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

NAFA FINANCIAL SECTOR INCOME FUND

QUARTERLY
REPORT September 30
2017




Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

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NAFA FINANCIAL SECTOR INCOME FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset 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. Lui Mang Yin (Martin Lui)	Director
Mr Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Askari Bank Limited
Bank Alfalah Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
Faysal Bank Limited
MCB Bank Limited
Bank Al Habib Limited
Habib Bank Limited
Al Baraka Islamic Bank Limited
The Bank of Punjab Limited
Summit Bank Limited
Sindh Bank Limited
United Bank Limited
JS Bank Limited
Khushhali Bank Limited
Samba Bank Limited
Dubai Islamic Bank Pakistan Limited
Zarai Taraqiat Bank Limited
Habib Metropolitan Bank Pakistan Limited

NAFA FINANCIAL SECTOR INCOME FUND

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02
Beaumont Road,
Karachi - 75530, 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 FINANCIAL SECTOR INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Financial Sector Income Fund (NFSIF)** for the quarter ended September 30, 2017.

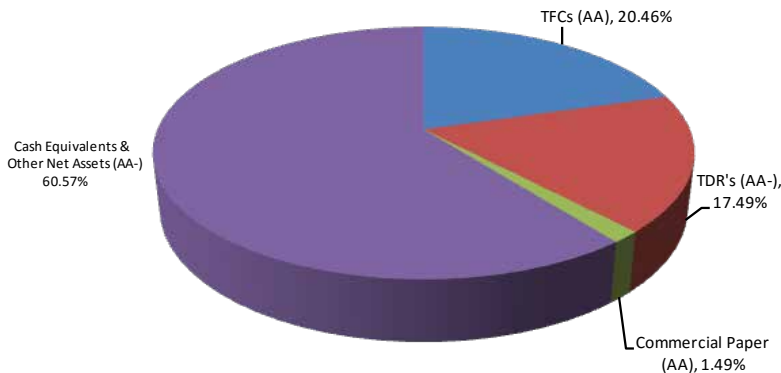
Fund's Performance

The size of NAFA Financial Sector Income Fund has increased from Rs. 1,152 million to Rs. 2,001 million during the quarter, a significant growth of around 74%. During the period under review, the unit price of the Fund has increased from Rs. 10.4933 on June 30, 2017 to Rs. 10.6575 on September 30, 2017; thus posting a return of 6.3% as compared to its Benchmark return of 6.2%. The performance of the Fund is net of management fee and all other expenses.

The Fund is unique as it invests a minimum of 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity/instrument rating of debt securities are AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

During the period, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited that macroeconomic environment remains conducive to growth without impacting headline inflation. Average CPI inflation eased to 3.4% in Jul-Sep FY18 compared to 3.9% during the same period last year. Given potential risks to inflation and interest rates from deteriorating Balance of Payment (BoP) position, investors' preference tilted towards short-term government securities as indicated by heavy participation in 03 month T-bills. During the quarter, T-bill yields remained almost unchanged however, PIB yields increased by 45 bps, 56 bps and 13 bps for the 3 year, 5 year and 10 year tenors, respectively. With pickup in private sector investment activity we have seen increased issuance of corporate debt securities. Trading activity in corporate TFCs/Sukuks increased slightly with a cumulative trade value of around Rs. 2.5 billion as compared to Rs. 1.5 billion during 1QFY17 with Banking sector making up the lion's share.

The Fund has earned total income of Rs.25.04 million during the period. After accounting for expenses of Rs.4.46 million, the net income is Rs.20.58 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NFSIF.



NAFA FINANCIAL SECTOR INCOME FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: October 27, 2017

Place: Karachi.

