



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

*Your investments & "NAFA" grow together*



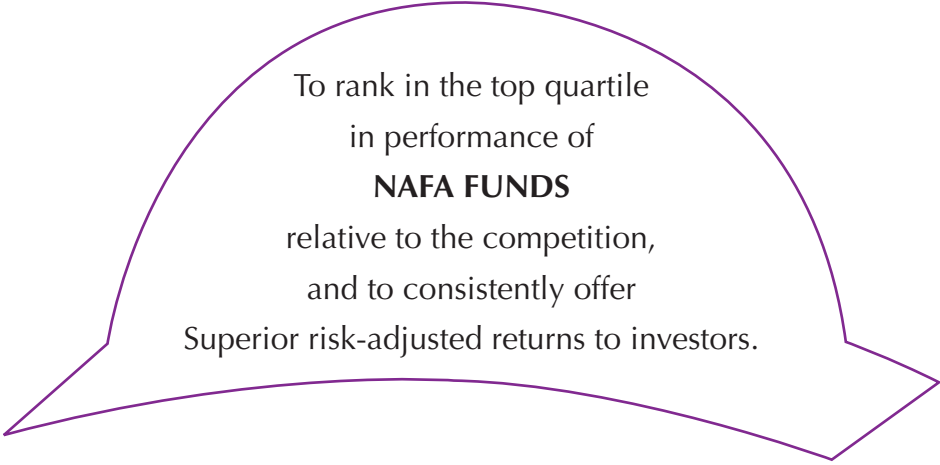
*Joint - Venture Partners*

# NAFA ASSET ALLOCATION FUND

HALF YEARLY REPORT  
DECEMBER 31  
2013



## 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 ASSET ALLOCATION FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

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

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

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

### Human Resource Committee

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

### Trustee

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

### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
Soneri Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Summit Bank Limited  
Standard Chartered Bank Pakistan Limited  
The Bank of Panjab

# NAFA ASSET ALLOCATION 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, 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 ASSET ALLOCATION FUND

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# NAFA ASSET ALLOCATION FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Asset Allocation Fund** for the half year ended December 31, 2013.

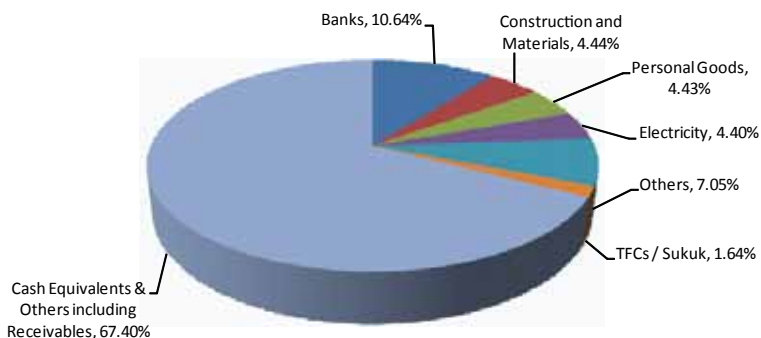
### Fund's Performance

The size of NAFA Asset Allocation Fund increased from Rs. 1,151 million to Rs. 1,269 million during the period, i.e. an increase of 10.25%. During the first half, the unit price of NAFA Asset Allocation Fund (NAAF) has increased from Rs. 11.3780 (Ex-Div) on June 30, 2013 to Rs.12.0686 on December 31, 2013, thus showing a growth of 6.07%, as compared to its Benchmark (1/3 of average 3-month bank deposit rate; 1/3 of 6-months KIBOR; 1/3 of KSE 30 Index) return of 7.94% during the same period. Thus, the Fund has underperformed its Benchmark by 1.87% during the period under review. Since inception the NAV of the Fund has increased from Rs. 6.3092 (Ex-Div) on August 20, 2010 to Rs. 12.0686 on December 31, 2013, thus showing an increase of 91.29%. During the said period, the Benchmark increased by 52.98%, translating into outperformance of 38.31%. This performance is net of management fee and all other expenses. The size of NAFA Asset Allocation Fund has increased from Rs.1,151 million to Rs.1,269 million during the period, i.e. an increase of 10.28%.

