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

NAFA FINANCIAL SECTOR INCOME FUND

**HALF YEARLY
REPORT
December
31 2016**




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. 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 Shahra-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 Taraqati Bank Limited
Bankislami 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 reviewed financial statements of NAFA Financial Sector Income Fund (NFSIF) for the half year ended December 31, 2016.

Fund's Performance

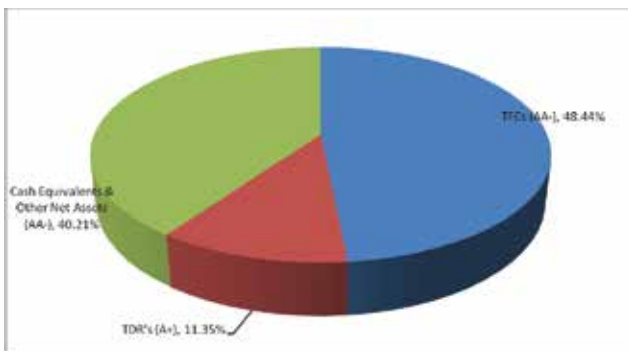
The size of NAFA Financial Sector Income Fund has decreased from Rs. 1,255 million to Rs. 793 million during the period, a drop of 37%. During the period, the unit price of the Fund has increased from Rs. 10.4723 on June 30, 2016 to Rs. 10.7853 on December 31, 2016, thus showing a return of 5.9% as compared to its Benchmark return of 5.9% 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.

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 inflationary 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.

Trading activity in corporate debt securities (TFCs & Sukuks) remained thin and was recorded at around Rs. 5 billion during the reported period. Demand for the high credit quality corporate bonds issuance was again witnessed. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR, mitigating the interest rate risk.

The Fund has earned total income of Rs.29.83 million during the period. After deducting expenses of Rs.6.82 million, the net income is Rs.23.01 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: February 28, 2017
Place: Karachi.

ڈائریکٹرز رپورٹ

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

فنڈ کی کارکردگی

NAFA فنانشل سیکٹرز انکم فنڈ کا ساٹھ ماہی ششماہی کے دوران 1,255 ملین روپے سے گھٹ کر 793 ملین روپے تک پہنچ گیا، یعنی زیر جائزہ کے دوران 37% کمی۔ اس مدت کے دوران یونٹ کی قیمت 30 جون 2016 کو 10.4723 روپے سے بڑھ کر 31 دسمبر 2016 کو 10.7853 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے اپنے پہنچ مارک منافع 5.9% کے مقابلے میں 5.9% منافع درج کرایا۔ فنڈ کی کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

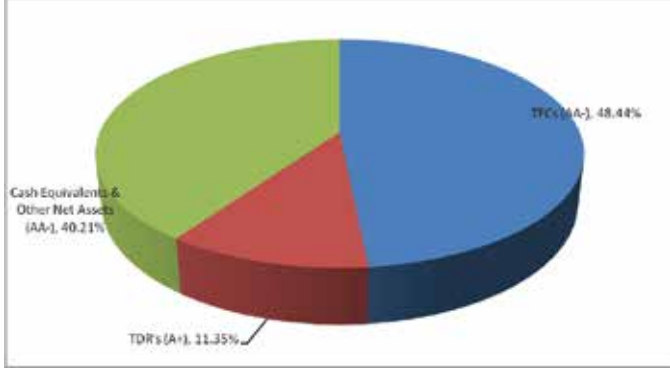
یہ فنڈ منفرد ہے کیوں کہ یہ اپنے اثاثوں کا کم از کم 70% فنانشل سیکٹرز (بنیادی طور پر بینکس) ڈیٹ سیکورٹیز، انٹرومنٹ یا ڈپازٹس میں سرمایہ کاری کرتا ہے۔ ڈیٹ سیکورٹیز کی کم از کم اینٹیٹی / انٹرومنٹ ریٹنگ AA- ہیں۔ اس سے کریڈٹ رسک میں کمی ہوتی ہے اور اس کے ساتھ ساتھ فنڈ کی لیکویڈٹی میں اضافہ ہوتا ہے۔ فنڈ کی میعاد ایک سال سے زائد نہیں ہو سکتی۔ یہ انٹرسٹ ریٹ یا پرائسنگ رسک کم کرتا ہے۔ فنڈ اپنے اثاثوں کا 25%، 90 دن سے کم مدت کے T بزز یا ٹینکوں کے ساتھ سیونگ اکاؤنٹس میں انویسٹ کرتا ہے جس سے فنڈ کے لیکویڈٹی پروفائل میں مزید اضافہ ہو جاتا ہے۔ اس فنڈ کی PACRA کی طرف سے A+(f) کی اسٹیٹیبلیٹی ریٹنگ دی گئی۔

