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

NAFA ASSET ALLOCATION FUND

**HALF YEARLY
REPORT**
**December
31 2016**



Your investments & "NAFA" grow together




**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

NAFA ASSET ALLOCATION FUND

MISSION STATEMENT



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

NAFA ASSET ALLOCATION FUND

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NAFA ASSET ALLOCATION FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director
Mr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Saiyed Hashim Ishaque	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Trustee

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

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
National Bank of Pakistan
Summit Bank Limited
JS Bank Limited
The Bank of Panjab
Zarai Taraqiati Bank Limited
Bankislami Pakistan Limited
Dubai Islamic Bank Pakistan Limited

NAFA ASSET ALLOCATION FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

Plot No. 395, 396
Industrial Area, I-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

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

NAFA ASSET ALLOCATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Asset Allocation Fund (NAAF)** for the half year ended December 31, 2016.

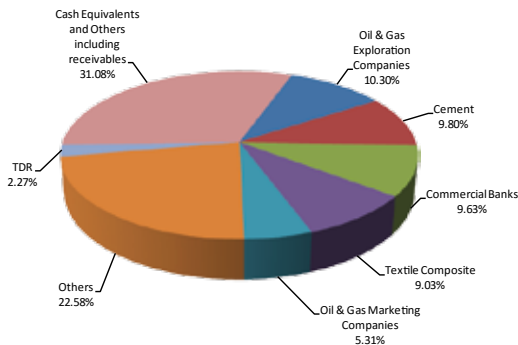
Fund's Performance

The Fund size of NAAF at the end of the period stood at Rs.2,331 million, 98% higher than at June 30, 2016. During the period, the unit price of NAFA Asset Allocation Fund (NAAF) has increased from Rs. 14.8297 on June 30, 2016 to Rs. 18.5235 on December 31, 2016, thus showing an increase of 24.91%. The Benchmark, increased by 14.74%. Thus, the Fund has outperformed its Benchmark by 10.17% during the period under review. Since inception the NAV of the Fund has increased from Rs. 5.3945 (Ex-Div) on August 20, 2010 to Rs. 18.5235 on December 31, 2016, thus showing an increase of 243.38%. During the said period, the Benchmark increased by 119%, translating into outperformance of 124.38%. This performance is net of management fee and all other expenses.

During 1HFY17, riding on the positive momentum built on the Pakistan Stock Exchange (PSX) reclassification into MSCI Emerging Market and driven primarily by the price-to-earnings (PE) re-rating, the stock market delivered a handsome return of about 27%. Positives on the macroeconomic front such as improved economic growth outlook coupled with benign inflation reading and anchored near-term expectations; and stable exchange rate helped the market achieve historic highs. Domestic liquidity unleashed amid low interest rates that helped counter heavy foreign selling of USD298mn. Automobile Assembler, Engineering, Oil & Gas Marketing Companies, and Textile Composite sectors performed better than the market whereas, Power Generation & Distribution Companies and Fertilizer sectors lagged behind. Going forward, expected domestic and foreign liquidity flows amid low interest rates, expected amnesty scheme, and MSCI upgrade theme are likely to keep the market strong while, rising global policy uncertainty pose downside risk.

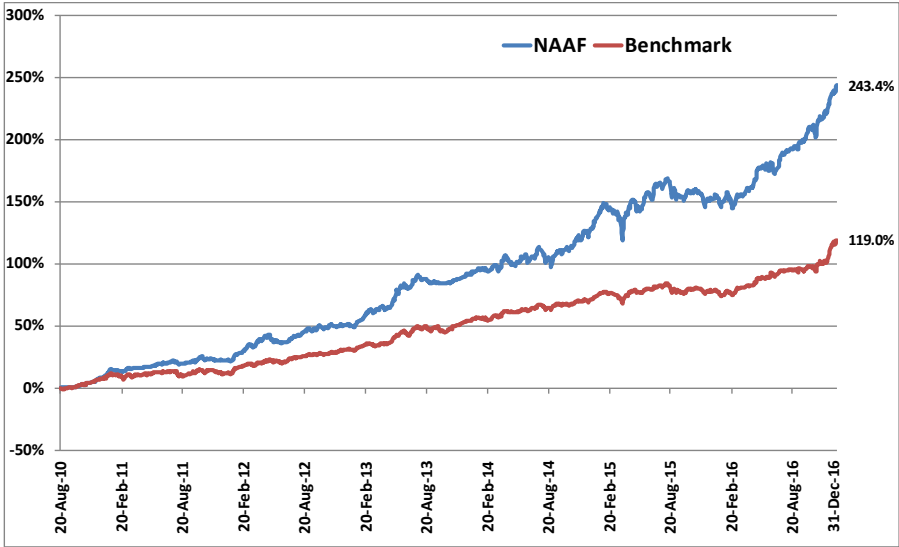
State Bank of Pakistan (SBP) maintained discount rate and policy rate at 6.25% and 5.75% respectively during the period under review. SBP cited improvement in macroeconomic stability, comfortable liquidity conditions coupled with healthy reserve accumulation, manageable in-flationary backdrop, and CPEC related projects gathering momentum being balanced against latent risks to external accounts/factors. However, there are risks to the external account emanating from expected increase in commodity/global oil prices, confluence of declining remittances, challenged exports outlook and mounting external debt levels that may imperil the medium-term sustainability of the Balance of Payments position and warrant decisive policy action. Long-term sovereign yields witnessed an average increase of around 50 basis points, reflecting an uptick in inflation and interest rates.