The stock market extended its bull-run in 1HFY14 as the market participants remained optimistic post peaceful democratic transition and subsequent transfer of power within the two state pillars, Military and Judiciary. Grant of IMF financing package, easy liquidity conditions, and healthy foreign investment activity perked up investors' sentiments. Moreover, investors brushed aside rising risks to the inflation, interest rates and external accounts. Among the out-performers for the period were Banks, Construction & Materials, Industrial Transportation, Personal Goods and Fixed Line Telecommunication sectors. On the other hand, Oil and Gas, Chemicals, General Industrials, Automobiles and Parts, and Electricity sectors lagged the market.

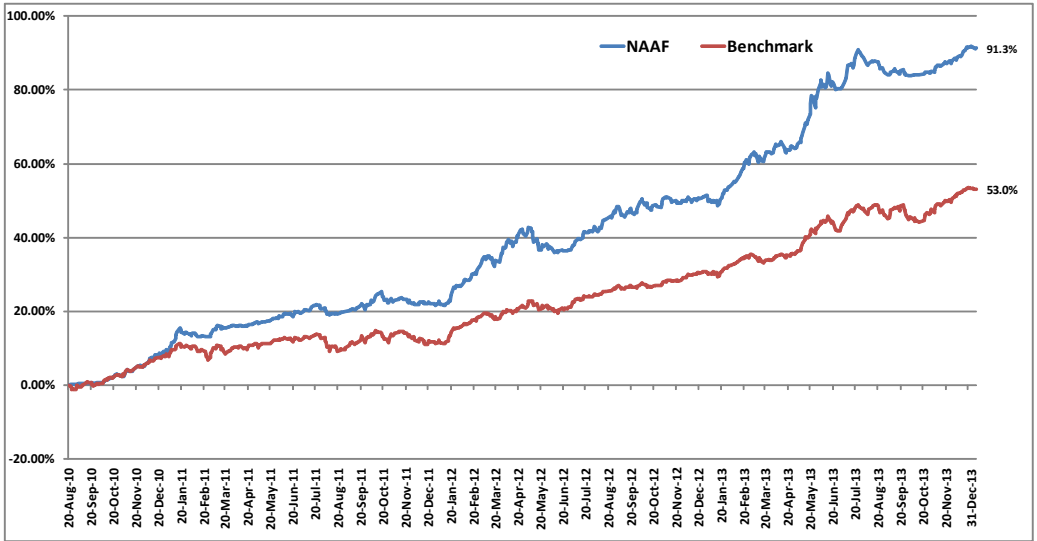
On the corporate debt sphere, there were few primary issuance amid muted private sector borrowing and elevated risk aversion in the market. Trading activity in TFCs was skewed towards high quality issues, especially belonging to the financial sector. The State Bank of Pakistan increased the policy rate by 100bps during the period under review citing upside risks to the external account, depleting FX reserves, and rising inflation expectations. Most TFCs in the Fund are floating rate linked to KIBOR. Therefore, increase in interest rates will increase the coupon income of the TFC portfolio.

The Fund has earned total income of Rs.98.20 million during the period. After deducting expenses of Rs.26.52 million, the net income is Rs.71.68 million. The asset allocation of the Fund as on December 31, 2013 is as follows:



# NAFA ASSET ALLOCATION FUND

NAAF Performance versus Benchmark (Since Inception)



## Income Distribution

The Board of Directors of the Management Company has approved an interim distribution of 2.00% of opening ex-NAV (2.263% of the par value) for the quarter ended December 31, 2013.

