

**AM1**  
Rated by PACRA



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

## NAFA 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.

# NAFA INCOME FUND

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# NAFA 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

MCB Financial Service Limited  
3rd Floor, Adamjee House,  
I.I. Chundrigar Road Karachi - 7400

### Bankers to the Fund

Allied Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Bank of Punjab  
National Bank of Pakistan  
NIB Bank Limited  
Habib Bank Limited  
Al Barakah Bank Limited  
Sindh Bank Limited  
Silk Bank Limited  
United Bank Limited  
JS Bank Limited  
Khushhali Bank Limited  
Zarai Taraqiati Bank Limited  
Summit Bank Limited  
Tameer Microfinance Bank Limited

# NAFA 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](http://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 INCOME FUND

## DIRECTORS' REPORT

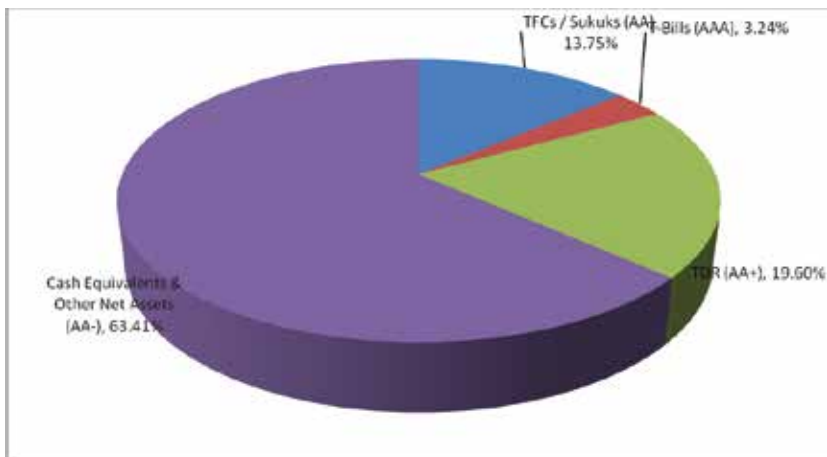
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Fund** (NIF) for the quarter ended September 30, 2017.

### Fund's Performance

The size of NAFA Income Fund has decreased from Rs. 922 million to Rs. 918 million during the quarter, i.e. a mere decline of 0.4%. During the period under review, the unit price of NAFA Income Fund has increased from Rs. 9.7548 on June 30, 2017 to Rs. 9.8873 on September 30, 2017; thus posting a return of 5.4% as compared to its Benchmark return of 6.2%. The performance of the Fund is net of management fee and all other expenses.

NIF is categorized as an Income Scheme and has been awarded stability rating of A (f) by PACRA. 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.15.72 million during the period. After accounting for expenses of Rs.3.41 million, the net income is Rs.12.31 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIF.



# NAFA 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.

# NAFA INCOME FUND

## ڈائریکٹر رپورٹ

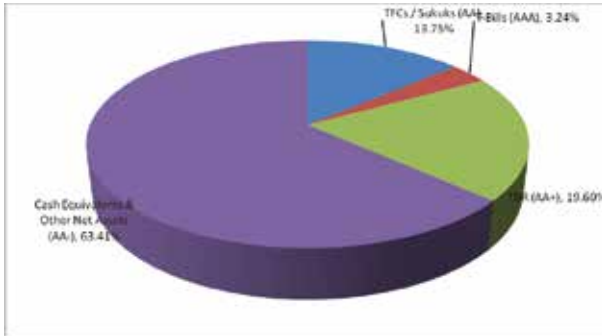
این بی پی فلٹرن ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA انکم فنڈ (NIF) کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے مختتم سہ ماہی 30 ستمبر 2017 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

## فنڈ کی کارکردگی

اس سہ ماہی کے دوران، نفع اکم فنڈ (NIF) کا حجم 922 ملین روپے سے کم ہو کر 918 ملین روپے ہو گیا جو کہ ایک معمولی کمی 0.4 فیصد کی نشاندہی کرتا ہے۔ جائزہ مدت کے دوران نفع اکم فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 9.7548 روپے سے بڑھ کر 30 ستمبر 2017 کو 9.8873 روپے ہو گئی، جو کہ بینچ مارک کے منافع 6.2 فیصد کے مقابلے میں 5.4 فیصد منافع کی نشاندہی کرتا ہے۔ یہ کارکردگی انتظامیہ کے معاوضہ اور دیگر تمام اخراجات نکالنے کے بعد ہے۔