The Fund has earned total income of Rs.487.27 million during the period. After deducting expenses of Rs.22.45 million, the net income is Rs.464.82 million. The asset allocation of the Fund as on December 31, 2016 is as follows:



NAFA ASSET ALLOCATION FUND

NAAF Performance versus Benchmark (Since Inception)



Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 28, 2017
Place: Karachi.

NAFA ASSET ALLOCATION FUND

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصدِ مسرت 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے لیے NAFA ایسیٹ ایلیکشن فنڈ (NAAF) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA ایسیٹ ایلیکشن فنڈ (NAAF) کا فنڈ سائز اس مدت کے اختتام پر 2,331 ملین روپے ہے جو 30 جون 2016 کے مقابلے میں 98% زیادہ ہے۔ اس مدت کے دوران NAFA ایسیٹ ایلیکشن فنڈ (NAAF) کے یونٹ کی قیمت 30 جون 2016 کو 14.8297 روپے سے بڑھ کر 31 دسمبر 2016 کو 18.5235 روپے ہو چکی ہے اور اس طرح %24.91 کا اضافہ ہوا ہے۔ فنڈ کا بیج مارک بڑھ کر %14.74 ہو گیا۔ لہذا فنڈ نے زیرِ جائزہ مدت کے دوران اپنے بیج مارک %10.17 سے بہتر کارکردگی دکھائی۔ فنڈ کی NAV، 20 اگست 2010 کو اپنے قیام کے وقت 5.3945 روپے (Ex-Div) سے بڑھ کر 31 دسمبر 2016 کو 18.5235 روپے (Ex-Div) ہو چکی ہے اور اس طرح %243.38 اضافہ ہوا ہے۔ اس مدت کے دوران بیج مارک میں %118.99 اضافہ ہوا ہے، جس کا نتیجہ فنڈ کی %124.39 بہتر کارکردگی کی صورت میں سامنے آیا ہے۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

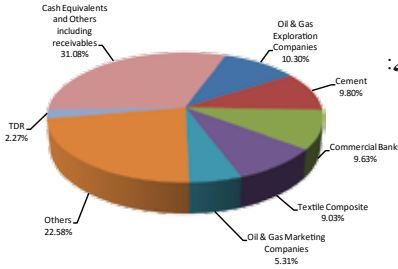
مالی سال 2017 کی پہلی ششماہی کے دوران مثبت رجحان کے ساتھ MSCI ایمر جگ مارکیٹ میں پاکستان اسٹاک ایکسچینج (PSX) کی از سر نو تشکیل ہوئی اور اس میں نرخ آمدن تناسب کی دوبارہ درجہ بندی بنیادی طور پر کارفرما تھی، اسٹاک مارکیٹ نے تقریباً %27 کا شاندار منافع فراہم کیا۔ کلیاتی معاشیات کے مثبت پہلو جیسے ترقی کے بہتر امکانات، افراط زر میں کمی، مستقبل قریب میں بہتری کی توقعات اور مستحکم شرح مبادلہ مارکیٹ کو تاریخی اونچائی حاصل کرنے میں معاون ثابت ہوئی۔ گھریلو لیکویڈیٹی کم شرح سود کا باعث بنا جس کی بدولت USD298mn کی بھاری غیر ملکی فروخت کے اثر کو زائل کرنے میں مدد ملی۔ آٹوموبیل اسمبلرز، انجنیئرنگ، آئل اور گیس کی مارکیٹنگ کمپنیاں اور ٹیکسٹائل کمپوزٹ سیکٹرز نے مارکیٹ کے مقابلے میں بہتر کارکردگی کا مظاہرہ کیا جب کہ پاور جنریشن، ڈسٹریبوشن کمپنیاں اور فریٹ لائزر سیکٹرز کی کارکردگی نسبتاً اتر رہی۔ آگے بڑھتے ہوئے، متوقع ملکی اور غیر ملکی لیکویڈیٹی کا بہاؤ، کم شرح سود کی متوقع رعایتی اسکیموں اور MSCI کی اسٹاک شمولیت مارکیٹ کو مضبوط کرنے کا باعث ہے، جبکہ بڑھتی ہوئی عالمی منصوبہ سازی کی غیر یقینی صورتحال خطرے کے منفی پہلو کو نمایاں کرتی ہے۔

اسٹیٹ بینک آف پاکستان (SBP) نے مذکورہ بالا مدت کے دوران ڈسکاؤنٹ ریٹ اور پالیسی ریٹ بالترتیب %6.25 اور %5.75 برقرار رکھی۔ SBP کے متوقف کے مطابق مستحکم کلیاتی معیشت، لیکویڈیٹی کی باسہولت صورت حال کے ساتھ زرمبادلہ کے ذخیرہ میں خاطر خواہ اضافہ، محدود افراط زر اور CPEC سے متعلقہ منصوبے بیرونی اکاؤنٹ اور عوامل کے پوشیدہ خطرات سے تیز و آذما ہونے کے لئے برسرِ پیکار ہیں۔ تاہم بیرونی اکاؤنٹ کو عالمی تیل اور ایشیا، صرف کی قیمتوں میں متوقع اضافہ، گرتی ہوئی ترسیلات، برآمدات سے متعلق چیلنجیں اور بڑھتی ہوئی بیرونی قرض کی سطح سے خطرات لاحق ہیں جو کہ ادائیگی کے توازن کو وسط مدتی دورانیہ میں متاثر کر سکتا ہے جس کے لئے منصوبہ سازی کی ضرورت ہوگی۔ طویل المیعاد خود مختار منافع میں تقریباً %50 پیس پوائنٹ کا اوسط اضافہ دیکھا گیا، جو افراط زر اور سود کی شرح میں معتدل اضافے کی عکاسی کرتا ہے۔

