



**NBP FUNDS**

Managing Your Savings

Islamic Savings

Aitemaad اعتماد



اسلامک سیونگز

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

**ANNUAL  
REPORT  
2018**



## MISSION STATEMENT

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

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## FUND'S INFORMATION

### Management Company

**NBP Fund Management Limited - Management Company**

### Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Mr. Wajahat Rasul Khan	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Humayun Bashir	Member

### Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tariq Jamali	Member
Mr. Shehryar Faruque	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member

### Trustee

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

### Bankers to the Fund

Bank Islami Pakistan Limited  
Habib Bank Limited  
United Bank Limited  
Dubai Islamic Bank Limited  
Silk Bank Limited  
Al Baraka Bank Limited

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY 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: 021(111-111-632),  
(Toll Free): 0800-20002,  
Fax: (021) 35825329  
Website: [www.nbpffunds.com](http://www.nbpffunds.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  
Fax: 091-5703202

## **Multan Office:**

NBP City Branch, Hussain-a-Gahi, Multan.  
Phone No: 061-4502204  
Fax No: 061-4502203

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# Board of Directors



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Mudassir Husain Khan  
Chairman



Mr. Kamal Amir Chinoy  
Director



Mr. Humayun Bashir  
Director



Mr. Tariq Jamali  
Director



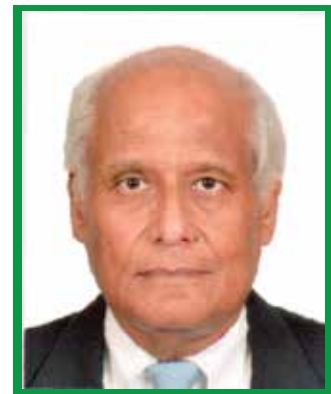
Mr. Shehryar Faruque  
Director



Dr. Foo Chiah Shiung (Kelvin Foo)  
Director



Mr. Abdul Hadi Palekar  
Director



Mr. Wajahat Rasul Khan  
Director



# Senior Management



Mr. Sajjad Anwar, CFA  
Chief Investment Officer



Dr. Amjad Waheed, CFA  
Chief Executive Officer



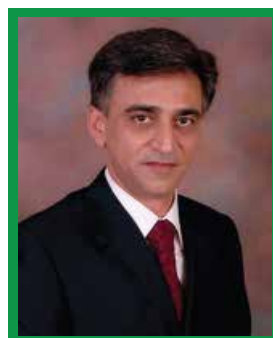
Mr. M. Murtaza Ali  
Chief Operating Officer  
& Company Secretary



Mr. Khalid Mehmood  
Chief Financial Officer



Mr. Samiuddin Ahmed  
Country Head Corporate  
Marketing



Mr. Ozair Khan  
Chief Technology Officer



Syed Rizwan Aziez  
Country Head Sales Strategy



Mr. Muhammad Ali, CFA, FRM  
Head of Fixed Income



Mr. Taha Khan Javed, CFA  
Head of Equity



Mr. Hassan Raza, CFA  
Head of Research



Syed Ali Azhar Hasani  
Head of Internal Audit



Mr. Salman Ahmed, CFA  
Head of Risk Management



Mr. Zaheer Iqbal - ACA, FPFA  
Head Of Operations



Mr. Raheel Rehman, ACA  
Head of Compliance



Mr. Shahbaz Umer  
Head of Human Resource &  
Administration

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## DIRECTORS' REPORT

This is the Third Annual Report for the period ended June 30, 2018, since launch of **NAFA Islamic Active Allocation Equity Fund (NIAAEF)** on January 18, 2016.

NAFA launched its second open-end Islamic Equity Fund namely NAFA Islamic Active Allocation Equity Fund (NIAAEF) in January, 2016. The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved shariah compliant equities.

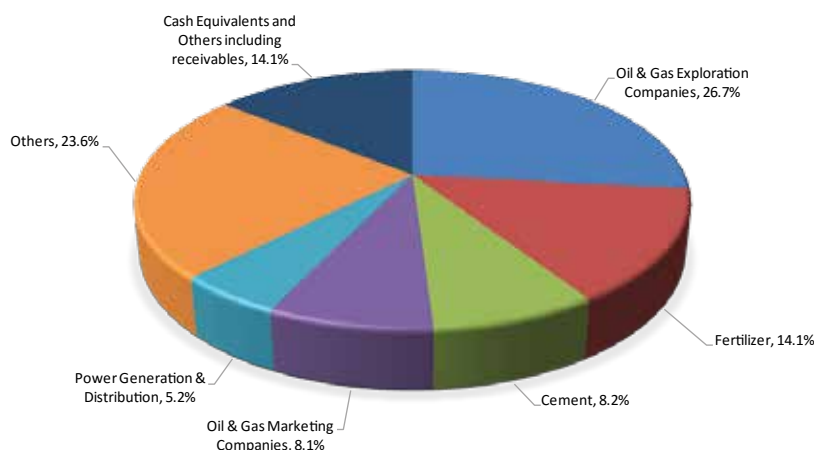
### Fund's Performance

The size of the NAFA Islamic Active Allocation Equity Fund has decreased from 4,758 million on June 30, 2017 to Rs. 1,887 million on June 30, 2018. During the year, the unit price of Islamic Active Allocation Equity Fund has decreased from Rs. 13.2304 (Ex-Div) on June 30, 2017 to Rs. 11.3425 on June 30, 2018. During the fiscal year, NAFA Islamic Active Allocation Equity Fund decreased by 14.14% as against the KMI-30 index decrease by 9.59%, underperforming the benchmark by 4.55% during the year. The Fund was overweight in key stocks in Cement, Textile Composite, Oil & Gas Marketing Companies, Pharmaceutical, and Engineering sectors that underperformed the market and underweight in key stocks in Oil & Gas Exploration Companies, Chemical, and Power Generation & Distribution Companies sectors that outperformed the market, which contributed to the underperformance. Since its inception on January 18, 2016, the return of NAFA Islamic Active Allocation Equity Fund was 32.67%, while the benchmark increased by 36.06%. Thus, the Fund underperformed by 3.39% during the period. The performance of the Fund is net of management fee and all other expenses.

FY2017-18 proved a challenging year for the stock market as the benchmark KMI-30 Index dropped by 9.6%. It was the first negative return for equity investors after eight years. A host of factors can be attributed to this lackluster performance of the stock market. Contrary to the market expectations, continued sell-off by the foreign investors in FY18 despite up-gradation of PSX into a widely followed MSCI Emerging Index from Frontier Market, shook investors' confidence. Adding to investors' angst was elevated uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments of Panama Leaks Case, who was later on barred from politics for lifetime. Sit-in by some religious parties in the federal capital and the uncertainty surrounding the elections also took its toll on the stock market. Much awaited Afghan Policy was unveiled by US President, Mr. Donald Trump, signaling tough stance of the US towards Pakistan also perturbed market participants. On the economic front, Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken that included a measured PKR devaluation, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a Foreign & Domestic Assets Declaration Schemes that fell below expectations.

In terms of sectoral performance, Oil & Gas Exploration, Fertilizer and Commercial Bank sectors out-performed the market during FY18, while Cement, Refinery, Engineering, and Automobile Parts & Accessories sectors lagged behind. Foreign investors remained net sellers with outflows of USD 289 million during the aforesaid period. Among local investors, Insurance and Companies remained major net buyers, taking fresh equity exposure worth USD 204 million and USD 100 million, respectively. Mutual Funds, on the other hand, remained net sellers, off-loading shares worth USD 35 million.

NAFA Islamic Active Allocation Equity Fund has incurred a total loss of Rs.529.952 million during the period. After deducting total expenses of Rs.103.542 million, the net loss is Rs.633.494 million. The asset allocation of the Fund as on June 30, 2018 is as follows:





# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## Income Distribution

Due to net loss for the year, no distribution has been made.

## Taxation

On account of net loss, no provision for taxation was made in the financial statements of the Fund.

## Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ended June 30, 2019.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 28 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2018, the Board included:

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed – Chief Executive Officer
Non-Executive Directors	1. Mr. Mudassir Husain Khan (Chairman) 2. Mr. Tariq Jamali 3. Mr. Abdul Hadi Palekar 4. Mr. Wajahat Rasul Khan 5. Dr. FOO Chiah Shiung (Kelvin Foo)

## 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 Fund Management Limited**

Chief Executive  
Date: September 05, 2018  
Place: Karachi.