## 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: February 13, 2014  
Place: Karachi.

# NAFA ASSET ALLOCATION FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS

### NAFA ASSET ALLOCATION FUND

**Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Asset Allocation 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 six months period ended December 31, 2013 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: February 24, 2014



# NAFA ASSET ALLOCATION FUND

## INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNITHOLDERS

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Asset Allocation Fund** as at December 31, 2013, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2013. The Management Company (NBP Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: February 26, 2014  
Karachi

# NAFA ASSET ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2013

	Note	Un-audited December 31, 2013	Audited June 30, 2013
----- Rupees in '000 -----			
<b>ASSETS</b>			
Bank balances	4	845,048	1,063,978
Investments	5	413,839	32,865
Receivable against sale of investments		-	61,422
Deposits, prepayments and other receivables		26,581	4,351
Dividend and profit receivable		467	886
Preliminary expenses and floatation costs		298	400
<b>Total assets</b>		1,286,233	1,163,902
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	6	6,721	3,536
Payable to Central Depository Company of Pakistan Limited - Trustee		192	176
Payable to the Securities and Exchange Commission of Pakistan		638	712
Payable against redemption of units		573	-
Accrued expenses and other liabilities		8,690	8,421
<b>Total liabilities</b>		16,814	12,845
<b>NET ASSETS</b>		<u>1,269,419</u>	<u>1,151,057</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>1,269,419</u>	<u>1,151,057</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	-----Number of units-----	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>105,183,681</u>	<u>87,321,417</u>
		-----Rupees-----	
<b>NET ASSET VALUE PER UNIT</b>	9	<u>12.0686</u>	<u>13.1818</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ASSET ALLOCATION FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

Note	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
------(Rupees in '000)-----				
<b>INCOME</b>				
Capital gain on sale of investments - net	16,318	13,182	4,590	6,830
Income from term finance certificates and sukuk bonds	1,466	4,933	724	1,709
Income from government securities	19,992	2,881	11,562	1,841
Profit on bank deposits	24,646	5,897	12,612	4,331
Dividend income	6,299	17,842	2,503	11,209
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	29,476	22,480	32,403	(4,354)
<b>Total income</b>	<b>98,197</b>	<b>67,215</b>	<b>64,394</b>	<b>21,566</b>
<b>EXPENSES</b>				
Remuneration of NBP Fullerton Asset Management Limited - Management Company	13,439	6,013	6,609	3,266
Sindh Sales Tax on Management Company's remuneration	2,523	962	1,430	522
FED on Management Company's remuneration	2,150	-	1,057	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,176	601	582	326
Annual fee - Securities and Exchange Commission of Pakistan	638	286	314	156
Annual listing fee	20	15	10	8
Securities transaction cost	3,825	1,425	1,147	701
Settlement and bank charges	618	294	367	137
Auditors' remuneration	305	286	180	148
Legal and professional charges	30	-	30	-
NCCPL Fee	125	126	85	63
Fund rating fee	64	25	32	25
Printing and related costs	41	8	41	8
Amortisation of preliminary expenses and floatation costs	101	101	50	51
<b>Total expenses</b>	<b>25,055</b>	<b>10,142</b>	<b>11,934</b>	<b>5,411</b>
<b>Net income from operating activities</b>	<b>73,142</b>	<b>57,073</b>	<b>52,460</b>	<b>16,155</b>
Provision for Workers' Welfare Fund	(1,463)	(1,141)	(1,049)	(323)
<b>Net income for the period before taxation</b>	<b>71,679</b>	<b>55,932</b>	<b>51,411</b>	<b>15,832</b>
Taxation	10	-	-	-
<b>Net income for the period after taxation</b>	<b>71,679</b>	<b>55,932</b>	<b>51,411</b>	<b>15,832</b>
<b>Earnings per unit</b>	<b>11</b>			