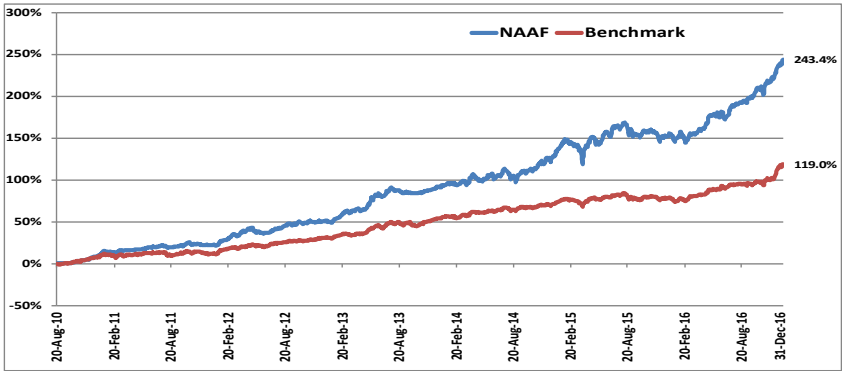
NAFA ASSET ALLOCATION FUND

فنڈ نے اس مدت کے دوران 487.27 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 22.45 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 464.82 ملین روپے رہی۔

فنڈ کی ایسیٹ ایلوکیشن 31 دسمبر 2016 کو بمطابق ذیل ہے:



بچ مارک کے مقابلے میں NAAF کی کارکردگی (اپنے قیام سے اب تک)



اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 فروری 2017

مقام: کراچی

NAFA ASSET ALLOCATION FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ASSET ALLOCATION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Asset Allocation Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2016 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: February 27, 2017

NAFA ASSET ALLOCATION FUND

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Asset Allocation Fund** (the Fund) as at December 31, 2016, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the half year ended December 31, 2016 (here-in-after referred to as the 'condensed interim financial information'). NBP Fullerton Asset Management Limited (the Management Company) is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures in the condensed interim financial information for the quarter ended December 31, 2016 have not been reviewed by us, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner
Naresh Kumar

Date: February 28, 2017
Place: Karachi

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2016

	Note	(Un-audited) December 31, 2016	(Audited) June 30, 2016
(Rupees in '000)			
ASSETS			
Balance with banks	4	826,881	479,335
Investments	5	1,553,557	784,190
Mark-up accrued and dividend receivable		2,463	1,919
Deposits, prepayments and other receivables		3,435	2,956
Total assets		2,386,336	1,268,400
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	6	26,663	23,356
Payable to Central Depository Company of Pakistan Limited - Trustee	7	294	214
Payable to the Securities and Exchange Commission of Pakistan	8	749	1,401
Accrued expenses and other liabilities	9	27,628	68,772
Total liabilities		55,334	93,743
NET ASSETS		2,331,002	1,174,657
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		2,331,002	1,174,657
Contingencies and commitments	11		
		-----Number of units-----	
Number of units in issue		<u>125,840,543</u>	<u>79,209,685</u>
		-----Rupees-----	
Net asset value per unit		<u>18.5235</u>	<u>14.8297</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
INCOME					
Return / mark-up on:					
- bank balances and term deposits		18,080	25,718	9,945	13,279
- government securities		3	3	1	1
Net gain / (loss) on sale of investments		29,247	15,277	14,117	(9,111)
Dividend income		28,388	27,130	18,747	14,705
Net unrealized gain / (loss) on re-measurement of investments at fair value through profit or loss - held for trading	5.3	305,436	(46,970)	202,722	4,225
Total income		381,154	21,158	245,532	23,099
EXPENSES					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	6.1	15,772	17,200	8,960	7,758
Sindh Sales Tax on remuneration of the Management Company	6.2	2,050	2,793	1,164	1,260
Federal Excise Duty on remuneration of the Management Company	6.3	-	2,752	-	1,241
Reimbursement of operational expenses to the Management Company	6.4	789	146	448	146
Remuneration of Central Depository Company of Pakistan Limited - Trustee	7.1	1,293	1,363	700	640
Sindh Sales Tax on remuneration of the Trustee	7.2	168	191	91	90
Annual fee to the Securities and Exchange Commission of Pakistan	8.1	749	817	425	368
Securities transaction cost		683	1,225	466	303
Settlement and bank charges		528	515	299	282
Auditors' remuneration		344	380	68	218
Fund rating fee		-	85	-	42
Annual listing fee		28	20	14	10
Printing charges		46	-	-	-
Total expenses		22,450	27,487	12,635	12,358
Net income / (loss) from operating activities		358,704	(6,329)	232,897	10,741
Net element of income / (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed		106,120	(8,794)	93,685	1,655
Net income / (loss) for the period before taxation		464,824	(15,123)	326,582	12,396
Taxation	12	-	-	-	-
Net income / (loss) for the period after taxation		464,824	(15,123)	326,582	12,396
Earnings per unit	13				