NIF کی درجہ بندی انکم اسکیم میں کی گئی ہے اور اسے PACRA نے A (f) کی مستحکم درجہ بندی سے نوازا ہے۔ 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 / اسکوک 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 ملین تھے۔ مذکورہ بالا سہ ماہی میں بینکنگ سیکٹر کا ایک بہت بڑا حصہ ہے۔

فنڈ کو اس مدت کے دوران 15.72 ملین روپے کی آمدنی ہوئی۔ 3.41 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 12.31 ملین روپے ہو گئی۔ مندرجہ ذیل چارٹ اثاثوں کی تخصیص اور NIF کے ہر ذیل اثاثے کی اوزانی اوسط کی کریڈٹ درجہ بندی کو ظاہر کرتا ہے:





# NAFA INCOME FUND

## اعتراف

اس موقع پر بورڈ اپنے تمام لوٹ 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 سائنس کیپورٹیز 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 ٹرینیوز نے انتھک محنت، جدوجہد اور لگن سے کام کیا۔

از طرف بورڈ

این بی پی فلٹرین ایسٹ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ: اکتوبر 27، 2017

بمقام کراچی

# NAFA INCOME FUND

## Condensed Interim Statement of Assets and Liabilities As at 30 September 2017

	Note	(Un- Audited) September 30' 2017	Audited June 30, 2017
(Rupees in '000)			
<b>Assets</b>			
Balances with banks		475,144	494,759
Investments	4	336,019	223,040
Receivable against margin trading system		105,537	210,045
Income and profit receivable	5	8,274	1,674
Deposit and prepayments		1,218	1,086
<b>Total assets</b>		<u>926,192</u>	<u>930,604</u>
<b>Liabilities</b>			
Payable to Management Company		1,604	1,522
Payable to Central Depository Company of Pakistan Limited - Trustee		112	110
Payable to Securities and Exchange Commission of Pakistan - annual fee		172	606
Accrued expenses and other liabilities	6	5,866	6,309
<b>Total liabilities</b>		<u>7,754</u>	<u>8,547</u>
<b>Net assets</b>		<u>918,438</u>	<u>922,057</u>
<b>Unit holders' fund</b>		<u>918,438</u>	<u>922,057</u>
<b>Contingencies and commitments</b>	8		
-----Number of units-----			
<b>Number of units in issue</b>		<u>92,890,403</u>	<u>94,523,767</u>
------(Rupees)-----			
<b>Net assets value per unit</b>		<u>9.8873</u>	<u>9.7548</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA INCOME FUND

## Condensed Interim Income Statement (Unaudited) For the quarter ended 30 September 2017

	Note	Quarter Ended September 30' 2017 (Rupees in '000)	Quarter Ended September 30, 2016
<b>Income</b>			
Return / mark-up on:			
- bank balances and term deposits		10,778	6,505
- term finance certificates and sukuks		2,387	3,782
- government securities		491	561
- margin trading system		2,492	1,699
Net gain on sale of investments -net		-	1
Net unrealised (diminution) / appreciation on re-measurement of investments at fair value through profit and loss -net		(427)	2,068
<b>Total income</b>		<u>15,721</u>	<u>14,616</u>
<b>Expenses</b>			
Remuneration of Management Company		1,457	1,129
Sindh Sales tax on remuneration of Management Company		189	147
Accounting and operational charges		230	158
Remuneration of Central Depository Company of Pakistan Limited - Trustee		230	158
Sindh Sales tax on remuneration of trustee		30	21
Annual fee - Securities and Exchange Commission of Pakistan		173	119
Settlement and bank charges		623	437
Rating Fee		83	92
Annual listing Fee		7	10
Auditors' remuneration		126	138
Legal and professional charges		6	-
Printing and related charges		10	13
<b>Total expenses</b>		<u>3,164</u>	<u>2,422</u>
		<u>12,557</u>	<u>12,194</u>
Provision for Sindh workers' welfare fund	7	(251)	-
Net element of Income included in prices of units issued less those in units redeemed.		-	22
<b>Net income for the period before taxation</b>		<u>12,306</u>	<u>12,216</u>
Taxation	9	-	-
<b>Net income for the period after taxation</b>		<u><u>12,306</u></u>	<u><u>12,216</u></u>
<b>Allocation of Net income for the period:</b>			
Income already paid on units redeemed		(503)	-
Accounting income available for distribution			
-Relating to capital gains		(410)	-
-Excluding capital gains		12,213	-
Accounting Income available for Distribution		<u>11,803</u>	<u>12,216</u>
<b>Earnings per unit</b>	10		

