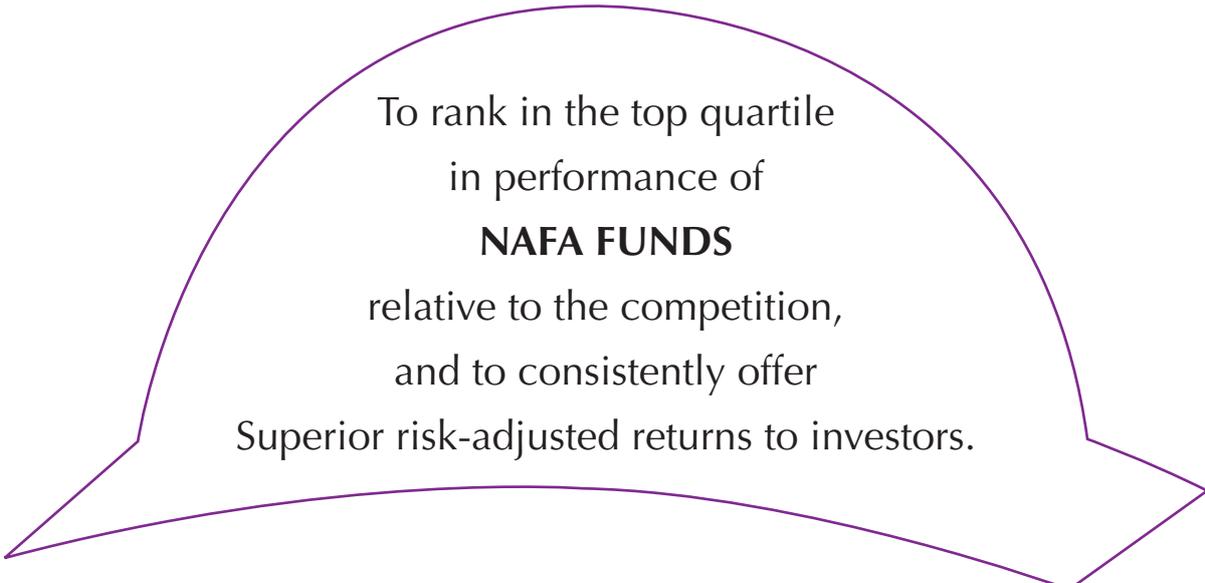


## MISSION STATEMENT



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

# NAFA FINANCIAL SECTOR INCOME FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Koh Boon San	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	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

Askari Bank Limited  
Bank Alfalah Limited  
NIB Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
Faysal Bank Limited  
MCB Bank Limited

# NAFA FINANCIAL SECTOR INCOME 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:**

9th Floor, Adamjee House,  
I.I. Chundrigar Road, Karachi  
UAN: 021-111-111-NFA (632)  
Toll Free: 0800-20001  
Fax: 021-32467605

## **Lahore Office:**

House # 10 - A, Block -S, Gulberg - II, Lahore.  
UAN: (+92-42) 111-111-NFA (632)  
Fax No: (+92-42) 35760373

## **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 FINANCIAL SECTOR INCOME FUND

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# NAFA FINANCIAL SECTOR INCOME FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the First Annual Report of NAFA Financial Sector Income Fund for the period from October 18, 2011 to June 30, 2012.