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
Net income / (loss) for the period after taxation	464,824	(15,123)	326,582	12,396
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	<u>464,824</u>	<u>(15,123)</u>	<u>326,582</u>	<u>12,396</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
Undistributed income brought forward comprising of:				
- realized income	537,461	380,144	628,514	612,376
- unrealized income / (loss)	55,525	234,597	102,714	(51,195)
	592,986	614,741	731,228	561,181
Net income / (loss) for the period after taxation	464,824	(15,123)	326,582	12,396
Final distribution for the year ended June 30, 2016: Nil (2015: cash distribution @ Rs. 0.186 per unit declared on July 16, 2015)	-	(26,041)	-	-
Undistributed income carried forward	<u>1,057,810</u>	<u>573,577</u>	<u>1,057,810</u>	<u>573,577</u>
Undistributed income carried forward comprising of:				
- realized income	752,374	620,547	855,088	569,352
- unrealized income / (loss)	305,436	(46,970)	202,722	4,225
	<u>1,057,810</u>	<u>573,577</u>	<u>1,057,810</u>	<u>573,577</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
Net assets at the beginning of the period [Rs. 14.8279 per unit (June 30, 2015: Rs. 14.9616 per unit)]	1,174,657	2,073,497	1,517,354	1,560,513
Issuance of 77,977,653 units (December 31, 2015: 44,114,132 units)	1,335,370	664,652	1,016,071	141,015
Redemption of 31,346,795 units (December 31, 2015: 82,945,238 units)	(537,729)	(1,246,934)	(435,320)	(253,424)
	797,641	(582,282)	580,751	(112,409)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement	(106,120)	8,794	(93,685)	(1,655)
Total comprehensive income / (loss) for the period	464,824	(15,123)	326,582	12,396
Distributions during the period				
Final distribution for the year ended June 30, 2016: Nil (2015: cash distribution @ Rs. 0.186 per unit declared on July 16, 2015)	-	(26,041)	-	-
	<u>2,331,002</u>	<u>1,458,845</u>	<u>2,331,002</u>	<u>1,458,845</u>
Net assets at the end of the period [Rs. 18.5235 per unit (December 31, 2015: Rs. 14.6240 per unit)]				

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	464,824	(15,123)	326,582	12,396
Adjustments:				
Return / mark-up on;				
- bank balances and term deposits	(18,080)	(25,718)	(9,945)	(13,279)
- government securities	(3)	(3)	(1)	(1)
Net (gain) / loss on sale of investments	(29,247)	(15,277)	(14,117)	9,111
Dividend income	(28,388)	(27,130)	(18,747)	(14,705)
Net unrealized (gain) / loss on re-measurement of investments at fair value through profit or loss - held for trading	(305,436)	46,970	(202,722)	(4,225)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(106,120)	8,794	(93,685)	(1,655)
	(487,274)	(12,364)	(339,217)	(24,754)
(Increase) / decrease in assets				
Investments - net	(434,684)	626,180	(358,258)	(165,594)
Deposits, prepayments and other receivables	(498)	(425)	(476)	(311)
	(435,182)	625,755	(358,734)	(165,905)
Increase / (decrease) in liabilities				
Payable to the Management Company	3,307	(804)	1,901	508
Payable to the Trustee	80	(38)	24	(5)
Payable to the Securities and Exchange Commission of Pakistan	(652)	(1,212)	426	368
Accrued expenses and other liabilities	(2,334)	(1,665)	43,299	(1,203)
	401	(3,719)	45,650	(332)
Mark-up on bank balances and term deposits received	17,989	26,588	9,602	12,795
Mark-up on government securities received	3	3	3	-
Dividend received	27,935	31,938	26,475	24,911
	45,927	58,529	36,080	37,706
Net cash (used in) / generated from operating activities	(411,304)	653,078	(289,639)	(140,889)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash generated from investing activities	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Amounts received on issuance of units	1,335,389	667,426	1,016,090	141,025
Amounts paid on redemption of units	(576,539)	(1,417,345)	(474,130)	(254,443)
Distributions paid	-	(26,041)	-	-
Net cash generated from / (used in) financing activities	758,850	(775,960)	541,960	(113,418)
Net increase / (decrease) in cash and cash equivalents during the period	347,546	(122,882)	252,321	(254,307)
Cash and cash equivalents at the beginning of the period	479,335	675,426	574,560	806,851
Cash and cash equivalents at the end of the period	4	826,881	826,881	552,544

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ASSET ALLOCATION FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Asset Allocation Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 14, 2010 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).

The Management Company of the Fund has been licensed to act as an asset management company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Fund is an open-ended mutual fund categorised as "asset allocation scheme" and its units are listed on Pakistan Stock Exchange Limited. Units of the Fund are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' to the Management Company.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS the requirements of NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual financial statements of the Fund for the year ended June 30, 2016.

In compliance with Schedule V of the NBFC Regulations the directors of the Management Company hereby declare that this condensed interim financial information give a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for the investments which are stated at fair value.