Director

## ڈائریکٹرز رپورٹ

اپنے اجراء 18 جنوری 2016 سے اب تک یہ NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ (NIAAEF) کی تیسری سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء ہے۔

### فنڈ کی کارکردگی

جنوری 2016 میں NAFA نے اپنے دوسرے اوپن-اینڈ اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ بنام NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ (NIAAEF) کو متعارف کرایا۔ اس فنڈ کا مقصد منظور شدہ شریعہ کمپلائٹ ایکویٹی میں طویل مدت کے لیے پونٹ ہولڈرز کی سرمایہ کاری کو بڑھانا ہے۔

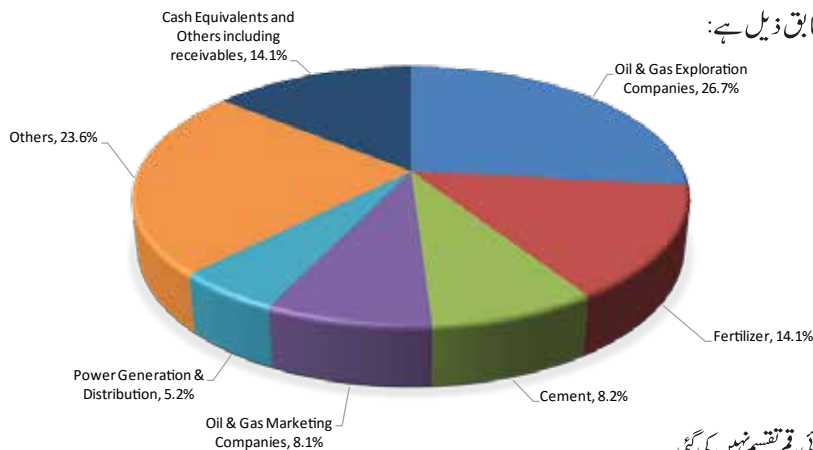
NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ (NIAAEF) کا سائز 30 جون 2017 کو 4,758 ملین روپے سے کم ہو کر 30 جون 2018 کو 1,887 ملین روپے ہو گیا ہے۔ اس سال کے دوران اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ کے پونٹ کی قیمت 30 جون 2017 کو 13.2304 روپے (Ex-Div) سے کم ہو کر 30 جون 2018 کو 11.3425 روپے ہو چکی ہے۔ مالی سال کے دوران NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ نے KMI-30 انڈیکس کے 9.59% کمی کے مقابلے میں 14.14% کی کمی درج کرائی، اس طرح فنڈ نے سال کے دوران بچ مارک کے مقابلے میں 4.55% کی خراب کارکردگی کا مظاہرہ کیا۔ سیمنٹ، ٹیکسٹائل کمپوزٹ، آئل اینڈ گیس مارکیٹنگ کمپنیز، فارماسیوٹیکل اور انجینئرنگ کے شعبہ میں بنیادی اسٹاک میں فنڈ ضرورت سے زیادہ بڑھ گئے۔ جس سے مارکیٹ کی کارکردگی کمزور رہی۔ جب کہ آئل اینڈ گیس ایکسپلوریشن کمپنیز، کیمیکل اور پاور جنریشن اینڈ ڈسٹری بیوٹن کمپنیز کے شعبہ میں فنڈ مارکیٹ میں بنیادی اسٹاکس ضرورت سے کم رہنے کے باعث کارکردگی مزید کمزور ہو گئی۔ اپنے قیام 18 جنوری 2016 سے اب تک NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ کا منافع 32.67% رہا، جبکہ بچ مارک بڑھ کر 36.06% ہو گیا، لہذا فنڈ نے اس مدت کے دوران 3.39% کی خراب کارکردگی دکھائی۔ یہ کارکردگی منچنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالی سال 2017-2018 اسٹاک مارکیٹ کیلئے چیلنج کا سال تھا کیونکہ KMI-30 انڈیکس 9.6% گر گیا۔ یہ آٹھ سال کے عرصے میں ایکویٹی سرمایہ کاروں کے منافع میں پہلی کمی تھی۔ اسٹاک مارکیٹ کی اس ناقص کارکردگی کا سبب کئی عوامل تھے۔ مارکیٹ کی توقعات کے برعکس، PSX کی فرنیچر مارکیٹ کے MSCI ایمریکن انڈیکس میں اپ گریڈنگ کے باوجود سرمایہ کاروں کے اعتماد کو دھچکا لگا اور مالی سال 18 میں غیر ملکی سرمایہ کاروں کی جانب سے فروخت کا سلسلہ جاری رہا۔ اس کے علاوہ سرمایہ کاروں کی تشویش میں ملکی سیاست کی بڑھتی ہوئی غیر یقینی کیفیت سے اور اضافہ ہوا جو پانامہ لیکس کیس میں منتخب وزیراعظم کو نااہل قرار دینے کے تاریخی فیصلے سے پیدا ہوئی اور بعد میں ان کے عمر بھر کیلئے سیاست میں حصہ لینے پر پابندی کا باعث بنی۔ بعض مذہبی جماعتوں کی طرف سے وفاقی دارالحکومت میں دھرنے اور الیکشن کے قریب غیر یقینی کی فضا سے اسٹاک مارکیٹ پر مزید اثر پڑا۔ امریکی صدر مسٹر ڈونلڈ ٹرمپ نے بڑا خرکانی عرصہ سے متوقع افغان پالیسی کا اعلان کر دیا جس میں امریکہ کی جانب سے پاکستان پر مزید پابندیاں لگانے کا اشارہ دیا گیا تھا جو مارکیٹ کے شرکاء کے لئے مزید پریشانی کا باعث بنا۔ اُدھر معاشی منظر نامہ میں، خام تیل کی بڑھتی ہوئی قیمتیں اور آئل اور ایل این جی کے ساتھ ساتھ صنعتی خام مال، ٹرانسپورٹ گاڑیوں اور مشینری کی بڑھتی ہوئی درآمدات کی بنا پر کرنٹ اکاؤنٹ کا خسارہ غیر روایتی سطح کی حد تک 18 بلین یو ایس ڈالر تک پہنچ گیا جو مارکیٹ میں تشویش کا بڑا سبب بنا۔ وسیع طلب کے دباؤ کو قابو کرنے کیلئے کئی اقدامات اٹھائے گئے جن میں پاکستانی روپے کی قدر میں کمی پر قابو، غیر ضروری درآمد شدہ اشیاء پر زیادہ اور وسیع حد تک ڈیوٹیز کا نفاذ اور شرح سود میں اضافہ شامل تھا۔ گرتے ہوئے غیر ملکی زرمبادلہ اور دستاویزی معیشت کو سہارا دینے کے لئے حکومت نے غیر ملکی اثاثہ جات ظاہر کرنے کی اسکیمیں متعارف کروائیں جو قابل توقع نتائج دے سکیں۔

مالی سال میں 18 شعبہ جاتی کارکردگی کے لحاظ سے مارکیٹ میں آئل اینڈ گیس ایکسپلوریشن، فرنیچر اور کمرشل بینک کے شعبہ جات کی کارکردگی بہت عمدہ رہی جب کہ سیمنٹ، ریفائنری، انجینئرنگ اور آٹوموبائل پارٹس اور ایسیریز کے شعبہ بہت پیچھے رہے۔ غیر ملکی سرمایہ کار خالصتاً فروخت کنندہ رہے اور مذکورہ مدت میں 289 ملین یو ایس ڈالر کا سرمایہ ملک سے باہر گیا۔ مقامی سرمایہ کاروں میں انشورنس اور کمپنیز بڑے خریدار رہے اور انہوں نے بالترتیب 204 ملین یو ایس ڈالر اور 100 ملین یو ایس ڈالر کے حصص حاصل کئے۔ دوسری طرف میوچل فنڈز خالص فروخت کنندہ رہے اور 35 ملین یو ایس ڈالر کے حصص فروخت ہوئے۔

NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ (NIAAEF) کو اس سال کے دوران 529.952 ملین روپے کا مجموعی نقصان ہوا۔ 103.542 ملین روپے کے اخراجات منہا کرنے کے بعد خالص نقصان 633.494 ملین روپے رہا۔

فنڈ کی ایسیٹ ایلوکیشن 30 جون 2018 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

مذکورہ مالی سال میں فنڈ میں خالص نقصان کے سبب کوئی رقم تقسیم نہیں کی گئی۔

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## ٹیکسیشن

خالص نقصان کے سبب فنڈ کے مالیاتی گوشوارے میں ٹیکس کا کوئی پروویژن نہیں رکھا گیا۔

## آڈیٹر

موجودہ آڈیٹر میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2019 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

## کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور پونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شریاتی تحجینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیوٹیز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 28 میں ظاہر کی گئی ہے۔
- 11- پونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CFO، CEO، کمپنی بکٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13- کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی مائٹرائی انٹرسٹ نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

کیٹیگری	نام
غیر جانبدار ڈائریکٹرز	1- جناب کمال عامر چنائے 2- جناب شہریار فاروق 3- جناب ہمایوں بشیر
ایگزیکٹو ڈائریکٹرز	ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)
نان ایگزیکٹو ڈائریکٹرز	1- جناب مدر حسین خان (چیئرمین) 2- جناب طارق جمالی 3- جناب عبدالہادی بالیکر 4- جناب وجاہت رسول خان 5- ڈاکٹر فوشیہ شیونٹ (کیلون نو)

## اعتراف

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

05 ستمبر 2018ء

مقام: کراچی

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Active Allocation Equity Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 12, 2018



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## FUND MANAGER REPORT

NAFA Islamic Active Allocation Equity Fund (NIAAEF) is an Open-Ended Equity Fund.

### Investment Objective of the Fund

The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of Shari'ah Compliant listed equities.