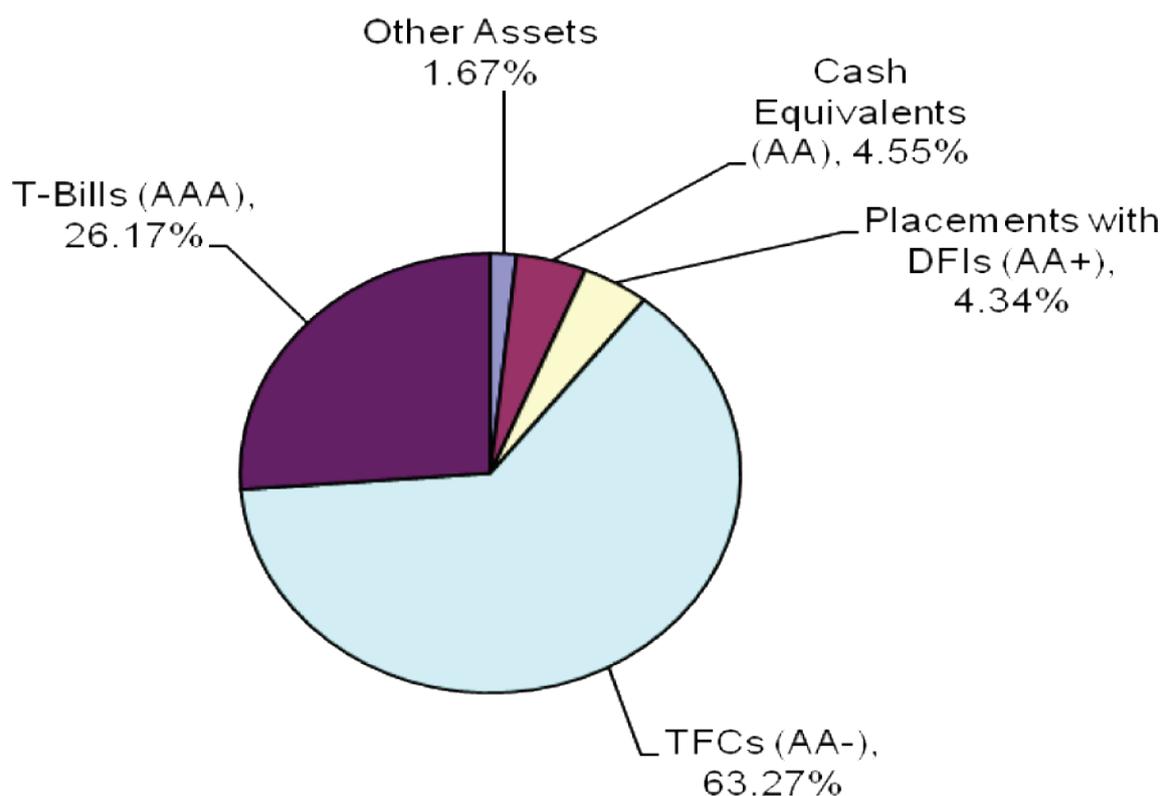
### Fund's Performance

The Fund was launched on October 28, 2011. The size of **NAFA Financial Sector Income Fund** is Rs. 2,768 million as at June 30, 2012. The Fund has earned an annualized return of 12.67% as compared to its Benchmark (70% 6- month KIBOR & 30% average 3- month deposit rates of A & above rated banks) annualized return of 10.76% for the same period.

NFSIF is an Income Scheme that invests a minimum of 70% of its assets in financial sector debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities (mainly banks) is AA-. Duration of the Fund cannot be more than one year. This minimizes interest rate risk. The Fund invests at least 25% of its assets in less than 90 days T-Bills or saving accounts with banks rated A and above, which further enhances the liquidity profile of the Fund. With some letup in inflationary pressures and improved external accounts, SBP slashed the Policy Rate during FY12 by 2% to 12%. The Fund has been awarded stability rating of A+(f) by PACRA. The Fund is categorized as an "Income" Scheme.

The Fund has earned a total income of Rs.159.63 million during the year. After deducting total expenses of Rs.26.31 million, the net income is Rs.133.32 million. During the period, the unit price of NAFA Financial Sector Income Fund has increased from Rs.9.3418 on October 18, 2011 (distribution adjusted) to Rs.10.1238 on June 30, 2012 (Ex-Div).

The asset allocation of NAFA Financial Sector Income Fund as on June 30, 2012 is as follows:



# NAFA FINANCIAL SECTOR INCOME FUND

## Income Distribution

In addition to interim distribution of 4.00%, the Board of Directors of the Management Company has also approved a final distribution of 3.00%, translating into total distribution of 7.00% of the par value. After final distribution, the net asset value per unit will be Rs.10.1238 on June 30, 2012.

## Taxation

As the above distribution is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

## Auditors

The present auditors, Messrs A.F.Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

## Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held three meetings during the period. The attendance of all directors is disclosed in the note 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 18 to these financial statements.

# NAFA FINANCIAL SECTOR INCOME 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: September 11, 2012  
Place: Karachi.

# NAFA FINANCIAL SECTOR INCOME FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA FINANCIAL SECTOR INCOME FUND

### Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Financial Sector Income Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from October 18, 2011 to June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 26, 2012

# NAFA FINANCIAL SECTOR INCOME FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA FINANCIAL SECTOR INCOME FUND FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Financial Sector Income Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Lahore Stock Exchange.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Shahid Anwar Khan (Chairman) 2. Dr. Asif.A Brohi 3. Mr. Amir Shahzad 4. Mr. Wah Geok Sum 5. Mr. Koh Boon San

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable). However, the requirement of serving as a director of seven listed companies is applicable from the date of next elections of directors.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the board on August 27, 2011 and March 31, 2012 during the year. First casual vacancy was filled up by the director within 24 days and the second casual vacancy was filled up by the director on the same day.
5. Subsequent to year end, the Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

# NAFA FINANCIAL SECTOR INCOME FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities and requirements of CCG, the code requires company to conduct formal orientation for directors. The board did not arrange director training /education program required under the code as all the directors meet the exemption criteria of minimum fourteen years of education and fifteen years of experience. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the Units of the Fund other than that disclosed in note 18 to the financial statements " Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of four members, of who are non-executive directors and the chairman of the committee is a non-independent director.
18. The board has set up an effective internal audit function.

# NAFA FINANCIAL SECTOR INCOME FUND

19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. There was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with.

Karachi  
September 11, 2012

For and on behalf of the board

Dr. Amjad Waheed  
Chief Executive Officer

# NAFA FINANCIAL SECTOR INCOME FUND

## FUND MANAGER REPORT

### NAFA Financial Sector Income Fund

NAFA Financial Sector Income Fund is an open-end Income Scheme.

### Investment Objective of the Fund

The objective of NAFA Financial Sector Income Fund is 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.

### Benchmark

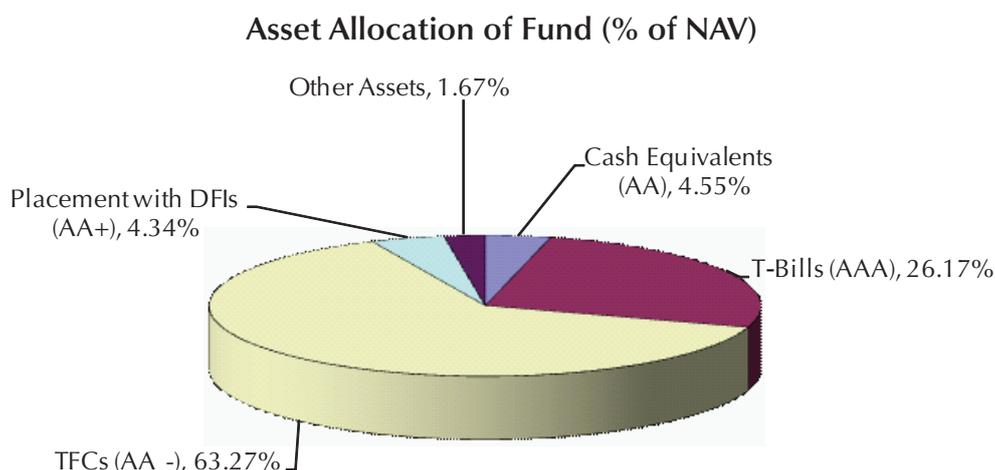
70% 6-Month KIBOR & 30% average 3-Month deposit rates (A & above rated banks)

