



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

Your investments & "NAFA" grow together




Joint - Venture Partners

NAFA INCOME FUND



QUARTERLY REPORT
MARCH 31
2014

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 INCOME FUND

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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

MCB Financial Service Limited
3rd Floor, Adamjee House,
I.I. Chundrigar Road Karachi - 74000

Bankers to the Fund

Allied Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Bank of Punjab
National Bank of Pakistan
NIB Bank Limited
Habib Bank Limited
Burj Bank Limited
Sindh Bank Limited

NAFA INCOME FUND

Auditors

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court,
A-35, Block 7 & 8,
KCHSU, Sharae Faisal
Karachi-75350 Pakistan

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town, Lahore.
UAN: 042-111-111-632
Fax: 92-42-35861095

Islamabad Office:

Plot No. 395, 396
Industrial Area, 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 INCOME FUND

DIRECTORS' REPORT

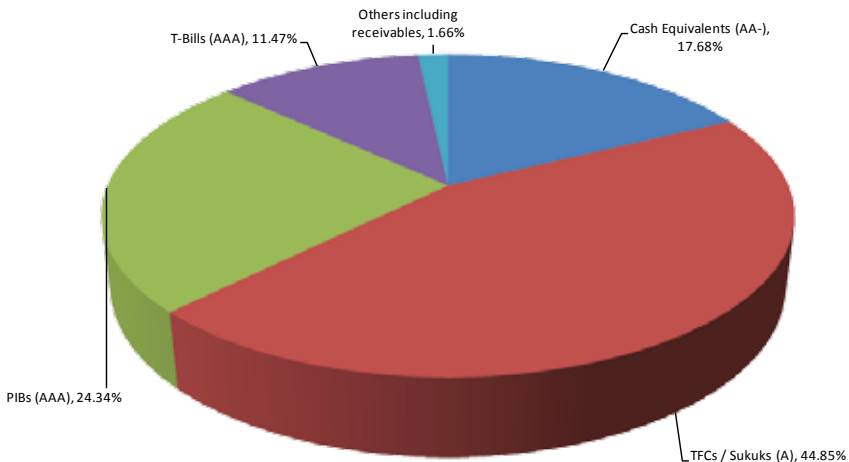
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Fund (NIF)** for the period ended March 31, 2014.

Fund's Performance

The size of NAFA Income Fund increased from Rs. 490 million to Rs. 518 million during the period, i.e. an increase of 5.8%. During the nine month period, the unit price of NAFA Income Fund increased from Rs. 9.1284 (Ex-Div) on June 30, 2013 to Rs. 9.6627 on March 31, 2014, thus showing an annualized return of 7.80% as compared to its Benchmark (6-Month KIBOR) return of 9.70%. During the third quarter, the Fund size increased by 1.82%. During the quarter, the unit price of the Fund has increased from Rs. 9.4697 on December 31, 2013 to Rs. 9.6627 on March 31, 2014, thus showing an annualized return of 8.27% as compared to its Benchmark return of 10.13% for the same period. The performance of the Fund is net of management fee and all other expenses.

NIF is categorized as an Income Scheme and has been awarded stability rating of A-(f) by PACRA. 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.42.11 million during the period. After deducting expenses of Rs.13.41 million, the net income is Rs.28.70 million. The asset allocation of the Fund as on March 31, 2014 is as follows:



NAFA 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: April 30, 2014

Place: Karachi.

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2014

	Note	Un-audited March 31, 2014	Audited June 30, 2013
------(Rupees in '000)-----			
ASSETS			
Balances with banks		91,598	182,806
Investments	4	417,951	303,644
Advances, deposits, prepayments and other receivables		306	419
Profit receivable		13,529	7,178
Total assets		523,384	494,047
LIABILITIES			
Payable to the Management Company		1,438	1,014
Payable to the Trustee		44	40
Payable to the Securities and Exchange Commission of Pakistan		284	341
Accrued expenses and other liabilities		3,441	2,812
Total liabilities		5,207	4,207
NET ASSETS		518,177	489,840
Unit holders' fund (As per statement attached)		518,177	489,840
CONTINGENCIES AND COMMITMENTS			
	6		
-----Number of units-----			
Number of units in issue		53,626,335	50,680,883
-----Rupees-----			
Net asset value per unit		9.6627	9.6652

