

**AM1**  
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NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## ANNUAL REPORT 2017



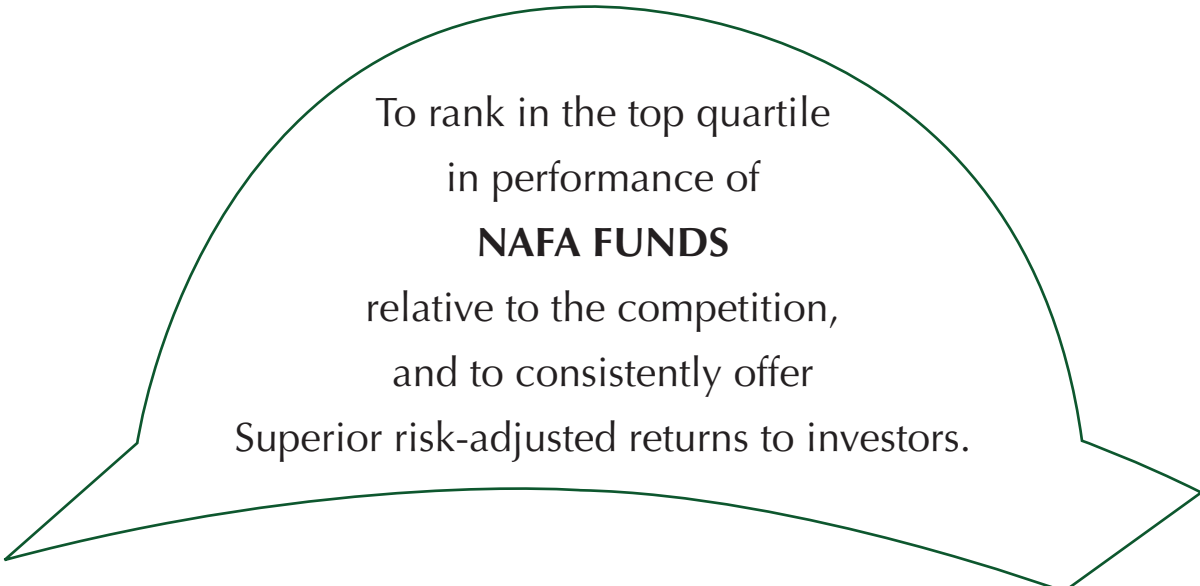
*Your investments & "NAFA" grow together*



**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 ISLAMIC ACTIVE ALLOCATION EQUITY 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
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	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
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Tariq Jamali	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 Shakra-e-Faisal, Karachi.

### Bankers to the Fund

Bank Islami Pakistan Limited  
Habib Bank Limited  
United Bank Limited  
Dubai Islamic Bank Limited  
Silk Bank Limited  
Al Baraka Bank Limited

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## **Auditors**

A.F. Ferguson & Co. Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road,  
P.O.Box 4716  
Karachi.

## **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 ISLAMIC ACTIVE ALLOCATION EQUITY FUND

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# Board of Directors



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Mudassir Husain Khan  
Chairman



Mr. Kamal Amir Chinoy  
Director



Mr. Lui Mang Yin (Martin Lui)  
Director



Mr. Tariq Jamali  
Director



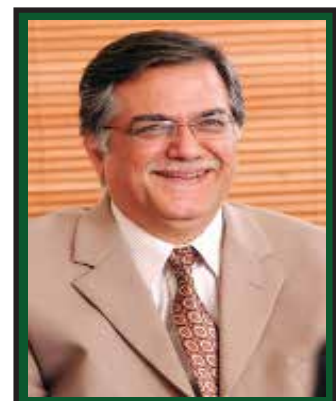
Mr. Shehryar Faruque  
Director



Dr. Foo Chiah Shiung (Kelvin Foo)  
Director



Mr. Abdul Hadi Palekar  
Director



Mr. Humayun Bashir  
Director

# Senior Management



**Dr. Amjad Waheed, CFA**  
**Chief Executive Officer**



**Mr. Sajjad Anwar, CFA**  
**Chief Investment Officer**



**Mr. M. Murtaza Ali**  
**Chief Operating Officer**  
**& Company Secretary**



**Mr. Khalid Mehmood**  
**Chief Financial Officer**



**Mr. Samiuddin Ahmed**  
**Country Head Corporate**  
**Marketing**



**Mr. Ozair Khan**  
**Chief Technology Officer**



**Mr. Hassan Raza, CFA**  
**Head of Research**



**Mr. Muhammad Ali, CFA, FRM**  
**Head of Fixed Income**



**Mr. Taha Khan Javed, CFA**  
**Head of Equity**



**Syed Ali Azhar Hasani**  
**Head of Internal Audit**



**Mr. Salman Ahmed**  
**Head of Risk Management**



**Mr. Raheel Rehman, ACA**  
**Senior Manager Compliance**



**Mr. Shahbaz Umer**  
**Head of Human Resource &**  
**Administration**

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## DIRECTORS' REPORT

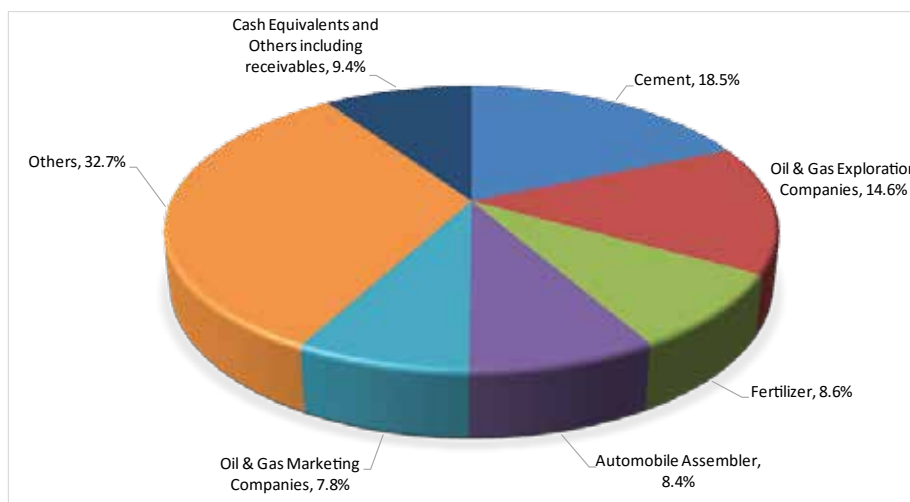
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Second Annual Report of **NAFA Islamic Active Allocation Equity Fund** for the year ended June 30, 2017.

### Fund's Performance

Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by a hefty 26.5% during 1HFY17 while in the later half the market declined by 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) supportive investment backdrop with rising economic growth, controlled inflation & interest rates, healthy corporate earnings growth and attractive stock market valuations; (ii) Pakistan's re-classification to MSCI Emerging Market Index effective June 2017; (iii) CPEC related investment activity gaining traction; and (iv) equity related mutual funds attracting hefty inflows on account of paltry yields on fixed income avenues. The optimism of the first half of the fiscal year began to fade on the back of many negatives : (i) rising domestic political uncertainty with the start of court proceeding against the Prime Minister in the Panama Leaks Case; (ii) renewed decline in the global oil prices that weighed in on the index heavy Oil & Gas and Banking sectors; (iii) SECP's drive to curb in-house badla financing sparking concern in the market; and (iv) rising risks to the Balance of Payment (BoP) position from widening trade and current account deficits. A big disappointment for investors was absence of meaningful net foreign portfolio inflows during PSX reclassification into MSCI Emerging Market Index. Foreign investors remained net sellers throughout the year, offloading equity stakes worth USD652mn in FY17 that was mainly absorbed by Mutual Funds and Insurance Companies.

During the fiscal year, NAFA Islamic Active Allocation Equity Fund delivered 30.10% return as against KMI-30 index return of 18.80%, outperforming the benchmark by 11.30% during the year. The Fund outperformed on the back of proactive asset allocation. Further, the Fund outperformed as it was overweight in key stocks in Automobile Assembler, Automobile Parts & Accessories, Engineering, Textile Composite, Cement, Glass & Ceramics, and Oil & Gas Exploration Companies sectors that outperformed the market and underweight in key stocks in Fertilizer, Pharmaceutical, Food & Personal Care Product, and Power Generation & Distribution Companies sectors that underperformed the market, which contributed to the outperformance. Since its inception on January 18, 2016, the return of NAFA Islamic Active Allocation Equity Fund was 54.51%, while the benchmark increased by 50.49%. Thus, the Fund outperformed by 4.02% during the period. The performance of the Fund is net of management fee and all other expenses. The fund size of NAFA Islamic Active Allocation Equity Fund is Rs.4,758 mn as of June 30, 2017.

NAFA Islamic Active Allocation Equity Fund has earned a total income of Rs.1,307.21 million during the period. After deducting total expenses of Rs.133.11 million, the net income is Rs.1,174.10 million. During the year, the unit price of NAFA Islamic Active Allocation Equity Fund has increased from Rs.10.3144 (Ex-Div) on June 30, 2016 to Rs.13.4187 on June 30, 2017. The resultant per unit gain is Rs.3.1043 (30.10%). The asset allocation of NAFA Islamic Active Allocation Equity Fund as on June 30, 2017 is as follows:





# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 12.30% of opening ex-NAV (13.96% of the par value) during the year. Further, The Board has also approved final cash dividend of 1.66% of the opening ex-NAV (1.88% of the Par value), subsequent to year end.

