



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

NAFA INCOME FUND

**QUARTERLY
REPORT**
**March
31 2017**




Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA INCOME FUND

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NAFA INCOME 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. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director
Mr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Aamir Sattar	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Lui Mang Yin (Martin Lui)	Member
Mr. Abdul Hadi Palekar	Member

Trustee

MCB Financial Service Limited
3rd Floor, Adamjee House,
I.I. Chundrigar Road Karachi - 7400

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
Al Baraka Islamic Bank Limited
Sindh Bank Limited
Silk Bank Limited
Dubai Islamic Bank Pakistan Limited
United Bank Limited
JS Bank Limited
Khushhali Bank Limited
Zarai Taraqiati Bank Limited
Tameer Bank Limited
Summit Bank Limited

NAFA INCOME FUND

Auditors

Deloitte Yousuf Adil
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, I-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

Opposite Gul Haji Plaza, 2nd Floor
National Bank Building
University Road Peshawar,
UAN: 091-111 111 632 (nfa)
Fax: 091-5703202

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, 2017.

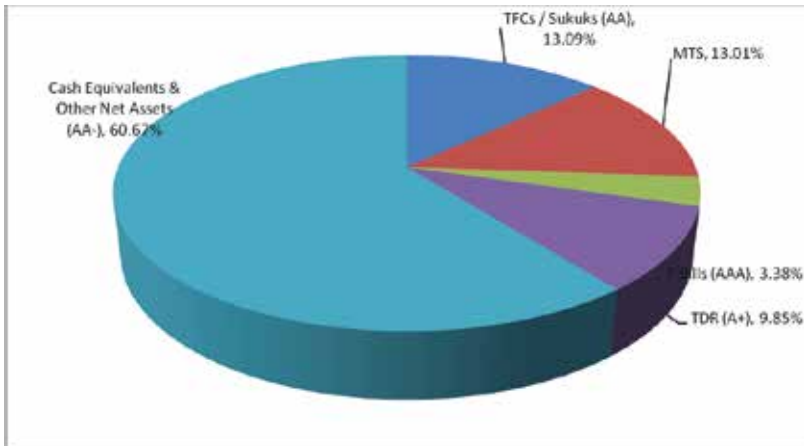
Fund's Performance

The size of NAFA Income Fund has increased from Rs. 619 million to Rs. 883 million during the period (i.e. an increase of 43%). During the period, the unit price of NAFA Income Fund has increased from Rs. 9.7377 on June 30, 2016 to Rs. 10.2303 on March 31, 2017, thus showing a return of 6.7% as compared to the benchmark return of 6.1% 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. During the period under review, State Bank of Pakistan (SBP) maintained the discount rate and policy rate at 6.25% and 5.75% respectively. The improved interbank liquidity conditions (due to net government retirement and increase in bank deposits) were well calibrated through the open market operations – keeping the weighted average overnight repo rate close to the policy rate. However, long-term sovereign yields witnessed an average increase of around 60 basis points, indicating investors' demand for higher term premium. CPI on year-on-year basis was recorded at 4.01% in 9MFY17 as compared to 2.64% in corresponding period last year.

Overall trading activity in corporate debt securities was recorded at Rs. 7.8 billion. The trades were primarily concentrated in Banking sector TFCs.

The Fund has earned total income of Rs.52.660 million during the period. After deducting expenses of Rs.10.135 million, the net income is Rs.42.525 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIF.



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 28, 2017
Place: Karachi.

