



NBP FUNDS

Managing Your Savings

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Rated by PACRA

NAFA 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.

NAFA INCOME FUND

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NAFA 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

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
Habib Bank Limited
Al Barakah Bank Limited
Sindh Bank Limited
Silk Bank Limited
United Bank Limited
JS Bank Limited
Khushhali Bank Limited
Zarai Taraqiat 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: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 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 Income Fund (NIF)** for the period ended March 31, 2018.

Fund's Performance

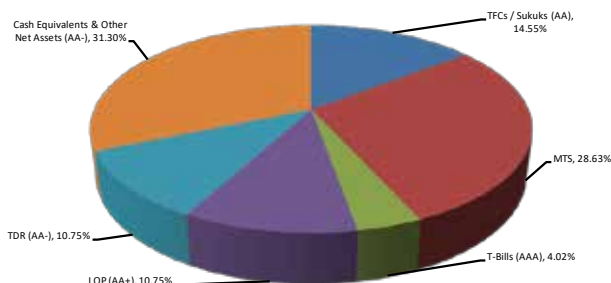
The size of NAFA Income Fund has decreased from Rs. 922 million to Rs. 744 million during the period (i.e. a drop of 19%). During the period, the unit price of NAFA Income Fund has increased from Rs. 9.7548 on June 30, 2017 to Rs. 10.1535 on March 31, 2018, thus showing a return of 5.4% as compared to the benchmark return of 6.2% for the same period. 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 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, 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.45.06 million during the period. After accounting for expenses of Rs.9.48 million, the net income is Rs.35.58 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 Fund Management Limited
(Formerly; NBP Fullerton Asset Management Limited)

Chief Executive Officer

Director

Date: April 30, 2018
Place: Karachi.

NAFA INCOME FUND

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ سابقہ NBP فلٹرین ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بھد مسرت 31 مارچ 2018 کو ختم ہونے والی مدت کے لئے NAFA انکم فنڈ (NIF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

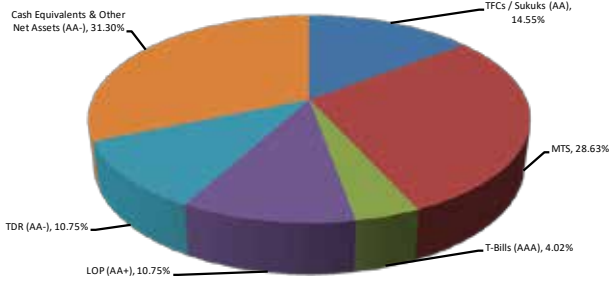
NAFA انکم فنڈ (NIF) کا فنڈ سائز، اس مدت کے دوران 922 ملین روپے سے کم ہو کر 744 ملین روپے تک پہنچ گیا، یعنی 19% کا جھکاؤ۔ اس مدت کے دوران NAFA انکم فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 9.7548 روپے سے بڑھ کر 31 مارچ 2018 کو 10.1535 روپے ہو چکی ہے اور اس طرح اسی مدت کے دوران اپنے بیچ مارک منافع 6.2% کے مقابلے میں 5.4% کا منافع دکھایا ہے۔ یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIF کی درجہ بندی بطور ایک انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے A(f) کی اسٹیبلٹی ریٹنگ دی گئی ہے۔ 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 بیس پوائنٹس کے اضافے سے انھیں بالترتیب 6.00% اور 6.50% تک پہنچایا ہے۔ بقدرت 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 بیس پوائنٹس، 57 بیس پوائنٹس اور 71 بیس 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 ملین روپے کی حد تک محدود ہیں۔ تجارت کا عمومی رجحان بینکنگ کے شعبے 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 بیس پوائنٹس، 145 بیس پوائنٹس، 69 بیس پوائنٹس اور 44 بیس پوائنٹس کا اضافہ دیکھنے میں آیا۔

فنڈ نے اس مدت کے دوران 45.06 ملین روپے آمدنی کمائی ہے۔ 9.48 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 35.58 ملین روپے ہے۔ درج ذیل چارٹ NIF کی ایسیٹ الیکشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے۔

NAFA INCOME FUND



اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجمنت لمیٹڈ

(سابقہ NBP فلرٹن ایسٹ منجمنت لمیٹڈ)