## Taxation

As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

## Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ended June 30, 2018.

## Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held Four meetings during the period. The attendance of all directors is disclosed in the note 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY 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: September 15, 2017  
Place: Karachi.

## ڈائریکٹرز رپورٹ

این بی پی فلٹرن ایسیٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ (NIAAEF) کی دوسری سالانہ رپورٹ برائے سال مختتمہ 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

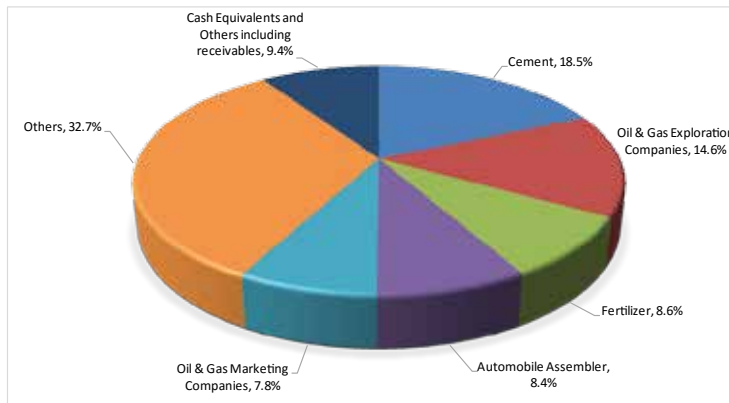
مالی سال 2016-17 کو دو ششماہیوں میں منقسم کیا جاسکتا ہے۔ سال 17 کی پہلی ششماہی میں مارکیٹ میں 26.5% کا شاندار اضافہ ہوا جب کہ دوسری ششماہی میں نسبتاً اتار چڑھاؤ کے ساتھ مارکیٹ گر کر 2.6% پر آگئی۔ مالی سال 17 کا آغاز بڑے مثبت انداز میں ہوا جس میں سرمایہ کار سرگرم رہے جس کی وجہ مختلف مثبت پیش رفت تھی جیسے (i) معاشی نمو میں اضافہ کی بدولت سرمایہ کاری کے لئے موافق پس منظر، افراتر ز اور سود کی شرح پر کنٹرول، کارپوریٹ کی آمدنی میں بڑا اضافہ اور اسٹاک مارکیٹ کی پرکشش قدر و قیمت (ii) MSCI ایمریکنگ مارکیٹ انڈیکس میں جون 2017ء میں پاکستان کی دوبارہ درجہ بندی؛ (iii) چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرمایہ کاری کی سرگرمیوں میں تیزی کا رجحان اور (iv) حصص پر مبنی میوچل فنڈز کے پرکشش ہونے کے سبب داخلی بہاؤ میں نمایاں اضافہ جس کی وجہ فکسڈ انکم ذرائع میں معمولی آمدنی کا حصول تھا۔ بعد ازاں مالی سال کی پہلی ششماہی کے مثبت رجحانات مختلف منفی وجوہات کی بنا پر معدوم پڑنے لگیں۔ جیسے (i) پانامہ لیکس کیس میں وزیراعظم کے خلاف عدالتی کارروائی کے آغاز سے ملک میں سیاسی غیر یقینی کی کیفیت (ii) عالمی سطح پر تیل کی قیمتوں میں دوبارہ کمی جس سے آئل اور گیس اور بینکنگ کے شعبہ جات کے انڈیکس پر دباؤ پڑا (iii) سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے ان ہاؤس بدلہ فنانسنگ میں رکاوٹ ڈالنے سے مارکیٹ میں تشویش پائی گئی اور (iv) تجارت اور کرنٹ اکاؤنٹ میں بڑھتے ہوئے خسارے کے سبب توازن ادا کی (BoP) میں بڑھتے ہوئے خدشات۔ سرمایہ کاروں کو اس وقت بہت مایوسی ہوئی جب MSCI ایمریکنگ مارکیٹ انڈیکس میں پاکستان اسٹاک ایکسچینج (PSX) کی دوبارہ درجہ بندی کے باوجود با مقصد خالص بیرون ملک زرمبادلہ نہ حاصل ہو پایا۔ پورے سال میں بیرونی سرمایہ کار خالص فروخت کنندہ رہے اور مالی سال 17 کے دوران 652 ملین یو ایس ڈالر کی ایکویٹی فروخت ہوئی جو زیادہ تر میوچل فنڈز اور بیمہ کمپنیوں میں جذب ہوگئی۔

مذکورہ مالی سال کے دوران NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ نے KMI-30 انڈیکس کے 18.80% منافع کے مقابلے میں 30.10% کا منافع درج کرایا، اس طرح فنڈ نے سال کے دوران مارکیٹ کے مقابلے میں 11.30% کی اضافی کارکردگی کا مظاہرہ کیا۔ فنڈ نے یہ بہتر کارکردگی متحرک درجہ بندی کی بنا پر دکھائی۔ علاوہ ازیں، فنڈ نے انجینئرنگ، آٹوموبائل اسمبلرز، آٹوموبائل پارٹس اینڈ ایسیسریز اور آئل اور گیس کی مارکیٹنگ کمپنیوں کے شعبوں میں اضافی تناسب رکھنے کی بنا پر بہتر کارکردگی دکھائی۔ جبکہ فرٹیلائزرز اور پاور جنریشن اینڈ ڈسٹری بیوشن کمپنیوں کے سیکٹرز میں نسبتاً کم تناسب رکھنے کی بنا پر کارکردگی معمول سے کم رہی اور اس کا اثر اضافی کارکردگی کے نتائج پر پڑا۔ اپنے قیام سے اب تک فنڈ میں 54.51% کا اضافہ ہوا ہے، جبکہ KMI-30 انڈیکس بڑھ کر 50.49% ہو گیا، لہذا اب تک فنڈ نے 4.02% کی بہتر کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا حجم 30 جون 2017ء کے مطابق 4,358 ملین روپے ہے۔

NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ (NIAAEF) نے اس سال کے دوران 1,3701.12 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 133.11 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 1,174.01 ملین روپے رہی۔ اس سال کے دوران NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ (NIAAEF) کے یونٹ کی قیمت 30 جون 2016ء کو 10.3144 روپے (Ex-Div) سے بڑھ کر 30 جون 2017ء کو 13.4187 روپے ہو چکی ہے۔ اس کے نتیجے میں فی یونٹ منافع 3.1043

یعنی 30.10% ہے۔

فنڈ کی ایسیٹ ایلوکیشن 30 جون 2017ء کو بمطابق ذیل ہے:



## آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے اس سال کے دوران میں اوپننگ ex-NAV کے 12.30% (بنیادی قدر کا 13.96%) نقد ڈیویڈنڈ کی منظوری دی ہے۔ مزید برآں سال کے اختتام کے بعد بورڈ آف ڈائریکٹرز نے ex-NAV کی اوپننگ کا 1.66% فیصد (مساوی قیمت کا 1.88%) حتمی کیش ڈیویڈنڈ کی منظوری دی ہے۔

## ٹیکسیشن

درج بالا نقد منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپیٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر آئٹم ٹیکس آرڈیننس 2001 کے سینڈ شیڈول کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2018 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

## کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔

5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔

9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CFO، CEO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔

## اعتراف

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 ایکسچینج 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 آرٹسٹری کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجمنٹ لمیٹڈ

## ڈائریکٹر

## چیف ایگزیکٹو

بتاریخ

15 ستمبر 2017ء

مقام: کراچی

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Active Allocation Equity 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 year ended June 30, 2017 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, September 26, 2017

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## FUND MANAGER REPORT

NAFA Islamic Active Allocation Equity Fund (NIAAEF) is an Open-Ended Equity Fund.

### Investment Objective of the Fund

The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of Shari'ah Compliant listed equities.