### Benchmark

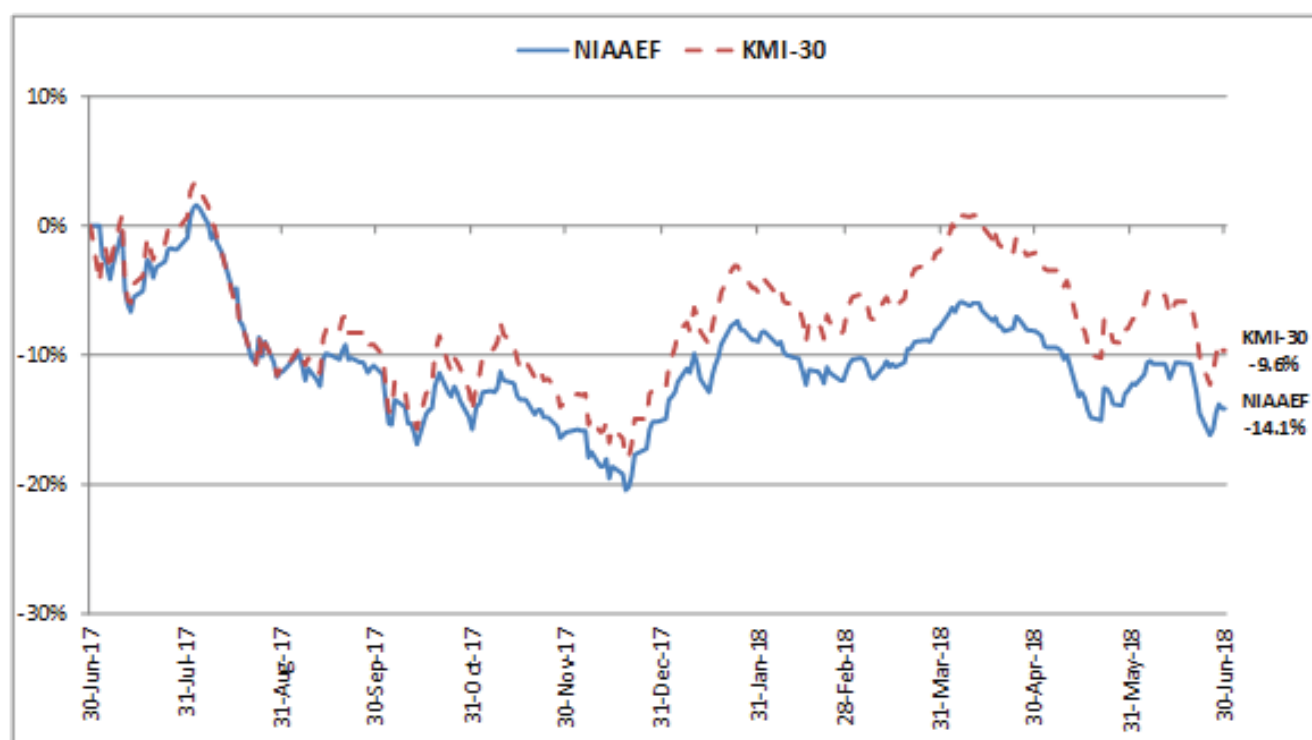
KMI-30 Index

### Fund Performance Review

This is the third annual report of the Fund. During the fiscal year, NAFA Islamic Active Allocation Equity Fund decreased by 14.14% as against the KMI-30 index which decreased by 9.59%. Thus, the Fund underperforming the benchmark by 4.55% during the year. Since its inception on January 18, 2016, the return of NAFA Islamic Active Allocation Equity Fund was 32.67%, while the benchmark increased by 36.06%. Thus, the Fund underperformed by 3.39% during the period. The performance of the Fund is net of management fee and all other expenses. The fund size of NAFA Islamic Active Allocation Equity Fund is Rs.1,887mn as of June 30, 2018.

NIAAEF underperformed during the year as Fund was overweight in key stocks in Cement, Textile Composite, Oil & Gas Marketing Companies, Pharmaceutical, and Engineering sectors that underperformed the market and underweight in key stocks in Oil & Gas Exploration Companies, Chemical, Oil & Gas Marketing Companies, and Power Generation & Distribution Companies sectors that outperformed the market, which contributed to the underperformance. The chart below shows the performance of NIAAEF against the Benchmark for the year.

NIAAEF Performance vs. Benchmark during FY18



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Since inception of the Fund, we altered the allocation of the Fund based on our view on the relative performance of different asset classes. At the end of the year, the allocation in equities was around 85.9%.

FY2017-18 turned out to be a challenging year for the stock market with first negative return since 2009, as the benchmark KMI-30 Index dropped by 9.6% on a yearly basis. This lackluster performance, in sharp contrast to FY2010-17 period, in which market surged at a CAGR of 28.4%, is attributable to a host of factors. The upgrade of Pakistan's market to a widely followed MSCI Emerging Index from Frontier Market status failed to live up to expectations and unabated sell-off by the foreign investors during the year shook investors' confidence. Amplified uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments surrounding Panama Leaks Case, who was later on barred from politics for lifetime also unnerved the investors. Sit-in by some religious parties in the federal capital and uncertainty surrounding the elections also took its toll on the stock market. Market participants were also perturbed by the US Policy toward Afghanistan, signaling challenges for Pakistan.

On the economic front, twin deficits remained a challenge for the government. Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken of late that included exchange rate adjustment, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a much awaited Foreign & Domestic Assets Declaration Schemes that however, failed to live up to the expectations.

## Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-18	30-Jun-17
Equities / Stocks	85.9%	90.6%
Cash Equivalents	12.4%	10.8%
Other Net Liabilities	1.7%	-1.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## Distribution for the Financial Year 2018

Due to net loss for the year, no distribution has been made.

## Unit Holding Pattern of NAFA Islamic Active Allocation Equity as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1000001-5000000	1
5000001-10000000	2
10000000-100000000	7
	10

## During the period under question

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 29.057 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.1746 / 1.32%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2018.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

**NAFA Islamic Active Allocation Equity Fund** (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 05, 2018  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## Report of the Shari'ah Supervisory Board

September 04, 2018/ Dhu Al-Hijjah 23, 1439

**Alhamdulillah**, the period from July 1, 2017 to June 30, 2018 was the third year of operations of NAFA Islamic Active Allocation Equity Fund (NIAAEF). This report is being issued in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance in line with the Shari'ah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i) We have reviewed and approved the modes of equity investments of NIAAEF in light of Shari'ah requirements. Following is a list of top investments of NIAAEF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii) Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.06%	20.86%	3.79%	43%	39.29	205.91
Engro Corporation	Fertilizer	29.53%	21.57%	3.03%	65%	(75.29)	
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	25.46%	4.60%	39%	63.81	162.79
Engro Fertilizer	Fertilizer	29.63%	7.32%	0.12%	77%	(32.84)	
Pakistan Oil Fields	Oil & Gas Exploration Companies	0.00%	0.01%	2.00%	72%	(40.74)	
Mari Petroleum	Oil & Gas Exploration Companies	6.30%	13.35%	0.63%	42%	(440.91)	
The Hub Power Co.	Power Generation & Distribution	29.62%	0%	0.10%	35%	(24.16)	165.35
Nishat Mills	Textile	21.03%	15.89%	2.30%	69%	(0.42)	
Pakistan State Oil*	Oil & Gas Marketing Companies	20.44%	0.57%	0.33%	19%	119.42	293.11
Lucky Cement Ltd	Cement	10.50%	0.00%	3.23%	68%	(6.74)	

\*PSO scrip has been considered compliant due to circular debt issue

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

- ii) On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIAAEF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii) There are investments made by NIAAEF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIAAEF for the year ended June 30, 2018 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 2,169,865 /- was created and an amount of Rupees 2,290,329/- was available for disbursement into charity as of June 30, 2018, which is inclusive of Rupees 985,616/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2018 will be adjusted after the availability of the respective annual financial statements.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

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For and On Behalf of Meezan Bank Limited  
Shari'ah Technical Services and Support Provider

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**Mufti Muhammad Naveed Alam**  
Member  
Shariah Supervisory Board

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**Mufti Ehsan Waqar**  
Shariah Advisor & Member  
Shariah Supervisory Board

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**Dr. Imran Ashraf Usmani**  
Chairman  
Shariah Supervisory Board



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS *Report on the Audit of the Financial Statements*

### Opinion

We have audited the financial statements of NAFA Islamic Active Allocation Equity Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<p><b>Amendments to NBFC Regulations, 2008</b></p> <p>(Refer note 3.11 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan (the SECP) through its notification [SRO 756(I) / 2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.11.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>▪ understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</li><li>▪ verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.</li><li>▪ verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</li></ul>

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

S. No.	Key Audit Matters	How the matter was addressed in our audit
	The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.	
2	<p><b>Net Asset Value</b></p> <p>(Refer notes 4 and 5 to the annexed financial statements)</p> <p>The investments and bank balances constitute the most significant component of the net asset value (NAV). The investments of the Fund as at June 30, 2018 amounted to Rs 1,621.41 million and bank balances aggregated to Rs 233.23 million.</p> <p>The proper valuation of investments and bank balances for the determination of NAV of the Fund as at June 30, 2018 was considered a significant area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▪ tested the design and operating effectiveness of the key controls for valuation of investments.</li> <li>▪ obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed.</li> <li>▪ re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li> <li>▪ obtained approval of Board of Directors of the management company in relation to closing of bank accounts.</li> <li>▪ obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A.F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Date: September 26, 2018