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، لیکویڈٹی 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 نبرد آزما 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 چیلنجز اور بڑھتی ہوئی بیرونی قرض کی سطح سے خطرات لاحق ہیں جو کہ ادائیگی کے توازن کو وسط مدتی دورانہ میں متاثر کر سکتا ہے جس کے لئے منصوبہ سازی کی ضرورت ہوگی۔ طویل المیعاد خود مختار منافع میں تقریباً 50 پیسے پوائنٹ کا اوسط اضافہ دیکھا گیا، جو افراط زر اور سود کی شرح میں معتدل اضافے کی عکاسی کرتا ہے۔

کارپوریٹ ڈیپٹ سیکورٹیز (TFCs) اور سٹاک میں ہونے والی تجارتی سرگرمیوں میں جھکاؤ دیکھنے میں آیا اور تقریباً 5 ملین روپے پر ریکارڈ کیا۔ اعلیٰ کریڈٹ معیاری کارپوریٹ بانڈ کی اجراء کے مطالبہ کا رجحان دوبارہ دیکھنے میں آیا۔ فنڈ میں تمام TFCs اور سٹاک رواں شرح ہیں جو کہ KIBOR منسلک ہیں، جو سود کی شرح میں خطرے کی کمی کا باعث ہے۔

NAFA FINANCIAL SECTOR INCOME FUND

فونڈ نے اس مدت کے دوران 29.83 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 6.82 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 23.01 ملین روپے ہے۔ درج ذیل چارٹ NFSIF کی ایسیٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیکائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:



اظہارِ 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 سیکورٹیز اینڈ انویسٹمنٹ کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہارِ تشکر کرتا ہے۔ بورڈ اپنے اسٹاف اور اسٹیٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 فروری 2017

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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 Financial Sector Income 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 FINANCIAL SECTOR INCOME FUND

Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Financial Sector Income Fund** ("the Fund") as at 31 December 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 six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matter

The figures for the three months period ended 31 December 2016 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

The interim financial information of the Fund for the six months period ended 31 December 2015 and financial statements for the year ended 30 June 2016 were reviewed and audited by another firm of auditors whose reports dated 29 February 2016 and 30 September 2016 expressed an unmodified conclusion and opinion thereon respectively.

Date: February 28, 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Statement of Assets and Liabilities As at 31 December 2016

	Note	31 December 2016 Unaudited	30 June 2016 Audited
(Rupees in '000)			
Assets			
Bank balances	6	356,086	336,091
Investments	7	474,167	510,716
Profit receivables	8	3,325	6,424
Preliminary expenses and flotation costs		-	69
Security deposit		100	100
Receivable against issue of units		-	463,064
Prepayments and other receivables		296	345
Total assets		<u>833,974</u>	<u>1,316,809</u>
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	17,235	17,125
Payable to Central Depository Company of Pakistan Limited - Trustee	10	172	137
Payable to Securities and Exchange Commission of Pakistan		397	822
Payable against redemption of units		-	18,328
Accrued expenses and other liabilities	11	23,085	25,698
Total liabilities		<u>40,889</u>	<u>62,110</u>
Net assets		<u>793,085</u>	<u>1,254,699</u>
Unit holders' fund (as per statement attached)		<u>793,085</u>	<u>1,254,699</u>
Contingency and commitment	12		
(Number of units)			
Number of units in issue		<u>73,534,150</u>	<u>119,810,599</u>
(Rupees)			
Net assets value per unit		<u>10.7853</u>	<u>10.4723</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Income Statement (Unaudited) For the six and three months period ended 31 December 2016