ڈائریکٹر رپورٹ

این بی پی فلٹرٹن ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA فنانشل سیکٹر انکم فنڈ (NFSIF) کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے مختتمہ سہ ماہی 30 ستمبر 2017 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

فنڈ کی کارکردگی

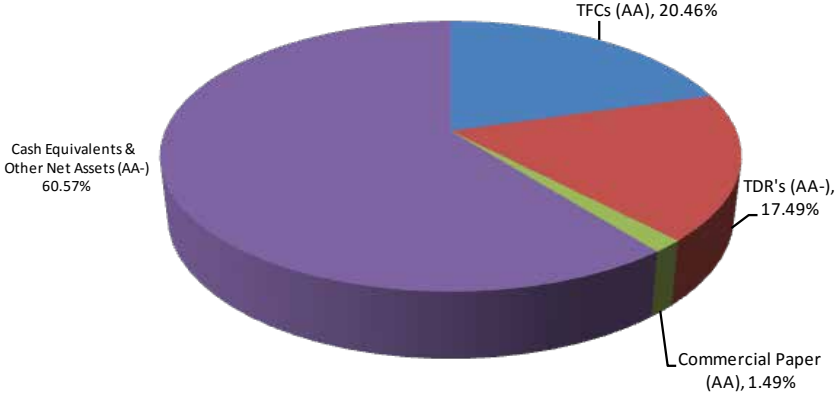
اس سہ ماہی کے دوران، NAFA فنانشل سیکٹر انکم فنڈ کا حجم 1,152 ملین روپے سے بڑھ کر 2,001 ملین روپے ہو گیا، جو کہ تقریباً 74 فیصد کا قابل ذکر اضافہ ہے، یونٹ کی قیمت جو 30 جون 2017 کو 10.493 روپے تھی 30 ستمبر 2017 کو بڑھ کر 10.6575 روپے ہو گئی، لہذا منافع 6.3 فیصد ہو گیا جبکہ بیچ مارک منافع 6.2 فیصد تھا۔ فنڈ کی یہ کارکردگی انتظامیہ کے معاوضہ اور دیگر تمام اخراجات نکالنے کے بعد ہے۔

فنڈ اس حیثیت سے نمایاں ہے کہ اس کے کم از کم 70 فیصد اثاثوں کی سرمایہ کاری مالیاتی شعبہ (بنیادی طور پر بینکوں) میں ہوئی ہے جیسے کہ ادھاری تمسکات، دستاویز یا جمع شدہ رومات وغیرہ میں۔ انٹینی / انسٹرومنٹ کی کم از کم ریٹنگ AA- رہی۔ اس کی وجہ سے ادھاری خطرے میں کمی واقع ہوئی اور اس کے ساتھ ساتھ فنڈ کی روانی میں اضافہ ہوا۔ فنڈ کی مدت ایک سال سے زیادہ نہیں ہو سکتی۔ اس کی وجہ سے سودی قیمت کے خطرات میں کمی ہوئی۔ فنڈ اپنی 25 فیصد سرمایہ کاری 90 دن کے اندر T-Bills یا بینکوں کے سیونگ اکاؤنٹس میں کر دیتا ہے، جس سے فنڈ کے پروفائل کی روانی میں مزید اضافہ ہوا۔