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ASSET ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	------(Rupees in '000)-----			
Net income for the period after taxation	71,679	55,932	51,411	15,832
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>71,679</u>	<u>55,932</u>	<u>51,411</u>	<u>15,832</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ASSET ALLOCATION FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	------(Rupees in '000)-----			
<b>Undistributed income brought forward comprising :</b>				
Realised income	257,229	52,778	130,456	29,202
Unrealised income	575	1,096	(2,927)	26,834
	<u>257,804</u>	<u>53,874</u>	<u>127,529</u>	<u>56,036</u>
Final distribution for the year ended June 30, 2013 Rs 1.8674 per unit declared on July 11, 2013				
- Bonus distribution	(180,213)	(46,398)	-	46
- Cash distribution	(6)	(10)	-	-
Net income for the period after taxation	71,679	55,932	51,411	15,832
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	24,801	11,604	(4,875)	3,088
<b>Undistributed income carried forward</b>	<u>174,065</u>	<u>75,002</u>	<u>174,065</u>	<u>75,002</u>
<b>Undistributed income comprising of:</b>				
Realised income	144,589	52,522	144,589	52,522
Unrealised income	29,476	22,480	29,476	22,480
<b>Undistributed income carried forward</b>	<u>174,065</u>	<u>75,002</u>	<u>174,065</u>	<u>75,002</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ASSET ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
------(Rupees in '000)-----				
<b>Net assets at the beginning of the period</b>	1,151,057	488,550	1,329,844	636,051
Issue of 97,797,564 units including 15,299,101 bonus units for the half year ended December 31,2013 (2012: 34,842,974 units)	990,075	338,682	375,649	116,614
Redemption of 79,935,300 units for the half year ended December 31,2013 (2012: 17,990,278 units)	(943,386) 46,689	(199,607) 139,075	(487,485) (111,836)	(84,950) 31,664
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to distribution statement	(24,801)	(11,604)	4,875	(3,088)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	29,476	22,480	32,403	(4,354)
Capital gain on sale of investments	16,318	13,182	4,590	6,830
Other net income for the period	25,885	20,270	14,418	13,356
Net income for the period	71,679	55,932	51,411	15,832
<b>Distribution of bonus units during the period</b>				
- Final distribution 15,299,101 bonus units	(180,213)	(46,398)	-	46
Final distribution for the year ended June 30, 2013: Rs 1.8674 per unit declared on July 11, 2013				
- Bonus distribution	180,213	46,398	-	(46)
- Cash distribution	(6)	(10)	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	24,801	11,604	(4,875)	3,088
<b>Net assets as at the end of the period</b>	1,269,419	683,547	1,269,419	683,547

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ASSET ALLOCATION FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
------(Rupees in '000)-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	71,679	55,932	51,411	15,832
<b>Adjustments</b>				
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(29,476)	(22,480)	(32,403)	4,354
Amortisation of preliminary expenses and floatation costs	101	101	50	51
Gain on sale of investments - net	(16,318)	(13,182)	(4,590)	(6,830)
	<u>25,986</u>	<u>20,371</u>	<u>14,468</u>	<u>13,407</u>
<b>(Increase) / decrease in assets</b>				
Investments	(335,179)	(15,158)	223,061	57,982
Receivable against sale of investments	61,422	-	-	-
Deposits, prepayments and other receivables	(22,230)	(2,679)	(21,468)	(2,718)
Dividend and profit receivable	419	3,598	3,782	5,847
	<u>(295,568)</u>	<u>(14,239)</u>	<u>205,375</u>	<u>61,111</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to NBP Fullerton Asset Management Limited - Management Company	3,185	2,313	(2,332)	1,083
Payable to Central Depository Company of Pakistan Limited -Trustee	16	33	(1)	13
Payable to Securities and Exchange Commission of Pakistan	(74)	(90)	314	156
Payable against purchase of investments	-	(34,394)	-	(230)
Accrued expenses and other liabilities	269	1,078	423	65
	<u>3,396</u>	<u>(31,060)</u>	<u>(1,596)</u>	<u>1,087</u>
<b>Net cash (used in) / generated from operating activities</b>	<u>(266,186)</u>	<u>(24,928)</u>	<u>218,247</u>	<u>75,605</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	990,075	338,682	375,649	116,614
Payment on redemption of units	(942,813)	(199,607)	(490,188)	(84,950)
Distribution paid	(6)	(10)	-	-
<b>Net cash generated from / (used in) financing activities</b>	<u>47,256</u>	<u>139,065</u>	<u>(114,539)</u>	<u>31,664</u>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>				
	<u>(218,930)</u>	<u>114,137</u>	<u>103,708</u>	<u>107,269</u>
Cash and cash equivalents at the beginning of the period	1,063,978	56,225	741,340	63,093
<b>Cash and cash equivalents as at the end of the period</b>	<u>845,048</u>	<u>170,362</u>	<u>845,048</u>	<u>170,362</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ASSET ALLOCATION FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Asset Allocation 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 June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 14, 2010.