ڈائریکٹر

چیف ایگزیکٹو آفیسر

بتاریخ

30 اپریل 2018

بمقام: کراچی

NAFA 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		314,089	494,759
Investments	4	218,188	223,040
Receivable against Margin Trading System		212,963	210,045
Profit and other receivables		5,533	1,674
Deposits, prepayment and other receivable		1,206	1,086
Total assets		<u>751,979</u>	<u>930,604</u>
Liabilities			
Payable to Management Company		1,238	1,522
Payable to Trustee		82	110
Payable to Securities and Exchange Commission of Pakistan		500	606
Accrued expenses and other liabilities		6,268	6,309
Total liabilities		<u>8,088</u>	<u>8,547</u>
Net assets		<u>743,891</u>	<u>922,057</u>
Unit holders' fund (as per statement attached)		<u>743,891</u>	<u>922,057</u>
Contingency and commitment	6	-----Number of units-----	
Number of units in issue		<u>73,264,264</u>	<u>94,523,767</u>
		------(Rupees)-----	
Net assets value per unit		<u>10.1535</u>	<u>9.7548</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 INCOME FUND

Condensed Interim Income Statement (Unaudited) For the nine month and quarter 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 government securities	1,419	1,568	462	549
Income from term deposit receipts	5,890	-	1,381	-
Profit on bank deposits	23,715	22,525	6,416	8,175
Income from term finance certificate	6,726	10,208	2,017	3,030
Income from Margin Trading System	6,643	7,223	3,165	3,605
Income on letter of placement	60	-	60	-
Income on certificate of investment	1,378	-	1,302	-
(Loss) / gain on sale of investments - net	(41)	97	1	97
Reversal of provision for Workers' Welfare Fund	-	4,095	-	4,095
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(726)	804	107	(692)
Total income	<u>45,064</u>	<u>46,520</u>	<u>14,911</u>	<u>18,859</u>
Expenses				
Remuneration of Management company	4,191	3,736	1,367	1,400
Sindh Sales Tax on remuneration of Management Company	545	486	178	182
Remuneration to Trustee	667	560	214	215
Sindh Sales Tax on remuneration of Trustee	87	73	28	28
Annual fee - Securities and Exchange Commission of Pakistan	500	420	160	161
Allocation of expenses related to registrar services, accounting, operation and valuation services	667	560	214	215
Settlement and bank charges	1,430	1,672	541	784
Annual listing fee	19	41	5	13
Auditors' remuneration	431	402	135	79
Professional charges	19	6	6	6
Fund rating fee	157	239	-	89
Printing charges	40	75	-	25
Total expenses	<u>8,753</u>	<u>8,270</u>	<u>2,848</u>	<u>3,197</u>
Net income from operating activities	<u>36,311</u>	<u>38,250</u>	<u>12,063</u>	<u>15,662</u>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	3.1 -	6,140	-	1,019
Provision for Sindh Workers' Welfare Fund	5 (726)	(1,865)	(241)	(1,865)
Net income for the period before taxation	<u>35,585</u>	<u>42,525</u>	<u>11,822</u>	<u>14,816</u>
Taxation	7 -	-	-	-
Net income for the period	<u>35,585</u>	<u>42,525</u>	<u>11,822</u>	<u>14,816</u>
Allocation of net income for the period				
Net income for the period	35,585		11,822	
Income already paid on units redeemed	(7,450)		(4,593)	
	<u>28,135</u>		<u>7,229</u>	
Accounting income available for distribution:				
-Relating to capital gains	-		-	
-Excluding capital gains	28,135		7,229	
	<u>28,135</u>		<u>7,229</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 INCOME FUND

Condensed Interim Statement of Comprehensive Income (Unaudited) For the nine month and quarter 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	35,585	42,525	11,822	14,816
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>35,585</u>	<u>42,525</u>	<u>11,822</u>	<u>14,816</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 INCOME FUND

Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited) For the nine months period ended 31 March 2018

