30,000	-	-	30,000	-	-	-	
Saudi Pak Leasing Company Limited (note 4.3.4)	15,000	-	-	15,000	-	-	-	
K-Electric Azm Sukuk	43,120	-	-	43,120	218,001	2.89%	5.00%	
Hascol Petroleum Limited	-	9,000	9,000	-	-	-	-	
					154,570	496,966		

Term finance certificates

Bank Alfalah Limited - V	20,000	12,550	-	32,550	163,152	2.16%	3.74%
Bank Al-Habib Limited	500	-	-	500	-	-	-
Engro Fertilizer Limited	25,762	-	25,762	-	-	-	-
Escort Investment Bank Limited	10,000	-	10,000	-	-	-	-
Jahangir Siddiqui and Company Limited II	18,400	-	-	18,400	44,752	0.59%	1.03%
Jahangir Siddiqui and Company Limited III	15,000	-	-	15,000	71,061	0.94%	1.63%
Pace (Pakistan) Limited (note 4.3.3)	30,000	-	-	30,000	-	-	-
Saudi Pak Leasing Company Limited (note 4.3.4)	15,000	-	-	15,000	-	-	-
K-Electric Azm Sukuk	43,120	-	-	43,120	218,001	2.89%	5.00%
Hascol Petroleum Limited	-	9,000	9,000	-	-	-	-

Carrying value as at 31 March 2015

694,366

Provision for impairment losses as at 31 March 2015

191,141

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 2013.
- 4.3.3 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.
- 4.3.4 This represents investment in listed term finance certificates with a term of five years. On 30 April 2014, the scheduled profit payment date, principal redemption of Rs.0.6 million and profit of Rs. 4.405 million were not received by the Fund. The investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 6.450 million (30 June 2014: Rs. 5.019 million).

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 2015	Investment as a percentage of		
	As at July 1, 2014	Purchases during the period	Sales during the period	As at 31 March 2015		Net assets	Market value of net assets	Paid-up capital of investee company
(Rupees in '000)								
Fully paid ordinary shares of Rs 10 each								
Chemicals								
Agritech Limited (note 4.4.1)	4,040,090	-	-	4,040,090	30,301	0.40%	0.69%	1.03%
					<u>30,301</u>			
Carrying value as at 31 March 2015					<u>49,693</u>			
Provision for impairment losses as at 31 March 2015					<u>19,392</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 2013 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 2015	Investment as a percentage of	
	As at July 1, 2014	Purchases during the period	Sales / matured during the period	As at 31 March 2015		Market value of net assets	Market value of total investments

(Rupees in '000)

Term finance certificate - listed

Worldcall Telecom Limited (note 4.5.2)	45000			45,000	-	-	-
Allied Bank Limited	13,400	-	-	13,400	65,400	0.87%	1.50%
				58,400	65,400		

Term finance certificate - unlisted

Avari Hotels International	35,040	-	35,040	-	-	-	-
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	-	-	-
New Allied Electronics Industries (Private) Limited (note 4.5.7)	15,000	-	-	15,000	-	-	-
Engro Chemical Pakistan Limited - PRP I	52,970	-	6,600	46,370	230,704	3.06%	5.29%
Agritech Limited I (note 4.5.5)	30,000	-	-	30,000	-	-	-
Agritech Limited V (note 4.5.6)	6,464	-	-	6,464	-	-	-
				194,270	230,704		

Sukuk bonds

New Allied Electronics Industries (Private) Limited (note 4.5.7)	9,000	-	-	9,000	-	-	-
Eden Housing Limited (note 4.5.8)	9,200	-	-	9,200	-	-	-
Kohat Cement Company Limited	50,000	-	-	50,000	-	-	-
Maple Leaf Cement Factory Limited	80,000	-	-	80,000	161,379	2.14%	3.70%
Pak Elektron Limited (note 4.5.10)	24,000	-	-	24,000	-	-	-
BRR Guardian Modaraba (note 4.5.9)	10,000	-	-	10,000	-	-	-
				182,200	161,379		

457,483

Carrying value as at 31 March 2015

1,179,339

Provision for impairment losses as at 31 Marh 2015

781,773

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

4.5.1 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 2015.

4.5.2 MUFAP, on 8 November 2012 classified the TFCs as non-performing due to non payment during extended period. Subsequently, on 26 December 2012 a restructuring agreement was approved by the TFCs holders. In accordance with the terms of restructuring, repayment period has been extended by two years and the principle amount was to be settled in three equal installments starting from 7 October 2014. Payment of accrued markup as at 7 October 2012 along with regular markup payments is to be made in eleven installments starting from 7 January 2013 with major payments due on 7 July 2014 and afterwards. The investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 5.539 million (30 June 2014: Rs. 9.231 million).

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 at the value of Rs.35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transaction date i.e. 31 October 2012. Accordingly, the same have been recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.

