



NBP FUNDS

Managing Your Savings

AM1

Rated by PACRA

NAFA FINANCIAL SECTOR INCOME FUND

**QUARTERLY
REPORT**
March 31, 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.

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NAFA FINANCIAL SECTOR INCOME FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company
Formerly: NBP Fullerton Asset Management Limited (NAFA)

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

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 Shakra-e-Faisal, Karachi.

Bankers to the Fund

Askari Bank Limited
Bank Alfalah 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 Taraqati 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: 021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: 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

NAFA FINANCIAL SECTOR INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited (Formerly; NBP Fullerton Asset Management Limited) is pleased to present the unaudited financial statements of **NAFA Financial Sector Income Fund (NFSIF)** for the period ended March 31, 2018.

Fund's Performance

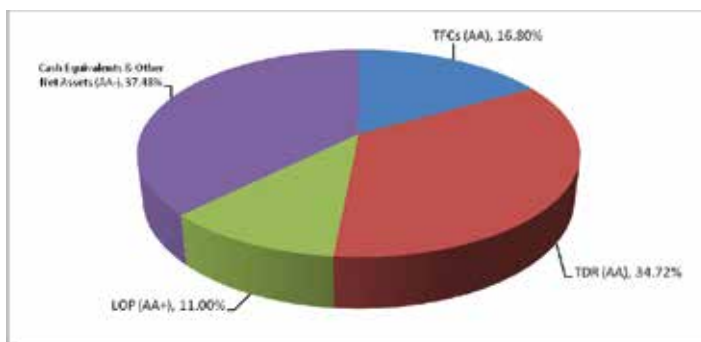
The size of NAFA Financial Sector Income Fund has increased from Rs. 1,152 million to Rs. 2,217 million during the period (i.e. an outstanding growth of 92%). During the period, the unit price of the Fund has increased from Rs. 10.4933 on June 30, 2017 to Rs. 10.9505 on March 31, 2018, thus showing a return of 5.8% as compared to its benchmark return of 6.2% for the same period. The performance of the Fund is net of management fee and other expenses.

The Fund is unique as it invests a minimum 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity/instrument rating of debt securities is '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. The Fund has been assigned 'A+ (f)' fund stability rating by PACRA.

During the period under review, in its bi-monthly monetary policy review in January 2018, State Bank of Pakistan (SBP) increased the policy rate and discount rate by 25 basis points to 6.00% and 6.50%, respectively. After remaining range bound, sovereign yields responded to the recent increase in the policy rates and expectation of more to come in the near future. During the period under review, yields on T-bills for 3-month, 6-month, and 12-month, tenors increased by 41 basis points, 57 basis points and 71 basis points, respectively. Expecting upside risks to inflation and interest rates, investors' preference remained tilted toward short tenors.

After remaining relatively dormant, the market witnessed some issuances in the primary corporate debt market. Trading activity in corporate debt securities remains thin and was recorded at Rs. 16.1 billion. The trades were primarily concentrated in Banking sector TFCs. Expecting upside risks to interest rates the trading activity in the long tenor sovereign bonds (PIBs) remained subdued. PIB yields saw an increase of 142 basis points, 145 basis points, 69 basis points, and 44 basis points for the 3-year, 5-year, 10 year, and 20 year tenors, respectively.

The Fund has earned total income of Rs.94.11 million during the period. After accounting for expenses of Rs.17.37 million, the net income is Rs.76.74 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 Fund Management Limited
(Formerly; NBP Fullerton Asset Management Limited)

Chief Executive

Director

Date: April 30, 2018

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ منیجمنٹ لمیٹڈ سابقہ (NBP فلٹرٹن ایسیٹ منیجمنٹ لمیٹڈ) کے بورڈ آف ڈائریکٹرز بصدِ مسرت 31 مارچ 2018 کو ختم ہونے والی مدت کے لئے NAFA فنانشل سیکٹر انکم فنڈ (NFSIF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA فنانشل سیکٹر انکم فنڈ کا سناڑ اس مدت کے دوران 1,152 ملین روپے سے بڑھ کر 2,217 ملین روپے تک پہنچ گیا، یعنی 92% کا خاطر خواہ اضافہ۔ اس مدت کے دوران پونٹ کی قیمت 30 جون 2017 کو 10.4933 روپے سے بڑھ کر 31 مارچ 2018 کو 10.9505 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے اپنے مینجنگ مارک منافع 6.2% کے مقابلے میں 5.8% منافع درج کرایا۔ فنڈ کی کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