### Fund Performance Review

This is the first Annual report since the launch of the Fund on October 28, 2011. The Fund size as on June 30, 2012 is Rs. 2.77 billion. The Fund's annualized return since inception is 12.67%. During the same period the benchmark return has been 10.76%. This translates into out-performance of 1.91% p.a. This out-performance is net of management fee and all other expenses. Thus the Fund has achieved its stated objectives.

The Fund is unique as it invests a minimum of 70% of its assets in financial sector debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities (mainly banks) is AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

We have witnessed few fresh issues of the corporate bonds. Trading activity remained limited to high rated issuers, mainly belonging to Financial sector. Inflation as measured by CPI stood at 11% for FY12 as against 13.3% during the preceding year. With this letup in inflation and to spur private sector investment, SBP reduced the Discount Rate from 14% to 12%. Correspondingly the benchmark 6-Months KIBOR declined to 12.06% from 13.78% for the period from October 18, 2011 to Jun 30, 2012.



# NAFA FINANCIAL SECTOR INCOME FUND

## Distribution for the Financial Year 2011

Interim Period / Quarter	Dividend as a % of Par Value (Rs.10)	Cummlative Div. Price / Unit	Ex- Div. Price
Dec QTR 2011	2.00%	10.3707	10.1707
MAR QTR 2012	2.00%	10.3677	10.1677
June QTR 2012	3.00%	10.4231	10.1231

## Unit Holding Pattern of NAFA Financial Sector Income Fund as on 30th June 2012

Size of Unit Holding (Units)	# of Unit Holders
1-1000	11
1001-5000	45
5001-10000	57
10001-50000	189
50001-100000	79
100001-500000	103
500001-1000000	12
1000001-5000000	11
5000001-10000000	3
10000001-100000000	2
100000001-1000000000	1
	513

## During the period under question:

There has been no significant change in the state of affairs of the Fund. NAFA Financial Sector Income Fund does not have any soft commission arrangement with any broker in the industry.

## Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 2,720,778/-. If the same were not made the NAV per unit/ FY 2012 return of scheme would be higher by Rs. 0.0102/ 0.16%. For details investors are advised to read note 15 of the Financial Statement of the Scheme for the period from October 18, 2011 to June 30, 2012.

# NAFA FINANCIAL SECTOR INCOME FUND

## REVIEW REPORT ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NBP Fullerton Asset Management Limited**, the Management Company of **NAFA Financial Sector Income Fund**, to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the listing regulations notified by the Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the Period from October 18, 2011 to June 30, 2012.

A.F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: September 26, 2012

# NAFA FINANCIAL SECTOR INCOME FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NAFA Financial Sector Income Fund** (here in after referred to as "**the Fund**"), which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from October 18, 2011 to June 30, 2012 and a summary of significant accounting policies and other explanatory notes.

### Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, and of its financial performance, cash flows and transactions for the period from October 18, 2011 to June 30, 2012 in accordance with approved accounting standards as applicable in Pakistan.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: September 26, 2012  
Karachi

# NAFA FINANCIAL SECTOR INCOME FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2012

	Note	2012 (Rupees in '000)
<b>ASSETS</b>		
Bank balances	4	125,856
Investments	5	2,595,324
Profit receivable	6	59,557
Preliminary expenses and floatation costs	7	945
Security deposit		100
Prepayments and other receivables		108
<b>Total assets</b>		<b>2,781,890</b>
<b>LIABILITIES</b>		
Payable to the Management Company	8	5,078
Payable to Central Depository Company of Pakistan Limited - Trustee	9	257
Payable to the Securities and Exchange Commission of Pakistan	10	838
Payable against redemption of units		4,465
Accrued expenses and other liabilities	11	3,585
<b>Total liabilities</b>		<b>14,223</b>
<b>NET ASSETS</b>		<u><u>2,767,667</u></u>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<u><u>2,767,667</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12	
		<b>Number of units</b>
<b>NUMBER OF UNITS IN ISSUE</b>		<u><u>265,532,658</u></u>
		<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>	3.10	<u><u>10.4231</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## INCOME STATEMENT FOR THE PERIOD FROM OCTOBER 18, 2011 TO JUNE 30, 2012

	Note	For the period from October 18, 2011 to June 30, 2012 (Rupees in '000)
<b>INCOME</b>		
Net loss on sale of investments		(280)
Income from term finance certificates		100,331
Income from government securities		33,034
Income from letters of placement		2,940
Profit on bank deposits	13	5,907
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.6	17,699
<b>Total Income</b>		<b>159,631</b>
<b>EXPENSES</b>		
Remuneration of the Management Company		16,598
Sindh Sales Tax on Management Company's remuneration	8.2	2,656
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,507
Annual fee - Securities and Exchange Commission of Pakistan		838
Amortisation of preliminary expenses and floatation costs		147
Auditors' remuneration	14	381
Listing fee		20
Rating fee		121
Printing charges		101
Legal fee		40
Securities transaction cost		833
Bank charges		347
<b>Total Expenses</b>		<b>23,589</b>
<b>Net Income from operating activities</b>		<b>136,042</b>
Provision for Workers' Welfare Fund	15	(2,721)
<b>Net income for the period before taxation</b>		<b>133,321</b>
Taxation	16	-
<b>Net income for the period after taxation</b>		<b>133,321</b>
<b>Earnings per unit</b>	3.11	