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- 4.5.3 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 and have been fully provided.
- 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 the 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 This represents investment in privately placed sukuk bonds. On 30 September 2014 i.e. the scheduled redemption date, principal redemption and profit payment of Rs.1.8 million and 0.761 million were not received by the Fund investment has been fully provided.
- 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 March 31, 2015 and June 30, 2014.

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") 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, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgment, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 33.154 million (June 30, 2014 Rs 25.066 million) in this condensed interim financial information. Had the same not been made the net asset value per unit of the Fund as at March 31, 2015 would have been higher by Rs 0.0506 per unit.

NAFA INCOME OPPORTUNITY FUND

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.

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.

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 at least 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 2015, 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
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	41,321	-	-	-
	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	9,056	9,056	-	-	-
	BRR Guardian Modaraba - Sukuk ***	32,188	32,188	-	-	-
	Pak Elektron Limited	51,429	51,429	-	-	-
	Worldcall Telecom Limited	90,508	90,508	-	-	-
	Azgard Nine Ltd. (Non-voting Ord.Sahres)	13	13	-	-	-
	Agritech Limited	49,693	19,392	30,301	0.40	0.36

Equity Exposure

** 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

	------(Unaudited)-----			
	Nine months ended		Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	------(Rupees in '000)-----			
NBP Fullerton Asset Management Ltd.				
(Management Company)				
Remuneration expense for the period	57,268	22,345	24,830	8,615
Sindh Sales Tax on management remuneration	9,965	4,182	4,321	1,599
Federal Excise Duty on management remuneration	9,163	3,575	3,973	1,378
FronD-end load	2,064	-	1,370	-
National Bank of Pakistan - Sponsor				
Cash dividend	-	2,297	-	-
Sale of T-Bill	-	542,672	-	-
Purchase of T-Bill	244,350	-	-	-
Central Depository Company of Pakistan Limited				
Remuneration expense for the period	3,819	1,905	1,553	698
CDS Charges	374	128	212	54
Employees of NAFA				
Bonus units issued: Nil units (2014: 714 units)	-	-	-	-
Units Issued 3,717,537 units (2014:929,604 units)	41,123	9,940	16,962	6,953
Units Redeemed 2,850,380 units (2014: 539,015 units)	31,594	5,755	13,233	3,023
CDC Trustee NAFA Asset Allocation Fund				
Purchase T-Bill	-	39,851	-	-
CDC Trustee NAFA Government Securities Liquid Fund				
Sale of T-Bill	239,491	60,603	239,491	-
CDC Trustee NAFA Financial Sector Income Fund				
Purchase of T-Bill	26,485	-	26,485	-
International Industries Limited - Gratuity Fund				
Sale of T-Bill	-	5,420	-	-
Thall Limited Employees Provident Fund				
Sale of T-Bill	-	28,929	-	-
Pak Arab Refinery Limited - Supervisory Staff Gratuity Fund				
Sale of T-Bill	-	29,890	-	-
Summit Bank Limited				
Bank Profit	-	40	-	-
The Hub Power Company Limited				
Investment matured	-	136,000	-	-
Cherat Cement Company Ltd.				
Units issued / transferred in: 22,593,968 units(2014: Nil units)	250,000	-	-	-
Units redeemed / transferred out: 4,483,903 units (2014: Nil units)	50,000	-	-	-

NAFA INCOME OPPORTUNITY FUND

9.6 Balances outstanding as at period / year end

	As at March 31, 2015	As at June 30, 2014
	----- Rupees in '000 -----	
NBP Fullerton Asset Management Limited.		
Remuneration payable to management company	9,551	884
Sind sales tax on management fee	1,662	164
Federal excise duty on management fee	14,616	5,454
Sales Load payable	932	69
Sales Tax on sales load	162	13
FED on sales load	436	106
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund:		
4,020,905 units (30 June 2014: 4,020,905 units)	46,322	42,089
Balances in current account	1,439	1,683
Employees of NAFA		
Investment held in the Fund: 1,773,477 units (30 June 2014: 906,321 units)	20,431	9,487
Central Depository Company of Pakistan Limited		
Remuneration payable	580	358
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund: 66,489,763 units (30 June 2014: 66,489,763 units)	765,982	695,988
NBP Employees Benevolent Fund Trust		
Investment held in the Fund: 2,291 units (30 June 2014: 2,291 units)	26	24
Summit Bank Limited		
Balances in account	5,902	3,089
Cherat Cement Company Ltd.		
Investment held in the fund: 18,110,066 (30 June 2014: Nil units)	208,633	-
Allied Bank Limited		
Investment held in the Fund Nil units (30 June 2014: 49,464,433 units)	-	517,774

10 DATE OF AUTHORISATION FOR ISSUE

- 10.1 These condensed interim financial statements were authorised for issue on April 21, 2015 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

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