2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Fund.

NAFA ASSET ALLOCATION FUND

2.4 Estimates and judgements

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were same as those that applied to the financial statements as at and for the year ended June 30, 2016.

2.5 Financial risk management

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended June 30, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Fund as at and for the year ended June 30, 2016.

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
4		----- Rupees in '000 -----	
Current accounts	4.1	7,622	6,685
Saving accounts	4.1 & 4.2	766,393	421,673
Term deposits	4.3	52,866	50,977
		<u>826,881</u>	<u>479,335</u>

4.1 This includes Rs. 13.05 million pertaining to amounts from other collective investment schemes being managed by the Management Company in respect of units issued to various unit holders based on their request for transfer of units from other collective investment scheme to the Fund which have been cleared subsequent to the period end.

4.2 These saving accounts carry markup at rates ranging from 5.30% to 6.77% per annum (June 30, 2016: 4.50% to 7.45% per annum).

4.3 These represents short term deposits having original maturity period of less than three months. These carry mark-up rate of 7.30% per annum (June 30, 2016: 7.35% per annum) and will mature on March 29, 2017 (June 30, 2016: September 29, 2016).

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
5		----- Rupees in '000 -----	
At fair value through profit or loss - held for trading			
Listed equity securities	5.1	1,553,497	784,127
Government securities	5.2	60	63
		<u>1,553,557</u>	<u>784,190</u>

NAFA ASSET ALLOCATION FUND

5.1 Listed equity securities at fair value through profit or loss - held for trading

Name of the Sector and Investee Company	As at July 01, 2016	Purchases during the period	Bonus / Right Issue	Sold during the period	As at December 31, 2016	Market value as at December 31, 2016	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
						Rupees in '000	-----%-----		
OIL AND GAS MARKETING COMPANIES									
Attock Petroleum Limited	15,200	-	-	-	15,200	10,406	0.45	0.67	0.02
Pakistan State Oil Company Limited	65,020	61,700	-	-	126,720	55,023	2.36	3.54	0.05
Hascol Petroleum Limited (Refer 5.1.2)	1,354	-	-	-	1,354	457	0.02	0.03	0.00
Shell Pakistan Limited	2,500	109,300	-	-	111,800	57,834	2.48	3.72	0.10
							5.31	7.96	
OIL AND GAS EXPLORATION COMPANIES									
Oil and Gas Development Company Limited	211,000	129,800	-	23,500	317,300	52,466	2.25	3.38	0.01
Pakistan Oilfields Limited	99,150	22,400	-	10,000	111,550	59,637	2.56	3.84	0.05
Pakistan Petroleum Limited	250,860	121,700	-	41,500	331,060	62,299	2.67	4.01	0.02
Mari Petroleum Company Limited	36,900	10,850	-	-	47,750	65,652	2.82	4.23	0.04
							10.30	15.46	
REFINERY									
Attock Refinery Limited	47,600	-	-	8,400	39,200	16,672	0.72	1.07	0.05
							0.72	1.07	
FERTILIZER									
Engro Corporation Limited	48,000	143,500	-	-	191,500	60,531	2.60	3.90	0.04
Engro Fertilizers Limited	466,500	50,000	-	-	516,500	35,112	1.51	2.26	0.04
Fauji Fertilizer Bin Qasim Limited	166,500	-	-	-	166,500	8,526	0.37	0.55	0.02
							4.48	6.71	
CHEMICALS									
Engro Polymer and Chemicals Limited	-	1,005,000	-	-	1,005,000	18,552	0.80	1.19	0.15
							0.80	1.19	
FOOD AND PERSONAL CARE PRODUCTS									
Rafan Maize Products Company Limited	-	1,640	-	-	1,640	14,374	0.62	0.93	0.02
Al Shaheer Corporation Limited	-	92,000	-	-	92,000	5,281	0.23	0.34	0.06
							0.85	1.27	
ENGINEERING									
International Steels Limited	841,000	-	-	609,500	231,500	22,624	0.97	1.46	0.05
International Industries Limited	450,000	-	-	311,000	139,000	28,318	1.21	1.82	0.12
Mughal Iron And Steel Industries Limited	155,000	-	-	15,000	140,000	12,342	0.53	0.79	0.11
							2.71	4.07	
CEMENT									
D.G. Khan Cement Company Limited	139,700	123,400	-	-	263,100	58,337	2.50	3.76	0.06
Lucky Cement Limited	47,800	31,900	-	2,400	77,300	66,962	2.87	4.31	0.02
Maple Leaf Cement Factory Limited	165,500	-	-	29,000	136,500	17,415	0.75	1.12	0.03
Attock Cement Pakistan Limited	63,700	120,000	-	-	183,700	61,771	2.65	3.98	0.16
Pioneer Cement Limited	192,000	-	-	23,100	168,900	23,999	1.03	1.54	0.07
							9.80	14.71	
TRANSPORT									
Pakistan National Shipping Corporation	78,700	-	-	-	78,700	12,701	0.54	0.82	0.06
							0.54	0.82	
Balance carried forward						827,291	35.51	53.26	