### Benchmark

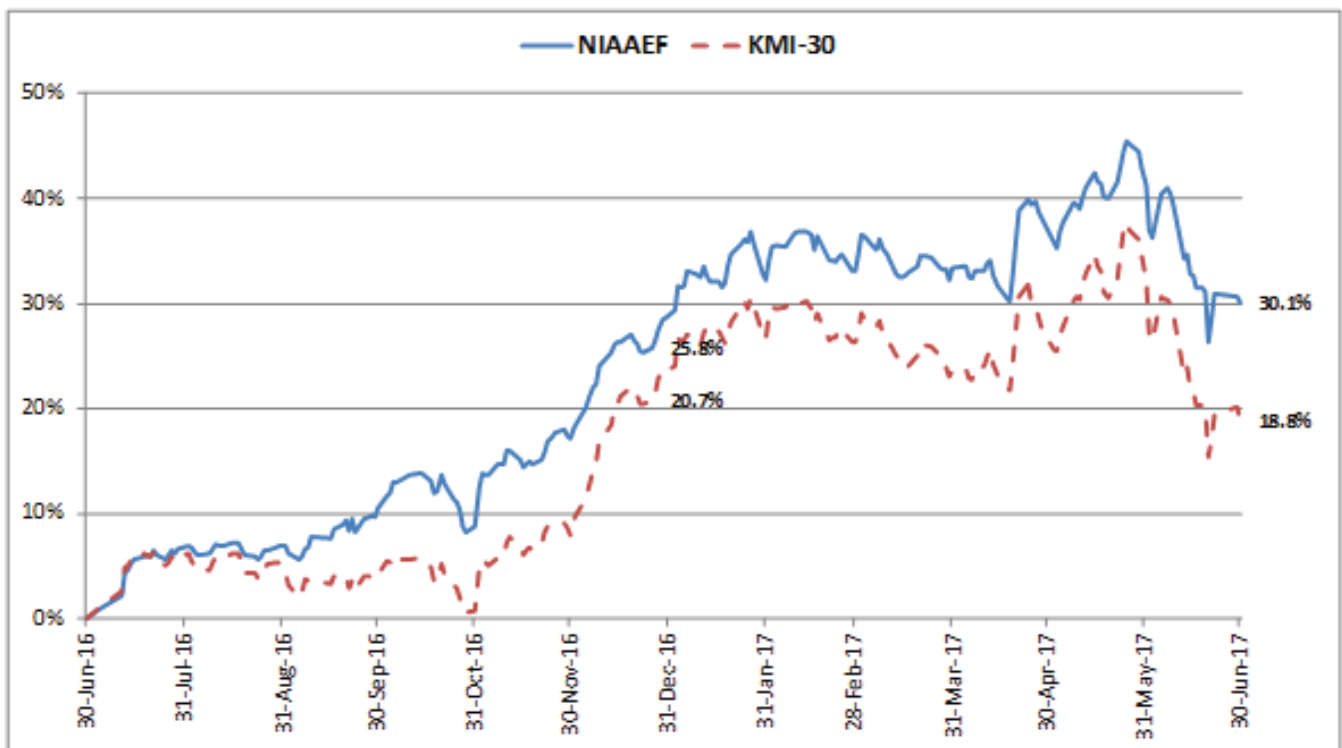
KMI-30 Index

### Fund Performance Review

This is the second annual report of the Fund. During the fiscal year, NAFA Islamic Active Allocation Equity Fund delivered 30.10% return as against KMI-30 index return of 18.80%, outperforming the benchmark by 11.30% during the year. Since its inception on January 18, 2016, the return of NAFA Islamic Active Allocation Equity Fund was 54.51%, while the benchmark has increased by 50.49%. Thus, the Fund outperformed by 4.02% during the period. The performance of the Fund is net of management fee and all other expenses. The fund size of NAFA Islamic Active Allocation Equity Fund is Rs.4,758 mn as of June 30, 2017.

NIAAEF outperformed during the year as the Fund was overweight in key stocks in Automobile Assembler, Automobile Parts & Accessories, Engineering, Textile Composite, Cement, Glass & Ceramics, and Oil & Gas Exploration Companies sectors that outperformed the market. Moreover, contribution to the Fund's outperformance also came from its underweight position in select companies of Fertilizer, Pharmaceutical, Food & Personal Care Product, and Power Generation & Distribution Companies sectors that underperformed the market. The chart below shows the performance of NIAAEF against the Benchmark for the year.

NIAAEF Performance vs. Benchmark during FY17



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Since inception of the Fund, we altered the allocation of the Fund based on our view on the relative performance of different asset classes. At the end of the year, the allocation in equities was around 90.6%.

Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by hefty 26.5% during 1HFY17 while in the later half the market surrendered return of 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) supportive investment backdrop with rising economic growth, controlled inflation & interest rates, healthy corporate earnings growth and attractive stock market valuations; (ii) Pakistan's re-classification to MSCI Emerging Market Index effective June 2017; (iii) CPEC related investment activity gaining traction; and (iv) equity related mutual funds attracting hefty inflows on account of paltry yields on fixed income avenues. The optimism of the first half began to fade on the back of many negatives : (i) rising domestic political uncertainty with the start of court proceeding against the Prime Minister in the Panama Leaks Case; (ii) renewed decline in the global oil prices that weighed in on the index heavy Oil & Gas and Banking sectors; (iii) SECP's drive to curb in-house badla financing sparking panic in the market; and (iv) rising risks to the Balance of Payment (BoP) position from widening trade and current account deficits. A big disappointment for investors was absence of meaningful net foreign portfolio inflows during PSX reclassification into MCSI Emerging Market index. Foreign investors remained net sellers throughout the year, offloading equity stakes worth USD652mn in FY17 that was mainly absorbed by Mutual Funds and Insurance Companies.

During the year, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from launch date of the fund, based on recommendation by MUFAP to all its members. For further details, refer note 13.2 to the financial statements.

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

## Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-17	30-Jun-16
Equities / Stocks	90.60%	88.40%
Cash Equivalents	10.80%	31.74%
Other Net Liabilities	-1.40%	-20.14%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Distribution for the Financial Year 2017

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Interim	13.96	14.9582	13.5627
Final	1.88	12.1018	11.9135

## Unit Holding Pattern of NAFA Islamic Active Allocation Equity as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
10000001-100000000	2
	2

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 29.057 million. If the same were not made the NAV per unit/FY17 return of scheme would be higher by Rs.0.082/0.79%. For details investors are advised to read note 13.2 of the Financial Statement of the Scheme for the year ended June 30, 2017.

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

**NAFA Islamic Active Allocation Equity Fund** (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2017. This has been duly con-firmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 15, 2017  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## Report of the Shari'ah Supervisory Board – NAFA Islamic Active Allocation Equity Fund

August 21, 2017 /Dhu Al-Qi'dah 28, 1438

Alhamdulillah, the period from July 1, 2016 to June 30, 2017 was the second year of operations of NAFA Islamic Active Allocation Equity Fund (NIAAEF). This report is being issued in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance in line with the Shari'ah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i) We have reviewed and approved the modes of equity investments of NIAAEF in light of Shari'ah requirements. Following is a list of top investments of NIAAEF as on June 30, 2017 and their evaluation according to the screening criteria established by us. (December 31, 2016 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii) Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Mari Petroleum	Oil & Gas Exploration Companies	5.85	0.00	0.17	37.5	-52.49	
Engro Corporation	Fertilizer	23.55	22.29	0.73	63	-28.82	
Lucky Cement Ltd	Cement	7.81	15.6	2.87	67	1.64	866
Pakistan Petroleum Limited	Oil and Gas Exploration Companies	0.10	26	3.15	49	32.76	188.18
Nishat Mills	Textile	19.94	28.26	4.89	59	39.21	152.27
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0.00	0.22	1.43	73	-42.56	
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
DGKC	Cement	11.9	3.29	4.76	90	-37.70	
Attock Cement	Cement	4.57	0.00	0.86	92	-35.27	
PSO*	Oil & Gas Marketing Companies	33.64	13.03	1.10	20	95.40	434.21

\*PSO scrip has been considered compliant due to circular debt issue.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

- ii) On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIAAEF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii) There are investments made by NIAAEF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIAAEF for the year ended June 30, 2017 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 814,682/- was created and an amount of Rupees 1,273,838/- was available for disbursement into charity as of June 30, 2017. However, the provisional amount will be adjusted after the availability of the respective annual financial statements.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

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For and On Behalf of Meezan Bank Limited  
Shari'ah Technical Services and Support Provider

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**Mufti Muhammad Naveed Alam**  
*Member*  
*Shariah Supervisory Board*

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**Mufti Ehsan Waquar**  
*Shariah Advisor & Member*  
*Shariah Supervisory Board*

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**Dr. Imran Ashraf Usmani**  
*Chairman*  
*Shariah Supervisory Board*

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Islamic Active Allocation Equity Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management Company's responsibility for the financial statements

The Management Company (NBP Fullerton Asset Management Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2017 and of its financial performance, its cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: September 15, 2017  
Karachi

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2017

		2017	2016
		Rupees in '000	
	Note		
<b>ASSETS</b>			
Balances with banks	4	407,765	206,160
Investments	5	4,310,778	1,445,817
Dividend and profit receivable	6	15,206	2,393
Preliminary expenses and floatation costs	7	710	910
Receivable against sale of units	8	92,805	410,000
Deposits and other receivables	9	11,699	4,098
<b>Total assets</b>		<b>4,838,963</b>	<b>2,069,378</b>
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	23,745	8,028
Payable to Central Depository Company of Pakistan Limited - Trustee	11	543	222
Payable to Securities and Exchange Commission of Pakistan	12	3,390	422
Payable against purchase of investments		19,878	424,397
Accrued expenses and other liabilities	13	33,306	785
<b>Total liabilities</b>		<b>80,862</b>	<b>433,854</b>
<b>NET ASSETS</b>		<b>4,758,101</b>	<b>1,635,524</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>4,758,101</b>	<b>1,635,524</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	<b>Number of units</b>	
<b>NUMBER OF UNITS IN ISSUE</b>	15	<b>354,586,208</b>	<b>140,159,977</b>
<b>NET ASSET VALUE PER UNIT</b>	3.11	<b>13.4187</b>	<b>11.6690</b>
		<b>Rupees</b>	