اس مدت کے دوران، اسٹیٹ بینک آف پاکستان نے اپنے پالیسی نرخ %5.75 پر برقرار رکھے۔ SBP نے بڑے معاشی معاملات کو ترقی کے لئے موزوں قرار دیا اس بات کی پرواہ کئے بغیر کہ افراط زر کے کیا اثرات مرتب ہونگے۔ جولائی سے ستمبر مالی سال 2018 کے دوران درمیانی CPI افراط زر میں قدرے کمی آئی جو کہ 3.4 فیصد رہی جو پچھلے سال اسی مدت کے دوران 3.9 فیصد تھی۔ توازن ادائیگی کی بگڑتی ہوئی صورتحال کے پیش نظر افراط زر اور سودی نرخوں میں متوقع اضافے کی وجہ سے 3 ماہ کی مدت کی قلیل المیعاد حکومتی تمسکات کی طرف سرمایہ داروں کا رجحان رہا جس کی نشاندہی سہ ماہی T-Bills میں بھاری سرمایہ کاری سے ہوتی ہے۔ اس سہ ماہی کے دوران T-Bills پر منافع تقریباً غیر متزلزل رہا تاہم PIB کی تین سالہ، پانچ سالہ اور 10 سالہ مدتی اسکیموں کے منافع میں بالترتیب 45 بی پی ایس، 56 بی پی ایس اور 13 بی پی ایس اضافہ ہوا۔ پرائیویٹ سیکٹر میں سرمایہ کاری کی سرگرمیوں میں اضافہ کی وجہ سے کارپوریٹ قرضہ کی تمسکات میں اضافہ دیکھنے میں آیا۔ ٹریڈنگ کی سرگرمیوں کی وجہ سے کارپوریٹ TFCs / سکوک میں معمولی اضافہ ہوا جس کے باعث 2.5 ملین روپے مالیت کے مجموعی سودے ہوئے جبکہ مالی سال 2017 کی پہلی سہ ماہی میں 1.5 بلین تھے۔ مذکورہ بالا سہ ماہی میں بینکنگ سیکٹر کا ایک بہت بڑا حصہ ہے۔

فنڈ کو اس مدت کے دوران 25.04 ملین روپے کی کل آمدنی ہوئی۔ 4.46 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 20.58 ملین روپے ہو گئی۔ مندرجہ ذیل چارٹ اثاثوں کی تخصیص اور NSFIF ہر ذیلی اثاثے کی اوزانی اوسط درجہ بندی کو ظاہر کرتا ہے۔

NAFA FINANCIAL SECTOR INCOME FUND



اعتراف

اس موقع پر بورڈ اپنے تمام ہولڈرز کا شکریہ ادا کرتے ہیں جنہوں نے انتظامی کمپنی پر اپنے بھروسے اور اعتماد کا اظہار کیا اور ہمیں اپنی خدمت کا موقع دیا۔ بورڈ اپنی مخلصانہ ستائش سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک کو ان کی سرپرستی اور رہنمائی پر پیش کرتا ہے۔

بورڈ بخوشی اس بات کا اعتراف کرتا ہے کہ ملازمین اور ٹرسٹیوں نے انتھک محنت، جدوجہد اور لگن سے کام کیا۔

از طرف بورڈ

این بی پی فلرٹن ایسٹ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: اکتوبر 27، 2017

بمقام کراچی

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2017

	Note	(Un- Audited) September 30' 2017	Audited June 30, 2017
(Rupees in '000)			
ASSETS			
Balances with banks		1,190,942	779,534
Investments	4	789,182	410,879
Profit receivable	5	10,491	2,579
Security deposit		100	100
Receivable against issue of units		44,164	1,923
Prepayments and other receivables		446	432
Total assets		2,035,325	1,195,447
LIABILITIES			
Payable to the Management Company		3,292	2,422
Payable to Central Depository Company of Pakistan Limited - Trustee		197	142
Payable to the Securities and Exchange Commission of Pakistan		249	697
Payable against redemption of units		168	9,654
Accrued expenses and other liabilities	6	29,958	30,163
Total liabilities		33,864	43,078
NET ASSETS		2,001,461	1,152,369
Unit holders' fund (as per statement attached)		2,001,461	1,152,369
CONTINGENCIES AND COMMITMENTS			
	9	-----Number of units-----	
Number of units in issue		187,798,733	109,819,491
		------(Rupees)-----	
Net asset value per unit		10.6575	10.4933

