

# NAFA Financial Sector Income Fund (NFSIF)



MONTHLY REPORT (MUFAP's Recommended Format)  
Unit Price (31/07/2017): Rs. 10.5448

July 2017

Performance %								
Performance Period	July 2017	Trailing 12 months Aug 16 - Jul 17	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	Since Launch October 28, 2011*
NAFA Financial Sector Income Fund	5.8%	8.4%	8.4%	6.4%	10.9%	7.9%	9.3%	9.0%
Benchmark**	6.1%	6.1%	6.0%	5.9%	8.3%	8.9%	9.0%	8.0%

\* Annualized Return Based on Morning Star Methodology  
All other returns are Annualized Simple Return

The performance reported is net of management fee & all other expenses and based on dividend reinvestment gross of with-holding tax where applicable.

General Information		Investment Objective																				
Launch Date:	October 28, 2011	To provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs/Sukuks, Bank deposits and short-term money market instruments.																				
Fund Size:	Rs. 1,218 Million																					
Type:	Open-end – Income Fund	<b>Fund Manager Commentary</b>																				
Dealing Days:	Daily – Monday to Saturday (Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M																					
Dealing Time:	2-3 business days	The Fund generated an annualized return of 5.8% for the month of July 2017 versus the Benchmark return of 6.1%. Since its launch in October 2011, the Fund has generated an annualized return of 9.0% p.a. against the Benchmark return of 8.0% p.a., hence an outperformance of 1.0% p.a. This outperformance is net of management fee and all other expenses.																				
Settlement:	Forward Pricing	The Fund is unique as it invests a minimum 70% of its assets in Financial Sector (mainly banks) debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities is "AA-". This minimizes credit risk and at the same time enhances liquidity of the Fund. Duration of the overall portfolio cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its net assets in less than 90 days T-Bills or saving accounts with banks, which further enhances liquidity profile of the Fund.																				
Pricing Mechanism:	Forward Pricing																					
Load:***	Front End Load (Individual): 1% (Nil on investment above Rs. 26 million) Front End Load (Other): 1% (Nil on investment above Rs. 16 million) Back End Load: NIL	Exposure in TFCs was 33.5% of net assets at the end of the month with average time to maturity of 3.5 years. The TFC portfolio of the Fund is predominantly floating rate linked to KIBOR. The weighted average time-to-maturity of the Fund is 1.2 years.																				
Management Fee:	10% of Net Income (Min 0.5% p.a., Max 1.5% p.a.)																					
Total Expense Ratio:	1.35% p.a.(including 0.31% government levies)	We will rebalance the allocation of the portfolio proactively based on the capital market outlook.																				
Risk Profile:	Low																					
Fund stability rating:	'A+(f)' by PACRA	<b>Credit Quality of the Portfolio as of July 31, 2017 (% of Total Assets)</b>																				
Listing:	Pakistan Stock Exchange																					
Custodian & Trustee:	Central Depository Company (CDC)	<table border="1"> <tbody> <tr> <td>AAA</td> <td>2.0%</td> </tr> <tr> <td>AA+</td> <td>29.3%</td> </tr> <tr> <td>AA</td> <td>10.1%</td> </tr> <tr> <td>AA-</td> <td>36.2%</td> </tr> <tr> <td>A+</td> <td>21.5%</td> </tr> <tr> <td>A</td> <td>0.1%</td> </tr> <tr> <td>A-</td> <td>0.1%</td> </tr> <tr> <td>Others including receivables</td> <td>0.7%</td> </tr> <tr> <td><b>Total</b></td> <td><b>100.0%</b></td> </tr> </tbody> </table>	AAA	2.0%	AA+	29.3%	AA	10.1%	AA-	36.2%	A+	21.5%	A	0.1%	A-	0.1%	Others including receivables	0.7%	<b>Total</b>	<b>100.0%</b>		
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Auditors:	KPMG Taseer Hadi & Co. Chartered Accountants																					
Benchmark:**	6-Month KIBOR	<table border="1"> <thead> <tr> <th colspan="2">Top TFC (as at July 31, 2017) (% of Total Assets)</th> </tr> <tr> <th>Name of TFC</th> <th>% of Total Assets</th> </tr> </thead> <tbody> <tr> <td>JS Bank Limited 14-DEC-16 14-DEC-23</td> <td>9.0%</td> </tr> <tr> <td>Jahangir Siddiqui and Company Ltd. 18-Jul-17 18-Jul-22</td> <td>8.9%</td> </tr> <tr> <td>Bank Alfalah Limited IV - FT 02-DEC-09 02-DEC-17</td> <td>4.3%</td> </tr> <tr> <td>Askari Bank Limited IV 23-Dec-11 23-Dec-21</td> <td>3.4%</td> </tr> <tr> <td>Faysal Bank Limited III 27-DEC-10 27-DEC-17</td> <td>2.7%</td> </tr> <tr> <td>Jahangir Siddiqui and Company Ltd. 24-Jun-16 24-Jun-21</td> <td>1.5%</td> </tr> <tr> <td>Standard Chartered Bank (Pakistan) Limited IV - Revised 29-JUN-12 29-JUN-22</td> <td>1.2%</td> </tr> <tr> <td><b>Total</b></td> <td><b>31.0%</b></td> </tr> </tbody> </table>	Top TFC (as at July 31, 2017) (% of Total Assets)		Name of TFC	% of Total Assets	JS Bank Limited 14-DEC-16 14-DEC-23	9.0%	Jahangir Siddiqui and Company Ltd. 18-Jul-17 18-Jul-22	8.9%	Bank Alfalah Limited IV - FT 02-DEC-09 02-DEC-17	4.3%	Askari Bank Limited IV 23-Dec-11 23-Dec-21	3.4%	Faysal Bank Limited III 27-DEC-10 27-DEC-17	2.7%	Jahangir Siddiqui and Company Ltd. 24-Jun-16 24-Jun-21	1.5%	Standard Chartered Bank (Pakistan) Limited IV - Revised 29-JUN-12 29-JUN-22	1.2%	<b>Total</b>	<b>31.0%</b>
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Fund Manager:	Muhammad Ali Bhabha, CFA, FRM																					
Minimum Subscription:	Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/-																					
Asset Manager Rating:	AM1 by PACRA (Very High Quality)																					

\*\* effective from September 01, 2016; Previously 70% 6-Month KIBOR & 30% average 3-Month deposit rates (A & above rated banks)

\*\*\*effective from January 02, 2017

Asset Allocation (% of Total Assets)	31-July-17	30-June-17
TFCs	31.0%	24.3%
Commercial Paper	2.2%	2.4%
Bank Placements	15.2%	16.7%
Bank Deposits	50.9%	55.9%
Others including receivables	0.7%	0.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
Leverage	Nil	Nil

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<b>Total</b>	<b>31.0%</b>

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 2,002,255-. If the same were not made the NAV per unit/last one year return of scheme would be higher by Rs. 0.0173/0.18%. For details investors are advised to read note 6 of the Financial Statements of the Scheme for the period ended March 31, 2017.

### Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA  
Sajjad Anwar, CFA  
Muhammad Ali Bhabha, CFA, FRM  
Hassan Raza, CFA

Notes: 1) The calculation of performance does not include cost of front end load.  
2) Taxes apply. Further, tax credit also available as per section 62 of the Income Tax Ordinance, 2001.

**Disclaimer:** This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds are subject to market risks. Past performance is not necessarily indicative of future results. Please read the Offering Document to understand investment policies and the risks involved.