NAFA INCOME FUND

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 مارچ 2017ء کو ختم ہونے والی مدت کے لیے NAFA انکم فنڈ (NIF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

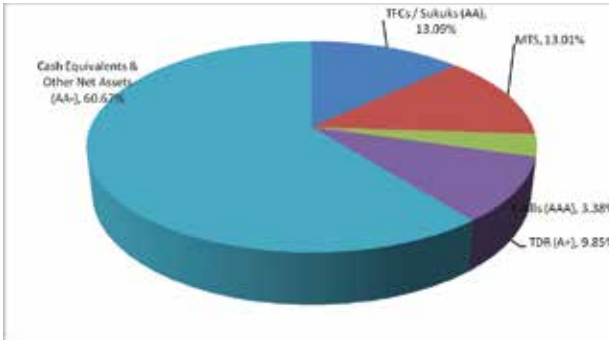
NAFA انکم فنڈ (NIF) کا فنڈ سائز، اس مدت کے دوران 619 ملین روپے سے بڑھ کر 883 ملین روپے تک پہنچ گیا۔ یعنی 43% اضافہ۔ زیر جائزہ مدت کے دوران NAFA انکم فنڈ کے یونٹ کی قیمت 30 جون 2016ء کو 9.7377 روپے سے بڑھ کر 31 مارچ 2017ء کو 10.2303 روپے ہو چکی ہے اور اس طرح اپنے بیچ مارک کے 1.1% منافع کے مقابلے میں 6.7% اضافہ دکھایا ہے۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NAFA انکم فنڈ (NIF) کی درجہ بندی بطور ایک انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے A(f) کی اسٹیٹیلٹی ریٹنگ دی گئی ہے۔ زیر جائزہ مدت میں اسٹیٹ بینک آف پاکستان (SBP) نے ڈسکاؤنٹ ریٹ اور پالیسی ریٹ بالترتیب 6.25% اور 5.75% کی شرح پر برقرار رکھا۔ بہتر انٹرنیشنل سیالیت کی صورتحال (نیٹ گورنمنٹ ریٹائرمنٹ اور بینک ڈپازٹس میں اضافہ کے سبب) کی قدر و قیمت کا اوپن مارکیٹ آپریشنز کے ذریعہ بہتر تعین کیا گیا۔ جبکہ ریپو کے ریٹ کی شرح کی قدر کو پالیسی ریٹ سے قریب تر رکھا گیا۔ تاہم طویل المعیاد بہترین نتائج میں تقریباً 60 بنیادی پوزیشنس کا اوسط اضافہ ہوا، جس سے سرمایہ کاروں کی زیادہ مدت کے پریفیکٹ کی طلب کا مظاہرہ ہوا۔ مالی سال 2017ء کے نو ماہ میں سال بہ سال بنیاد پر CPI 4.01% ریکارڈ کیا گیا جو گزشتہ سال اسی مدت میں 2.64% تھا۔

مجموعی طور پر کارپوریٹ ڈیٹ سیکورٹیز کی تجارتی سرگرمیاں 7.8 ملین روپے رہیں۔ تجارت میں ابتدائی توجہ بینکنگ کے شعبہ TFCs پر رہی۔

فنڈ نے اس مدت کے دوران 52.660 ملین روپے منافع دیا۔ 10.135 ملین روپے اخراجات منہا کرنے کے بعد خالص منافع 42.525 ملین روپے ہے۔

درج ذیل چارٹ NIF کی ایسیٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:



NAFA INCOME FUND

اظہارِ تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد اور اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابلِ قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہارِ تشکر کرتا ہے۔ بورڈ اپنے اسٹاف اور رٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 اپریل 2017ء

مقام: کراچی

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2017

	Note	31 March 2017 (Unaudited)	30 June 2016 (Audited)
(Rupees in '000)			
ASSETS			
Balances with banks		623,360	169,976
Investments	4	145,398	319,277
Receivable against Margin Trading System		114,804	128,990
Advances, deposits, prepayments and other receivables		1,242	4,508
Profit receivable		5,396	5,287
Total assets		890,200	628,038
LIABILITIES			
Payable to the Management Company		3,938	3,632
Payable to the Trustee		86	62
Payable to the Securities and Exchange Commission of Pakistan		420	469
Accrued expenses and other liabilities		2,616	4,968
Total liabilities		7,060	9,131
NET ASSETS		883,140	618,907
Unit holders' fund (As per statement attached)		883,140	618,907
CONTINGENCIES AND COMMITMENTS			
	6		(Number of units)
Number of units in issue		86,325,631	63,557,779
			(Rupees)
Net asset value per unit		10.2303	9.7377