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## INCOME STATEMENT FOR THE YEAR / PERIOD ENDED JUNE 30, 2017

	Note	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
------(Rupees in '000)-----			
<b>INCOME</b>			
Capital gain on sale of investments - net		139,888	70,532
Dividend income		142,747	17,136
Profit on bank deposits		21,178	3,241
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.2	491,006	101,654
<b>Total income</b>		<b>794,819</b>	<b>192,563</b>
<b>EXPENSES</b>			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	71,368	8,876
Sindh Sales Tax on remuneration of the Management Company	10.2	9,278	1,441
Federal Excise Duty on remuneration of Management Company	10.5	-	1,420
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	4,568	824
Sindh Sales Tax on remuneration of the Trustee	11.2	594	115
Accounting and operational charges	10.3	3,568	444
Selling and marketing expense	10.4	6,137	-
Annual fee of the Securities and Exchange Commission of Pakistan	12	3,390	422
Securities transaction cost		3,464	2,439
Settlement and bank charges		446	240
Auditors' remuneration	16	406	150
Legal charges		130	65
Shariah advisor fee		417	195
Mutual fund rating fee		90	-
Amortisation of Preliminary expenses and floatation costs	7	200	90
<b>Total expenses</b>		<b>104,056</b>	<b>16,721</b>
<b>Net Income from operating activities</b>		<b>690,763</b>	<b>175,842</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		512,392	78,947
Provision against Sindh Workers' Welfare Fund	13.2	(29,057)	-
<b>Net income for the year / period before taxation</b>		<b>1,174,098</b>	<b>254,789</b>
Taxation	17	-	-
<b>Net income for the year / period after taxation</b>		<b>1,174,098</b>	<b>254,789</b>
<b>Earnings per unit</b>	3.13		

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR / PERIOD ENDED JUNE 30, 2017

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
--	-------------------------------------------	----------------------------------------------------------------

----- (Rupees in '000) -----

Net Income for the year / period after taxation	1,174,098	254,789
Other comprehensive income for the year / period	-	-
Total comprehensive income for the year / period	<u>1,174,098</u>	<u>254,789</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## DISTRIBUTION STATEMENT FOR THE YEAR / PERIOD ENDED JUNE 30, 2017

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
--	-------------------------------------------	----------------------------------------------------------------

------(Rupees in '000)-----

**Undistributed income brought forward comprising of:**

Realised income	132,271	-
Unrealised income	101,654	-
	233,925	-

Net Income for the year / period after taxation	1,174,098	254,789
-------------------------------------------------	-----------	---------

**Distribution during the year**

Final distribution at the rate of Re 0.3212 per unit for the period ended June 30, 2016 (Date of distribution: September 23, 2016)	(60,008)	-
------------------------------------------------------------------------------------------------------------------------------------	----------	---

Interim distribution at the rate of Rs 1.3955 (2016: 0.2022) per unit for the year ended June 30, 2017 [Date of distribution: June 19, 2017 (2016: June 29, 2016)]	(439,768)	(20,864)
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Undistributed income carried forward	908,247	233,925
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**Undistributed income carried forward comprising of:**

Realised income	417,241	132,271
Unrealised income	491,006	101,654
	908,247	233,925

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR / PERIOD ENDED JUNE 30, 2017

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
	------(Rupees in '000)-----	
Net assets at the beginning of the year / period	1,635,524	-
Issue of 305,280,322 units (2016: 179,391,201 units)	4,303,754	1,931,566
Redemption of 90,854,091 units (2016: 39,231,224 units)	(1,343,107)	(451,020)
	2,960,647	1,480,546
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net transferred to income statement	(512,392)	(78,947)
Final distribution at the rate of Re 0.3212 per unit for the period ended June 30, 2016 (Date of distribution: September 23, 2016)	(60,008)	-
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	491,006	101,654
Capital gain on sale of investments - net	139,888	70,532
Other net income for the year / period	543,204	82,603
	1,174,098	254,789
Interim distribution at the rate of Rs 1.3955 (2016: 0.2022) per unit for the year ended June 30, 2017 [Date of distribution: June 19, 2017 (2016: June 29, 2016)]	(439,768)	(20,864)
<b>Net assets at the end of the year / period</b>	<b>4,758,101</b>	<b>1,635,524</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## CASH FLOW STATEMENT FOR THE YEAR / PERIOD ENDED JUNE 30, 2017

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
----- (Rupees in '000) -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year / period before taxation	1,174,098	254,789
<b>Adjustments for:</b>		
Amortisation of preliminary expense and floatation costs	200	90
Provision against Sindh Workers' Welfare Fund	29,057	-
Dividend income	(142,747)	(17,136)
Profit on bank deposits	(21,178)	(3,241)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(491,006)	(101,654)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(512,392)	(78,947)
	<u>36,032</u>	<u>53,901</u>
<b>(Increase) in assets</b>		
Investments - net	(2,373,955)	(1,344,163)
Other receivables	(7,601)	(4,098)
	<u>(2,381,556)</u>	<u>(1,348,261)</u>
<b>(Decrease) / Increase in liabilities</b>		
Payable to NBP Fullerton Asset Management Limited - Management Company	15,717	7,028
Payable to the Central Depository Company of Pakistan Limited -Trustee	321	222
Payable to the Securities and Exchange Commission of Pakistan	2,968	422
Payable against purchase of investments	(404,519)	424,397
Accrued expenses and other liabilities	3,464	785
	<u>(382,049)</u>	<u>432,854</u>
Profit received on bank deposits	19,789	2,584
Dividend received	131,323	15,400
<b>Net cash used in operating activities</b>	<u>(2,576,461)</u>	<u>(843,522)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	4,620,949	1,500,702
Dividend paid	(499,776)	-
Payments on redemption of units	(1,343,107)	(451,020)
<b>Net cash generated from financing activities</b>	<u>2,778,066</u>	<u>1,049,682</u>
Net increase in cash and cash equivalents during the year / period	<u>201,605</u>	<u>206,160</u>
Cash and cash equivalents at the beginning of the year / period	206,160	-
<b>Cash and cash equivalents at the end of the year / period</b>	<u><u>407,765</u></u>	<u><u>206,160</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR / PERIOD ENDED JUNE 30, 2017

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Active Allocation Equity Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on November 03, 2015 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund's pre-IPO investment was received on January 18, 2016. The Fund has been categorised as an Open Ended "Equity Scheme" as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CISs).

The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of Shari'ah Compliant listed equities.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM 1 (2016: AM2++) to the Management Company and performance ranking of "3 Star" to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with the 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, 2008 (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 Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

#### 2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2016 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

#### 2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

There are certain new and amended standards and interpretations that are mandatory for the accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standards, Interpretations or Amendments</b>	<b>Effective date (accounting period beginning on or after)</b>
- IFRS 9 – Financial Instruments	January 1, 2018
- IFRS 15 – Revenue from contracts with customers	January 1, 2018
- IFRS 16 – Leases	January 1, 2019

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2.3.1 The SECP vide its SRO 756(1) / 2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations, 2008 which will be applicable on the financial statements of the Fund from the accounting year ending on June 30, 2018. 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, 2008. In addition there are certain changes in the disclosure requirements relating to the Income Statement and the Statement of Movement in Unit Holders’ Fund. The management is currently in the process of assessing the impact of these changes on the financial statements.

## 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- classification and valuation of investment (note: 3.2 and 5)
- impairment of financial assets (note 3.2.5)
- taxation (note 3.7 and 17)

## 2.5 Accounting Convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value.

## 2.6 Functional and Presentation Currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

### 3.2 Financial assets

#### 3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are classified as follows:

#### a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading instruments and such other instruments that, upon initial recognition, are designated under this category.

#### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

## c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

### 3.2.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the assets.

### 3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed out in the income statement.

### 3.2.4 Subsequent measurement

#### a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss and available for sale are revalued as follows:

##### - Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising from changes in the fair value and on sale of financial assets at fair value through profit or loss are taken to the Income Statement.

Net gains and losses arising from changes in the fair value of available for sale financial assets are taken to 'other comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in 'other comprehensive income' is shown as part of net income for the year.

#### b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

### 3.2.5 Impairment of financial assets

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets is impaired. The carrying value of the Fund's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the income statement. Impairment loss in the income statement on equity securities are only reversed when the equity securities are derecognized.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

### 3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

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## 3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

## 3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 3.5 Provisions

Provision is recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are regularly reviewed and are adjusted to reflect the current best estimate.

## 3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.

## 3.7 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 as cash dividend. Subsequent to June 30, 2017, the Management Company intends to distribute the required minimum percentage of the accounting income for the period/ year as reduced by capital gains, whether realised or unrealised. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current period / year.

The Fund is 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.

## 3.8 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the period in which such distributions are declared.

## 3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

Units redeemed are recorded at the redemption price, as per constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the daily Net Asset Value (NAV) announced as of the close of the dealing day less any back-end load, provision for transaction costs and any provision for duties and charges, if applicable.

## 3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element is determined based on the income / (loss) incurred during the year including income / (loss) arising as a result of unrealised appreciation / (diminution) on available for sale securities.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting year which pertains to element arising as a result of unrealised appreciation / (diminution) on available for sale investments in the distribution statement. The remaining portion of the element is recognised in the income statement.

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## 3.11 Net Asset Value Per Unit

The Net Asset Value (NAV) per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

## 3.12 Revenue recognition

- Dividend income on equity securities is recognized in the income statement when the right to receive dividend is established.
- Realised capital gains / (losses) arising on sale of equity investments are included in the income statement on the date at which the sale transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year / period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

## 3.13 Earnings per unit

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

## 3.14 Expenses

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

	Note	2017 (Rupees in '000')	2016 (Rupees in '000')
<b>4 BALANCES WITH BANKS</b>			
Profit and loss sharing accounts	4.1 & 4.2	<u>407,765</u>	<u>206,160</u>

4.1 These carry profits at rates ranging from 5.45% to 6.10% per annum (2016: 5.75% to 7% per annum).

4.2 This includes balance of Rs 407.205 million (2016: Nil) maintained with BankIslami Pakistan Limited (a related party) that carries profit at 5.60% per annum (2016: Nil).