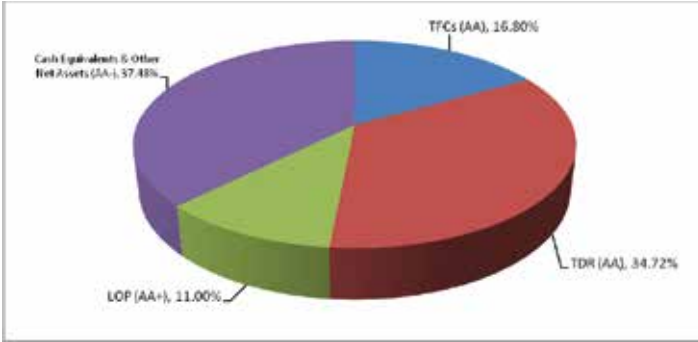
یہ فنڈ اس حوالے سے منفرد ہے کہ یہ اپنے اثاثوں کا کم از کم 70% فنانشل سیکٹر (بنیادی طور پر بینکس) Debt سیکورٹیز، انسٹرومنٹ یا ڈپازٹس میں سرمایہ کاری کرتا ہے۔ Debt سیکورٹیز کی کم از کم اینٹیٹی انسٹرومنٹ ریٹنگ "AA" ہیں۔ اس سے کریڈٹ رسک میں کمی اور اس کے ساتھ ساتھ فنڈ کی لیکویڈٹی میں اضافہ ہوتا ہے۔ فنڈ کی معاد ایک سال سے زائد نہیں ہو سکتی۔ یہ شرح سود یا پرائسنگ رسک کو کم کرتا ہے۔ فنڈ اپنے اثاثوں کا 25% فیصد، 90 دن سے کم مدت کے T-Bills، بلز میں یا بینکوں کے ساتھ سیونگ اکاؤنٹس میں سرمایہ کاری کرتا ہے جس سے فنڈ کے لیکویڈٹی پروفائل میں مزید اضافہ ہو جاتا ہے۔ اس فنڈ کو PACRA کی طرف سے A+(f) کی مستحکم ریٹنگ دی گئی۔

زیر جائزہ مدت میں اسٹیٹ بینک آف پاکستان (SBP) نے جنوری 2018 میں اپنی دوماہ کی مانیٹری پالیسی میں پالیسی ریٹ اور ڈسکاؤنٹ ریٹ میں 25 پیس پوائنٹس کے اضافے سے انھیں بالترتیب 6.00% اور 6.50% تک پہنچا دیا ہے۔ لقیہ ریٹنگ کے محدود ہونے کے بعد (Sovereign) منافع نے حالیہ پالیسی ریٹس میں اضافے اور مستقبل قریب میں مزید اضافے کی توقع کا رد عمل ظاہر کیا۔ زیر جائزہ مدت کے دوران میں 3 ماہ، 6 ماہ اور 12 ماہ کیلئے T-Bills کے منافع میں بالترتیب 41 پیس پوائنٹس، 57 پیس پوائنٹس اور 71 پیس پوائنٹس کا اضافہ ہوا۔ افراط زر اور شرح سود سے متعلقہ بڑھتے ہوئے خدشات کی بنا پر سرمایہ کاروں کی ترجیح کا جھکاؤ مختصر مدت کی طرف رہا۔

نسبتاً غیر فعال رہنے کے بعد مارکیٹ میں بنیادی کارپوریٹ Debt کے کچھ اجراء دیکھنے میں آئے۔ کارپوریٹ Debt سیکورٹیز میں تجارتی سرگرمیاں مختصر ہیں جو 16.1 بلین روپے کی حد تک محدود ہیں۔ تجارت کا عمومی رجحان بینکنگ کے شعبہ TFCs کی طرف رہا۔ شرح سود میں اضافے کے خدشات کی توقع کے باعث طویل مدت کے Sovereign بونڈز (PIBs) میں تجارتی سرگرمیاں محدود ہیں۔ PIB کے نتائج میں 3 سال، 5 سال، 10 سال اور 20 سال کی مدت کے لئے بالترتیب 142 پیس پوائنٹس، 145 پیس پوائنٹس، 69 پیس پوائنٹس اور 44 پیس پوائنٹس کا اضافہ دیکھنے میں آیا۔