Note	Nine months period ended					
	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the period	923,819	(1,762)	922,057	622,281	(3,374)	618,907
Issuance of 36,170,887 units (2017: 44,503,747 units)						
- Capital value	352,838	-	352,838			
- Element of income	5,822	-	5,822			
Total proceeds on issuance of units	358,660	-	358,660	433,366	13,588	446,954
Redemption of 57,430,390 units (2017: 21,735,895 units)						
- Capital value	(560,220)	-	(560,220)			
- Element of loss	(4,741)	(7,450)	(12,191)			
Total payments on redemption of units	(564,961)	(7,450)	(572,411)	(211,658)	(7,448)	(219,106)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net 3.1	-	-	-	-	(6,140)	(6,140)
Total comprehensive income for the period	-	35,585	35,585	-	42,525	42,525
Net assets at end of the period	717,518	26,373	743,891	843,989	39,151	883,140
Undistributed loss brought forward						
- Realised		(2,511)			(3,405)	
- Unrealised		749			31	
		(1,762)			(3,374)	
Accounting income available for distribution:						
- Relating to capital gains		-				
- Excluding capital gains		28,135				
		28,135			42,525	
Undistributed income carried forward		26,373			39,151	
Undistributed income carried forward						
- Realised		27,099			38,347	
- Unrealised		(726)			804	
		26,373			39,151	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		9.7548			9.7377	
Net assets value per unit at end of the period		10.1535			10.2303	

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 INCOME FUND

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

	Nine months ended	
	March 31, 2018	March 31, 2017
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	35,585	42,525
Adjustments:		
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	726	(804)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	-	(6,140)
Loss on sale of investments - net	42	(97)
	36,353	35,484
(Increase) / decrease in assets		
Investments - net	4,085	174,780
Receivable against Margin Trading System	(2,918)	3,266
Profit and other receivables	(3,859)	14,186
Deposits, prepayment and other receivables	(120)	(109)
	(2,812)	192,123
(Decrease) / increase in liabilities		
Payable to Management Company	(284)	306
Payable to Trustee	(28)	24
Payable to Securities and Exchange Commission of Pakistan	(106)	(49)
Accrued expenses and other liabilities	(41)	(2,352)
	(459)	(2,071)
Net cash (used in) / generated from operating activities	33,082	225,536
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issue of units	358,659	446,954
Net payments against redemption of units	(572,411)	(219,106)
Net cash (used in) / generated from financing activities	(213,752)	227,848
Net (decrease) / increase in cash and cash equivalents during the period	(180,670)	453,384
Cash and cash equivalents at beginning of the period	494,759	169,976
Cash and cash equivalents at end of the period	314,089	623,360

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 INCOME FUND

Notes to and forming part of the Condensed Interim Financial Information For the nine months ended 31 March 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA 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 Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Trust Deed was executed on 03 January 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 14 December 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). Subsequently, CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from 22 November 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of the CDC on 15 November 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.
- 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-ended mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The investment 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.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has assigned a stability rating of 'A(f)' to the Fund and an asset manager rating of 'AM1' to the Management Company.
- 1.6 Title of the assets of the Fund is held in the name of MCBFSL 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 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 unitholders. 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 loss been recognised as per the previous accounting policy, the profit of the Fund would have been lower by Rs. 6.241 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been higher by Rs. 0.0017. 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		31 March 2018	30 June 2017
		Unaudited	Audited
Investments by category		(Rupees in '000)	
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1	72,704	62,375
Term finance certificates - unlisted	4.2	35,543	41,035
Sukuks	4.3	-	-
Government securities - Market Treasury Bills	4.4	29,941	29,630
Available for sale			
Term finance certificates - listed	4.5	-	-
Sukuks	4.6	-	-
Loans and receivables			
Term deposit receipt		-	90,000
Latter of Placement	4.8	80,000	-
		218,188	223,040

NAFA INCOME FUND

4.1 Term finance certificates - listed

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 March 2018	Market value/ Carrying value as at 31 March 2018	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
(Number of certificates)					(Rupees in '000)		-----(%)-----	
Saudi Pak Leasing Company Limited (Note 4.1.1)	5 years	15,000	-	-	15,000	-	-	-
JS Bank Limited	5 years	-	4,660	-	4,660	23,686	3.18	10.86
Bank Alfalah Limited	8 years	2,000	-	2,000	-	-	-	-
Faysal Bank Limited	7 years	5,000	-	5,000	-	-	-	-
Jahangir Siddiqui and Company Limited (08 April 2014)	5 years	5,000	-	-	5,000	11,922	1.60	5.46
Askari Commercial Bank Limited	10 years	7,400	-	-	7,400	37,096	4.99	17.00
		34,400	4,660	7,000	32,060	72,704	9.77	33.32
Carrying value before fair value adjustments as at 31 March 2018.						114,252		
Accumulated impairment						41,321		

- 4.1.1 This represents investment in listed term finance certificates with original term of five years. On 13 October 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its terms on 26 December 2011 with new maturity in March 2017. The investee company again defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since 30 April 2014. 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 said circulars.