	Note	2017 (Rupees in '000')	2016 (Rupees in '000')
<b>4 INVESTMENTS</b>			
<b>Financial assets classified as 'at fair value through profit or loss'</b>			
Listed equity securities	5.1	<u>4,310,778</u>	<u>1,445,817</u>

## 5.1 Listed equity securities

Investments in shares of companies at fair value through profit or loss

Name of the investee company	Number of shares					Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of		Paid up capital as a % of investee company held
	As at July 1, 2016	Purchases during the year	Bonus / Right shares issued during the year	Sales during the year	As at June 30, 2017		Net assets	Total investments	
-----Number of shares ----- (Rupees in '000) ----- % -----									
<b>Automobile Assembler</b>									
Honda Atlas Cars (Pakistan) Limited	77,600	76,700	-	39,000	115,300	100,045	2.10	2.32	0.08
Indus Motor Company Limited	39,750	42,980	-	6,100	76,630	137,444	2.89	3.19	0.10
Millat Tractors Limited	-	99,900	-	3,800	96,100	132,084	2.78	3.06	0.22
Pak Suzuki Motor Company Limited	-	75,800	-	42,500	33,300	25,986	0.55	0.60	0.04
Sazgar Engineering Works Limited	176,500	52,500	-	220,000	9,000	2,465	0.05	0.06	0.05
						398,024	8.37	9.23	
<b>Automobile Parts &amp; Accessories</b>									
Agriauto Industries Limited*	-	3,600	-	-	3,600	1,555	0.03	0.04	0.01
Atlas Battery Limited**	-	5,300	-	-	5,300	4,770	0.10	0.11	0.03
Thal Limited*	43,600	-	-	2,500	41,100	24,908	0.52	0.58	0.05
						31,233	0.65	0.73	

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Name of the investee company	Number of shares					Market value as at June 30, 2017	Market value as a percentage of		Paid up capital as a % of investee company held
	As at July 1, 2016	Purchases during the year	Bonus / Right shares issued during the year	Sales during the year	As at June 30, 2017		Net assets	Total investments	
-----Number of shares-----					(Rupees in '000)	----- % -----			
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	281,750	1,136,500	-	239,000	1,179,250	130,095	2.73	3.02	0.24
<b>Cement</b>									
Attock Cement Pakistan Limited	265,400	286,700	-	81,900	470,200	142,315	2.99	3.30	0.41
Cherat Cement Company Limited**	-	632,900	-	24,000	608,900	108,859	2.29	2.53	0.34
D.G. Khan Cement Company Limited	342,100	450,300	-	121,500	670,900	143,009	3.01	3.32	0.15
Fauji Cement Company Limited	1,530,500	339,400	-	196,000	1,673,900	68,680	1.44	1.59	0.12
Kohat Cement Company Limited	-	257,300	-	6,500	250,800	57,498	1.21	1.33	0.16
Lucky Cement Limited	110,500	205,750	-	41,900	274,350	229,428	4.82	5.32	0.08
Maple Leaf Cement Factory Limited	265,000	148,000	-	57,000	356,000	39,644	0.83	0.92	0.07
Pioneer Cement Limited	184,000	735,800	-	223,000	696,800	90,584	1.90	2.10	0.31
						880,017	18.49	20.41	
<b>Chemical</b>									
Akzo Nobel Pakistan Limited	-	28,100	-	-	28,100	6,744	0.14	0.16	0.06
Engro Polymer & Chemicals Limited	-	1,700,000	-	-	1,700,000	62,050	1.30	1.44	0.26
						68,794	1.44	1.60	
<b>Commercial Banks</b>									
Meezan Bank Limited	180,000	47,400	-	11,500	215,900	17,056	0.36	0.40	0.02
<b>Engineering</b>									
Amreli Steels Limited	143,500	696,500	-	113,000	727,000	89,385	1.88	2.07	0.24
Crescent Steel & Allied Products Limited	138,500	34,000	-	56,500	116,000	27,674	0.58	0.64	0.15
International Industries Limited**	-	171,200	-	50,000	121,200	44,671	0.94	1.04	0.10
International Steels Limited**	-	440,500	-	59,000	381,500	48,790	1.03	1.13	0.09
Ittefaq Iron Industries Limited (Note 5.1.2)	-	1,500,000	-	-	1,500,000	45,300	0.95	1.05	1.14
Mughal Iron And Steel Industries Ltd	220,500	417,200	382,200	274,000	745,900	60,217	1.27	1.40	0.30
						316,037	6.65	7.33	
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited	284,900	57,000	-	18,300	323,600	44,126	0.93	1.02	0.07
Engro Fertilizers Limited	672,500	1,886,500	-	984,000	1,575,000	87,003	1.83	2.02	0.12
Engro Corporation Limited	360,600	594,300	-	232,800	722,100	235,340	4.95	5.46	0.14
Fatima Fertilizer Company Limited	-	1,518,000	-	200,000	1,318,000	44,403	0.93	1.03	0.06
Fauji Fertilizer Bin Qasim Limited	160,000	697,000	-	857,000	-	-	-	-	-
						410,872	8.64	9.53	
<b>Food &amp; Personal Care Products</b>									
Al Shaheer Corporation Limited	390,000	915,530	185,775	463,000	1,028,305	41,245	0.87	0.96	0.72
<b>Glass &amp; Ceramics</b>									
Shabbir Tiles & Ceramics Limited*	-	2,450,500	-	-	2,450,500	46,976	0.99	1.09	0.75
Tariq Glass Industries Ltd	410,000	245,500	-	-	655,500	72,603	1.53	1.68	0.89
						119,579	2.52	2.77	
<b>Oil &amp; Gas Exploration Companies</b>									
Mari Petroleum Company Limited	67,800	108,650	-	19,280	157,170	247,643	5.20	5.74	0.14
Oil & Gas Development Company Limited	296,700	874,400	-	255,500	915,600	128,816	2.71	2.99	0.02
Pakistan Oilfields Limited	185,500	152,800	-	22,000	316,300	144,913	3.05	3.36	0.13
Pakistan Petroleum Limited	300,900	907,800	-	45,700	1,163,000	172,287	3.62	4.00	0.06
						693,659	14.58	16.09	
<b>Oil &amp; Gas Marketing Companies</b>									
Attock Petroleum Limited	35,100	37,100	-	3,400	68,800	43,098	0.91	1.00	0.08
Pakistan State Oil Company Limited	261,200	354,800	-	253,500	362,500	140,414	2.95	3.26	0.13
Shell Pakistan Limited	134,100	143,400	-	103,000	174,500	100,402	2.11	2.33	0.16
Sui Northern Gas Pipelines Limited	-	568,000	-	-	568,000	84,587	1.78	1.96	0.09
						368,501	7.75	8.55	
<b>Paper &amp; Board</b>									
Cherat Packaging Limited**	-	5,000	-	-	5,000	1,189	0.02	0.03	0.02
Packages Limited	6,200	-	-	6,200	-	-	-	-	-
						1,189	0.02	0.03	
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pakistan) Limited	13,600	11,000	-	-	24,600	22,991	0.48	0.53	0.03
Ferozsons Laboratories Limited	-	37,850	-	-	37,850	14,629	0.31	0.34	0.13
Glaxosmithkline Pakistan Limited	72,400	154,400	-	8,500	218,300	42,988	0.90	1.00	0.07
Glaxosmithkline Consumer Healthcare Pakistan Limited	16,500	-	-	-	16,500	3,449	0.07	0.08	0.02
The Searle Company Limited	29,310	37,432	10,848	3,400	74,190	37,984	0.80	0.88	0.05
						122,041	2.56	2.83	
<b>Power Generation &amp; Distribution</b>									
The Hub Power Company Limited	484,000	783,600	-	99,500	1,168,100	137,170	2.88	3.18	0.10
Kot Addu Power Company Limited	503,000	486,600	-	-	989,600	71,271	1.50	1.65	0.11
K-Electric Limited*	4,592,500	2,364,000	-	1,223,000	5,733,500	39,561	0.83	0.92	0.02
						248,002	5.21	5.75	
<b>Refinery</b>									
Attock Refinery Limited	74,000	38,200	-	27,700	84,500	32,328	0.68	0.75	0.10
National Refinery Limited	25,200	-	-	9,700	15,500	11,253	0.24	0.26	0.02
						43,581	0.92	1.01	
<b>Technology &amp; Communication</b>									
Avanceon Limited	135,500	-	-	135,500	-	-	-	-	-
Netsol Technologies Limited	262,500	551,000	-	100,000	713,500	41,262	0.87	0.96	0.80
Systems Limited	-	272,500	-	-	272,500	20,666	0.43	0.48	0.24
						61,928	1.30	1.44	
<b>Textile Composite</b>									
Kohinoor Textile Mills Limited	549,925	1,089,938	-	385,000	1,254,863	131,924	2.77	3.06	0.44
Nishat Mills Limited	644,500	406,000	-	77,500	973,000	154,396	3.24	3.58	0.28
						286,320	6.01	6.64	
<b>Transport</b>									
Pakistan National Shipping Corporation	-	38,000	-	12,500	25,500	3,210	0.07	0.07	0.02
<b>Miscellaneous</b>									
Synthetic Products Enterprises Limited	351,500	495,000	83,250	10,000	919,750	69,395	1.46	1.61	1.08
<b>Total as at June 30, 2017</b>					<b>36,422,658</b>	<b>4,310,778</b>	<b>90.60</b>	<b>100.00</b>	
<b>Carrying value as at June 30, 2017</b>						<b>3,819,772</b>			

\* All shares have a nominal face value of Rs 10 each except for shares of Thal Limited, Agriauto Industries Limited, Shabbir Tiles & Ceramics Limited which have a face value of Rs 5 each and K-Electric Limited which have a face value of Rs 3.5 each.