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	2018 -----Rupees in '000-----	2017 -----Rupees in '000-----
<b>Assets</b>			
Bank balances	4	233,226	407,765
Investments	5	1,621,412	4,310,778
Receivable against sale of investments		67,368	-
Dividend and profit receivable	6	4,710	15,206
Receivable against sale of units		-	92,805
Deposits and other receivable	7	11,609	11,699
Preliminary expenses and floatation costs	8	510	710
<b>Total assets</b>		<b>1,938,835</b>	<b>4,838,963</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	10	13,235	23,745
Payable to the Central Depository Company of Pakistan Limited - Trustee	11	324	543
Payable to the Securities and Exchange Commission of Pakistan	12	2,975	3,390
Payable against purchase of investments		-	19,878
Accrued expenses and other liabilities	13	35,100	33,306
<b>Total liabilities</b>		<b>51,634</b>	<b>80,862</b>
<b>NET ASSETS</b>		<b>1,887,201</b>	<b>4,758,101</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,887,201</b>	<b>4,758,101</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		
<b>-----Number of units-----</b>			
<b>NUMBER OF UNITS IN ISSUE</b>	9	<b>166,383,050</b>	<b>354,586,208</b>
<b>-----Rupees-----</b>			
<b>NET ASSET VALUE PER UNIT</b>		<b>11.3425</b>	<b>13.4187</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		-----Rupees in '000-----	
<b>Income</b>			
Profit on bank deposits		20,760	21,178
Dividend income		131,161	142,747
(Loss) / gain on sale of investments - net		(547,685)	139,888
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2	(134,188)	491,006
		(681,873)	630,894
<b>Total (loss) / income</b>		(529,952)	794,819
<b>Expenses</b>			
Remuneration of NBP Fund Management Limited - Management Company	10.1	62,626	71,368
Sindh Sales Tax on remuneration of the Management Company	10.2	8,142	9,278
Accounting and operational expenses	10.4	3,131	3,568
Selling and marketing expenses	10.5	12,525	6,137
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	4,131	4,568
Sindh Sales Tax on remuneration of the Trustee	11.2	537	594
Annual fees to the Securities and Exchange Commission of Pakistan	12.1	2,975	3,390
Auditors' remuneration	15	238	406
Amortisation of preliminary expenses and floatation costs	8	200	200
Shariah advisor fee		490	417
Securities transaction cost		7,755	3,464
Settlement and bank charges		564	446
Legal and professional charges		49	130
Mutual fund rating fee		179	90
<b>Total operating expenses</b>		103,542	104,056
<b>Net (loss) / income from operating activities</b>		(633,494)	690,763
Element of income and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	3.11	-	512,392
Provision against Sindh Workers' Welfare Fund	13.1	-	(29,057)
<b>Net (loss) / profit for the year before taxation</b>		(633,494)	1,174,098
Taxation	17	-	-
<b>Net (loss) / profit for the year after taxation</b>		(633,494)	1,174,098
<b>(Loss) / earnings per unit</b>	18		
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	-----Rupees in '000-----	
<b>Net (loss) / profit for the year after taxation</b>	(633,494)	1,174,098
Other comprehensive income / (loss) for the year	-	-
<b>Total comprehensive (loss) / income for the year</b>	<u>(633,494)</u>	<u>1,174,098</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	2018				2017			
	Rupees in '000							
	Capital Value	Undistributed income / (loss)	Unrealised appreciation / (diminution) on 'available for sale' investments	Total	Capital Value	Undistributed income / (loss)	Unrealised appreciation / (diminution) on 'available for sale' investments	Total
Net assets at beginning of the year	3,849,854	908,247	-	4,758,101	1,401,599	233,925	-	1,635,524
Issue of 177,630,920 units (2017: 305,280,322 units)								
- Capital value (at net asset value per unit at the beginning of the year)	2,351,484	-	-	2,351,484				
- Element of (loss) / income	(272,132)	-	-	(272,132)				
Total proceeds on issuance of units	2,079,352	-	-	2,079,352	3,479,250	824,504	-	4,303,754
Redemption of 365,834,078 units (2017: 90,854,091 units)								
- Capital value (at net asset value per unit at the beginning of the year)	(4,857,265)	-	-	(4,857,265)				
- Element of income	591,498	-	-	591,498				
Total payments on redemption of units	(4,265,767)	-	-	(4,265,767)	(1,030,995)	(312,112)	-	(1,343,107)
Element of (income) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	-	-	-	-	(512,392)	-	(512,392)
Total comprehensive (loss) / income for the year	-	(633,494)	-	(633,494)	-	1,174,098	-	1,174,098
Distribution during the year		(50,991)	-	(50,991)		(499,776)	-	(499,776)
Net (loss) / income for the year less distribution	-	(684,485)	-	(684,485)	-	674,322	-	674,322
<b>Net assets at end of the year</b>	<b>1,663,439</b>	<b>223,762</b>	<b>-</b>	<b>1,887,201</b>	<b>3,849,854</b>	<b>908,247</b>	<b>-</b>	<b>4,758,101</b>
Undistributed income / (loss) brought forward								
- Realised		417,241				132,271		
- Unrealised		491,006				101,654		
		908,247				233,925		
Accounting (loss) / income available for distribution								
- Relating to capital gains		-						
- Excluding capital gains		-						
		-						
Net (loss) / profit for the year after taxation		(633,494)				1,174,098		
Distribution during the year								
- Nil per unit for the period ended June 30, 2018 (June 30, 2017: 0.3212)		-				-		
- Re. 0.1883 per unit on September 15, 2017 (September 23, 2016: 0.3212)		(50,991)				(499,776)		
Undistributed (loss) / income carried forward		223,762				908,247		
Undistributed (loss) / income carried forward								
- Realised income		357,950				417,241		
- Unrealised (loss) / income		(134,188)				491,006		
		223,762				908,247		
			(Rupees)				(Rupees)	
Net assets value per unit at beginning of the year			13.4187				11.6690	
Net assets value per unit at end of the year			11.3425				13.4187	

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 -----Rupees in '000-----	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) / profit for the year before taxation		(633,494)	1,174,098
<b>Adjustments for:</b>			
Profit on bank deposits		(20,760)	(21,178)
Provision against Sindh Workers' Welfare Fund		-	29,057
Amortisation of preliminary expenses and floatation costs	8	200	200
Dividend income		(131,161)	(142,747)
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		134,188	(491,006)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		-	(512,392)
		(17,533)	(1,138,066)
<b>(Increase) / decrease in assets</b>			
Investments		2,555,178	(2,373,955)
Receivable against sale of investments		(67,368)	-
Deposits and other receivables		90	(7,601)
		2,487,900	(2,381,556)
<b>Increase / (decrease) in liabilities</b>			
Payable to NBP Fund Management Limited - Management Company		(10,510)	15,717
Payable to the Central Depository Company of Pakistan Limited - Trustee		(219)	321
Payable to the Securities and Exchange Commission of Pakistan		(415)	2,968
Payable against purchase of investments		(19,878)	(404,519)
Accrued expenses and other liabilities		1,794	3,464
		(29,228)	(382,049)
Dividend received		1,807,645	(2,727,573)
Profit received on bank deposit		141,126	131,323
		21,291	19,789
<b>Net cash generated from / (used in) operating activities</b>		1,970,062	(2,576,461)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net Receipts from issuance of units		2,172,157	4,620,949
Net Payments against redemption of units		(4,265,767)	(1,343,107)
Dividend paid		(50,991)	(499,776)
<b>Net cash generated (used in) / from financing activities</b>		(2,144,601)	2,778,066
<b>Net (decrease) / increase in cash and cash equivalents</b>		(174,539)	201,605
Cash and cash equivalents at the beginning of the year		407,765	206,160
<b>Cash and cash equivalents at the end of the year</b>	4	233,226	407,765

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Active Allocation Equity Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on November 3, 2017 between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block 4, Scheme No.5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open ended "Shariah Compliant Equity Scheme" by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs 10 per unit. Thereafter, the units are being offered for public subscription on a continuous basis from January 18, 2016 and are transferable and redeemable by surrendering them to the Fund.

The objective of the Fund is to provide higher risk adjusted returns to investors by investing in diversified portfolio of equity instruments. The investment objectives and policies are explained in the Fund's offering document.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 as at June 30, 2018 (2017: AM1) to the Management Company and performance ranking "4 Star" to the Fund was assigned on May 24, 2018.

The title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

## 2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

Standard	Effective date (accounting periods beginning on or after)
- IFRS 9 - Financial Instruments	01 July 2018
- IFRS 15 - Revenue from Contracts with Customers	01 July 2018
- IFRS 16 - Leases	01 January 2019

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

## 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting standards and reporting as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and provision for taxation (notes 3.14 and 17).

## 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

## 2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistan Rupee, which is the Fund's functional and presentation currency.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in note 3.11 below.

### 3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 3.3 Financial assets

### 3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

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

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

#### b) Loans and receivables

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

#### c) Available-for-sale

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

### 3.3.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

### 3.3.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

### 3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

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

##### Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.

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

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

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## **b) Loans and receivables**

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

### **3.3.5 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

#### **a) Available-for-sale financial assets**

##### **Impairment loss on equity securities (if any)**

In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If the evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to the Income Statement. Impairment losses recognised in the Income Statement on equity securities are not reversed through the Income Statement.