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

Note	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
------(Rupees in '000)-----				
INCOME				
Profit on bank deposits and term deposits	22,525	17,842	8,175	7,755
Gain / (loss) on sale of investments - net	97	116	97	(254)
Income from term finance certificates and sukuk bonds	10,208	8,540	3,030	2,753
Income from Margin Trading System	7,223	6,761	3,605	1,335
Income from government securities	1,568	5,366	549	640
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	804	1,074	(692)	921
Reversal of provision for Workers' Welfare Fund	4,095	-	4,095	-
Total income	46,520	39,699	18,859	13,150
EXPENSES				
Remuneration of the Management Company	3,736	4,072	1,400	1,151
Sindh Sale Tax on remuneration of the Management Company	486	662	182	187
FED on remuneration of the Management Company	-	651	-	184
Remuneration of the Trustee	560	459	215	157
Sindh Sale Tax on remuneration of the Trustee	73	64	28	22
Accounting and operational charges to the management company	560	217	215	156
Annual fee - Securities and Exchange Commission of Pakistan	420	344	161	117
Annual listing fee	41	30	13	10
Securities transaction cost	-	18	-	11
Settlement charges and bank charges	1,672	1,049	784	282
Auditors' remuneration	402	395	79	91
Legal fee	6	-	6	-
(Reversal) / Impairment loss on term finance certificates and sukuk bonds	-	(1,277)	-	-
Fund rating fee	239	214	89	75
Printing and related costs	75	10	25	10
Provision for Sindh Workers' Welfare Fund- previous years	997	188	997	52
Total expenses	9,267	7,096	4,194	2,505
Net income from operating activities	37,253	32,603	14,665	10,645
Element of income and capital gains included in prices of units issued less those in units redeemed - net	6,140	2,338	1,019	2,606
Provision for Sindh workers' welfare fund	(868)	-	(868)	-
Net income for the period before taxation	42,525	34,941	14,816	13,251
Taxation	-	-	-	-
Net income for the period after taxation	42,525	34,941	14,816	13,251

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Net income for the period after taxation	42,525	34,941	14,816	13,251
Other comprehensive income for the period				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	-	-	-	-
Total comprehensive income for the period	<u>42,525</u>	<u>34,941</u>	<u>14,816</u>	<u>13,251</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Undistributed income brought forward	(3,374)	(3,825)	24,335	17,865
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	-	-	-	-
Net income for the period after taxation	42,525	34,941	14,816	13,251
Undistributed income carried forward	<u>39,151</u>	<u>31,116</u>	<u>39,151</u>	<u>31,116</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Net assets at the beginning of the period	618,907	583,494	842,312	603,660
Issue of 44,503,747 units (2016: 15,152,125,units)	446,954	152,055	111,569	58,957
Redemption of 21,735,895 units (2016: 9,749,447 units)	(219,106)	(97,146)	(84,538)	(2,256)
	227,848	54,909	27,031	56,701
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 Income statement	(6,140)	(2,338)	(1,019)	(2,606)
	(6,140)	(2,338)	(1,019)	(2,606)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	804	1,074	804	921
Capital Gain on sale of Investment	4,192	116	4,192	(254)
Other operating income	37,529	33,751	9,820	12,584
Net income for the period	42,525	34,941	14,816	13,251
Other comprehensive income				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	-	-	-	-
Net assets as at the end of the period	883,140	671,006	883,140	671,006