\*\* These represent transactions with related parties.

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5.1.1 Nil value due to rounding off difference.

5.1.2 Shares of the Company were listed on the Pakistan Stock Exchange Limited on June 29, 2017 and its trading started on July 3, 2017 on which date the opening price of the shares was Rs 30.20 per share. The Fund had acquired these through book building process at Rs 30.20 per share.

5.1.3 Investments include shares with market value of Rs. 147.209 million (2016: 143.383 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

	Note	2017 (Rupees in '000')	2016 (Rupees in '000')
<b>5.2 Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss' - net</b>			
Market value of investments	5.1	4,310,778	1,445,817
Carrying value of investments		(3,819,772)	(1,344,163)
		<u>491,006</u>	<u>101,654</u>

5.3 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001. As a result of these amendments, companies are liable to withhold tax on bonus shares at the rate of 5 percent. In accordance with the requirement of the Ordinance these shares shall only be released to a shareholder if the Company collects from the shareholder tax equal to 5 percent of the value of the bonus shares issued. The value of tax is computed on the basis of day-end price on the first day of book closure.

In this regard, a constitutional petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

As at June 30, 2017, the following bonus shares of the Fund were withheld by certain companies at the time of bonus declaration. The Fund has included these shares in its portfolio as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Name of the investee company	June 30, 2017		June 30, 2016	
	Bonus shares			
	Number of shares	Market value	Number of shares	Market value
		Rupees in '000		Rupees in '000
Al-Shaheer Corporation Limited	9,289	373	-	-
Kohinoor Textile Mills Limited	522	55	522	42
Synthetic Products Enterprises Limited	4,163	314	-	-
The Searle Company Limited	769	394	166	89
		<u>1,136</u>		<u>131</u>

	Note	2017 (Rupees in '000')	2016 (Rupees in '000')
<b>6 DIVIDEND AND PROFIT RECEIVABLE</b>			
Profit receivable on balances with banks	6.1	2,046	657
Dividend receivable		13,160	1,736
		<u>15,206</u>	<u>2,393</u>

6.1 This includes amount of Rs 2.045 million (2016: Nil) as profit receivable from BankIslami Pakistan Limited (a related party).

	Note	2017 (Rupees in '000')	2016 (Rupees in '000')
<b>7 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
At the beginning of the year / period		910	1,000
Less: amortisation during the year / period	7.1	(200)	(90)
At the end of the year / period		<u>710</u>	<u>910</u>



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of five years commencing from January 19, 2016 as per the requirements set out in the Trust Deed.

	2017 (Rupees in '000')	2016 (Rupees in '000')
8 RECEIVABLE AGAINST SALE OF UNITS	<u>92,805</u>	<u>410,000</u>

This represents receivable against 6,916,095 (2016: 35,179,157) units issued to NAFA Islamic Active Allocation Fund II (Plan VII).

	Note	2017 (Rupees in '000')	2016 (Rupees in '000')
9 DEPOSITS AND OTHER RECEIVABLES			
Tax withheld on dividend		9,009	1,598
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	-
Prepaid mutual fund rating fee		90	-
		<u>11,699</u>	<u>4,098</u>
10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	10.1	7,961	2,270
Sindh Sales Tax on remuneration of the Management Company	10.2	1,035	369
Accounting and operational charges	10.3	3,568	444
Preliminary expenses and floatation costs payable		1,000	1,000
Payable against selling and marketing expense	10.4	6,137	-
Federal Excise Duty on remuneration of the Management Company	10.5	1,420	1,420
Other payable		2,624	2,525
		<u>23,745</u>	<u>8,028</u>

10.1 The Management company has charged remuneration at the rate of 2% (2016: 2%) per annum based on the daily net assets of the Fund. The remuneration is payable to the Management Company monthly in arrears.

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

10.3 In accordance with the provisions of the NBFC Regulations, 2008 (amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled for reimbursement of fee and expenses in relation to registrar service, accounting, operation and valuation services related to Collective Investment Schemes upto a maximum of 0.1% of average annual net assets of the scheme or actual which ever is less. Accordingly, the Management Company has charged accounting and operating expenses to the Fund at a rate of 0.1% per annum of the average annual net assets of the Fund being lower than the actual no change in the tariff structure during the year.

10.4 In connection with Regulation 60(3)(v) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Securities and Exchange Commission of Pakistan has issued circular no. 40 of 2016 dated December 30, 2016 (later amended vide circular no. 05 of 2017 dated February 13, 2017) whereby it has prescribed certain conditions on Asset Management Companies (AMCs) for charging selling and marketing expenses to collective investment schemes (CISs). In accordance with the provisions contained in these circulars, selling and marketing expenses will be allowed initially for a period of three years (from January 1, 2017 till December 31, 2019) to be charged to open end equity, asset allocation and index funds upto a maximum of 0.4% per annum of net assets of the fund or actual expenses, whichever is less. The circulars also state that AMCs will only be allowed to charge these expenses on their CISs if they open at least two new branches in cities except Karachi, Lahore, Islamabad and Rawalpindi by June 30, 2017.

The SECP has also provided certain guidelines in the above mentioned circulars for the allocation of expenses to the fund, which prescribe that selling and marketing expenses can only be used in respect of the following:

1. cost pertaining to opening and maintenance of new branches by asset management companies in cities except Karachi, Lahore, Islamabad and Rawalpindi,
2. payment of salaries to sales team posted at new branches,
3. payment of commission to sales team and distributors in all cities of Pakistan, and
4. payment of advertising and publicity of these funds.

In addition, the above circulars also specify that asset management companies which intend to charge the above mentioned expenses to the funds, shall submit their annual plan to their Board of Directors for approval which amongst others, shall state the name of the funds in which such expenses will be charged and nature of expenses that will be charged.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Keeping in view the aforementioned guidelines provided by the SECP, the Board of Directors of the Management Company approved the plan as required by the above mentioned circular in March 2017 and approved selling and marketing expenses to be charged to the Fund. Furthermore, in respect of the above, two new branches have been opened in Faisalabad and Sialkot before June 30, 2017 in order to comply with the requirements of the above mentioned circulars.

The management has also carried out an exercise to identify expenses of the Management Company (on the basis of criteria mentioned in the above circular) that can be charged to the Fund. As the actual expenses incurred by the Management Company that are allowable to be allocated to the Fund for the year ended June 30, 2017 are higher than 0.4% per annum of net assets of the Fund, accordingly, with effect from March 1, 2017 the Management Company has charged expenses at the rate of 0.4% per annum of net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.

- 10.5 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016. In view of the above, the Fund has discontinued making further provision in respect of FED on management fee from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 aggregating Rs 1.420 million (2016: Rs 1.420 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2017 would have been higher by Re 0.004 (2016: Rs 0.01) per unit.

	Note	2017 (Rupees in '000')	2016 (Rupees in '000')
<b>11 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE</b>			
Trustee remuneration	11.1	480	195
Sindh Sales Tax on the remuneration of trustee	11.2	63	27
		<u>543</u>	<u>222</u>

- 11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid on a monthly basis in arrears. There has been no change in the tariff structure during the year.

Net Assets	Tariff per annum
Upto Rs 1,000 million	Rs. 0.7 million or 0.20% p.a. of Net Assets, whichever is higher
On an amount exceeding Rs 1,000 million	Rs. 2.0 million plus 0.10% p.a. of Net Assets, on amount exceeding Rs.1 billion.

- 11.2 Sindh sale tax at 13% (2016: 14%) is charged on Trustee remuneration.