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

# NAFA INCOME FUND

## Condensed Interim Statement of Comprehensive Income (Unaudited) For the quarter ended 30 September 2017

	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
	(Rupees in '000)	
Accounting Income available for Distribution	11,803	12,216
Other comprehensive income		
Items that may be reclassified subsequently to income statement		
Net unrealised (diminution) on re-measurement of investments classified as 'available-for-sale'	-	-
Total comprehensive income for the period	<u>11,803</u>	<u>12,216</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA INCOME FUND

## Condensed Interim Statement of Movement in reserves or Unit Holders' Fund (Unaudited) For the quarter ended 30 September 2017

Note	Quarter Ended September 30' 2017 (Rupees in '000)	Quarter Ended September 30, 2016
Net assets at the beginning of the period	922,057	618,907
Issue of 17,024,028 units (2016: 24,014,094 units)	166,982	10,779
Redemption of 18,657,392 units (2016: 17,326,885 units)	(182,907)	(5,920)
	(15,925)	4,859
Total comprehensive income for the period	11,803	12,216
Income already paid on units redeemed	503	
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	-	(22)
Net assets as at the end of the period	918,438	635,960
Net Assets value per unit as at beginning of the period	9.7548	9.7377
Net Assets value per unit as at end of the period	9.8873	9.9284
Distribution during for the period:		
Undistributed income brought forward comprises of:		
- Realised Gain	(2,511)	(3,405)
- Unrealised Gain	749	31
	(1,762)	(3,374)
Accounting income available for distribution:		
-Relating to capital gains	(410)	-
-Excluding capital gains	12,213	
	11,803	12,216
Distributions during the period	-	-
Undistributed income carried forward	10,041	8,842
Undistributed income carried forward comprises of:		
- Realised Gain	10,468	6,774
- Unrealised Gain	(427)	2,068
	10,041	8,842

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA INCOME FUND

## Condensed Interim Cash Flow Statement (Unaudited) For the quarter ended 30 September 2017

	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	(Rupees in '000)	
Net income for the period before taxation	11,803	12,216
<i>Adjustments for non-cash charges and other items:</i>		
Net unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss'	427	(2,068)
Income already paid on units redeemed	503	-
Net element of (income) included in prices of units issued less those in units redeemed.	-	(22)
	<u>12,733</u>	<u>10,126</u>
<b>(Increase) / Decrease in assets</b>		
Investments	(113,406)	23,314
Income and profit receivable	(6,600)	-
Receivable against margin trading system	104,508	18,745
Deposit and prepayments	(132)	3,536
	<u>(15,630)</u>	<u>45,595</u>
<b>Decrease / (increase) in liabilities</b>		
Payable to Management Company	82	153
Payable to the Central Depository Company of Pakistan Limited - Trustee	2	(3)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(434)	(350)
Advance against issuance of units	-	-
Accrued expenses and other liabilities	(443)	5,072
	<u>(793)</u>	<u>4,872</u>
<b>Net cash (used in) / generated from operating activities</b>	<u>(3,690)</u>	<u>60,593</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	166,982	10,779
Payments on redemption of units	(182,907)	(5,920)
<b>Net cash (used in) / generated from financing activities</b>	<u>(15,925)</u>	<u>4,859</u>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	<u>(19,615)</u>	<u>65,452</u>
Cash and cash equivalents at beginning of the period	494,759	169,976
<b>Cash and cash equivalents at end of the period</b>	<u><u>475,144</u></u>	<u><u>235,428</u></u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

# NAFA INCOME FUND

## NOTES TO AND FORMING PART OF THIS CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017 (Un-audited)

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited, a company incorporated under the Companies Ordinance, 1984, as Management Company and Central Depository Company of Pakistan Limited (CDC), also incorporated under the Companies Ordinance, 1984, as Trustee. The Trust Deed was executed on January 03, 2008 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). Subsequently, Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

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

The core objective of the Fund is to earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets. The Fund comprises of investments of various time horizons with a significant amount invested in short term investments for the purpose of maintaining liquidity.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and a long term and short term performance ranking of 'A(f)' to the Fund.

Title of the assets of the Fund is held in the name of MCB Financial Services Limited (MCBFSL) 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 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 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 INCOME FUND

## 4 INVESTMENTS

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

	Note	Un-audited As at September 30, 2017	Audited As at June 30, 2017
(Rupees in '000)			
Term finance certificates - listed	4.1.1	126,280	62,375
Term finance certificates - unlisted	4.1.1	-	41,035
Sukuk bonds	4.2	-	-
Government Securities	4.3	29,739	29,630
		156,019	133,040
<b>Available for sale</b>			
Term finance certificates - listed	4.4	-	-
Sukuk bonds	4.4	-	-
		-	-
<b>Loans and receivables</b>			
Term deposits	4.5	180,000	90,000
		336,019	223,040