#### **b) Loans and receivables**

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

### **3.3.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

### **3.4 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

### **3.5 Offsetting of financial assets and financial liabilities**

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

### **3.6 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 3.7 Provisions

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

## 3.8 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

## 3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption application during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

## 3.10 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the profit of the Fund would have been higher by Rs 319.366 million net off charge for SWWF in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

## 3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Profit on bank balances is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.

## 3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

## 3.14 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 as cash dividend to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of part IV of the Second Schedule to the Income Tax Ordinance, 2001.

## 3.15 (Loss) / earnings per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

## 3.16 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	Note	2018	2017
		Rupees in '000	

## 4 BANK BALANCES

Balances with banks in:

Savings accounts

4.1	233,226	407,765
-----	---------	---------

**4.1** This includes balance of Rs 232.632 million (2017: Rs 407.205 million) maintained with BankIslami Pakistan Limited (a related party) that carries profit at 5.60% to 6.5% per annum (2017: 5.60%). Other profit and loss sharing accounts of the Fund carry profit rates ranging from 2.75% to 6.50% per annum (2017: 5.45% to 6.10% per annum).

	Note	2018	2017
		Rupees in '000	

## 5 INVESTMENTS

**At fair value through profit or loss - held for trading**

Quoted equity securities

5.1	1,621,412	4,310,778
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### 5.1 Investments in equity securities - listed

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each unless stated other wise.

Name of the Investee Company	As at July 01, 2017	Acquired during the year	Bonus / Right shares during the year	Sold during the year	As at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the Investee Company
----- Number of shares held -----						----- Rupees in '000 -----	----- Percentage -----		
<b>AUTOMOBILE ASSEMBLER</b>									
Honda Atlas Cars (Pakistan) Limited	115,300	-	-	115,300	-	-	-	-	-
Indus Motor Company Limited***	76,630	-	-	73,340	3,290	4,677	0.29	0.25	-
Millat Tractors Limited	96,100	-	-	78,700	17,400	20,672	1.27	1.10	0.04
Pak Suzuki Motor Company Limited	33,300	-	-	33,300	-	-	-	-	-
Sazgar Engineering Works Limited	9,000	-	-	9,000	-	-	-	-	-
						25,349	1.56	1.35	
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Agriauto Industries Limited*	3,600	-	-	-	3,600	1,062	0.07	0.06	0.01
Atlas Battery Limited**	5,300	-	-	5,300	-	-	-	-	-
Thal Limited*	41,100	-	-	34,050	7,050	3,367	0.21	0.18	0.01
						4,429	0.28	0.24	
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	1,179,250	1,327,000	-	2,506,250	-	-	-	-	-
						-	-	-	
<b>CEMENT</b>									
Attock Cement Pakistan Limited	470,200	16,300	-	209,400	277,100	37,264	2.30	1.97	0.24
Cherat Cement Company Limited**	608,900	164,500	-	484,300	289,100	28,109	1.73	1.49	0.16
D. G. Khan Cement Co. Limited	670,900	1,260,400	-	1,684,800	246,500	28,222	1.74	1.50	0.06
Fauji Cement Company Limited	1,673,900	1,456,000	-	3,129,900	-	-	-	-	-
Kohat Cement Co. Limited	250,800	80,900	-	224,800	106,900	13,156	0.81	0.70	0.07
Lucky Cement Limited	274,350	140,300	-	337,050	77,600	39,415	2.43	2.09	0.02
Maple Leaf Cement Factory Limited	356,000	442,000	28,250	760,000	66,250	3,362	0.21	0.18	0.01
Pioneer Cement Limited	696,800	-	-	595,800	101,000	4,733	0.29	0.25	0.04
						154,261	9.51	8.18	
<b>CHEMICAL</b>									
Akzo Nobel Pakistan Limited	28,100	-	-	28,100	-	-	-	-	-
Engro Polymer & Chemicals Limited	1,700,000	1,611,000	537,916	2,802,500	1,046,416	20,691	1.28	1.10	0.16
Lotte Chemical Pakistan Limited	-	4,337,000	-	1,849,000	2,488,000	29,756	1.84	1.58	0.16
						50,447	3.12	2.68	
<b>COMMERCIAL BANKS</b>									
Meezan Bank Limited	215,900	351,000	12,954	119,000	460,854	37,661	2.32	2.00	0.04
						37,661	2.32	2.00	

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Name of the Investee Company	As at July 01, 2017	Acquired during the year	Bonus / Right shares during the year	Sold during the year	As at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the Investee Company
----- Number of shares held -----					----- Shares in '000 -----		----- Percentage -----		
<b>ENGINEERING</b>									
Amreli Steels Limited	727,000	189,600	-	864,300	52,300	3,690	0.23	0.20	0.02
Crescent Steel & Allied Products Limited	116,000	-	-	116,000	-	-	-	-	-
International Industries Limited**	121,200	-	-	84,300	36,900	8,572	0.53	0.45	0.03
International Steels Limited**	381,500	901,500	-	927,500	355,500	36,154	2.23	1.92	0.08
Ittefaq Iron Industries Limited	1,500,000	-	-	1,308,000	192,000	2,684	0.17	0.14	0.15
Mughal Iron And Steel Industries Limited	745,900	-	-	658,500	87,400	5,368	0.33	0.28	0.03
						56,468	3.49	2.99	
<b>FERTILIZER</b>									
Dawood Hercules Corporation Limited	323,600	-	-	256,800	66,800	7,400	0.46	0.39	0.01
Engro Fertilizers Limited	1,575,000	2,437,500	-	2,464,000	1,548,500	115,998	7.15	6.15	0.12
Engro Corporation Limited	722,100	672,700	-	939,200	455,600	142,995	8.82	7.58	0.09
Fatima Fertilizer Company Limited	1,318,000	66,500	-	1,372,000	12,500	405	0.02	0.02	0.00
						266,798	16.45	14.14	
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>									
Al Shaheer Corporation Limited [note 5.1.2]	1,028,305	319,500	-	908,500	439,305	11,971	0.74	0.63	0.31
						11,971	0.74	0.63	
<b>GLASS &amp; CERAMICS</b>									
Shabbir Tiles & Ceramics Limited*	2,450,500	-	-	2,363,500	87,000	1,832	0.11	0.10	0.03
Tariq Glass Industries Limited	655,500	52,000	-	384,500	323,000	34,613	2.13	1.83	0.44
						36,445	2.24	1.93	
<b>OIL AND GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	157,170	11,920	-	101,340	67,750	102,044	6.29	5.41	0.06
Oil & Gas Development Co. Limited **	915,600	1,118,000	-	1,135,700	897,900	139,731	8.62	7.40	0.02
Pakistan Oilfields Limited	316,300	264,150	-	427,600	152,850	102,683	6.33	5.44	0.06
Pakistan Petroleum Limited	1,163,000	901,500	-	1,318,700	745,800	160,272	9.88	8.49	0.04
						504,730	31.12	26.74	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Attock Petroleum Limited	68,800	-	-	31,200	37,600	22,184	1.37	1.18	0.05
Hascol Petroleum Limited	-	198,900	-	136,000	62,900	19,736	1.22	1.05	0.04
Pakistan State Oil Co. Limited [note 5.1.2]	362,500	396,300	45,840	628,700	175,940	56,003	3.45	2.97	0.05
Shell Pakistan Limited	174,500	12,150	-	133,600	53,050	16,769	1.03	0.89	0.05
Sui Northern Gas Pipelines Limited	568,000	1,648,500	-	1,828,500	388,000	38,885	2.40	2.06	0.06
						153,577	9.47	8.15	
<b>PAPER &amp; BOARD</b>									
Cherat Packaging Limited**	5,000	41,000	6,210	-	52,210	7,502	0.46	0.40	0.36
						7,502	0.46	0.40	
<b>PHARMACEUTICALS</b>									
Abbott Laboratories (Pakistan) Limited	24,600	19,650	-	32,950	11,300	7,741	0.48	0.41	0.01
AGP Limited	-	310,875	-	207,000	103,875	9,223	0.57	0.49	0.04
Ferozsons Laboratories Limited	37,850	-	-	11,200	26,650	5,190	0.32	0.28	0.09
Glaxosmithkline Pakistan Limited	218,300	-	-	186,900	31,400	5,212	0.32	0.28	0.01
Glaxosmithkline Consumer Healthcare Pakistan Limited	16,500	-	-	2,300	14,200	5,752	0.35	0.30	0.01
The Searle Company Limited [note 5.1.2]	74,190	105,500	5,228	158,950	25,968	8,816	0.54	0.47	0.01
						41,934	2.58	2.23	
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Co. Limited	1,168,100	1,572,300	-	1,829,400	911,000	83,958	5.18	4.45	0.08
Kot Addu Power Co. Limited	989,600	115,000	-	1,023,000	81,600	4,399	0.27	0.23	0.01
K-Electric Limited*	5,733,500	18,506,000	-	22,408,500	1,831,000	10,400	0.64	0.55	0.01
						98,757	6.09	5.23	
<b>REFINERY</b>									
Attock Refinery Limited	84,500	238,500	-	323,000	-	-	-	-	-
National Refinery Limited	15,500	-	-	15,500	-	-	-	-	-
						-	-	-	-
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Netsol Technologies Limited	713,500	137,000	-	574,000	276,500	33,476	2.06	1.77	0.31
Systems Limited	272,500	109,000	-	134,500	247,000	25,001	1.54	1.32	0.22
						58,477	3.60	3.09	
<b>TEXTILE COMPOSITE</b>									
Kohinoor Textile Mills Limited [note 5.1.2]	1,254,863	23,900	76,694	842,800	512,657	28,191	1.74	1.49	0.17
Nishat Mills Limited	973,000	1,249,600	-	1,772,300	450,300	63,456	3.91	3.36	0.13
						91,647	5.65	4.85	