The annexed notes 1 to 11 form an integral part of this condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

Note	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
----- Rupees in '000 -----				
INCOME				
Profit on bank deposits and term deposits	18,871	4,662	6,554	3,634
Gain / (loss) on sale of investments - net	808	(1,352)	898	183
Income from term finance certificates and sukuk bonds	19,388	29,592	6,690	8,867
Income from money market Placement	783	943	226	809
Income from government securities	1,387	6,574	765	13
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	870	(23,325)	(2,152)	(6,349)
Total income	42,107	17,094	12,981	7,157
EXPENSES				
Remuneration of the Management Company	6,516	6,702	1,473	2,322
Sindh Sale Tax on remuneration of the Management Company	1,220	1,072	273	371
FED on remuneration of the Management Company	1,042	-	235	-
Remuneration of the Trustee	378	335	126	116
Annual fee - Securities and Exchange Commission of Pakistan	284	251	95	87
Annual listing fee	23	23	8	8
Securities transaction cost	25	3	4	1
Settlement charges and bank charges	230	281	67	158
Auditors' remuneration	365	363	85	91
(Reversal) / Impairment loss on term finance certificates and sukuk bonds	2,536	(6,634)	-	288
Fund rating fee	121	165	-	55
Printing and related costs	24	19	24	19
Amortisation of preliminary expenses and floatation costs	-	744	-	240
Other expenses	54	-	15	(20)
Total expenses	12,818	3,324	2,405	3,736
Net income from operating activities	29,289	13,770	10,576	3,421
Provision for workers' welfare fund	(586)	(275)	(212)	(68)
Net income for the period before taxation	28,703	13,495	10,364	3,353
Taxation	7	-	-	-
Net income for the period after taxation	28,703	13,495	10,364	3,353
Earnings per unit				

The annexed notes 1 to 11 form an integral part of this condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	----- Rupees in '000 -----			
Net income for the period after taxation	28,703	13,495	10,364	3,353
Other comprehensive income for the period				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	-	-	-	-
Total comprehensive (loss) / income for the period	<u>28,703</u>	<u>13,495</u>	<u>10,364</u>	<u>3,353</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	----- Rupees in '000 -----			
Undistributed income brought forward	(11,399)	(43,047)	(20,260)	(31,507)
Final distribution for the year ended June 30, 2013: 5.379%				
- Bonus units	(27,093)	-	-	-
- Cash distribution	(169)	-	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	12	1,395	(50)	(3)
Net income for the period after taxation	28,703	13,495	10,364	3,353
Undistributed income carried forward	<u>(9,946)</u>	<u>(28,157)</u>	<u>(9,946)</u>	<u>(28,157)</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
----- Rupees in '000 -----				
Net assets at the beginning of the period	489,840	417,156	508,930	471,018
Issue of 3,626,443 units including 2,961,846 bonus units (2013: 4,821,224 units)	6,243	45,014	10	-
Redemption of 680,991 units (2013: 150,583 units)	(6,440)	(1,393)	(1,127)	(99)
Final distribution for the year ended June 30, 2013:5.379% - Bonus distribution	(197)	43,621	(1,117)	(99)
	27,093	-	-	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing (income) / loss that form part of unit holders' fund - transferred to distribution statement	(12)	(1,395)	50	3
	(12)	(1,395)	50	3
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets available for sale'	-	-	-	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	870	(23,325)	(2,152)	(6,349)
Capital Gain on sale of Investment	808	(1,352)	898	
Other operating income / (loss)	27,025	38,172	11,618	9,702
Net income for the period	28,703	13,495	10,364	3,353
Distribution:				
Final distribution for the year ended June 30, 2013:5.379% - Bonus distribution	(27,093)	-	-	-
- Cash distribution	(169)	-	-	-
Other comprehensive income				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	12	1,395	(50)	(3)
Net assets as at the end of the period	518,177	474,272	518,177	474,272

The annexed notes 1 to 11 form an integral part of this condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