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
------(Rupees in '000)-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period before taxation	42,525	34,941	14,816	13,251
Adjustments				
Net unrealised (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(804)	(1,074)	692	(921)
(Gain) on sale of investments - net	(97)	(116)	(97)	254
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(6,140)	(2,338)	(1,019)	(2,606)
(Reversal) / Impairment loss on term finance certificates and sukuk bonds	-	(1,277)	-	-
	35,484	30,136	14,392	9,978
Decrease / (Increase) in assets				
Investments	174,780	(8,432)	99,045	(35,395)
Advances, deposits, prepayments and other receivables	3,266	(190)	3,339	66
Receivable against Margin Trading System	14,186	(7,583)	162,903	183,011
Profit receivable	(109)	1,923	369	(2,503)
	192,123	(14,282)	265,656	145,179
Increase / (decrease) in liabilities				
Payable to the Management Company	306	562	291	116
Payable to the Trustee	24	16	11	6
Payable to Securities and Exchange Commission of Pakistan	(49)	(60)	161	117
Accrued expenses and other liabilities	(2,352)	(146,890)	(2,295)	190
	(2,071)	(146,372)	(1,832)	429
Net cash generated / (used in) from operating activities	<u>225,536</u>	<u>(130,518)</u>	<u>278,216</u>	<u>155,586</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of units	446,954	152,055	107,904	58,957
Payment on redemption of units	(219,106)	(97,146)	(84,538)	(2,256)
Net cash generated from financing activities	<u>227,848</u>	<u>54,909</u>	<u>23,366</u>	<u>56,701</u>
Net increase / (decrease) in cash and cash equivalents during the period	<u>453,384</u>	<u>(75,609)</u>	<u>301,582</u>	<u>212,287</u>
Cash and cash equivalents at the beginning of the period	169,976	483,554	321,778	195,658
Cash and cash equivalents as at the end of the period	<u><u>623,360</u></u>	<u><u>407,945</u></u>	<u><u>623,360</u></u>	<u><u>407,945</u></u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

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 'AM1' w.e.f April 21, 2017 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, 2016.

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, 2017.

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, 2016.

NAFA INCOME FUND

4 INVESTMENTS	Note	(Un-audited) March 31, 2017	Audited June 30, 2016
----- Rupees in '000 -----			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1.1	115,529	86,796
Term finance certificates - unlisted	4.1.2	-	40,000
Sukuks	4.2	-	48,903
Government securities	4.3	29,869	41,578
		<u>145,398</u>	<u>217,277</u>
Loans and receivables			
Investment in long term TDRs		-	102,000
		<u>-</u>	<u>-</u>
		<u>145,398</u>	<u>319,277</u>

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 Investee Company	Number of certificates				Market Value as at March 31, 2017	Investment as percentage of		
	As at July 01, 2016	Purchases during the period	Sales during the period	As at March 31, 2017		Net assets	Market value of total investments	Issue size
Rupees in '000'								
Askari Bank Limited	7,400	-	-	7,400	37,665	4.26%	25.90%	0.93
Bank Alfalah Limited	2,000	-	-	2,000	6,699	0.76%	4.61%	0.20
Faysal Bank Limited	5,000	-	-	5,000	12,568	1.42%	8.64%	0.87
Saudi Pak Leasing Company Limited (4.1.1.1)	15,000	-	-	15,000	-	-	-	10.00
Jahangir Siddiqui and Comapany Ltd.(24-06-14)	8,000	-	-	8,000	41,041	4.65%	28.23%	4.00
Jahangir Siddiqui and Comapany Ltd.(08-04-14)	5,000	-	-	5,000	17,556	1.99%	12.07%	3.33

Total as at March 31, 2017

115,529 13.08% 25.33%

Carrying Value as at March 31, 2017

156,040

Accumulated Impairment

41,321

4.1.1.1 This represents investment in listed term finance certificates with original term of five years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its term on December 26, 2011 with a new maturity in March 2017. In prior year, the investee company again defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset (NPA) by MUFAP since April 31, 2014. 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 said circular.