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM OCTOBER 18, 2011 TO JUNE 30, 2012

	For the period from October 18, 2011 to June 30, 2012 (Rupees in '000)
Net income for the period after taxation	133,321
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<u><u>133,321</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## DISTRIBUTION STATEMENT FOR THE PERIOD FROM OCTOBER 18, 2011 TO JUNE 30, 2012

	For the period from October 18, 2011 to June 30, 2012 (Rupees in '000)
Undistributed income brought forward	-
Net income for the period after taxation	133,321
Element of income and capital gains included in the prices of units issued less those in units redeemed	44,672
<b>Interim distributions during the period</b>	
- Re 0.2 per unit declared on February 17, 2012	
- Cash distribution	(1,688)
- Issue of bonus units	(27,980)
- Re 0.2 per unit declared on April 17, 2012	
- Cash distribution	(23,603)
- Issue of bonus units	(12,379)
Undistributed income carried forward	<u>112,343</u>
<b>Undistributed income comprising:</b>	
- Realised income	94,644
- Unrealised income	17,699
	<u>112,343</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE PERIOD FROM OCTOBER 18, 2011 TO JUNE 30, 2012

	For the period from October 18, 2011 to June 30, 2012 (Rupees in '000)
<b>Net assets at the beginning of the period</b>	-
Issue of 297,765,543 units including 3,968,570 bonus units	2,991,557
Redemption of 32,232,885 units	(331,920)
	2,659,637
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount transferred to distribution statement	(44,672)
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	17,699
Net loss on sale of investments	(280)
Other income (net of expenses) for the period	115,902
	133,321
<b>Distributions of bonus units during the period</b>	
Interim distributions	40,359
<b>Interim distributions made during the period</b>	
- Re 0.2 per unit declared on February 17, 2012	
- Cash distribution	(1,688)
- Issue of bonus units	(27,980)
- Re 0.2 per unit declared on April 17, 2012	
- Cash distribution	(23,603)
- Issue of bonus units	(12,379)
	(65,650)
Net element of income and capital gains included in the prices of units issued less those in units redeemed - amount transferred to distribution statement	44,672
<b>Net assets at the end of the period</b>	<u><u>2,767,667</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## CASH FLOW STATEMENT FOR THE PERIOD FROM OCTOBER 18, 2011 TO JUNE 30, 2012

	Note	For the period from October 18, 2011 to June 30, 2012 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period		133,321
<b>Adjustments for:</b>		
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		(17,699)
Amortisation of preliminary expenses and floatation costs		147
		115,769
<b>Increase in assets</b>		
Investments - net		(2,577,625)
Profit receivable		(59,557)
Security deposit		(100)
Prepayments and other receivables		(108)
		(2,637,390)
<b>Increase in liabilities</b>		
Payable to the Management Company		3,986
Payable to Central Depository Company of Pakistan Limited - Trustee		257
Payable to the Securities and Exchange Commission of Pakistan		838
Accrued expenses and other liabilities		3,585
		8,666
<b>Net cash used in operating activities</b>		(2,512,955)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units		2,991,557
Payments on redemption of units		(327,455)
Distributions paid		(25,291)
<b>Net cash generated from financing activities</b>		2,638,811
<b>Net increase in cash and cash equivalents during the period</b>		125,856
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	4	125,856

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 18, 2011 TO JUNE 30, 2012

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 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 SECP. The registered office of the Management Company is situated at 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi. The Management Company is a member of 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 of the Fund are transferable and can be redeemed by surrendering these to the Fund. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by SECP for categorization of Collective Investment Schemes (CIS).

The objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial sector term finance certificates, sukuks, bank deposits and short-term money market instruments.

As per the Trust Deed, the first accounting period shall commence from the date on which the Fund property is first paid or transferred to the Trustee. The Fund opened its bank account on October 18, 2011 for receipt of subscription towards seed capital of the Fund. Accordingly, these financial statements have been prepared for the period from October 18, 2011 to June 30, 2012.

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

Title of the assets of the Fund is held in the name of CDC as trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These financial statements have 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 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 SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

#### 2.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan that are effective in the current period:

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any significant effect on the Fund's financial statements.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

# NAFA FINANCIAL SECTOR INCOME FUND

## 2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

## 2.4 Accounting Convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments Recognition and Measurement.'

## 2.5 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances in savings accounts and other deposits with banks having original maturities of three months or less. Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost.

### 3.2 Financial assets

#### 3.2.1 Classification

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

#### a) Financial assets at fair value through profit or loss

These are financial assets acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

#### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### c) Available for sale

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

#### 3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

#### 3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the income statement.

# NAFA FINANCIAL SECTOR INCOME FUND

## 3.2.4 Subsequent measurement

### a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

#### Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

#### Basis of valuation of government securities

The investment of the Fund in government securities is subsequently stated at fair value which is determined on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations, 2008.

Net gains and losses arising from changes in fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the statement of comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to the income statement as capital gain / (loss).

### b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

## 3.2.5 Impairment

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is reclassified from other comprehensive income and recognised in the income statement.

### a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 1 of 2009 dated January 6, 2009 issued by the SECP. Impairment losses recognised on debt securities can be reversed through the 'Income Statement'.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors.

### b) Loans and receivables

For financial assets classified as loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by the SECP.