	Nine months ended		Quarter Ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
----- Rupees in '000 -----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period before taxation	28,703	13,495	10,364	3,353
Adjustments				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(870)	23,325	2,152	6,349
Amortisation of preliminary expenses and floatation costs	-	744	-	240
Loss / (gain) on sale of investments - net	(808)	1,352	(898)	(183)
(Reversal) / Impairment loss on term finance certificates and sukuk bonds	2,536	(6,634)	-	288
	29,561	32,282	11,618	10,047
(Increase) / decrease in assets				
Investments	(115,165)	56,654	(229,842)	(13,134)
Advances, deposits, prepayments and other receivables	113	(85)	6	(70)
Profit receivable	(6,351)	(4,106)	(7,494)	(1,234)
	(121,403)	52,463	(237,330)	(14,438)
Increase / (decrease) in liabilities				
Payable to the Management Company	424	141	(328)	-
Payable to the Trustee	4	6	1	-
Payable to Securities and Exchange Commission of Pakistan	(57)	(69)	95	87
Accrued expenses and other liabilities	629	480	286	144
	1,000	558	54	231
Net cash inflow from operating activities	(90,842)	85,303	(225,658)	(4,160)
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of units	6,243	45,014	10	-
Payment on redemption of units	(6,440)	(1,393)	(6,271)	(99)
Distribution paid	(169)	-	5,144	-
Net cash outflow on financing activities	(366)	43,621	(1,117)	(99)
Net decrease in cash and cash equivalents during the period	(91,208)	128,924	(226,775)	(4,259)
Cash and cash equivalents at the beginning of the period	182,806	8,868	318,373	142,051
Cash and cash equivalents as at the end of the period	91,598	137,792	91,598	137,792

The annexed notes 1 to 11 form an integral part of this condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management [formerly National Fullerton Asset Management Limited (NAFA)] as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on January 03, 2008 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The Registered and Principal office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units of the Fund are offered for public subscription on a continuous basis. These units are transferable and can be redeemed by surrendering them to the Fund. The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

The core objective of the Fund is to earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets. The Fund comprises of investments of various time horizons with a significant amount invested in short term investments for the purpose of maintaining liquidity.

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

Title of the assets of the Fund is held in the name of MCB Financial Services Limited (MCBFSL) as the trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of International Accounting Standard (IAS) 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the 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 IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2013.

In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

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

NAFA INCOME FUND

	Note	(Un-Audited) March 31, 2014	(Audited) June 30, 2013
-----Rupees in '000-----			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1.1	150,870	195,770
Term finance certificates - unlisted	4.1.2	14,434	13,594
Sukuks	4.2	50,000	43,507
Government securities	4.3	185,548	512
		400,852	253,383
Available for sale			
Term finance certificates - listed	4.4	-	4,497
Sukuks	4.5	17,099	20,763
		17,099	25,260
Loans and receivables			
Certificates of Investment		-	25,001
		417,951	303,644

4.1 Term Finance Certificates - at fair value through profit or loss - held for trading

4.1.1 Term Finance Certificates - listed

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

Name of the investee company	Number of Certificates				Market value as at March 31, 2014	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sale during the period	As at March 31, 2014		Net assets	Market value of total investments	Issue size
Rupees in '000						-----%-----		
Allied Bank Limited	2,000	-	-	2,000	9,313	1.80%	2.23%	1.33
Bank Alfalah Limited	2,000	-	-	2,000	10,725	2.07%	2.57%	0.21
NIB Bank Limited	1,200	-	1,200	-	-	-	-	-
Faysal Bank Limited	5,000	-	-	5,000	25,818	4.98%	6.18%	0.87
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	15,289	2.95%	3.66%	2.87
Standard Chartered Bank (Pak) Limited	6,000	-	-	6,000	30,123	5.81%	7.21%	3.01
Engro Fertilizer Limited(30-11-07)	6,404	-	-	6,404	31,950	6.17%	7.64%	0.80
Engro Fertilizer Limited(17-12-2009)	600	-	-	600	2,652	0.51%	0.63%	0.13
Jahangir Siddiqui and Comapany Ltd.	-	5,000	-	5,000	25,000	4.82%	5.98%	3.33
Pakistan Mobile Communication Limited	8,400	-	8,400	-	-	-	-	-
United Bank Limited	3,000	-	3,000	-	-	-	-	-
Total as at March 31, 2014					150,870	29.12%	36.10%	
Carrying Value as at March 31, 2014					153,332			