4.1.2 Term Finance Certificates - unlisted

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

Name of Investee Company	As at July 01, 2016	Purchases during the period	Sales during the period	As at March 31, 2017	Market Value as at March 31, 2017	Net assets	Market value of total investments	Issue size
Rupees in '000'								
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, 2017					<u>-</u>	<u>-</u>	<u>-</u>	

Carrying Value as at March 31, 2017

172,056

Accumulated impairment

172,056

NAFA INCOME FUND

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 and accordingly has been classified as NPA by MUFAP since August 2, 2010. 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 investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since January 17, 2012. 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 Investee Company	Number of certificates				Market Value as at March 31, 2017	Investment as percentage of		
	As at July 01, 2016	Purchases during the period	Sales during the period	As at March 31, 2017		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	-	-	-	-
K Electric AZM Sukuk	9,800	-	9,800	-	-	0.00%	0.00%	-
Total as at March 31, 2017					<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	-
Carrying Value as at March 31, 2017					<u>49,054</u>			
Accumulated impairment					<u>49,054</u>			

4.2.1 This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since January 9, 2009. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

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

Issue date	Face Value				Market value as at March 31, 2017	Investment as a percentage of		
	Tenor	As at July 01, 2015	Purchases during the period	Sales/ matured during the period		As at March 31, 2017	Net Assets	Market Value of total investments
Rupees in '000								
-----%-----								
Market Treasury Bills								
September 3, 2015	12 Months	42,000	-	42,000	-	-	-	-
August 18, 2016	03 Months	-	30,000	30,000	-	-	-	-
October 27, 2016	03 Months	-	30,000	30,000	-	-	-	-
February 2, 2017	03 Months	-	30,000	-	30,000	29,869	3.38%	20.54%
Total as at March 31, 2017					<u>29,869</u>	<u>3.38%</u>	<u>20.54%</u>	
Carrying Value as at March 31, 2017					<u>29,875</u>			

NAFA INCOME FUND

4.4 Term Finance Certificates - available for sale (listed)

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

Name of Investee Company	Number of certificates / bonds				Market Value as at March 31, 2017	Investment as percentage of		
	As at July 01, 2016	Purchases during the period	Sales during the period	As at March 31, 2017		Net assets	Market value of total investments	Issue size
	Rupees in '000'							
Worldcall Telecom Limited (note 4.4.1)	14,000	-	-	14,000	-	-	-	1.75
Total as at March 31, 2017					-			
Carrying Value as at March 31, 2017					26,881			
Accumulated impairment					26,881			

4.4.1 This represents investment in listed term finance certificates of Worldcall Telecom Limited. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.4.2 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 Investee Company	Number of certificates / bonds				Market Value as at March 31, 2017	Investment as percentage of		
	As at July 01, 2016	Purchases during the period	Sales during the period	As at March 31, 2017		Net assets	Market value of total investments	Issue size
	Rupees in '000'							
Eden Housing Limited (note 4.5.1)	20,000	-	-	20,000	-	-	-	13.70
Carrying Value as at March 31, 2017					19,688			
Accumulated impairment					19,688			

4.5.1 This represents investment in privately placed sukuk bonds with a term of five years. On May 6, 2011, the issuer defaulted its scheduled principal and profit payment and therefore it was classified as 'Non Performing Asset' (NPA) by MUFAP. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.5.2 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 SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

NAFA INCOME FUND

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. The MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. The MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. The SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. The MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till June 30, 2015, has reversed on January 12, 2017; and
- the provision in respect of Sindh WWF should be made on a prudent basis on January 12, 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Accordingly, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The scheme has maintained provision against Sindh Workers' Welfare Fund's liability to the tune of Rs 1.864 million. If the same were not been made, the NAV per unit of the scheme would have been higher by Rs 0.0216.