NAFA FINANCIAL SECTOR INCOME FUND

فنڈ نے اس مدت کے دوران 94.11 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 17.37 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 76.74 ملین روپے ہے۔ درج ذیل چارٹ NFSIF کی ایسیٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:



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 انویسٹمنٹ 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 رٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لا نا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجمنٹ لمیٹڈ

(سابقہ: NBP فلٹرین ایسیٹ منجمنٹ لمیٹڈ)

ڈائریکٹر

چیف ایگزیکٹو آفیسر

بتاریخ

30 اپریل 2018

بمقام: کراچی

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Statement of Assets and Liabilities As at 31 March 2018

	Note	(Un- Audited) March 31' 2018	Audited June 30, 2017
(Rupees in '000)			
Assets			
Bank balances		1,616,800	779,534
Investments	4	616,342	410,879
Profit receivables		10,853	2,579
Security deposit		100	100
Receivable against conversion of units		-	1,923
Advance, Prepayment and other receivable		275	432
Total assets		2,244,370	1,195,447
Liabilities			
Payable to Management Company		3,977	2,422
Payable to Central Depository Company of Pakistan Limited - Trustee		391	142
Payable to Securities and Exchange Commission of Pakistan		1,027	697
Payable against redemption of units		549	9,654
Accrued expenses and other liabilities		20,973	30,163
Total liabilities		26,917	43,078
Net assets		2,217,453	1,152,369
Unit holders' fund (as per statement attached)		2,217,453	1,152,369
Contingency and commitment	6		
-----Number of units-----			
Number of units in issue		202,498,126	109,819,491
------(Rupees)-----			
Net assets value per unit		10.9505	10.4933

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

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Income Statement (Unaudited) For the nine and three months period ended 31 March 2018

Note	Nine months ended		Quarter Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	(Rupees in '000)			
Income				
Income from term deposit receipts	17,958	-	7,764	-
Income from term finance certificates and commercial paper	22,337	22,641	6,067	7,616
Income from certificate of investment	3,889	-	3,675	-
Income from letter of placement	183	-	183	-
Profit on bank deposits	49,837	31,564	17,718	6,984
Net unrealised appreciation/(diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(88)	(1,556)	(19)	161
Reversal of provision for Workers' Welfare Fund	-	17,976	-	17,976
Total income	94,116	70,625	35,388	32,737
Expenses				
Remuneration of Management Company	8,940	5,132	3,423	1,423
Sindh Sales Tax on remuneration of the Management Company	1,162	667	445	185
Remuneration of Trustee	1,803	1,195	658	328
Sindh Sales Tax on remuneration of the Trustee	234	155	85	42
Annual fee - Securities and Exchange Commission of Pakistan	1,027	542	394	145
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,370	722	527	193
Securities transaction costs	-	117	-	74
Settlement and bank charges	407	112	101	90
Annual listing fee	21	41	7	14
Auditors' remuneration	464	536	98	143
Legal and Professional charges	8	46	8	23
Mutual fund rating fee	245	233	81	83
Provision for Sindh Workers' Welfare Fund - previous years	-	713	-	713
Amortisation of preliminary expenses and floatation costs	-	70	-	1
Printing charges	124	-	74	-
Total expenses	15,805	10,281	5,901	3,457
Net income from operating activities	78,311	60,344	29,487	29,280
Element of (loss) and capital (losses) included in prices of units issued less those in units redeemed -net	-	(11,001)	-	(2,944)
Provision for Sindh Workers' Welfare Fund	5 (1,566)	(989)	(590)	(989)
Net income for the period before taxation	76,745	48,354	28,897	25,347
Taxation	8 -	-	-	-
Net income for the period after taxation	76,745	48,354	28,897	25,347
Allocation of net income for the period after taxation				
Net income for the period	76,745	-	28,897	-
Income already paid on units redeemed	(18,767)	-	(10,909)	-
	<u>57,978</u>		<u>17,988</u>	
Accounting income available for distribution:				
-Relating to capital gains	57,978	-	17,988	-
-Excluding capital gains	-	-	-	-
	<u>57,978</u>		<u>17,988</u>	