	Note	Six months period ended		Three months period ended	
		2016	2015	2016	2015
------(Rupees in '000)-----					
Income					
Gain on sale of investments - net		-	2,634	-	240
Income from government securities		-	5,458	-	3,148
Income from term deposit receipts		7,930	4,105	4,812	2,973
Income from term finance certificates		15,025	19,629	7,452	9,237
Profit on bank deposits		16,650	25,024	5,889	9,401
Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7.4	(1,717)	(1,564)	(1,575)	(506)
Total income		<u>37,888</u>	<u>55,286</u>	<u>16,578</u>	<u>24,493</u>
Expenses					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	3,709	9,029	1,676	4,046
Sindh Sales Tax on remuneration of the Management Company	9.2	482	1,466	218	657
Federal Excise Duty on remuneration of the Management Company	9.3	-	1,445	-	647
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	529	116	245	116
Remuneration of Central Depository Company of Pakistan Limited - Trustee		867	964	411	473
Sindh Sales Tax on remuneration of the Trustee	10.1	113	134	53	65
Annual fee - Securities and Exchange Commission of Pakistan		397	478	184	229
Securities transaction costs		43	2	-	1
Amortisation of preliminary expenses and flotation costs		69	110	14	55
Annual listing fee		27	20	17	10
Auditors' remuneration		393	341	255	203
Mutual fund rating fee		150	139	39	69
Professional charges		23	-	23	-
Settlement and bank charges		22	304	-	116
Total expenses		<u>6,824</u>	<u>14,548</u>	<u>3,135</u>	<u>6,687</u>
Net income from operating activities		<u>31,064</u>	<u>40,738</u>	<u>13,443</u>	<u>17,806</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed -net		(8,057)	(5,301)	(8,289)	(4,262)
Provision for Workers' Welfare Fund	11.1	-	-	-	-
Net income for the period before taxation		<u>23,007</u>	<u>35,437</u>	<u>5,154</u>	<u>13,544</u>
Taxation	13	-	-	-	-
Net income for the period		<u><u>23,007</u></u>	<u><u>35,437</u></u>	<u><u>5,154</u></u>	<u><u>13,544</u></u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Statement of Comprehensive Income (Unaudited) For the six and three months period ended 31 December 2016

	Six months period ended 2016	2015	Three months period ended 2016	2015
	------(Rupees in '000)-----			
Net income for the period	23,007	35,437	5,154	13,544
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>23,007</u>	<u>35,437</u>	<u>5,154</u>	<u>13,544</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Distribution Statement (Unaudited) For the six and three months period ended 31 December 2016

	Six months period ended		Three months period ended	
	2016	2015	2016	2015
	------(Rupees in '000)-----			
Undistributed income brought forward				
- Realised income	104,594	103,179	117,665	122,092
- Unrealised (loss)	(4,924)	(4,038)	(142)	(1,058)
	<u>99,670</u>	<u>99,141</u>	<u>117,523</u>	<u>121,034</u>
Net income for the period	23,007	35,437	5,154	13,544
Undistributed income carried forward	<u>122,677</u>	<u>134,578</u>	<u>122,677</u>	<u>134,578</u>
Undistributed income carried forward comprising:				
- Realised income	124,394	136,142	124,394	136,142
- Unrealised (loss)	(1,717)	(1,564)	(1,717)	(1,564)
	<u>122,677</u>	<u>134,578</u>	<u>122,677</u>	<u>134,578</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited) For the six and three months period ended 31 December 2016

	Six months period ended		Three months period ended	
	2016	2015	2016	2015
	------(Rupees in '000)-----			
Net assets at beginning of the period [Rs. 10.4723 per unit (2015: Rs. 10.4679 per unit)]	1,254,699	776,933	1,143,801	1,240,589
Issue of 33,400,506 units (2015: 151,775,408 units)	354,520	1,597,214	74,206	82,371
Redemption of 79,676,955 units (2015: 123,809,896 units)	(847,198)	(1,309,776)	(438,365)	(235,657)
	(492,678)	287,438	(364,159)	(153,286)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	8,057	5,301	8,289	4,262
Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,717)	(1,564)	(1,575)	(506)
Gain on sale of investments - net	-	2,634	-	240
Other net income for the period	24,724	34,367	6,729	13,810
Total comprehensive income for the period	23,007	35,437	5,154	13,544
Net assets at end of the period [Rs.10.7853 per unit (2015: Rs. 10.8147 per unit)]	<u>793,085</u>	<u>1,105,109</u>	<u>793,085</u>	<u>1,105,109</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