### 4.1 Term finance certificates and sukuk bonds

#### 4.1.1 Term finance certificates - At fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at September 30, 2017 (Rs in '000)	Investment as a		
	As at July 1, 2017	Purchases during the period	Sales during the period	As at September 30, 2017		Net assets	Market value of total investments	Issue size
Term finance certificates - listed								
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	-	-	-	10.00%
Bank Alfalah Limited	2,000	-	-	2,000	3,331	0.36%	0.99%	0.20%
Faysal Bank Limited	5,000	-	-	5,000	6,251	0.68%	1.86%	0.83%
Jehangir Siddiqui and Company Limited (April 08, 2014)	5,000	-	-	5,000	15,055	1.64%	4.48%	2.50%
Jahangir Siddiqui and Company Limited (June 24, 2016)	8,000	-	-	8,000	40,562	4.42%	12.07%	4.00%
Jahangir Siddiqui and Company Limited (July 18, 2017)	-	4,660	-	4,660	23,632	2.57%	7.03%	3.50%
Askari Commercial Bank Limited	7,400	-	-	7,400	37,449	4.08%	11.14%	0.93%
				47,060	126,280	13.75%	37.58%	
Term finance certificates - unlisted								
Agritech Limited II (note 4.2.3)	30,000	-	-	30,000	-	-	-	-
Agritech Limited V (note 4.2.4)	4,436	-	-	4,436	-	-	-	-
				34,436	-	-	-	
				81,496	126,280	13.75%	37.58%	

Carrying cost of investments as at September 30, 2017

**340,089**

Accumulated Impairment

**213,377**



# NAFA INCOME FUND

## Sukuk bonds - At fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at September 30, 2017 (Rs in '000)	Investment as a		
	As at July 1, 2017	Purchases during the period	Sales during the period	As at September 30, 2017		Net assets	Market value of total investments	Issue size

New Allied Electronics Industries (Private) Limited (note 4.2.5)	10,000	-	-	10,000	-	-	-	-
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<b>10,000</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
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## Carrying cost of investments as at September 30, 2017

**49,054**

## Accumulated Impairment

**49,054**

- 4.2.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.
- 4.2.2 This represents investment in listed term finance certificates with original term of five years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its terms on December 26, 2011 with new maturity in March 2017. During the year, the investee company again defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular no.1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 4.2.3 This represents investment in privately placed unlisted term finance certificates with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 4.2.4 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 4.2.5 This represents investment in privately placed sukuk with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of profit repayment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

## 4.3 Government Securities - at fair value through profit or loss - held for trading

Issue Date	Tenor	Face Value				Market value as at September 30, 2017 (Rs. in "000")	Investment as a percentage of	
		As at July 1, 2017	Purchases during the period	Sales / Matured during the period	As at September 30, 2017		Net assets	Market value of total investments

### Market Treasury Bills

June 22, 2017	3 months	30,000	-	-	30,000	-	-	-
August 31, 2017	3 months	-	30,000	-	30,000	29,739	4.68	9.98

**29,739**

## Carrying cost of investments as at September 30, 2017

**29,743**

# NAFA INCOME FUND

## 4.4 Term Finance Certificates and Sukuk Bonds - Available for Sale

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2017 (Rs in '000)	Investment as a		
	As at July 1, 2017	Purchases during the period	Sales during the period	As at September 30, 2017		Net assets	Market value of total investments	Issue size

### Term fina+B37:K51nce certificate - listed

Worldcall Telecom Limited	14,000	-	-	-	-	-	-	1.75%
(note 4.4.2)				-	-	-	-	

### Carrying cost of investments as at September 30, 2017

**26,881**

### Accumulated Impairment

**26,881**

### Sukuk bonds

Eden Housing Limited (note 4.4.3)	20,000	-	-	20,000	-	-	-	13.75%
				<b>20,000</b>	-	-	-	

### Carrying cost of investments as at September 30, 2017

**19,688**

### Accumulated Impairment

**19,688**

4.4.1 All term finance fertificates and sukuk bonds have a face value of Rs 5,000 each.

4.4.2 This represents investment in listed term finance certificates of Worldcall Telecom Ltd. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.4.3 This represents investment in privately placed sukuks with a term of five years. The issuer defaulted on payment of principal and profit to certain sukuk holders due to which it was rated as 'Defaulter' by the MUFAP. The management of the Fund as a matter of abundant caution has classified the investment as "Non-Performing". The amount of provision required as per SECP circular no. 01 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.5 These carry profit at rates ranging from per annum 6.55% to 6.75% per annum (2017: 6.75% to 11.3% per annum) and have maturity of 3 months.