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
(Rupees in '000)			
INCOME			
Income from term finance certificates and commercial papers		8,462	7,573
Income on bank and term deposit receipts		15,543	13,879
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through prot or loss' - net		1,025	(142)
Total income		25,030	21,310
EXPENSES			
Remuneration of the Management Company		2,269	2,033
Sindh sales tax on remuneration of the Management Company		295	264
Accounting and operating charges to the Management Company		332	284
Remuneration of the Trustee		497	456
Sindh sales tax on remuneration of the Trustee		65	60
Annual fee - Securities and Exchange Commission of Pakistan		249	213
Settlement and bank charges		168	101
Annual listing fee		14	10
Auditors' remuneration		146	138
Fund Rating fee		-	75
Amortisation of preliminary expenses and floatation costs		-	55
Total expenses		4,035	3,689
Net income from operating activities		20,995	17,621
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		-	232
Net income for the period		20,995	17,853
Provision for sindh workers' welfare fund	9	(420)	-
Net income for the period before taxation		20,575	17,853
Taxation	10	-	-
Net income for the period after taxation		20,575	17,853
Earnings Per Unit	7	-	-
Allocation of Net income for the period:			
Income already paid on units redeemed		(1,068)	-
Accounting income available for distribution:			
- Relating to Capital Gains		972	-
- Excluding Capital Gains		18,535	-
		19,507	17,853

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer
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Chief Executive Officer

Director

Quarterly Report

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
	(Rupees in '000)	
Accounting income available for distribution:	19,507	17,853
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>19,507</u>	<u>17,853</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
(Rupees in '000)			
Net assets at the beginning of the period		1,152,369	1,254,699
Issue of 106,459,387 units (2016: 26,455,131 units)		1,129,292	280,314
Redemption of 28,480,145 units (2016: 38,749,606 units)		(300,775)	(408,833)
		828,517	(128,519)
Element of Income / (loss) and Capital gains / (losses) included in the prices of units issued less those in units redeemed - net			
- transferred to income statement		-	(232)
Total Comprehensive income		19,507	17,853
Income already paid on units redeemed		1,068	-
		20,575	17,853
Net assets as at the end of the period		2,001,461	1,143,801
Net Assets value per unit as at beginning of the period		10.4933	10.4723
Net Assets value per unit as at end of the period		10.6575	10.6384
Distribution during for the period:			
Accumulated income brought forward			
- Realised income		104,299	104,594
- Unrealised income		(2,332)	(4,924)
		101,967	99,670
Accounting income available for distribution for the period:			
- Relating to Capital Gains		972	-
- Excluding Capital Gains		18,535	-
		19,507	17,853
Element of Income / (loss) and Capital gains / (losses) included in the prices of units issued less those in units redeemed - net		-	232
Undistributed income carried forward		121,474	117,755
Undistributed income comprising of :			
- Realised income		120,449	117,897
- Unrealised income		1,025	(142)
		121,474	117,755

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
(Rupees in '000)		
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	20,575	17,853
Adjustments :		
Net unrealised Diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,025)	142
Amortisation of preliminary expenses and floatation costs	-	55
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	(232)
	19,550	17,818
Decrease / (increase) in assets		
Investments	(377,278)	(67,768)
Profit receivable	(7,913)	(5,378)
Receivable against sale of units	(42,240)	463,065
Prepayments and other receivables	(14)	26
	(427,445)	389,945
Increase in liabilities		
Payable to the Management Company	870	513
Payable to Central Depository Company of Pakistan Limited - Trustee	55	193
Payable to the Securities and Exchange Commission of Pakistan	(448)	(609)
Accrued expenses and other liabilities	(205)	1,509
	272	1,606
Net cash (used in) / generated from operating activities	(407,623)	409,369
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	1,129,292	280,314
Payment on redemption of units	(310,261)	(426,212)
Net cash (outflow) from financing activities	819,031	(145,898)
Net decrease in cash and cash equivalents during the period	411,408	263,471
Cash and cash equivalents at the beginning of the period	779,534	336,091
Cash and cash equivalents as at the end of the period	1,190,942	599,562

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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 4, Scheme no. 5, Clifton, Karachi. The Management Company is a member of the Mutual Fund Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering these to the Fund. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by SECP for categorisation of Collective Investment Schemes (CIS).