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Name of the Investee Company	As at July 01, 2017	Acquired during the year	Bonus / Right shares during the year	Sold during the year	As at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the Investee Company
----- Number of shares held -----						Rupees in '000		Percentage	
<b>TRANSPORT</b>									
Pakistan National Shipping Corporation	25,500	-	-	24,000	1,500	123	0.01	0.01	0.00
						123	0.01	0.01	
<b>MISCELLANEOUS</b>									
Synthetic Products Limited [note 5.1.2]	919,750	7,000	-	519,000	407,750	20,836	1.29	1.10	0.48
						20,836	1.29	1.10	
<b>Total</b>						<b>1,621,412</b>	<b>100.00</b>	<b>85.94</b>	
<b>Carrying value as June 30, 2018</b>						<b>1,755,600</b>			
<b>Market value as at June 30, 2017</b>						<b>4,310,778</b>			
<b>Carrying value as June 30, 2017</b>						<b>3,819,772</b>			

\* All shares have a nominal face value of Rs 10 each except for shares of Thal Limited, Agriauto Industries Limited, Shabbir Tiles & Ceramics Limited which have a face value of Rs 5 each and K-Electric Limited which have a face value of Rs 3.5 each.

\*\* These represent transactions with related parties.

\*\*\* Nil value due to rounding off difference.

- 5.1.1** Investments include shares with market value of Rs 143.527 million (2017: Rs 147.209 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.
- 5.1.2** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I of the Second Schedule to the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

As at June 30, 2018, the following bonus shares of the Fund have been withheld by the investee companies at the time of declaration of bonus shares. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Name of the Company	2018		2017	
	Bonus Shares			
	Number of shares withheld	Market value as at June 30, 2018	Number of shares withheld	Market value as at June 30, 2017
	Rupees in '000		Rupees in '000	
Al Shaheer Corporation Limited	9,289	21	9,289	373
Kohinoor Textile Mills Limited	522	438	522	55
Pakistan State Oil Company Limited	2,292	730	-	-
The Searle Company Limited	1,177	400	769	394
Synthetic Products Limited	4,163	213	4,163	314
		1,802		1,136

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	Note	2018 Rupees in '000	2017
<b>5.2 Unrealised (diminution) / appreciation on re-measurement of investments classified as Financial assets at fair value through profit or loss</b>			
Market value of investments	5.1	1,621,412	4,310,778
Carrying value of investments	5.1	(1,755,600)	(3,819,772)
		<u>(134,188)</u>	<u>491,006</u>

## 6 DIVIDEND AND PROFIT RECEIVABLE

Profit accrued on bank balances		1,515	2,046
Dividend Receivable		<u>3,195</u>	<u>13,160</u>
		<u>4,710</u>	<u>15,206</u>

**6.1** This includes amount of Rs. 1.509 million (2017: Rs. 2.045 Million) as profit receivable from BankIslami Pakistan Limited (a related party).

	Note	2018 Rupees in '000	2017
<b>7 DEPOSITS AND OTHER RECEIVABLE</b>			
Security deposit with Central Depository Company of Pakistan Limited		100	100
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Tax withheld on dividend	7.1	9,009	9,009
Prepaid mutual fund rating fee		-	90
		<u>11,609</u>	<u>11,699</u>

**7.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2017, withholding tax on dividend paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends amounts to Rs 9.009 million.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends has been shown as other receivables as at June 30, 2018 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	2018 Rupees in '000	2017
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
At the beginning of the year	8.1	710	910
Less: amortisation during the year		<u>(200)</u>	<u>(200)</u>
At the end of the year		<u>510</u>	<u>710</u>

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

- 8.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.

<b>9</b>	<b>NUMBER OF UNITS IN ISSUE</b>	<b>2018</b>	<b>2017</b>
		<b>Number of Units</b>	
	Total units in issue at the beginning of the year	354,586,208	140,159,977
	Units issued during the year	177,630,920	305,280,322
	Less: units redeemed during the year	365,834,078	90,854,091
	Total units in issue at the end of the year	<u>166,383,050</u>	<u>354,586,208</u>

<b>10</b>	<b>PAYABLE TO NBP FUND MANAGEMENT LIMITED MANAGEMENT COMPANY</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
			<b>Rupees in '000</b>	
	Management fee payable	10.1	4,102	7,961
	Sindh Sales Tax payable on remuneration of the Management Company	10.2	533	1,035
	Federal Excise Duty payable on remuneration of the Management Company	10.3	1,420	1,420
	Accounting and operational charges	10.4	1,436	3,568
	Selling and marketing expenses	10.5	5,744	6,137
	Preliminary expenses and floatation costs payable		-	1,000
	Other payable		-	2,624
			<u>13,235</u>	<u>23,745</u>

- 10.1** As per the amendments made in the NBFC Regulations, 2008 vide SRO 1160(1)/2015 dated 25 November 2015, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of equity schemes. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2017: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2018. The remuneration is payable to the Management Company monthly in arrears.

- 10.2** During the year, an amount of Rs. 8.142 million (2017: Rs 9.278 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 8.644 million (2017: Rs. 8.612 million) has been paid to the Management Company which acts as a collecting agent.

- 10.3** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

During the year ended 30 June 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 1.42 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.0085 (2017: Re 0.004) per unit.

**10.4** In accordance with Regulation 60 of the NBFC Regulations, the Management Company has charged expenses at the rate of 0.1% of the average net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.

**10.5** The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expenses shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, the Management Company has charged selling and marketing expenses amounting to Rs. 12.525 million at the rate of 0.4% of the net assets of the Fund being lower than actual expenses chargeable to Fund for the year.

	Note	2018	2017
		Rupees in '000	
<b>11 PAYABLE TO CENTRAL DEPOSITORY COMPANY LIMITED - TRUSTEE</b>			
Trustee fee payable	11.1	287	480
Sindh Sales Tax payable on trustee fee	11.2	37	63
		<u>324</u>	<u>543</u>

**11.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1,000 million Rs 0.7 million or 0.20% p.a. of Net Assets, whichever is higher
- on an amount exceeding Rs 1,000 million Rs 2.0 million plus 0.10% p.a. of Net Assets, on amount exceeding Rs 1,000 million

**11.2** During the year, an amount of Rs. 0.537 million (2017: Rs. 0.594 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.563 million (2017: Rs. 0.558 million) was paid to the Trustee which acts as a collecting agent.

	Note	2018	2017
		Rupees in '000	
<b>12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable	12.1	<u>2,975</u>	<u>3,390</u>

**12.1** In accordance with the NBFC Regulations, 2008, a collective investment scheme classified as an equity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

	Note	2018	2017
		Rupees in '000	
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		205	229
Brokerage payable		1,114	877
Settlement charges		26	71
Charity payable		3,943	2,423
Legal and professional charges payable		86	61
Mutual fund rating fee		89	-
Shariah advisor fee payable		494	423
Withholding tax payable		30	98
Provision against Sindh Workers' Welfare Fund	13.1	29,057	29,057
Bank charges		56	67
		<u>35,100</u>	<u>33,306</u>

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

- 13.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.1746 (2017: Re 0.0819) per unit.

## 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

	Note	2018	2017
		Rupees in '000	
<b>15 AUDITORS' REMUNERATION</b>			
Annual audit fee and other certification		160	162
Fee for the review of half yearly financial statements		53	65
Out of pocket expenses		25	179
		<u>238</u>	<u>406</u>

## 16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 3.31% (2017: 3.72%) which includes 0.37% (2017: 1.18%) representing government levies on the Fund such as sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as "Shariah Compliant Equity Scheme".

## 17 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year.

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.

