

**AM2+**  
Rated by FICRA



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

## NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

# QUARTERLY REPORT SEPTEMBER 30 2015




*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



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

## 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 ISLAMIC PRINCIPAL PRESERVATION 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 & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	Member

### Trustee

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

### Bankers to the Fund

Bank Alfalah Limited  
Habib Bank Limited  
United Bank Limited  
Meezan Bank Limited  
Sindh Bank Limited

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## **Auditors**

A.F. Ferguson & Co. Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road,  
P.O.Box 4716  
Karachi.

## **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, 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 ISLAMIC PRINCIPAL PRESERVATION FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Islamic Principal Preservation Fund (NIPPF)** for the quarter ended September 30, 2015.

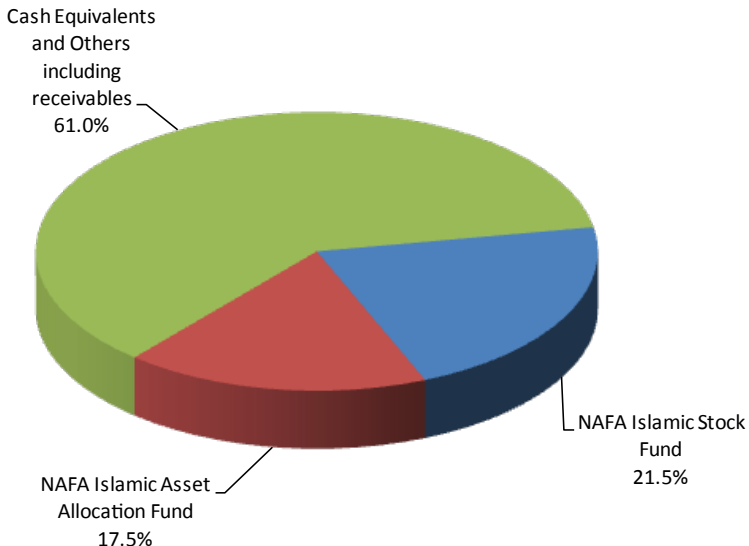
### Fund's Performance

During the period, the unit price of NAFA Islamic Principal Preservation Fund has decreased from Rs. 102.0712 (Ex-Div) on June 30, 2015 to Rs. 101.2724 on September 30, 2015, thus showing a decline of 0.78%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Fund's actual allocation) return during the same period was declined by 2.63%. Thus, the Fund has outperformed its Benchmark by 1.85% during the period under review. Since Inception the NAV of Fund has increased from Rs. 97.1473 (Ex-Div) on January 09, 2015 to Rs. 101.2724 on September 30, 2015, thus showing an increase of 4.25%. The Benchmark return during the same period was 1.66%. Thus, the Fund has outperformed its Benchmark by 2.59%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Preservation Fund is Rs.1,692 million.

During 1QFY16, the stock market depicted a decline amidst foreign outflows and depreciating currency. Positives like IMF tranche, declining inflation, 50 bps cut in discount rate, and declining oil prices were offset by continuous foreign selling in the market. Oil & Gas Exploration and Oil & Gas Marketing sectors lagged the market. On the other hand Automobile & Parts, Cements, and Chemicals sectors performed better than the market.

Trading activity in Sukuks remained skewed towards the high quality issues. Dearth of primary issuance versus elevated demand further depressed the yield on the high credit quality corporate bonds. During the quarter under review, the State Bank of Pakistan reduced the discount rate by 50 bps to 6.5%. SBP alluded to following factors in arriving at its decision i) benign inflation readings and expectation ii) high real lending rates; and iii) comfortable external account position and (iv) improving law and order situation and macroeconomic stability. Sovereign securities responded to the loose monetary policy period with yields on the short term and long term sovereign bonds declining.

The Fund has incurred loss of Rs.7.78 million during the period. After accounting for expenses of Rs.5.25, the total loss is Rs.13.03 million. The below chart presents the asset allocation of NIPPF.



# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: October 21, 2015

Place: Karachi.

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2015

	Note	Un-Audited September 30, 2015	Audited June 30, 2015
------(Rupees in '000)-----			
<b>ASSETS</b>			
Balances with banks		974,881	986,966
Investments	4	660,073	783,135
Profit receivable		5,143	4,910
Receivable against sale of investment		65,104	-
Advances and deposits		30	-
Preliminary expenses and floatation costs		1,298	1,819
<b>Total assets</b>		<b>1,706,529</b>	<b>1,776,830</b>
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		10,216	10,496
Payable to the Central Depository Company of Pakistan Limited - Trustee		143	130
Payable to the Securities and Exchange Commission of Pakistan		416	806
Payable against redemption of units		317	-
Accrued expenses and other liabilities	5	2,997	7,080
<b>Total liabilities</b>		<b>14,089</b>	<b>18,512</b>
<b>NET ASSETS</b>		<b>1,692,440</b>	<b>1,758,318</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>1,692,440</b>	<b>1,758,318</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
		(Number of units)	
<b>Number of units in issue</b>		<b>16,711,760</b>	<b>17,189,941</b>
		-----Rupees-----	
<b>NET ASSET VALUE PER UNIT</b>		<b>101.2724</b>	<b>102.2876</b>