## 3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realised or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

# NAFA FINANCIAL SECTOR INCOME FUND

## 3.2.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to management company, payable to trustee and other liabilities.

## 3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## 3.5 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

## 3.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the 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.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, in future years by distributing at least ninety percent of its accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

## 3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company of the Fund for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours on that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

## 3.8 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned and on unrealised appreciation / (diminution) arising on available for sale securities. The amount so determined is taken directly to the distribution statement.

## 3.9 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

# NAFA FINANCIAL SECTOR INCOME FUND

## 3.10 Net asset value per unit

The net asset value per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

## 3.11 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.

## 3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Income from investments in term finance certificates is recognised on an accrual basis, except where recovery is doubtful in which case it is credited to suspense account.
- Profit on bank deposits and letters of placement is recognised on an accrual basis.

4	BANK BALANCES	Note	2012 (Rupees in '000)
	In savings accounts	4.1	121,670
	In current accounts		4,186
			<u>125,856</u>

4.1 These accounts carry a rate of return ranging from 6.00% to 11.00% per annum.

5	INVESTMENTS	Note	2012 (Rupees in '000)
	<b>Financial assets 'at fair value through profit or loss'</b>		
	Investment in term finance certificates - listed	5.1	1,204,815
	Investment in term finance certificates - unlisted	5.2	546,185
	Investment in government securities	5.4	724,324
	<b>Loans and receivables</b>		
	Investment in letter of placement	5.5	120,000
			<u>2,595,324</u>

# NAFA FINANCIAL SECTOR INCOME FUND

## 5.1 Term finance certificates - listed

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of certificates / bonds			Market Value as at June 30, 2012	Investment as a percentage of		
	Purchases during the period	Sale during the period	As at June 30, 2012		Net assets	Market value of total investments	Issue size
				Rupees in '000		----- % -----	
Term finance certificates - listed							
Bank Al-Habib Limited -I	27,000	-	27,000	44,656	1.61	1.72	3.33%
Bank Al-Habib Limited -II	1,077	-	1,077	5,500	0.20	0.21	0.36%
Faysal Bank Limited - III	61,000	1,000	60,000	311,213	11.24	11.99	9.99%
Allied Bank Limited	4,400	-	4,400	21,992	0.79	0.85	0.88%
United Bank Limited -III	3,900	-	3,900	15,940	0.58	0.61	0.81%
United Bank Limited -IV	92,700	9,600	83,100	418,361	15.12	16.12	6.91%
NIB Bank Limited	52,600	5,000	47,600	236,550	8.55	9.11	5.94%
Askari Bank Limited - I	50	50	-	-	-	-	-
Askari Bank Limited - II	3,000	-	3,000	14,828	0.54	0.57	1.00%
Askari Bank Limited - III	9,600	7,000	2,600	13,734	0.50	0.53	0.43%
Soneri Bank Limited	25,000	1,000	24,000	59,469	2.15	2.29	4.99%
Allied Bank Limited II	13,000	-	13,000	62,572	2.26	2.41	2.16%
			<u>269,677</u>	<u>1,204,815</u>	<u>43.54</u>	<u>46.41</u>	
Carrying Value as at June 30, 2012				<u>1,199,403</u>			
Net unrealised appreciation on re-measurement of investments							<u>5,412</u>

## 5.2 Term finance certificates - unlisted

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of certificates / bonds			Market Value as at June 30, 2012	Investment as a percentage of		
	Purchases during the period	Sale during the period	As at June 30, 2012		Net assets	Market value of total investments	Issue size
				Rupees in '000		----- % -----	
Term finance certificates - unlisted							
Bank Alfalah Limited - IV	70,200	-	70,200	369,935	13.37	14.25	7.01%
Bank Alfalah Limited - IV FX	11,500	-	11,500	59,143	2.14	2.28	1.15%
Jahangir Siddiqui & Company Limited	13,500	-	13,500	67,107	2.42	2.59	5.39%
Standard Chartered Bank	10,000	-	10,000	50,000	1.81	1.93	0.02
Engro Fertilizers Limited	2,600	2,600	-	-	-	-	-
			<u>105,200</u>	<u>546,185</u>	<u>19.74</u>	<u>21.03</u>	
Carrying Value as at June 30, 2012				<u>533,521</u>			
Net unrealised appreciation on re-measurement of investments							<u>12,664</u>

# NAFA FINANCIAL SECTOR INCOME FUND

## 5.3 Significant terms and conditions of term finance certificates outstanding at the period end are as follows:

Name of the investee company	Number of certificates	Face value (Rupees)	Mark up rate (per annum)	Maturity	Secured/Unsecured	Rating
<b>Term finance certificates - listed</b>						
Bank Al-Habib Limited -I	27,000	5,000	6 month KIBOR+1.50%	15-Jul-12	Unsecured	AA
Bank Al-Habib Limited -II	1,077	5,000	6 month KIBOR+1.95%	7-Feb-15	Unsecured	AA
Faysal Bank Limited - III	60,000	5,000	6 month KIBOR+2.25%	27-Dec-17	Unsecured	AA
Allied Bank Limited	4,400	5,000	6 month KIBOR+1.90%	28-Aug-19	Unsecured	AA
United Bank Limited -III	3,900	5,000	6 month KIBOR+1.7%	8-Sep-14	Unsecured	AA
United Bank Limited -IV	83,100	5,000	6 month KIBOR+0.85%	14-Feb-18	Unsecured	AA
NIB Bank Limited	47,600	5,000	6 month KIBOR+1.15%	5-Mar-16	Unsecured	A+
Askari Bank Limited - III	2,600	5,000	6 month KIBOR+2.50%	18-Nov-19	Unsecured	AA-
Askari Bank Limited - II	3,000	5,000	6 month KIBOR+1.50%	31-Oct-13	Unsecured	AA-
Soneri Bank Limited	24,000	5,000	6 month KIBOR+1.6%	5-May-13	Unsecured	A+
Allied Bank Limited II	13,000	5,000	6 month KIBOR+0.85%	28-Aug-19	Unsecured	AA