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. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorised as an Open-End "Asset Allocation Scheme" as per the criteria laid down by SECP for categorisation of Collective Investment Schemes (CIS).

The objective of the Fund is to generate income by investing in debt and money market securities and to generate capital appreciation by investing in equity and equity related securities. The Fund also undertakes transactions under margin trading system.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2 to the Management Company. Based on the performance of the Fund for the year ended June 30, 2013, it has been assigned short term of '3 star' performance ranking.

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

### 2.1 BASIS OF PREPARATION

#### 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 condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2013.

This condensed interim financial information is unaudited but has been subject to limited scope review by the auditors.

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2013.

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

There are certain new standards, amendments to approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.



# NAFA ASSET ALLOCATION FUND

## 3 ACCOUNTING POLICIES

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

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2013.

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Fund for the year ended June 30, 2013.

	Note	(Un-Audited) December 31, 2013	(Audited) June 30, 2013
----- Rupees in '000 -----			
<b>4 BANK BALANCES</b>			
In savings accounts	4.1	839,618	1,061,936
In current accounts		<u>5,430</u>	<u>2,042</u>
		<u>845,048</u>	<u>1,063,978</u>

4.1 These carry rate of return ranging between 6.50% and 10.00% (June 30, 2013: 6.00% and 8.75%) per annum.

## 5 INVESTMENTS

### At fair value through profit or loss:

- Equity securities - listed	5.1	392,987	6,422
- Term finance certificates - listed and unlisted	5.2	20,852	26,443
- Government securities	5.3	-	-
		<u>413,839</u>	<u>32,865</u>

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## 5.1 Listed equity securities - at fair value through profit or loss

All shares have a nominal face value of Rs.10 each, unless otherwise stated.

Name of the investee company	Number of shares					Market value as at December 31, 2013	Investment as a percentage of		
	As at July 01, 2013	Purchases during the period	Bonus / Right Issue	Sales during the period	As at December 31, 2013		Net assets	Market value of total investments	Paid up capital of the investee company
						Rupees in '000		%	
<b>Oil &amp; Gas</b>									
Oil and Gas Development Company Limited	-	451,000	-	439,600	11,400	3,151	0.25	0.76	0.00
Pakistan Oilfields Limited	-	243,100	-	230,300	12,800	6,371	0.50	1.54	0.01
Pakistan Petroleum Limited	-	718,300	28,260	684,000	62,560	13,385	1.05	3.23	0.00
Pakistan State Oil Company Limited	-	428,000	-	354,600	73,400	24,385	1.92	5.89	0.01
<b>Chemicals</b>									
Engro Corporation Limited	-	911,000	-	911,000	-	-	-	-	-
Fatima Fertilizer Company Limited	-	1,246,000	-	913,000	333,000	9,511	0.75	2.30	0.02
<b>Industrial Engineering</b>									
Millat Tractors Limited	40	4	-	-	44	21	0.00	0.01	0.00
<b>Construction and Materials</b>									
Kohat Cement Company Limited	-	515,000	15,900	514,500	16,400	1,603	0.13	0.39	0.01
Cherat Cement Corporation	110,000	594,000	-	704,000	-	-	-	-	-
DGKC Cement Company Limited	-	1,107,000	-	957,000	150,000	12,860	1.01	3.11	0.03
Lucky Cement Limited	-	277,500	-	187,900	89,600	26,868	2.12	6.49	0.03
Maple Leaf Cement Factory Limited	-	987,000	-	987,000	-	-	-	-	-
Pioneer Cement	-	820,500	-	429,500	391,000	14,975	1.18	3.62	0.17
<b>General Industrials</b>									
Thal Limited (Par value: Rs. 5)		72,700	-	-	72,700	10,052	0.79	2.43	0.18
<b>Personal Goods</b>									
Nishat Mills Limited.	-	1,412,000	-	970,500	441,500	56,177	4.43	13.57	0.13
Nishat Chunian Limited	-	1,673,000	-	1,672,000	1,000	60	0.00	0.01	0.00
<b>Technology / Communication</b>									
Pakistan Telecommunication Company Limited	-	4,352,500	-	3,558,000	794,500	22,596	1.78	5.46	0.02
<b>Electricity</b>									
The Hub Power Company Limited	-	1,927,000	-	1,889,000	38,000	2,307	0.18	0.56	0.00
Kot Addu Power Company Limited	-	1,718,000	-	850,500	867,500	53,568	4.22	12.94	0.10
Nishat Chunian Power Limited	-	162,000	-	162,000	-	-	-	-	-
Nishat Power Limited	-	878,000	-	878,000	-	-	-	-	-
<b>Banks</b>									
Bank Al-Falah Limited	-	5,152,000	-	3,074,000	2,078,000	56,189	4.43	13.58	0.15
Bank Al Habib Limited.	-	4,040,000	-	2,680,000	1,360,000	56,508	4.45	13.65	0.13
Habib Bank Limited	-	50,000	-	50,000	-	-	-	-	-
National Bank of Pakistan	-	438,000	-	438,000	-	-	-	-	-
United Bank Limited	-	760,000	-	591,000	169,000	22,400	1.76	5.41	0.00
<b>Total as at December 31, 2013</b>						<b>392,987</b>	<b>30.96</b>	<b>94.96</b>	<b>1.00</b>
<b>Carrying value as at December 31, 2013</b>						<b>363,317</b>			
Net unrealised appreciation / (diminution) in value of investments classified as at 'fair value through profit or loss'						<u>29,670</u>			
<b>Total as at June 30, 2013</b>						<u>6,422</u>			