Condensed Interim Cash Flow Statement (Unaudited) For the six and three months period ended 31 December 2016

	Note	Six months period ended 2016	2015	Three months period ended 2016	2015
------(Rupees in '000)-----					
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the period before taxation		23,007	35,437	5,154	13,544
Adjustments:					
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7.4	1,717	1,564	1,575	506
Amortisation of preliminary expenses and flotation costs		69	110	15	55
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		8,057	5,301	8,289	4,262
		<u>32,850</u>	<u>42,412</u>	<u>15,033</u>	<u>18,367</u>
Decrease / (increase) in assets					
Investments - net		34,832	(39,109)	102,600	(110,882)
Prepayments and other receivables		49	754	23	(113)
Profit receivables		3,099	4,716	8,476	9,714
		<u>37,980</u>	<u>(33,639)</u>	<u>111,099</u>	<u>(101,281)</u>
(Decrease) / increase in liabilities					
Payable to NBP Fullerton Asset Management Limited - Management Company		110	(285)	(403)	125
Payable to Central Depository Company of Pakistan Limited - Trustee		35	(25)	(159)	(3)
Payable to Securities and Exchange Commission of Pakistan		(425)	(994)	184	229
Accrued expenses and other liabilities		(2,613)	(6,734)	(4,122)	(1,221)
		<u>(2,893)</u>	<u>(8,038)</u>	<u>(4,500)</u>	<u>(870)</u>
Net cash generated from / (used in) operating activities		<u>67,937</u>	<u>735</u>	<u>121,632</u>	<u>(83,784)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Amount received on issuance of units		817,584	1,597,214	74,206	82,371
Payments against redemption of units		(865,526)	(2,476,415)	(439,314)	(235,399)
Distributions paid		-	(53,508)	-	-
Net cash (used in) financing activities		<u>(47,942)</u>	<u>(932,709)</u>	<u>(365,108)</u>	<u>(153,028)</u>
Net increase / (decrease) in cash and cash equivalents during the period		<u>19,995</u>	<u>(931,974)</u>	<u>(243,476)</u>	<u>(236,812)</u>
Cash and cash equivalents at beginning of the period		336,091	1,546,969	599,562	851,807
Cash and cash equivalents at end of the period	6	<u>356,086</u>	<u>614,995</u>	<u>356,086</u>	<u>614,995</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA FINANCIAL SECTOR INCOME FUND

Notes to and forming part of the Condensed Interim Financial Information For the six and three months period ended 31 December 2016

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 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 (CISs).
- 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 'AM2++' 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

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 the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

- 2.1.1 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.2 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (2) (f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

NAFA FINANCIAL SECTOR INCOME FUND

3 SIGNIFICANT ACCOUNTING POLICIES

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

4 USE OF JUDGEMENTS AND ESTIMATES

The preparation of condensed interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to annual financial statements as at and for the year ended 30 June 2016.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements as at and for the year ended 30 June 2016.

		31 December 2016	30 June 2016
	Note	Unaudited	Audited
(Rupees in '000)			
6 BANK BALANCES			
In current accounts		1,607	1,622
In saving accounts	6.1 & 6.2	339,206	334,469
Term deposit receipts - short term	6.3	15,273	-
		<u>356,086</u>	<u>336,091</u>

6.1 These accounts carry profit at the rates ranging from 3.75% to 8.00% (30 June 2016: 5.50% to 8.00%) per annum.

6.2 This includes an amount of Rs. 7.922 million on account of redemption of units and Rs. 2.873 million on account of issuance of units relating to various funds under management against switching of units at close of financial period which have been cleared subsequently.

6.3 This represents Short Term Deposit with JS Bank Limited at the rate of 7.30% p.a and having maturity on 29 March 2017.