Name of the investee company	Number of certificates	Face value (Rupees)	Mark up rate (per annum)	Maturity	Secured/Unsecured	Rating
<b>Term finance certificates - unlisted</b>						
Bank Alfalah Limited - IV	70,200	5,000	6 month KIBOR+2.5%	2-Dec-17	Unsecured	AA-
Bank Alfalah Limited - IV FX	11,500	5,000	6 month KIBOR+1.95%	2-Dec-17	Unsecured	AA-
Jahangir Siddiqui & Company Limited	13,500	5,000	6 month KIBOR+1.70%	4-Jul-13	Secured	AA
Standard Chartered Bank	10,000	5,000	N/A	N/A	N/A	N/A

## 5.4 Government securities

Issue date	Tenor	Face value-----			Market value as at June 30, 2012	Investment as a percentage of	
		Purchases during the period	Sales / matured during the period	As at June 30, 2012		Net assets	Market value of total investments
					Rupees in '000	----- % -----	
<b>Market Treasury Bills</b>							
17-Nov-11	3 months	225,000	225,000	-	-	-	-
3-Nov-11	3 months	75,000	75,000	-	-	-	-
26-Jan-12	3 months	150,000	150,000	-	-	-	-
12-Jan-12	3 months	262,500	262,500	-	-	-	-
9-Feb-12	3 months	30,000	30,000	-	-	-	-
23-Feb-12	3 months	65,000	65,000	-	-	-	-
8-Mar-12	3 months	311,000	311,000	-	-	-	-
22-Mar-12	3 months	312,000	312,000	-	-	-	-
5-Apr-12	3 months	137,500	137,500	-	-	-	-
19-May-11	6 months	200,000	200,000	-	-	-	-
28-Jul-11	6 months	40,000	40,000	-	-	-	-
6-Oct-11	6 months	25,000	25,000	-	-	-	-
1-Dec-11	6 months	225,000	225,000	-	-	-	-
2-Dec-10	12 months	20,000	20,000	-	-	-	-
24-Mar-11	12 months	50,000	50,000	-	-	-	-
16-Jun-12	12 months	25,000	25,000	-	-	-	-
19-Apr-12	3 months	25,000	-	25,000	24,902	0.90	0.96
3-May-12	3 months	485,000	165,000	320,000	317,304	11.46	12.23
17-May-12	3 months	275,000	-	275,000	271,451	9.81	10.46
14-Jun-12	3 months	50,000	-	50,000	48,914	1.77	1.88
28-Jun-12	3 months	12,500	-	12,500	12,174	0.44	0.47
28-Jul-12	12 months	50,000	-	50,000	49,579	1.79	1.91
					<u>724,324</u>		
Carrying Value as at June 30, 2012					<u>724,701</u>		
Net unrealised appreciation on re-measurement of investments					<u>(377)</u>		

# NAFA FINANCIAL SECTOR INCOME FUND

## 5.5 Letter of placement

Name of issuer	Maturity date	Rate	As at June 30, 2012
Pak Oman Investment Company (Private) Limited	3-Jul-12	11.70%	120,000
			<u>120,000</u>

(Rupees in '000)

## 5.6 Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'

Market value of investments	5.1, 5.2 & 5.4	2,475,324
Less : carrying value of investments	5.1, 5.2 & 5.4	<u>(2,457,625)</u>
		<u>17,699</u>

2012

Note

(Rupees in '000)

## 6 PROFIT RECEIVABLE

Profit receivable on bank deposits		750
Profit receivable on term finance certificates		58,653
Profit receivable on letter of placement		154
		<u>59,557</u>

## 7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred	7.1	1,092
Less: amortisation during the period		<u>(147)</u>
Balance as at June 30, 2012		<u>945</u>

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from October 29, 2011 (post IPO) as per the requirements set out in the Trust Deed.

		2012
		(Rupees in '000)
<b>8 PAYABLE TO THE MANAGEMENT COMPANY</b>	Note	
Remuneration of the Management Company	8.1	3,306
Sindh Sales Tax on Management Company's remuneration	8.2	529
Preliminary expenses and floatation costs paid by Management Company on behalf of the Fund		1,092
Expenses paid by the Management Company on behalf of the Fund		<u>151</u>
		<u>5,078</u>

8.1 Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent per annum of the average annual net assets of the Fund and thereafter of an amount equal to two percent per annum of such assets of the Fund. Management remuneration is charged at the rate of 1.5% of the average annual net assets of the Fund during the period ended June 30, 2012.

8.2 During the current period, the Provincial Government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.

		2012
		(Rupees in '000)
<b>9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	Note	
	9.1	<u>257</u>

# NAFA FINANCIAL SECTOR INCOME FUND

- 9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2012 is as follows:

Amount of funds under management (average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs 0.6 million or 0.17% per annum of NAV whichever is higher
On amount exceeding Rs. 1,000 million to Rs. 5,000 million	Rs 1.7 million plus 0.085% per annum of NAV exceeding Rs 1,000 million
On amount exceeding Rs. 5,000 million	Rs 5.1 million plus 0.07% per annum of NAV exceeding Rs 5,000 million

	Note	2012 (Rupees in '000)
<b>10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual fee	10.1	<u>838</u>

- 10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as Income Scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the scheme. The Fund has been classified as an Income Scheme by the Management Company.