The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs / Sukuks, Bank deposits and short-term money market instruments.

The Pakistan Credit Rating Agency (PACRA) has assigned stability rating of A+(f) to the Fund and an asset manager rating of AM1 to the Management Company.

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

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulation or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

The directors of the asset management company declare that these condensed interim financial statements give a true and fair view of the fund

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed financial statements for the quarter ended September 30, 2017 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2017 except for element of income. Pursuant to SRO 756(I)/2017, management has changed its accounting policy whereby element of income / loss and capital gains / losses in prices of units issued less those in units redeemed' during the year, previously transferred to the 'income statement' has now been taken to unit holders' fund. The above change has been applied from July 01, 2017 as clarified by MUFAP, therefore the comparative information have not been restated.

NAFA FINANCIAL SECTOR INCOME FUND

4 INVESTMENTS

Note 31 March 2017 Unaudited 30 June 2016 Audited
(Rupees in '000)

At fair value through profit or loss - held for trading

Investment in term finance certificates - listed	4.1	34,882	34,956
Investment in term finance certificates - unlisted	4.2	374,539	256,741

Loans and receivables

Commercial Paper	4.4	29,761	29,182
Term deposit receipts	4.3	350,000	90,000
		<u>789,182</u>	<u>410,879</u>

4.1 Term finance certificates - listed

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

Name of the investee company	Number of certificates / bonds				Market Value as at September 30, 2017	Investment as a percentage of		
	As at July 01, 2017	Purchases during the period	Sale / matured during the period	As at September 30, 2017		Net assets	Market value of total investments	Issue Size
Rupees in '000						----- % -----		
Term finance certificates - listed								
Faysal Bank Limited - III	27,900	-	-	27,900	34,882	1.74	4.42	
				<u>27,900</u>	<u>34,882</u>	<u>1.74</u>	<u>4.42</u>	
Carrying Value as at September 30, 2017					34,956			
Net unrealised diminution on re-measurement of investments as at September 30, 2017					<u>(74)</u>			

4.2 Term finance certificates - unlisted

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

Name of the investee company	Number of certificates / bonds				Market Value as at September 30, 2017	Investment as a percentage of		
	As at July 01, 2017	Purchases during the period	Sale / matured during the period	As at September 30, 2017		Net assets	Market value of total investments	Issue Size
Rupees in '000						----- % -----		
Term finance certificates - unlisted								
Bank Alfalah Limited - IV FT	34,300	-	-	34,300	57,128	2.85	7.24	7.02
Askari Bank Limited - IV (face value Rs. 1 million)	44	-	-	44	44,472	2.22	5.64	0.02
Standard Chartered Bank IV	3,300	-	-	3,300	16,500	0.82	2.09	2.50
JS Bank Limited	23,400	-	-	23,400	117,795	5.89	14.93	
Jahangir Siddiqui and Company Limited	-	23,340	-	23,340	118,363	5.91	15.00	
Jahangir Siddiqui and Company Limited	4,000	-	-	4,000	20,281	1.01	2.57	
				88,384	374,539	18.71	47.46	
Carrying Value as at September 30, 2017					373,440			
Net unrealised diminution on re-measurement of investments as at September 30, 2017					1,099			

4.3 This represents term deposit receipts of Rs 260 million with JS Bank Limited and Rs.90 million with Khushali Bank Limited respectively. They carry interest at the rate 6.6% and 8.35% respectively.