		31 December 2016	30 June 2016
	Note	Unaudited	Audited
(Rupees in '000)			
7 INVESTMENTS			
Investments by category			
Financial assets 'at fair value through profit or loss'			
Term finance certificates - listed	7.1	70,175	105,630
Term finance certificates - unlisted	7.2	313,992	255,086
Loans and receivables			
Term deposit receipts - long term	7.5	<u>90,000</u>	<u>150,000</u>
		<u>474,167</u>	<u>510,716</u>

NAFA FINANCIAL SECTOR INCOME FUND

7.1 Term finance certificates - listed

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

Name of the investee company	Tenor	Number of certificates				Market value/ Carrying value as at December 31, 2016	Market value/ Carrying value as a percentage of net assets	Market value/ Carrying value as a percentage of total investments
		As at July 01, 2016	Purchases during the period	Sales/ matured during the period	As at December 31, 2016			
Faysal Bank Limited - III	7 years	27,900	-	-	27,900	Rupees in '000	8.85	14.80
Carrying value before fair value adjustments as at 31 December 2016.						70,825		

7.2 Term finance certificates - unlisted

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

Name of the investee company	Tenor	Number of certificates				Market value/ Carrying value as at December 31, 2016	Market value/ Carrying value as a percentage of net assets	Market value/ Carrying value as a percentage of total investments
		As at July 01, 2016	Purchases during the period	Sales/ matured during the period	As at December 31, 2016			
Askari Bank Limited IV (face value Rs 1 million)	10 years	44	-	-	44	Rupees in '000	5.62	9.40
Bank Alfalah Limited IV	8 years	34,300	-	-	34,300	115,233	14.53	24.30
JS Bank Limited	7 years	-	23,400	-	23,400	117,000	14.75	24.67
Jahangir Siddiqui and Company Ltd.	5 years	4,000	-	-	4,000	20,622	2.60	4.35
Standard Chartered Bank Limited - IV	10 years	3,300	-	-	3,300	16,566	2.09	3.49
		41,644	23,400	-	65,044	313,992		
Carrying value before fair value adjustments as at 31 December 2016						315,059		

7.3 Significant terms and conditions of term finance certificates outstanding at the period end are as follows:

Name of securities	Tenor	Number of certificates	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Rating	Secured / unsecured
Listed term finance certificates							
Faysal Bank Limited III	7 years	27,900	2,495	6-months KIBOR + 2.25%	27 December 2010	AA-	Unsecured
Unlisted term finance certificates							
Bank Al-Falah Limited - IV	8 years	34,300	3,325	6-months KIBOR + 2.50%	02 December 2009	AA-	Unsecured
Askari Bank Limited - IV	10 years	44	998,000	6-months KIBOR + 1.75%	23 December 2011	AA	Unsecured
Standard Chartered Bank Limited	10 years	3,300	5,000	6-months KIBOR + 0.75%	29 June 2012	AAA	Unsecured
Jahangir Siddiqui and Company Limited	5 years	4,000	5,000	6-months KIBOR + 1.65%	24 June 2016	AA+	Secured
JS Bank Limited	7 years	23,400	5,000	6-months KIBOR + 1.65%	14 December 2016	A+	Secured

7.4 Net unrealised (diminution) on remeasurement of investments classified as 'financial assets at fair value through profit or loss'

31 December 2016
31 December 2015
Note ---- Unaudited ----
(Rupees in '000)

Market value / Carrying value of investments	7.1 & 7.2	384,167	413,929
Less: Carrying cost of investments	7.1 & 7.2	(385,884)	(415,493)
		<u>(1,717)</u>	<u>(1,564)</u>

7.5 This represents term deposit receipts placed with Khushali Bank Limited carrying markup rate of 8.35% and having maturity of upto 17 January 2017.

NAFA FINANCIAL SECTOR INCOME FUND

	31 December 2016 Unaudited	30 June 2016 Audited
	(Rupees in '000)	
8 PROFIT RECEIVABLES		
Saving deposits	246	52
Term deposit receipts	1,581	4,805
Debt securities	1,498	1,567
	<u>3,325</u>	<u>6,424</u>

9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management Remuneration	9.1	505	514
Sindh Sales Tax	9.2	66	84
Federal Excise Duty	9.3	14,947	14,947
Sales load and transfer load		1,018	836
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	529	575
Preliminary expenses and flotation costs		-	17
Other expenses		170	152
		<u>17,235</u>	<u>17,125</u>

9.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. Effective from 7 December 2015, the Management Company charged its remuneration at the rate of 10% of net income subject to minimum of 0.5% of average net assets and maximum of 1.5% of average net assets of the Fund.