	Note	June 30, 2012 (Rupees in '000)
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration		294
Provision for Workers' Welfare Fund	15	2,721
Brokerage		37
Printing charges		124
Legal fee		40
Withholding tax payable		<u>369</u>
		<u>3,585</u>

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

	For the period from October 18, 2011 to June 30, 2012 (Rupees in '000)
<b>13 PROFIT ON BANK DEPOSITS</b>	
Profit on savings deposits	<u>5,907</u>

## 14 AUDITORS' REMUNERATION

Annual audit fee	254
Half yearly review fee	102
Out of pocket expenses	<u>25</u>
	<u>381</u>

## 15 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, challenging the applicability of WWF to the CISs, which is pending adjudication.

# NAFA FINANCIAL SECTOR INCOME FUND

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) 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 petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

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, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the 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 amounting to Rs. 2.721 million in these financial statements. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs 0.0102 / 0.16% per unit respectively.

## 16 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 provision for taxation in respect of income relating to the current period as subsequent to the period end the Management Company has distributed the required minimum percentage of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 17 NUMBER OF UNITS IN ISSUE

	For the period from October 18, 2011 to June 30, 2012 Number of units
Total units in issue at the beginning of the period	-
Add: units issued during the period	293,796,973
Add: bonus units issued during the period	3,968,570
Less: units redeemed during the period	32,232,885
Total units in issue at the end of the period	<u>265,532,658</u>

## 18 TRANSACTIONS WITH CONNECTED PERSONS

**18.1** 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.

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

**18.3** Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

# NAFA FINANCIAL SECTOR INCOME FUND

For the period  
from October 18,  
2011 to June 30,  
2012  
(Rupees in '000)

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

<b>NBP Fullerton Asset Management Limited - Management Company</b>	
Remuneration	16,598
Sindh Sales Tax on Management Company's remuneration	2,656
Expenses paid by the Management Company on behalf of the Fund	
-Preliminary expenses and floatation costs	1,092
-Rating fee	51
-Security deposit with Central Depository Company of Pakistan Limited	100
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>	
Bonus of 398,236 units	-
Issue of 10,025,758 units	100,258
Pre-IPO profit	151
<b>National Bank of Pakistan</b>	
Bonus of 1,942,024 units	-
Issue of 147,789,321 units	1,502,644
Market treasury bills purchased during the period	1,725,688
Market treasury bills sold during the period	125,000
Term finance certificates purchased during the period	1,817,855
Term finance certificates sold during the period	142,451
PIBs purchased during the period	100,000
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration for the period	1,507
Security deposit	100
<b>Employees of the Management Company</b>	
Bonus of 12,950 units	-
Issue of 2,324,602 units	23,845
Redemption of 1,932,740 units	19,822
<b>Taurus Securities Limited</b>	
Brokerage	565
	<b>2012</b>
	<b>(Rupees in '000)</b>

## 18.5 Amounts outstanding as at period end

<b>NBP Fullerton Asset Management Limited - Management Company</b>	
Preliminary expenses and floatation costs paid by Management Company on behalf of the Fund	1,092
Rating fee paid by the Management Company on behalf of the Fund	51
Security deposit with Central Depository Company of Pakistan Limited given by the Management Company on behalf of the Fund	100
Management remuneration payable	3,306
Sindh Sales Tax payable on Management Company's remuneration	529
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration payable	257
Security deposit	100
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>	
Units held : 10,423,994 units	108,650
<b>National Bank of Pakistan - Sponsor</b>	
Units held : 149,731,345 units	1,560,665
<b>Employees of the Management Company</b>	
Units held : 404,812 units	4,219

# NAFA FINANCIAL SECTOR INCOME FUND

## 19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

----- As on June 30, 2011 -----

S. No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	24
2	Sajjad Anwar	MBA / CFA	12
3	Tanveer Abid	MBA / CFA / FRM	13
4	Ahmed Nouman	EMBA / CFA	16
5	Salman Ahmed	EMBA	6.5

19.1 Mr. Salman Ahmed is the manager of the Fund.

## 20 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

For the period  
from October 18,  
2011 to June 30,  
2012

1)	Taurus Securities Limited.	67.83%
2)	J.S. Global Capital Limited.	8.33%
3)	Invest & Finance Securities (Private) Limited.	6.95%
4)	Burj Capital Pakistan (Private) Limited	3.45%
5)	BMA Capital Management Limited	3.38%
6)	Pearl Securities (Private) Limited	2.77%
7)	Invisor Markets (Private) Limited	2.25%
8)	Invest Capital Markets Limited	1.91%
9)	Alfalah Securities (Private) Limited	1.32%
10)	Summit Capital Private Limited	0.91%

## 21 PATTERN OF UNIT HOLDING

----- As on June 30, 2012 -----

Category	Number of unit holders	Invested amount	Percentage of investment
Rupees in '000			
Associated companies	2	1,669,315	60.31%
Insurance companies	1	26,989	0.98%
Individuals	480	494,016	17.85%
Banks / DFIs	1	179,764	6.50%
Retirement funds	18	182,190	6.58%
Public limited companies	9	204,351	7.38%
Others	2	11,042	0.40%
	<b>513</b>	<b>2,767,667</b>	<b>100.00%</b>