4.4 This represents investment in commercial paper of JS Global Capital Ltd, carrying interest rate of 5.91%.

NAFA FINANCIAL SECTOR INCOME FUND

	Un-audited As at September 30, 2017	Audited As at June 30, 2017
(Rupees in '000)		
5 PROFIT RECEIVABLE		
Profit receivable on bank deposits	204	81
Profit receivable on term finance certificates	8,610	990
Profit receivable on term deposit receipts	1,677	1,508
	<u>10,491</u>	<u>2,579</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	548	401
Provision for Sindh Workers' Welfare Fund	2,294	1,875
Federal Excise Duty on remuneration to management company	14,947	14,947
Federal Excise Duty on sales and transfer load	467	467
Brokerage	16	16
Printing charges	56	56
Bank Charges	164	135
CDC Charges	129	133
Other payable	1,000	1,000
Capital gain tax	470	1,272
Withholding tax payable	9,867	9,861
	<u>29,958</u>	<u>30,163</u>

7 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended September 30, 2017 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

8 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.33% p.a. including 0.31% representing government levies on collective Investment scheme such as Sales tax, Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the same period.

9 PROVISION FOR SINDH WORKERS' WELFARE FUND

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, is 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 has 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, MUFAP on January 12, 2017 recommended all its members that as a matter of abundant caution the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Re 0.0122 per unit.

10 CONTINGENCIES AND COMMITMENTS

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

NAFA FINANCIAL SECTOR INCOME FUND

11 TAXATION

The income of the Fund is exempt from income tax as per 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 to the unit holders as cash dividend. The management intends to distribute 90 percent of the Fund's net accounting income earned by the year end as cash dividend to the unit holders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information.

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

12 TRANSACTIONS WITH CONNECTED PERSONS

- 12.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP), and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 12.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 12.3 Remuneration and front - end load payable to the Management Company and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Un-Audited For the Quarter ended September 30, 2017	Un-Audited For the Quarter ended September 30, 2016
----- (Rupees in '000) -----	

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

NBP Fullerton Asset Management Limited - Management Company

Remuneration of the Management Company	2,269	2,033
Sindh sales tax on remuneration of the Management Company	295	264
Accounting and operating charges to the Management Company	332	284
Front end load	171	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration of the Trustee	497	456
Sindh sales tax on remuneration of the Trustee	65	60
Settlement charges	76	-

Employees of the Management Company

57,816 Units issued / transferred in during the period (2016 : Nil units)	610	-
579,064 Units redeemed / transferred out during the period (2016 : 109,503 units)	6,081	1,149

NAFA FINANCIAL SECTOR INCOME FUND

	Un-Audited As at September 30, 2017	Audited As at June 30, 2017
12.5 Balances outstanding as at period end	----- (Rupees in '000) -----	
NBP Fullerton Asset Management Limited - Management Company		
Sales load and transfer load payable to the Management Company	797	626
Other Payable	169	-
Management remuneration payable	849	545
Sindh Sales Tax payable on Management Company's remuneration	111	71
Sindh Sales Tax payable on sales load	104	-
Accounting and operating charges to the Management Company	1,262	930
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	197	142
Security deposit	100	100
National Bank of Pakistan - Sponsor		
Balance in current account	224	224
Balance in savings account	3,046	5,419
Profit receivable on bank deposit	1	8
Employees of the Management Company		
Units held : 53,114 units (June 30, 2017 : 574,361 units)	566	6,027
Summit Bank Limited		
Balance in current account	2,254	1,501
Askari Bank Limited		
Balance in savings account	534	529
Markup on savings account	1	6
Bank Islami Pakistan Limited		
Bank balance	323	495
Barret Hudgson Pakistan Private Limited (10% or more holding in CIS)		
26,417,038 units held (June 30, 2017: 19,327,481 units)	281,540	202,809
Interloop Limited (10% or more holding in CIS)		
Units Held: 46,946,594 units	500,333	-
Pakistan Electronic Media Regulatory Authority (June 30, 2017: 11,030,277 units)	-	115,744
Amount Receivable against conversion of units from:		
NAFA Asset Allocation Fund	-	1,598
NAFA Islamic Asset Allocation Fund	-	325

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 27, 2017 by the Board of Directors of the Management Company.

14 GENERAL

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

**For NBP Fullerton Asset Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

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