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

9.3 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honorable Supreme Court against the Sindh High Court's decision dated 2 June 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from 10 July 2014, aggregating to Rs.16.443 million out of which Rs. 1.496 million have been paid to the Management Company. Had the provision not been made, the Net Assets Value (NAV) per unit of the Fund as at 31 December 2016 would have been higher by Rs. 0.2236 per unit (30 June 2016: Rs. 0.1372 per unit). However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

9.4 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.

The expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund with effect from 25 November 2015.

NAFA FINANCIAL SECTOR INCOME FUND

		31 December 2016 Unaudited (Rupees in '000)	30 June 2016 Audited
10	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Trustee remuneration	126	120
	Sindh Sales Tax on Trustee remuneration	10.1 16	17
	CDC charges	30	-
		<u>172</u>	<u>137</u>
10.1	The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (30 June, 2016: 14%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2016.		
		31 December 2016 Unaudited (Rupees in '000)	30 June 2016 Audited
11	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Provision for Workers' Welfare Fund	11.1 17,976	17,976
	Auditors' remuneration	346	448
	Printing charges	63	130
	Bank charges	41	110
	Withholding tax	3,622	7,006
	Professional charges	25	12
	Brokerage	12	16
	Others	1,000	-
		<u>23,085</u>	<u>25,698</u>
11.1	The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 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 31 December 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 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 CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on 12 January 2017:		
	- The entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and		
	- The provision in respect of Sindh WWF should be made on a prudent basis on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).		
	Accordingly, the provision for SWWF is being made on a daily basis going forward.		
	The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, reversal of provision for WWF amounted to Rs. 17.976 million upto 31 December 2016 and recording of provision for SWWF of Rs. 1.173 million upto 31 December 2016 have been made on 12 January 2017. The net effect of these adjustments as at 31 December 2016 amounted to Rs. 16.803 million.		

NAFA FINANCIAL SECTOR INCOME FUND

Had above adjustments been made on 31 December 2016 the net assets value per unit of the Fund would have been higher by Rs. 0.2285.

12 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 31 December 2016 (30 June 2016: Nil)

13 TAXATION

The Fund's income 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 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2017 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

14 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.29% p.a. including 0.19% representing government levies on Collective Investment scheme such as Sales tax, Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period

15 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 15.1 Connected persons include 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.
- 15.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 15.3 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.
- 15.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:
- 15.5 Details of the transactions with connected persons are as follows:

	(Unaudited)			
	Six months period ended		Three months period ended	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
NBP Fullerton Asset Management Limited - Management Company				
Management remuneration	3,709	9,029	1,676	4,046
Sindh Sales Tax on remuneration of Management Company	482	1,466	218	657
Federal Excise Duty on remuneration of Management Company	-	1,445	-	647
Sales load	161	633	161	138
Allocation of expenses related to registrar services, accounting, operation and valuation services	529	116	245	116

NAFA FINANCIAL SECTOR INCOME FUND

	(Unaudited)			
	Six months period ended		Three months period ended	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee	867	964	411	473
Sindh Sales Tax on remuneration of Trustee	113	134	53	65
CDC charges	43	147	-	73
National Bank of Pakistan - Sponsor				
Cash distribution paid	-	53,508	-	-
Payment against redemption of units	-	721,058	-	-
Employees of the Management Company				
Issue / transfer in of 54,023 units (2015: 1,467,340 units)	575	15,430	575	528
Redemption / transfer out of 184,470 units (2015: 1,385,481 units)	1,954	14,594	805	203
NAFA Income Opportunity Fund				
Sale of Treasury Bills	-	94,537	-	47,657
COO / Company Secretary				
Redemption of units: Nil (2015: 45,963 units)	-	489	-	489
15.6 Amounts outstanding as at period / year end:			31 December 2016 Unaudited	30 June 2016 Audited
			(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management Company				
Preliminary expenses and flotation cost			-	17
Sales load and transfer load payable to Management Company			1,018	836
Other payable			170	152
Management remuneration payable			505	514
Sindh Sales Tax payable			66	84
Federal Excise Duty payable			14,947	14,947
Allocation of expenses related to registrar services, accounting, operation and valuation services			529	575
Central Depository Company of Pakistan Limited - Trustee				
Trustee remuneration payable			142	137
Security deposit			100	100
CDC charges			30	-
National Bank of Pakistan Limited - Sponsor				
Profit receivable on bank balance			-	28
Bank balance			9,129	762
Summit Bank Limited				
Bank balances			1,383	1,398
Pakistan Electronic Media Regulatory Authority				
Units held: 10,396,091 units			112,125	-
Employees of the Management Company				
Units held : 73 units (2016 : 130,521 units)			1	1,367
NAFA Government Securities Liquid Fund				
Payable against redemption of units			-	15,438