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

Chief Executive

For NBP Fullerton Asset Management Limited  
(Management Company)

Director



# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Note	Quarter ended September 30, 2015 (Rupees in '000)
<b>INCOME</b>		
Capital loss on sale of investments - net		(14,792)
Dividend Income		29,174
Profit on bank deposits		13,818
Income from Back End Load		526
Net unrealised (diminution) on re-measurement as 'financial assets at fair value through profit or loss'		(36,016)
<b>Total Loss</b>		<b>(7,290)</b>
<b>EXPENSES</b>		
Remuneration of NBP Fullerton Asset Management Limited Management Company		2,766
Sindh sales tax on remuneration of the Management Company		449
FED on remuneration of the Management Company		443
Remuneration to Central Depository Company of Pakistan Limited- Trustee		392
Sindh sales tax on remuneration of Trustee		55
Annual fee - Securities and Exchange Commission of Pakistan		416
Settlement and bank charges		70
Annual listing fee		10
Auditors' remuneration		101
Amortisation of preliminary expenses and floatation costs		521
Printing charges		25
<b>Total Expenses</b>		<b>5,248</b>
<b>Net loss from operating activities</b>		<b>(12,538)</b>
Net element of income/(loss) and capital gains/(losses) included 'in prices of units issued less those in units redeemed		(775)
Provision for Workers' Welfare Fund	7	-
<b>Net loss for the period before taxation</b>		<b>(13,313)</b>
Taxation	8	-
<b>Net loss for the period after taxation</b>		<b>(13,313)</b>
<b>Earnings per unit</b>	9	

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Quarter ended  
September 30,  
2015  
(Rupees in '000)

Net loss for the period after taxation	(13,313)
Other Comprehensive Income	-
<b>Total comprehensive loss for the period</b>	<u><u>(13,313)</u></u>

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

Chief Executive

For NBP Fullerton Asset Management Limited  
(Management Company)

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Quarter ended September 30, 2015 (Rupees in '000)
Undistributed income brought forward	-
- Realised income	7,882
- Unrealised Income	<u>31,442</u>
	39,324
Net (loss) for the period after taxation	(13,313)
Final distribution for the year ended June 30, 2015 : 0.2206%	
- Cash distribution	(3,759)
Undistributed income carried forward	<u>22,252</u>
Undistributed loss comprising of:	
- Realised income	58,268
- Unrealised (loss)	(36,016)
	<u>22,252</u>

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

Chief Executive

For NBP Fullerton Asset Management Limited  
(Management Company)

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Quarter ended September 30, 2015 (Rupees in '000)
Net assets at the beginning of the period	1,758,318
Issue of 32,405 units	3,374
Redemption of 510,586 units	(52,955) (49,581)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	775
Net unrealised appreciation / (diminution) on re-measurement as 'financial assets at fair value through profit or loss'	(36,016)
Capital (loss) on sale of investments - net	(14,792)
Other income (net of expenses) for period	37,495 (13,313)
Final distribution for the year ended June 30, 2015 : 0.2206% - Cash Distribution	(3,759)
<b>Net assets at the end of the period</b>	<u><u>1,692,440</u></u>

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

Chief Executive

For NBP Fullerton Asset Management Limited  
(Management Company)

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

For the  
Quarter ended  
September 30,  
2015  
(Rupees in '000)

### CASH FLOW FROM OPERATING ACTIVITIES

Net loss for the period before taxation (13,313)

#### Adjustments

Net unrealised diminution on re-measurement  
as 'financial assets at fair value through profit or loss' 36,016  
Amortisation of preliminary expenses and floatation costs 521  
Element of income and capital gains included in prices of units  
issued less those in units redeemed - net 775  
23,999

#### (Increase) / decrease in assets

Investments 87,046  
Profit receivable (233)  
Advances and deposits (30)  
Receivable against sale of investment (65,104)  
21,679

#### Increase / (decrease) in liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company (280)  
Payable to the Central Depository Company of Pakistan Limited - Trustee 13  
Payable to the Securities and Exchange Commission of Pakistan (390)  
Accrued expenses and other liabilities (4,083)  
(4,740)

Net cash generated from operating activities 40,938

### CASH FLOW FROM FINANCING ACTIVITIES

Net receipts from issue of units 3,374  
Net payments on redemption of units (52,638)  
Distributions made (3,759)  
Net cash (used) in financing activities (53,023)

Net (decrease) in cash and cash equivalents during the period (12,085)

Cash and cash equivalents at the beginning of the period 986,966

Cash and cash equivalents at the end of the period 974,881

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Un-Audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Principal Preservation 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 the Trustee. The Trust Deed was executed on October 16, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on October 29, 2014. under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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 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. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Lahore Stock Exchange. The Fund is categorized as an Open-End "Shariah Compliant Fund of Funds" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The objective of NAFA Islamic Principal Preservation Fund is to earn a potentially high return through dynamic asset allocation between Shariah compliant equity related, and Sharia compliant income/money market Collective Investment Schemes, while providing principal preservation.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2+ to the Management Company.