NAFA ASSET ALLOCATION FUND

Name of the Sector and Investee Company	As at July 01, 2016	Purchases during the period	Bonus / Right Issue	Sold during the period	As at December 31, 2016	Market value as at December 31, 2016	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
						Rupees in '000	-----%-----		
Balance brought forward						827,291	35.51	53.26	
TEXTILE COMPOSITE									
Nishat Mills Limited	319,400	130,500	-	42,500	407,400	62,035	2.66	3.99	0.12
Gul Ahmed Textile Mills Limited	-	509,000	-	-	509,000	26,046	1.12	1.68	0.17
The Crescent Textile Mills Limited	-	556,000	-	-	556,000	15,290	0.66	0.98	0.70
Nishat (Chunian) Limited	-	504,000	-	-	504,000	31,465	1.35	2.03	0.21
Dawood Lawrencepur Limited	-	73,000	-	-	73,000	18,469	0.79	1.19	0.12
Kohinoor Textile Mills Limited (Refer 5.1.2)	491,888	-	-	-	491,888	57,157	2.45	3.68	0.17
							9.03	13.55	
POWER GENERATION AND DISTRIBUTION									
The Hub Power Company Limited	222,200	84,000	-	44,500	261,700	32,315	1.39	2.08	0.02
Kot Addu Power Company Limited	310,000	-	-	-	310,000	24,428	1.05	1.57	0.04
Saif Power Limited	129,500	-	-	-	129,500	4,605	0.20	0.30	0.01
							2.64	3.95	
COMMERCIAL BANKS									
Allied Bank Limited	227,700	73,000	-	-	300,700	35,847	1.54	2.31	0.03
Bank Alfalah Limited	660,500	-	-	-	660,500	25,073	1.08	1.61	0.04
Bank Al Habib Limited	529,150	-	-	-	529,150	31,215	1.34	2.01	0.05
MCB Bank Limited	70,000	135,100	-	18,500	186,600	44,377	1.90	2.86	0.02
United Bank Limited	79,003	96,100	-	-	175,103	41,832	1.79	2.69	0.01
Faysal Bank Limited (Refer 5.1.2)	27,125	-	-	-	27,125	591	0.03	0.04	0.00
Habib Bank Limited	67,067	99,700	-	-	166,767	45,569	1.95	2.93	0.01
							9.63	14.45	
PAPER AND BOARD									
Century Paper and Board Mills Limited	-	279,000	-	-	279,000	17,312	0.74	1.11	0.19
Cherat Packaging Limited	3,572	-	-	-	3,572	1,207	0.05	0.08	0.01
							0.79	1.19	
AUTOMOBILE ASSEMBLER									
Millat Tractors Limited	-	36,000	-	-	36,000	32,568	1.40	2.10	0.08
Indus Motor Company Limited	32,930	-	-	3,600	29,330	47,354	2.03	3.05	0.04
							3.43	5.15	
AUTOMOBILE PARTS AND ACCESSORIES									
Baluchistan Wheels Limited	7,500	-	-	-	7,500	976	0.04	0.06	0.06
Thal Limited	112,300	-	-	39,500	72,800	37,021	1.59	2.38	0.18
							1.63	2.44	
TECHNOLOGY AND COMMUNICATION									
Systems Limited	-	208,500	-	-	208,500	17,639	0.76	1.14	0.19
							0.76	1.14	
GLASS AND CERAMICS									
Tariq Glass Industries Limited	528,000	-	-	76,000	452,000	45,403	1.95	2.92	0.62
Shabbir Tiles and Ceramics Limited	-	1,605,000	-	-	1,605,000	17,912	0.77	1.15	0.98
							2.72	4.07	
CABLE AND ELECTRIC GOODS									
Pak Elektron Limited	216,375	-	-	41,000	175,375	12,500	0.51	0.79	0.04
							0.51	0.79	
Total as at December 31, 2016						1,553,497	66.65	99.99	
Carrying value before mark to market as at December 31, 2016						1,248,058			

NAFA ASSET ALLOCATION FUND

5.1.1 Investments include shares with market value of Rs. 77.591 million (June 30, 2016: Rs. 62.931 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange commission of Pakistan (SECP).

5.1.2 The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of five percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the Company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in the Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) has withheld the shares equivalent to five percent of bonus announcement and not yet deposited in CDC account of department of Income Tax.

5.2 Government securities at fair value through profit or loss - held for trading

Issue date	Tenor	Face Value				Market value as at December 31, 2016	Investment as a percentage of	
		As at July 01, 2016	Purchases during the period	Sales / matured during the period	As at December 31, 2016		Net assets	Market value of total investments

Rupees in '000 -----%-----

Pakistan investment bond

19 July, 2012	10 years	50	-	-	50	60	0.01	0.01
Carrying value before mark to market as at December 31, 2016						63		

5.2.1 The Pakistan investment bonds carry coupon interest at the rate of 12% per annum (June 30, 2016: 12% per annum).

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
5.3 Net Unrealized gain on re-measurement of investments at fair value through profit or loss - held for trading			
Market value of investments	5.1 & 5.2	1,553,557	784,190
Less: carrying value of investments before mark to market	5.1 & 5.2	(1,248,121)	(728,665)
		305,436	55,525

6 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company	6.1	3,499	2,120
Sindh Sales Tax on remuneration of the Management Company	6.2	455	344
Federal Excise Duty on remuneration of the Management Company	6.3	16,000	16,000
Operational expenses	6.4	789	761
Sales load		1,937	333
Sindh Sales Tax and Federal Excise Duty on sales load		3,983	3,798
		26,663	23,356

6.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets provided that Management Company may charge performance based or fixed fee or a combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

NAFA ASSET ALLOCATION FUND

On November 25, 2015, SECP had made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations, the applicable rate has been changed to 2% of average annual net assets.