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

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Statement of Comprehensive Income (Unaudited) For the nine and three months period ended 31 March 2018

	Nine months ended		Quarter Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	(Rupees in '000)			
Net income for the period	76,745	48,354	28,897	25,347
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>76,745</u>	<u>48,354</u>	<u>28,897</u>	<u>25,347</u>

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

For NBP Fund Management Limited
(Formerly; 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 (Unaudited) For the nine months period ended 31 March 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the period	1,050,402	101,967	1,152,369	1,155,029	99,670	1,254,699
Issue of 314,525,476 units (2017: 39,447,300 units)						
- Capital value	3,300,410	-	3,300,410			
- Element of income	71,978	-	71,978			
Total proceeds on issuance of units	3,372,388	-	3,372,388	413,104	8,676	421,780
Redemption of 221,846,841 units (2017: 91,007,239 units)						
- Capital value	(2,327,905)	-	(2,327,905)			
- Element of loss	(37,376)	(18,767)	(56,143)			
Total payments on redemption of units	(2,365,281)	(18,767)	(2,384,048)	(953,055)	(19,677)	(972,732)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	11,001	11,001
Total comprehensive income for the period	-	76,745	76,745	-	48,354	48,354
Net assets at end of the period	2,057,509	159,945	2,217,453	615,078	148,024	763,102
Undistributed income brought forward						
- Realised		104,299			104,594	
- Unrealised		(2,332)			(4,924)	
		101,967			99,670	
Accounting income available for distribution:						
- Relating to capital gains		-				
- Excluding capital gains		57,978				
		57,978			48,354	
Undistributed income carried forward		159,945			148,024	
Undistributed income carried forward						
- Realised		160,033			149,580	
- Unrealised		(88)			(1,556)	
		159,945			148,024	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		10.4933			10.4723	
Net assets value per unit at end of the period		10.9505			11.1809	

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

For NBP Fund Management Limited
(Formerly; NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Cash Flow Statement (Unaudited) For the nine months period ended 31 March 2018

	Nine months period ended	
	2018	2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	76,745	48,354
Adjustments:		
Net unrealised (appreciation)/diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	88	1,556
Amortisation of preliminary expenses and flotation costs	-	70
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	11,001
	76,833	60,981
(Increase) / decrease in assets		
Investments - net	(205,552)	124,832
Advance, prepayments and other receivables	157	(184)
Profit receivables	(8,274)	(4,315)
	(213,669)	120,333
(Decrease) / increase in liabilities		
Payable to Management Company	1,555	322
Payable to Trustee	249	(10)
Payable to Securities and Exchange Commission of Pakistan	330	(280)
Accrued expenses and other liabilities	(9,189)	(17,893)
	(7,055)	(17,861)
Net cash (used in) / generated from operating activities	(143,891)	163,453
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issuance of units	3,374,311	882,427
Payments against redemption of units	(2,393,153)	(984,247)
Net cash generated from / (used in) financing activities	981,157	(101,820)
Net increase in cash and cash equivalents during the period	837,266	61,633
Cash and cash equivalents at beginning of the period	779,534	336,091
Cash and cash equivalents at end of the period	1,616,800	397,724

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

**For NBP Fund Management Limited
(Formerly;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 Information For the nine month period ended 31 March 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited (formerly NBP Fullerton Asset Management Limited) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the 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).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange. Units of the Fund are offered for public subscription on a continuous basis. These units are transferable and can be redeemed by surrendering to the Fund. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by the SECP for categorization of Collective Investment Schemes (CIS).
- 1.4 The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and stability rating of 'A+(f)' to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 requirements of IAS 34, 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.

The disclosures made in this condensed interim financial information have been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2017.

NAFA FINANCIAL SECTOR INCOME FUND

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declared that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2018.

3 ACCOUNTING POLICIES

The accounting policies, basis of accounting estimates applied and method of computation adopted in the preparation of this condensed interim financial information and financial risk management objectives and policies are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2017 except as explained in note 3.1.