		(Un-audited) March 31, 2017	(Audited) June 30, 2016
		----- Rupees in '000 -----	
6	CONTINGENCIES AND COMMITMENTS		
6.1	Contingencies		
	There are no contingencies as at March 31, 2017 and June 30, 2016.		
6.2	Commitments		
	Margin trading system transactions entered into by the Fund in respect of which the release transactions have not been settled	7,943	6,567

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 period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial information.

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.

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'.

NAFA INCOME FUND

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, 2017, the Fund is in non-compliance with the above-mentioned requirements in respect of the following:

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after	Percentage of net assets	Percentage of gross assets
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----- Rupees in '000 -----

Investment in Debt securities	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Worldcall Telecom Limited	26,881	26,881	-	-	-
	Saudi Pak Leasing Company Limited	41,321	41,321	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk	49,054	49,054	-	-	-
	Eden Housing - Sukuk II	19,688	19,688	-	-	-

- 8.1 SECP vide circular no. 16 of 2010 dated July 7, 2010 required that a scheme non-compliant with this requirement should comply with this requirement by December 31, 2010.
- 8.2 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 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net assets for the period) is 1.81% per annum including 0.52% representing government levies on collective investment scheme such as sales tax and Securities and Exchange Commission of Pakistan fee for the period.

10 TRANSACTIONS WITH CONNECTED PERSONS

- 10.1 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.
- 10.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 10.3 Remuneration and front - end load payable to the Management Company and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

NAFA INCOME FUND

	Nine month ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
-----Rupees in '000-----				
10.4 Transactions during the period				
NBP Fullerton Asset Management Limited - Management Company				
Management fee expense for the period	3,736	4,072	1,400	1,151
Sindh sales tax on remuneration of the Management Company	486	662	182	187
FED on remuneration of the Management Company	-	651	-	184
Allocated Expenses	560	217	215	156
MCB Financial Services Limited- Trustee				
Remuneration	560	459	215	157
Sindh Sales Tax Payable on remuneration	73	64	28	22
Naional Bank of Pakistan				
Purchase of Market Treasury Bills	30,000	-	30,000	-
NAFA Government Securities Liquid Fund				
Sale of Market Treasury Bills	30,000	-	-	-
NAFA Income Opportunity Fund				
Sale of Market Treasury Bills	-	45,738	-	-
Executives of Management Company				
Units Issued / transferred in (681 units; 2016:41,506 units)	7	405	-	-
Units redeemed / transferred out (681 units; 2016:43,431 units)	7	440	7	421
Sindh Insurance Limited (Unit holder of 10% or more of units of the CIS)				
Units Issued / transferred in (14,433,318 units; 2016:Nil units)	145,000	-	-	-
			31 March 2017	30 June 2016
			Unaudited	Audited
			----- (Rupees in '000) -----	
10.5 Balances outstanding as at period / year end				
NBP Fullerton Asset Management Limited - Management Company				
Management fee payable			485	375
Sindh sales tax payable on remuneration of the Management Company			63	61
Sindh sales tax payable on sales load of the Management Company			2	-
Federal Excise Duty payable on Management Remuneration			2,799	2,808
Operational expense			560	383
Front end load payable			29	5
National Bank of Pakistan - Sponsor				
Balance in current account			443	443
MCB Financial Services Limited- Trustee				
Remuneration payable			75	54
Sindh Sales Tax Payable on remuneration			10	8
Security deposit			100	100
NBP Employees Pension Fund				
Investment held in the Fund (55,607,983 units; June 30, 2016: 55,607,983)			568,886	541,494
Employees of Management Company				
Investment held in the Fund 6,338 units; (June 30, 2016: 6,338)			65	62
Net amount receivable / (payable) against transfer of units to				
NAFA Financial Sector Income Fund			-	3,665
Sindh Insurance Limited (Unit holder of 10% or more of units of the CIS)				
Investment held in the Fund 14,433,318 units; June 30, 2016: nil)			147,657	-

NAFA INCOME FUND

11 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 28, 2017 by the Board of Directors of the Management Company.

12 GENERAL

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

12.2 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

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