NAFA FINANCIAL SECTOR INCOME FUND

	31 December 2016 Unaudited	30 June 2016 Audited
	(Rupees in '000)	
NAFA Islamic Active Allocation Plan III		
Payable against redemption of units	-	174
NAFA Islamic Stock Fund		
Payable against redemption of units	-	2,521
NAFA Riba Free Savings Fund		
Payable against redemption of units	-	154
NAFA Income Opportunity Fund		
Receivable against issuance of units	-	423,934
NAFA Income Fund		
Receivable against issuance of units	-	30,566
NAFA Asset Allocation Fund		
Receivable against issuance of units	-	4,593
NAFA Islamic Energy Fund		
Receivable against issuance of units	-	3,971

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.

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 fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

NAFA FINANCIAL SECTOR INCOME FUND

31 December 2016							
Carrying amount				Fair value			
At fair value through profit or loss	Loans and receivables	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Unaudited -----				-----			
----- (Rupees in '000) -----				-----			
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
-Term finance certificates - listed	70,175	-	70,175	-	70,175	-	70,175
-Term finance certificates - unlisted	313,992	-	313,992	-	313,992	-	313,992
	<u>384,167</u>	-	<u>384,167</u>	-	<u>384,167</u>	-	<u>384,167</u>
Financial assets not measured at fair value 16.1							
Bank balances	-	356,086	356,086	-	-	-	-
Investments - term deposit receipts	-	90,000	90,000	-	-	-	-
Profit receivables	-	3,325	3,325	-	-	-	-
Security deposit	-	100	100	-	-	-	-
Other receivables	-	268	268	-	-	-	-
	-	<u>449,779</u>	<u>449,779</u>	-	-	-	-
Financial liabilities not measured at fair value 16.1							
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	17,235	17,235	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	172	172	-	-	-
Accrued expenses and other liabilities	-	-	1,487	1,487	-	-	-
	-	-	<u>18,894</u>	<u>18,894</u>	-	-	-

30 June 2016							
Carrying amount				Fair value			
At fair value through profit or loss	Loans and receivables	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Audited -----				-----			
----- (Rupees in '000) -----				-----			
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
-Term finance certificates - listed	105,630	-	105,630	-	105,630	-	105,630
-Term finance certificates - unlisted	255,086	-	255,086	-	255,086	-	255,086
	<u>360,716</u>	-	<u>360,716</u>	-	<u>360,716</u>	-	<u>360,716</u>
Financial assets not measured at fair value							
Bank balances	-	336,091	336,091	-	-	-	-
Investments - term deposit receipts	-	150,000	150,000	-	-	-	-
Profit receivables	-	6,424	6,424	-	-	-	-
Security deposit	-	100	100	-	-	-	-
Receivable against issue of units	-	463,064	463,064	-	-	-	-
Other receivables	-	191	191	-	-	-	-
	-	<u>955,870</u>	<u>955,870</u>	-	-	-	-
Financial liabilities not measured at fair value							
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	17,125	17,125	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	137	137	-	-	-
Payable against redemption of units	-	-	18,328	18,328	-	-	-
Accrued expenses and other liabilities	-	-	716	716	-	-	-
	-	-	<u>36,306</u>	<u>36,306</u>	-	-	-

NAFA FINANCIAL SECTOR INCOME FUND

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

17 **DATE OF AUTHORISATION FOR ISSUE**

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

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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