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as 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 the SECP prevail.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

The directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Principal accounting policies adopted for the preparation of this condensed interim financial statements for the quarter ended September 30, 2015 are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2015.

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

(Un-audited) (Audited)  
September 30, June 30,  
2015 2015  
(Rupees in '000)

## 4 INVESTMENTS

'Financial assets at fair value through profit or loss' 660,073 783,135

### 4.1 Investments in shares of listed companies at fair value through profit or loss

Name of the investee company	As at July 1, 2015	Purchases during the period	Bonus / right shares	Sales during the period	As at September 30, 2015	Market value as at September 30, 2015	Market value asv a percentage of net assets	Market value as a percentage of total investment
						(Rupees in '000)	-----%-----	
NAFA Islamic Asset Allocation Fund	22,641,889	11,149,007	-	14,226,316	19,564,580	296,532	17.52	44.92
NAFA Islamic Stock Fund	38,204,892	11,199,563	-	14,883,441	34,521,014	363,541	21.48	55.08
					54,085,594	660,073	39	100
Carrying value as at September 30, 2015						696,089		

(Un-audited) (Audited)  
September 30, June 30,  
2015 2015  
(Rupees in '000)

## 5 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration payable		
Provision for Workers' Welfare Fund	376	275
Printing charges	1,768	1,768
Withholding tax and capital gain tax	122	97
Legal fee	692	4,815
Bank Charges	25	125
	14	-
6 CONTINGENCIES AND COMMITMENTS	2,997	7,080

There were no contingencies outstanding as at September 30, 2015 and June 30, 2015.

## 7 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015. Accordingly no further provision for WWF has recorded subsequent to June 30, 2015.

However, without prejudice to the above and owing to the fact that the decision of Sindh High Court on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to record and retain provision of WWF in financial statements for the quarter ended September 30, 2015 which aggregates to Rs. 1.768 million. Had the same not been made the net asset value per unit / return of the Fund would have been higher by 0.1058 per unit respectively.

## 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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management company has decided to distribute the required minimum Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

## 9 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 10 TRANSACTIONS WITH CONNECTED PERSONS

- 10.1 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, NAFA provident Trust Fund being the employee contribution plan of the Management Company, 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 NBFC regulation and the Trust Deed.

Un-audited  
Quarter Ended  
September 30,  
2015  
(Rupees in '000)

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

<b>NBP Fullerton Asset Management Limited - Management Company</b>	
Remuneration of the Management Company	2,766
Sindh sales tax on remuneration of the Management Company	449
FED on remuneration of the Management Company	443
<b>NAFA Islamic Stock Fund</b>	
Units purchased (11,199,563 units)	127,211
Units sold (14,883,441 units)	160,638
<b>NAFA Islamic Asset Allocation Fund</b>	
Units purchased (11,149,007 units)	178,982
Units sold (14,226,316 units)	217,809
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration	392
Sindh sales tax on remuneration of Trustee	55



# NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Un-audited  
September 30,  
2015  
Audited  
June 30,  
2015  
(Rupees in '000)

## 10.6 Amounts outstanding as at period end

<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management remuneration payable	982	1,005
Sales tax payable	159	175
FED payable	1,398	956
Sales load payable to the Management Company	5,257	5,942
Preliminary expenses and floatation costs	2,378	2,378
Other payable	40	40
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	125	130
Sindh sales tax on remuneration of Trustee	18	-
<b>Employees of the Management Company</b>		
Units held: 1,554 (June 30, 2015 1,551 units)	157	159
<b>NAFA Islamic Stock Fund</b>		
Investment in 34,521,015 (June 30, 2015 38,204,892 units)	363,541	421,071
<b>NAFA Islamic Asset Allocation Fund</b>		
Investment in 19,564,580 (June 30, 2015 22,641,889 units)	296,532	362,064

## 11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 21, 2015.

## 12 GENERAL

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



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

## Head Office

7th Floor, Clifton Diamond Building, Block No.4,  
Scheme No.5, Clifton, Karachi.

**UAN:** 021-111-111-632

**Toll Free:** 0800-20001

**Sms:** NAFA INVEST to 8080

**Fax:** 021-35825335

**Email:** [info@nafafunds.com](mailto:info@nafafunds.com)

**Website:** [www.nafafunds.com](http://www.nafafunds.com)

 /nafafunds