Investment include shares with market value of Rs. 24.922 million (June 30, 2013: Nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities Exchange Commission of Pakistan.

# NAFA ASSET ALLOCATION FUND

## 5.2 Listed term finance certificates and sukuk bonds- at fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at December 31, 2013	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sale during the period	As at December 31, 2013		Net assets	Market value of total investments	Issue size
					Rupees in '000	%		
Allied Bank Limited - listed	5,000	-	-	5,000	12,528	0.99	3.03	1.00%
United Bank Limited - listed	3,000	-	-	3,000	4,991	0.39	1.21	0.75%
Pakistan Mobile Communications Limited - unlisted	-	667	-	667	3,333	0.26	0.81	0.13%
<b>Total as at December 31, 2013</b>					<b>20,852</b>	<b>1.64</b>	<b>5.04</b>	<b>0.02</b>
<b>Carrying value as at December 31, 2013</b>					<b>21,046</b>			
Net unrealised appreciation / (diminution) in value of investments classified as at 'fair value through profit or loss'					(194)			
<b>Total as at June 30, 2013</b>					<b>26,443</b>			

## 5.3 Government securities - at fair value through profit or loss

Issue date	Tenor	Face value				Market Value as at December 31, 2013	Investment as a percentage of	
		As at July 01, 2013	Purchases during the period	Sales / matured during the period	As at December 31, 2013		Net Assets	Market value of total investments
						Rupees in '000	%	
<b>Market Treasury Bills</b>								
November 1, 2012	12 months	-	200,000	200,000	-	-	-	-
January 24, 2013	6 months	-	447,000	447,000	-	-	-	-
September 6, 2012	12 months	-	500,000	500,000	-	-	-	-
October 4, 2012	12 months	-	500,000	500,000	-	-	-	-
September 19, 2013	3 months	-	479,000	479,000	-	-	-	-
October 3, 2013	3 months	-	300,000	300,000	-	-	-	-
<b>Total as at December 31, 2013</b>						-	-	-
<b>Carrying value as at December 31, 2013</b>						-		
Net unrealised appreciation / (diminution) in value of investments classified as at 'fair value through profit or loss'						-		
<b>Total as at June 30, 2013</b>						-		

Note (Un-Audited) (Audited)  
December June  
31, 2013 30, 2013  
----- Rupees in '000 -----

## 6 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company		2,120	1,870
Sales Load Payable		2,030	1,186
Sindh Sales Tax payable on remuneration of the Management Company		534	299
Federal Excise Duty payable on remuneration of the Management Company	6.1	1,795	181
Sales Tax Payable on Sales Load		242	-
		<u>6,721</u>	<u>3,536</u>

# NAFA ASSET ALLOCATION FUND

- 6.1 The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified.