- 3.1 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 shall be 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. Furthermore, the amended regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

Previously, an equalization 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 unrealized 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 unit holders. 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 recognized in the Income Statement.

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 disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as allowed by the SECP vide their email to MUFAP dated February 8, 2018. 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 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 lower by Rs. 15.835 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been higher by Rs. 0.0016. 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.

4 INVESTMENTS

Investments by category

Financial assets 'at fair value through profit or loss'

		31 March 2018	30 June 2017
		Unaudited	Audited
		(Rupees in '000)	
Term finance certificates - listed	4.1	-	34,956
Term finance certificates - unlisted	4.2	372,453	256,741

Loans and receivables

Commercial Paper		-	29,182
Certificate of Investment	4.3	-	
Letter of Placement	4.4	243,889	
Term deposit receipts - long term		-	90,000
		616,342	410,879

NAFA FINANCIAL SECTOR INCOME FUND

8 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial information.

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

9 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 9.1 Connected persons include NBP Fund Management Limited (formerly: NBP Fullerton Asset Management Limited) being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 9.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 9.3 Remuneration and sales load payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 9.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:
- 9.5 Details of the transactions with connected persons are as follows:

	Unaudited	
	Nine months period ended	
	2018	2017
	(Rupees in '000)	
NBP Fund Management Limited (formerly:NBP Fullerton Asset Management Limited)		
Management remuneration	8,940	5,132
Sindh Sales Tax on remuneration of Management Company	1,162	667
Sales load	-	191
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,370	722
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	1,803	1,195
Sindh Sales Tax on remuneration of Trustee	234	155
Employees of the Management Company		
Issue / transfer in of 322,633 units (2017: 54,023units)	3,461	575
Redemption / transfer out of 841,509units (2017: 184,470 units)	8,914	1,954

NAFA FINANCIAL SECTOR INCOME FUND

	Unaudited	
	Nine months period ended	
	2018	2017
	(Rupees in '000)	
Faruque Private Limited		
Issue / transfer in of 1,119,842 units (2017: Nil units)	1,200	-
Redemption / transfer out of 1,119,842 units (2017: Nil units)	12,122	-
Askari Commercial Bank		
Markup on bank balance	28	-
National Bank of Pakistan - Sponsor		
Markup on bank balance	261	93
Bank Islami Pakistan Limited		
Markup on bank balance	21	-

9.6 Amounts outstanding as at period / year end:

	31 March 2018 Unaudited	30 June 2017 Audited
	(Rupees in '000)	
NBP Fund Management Limited (formerly:NBP Fullerton Asset Management Limited)		
Sales load and transfer load payable to Management Company	309	626
Other Payable	169	169
Management remuneration payable	1,884	545
Sindh sales tax payable on management remuneration	245	71
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,370	930
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	346	126
Sindh Sales Tax on Trustee remuneration	45	16
Security deposit	100	100
Employees of the Management Company		
Units held : 55,485 units (2017 : 574,361 units)	608	6,027
National Bank of Pakistan - Sponsor		
Balance in current account	172	224
Balance in savings account	10,640	5,419
Profit receivable on bank deposit	2	8
Barret Hudgson Pakistan Private Limited		
Nil units held (2017:19,327,481 units)	-	202,809
Pakistan Electronic Media Regulatory Authority		
Nil units held (2017: 11,030,277 units)	-	115,744
Askari Commercial Bank Limited		
Balance in savings account	2,762	529
Profit receivable on bank deposit	32	6

NAFA FINANCIAL SECTOR INCOME FUND

	31 March 2018 Unaudited (Rupees in '000)	30 June 2017 Audited
Summit Bank Limited		
Balance in current account	2,845	1,501
NAFA Asset Allocation Fund		
Net receivable against conversion of units	-	1,598
NAFA Islamic Asset Allocation Fund		
Net receivable against conversion of units	-	325
Bank Islami Pakistan Limited		
Bank balance	-	495

10 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on April 30, 2018.

11 GENERAL

11.1 Figures have been rounded off to the nearest thousand rupees.

11.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. There have been no significant reclassification during the period except for the impact of change in accounting policy.

For NBP Fund Management Limited
(Formerly; NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Head Office

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