As on July 15, 2015, the Fund has completed its five years and accordingly the Management Company has charged its remuneration at the rate of two percent of the average annual net assets of the Fund from that date.

- 6.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 6.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC).

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 16 million as at December 31, 2016.

Had the provision not being made, the net asset value per unit as at December 31, 2016 would have been higher by Rs.0.1271 per unit (June 30, 2016: Rs. 0.2020 per unit).

- 6.4 This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
7	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
		----- Rupees in '000 -----	
	Remuneration of the Trustee	7.1	260
	Sindh Sales Tax on remuneration of the Trustee	7.2	34
		294	214

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

Tariff structure applicable to the Fund as at December 31, 2016 is as follows:

Net asset value	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.7 million or 0.20% per annum of net asset value, whichever is higher.
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net asset value exceeding Rs.1,000 million.

NAFA ASSET ALLOCATION FUND

7.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

8 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

8.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorized as "asset allocation scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

9 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
Auditors' remuneration		415	479
Provision for Workers' Welfare Fund	10	18,637	18,637
Brokerage charges		268	131
Settlement charges		103	93
Withholding tax		393	8,774
Capital gain tax		4,094	1,206
Legal and professional charges		-	12
Payable against redemption of units	9.1	-	38,810
Dividend payable		-	269
Net payable against purchase of investments		3,269	-
Printing charges		114	136
Others		335	225
		<u>27,628</u>	<u>68,772</u>

9.1 This includes amounts payable to other collective investment schemes being managed by the Management Company of the Fund. These amounts were payable in respect of units redeemed by various unit holders based on their request to transfer units from the Fund to the other collective investment schemes.

10 WORKERS' WELFARE FUND AND SINDH WORKER'S WELFARE FUND

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

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

In view of the above developments regarding the applicability of WWF and SWWF on mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

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

NAFA ASSET ALLOCATION FUND

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

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

The net effect of the above two adjustments if these had been made on December 31, 2016 would have resulted in an increase in the net asset value per unit of the Fund by Rs. 0.0501.

11 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2016 and June 30, 2016.

12 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of 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 realized or unrealized is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realized or unrealized to the unit holders. The Fund intends to distribute such accounting income for the year ending June 30, 2017 to its unit holders. Accordingly, no provision in respect of taxation has been made in the current period.

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

13 EARNINGS PER UNIT (EPU)

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

14 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net assets for the period) is 2.84% per annum including 0.38% representing government levies on collective investment scheme such as Sales tax and Securities and Exchange Commission of Pakistan fee for the period.

15 TRANSACTION WITH CONNECTED PERSONS AND RELATED PARTIES

- 15.1 Connected persons and related parties include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Alexandra Fund Management Pte. Limited being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 15.2 The transactions with connected persons and related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.
- 15.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.
- 15.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA ASSET ALLOCATION FUND

(Unaudited)

Half year ended		Quarter ended	
December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----			

15.5 Details of transactions with connected persons and related parties are as follows:

NBP Fullerton Asset Management Limited
(Management Company)

Remuneration of the Management Company	15,772	17,200	8,960	7,758
Sindh Sales Tax on remuneration of the Management Company	2,050	2,793	1,164	1,260
Federal Excise Duty on remuneration of the Management Company	-	2,752	-	1,241
Reimbursement of operational expenses to the Management Company	789	146	448	146
Sales load and related Sindh Sales Tax and Federal Excise Duty	2,663	4,382	1,946	16

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	1,293	1,363	700	640
Sindh Sales Tax on remuneration of the Trustee	168	191	91	90
CDS charges	40	129	26	92

Employees of the Management Company

Units issued / transferred in 82,060 units (2015: 445,291 units)	1,375	6,715	1,125	415
Units redeemed / transferred out 87,608 units (2015: 235,887 units)	1,507	3,560	1,017	557
Dividend re-invest: Nil (2015: 505 units)	-	8	-	-

Taurus Securities Limited (Subsidiary of the Parent of the Management Company)

Brokerage expense	64	79	48	18
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NAFA Employee Provident Fund
(Provident Fund of the Management Company)

Dividend re-invest Nil (2015: 8,990 units)	-	138	-	-
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Company Secretary / Chief Operating Officer of the Management Company

Units redeemed / transferred out 46,996 units (2015: 6,950 units)	741	101	-	101
Dividend re-invest Nil (2015: 649 units)	-	10	-	-

Aamir Sattar (Director of the Management Company)

Dividend re-invest Nil (2015: 901 units)	-	14	-	-
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International Industries Limited
(Common directorship with the Management Company)

Purchase of shares	-	11,962	-	11,962
Sale of shares	33,195	4,796	33,195	-
Dividend earned / received	-	703	-	-

Cherat Packaging Limited
(Common directorship with the Management Company)

Purchase of shares	-	10,233	-	52
Dividend earned / received	-	212	-	212

International Steels Limited
(Common directorship with the Management Company)

Purchase of shares	-	15,541	-	15,541
Sale of shares	30,879	-	-	-

NAFA ASSET ALLOCATION FUND

(Unaudited)