On 4 September 2013, a Constitutional Petition has been filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED. In this respect, the Honorable SHC has issued a stay order against recovery proceedings. The hearing of the petition is pending.

Consequently, pending the decision of the SHC, the Fund has not made any payments in respect of FED although full provision is being made in the books of account.

## 7 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / Mutual Funds (CISs) / Pension Funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs / pension funds, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

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

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

However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF as at December 31, 2013 amounting to Rs. 7.825 million (including Rs. 1.463 million for the current period) (June 30, 2013: Rs 6.362 million) in this condensed interim financial information. Had the same not been made the net asset value per unit of the Fund would have been higher by Rs 0.0744.

## 8 CONTINGENCIES AND COMMITMENTS

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

## 9 NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit, as disclosed on the Statement of Asset and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in issue at the period / year end.

# NAFA ASSET ALLOCATION FUND

## 10 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 intends to avail such exemption in the current and future periods. Accordingly, no provision has been made for current and deferred taxation in this condensed interim financial information.

## 11 EARNINGS PER UNIT

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

## 12 TRANSACTIONS WITH CONNECTED PERSONS

12.1 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.

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

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

12.4 Details of the transactions with connected persons are as follows:

	------(Un-Audited)-----			
	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
------(Rupees in '000)-----				
<b>NBP Fullerton Asset Management Limited - Management Company</b>				
Remuneration for the period	13,439	6,013	6,609	3,266
Sindh Sales Tax on remuneration of management company	2,523	962	1,430	522
FED on remuneration	2,150	-	1,057	-
Sales load	6,593	1,925	843	912
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>				
Units Redeemed / transfer out 25,848,885 units (2012: Nil units)	304,169	-	304,169	-
Bonus units issued 3,537,134 units (2012: 2,006,778 bonus units)	-	-	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration for the period	1,176	601	582	326
CDS charges	160	29	128	14
<b>Employees of the Management Company</b>				
Units issued / transfer in 1,541,638 units (2012: 370,066 units)	18,398	4,148	6,434	2,569
Units Redeemed / transfer out 1,541,038 units (2012: 478,224 units)	18,262	5,394	5,828	4,011
Bonus units issued 29,074 units (2012: 10,078 units)	-	-	-	-
<b>Taurus Securities Limited</b>				
Brokerage expense	340	84	167	29