## 22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 32nd, 33rd, 34th, 35th and 36th Board meetings were held on July 04, 2011, September 29, 2011, October 27, 2011, February 17, 2012 and April 17, 2012 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Shahid Anwar Khan	5	3	2	34th, 35th meeting
Dr. Asif A. Brohi	5	2	3	33rd, 34th, 35th meeting
Mr. Wah Geok Sum	5	2	3	33rd, 34th, 36th meeting
Mr. Shehryar Faruque	5	3	2	32nd, 36th meeting
Mr. Kamal Amir Chinoy	5	3	2	34th, 35th meeting
Dr Amjad Waheed	5	5	-	
Syed Iqbal Ashraf*	1	-	1	32nd meeting
Mr. Amir Shehzad**	3	3	-	
Mr. Patrick Pang Chin Hwang***	4	4	-	
Mr. Koh Boon San****	1	1	-	

\* Syed Iqbal Ashraf retired from Board with effect from August 27, 2011

\*\* Mr. Amir Shehzad was co-opted on the Board with effect from September 20, 2011

\*\*\* Mr. Patrick Pang Chin Hwang retired from Board with effect from March 31, 2012

\*\*\*\* Mr. Koh Boon San was co-opted on the Board with effect from February 17, 2012



# NAFA FINANCIAL SECTOR INCOME FUND

As at June 30, 2012, the Fund holds Market Treasury Bills which are classified as 'at fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2012, with all other variables held constant, the net income for the period and net assets would be lower by Rs 0.665 million. In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2012, with all other variables held constant, the net income for the period and net assets would be higher by Rs 0.666 million.

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

-----As at June 30, 2012-----

Effective interest rate %	Total	Exposed to yield/interest rate risk			Not exposed to Yield/ Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

(Rupees in '000)

## On-balance sheet financial instruments

### Financial assets

Bank balances	6.00 - 11.00	125,856	121,670	-	-	4,186
Investments	10.00 - 16.24	2,595,324	849,824	-	1,745,500	-
Profit receivable		59,557	-	-	-	59,557
Security deposit		100	-	-	-	100
		<u>2,780,837</u>	<u>971,494</u>	<u>-</u>	<u>1,745,500</u>	<u>63,843</u>

### Financial liabilities

Payable to the Management Company		5,078	-	-	-	5,078
Payable to Central Depository Company of Pakistan Limited - Trustee		257	-	-	-	257
Payable against redemption of units		4,465	-	-	-	4,465
Accrued expenses and other liabilities		495	-	-	-	495
		<u>10,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,295</u>

## On-balance sheet gap

	<u>2,770,542</u>	<u>971,494</u>	<u>-</u>	<u>1,745,500</u>	<u>53,548</u>
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## Off-balance sheet financial instruments

	-	-	-	-	-
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## Off-balance sheet gap

	-	-	-	-	-
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## 24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund does not hold any security which exposes the Fund to price risk.

## 24.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfil their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon. The Fund's credit risk is primarily attributable to balances with banks, its investment in term finance certificates, receivable against sale of investments, dividend receivable and profit receivable on balances with banks. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency. Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial instrument contracts by following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

# NAFA FINANCIAL SECTOR INCOME FUND

The analysis below summarises the credit quality of the Fund's financial assets :

	June 30, 2012 Percentage
<b>Bank Balances by rating category</b>	
A1+	100.00%
	<u>100.00%</u>
<b>Term Finance Certificates by rating category</b>	
AA	54.10%
A+	16.91%
AA-	26.13%
AAA	2.86%
	<u>100.00%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets.

## 24.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial statements is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

## 24.2.2 Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## 24.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities that can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

# NAFA FINANCIAL SECTOR INCOME FUND

-----As at June 30, 2012-----				
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
<b>Financial liabilities</b>				
Payable to the Management Company	5,078	5,078	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	257	257	-	-
Payable against redemption of units	4,465	4,465	-	-
Accrued expenses and other liabilities	495	495	-	-
	<u>10,295</u>	<u>10,295</u>	<u>-</u>	<u>-</u>

## 25 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the Statement of Movement in Unit Holders' Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

## 26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from carrying values as the items are either short term in nature or are periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

# NAFA FINANCIAL SECTOR INCOME FUND

----- As on June 30, 2012 -----

	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>ASSETS</b>				
Financial assets classified as 'fair value through profit or loss'				
Investment in term finance certificates - listed	-	1,204,815	-	1,204,815
Investment in term finance certificates - unlisted	-	546,185	-	546,185
Investment in government securities	-	724,324	-	724,324

## 27 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their 37th meeting held on July 09, 2012 have approved a final distribution at the rate of Rs. 0.30 per unit. The financial statements of the Fund for the period ended June 30, 2012 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2013.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 11, 2012.

## 29 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive Officer

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## PERFORMANCE TABLE

Particulars	For the period from October 18, to June 30, 2012
Net assets (Rs. '000')	2,767,667
Net Income (Rs. '000')	133,321
Net Asset Value per units (Rs.)	10.4231
Offer price per unit	10.4231
Redemption price per unit	10.4231
Highest offer price per unit (Rs.)	10.4231
Lowest offer price per unit (Rs.)	9.618
Highest redemption price per unit (Rs.)	10.4231
Lowest redemption price per unit (Rs.)	9.618
Total return of the fund (Annualized)	8.37%
Capital growth	1.37%
Income distribution	7.00%
Distribution dates	
Interim	
17-Feb-12	0.2000
17-Apr-12	0.2000
Final	
9-Jul-12	0.3000
Average annual return (launch date October 18, 2011) (Since inception to June 30, 2012)	12.67%
Portfolio Composition (Please see Fund Manager Report)	
Weighted average portfolio duration	100.01 Days
"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."	

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