## 5 PROFIT RECEIVABLE

Profit on savings and term deposit accounts	476	32
Income accrued on term finance certificates and sukuk bonds - net	3,380	1,045
Profit receivable on MTS	4,418	596
Profit receivable on government securities	-	-
	<b>8,274</b>	<b>1,673</b>

Un-audited  
As at September 30,  
2017

(Rupees in '000)

Audited  
As at June 30,  
2017

## 6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	521	395
Provision for Sindh Workers' Welfare Fund	2,075	1,823
Federal Excise duty	2,799	2,808
Brokerage charges	6	5
Settlement charges	63	73
Withholding tax	18	108
Capitla gain tax	-	650
Legal and professional charges	14	8
Bank charges	221	89
Printing charges	80	80
Payable against redemption of units	-	201
Others	69	69
	<b>5,866</b>	<b>6,309</b>

# NAFA INCOME FUND

## 7 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 Sep 30, 2017 would have been higher by Re 0.02234 per unit.

## 8 CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at September 30, 2017 and as at June 30, 2017, other than those disclosed elsewhere in these financial statements.

### 8.1 Commitments

Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions have not been settled	92,822	-
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the released transactions have not been settled	76,772	-

## 9 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.

## 10 EARNING PER UNIT

Earning per unit (EPU) for the quarter ended September 30, 2016 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 11 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.48% p.a. including 0.27% representing government levies on collective Investment scheme such as Sales tax, Sindh Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.

## 12 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

# NAFA INCOME FUND

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest atleast 25% of the net assets in cash and near cash instruments which include cash in bank accounts(excluding TDRs), treasury bills not exceeding 90 days maturity . Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at September 30, 2016, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in Debe Securities	New Allied Electronics (Pvt) Ltd II	49,054	49,054	-	-	-
	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Eden Housing Ltd.	19,688	19,688	-	-	-
	Saudi Pak Leasing Co.	41,321	41,321	-	-	-
	Worldcall Telecom Limited.	26,881	26,881	-	-	-
		309,000	309,000	-	-	-

- 12.1 At the time of purchase, the above Term Finance Certificates were in compliance with the circular (i.e. investment grade) and was subsequently downgraded. In case of New Allied Electronics Industries (Private) Limited, Agri Tech Limited and Eden Housing Limited the downgrading has been made due to default in payments of due principal and markup.

## 13 TRANSACTIONS WITH CONNECTED PERSONS

- 13.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 13.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 13.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 13.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

	Quarter ended September 30, 2017	Quarter ended September 30, 2016
13.5 Details of the transactions with connected persons are as follows:	------(Rupees in '000)-----	
<b>NBP Fullerton Asset Management Limited - Management company</b>		
Management fee expense for the year / period	1,457	1,129
Sindh Sales Tax on remuneration of the management company	189	147
Reimbursement of operational expenses to the Management Company	230	158
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration	230	158
Sindh sales tax on remuneration of the Trustee Fee	30	21
CDS charges	10	92
<b>Employees of Management Company</b>		
Units redeemed / transferred out 29,890 units (2016: nil units)	263	-

# NAFA INCOME FUND

	(Un-audited) As at September 30, 2017	(Audited) As at June 30, 2017
	------(Rupees in '000)-----	
<b>13.6 Amounts outstanding as at year / period end</b>		
<b>NBP Fullerton Asset Management Limited - Management company</b>		
Management fee payable	473	612
Sindh sales tax	61	80
Operational expenses	1,038	808
Sales load	29	20
Sindh sales tax & FED on sales load	3	2
<b>National Bank of Pakistan - Sponsor</b>		
Balance in current account	443	443
<b>Summit Bank Limited( Common directorship with management company)</b>		
Bank Balance	15	15
<b>Employees of the Management Company</b>		
Investment held in the fund 6,680 units (June 30, 2017 : 33,570 units)	66	327
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration payable	75	97
Sindh Sales Tax on remuneration of the trustee	10	13
Security deposit	27	100
<b>NBP Employees Pension Fund</b>		
Investment held in the Fund 59,128,907 units; (June 30, 2017: 59,128,907 units)	584,625	576,791
<b>Suraj Cotton Mills Limited ( Units holder of 10% or more units of the CIS)</b>		
Investment held in the Fund 55,607,983 units; (June 30, 2017: 10,306,816 units)	101,907	100,541

## 14 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 27, 2017.

## 15 GENERAL

- 15.1 Corresponding figures have been rearranged wherever necessary, for the purposes of comparison and better presentation.
- 15.2 Figures have been rounded off to the nearest thousand rupees.
- 15.3 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

**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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