# NAFA ASSET ALLOCATION FUND

	------(Un-Audited)-----			
	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
------(Rupees in '000)-----				
<b>NBP Fullerton Asset Management Ltd- Employees Provident Fund</b>				
Units Issued / transfer in Nil units (2012: 212,149 units)	-	2,340	-	-
Units Redeemed / transfer out 69,027 units (2012 : 171,842 units)	804	1,928	-	1,928
Bonus units issued 92,383 units (2012: 17,336 units)	-	-	-	-
<b>Company Secretary / CFO</b>				
Units Issued/ transfer in 42,852 units (2012: 41,015 units)	500	454	-	232
Units Redeemed / transfer out Nil units (2012 : 20,508 units)	-	227	-	-
Bonus units issued 6,017 units (2012: Nil units)	-	-	-	-
<b>National Bank of Pakistan</b>				
Sold Treasury Bill	499,645	49,886	-	49,886
Purchased Treasury Bills	738,447	-	293,640	-
<b>NAFA Government Securities Liquid Fund</b>				
Sold Treasury Bill	-	38,910	-	-
<b>NAFA Financial Sector Income Fund</b>				
Sold Term Finance Certificate	-	38,430	-	-
<b>NAFA Income Opportunity Fund</b>				
Sold Treasury Bill	39,851	-	-	-
<b>NAFA Savings Plus Fund</b>				
Sold Treasury Bill	19,925	-	-	-
<b>International Industries Ltd. Employees' Provident Fund</b>				
Units Issued/ transfer in Nil units (2012: 1,449,096 units)	-	15,927	-	-
Units Redeemed / transfer out 377,903 units (2012 : 987,652 units)	4,402	11,133	-	11,133
Bonus units issued 457,028 units (2012: Nil units)	-	-	-	-
<b>International Industries Ltd. Employees' Gratuity Fund</b>				
Units Issued/ transfer in 2,793,915 units (2012: Nil units)	37,091	-	-	-
Units Redeemed / transfer out 445,060 units (2012 : Nil units)	5,185	-	-	-
Bonus units issued 442,926 units (2012: Nil units)	-	-	-	-
<b>International Steels Ltd. Employees' Gratuity Fund</b>				
Units Issued/ transfer 173,503 units (2012: Nil units)	2,346	-	-	-
Units Redeemed / transfer out	-	-	-	-
Bonus units issued 27,506 units (2012: Nil units)	-	-	-	-
<b>International Steels Ltd. Employees' Provident Fund</b>				
Units Issued/ transfer in Nil units (2012: 424,129 units)	-	4,662	-	-
Units Redeemed / transfer out 77,742 units (2012 : 290,697 units)	906	3,277	-	3,277
Bonus units issued 93,230 units (2012: Nil units)	-	-	-	-
<b>Summit Bank Limited</b>				
Bank Profit	66	-	19	-
Purchased Treasury Bills	499,645	-	-	-

# NAFA ASSET ALLOCATION FUND

	(Un-Audited) December 31, 2013	(Audited) June 30, 2013
	----- Rupees in '000 -----	
<b>12.5 Amounts outstanding as at period end</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management remuneration payable	2,120	1,870
Sindh Sales Tax on remuneration of Management Company	534	299
Federal Excise Duty on remuneration of Management Company	1,795	181
Sales load payable	2,030	1,186
Sales tax payable on sales load	242	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	192	176
CDS charges payable	82	98
Security deposit	100	100
<b>National Bank of Pakistan</b>		
Balance in current account	4,368	2,042
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment held by the sponsor in the Fund Nil units (June 30, 2013: 22,311,751 units)	-	294,109
<b>Employees of the Management Company</b>		
Investment held in the Fund 171,147 units (June 30, 2013: 329,004 units)	2,066	4,337
<b>Taurus Securities Limited</b>		
Brokerage payable	16	136
<b>NBP Fullerton Asset Management Ltd- Employees Provident Fund</b>		
Investment held in the Fund 606,097 units (June 30, 2013: 582,741 units)	7,315	7,682
<b>Company Secretary / CFO</b>		
Investment held in the Fund 86,821 units (June 30, 2013: 37,952 units)	1,048	500
<b>International Industries Ltd. Employees Provident Fund</b>		
Investment held in the Fund 2,961,994 units (June 30, 2013 : 2,882,869 units)	35,747	38,001
<b>International Industries Ltd. Employees Gratuity Fund</b>		
Investment held in the Fund 2,791,781 units (June 30, 2013 : Nil units)	33,693	-
<b>International Steels Ltd. Employees Gratuity Fund</b>		
Investment held in the Fund 201,009 units (June 30, 2013 : Nil units)	2,426	-
<b>International Steels Ltd. Employees Provident Fund</b>		
Investment held in the Fund 603,572 units (June 30, 2013 : 588,084 units)	7,284	7,752
<b>Thal Limited</b>		
Investment held in the Fund 72,700 shares (June 30, 2013 : Nil shares)	10,052	-
<b>Summit Bank Limited</b>		
Bank Balance	2,844	3,037

# NAFA ASSET ALLOCATION FUND

## 13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 13, 2014.

## 14 GENERAL

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

14.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director





NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

*Your investments & "NAFA" grow together*



*Joint - Venture Partners*

## Head Office

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

**UAN:** 111-111-NFA (632)

**Toll Free:** 0800-20001

**Fax:** (021) - 35825329

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

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