4.2 Term finance certificates - Unlisted

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 March 2018	Market value/ Carrying value as at 31 March 2018	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
-----Number of certificates-----					(Rupees in '000)		-----(%)-----	
Agritech Limited II (Note 4.2.1)	12 years	30,000	-	-	30,000	-	-	-
Agritech Limited V (Note 4.2.2)	6 years	4,436	-	-	4,436	-	-	-
Jahangir Siddiqui and Company Limited (24 June 2010)	5 years	8,000	-	-	8,000	35,543	4.78	16.29
		42,436	-	-	42,436	35,543	4.78	16.29
Carrying value before fair value adjustments as at 31 March 2018.						207,600		
Accumulated impairment						172,057		

- 4.2.1 This represents investment in Privately Placed unlisted Term Finance Certificates (PPTFCs) with a term of seven years. On 14 July 2010 the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing by MUFAP since 02 August 2010. 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 circulars.

- 4.2.2 This represents investment in Privately Placed Term Finance Certificates (PPTFC) of Agritech V received against due markup of Agritech I. The investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since 17 January 2012. 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 circulars.

NAFA INCOME FUND

4.3 Sukuks - at fair value through profit or loss - held for trading

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 March 2018	Market value/ Carrying value as at 31 March 2018	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
-----Number of certificates-----					(Rupees in '000)		-----(%)-----	
New Allied Electronics (Private) Limited (Note 4.3.1	11 years	10,000	-	-	10,000	-	-	-
Carrying value before fair value adjustments as at 31 March 2018.						49,054		
Accumulated impairment						49,054		

4.3.1 This represents investment in privately placed sukuk with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since 09 January 2009. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

4.4 Investments in government securities - 'at fair value through profit or loss'

Issue date	Tenor	Face value			Market value / Carrying value as at 31 March 2018	Market value / Carrying value as a percentage of net assets	Market value / Carrying value as a percentage of total investments	
		As at 01 July 2017	Purchases during the period	Sales / matured during the period				As at 31 March 2018
		----- (Rupees in '000) -----						----- (%) -----
Market Treasury Bills								
22 June 2017	03	30,000	-	30,000	-	-	-	
31 August 2017	03	-	30,000	30,000	-	-	-	
09 November 2017	03	-	30,000	30,000	-	-	-	
18 January 2018	03	-	30,000	-	30,000	29,941	0.04	
Total		30,000	60,000	90,000	30,000	29,941	0.04	

Carrying value before fair value adjustments as at 31 March 2018.

29,947

4.4.1 Investments include market treasury bills with market value of Rs 29.842 million (30 June 2017: Rs 29.63 million) which have been pledged with National Clearing Company of Pakistan for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

4.5 Term finance certificates - Listed - available for sale

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 March 2018	Market value/ Carrying value as at 31 March 2018	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
----- (Number of certificates) -----					(Rupees in '000)		-----(%)-----	
Worldcall Telecom Limited	13 years	14,000	-	-	14,000	-	-	-
Carrying value before fair value adjustments as at 31 March 2018.						26,881		
Accumulated impairment						26,881		

4.5.1 This represents investment in listed term finance certificates of Worldcall Telecom Limited. On 07 April 2012, the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP. 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 circulars.

NAFA INCOME FUND

4.6 Sukuks - available for sale

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 March 2018	Market value / Carrying value as at 31 March 2018	Market value / Carrying value as a percentage of net assets	Market value / carrying value as a percentage of total investments
		(Number of certificates)			(Rupees in '000)		-----	
Eden Housing Limited	12 years	20,000	-	-	20,000	-	-	-
Carrying value before fair value adjustments as at 31 March 2018.						19,688		
Accumulated impairment						19,688		

4.6.1 This represents investment in privately placed sukuks with a term of five years. On 06 May 2011, the investee company defaulted its principal and profit payment and therefore it was classified as non performing asset by MUFAP. 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 circulars.