NAFA INCOME FUND

4.1.2 Term Finance Certificates - Unlisted

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

Name of the investee company	As at July 1, 2013	Purchases during the period	Sale during the period	As at March 31, 2014	Market value as at March 31, 2014	Net assets	Market value of total investments	Issue size
					Rupees in '000			
Engro Fertilizers Limited	2,900	400	400	2,900	14,434	2.79%	3.45%	0.36
Agritech Limited II (note: 4.1.3)	30,000	-	-	30,000	-	-	-	-
Agritech Limited V (note: 4.1.4)	4,436	-	-	4,436	-	-	-	-
Total as at March 31, 2014					14,434	2.79%	3.45%	
Carrying Value as at March 31, 2014					185,678			
Accumulated impairment					172,056			

4.1.3 This represents investment in privately placed unlisted term finance certificates with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.1.4 This represents investment in privately placed term finance certificates (PPTFC) of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.1.5 The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

4.2 Sukuks - at fair value through profit or loss - held for trading

All sukuks have a face value of Rs. 5,000 each

Name of the investee company	Number of certificates / bonds				Market value as at March 31, 2014	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sales/ matured during the period	As at March 31, 2014		Net assets	Market value of total investments	Issue size
Rupees in '000								
New Allied Electronics Industries (Private) Limited (note 4.2.1)	10,000	-	-	10,000	-	-	-	-
GOP Ijarah Sukuk (02-MAR-12 to 02-MAR-15)	700	-	700	-	-	-	-	-
HUBCO Short term Islamic Sukuk (13-Mar-13 to 13-Sep-13)	4,000	-	4,000	-	-	-	-	-
HUBCO Short term Islamic Sukuk (14-Feb-13 to 14-Aug-13)	4,000	-	4,000	-	-	-	-	-
K Electric AZM Sukuk	-	10,000	-	10,000	50,000	9.65%	11.96%	-
Total as at March 31, 2014					50,000	9.65%	11.96%	-
Carrying Value as at March 31, 2014					99,054			
Accumulated impairment					49,054			

4.2.1 This represents investment in privately placed sukuks with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of principal and profit payment. The investment has been fully provided.

NAFA INCOME FUND

4.3 Government Securities - at fair value through profit or loss - held for trading

Issue date	Face value					Market Value as at March 31, 2014	Investment as a percentage of	
	Tenor	As at July 1, 2013	Purchases during the period	Sales / matured during the period	As at March 31, 2014		Net assets	Market value of total investments
Market Treasury Bills						Rupees in '000	-----%	
July 26, 2012	12 Months	-	160,000	160,000	-	-	-	-
September 19, 2013	03 Months	-	200,000	200,000	-	-	-	-
February 28, 2014	06 Months	-	60,000	-	60,000	59,421	11.47%	14.22%
Pakistan Investment Bond								
August 18, 2011	3 Years	500	-	-	500	502	0.10%	0.12%
July 18, 2016	3 Years	-	225,000	100,000	125,000	125,625	24.24%	30.06%
Total as at March 31, 2014						185,548	35.81%	44.39%
Carrying Value as at March 31, 2014						183,028		

4.4 Term Finance Certificates - available for sale (listed)

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

Name of the investee company	Number of certificates / bonds				Market value as at March 31, 2014	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sales/ matured during the period	As at March 31, 2014		Net assets	Market value of total investments	Issue size
Worldcall Telecom Limited (note 4.4.1)						Rupees in '000	-----%	
	14,000	-	-	14,000	-	-	3.00	
Total as at March 31, 2014						-	-	-
Carrying Value as at March 31, 2014						29,982		
Accumulated impairment						29,982		

4.4.1 MUFAP, on 8 November 2012 classified the TFCs as non-performing due to non payment during extended period. Subsequently, on 26 DEC 2012 a restructure agreement was approved by TFCs holders. In accordance with the terms of restructuring with the terms of restructuring, repayment period has been extended by two years and the principal amount is to be settled in three equal installments starting from 7 Oct, 2014. The investment has been fully provided.