	2017 (Rupees in '000')	2016 (Rupees in '000')
<b>12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual fee	<u>3,390</u>	<u>422</u>

Under the provision of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as equity scheme is required to pay to the SECP, an amount equal to 0.095% per annum of the average daily net assets of the Fund.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	Note	2017 (Rupees in '000')	2016 (Rupees in '000')
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		229	150
Settlement charges		71	69
Shariah advisory fee		423	195
Haram portion of dividend	13.1	2,423	262
Provision against Sindh Workers' Welfare Fund	13.2	29,057	-
Brokerage payable		877	-
Others		226	109
		<u>33,306</u>	<u>785</u>
<b>13.1</b>	Total haram portion of dividend for the year amounted to Rs 2.263 million (2016: Rs 0.262 million). Dividend income is recorded net of haram portion.		
<b>13.2</b>	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. However, as a matter of abundant caution provision in respect of SWWF is being 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 June 30, 2017 would have been higher by Re 0.082 per unit.		
<b>14 CONTINGENCIES AND COMMITMENTS</b>			
	There were no contingencies and commitments outstanding as at June 30, 2017 and June 30, 2016.		
<b>15 NUMBER OF UNITS IN ISSUE</b>		<b>June 30, 2017</b>	<b>June 30, 2016</b>
		(Rupees in '000')	
Total units in issue at the beginning of the year / period			
Add: units issued during the year / period			
Less: units redeemed during the year / period		140,159,977	-
Total units in issue at the end of the year / period		305,280,322	179,391,201
		(90,854,091)	(39,231,224)
		<u>354,586,208</u>	<u>140,159,977</u>
		<b>For the year ended June 30, 2017</b>	<b>For the period from January 18, 2016 to June 30, 2016</b>
<b>16 AUDITORS' REMUNERATION</b>			
Annual audit fee and other certification		162	150
Fee for the review of half yearly financial statements		65	-
Out of pocket expenses		179	-
		<u>406</u>	<u>150</u>
<b>17 TAXATION</b>			
	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 year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. 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. Subsequent to June 30, 2017, the Management Company intends to distribute the required minimum percentage of the accounting income for the year as reduced by capital gains, whether realised or unrealised. Accordingly, the Fund has not recorded a provision for taxation in respect of income relating to the current year.		

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 18 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ended June 30, 2017 is 3.72% which includes 1.18% representing government levies on the Fund such as sales taxes, Sindh Workers' Welfare Fund, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as "Shari'ah Compliant Equity Scheme".

## 19 TRANSACTIONS WITH CONNECTED PERSONS

19.1 Related parties / connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and key management personnel 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.

19.2 The transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

19.3 Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

19.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

19.5 Details of transactions with related parties / connected persons during the period are as follows:

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
<b>(Rupees in '000')</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Remuneration for the year	71,368	8,876
Sindh Sales Tax on remuneration of the Management Company	9,278	1,441
Federal Exercise Duty on remuneration of the Management Company	-	1,420
Accounting and operational charges	3,568	444
Selling and marketing expense	6,137	-
<b>NAFA Islamic Active Allocation Fund I (Plan I) - Entity Managed by NAFA</b>		
Units issued - 13,117,177 (2016: 90,818,629)	183,601	942,572
Units redeemed - 24,118,984 (2016: 31,810,985)	352,155	361,733
Cash distribution (Note 19.5.1)	79,676	11,727
<b>NAFA Islamic Active Allocation Fund I (Plan II) - Entity Managed by NAFA</b>		
Units issued - 12,511,754 (2016: 53,393,415)	175,637	578,994
Units redeemed - 12,095,656 (2016: 7,420,240)	177,119	89,287
Cash distribution (Note 19.5.1)	73,444	9,137
<b>NAFA Islamic Active Allocation Fund I (Plan III) - Entity Managed by NAFA</b>		
Units issued - 66,511,099 (2016: 35,179,156)	855,524	410,000
Units redeemed - 33,351,220 (2016: Nil)	501,887	-
Cash distribution (Note 19.5.1)	112,730	-
<b>NAFA Islamic Active Allocation Fund I (Plan IV) - Entity Managed by NAFA</b>		
Units issued - 69,630,019	907,409	-
Units redeemed - 21,288,230	311,946	-
Cash distribution (Note 19.5.1)	61,148	-
<b>NAFA Islamic Active Allocation Fund I (Plan V) - Entity Managed by NAFA</b>		
Units issued - 99,656,444	1,492,055	-
Cash distribution (Note 19.5.1)	126,055	-
<b>NAFA Islamic Active Allocation Fund II (Plan VI) - Entity Managed by NAFA</b>		
Units issued - 36,937,734	596,723	-
Cash distribution (Note 19.5.1)	46,723	-
<b>NAFA Islamic Active Allocation Fund II (Plan VII) - Entity Managed by NAFA</b>		
Units issued - 6,916,095	92,805	-

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	For the year ended June 30, 2017	For the period from January 18, 2016 to June 30, 2016
	(Rupees in '000')	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the year	4,568	824
Settlement charges	363	188
Sindh Sales Tax on remuneration of the Trustee	594	115
<b>Atlas Battery Limited - Common Directorship</b>		
Shares purchased - 5,300 (2016: Nil)	4,390	-
<b>Cherat Packaging Limited - Common Directorship</b>		
Shares purchased - 5,000 (2016: Nil)	1,203	-
<b>Cherat Cement Company Limited - Common Directorship</b>		
Shares purchased - 632,900 (2016: Nil)	121,659	-
Shares sold - 24,000 (2016: Nil)	4,224	-
Dividend income	54	-
<b>International Industries Limited - Common Directorship</b>		
Shares purchased - 171,200 (2016: Nil)	25,837	-
Shares sold - 50,000 (2016: Nil)	7,674	-
Dividend income	707	-
<b>International Steels Limited - Common Directorship</b>		
Shares purchased - 440,500 (2016: Nil)	39,326	-
Shares sold - 59,000 (2016: Nil)	5,841	-
Dividend income	1,049	-
<b>BankIslami Pakistan Limited - Common Directorship</b>		
Profit income	21,150	-
<b>Taurus Securities Limited - Subsidiary of Parent Company</b>		
Brokerage expense	217	-
	<b>2017</b>	<b>2016</b>
	(Rupees in '000')	

19.5.1 The dividend given by the Fund during the year has been reinvested in units of the Fund.

## Amounts / balances outstanding as at year / period end

<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management remuneration payable	7,961	2,270
Sindh Sales Tax payable on remuneration	1,035	369
Federal Excise Duty payable on remuneration	1,420	1,420
Preliminary expenses and floatation cost payable	1,000	1,000
Payable against selling and marketing expense	6,137	-
Other payable	2,624	2,525
Accounting and operational charges	3,568	444
<b>NAFA Islamic Active Allocation Fund I (Plan I) - Entity Managed by NAFA</b>		
Units held - 48,005,837 (2016: 59,007,644)	644,176	688,559
<b>NAFA Islamic Active Allocation Fund I (Plan II) - Entity Managed by NAFA</b>		
Units held - 46,389,274 (2016: 45,973,176)	622,484	536,460
<b>NAFA Islamic Active Allocation Fund I (Plan III) - Entity Managed by NAFA</b>		
Units held - 68,339,035 (2016: 35,179,156)	917,021	410,505
Receivable against sale of units	-	410,000
<b>NAFA Islamic Active Allocation Fund I (Plan IV) - Entity Managed by NAFA</b>		
Units held - 48,341,789	648,684	-

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	2017	2016
	(Rupees in '000')	
NAFA Islamic Active Allocation Fund I (Plan V) - Entity Managed by NAFA Units held - 99,656,444	1,337,260	-
NAFA Islamic Active Allocation Fund II (Plan VI) - Entity Managed by NAFA Units held - 36,937,734	495,656	-
NAFA Islamic Active Allocation Fund II (Plan VII) - Entity Managed by NAFA Units held - 6,916,095	92,805	-
Receivable against sale of units	92,805	-
<b>Central Depository Company Of Pakistan Limited - Trustee</b>		
Remuneration payable	480	195
Sindh Sales Tax payable on remuneration of Trustee	63	27
Security deposit	100	-
<b>Atlas Battery Limited - Common Directorship</b>		
Shares held - 5,300 (2016: Nil)	4,770	-
<b>Cherat Packaging Limited - Common Directorship</b>		
Shares held - 5,000 (2016: Nil)	1,189	-
<b>Cherat Cement Company Limited - Common Directorship</b>		
Shares held - 608,900 (2016: Nil)	108,859	-
<b>International Industries Limited - Common Directorship</b>		
Shares held - 121,200 (2016: Nil)	44,671	-
Dividend receivable	455	-
<b>International Steels Limited - Common Directorship</b>		
Shares held - 381,500 (2016: Nil)	48,790	-
<b>BankIslami Pakistan Limited - Common Directorship</b>		
Balance with bank	407,205	-
Profit receivable	2,045	-

## 20 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the investment committee of the Fund are as follows:

-----2017-----			
S.No.	Name	Qualification	Experience in years
	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	29
	Mr. Sajjad Anwar	CFA / MBA Finance	17
	Mr. Muhammad Ali Bhabha	CFA / MBA / FRM / MS	22
	Mr. Hassan Raza	ACCA / BSC / CFA	6
	Mr. Taha Khan Javed*	MBA / CFA	11

\*Mr. Taha Khan Javed is the manager of the Fund. He is also the Fund manager of NAFA Asset Allocation Fund, NAFA Islamic Asset Allocation Fund, NAFA Multi Asset Fund, NAFA Stock Fund and NAFA Islamic Energy Fund.