## 18 LOSS / EARNINGS PER UNIT

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

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 19.1** Connected persons include NBP Fund Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) Limited being the sponsors, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 19.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 19.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 19.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 19.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

	2018	2017
	----- Rupees in '000 -----	
<b>NBP Fund Management Limited - Management Company</b>		
Remuneration for the year	62,626	71,368
Sindh Sales Tax on remuneration of the Management Company	8,142	9,278
Accounting and operational charges	3,131	3,568
Selling and marketing charges	12,525	6,137
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the Trustee	4,131	4,568
Sindh Sales Tax on remuneration of the Trustee	537	594
<b>NAFA Islamic Active Allocation Fund I (Plan I)</b>		
Units issued - 22,149,388 (2017: 13,117,177)	256,978	183,601
Units redeemed - 54,035,498 (2017: 24,118,984)	621,582	352,155
Cash distribution	6,762	79,676
<b>NAFA Islamic Active Allocation Fund I (Plan II)</b>		
Units issued - 9,191,741 (2017: 12,511,754)	104,477	175,637
Units redeemed - 39,301,064 (2017: 12,095,656)	454,985	177,119
Cash distribution	6,216	73,444
<b>NAFA Islamic Active Allocation Fund I (Plan III)</b>		
Units issued - 9,224,498 (2017: 66,511,099)	107,467	855,524
Units redeemed - 70,085,344 (2017: 33,351,220)	822,853	501,887
Cash distribution	8,831	112,730
<b>NAFA Islamic Active Allocation Fund I (Plan IV)</b>		
Units issued - 5,930,685 (2017: 69,630,019)	69,289	907,409
Units redeemed - 36,976,584 (2017: 21,288,230)	437,722	311,946
Cash distribution	6,488	61,148
<b>NAFA Islamic Active Allocation Fund I (Plan V)</b>		
Units issued - 28,089,569 (2017: 99,656,444)	324,424	1,492,055
Units redeemed - 89,878,213 (2017: Nil)	1,051,458	-
Cash distribution	14,119	126,055



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
<b>NAFA Islamic Active Allocation Fund II (Plan VI)</b>		
Units issued - 17,220,221 (2017: 36,937,734)	205,263	596,723
Units redeemed - 34,743,170 (2017: Nil)	402,497	-
Cash distribution	6,725	46,723
<b>NAFA Islamic Active Allocation Fund II (Plan VII)</b>		
Units issued - 8,300,700 (2017: 6,916,095)	99,992	92,805
Units redeemed - 6,759,106 (2017: Nil)	77,887	-
Cash distribution	1,850	-
<b>NAFA Islamic Active Allocation Fund II (Plan VIII)</b>		
Units issued - 34,570,389 (2017: Nil)	395,794	-
Units redeemed - 9,251,621 (2017: Nil)	105,638	-
<b>NAFA Islamic Capital Preservation Plan I</b>		
Units issued - 38,817,610 (2017: Nil)	466,825	-
Units redeemed - 24,803,477 (2017: Nil)	291,144	-
<b>NAFA Islamic Capital Preservation Plan II</b>		
Units issued - 4,136,118 (2017: Nil)	48,843	-
<b>BankIslami Pakistan Limited - Common Directorship</b>		
Profit income	20,726	21,150
<b>Taurus Securities Limited - Subsidiary of Parent Company</b>		
Brokerage expense	463	217
<b>Atlas Battery Limited - Common Directorship</b>		
Shares purchased - Nil (2017: 5,300)	-	4,390
Shares sold - 5,300 (2017: Nil)	2,216	-
Dividend income	184	-
<b>Cherat Packaging Limited - Common Directorship</b>		
Shares purchased - 41,000 (2017: 5,000)	8,269	1,203
Right shares issue - 6,210 (2017: Nil)	776	-
Dividend income	426	-
<b>Cherat Cement Limited - Common Directorship</b>		
Shares purchased - 164,500 (2017: 632,900)	26,426	121,659
Shares sold - 484,300 (2017: 24,000)	63,272	4,224
Dividend income	3,028	54
<b>Fatima Fertilizer Company Limited - Common Directorship*</b>		
Shares purchased - 66,500 (2017: 1,518,000)	2,029	-
Shares sold - 1,372,000 (2017: 200,000)	39,540	-
<b>International Industries Limited - Common Directorship</b>		
Shares purchased - Nil (2017: 171,200)	-	25,837
Shares sold - 84,300 (2017: 50,000)	19,814	7,674
Dividend income	484	707

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

2018                      2017  
----- Rupees in '000 -----

**International Steels Limited - Common Directorship**

Shares purchased - 901,500 (2017: 440,500)	106,722	39,326
Shares sold - 927,500 (2017: 59,000)	98,911	5,841
Dividend income	1,269	1,049

\* Prior year period comparative has not been shown as the company was not a connected person as at June 30, 2017

**19.6 Amounts / balances outstanding as at year end**

2018                      2017  
----- Rupees in '000 -----

**NBP Fund Management Limited - Management Company**

Remuneration payable to the Management Company	4,102	7,961
Sindh Sales Tax on remuneration of Management Company	533	1,035
Federal Excise Duty on remuneration of the Management Company	1,420	1,420
Selling and marketing expense	5,744	6,137
Accounting and operational charges to the Management Company	1,436	3,568
Other payable	-	2,624
Preliminary expenses and floatation costs	-	1,000

**NAFA Islamic Active Allocation Fund I (Plan I)**

Units held - 16,119,727 (2017: 48,005,837)	182,838	644,176
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**NAFA Islamic Active Allocation Fund I (Plan II)**

Units held - 16,279,951 (2017: 46,389,274)	184,655	622,484
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**NAFA Islamic Active Allocation Fund I (Plan III)**

Units held - 7,478,189 (2017: 68,339,035)	84,821	917,021
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**NAFA Islamic Active Allocation Fund I (Plan IV)**

Units held - 17,295,890 (2017: 48,341,789)	196,179	648,684
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**NAFA Islamic Active Allocation Fund I (Plan V)**

Units held - 37,867,800 (2017: 99,656,444)	429,516	1,337,260
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**NAFA Islamic Active Allocation Fund II (Plan VI)**

Units held - 19,414,785 (2017: 36,937,734)	220,212	495,656
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**NAFA Islamic Active Allocation Fund II (Plan VII)**

Units held - 8,457,689 (2017: 6,916,095)	95,931	92,805
Receivable against sale of units	-	92,805

**NAFA Islamic Active Allocation Fund II (Plan VIII)**

Units held - 25,318,768 (2017: Nil)	287,178	-
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**NAFA Islamic Capital Preservation Plan I**

Units held - 14,014,133 (2017: Nil)	158,955	-
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**NAFA Islamic Capital Preservation Plan II**

Units held - 4,136,118 (2017: Nil)	46,914	-
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**Central Depository Company of Pakistan Limited - Trustee**

Trustee fee	287	480
Sindh Sales Tax on the remuneration of trustee	37	63
Security deposit	100	100

**BankIslami Pakistan Limited (Common Directorship)**

Bank balances	232,632	407,205
Profit receivable	1,509	2,045

**Taurus Securities Limited - Subsidiary of Parent Company**

Brokerage payable	97	-
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# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	2018	2017
	----- Rupees in '000 -----	
<b>Atlas Battery Limited - Common Directorship</b>		
Shares held - Nil (2017: 5,300)	-	4,770
<b>Cherat Packaging Limited - Common Directorship</b>		
Shares held - 52,210 (2017: 5,000)	7,502	1,189
<b>Cherat Cement Company Limited - Common Directorship</b>		
Shares held - 289,100 (2017: 608,900)	28,109	108,859
<b>Fatima Fertilizer Company Limited - Common Directorship*</b>		
Shares held - 12,500 (2017: 1,318,000)	405	-
<b>International Industries Limited - Common Directorship</b>		
Shares held - 36,900 (2017: 121,200)	8,572	44,671
Dividend Receivable	-	455
<b>International Steels Limited - Common Directorship</b>		
Shares held - 355,500 (2017: 381,500)	36,154	48,790

\* Prior year period comparative has not been shown as the company was not a connected person as at June 30, 2017

**19.7** Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

## **20 FINANCIAL INSTRUMENTS BY CATEGORY**

	----- 2018 -----			
	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total
	----- Rupees in '000 -----			
<b>Financial assets</b>				
Bank balances	233,226	-	-	233,226
Investments	-	1,621,412	-	1,621,412
Receivable against sale of investments	67,368	-	-	67,368
Dividend and profit receivable	4,710	-	-	4,710
Deposits and other receivable	2,600	-	-	2,600
	<u>307,904</u>	<u>1,621,412</u>	<u>-</u>	<u>1,929,316</u>

	----- 2018 -----		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	-	13,235	13,235
Payable to the Central Depository Company of Pakistan - Trustee	-	324	324
Accrued expenses and other liabilities	-	6,013	6,013
	<u>-</u>	<u>19,572</u>	<u>19,572</u>

	----- 2017 -----			
	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total
	----- Rupees in '000 -----			
<b>Financial assets</b>				
Bank balances	407,765	-	-	407,765
Investments	-	4,310,778	-	4,310,778
Dividend and profit receivable	15,206	-	-	15,206
Receivable against sale of units	92,805	-	-	92,805
Deposits and other receivable	2,600	-	-	2,600
	<u>518,376</u>	<u>4,310,778</u>	<u>-</u>	<u>4,829,154</u>

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	----- 2017 -----		
	At fair value through profit or loss	At amortised cost	Total
	-----Rupees in '000-----		
<b>Financial liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	-	23,745	23,745
Payable to the Central Depository Company of Pakistan - Trustee	-	543	543
Payable against purchase of investments	-	19,878	19,878
Accrued expenses and other liabilities	-	4,151	4,151
	-	48,317	48,317

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 21.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

#### (i) Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The Fund is exposed to such risk on its balance held with bank and term deposit receipt. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

#### a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 2.3323 million (2017: 4.078 million)

#### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018 and June 30, 2017, the Fund did not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 and June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

follows:

----- 2018 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
<b>Financial assets</b>					
Bank balances	2.75% - 6.50%	233,226	-	-	233,226
Investments		-	-	1,621,412	1,621,412
Receivable against sale of investments		-	-	67,368	67,368
Dividend and profit receivable		-	-	4,710	4,710
Deposits and other receivable		-	-	2,600	2,600
		233,226	-	1,696,090	1,929,316
<b>Financial liabilities</b>					
Payable to NBP Fund Management Limited - Management Company		-	-	13,235	13,235
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	324	324
Accrued expenses and other liabilities		-	-	6,013	6,013
		-	-	19,572	19,572
<b>On-balance sheet gap</b>		233,226	-	1,676,518	1,909,744
<b>Total profit rate sensitivity gap</b>		233,226	-	-	
<b>Cumulative profit rate sensitivity gap</b>		233,226	-	-	

----- 2017 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
<b>Financial assets</b>					
Bank balances	2.75% - 6.50%	407,765	-	-	407,765
Investments		-	-	4,310,778	4,310,778
Dividend and profit receivable		-	-	15,206	15,206
Receivable against sale of units		-	-	92,805	92,805
Deposits and other receivable		-	-	2,600	2,600
		407,765	-	4,421,389	4,829,154
<b>Financial liabilities</b>					
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	23,745	23,745
Remuneration payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	543	543
Payable against purchase of investments		-	-	19,878	19,878
Accrued expenses and other liabilities		-	-	4,151	4,151
		-	-	48,317	48,317
<b>On-balance sheet gap</b>		407,765	-	4,373,072	4,780,837
<b>Total profit rate sensitivity gap</b>		407,765	-	-	
<b>Cumulative profit rate sensitivity gap</b>		407,765	-	-	

## (ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## (iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to equity price risk arising from the Fund's investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, the NBFC Regulations and circulars issued by SECP from time to time.

In case of 5% increase / decrease in 100 KSE index on June 30, 2018, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 81.071 million (2017: 215.54 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index and 3 months deposit, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index and 3 months deposit, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index and 3 months deposit.

## 21.2 Liquidity risk

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

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

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

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

	2018						
	Within 1 month	More than one month and upto three	More than three months and up to one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
	Rupees in '000						
<b>Financial assets</b>							
Balances with banks	233,226	-	-	-	-	-	233,226
Investments	1,621,412	-	-	-	-	-	1,621,412
Dividend and profit receivable	4,710	-	-	-	-	-	4,710
Deposits and other receivable	2,600	-	-	-	-	-	2,600
Receivable against sale of investments	67,368	-	-	-	-	-	67,368
	1,929,316	-	-	-	-	-	1,929,316
<b>Financial liabilities</b>							
Payable to NBP Fund Management Limited - Management Company	13,235	-	-	-	-	-	13,235
Payable to the Central Depository Company of Pakistan Limited - Trustee	324	-	-	-	-	-	324
Accrued expenses and other liabilities	6,013	-	-	-	-	-	6,013
	19,572	-	-	-	-	-	19,572
<b>Net assets</b>	1,909,744	-	-	-	-	-	1,909,744



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

2017						
Within 1 month	More than one month and upto three	More than three months	More than one year and upto five	More than 5 years	Financial instruments with no fixed	Total
Rupees in '000						
<b>Financial assets</b>						
Balances with banks	407,765	-	-	-	-	407,765
Investments	4,310,778	-	-	-	-	4,310,778
Dividend and profit receivable	15,206	-	-	-	-	15,206
Deposits and other receivable	2,600	-	-	-	-	2,600
Receivable against sale of units	92,805	-	-	-	-	92,805
	4,829,154	-	-	-	-	4,829,154
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - Management Company	23,745	-	-	-	-	23,745
Payable to the Central Depository Company of Pakistan Limited - Trustee	543	-	-	-	-	543
Payable against purchase of investments	19,878	-	-	-	-	19,878
Accrued expenses and other liabilities	4,151	-	-	-	-	4,151
	48,317	-	-	-	-	48,317
<b>Net assets</b>	<b>4,780,837</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,780,837</b>

## 21.3 Credit risk

**21.3.1** There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

### 21.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, is as follows:

Name of Bank	% of financial assets exposed to credit risk	
	2018	2017
AAA	0.001	0.000
AA-	0.029	0.011
A+	12.058	8.475
A	0.000	0.000
A-	0.000	0.000
	<u>12.089</u>	<u>8.486</u>

## 22 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market

As at June 30, 2018 and June 30, 2017, the Fund held the following financial instruments measured at fair values:

	2018			2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Rupees in '000			Rupees in '000		
<b>Financial assets</b>						
At fair value through profit or loss	-	1,621,412	-	4,310,778	-	-
	-	1,621,412	-	4,310,778	-	-

## 23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

## 24 UNIT HOLDING PATTERN OF THE FUND

	2018			2017		
Category	Number of unit holders	Investment amount Rupees in	Percentage of total	Number of unit holders	Investment amount Rupees in	Percentage of total
Associated Companies / undertakings	-	-	-	2	4,758,101	100.00
Others Corporate	10	1,887,201	100.00	-	-	-
	10	1,887,201	100.00	2	4,758,101	100.00

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 25 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

----- 2018 -----		----- 2017 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Taurus Securities Limited	6.98	BMA Capital Management Limited	9.20
Arif Habib Securities Limited	5.88	Taurus Securities Limited	7.79
Topline Securities (Pvt.) Limited	4.58	Arif Habib Securities Limited	6.08
Alfalah Securities (Pvt.) Limited	4.29	Aqeel Karim Dehdi Securities (Pvt.) Limited	5.47
Optimus Capital Management Limited	3.76	BIPL Securities Limited	4.83
Next Capital Limited	3.60	Optimus Capital Management Limited	4.66
Elixir Securities Pakistan (Pvt.) Limited	3.58	Concordaia Securities (Pvt.) Limited	3.87
JS Global Capital Limited	3.55	First Capital Equities Limited	3.62
BMA Capital Management Limited	3.39	DJM Securities (Pvt.) Limited	3.49
EFG Hermes Pakistan Limited		Next Capital Limited	3.44
(Formerly: Invest & Finance Securities Limited)	3.17		

## 26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

Name	Designation	Qualification	Overall experience
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	30
Sajjad Anwar	Chief Investment Officer	CFA / MBA	18
Muhammad Ali Bhaba	Head of Fixed Income	CFA / MBA / FRM / MS (CS)	23
Hassan Raza	Head of Research	ACCA / BSC / CFA	7
Taha Khan Javed	Fund Manager	MBA / CFA	12

## 27 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Taha Khan Javed	Fund Manager	MBA / CFA	NIAAF, NAAF NMAF, NIEF, NFSF, NSF

## 28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 64th, 65th, 66th and 67th Board meetings were held on September 15, 2017, October 27, 2017, February 22, 2018 and April 30, 2018, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mudassir Hussain Khan	4	4	-	-
Tariq Jamali	4	3	1	67th
Abdul Hadi Palekar	4	4	-	-
Lui Mang Yin (Martin Lui) [note 28.1]	2	2	-	-
FOO Chiah Shiung (Kelvin Foo)	4	3	1	65th
Kamal Amir Chinoy	4	4	-	-
Shehryar Faruque	4	4	-	-
Humayun Bashir	4	4	-	-
Wajahat Rasul Khan [note 28.2]	-	-	-	-
Dr. Amjad Waheed	4	4	-	-

**28.1** Lui Mang Yin (Martin Lui) resigned as director on the Board with effect from December 21, 2017.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

**28.2** Wajahat Rasul Khan appointed as director on the Board in 67th Board meeting with effect from April 30, 2018.

## **29 CORRESPONDING FIGURES**

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

## **30 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 05, 2018.

## **31 GENERAL**

Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2018	For the year ended June 30, 2017	For the period ended June 30, 2016
Net assets at the year / period ended (Rs '000)	1,887,201	4,758,101	1,635,524
Net income for the year / period ended (Rs '000)	(633,494)	1,174,089	254,789
Net Asset Value per unit at the year / period ended (Rs)	11.3425	13.4187	11.3756
Offer Price per unit	-	-	-
Redemption Price per unit	11.3425	13.4187	11.3756
Ex - Highest offer price per unit (Rs.)	-	-	-
Ex - Lowest offer price per unit (Rs.)	-	-	-
Ex - Highest redemption price per unit (Rs.)	13.4325	14.7670	11.5964
Ex - Lowest redemption price per unit (Rs.)	10.5169	10.5149	9.1825
Opening Nav (Since Inception - January 18, 2016)	13.2099	10.3144	9.5784
Total return of the fund	-14.14%	30.10%	18.76%
Capital growth	-14.14%	16.57%	13.30%
Income distribution as % of Ex nav	0	13.53%	5.46%
Income distribution as % of Par nav	0.00%	13.96%	5.23%
<b>Distribution</b>			
Interim distribution per unit	0.0000	1.3955	0.2022
Final distribution per unit	0.0000	0.1883	0.3212
<b>Distribution Dates</b>			
Interim	-	19-Jun-17	29-Jun-16
Final	-	15-Sep-17	23-Sep-16
Average annual return of the fund (launch date January 18, 2016)			
(Since inception to June 30, 2018)	<b>12.23%</b>		
(Since inception to June 30, 2017)		35.01%	
(Since inception to June 30, 2016)			18.76%
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up			

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## PROXY ISSUED BY THE FUND

The proxy voting policy of NAFA Islamic Active Allocation Equity Fund, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. [www.nbpfunds.com](http://www.nbpfunds.com). A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND				
	Resolutions	For	Against	Abstain*
Number	5	5	Nil	N/A
(%)	100%	100%	-	-












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