4.4.2 The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

4.5 Sukuks - available for sale

Name of the investee company	Number of certificates / bonds				Market value as at March 31, 2014	Investment as a percentage of		
	As at July 1, 2013	Purchases during the period	Sales/ matured during the period	As at March 31, 2014		Net assets	Market value of total investments	Issue size
Eden Housing Limited (note 4.5.1)						Rupees in '000	-----%	
	20,000	-	-	20,000	17,099	3.30%	4.09%	3.33
Carrying Value as at March 31, 2014						17,099	3.30%	4.09%
Accumulated impairment						26,250		
						9,151		

4.5.1 This represents investment in privately placed sukuk bonds issue with a term of five years. On 6 May 2011, these Sukuks were classified as non-performing by MUFAP. Accordingly he Fund has valued these sukuks at the price lower than the last price quoted by MUFAP. Although the Fund has received all installments due as per restructured term with certain delays, accrual of profit has been suspended and all income has been recognised on receipt basis.

4.5.2 The sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

5 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 March 31, 2014 amounting to Rs. 2.914 million (June 30, 2013: Rs 2.328 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 0.0543.

6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at March 31, 2014 and June 30, 2013.

7 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 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 has incurred a loss during the current period. Accordingly, no tax liability has been recorded in the current period.

8 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Scheme'.

The Clause (IV) of the categorisation criteria requires that not more than 15% of the net assets shall be invested in non traded securities including reverse repos, bank deposits, certificates of investments (COI), certificates of musharakas (COM) and anything over 6 months maturity which is not a marketable security. Clause (v) of the categorisation criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at March 31, 2014, the Fund is in non-compliance with the above-mentioned requirements in respect of the following:

NAFA INCOME FUND

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
-----Rupees in '000-----						
Investment in Debt securities	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Worldcall Telecom Limited	29,982	29,982	-	-	-
	Saudi Pak Leasing Company Limited	41,321	-	15,289	3.25%	3.22%
	New Allied Electronics Industries (Private) Limited - Sukuk	49,054	49,054	-	-	-
	Eden Housing - Sukuk II	26,250	9,151	17,099	3.63%	3.60%

8.1 At the time of purchase, the above Term Finance Certificates were in compliance with the circular (i.e. investment grade) and were subsequently downgraded. In case of New Allied Electronics Industries (Private) Limited, Agri Tech Limited, Eden Housing Limited and Saudi Pak Leasing Company Limited, the downgrading has been made due to default in payments of due principal and markup.

9 TRANSACTIONS WITH CONNECTED PERSONS

9.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

9.3 Remuneration and front - end load payable to the Management Company and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

9.4	----- (Un-Audited) -----			
	<u>Nine months ended</u>		<u>Quarter Ended</u>	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
----- Rupees in '000 -----				
Transactions during the period				
NBP Fullerton Asset Management Limited - Management Company				
Management fee expense for the period	6,516	6,702	1,473	2,322
Sindh sales tax on remuneration of the Management Company	1,220	1,072	273	371
FED on remuneration of the Management Company	1,042	-	235	-
MCB Financial Services Limited- Trustee				
Remuneration	378	335	126	116
Akhuwat - SMA				
GOP Ijara Sukuk - sold during the period	3,541		-	
NBP Employees Pension Fund				
Bonus units issued (2,648,211 units)	-		-	
Executives of Management Company				
Bonus units issued (66 units)				
Units Issued (1,035 units)	10		10	

NAFA INCOME FUND

	(Un-Audited) March 31, 2014	(Audited) June 30, 2013
	(Rupees in '000)	
9.5 Balances outstanding as at period / year end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	437	798
Sindh sales tax payable on remuneration of the Management Company	80	139
Federal Excise Duty payable on Management Remuneration	909	77
Sales load payable	12	-
National Bank of Pakistan - Sponsor		
Balance in current account	1,923	423
MCB Financial Services Limited- Trustee		
Remuneration payable	44	40
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund (47,682,069 units; June 30, 2013: 45,033,858)	460,738	435,261
Executives of Management Company		
Investment held in the Fund (2,239 units; June 30, 2013: 1,137 units)	22	11

10 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 30, 2014 by the Board of Directors of the Management Company.

11 GENERAL

11.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

11.2 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

Your investments & "NAFA" grow together



Joint - Venture Partners

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