Half year ended		Quarter ended	
December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015

Byco Oil Pakistan Limited - Employee Provident Fund
(Portfolio managed by the Management Company)

Units issued / transferred in 165,714 units (2015: 499,095 units)	2,708	7,707	2,708	-
Units redeemed / transferred out Nil (2015: 1,703,584 units)	-	25,214	-	5,948
Dividend re-invest Nil (2015: 20,441 units)	-	313	-	-

Byco Petroleum Pakistan Limited - Employee Provident Fund
(Portfolio managed by the Management Company)

Units issued / transferred in 840,198 units (2015: Nil)	13,729	-	13,729	-
Units redeemed / transferred out Nil (2015: 2,932,504 units)	-	44,838	-	-
Dividend re-invest Nil (2015: 35,187 units)	-	539	-	-

Abbott Laboratories Pakistan Limited - Staff Pension Fund
(Unit holder with more than 10% units holding)

Units issued / transferred in Nil (2015: 1,110,162 units)	-	17,155	-	-
Units redeemed / transferred out Nil (2015: 21,846,491 units)	-	332,849	-	-
Dividend re-invest Nil (2015: 262,134 units)	-	4,015	-	-

Summit Bank Limited
(Common directorship with the Management Company)

Mark-up on bank balances	8	30	5	15
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(Un-audited)
December 31,
2016

Audited
June 30,
2016

15.6 Amounts outstanding as at period / year end are as follows:

NBP Fullerton Asset Management Limited (Management Company)

----- (Rupees in '000) -----

Remuneration payable to Management Company	3,499	2,120
Sindh Sales Tax on remuneration of the Management Company	455	344
Federal Excise Duty on remuneration of the Management Company	16,000	16,000
Operational expenses	789	761
Sales load	1,937	333
Sindh Sales Tax and Federal Excise Duty on sales load	3,983	3,798

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	260	188
Sindh sales tax on remuneration of the Trustee	34	26
CDS charges	102	93
Security deposit	100	100

National Bank of Pakistan (Parent of the Management Company)

Bank balance	5,067	4,501
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International Industries Limited (Common directorship with the Management Company)

Ordinary shares held 139,000 shares (2016: 450,000 shares)	28,318	36,392
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International Steels Limited (Common directorship with the Management Company)

Ordinary shares held 231,500 shares (2016: 841,000 shares)	22,624	29,956
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NAFA ASSET ALLOCATION FUND

	(Un-audited) December 31, 2016	Audited June 30, 2016
	----- (Rupees in '000) -----	
Cherat Packaging Limited (Common directorship with the Management Company)		
Ordinary shares held 3,572 shares (2016: 3,572 shares)	1,207	1,221
Summit Bank Limited (Common directorship with the Management Company)		
Bank balance	3,018	2,646
NAFA Employees Provident Fund (Provident Fund of the Management Company)		
Investment held in the Fund 296,702 units (2016: 296,702 units)	5,496	4,400
Amir Sattar (Director of the Management Company)		
Investment held in the Fund 88,777 units (2016: 88,777 units)	1,644	1,317
Company Secretary / Chief Operating Officer of the Management Company		
Investment held in the Fund 9,548 units (2016: 56,543 units)	177	839
Chief Financial Officer of the Management Company		
Investment held in the Fund 67,085 units (2016: 67,085 units)	1,243	995
Employees of the Management Company		
Investment held in the Fund 95,395 units (2016: 100,944 units)	1,767	1,497
Taurus Securities Limited (Subsidiary of the Parent of the Management Company)		
Brokerage payable	-	8
Byco Oil Pakistan Limited - Employee Provident Fund (Portfolio managed by the Management Company)		
Investment held in the Fund 165,714 units (2016: Nil)	3,070	-
Byco Petroleum Pakistan Limited - Employee Provident Fund (Portfolio managed by the Management Company)		
Investment held in the Fund 840,198 units (June 2016: Nil)	15,563	-
Net amount receivable / (payable) against transfer of units from / to:		
NAFA Financial Sector Income Fund	-	(4,594)
NAFA Multi Asset Fund	-	11
NAFA Money Market Fund	-	7
NAFA Stock Fund	-	(8,069)
NAFA Savings Plus Fund	-	1
NAFA Islamic Asset Allocation Fund	-	(26,140)
NAFA Islamic Active Allocation Plan - III	-	(7)

NAFA ASSET ALLOCATION FUND

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

Fair value hierarchy:

- **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 (that is, as prices) or indirectly (that is, derived from prices)."
- **Level 3** : Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Fund's financial assets which are carried at fair value:

Assets	As at December 31, 2016			Total
	Level 1	Level 2	Level 3	
At fair value through profit or loss - held for trading	-----Rupees in '000-----			
Listed equity securities	1,553,497	-	-	1,553,497
Government securities	-	60	-	60

Assets	As at June 30, 2016			Total
	Level 1	Level 2	Level 3	
At fair value through profit or loss - held for trading	-----Rupees in '000-----			
Listed equity securities	784,127	-	-	784,127
Government securities	-	63	-	63

There were no transfers between above levels during the period.

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.

The Fund has not disclosed the fair values for other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

17 DATE OF AUTHORISATION FOR ISSUE

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

18 GENERAL

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

18.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



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

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