4.6.2 The Sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

4.8 Letter of Placement

Name of Issuer	Maturity Date	Face value			Carrying value as at 31 March 2018	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
		As at 01 July 2017	Purchases during the period	Sales / matured during the period			
----- (Rupees in '000) -----							
Pak Brunei Investment Company Limited	28-Mar-18	-	80,000	-	80,000	80,000	0.11 0.37

4.8.1 This Letter of placement has been issued at fair value and is being amortised over a period of 07 days.

5 PROVISION FOR SINDH WORKERS' WELFARE FUND

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is same as that disclosed in note 15 to the annual audited financial statements of the Fund for the year ended June 30, 2017.

The Fund, being prudent, recognised provision for SWWF amounting to Rs. 2.549 million for the nine month ended March 31, 2018 in this condensed interim financial information, Had the provision not been made, net assets value per unit at March 31, 2018 would have been higher by Rs. 0.0348 per unit (June 30, 2017: Rs. 0.0193 per unit)

6 CONTINGENCY AND COMMITMENT

There was no contingency and commitment outstanding as at 31 March 2018 and 30 June 2017

7 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.

NAFA INCOME FUND

8 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.42 % per annum including 0.28 % representing government levies on collective investment scheme such as sales tax, Sindh worker's welfare fund and SECP fee for the period

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 , MCB Financial Services Limited being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the of the Fund and unit holders holding ten percent or more units 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 to the Management Company 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:

	----- (Un-audited) -----	
	As at March 31, 2018	As at March 31, 2017
	----- (Rupees in '000) -----	
NBP Fund Management Limited - Management Company (Formerly NBP Fullerton Asset Management Limited)		
Management remuneration	4,191	3,736
Sindh Sales Tax on remuneration of Management Company	545	486
Allocation of expenses related to registrar services, accounting, operation and valuation services	667	560
MCB Financial Services Limited (Trustee)		
Remuneration to the Trustee	667	560
Sindh Sales Tax on remuneration of Trustee	87	73
Employees of the Management Company		
Nil units issued (31 March 2017: 681 units)	-	7
26,890 units redeemed (31 March 2017: 681 units)	263	7
National Bank of Pakistan (Parent Company)		
Purchase of Market Treasury Bills	-	30,000
NAFA Government Securities Liquid Fund		
Sale of Market Treasury Bills	-	30,000
Sindh Insurance Limited (Unit holder of 10% or more of units of the CIS)		
Nil units issued (31 March 2017: 14,433,318 units)	-	145,000

NAFA INCOME FUND

9.6 Amounts outstanding as at period / year end:

31 March
2018
Unaudited
(Rupees in '000)

30 June
2017
Audited

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

Management remuneration payable	471	612
Sind Sales Tax payable	61	80
Allocation of expenses related to registrar services, accounting, operation and valuation services	667	808
Sales and transfer load	36	20
Sind Sales Tax payable on sales load	3	2

MCBFSL Financial Service Limited - Trustee

Trustee fee payable	73	97
Sindh Sales Tax on Trustee remuneration payable	9	13
Security deposit	100	100

National Bank of Pakistan Limited- Parent Company

Balance in bank account	443	443
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NBP Employees pension fund

Units held: 59,128,906 units (June 2017: 59,128,906 units)	600,365	576,791
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Employees of the Management Company

Units held: 6,680 units (June 2017: 33,570 units)	68	327
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Summit Bank Limited

Bank Balances	16	1,001
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Suraj Cotton Mills Limited (Unit holder of 10% or more units of the CIS)

Units held: Nil (June 2017: 33,570 units)	-	100,541
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NAFA Government Securities Savings Fund

Net receivable against conversion of units	-	2,103
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NAFA Asset Allocation Fund

Net payable against conversion of units	-	1
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NAFA Government Securities Liquid Fund

Net receivable against conversion of units	-	14,778
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NAFA Income Opportunity Fund

Net receivable against conversion of units	-	1,530
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NAFA INCOME FUND

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, unless otherwise is specified.
- 11.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and disclosure. 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

7th Floor, Clifton Diamond Building, Block No.4,
Scheme No.5, Clifton, Karachi.

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: INVEST to 9995

Fax: 021-35825335

Email: info@nbpffunds.com

Website: www.nbpffunds.com

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