## 21 TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2017

S. No.	Particulars	Percentage
1	BMA Capital Management Limited	9.20%
2	Taurus Securities Limited	7.79%
3	Arif Habib Securities Limited	6.08%
4	Aqeel Karim Dehdi Securities (Private) Limited	5.47%
5	BIPL Securities Limited	4.83%
6	Optimus Capital Management Limited	4.66%
7	Concordaia Securities (Private) Limited	3.87%
8	First Capital Equities Limited	3.62%
9	D.J.M Securities (Private) Limited	3.49%
10	Next Capital Limited	3.44%

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2016

S. No.	Particulars	Percentage
1	Standard Capital Securities (Private) Limited	7.32%
2	Optimus Capital Management Limited	6.61%
3	Fortune Securities	5.93%
4	Foundation Securities	5.52%
5	Topline Securities (Private) Limited	5.47%
6	Taurus Securities Limited	5.33%
7	Concordaia Securities (Private) Limited	4.66%
8	IGI Finex Securities Limited	4.55%
9	BMA Capital Management Limited	4.30%
10	Alfalah Securities (Private) Limited	4.23%

## 22 PATTERN OF UNIT HOLDING

-----June 30, 2017-----

Category	Number of unit holders	Investment amount	Percentage of investment
----------	------------------------	-------------------	--------------------------

(Rupees in '000)

Associated companies / undertakings*	2	4,758,101	100.00%
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\*This represents investment made by NAFA Islamic Active Allocation Fund - I (Plan I, Plan II, Plan III, Plan IV, Plan V) and NAFA Islamic Active Allocation Fund - II (Plan VI and Plan VII).

-----June 30, 2016-----

Category	Number of unit holders	Investment amount	Percentage of investment
----------	------------------------	-------------------	--------------------------

(Rupees in '000)

Associated companies / undertakings*	1	1,635,524	100.00%
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\* This represents investment made by NAFA Islamic Active Allocation Fund (Plan I, Plan II, Plan III).

## 23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 60th, 61st, 62nd and 63rd Board meetings were held on September 23, 2016, October 28, 2016, February 28, 2017 and April 28, 2017, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	4	4	-	-
Mr. Aamir Sattar	4	4	-	-
Mr. Abdul Hadi Palekar	4	3	1	61st
Mr. Koh Boon San [note 23.1]	2*	2	-	-
Mr. Lui Mang Yin (Martin Lui)	4	4	-	-
Dr. FOO Chiah Shiung (Kelvin Foo) [note 23.2]	2*	1	1	63rd
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	3	1	62nd
Mr. Saiyed Hashim Ishaque [note 23.3]	3*	3	-	-
Mr. Humayun Bashir [note 23.4]	1*	1	-	-
Dr. Amjad Waheed	4	4	-	-

23.1 Mr. Koh Boon San retired in Extra Ordinary General Meeting held on November 21, 2016.

23.2 Dr. FOO Chiah Shiung (Kelvin Foo) appointed as director on the Board with effect from November 21, 2016.

23.3 Mr. Saiyed Hashim Ishaque retired in Extra Ordinary General Meeting held on March 17, 2017.

23.4 Mr. Humayun Bashir appointed as director on the Board with effect from March 17, 2017.

\*These directors were appointed and retired during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 24 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30, 2017-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

-----Rupees in '000-----

### Financial assets

Balances with banks	407,765	-	407,765
Investments	-	4,310,778	4,310,778
Dividend and profit receivable	15,206	-	15,206
Receivable against sale of units	92,805	-	92,805
Deposits and other receivables	2,600	-	2,600
	<u>518,376</u>	<u>4,310,778</u>	<u>4,829,154</u>

-----June 30, 2017-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

-----Rupees in '000-----

### Financial assets

Payable to NBP Fullerton Asset Management Limited - Management Company	-	23,745	23,745
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	543	543
Payable against purchase of investments	-	19,878	19,878
Accrued expenses and other liabilities	-	4,249	4,249
	<u>-</u>	<u>48,415</u>	<u>48,415</u>

-----June 30, 2016-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

-----Rupees in '000-----

### Financial assets

Balances with banks	206,160	-	206,160
Investments	-	1,445,817	1,445,817
Dividend and profit receivable	2,393	-	2,393
Receivable against sale of units	410,000	-	410,000
Deposits and other receivables	2,500	-	2,500
	<u>621,053</u>	<u>1,445,817</u>	<u>2,066,870</u>

-----June 30, 2016-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

-----Rupees in '000-----

### Financial assets

Payable to NBP Fullerton Asset Management Limited - Management Company	-	8,028	8,028
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	222	222
Payable against purchase of investments	-	424,397	424,397
Accrued expenses and other liabilities	-	785	785
	<u>-</u>	<u>433,432</u>	<u>433,432</u>



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 25 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 25.1 Market risk

This risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, profit rate risk and price risk.

#### 25.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pak Rupees.

#### 25.1.2 Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The Fund is mainly exposed to profit rate risk on balances held with banks.

##### a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument except for balances in profit and loss sharing accounts which carry profit at rates ranging from 5.45% to 6.10% (2016: 5.75% to 7%) per annum.

Cash flow sensitivity analysis for variable-rate instruments

"A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs 4.078 million (2016: Rs 2.062 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

"A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs 4.078 million (2016: Rs 2.062 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

##### b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that exposes the Fund to any material profit rate risk.

Yield / profit rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

As at June 30, 2017

Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/ Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	

------(Rupees in '000)-----

### On-balance sheet financial instruments

#### Financial Assets

Balances with banks	5.45 - 6.10	407,765	407,765	-	-	-
Investments		4,310,778	-	-	-	4,310,778
Dividend and profit receivable		15,206	-	-	-	15,206
Receivable against sale of units		92,805	-	-	-	92,805
Deposits and other receivables		2,600	-	-	-	2,600
		4,829,154	407,765	-	-	4,421,389

#### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		23,745	-	-	-	23,745
Payable to the Central Depository Company of Pakistan Limited - Trustee		543	-	-	-	543
Payable against purchase of investments		19,878	-	-	-	19,878
Accrued expenses and other liabilities		4,249	-	-	-	4,249
		48,415	-	-	-	48,415

### Total yield / profit rate sensitivity gap

	4,780,739	407,765	-	-	4,372,974
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### Cumulative yield / profit rate sensitivity gap

	407,765	407,765	407,765
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# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

As at June 30, 2016

Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/ Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	

------(Rupees in '000)-----

## On-balance sheet financial instruments

### Financial Assets

Balances with banks	5.75 - 7	206,160	206,160	-	-	-
Investments		1,445,817	-	-	-	1,445,817
Dividend and profit receivable		2,393	-	-	-	2,393
Receivable against sale of units		410,000	-	-	-	410,000
Deposits and other receivables		2,500	-	-	-	2,500
		2,066,870	206,160	-	-	1,860,710

### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		8,028	-	-	-	8,028
Payable to the Central Depository Company of Pakistan Limited - Trustee		222	-	-	-	222
Payable against purchase of investments		424,397	-	-	-	424,397
Accrued expenses and other liabilities		785	-	-	-	785
		433,432	-	-	-	433,432

### Total yield / profit rate sensitivity gap

	1,633,438	206,160	-	-	1,427,278
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### Cumulative yield / profit rate sensitivity gap

	206,160	206,160	206,160
--	---------	---------	---------

## 25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust deed. The Fund's constitutive document / NBFC Regulations also limit individual equity securities based on the net assets, or issued capital of the investee company and sector exposure limit.

In case of 5% increase / decrease in KMI 30 index on June 30, 2017, net income for the period would increase / decrease by Rs 18.371 million (2016: Rs 26.613 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on increase / decrease of equity index by 5% with all other variables held constant and with an assumption that all the Fund's equity instruments will move according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 index having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 index, is expected to change over time. Accordingly, the aforementioned sensitivity analysis is not necessarily indicative of the effects on the Fund's net assets of future movements in the level of KMI 30 index.

## 25.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to balances with banks, dividend and profit receivable, receivable against sale of units, deposits and other receivables. The credit risk on balances with banks is limited because the counter parties are financial institutions with reasonably high credit ratings. Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets. The Fund's maximum exposure to credit risk as of June 30, 2017 amounts to Rs 527.475 million (2016: Rs 622.651 million).

The analysis below summarises the credit quality of the Fund's financial assets:

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

25.2.1

## Credit quality

-----June 30, 2017-----

Name of Bank	Rating Agency	Latest available published rating	Percentage
BankIslami Pakistan Limited	PACRA	A-1	99.87%
Dubai Islamic Bank Limited	JCR-VIS	A-1	0.13%

-----June 30, 2016-----

Name of Bank	Rating Agency	Latest available published rating	Percentage
BankIslami Pakistan Limited	PACRA	A+	99.75%
Dubai Islamic Bank Limited	JCR-VIS	A+	0.24%

## 25.2.2 Concentration of credit risk

The Fund mainly deals in equity securities which are primarily subject to price risk. The concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of other financial instruments comprise of bank balances.

The Fund's major asset balances represent amounts of Rs. 407.205 million (2016: Rs. 205.632 million) held in a bank account with BankIslami Pakistan Limited and Rs 92.805 million (2016: Rs 410.000 million) receivable against issuance of units to a related party. The management believes that these amounts are held with creditworthy counterparties and that the Fund is not exposed to any significant credit risk.

## 25.2.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on the terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised. The Fund's listed securities are considered readily realisable as they are liquid shares listed on the Pakistan Stock Exchange.

In addition, the Fund has the ability to borrow, with prior approval of the trustee, for meeting redemption. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayments within 90 days of such borrowings. However, no borrowings were obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below indicates the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

-----June 30, 2017-----

Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-------------	-------	-------------------	-------------------------------------	---------------

-----Rupees in '000-----

### Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	23,745	23,745	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	543	543	-	-
Payable against purchase of investments	19,878	19,878	-	-
Accrued expenses and other liabilities	4,249	4,249	-	-
	<u>48,415</u>	<u>48,415</u>	<u>-</u>	<u>-</u>

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

-----June 30, 2016-----

Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----				
<b>Financial liabilities</b>				
Payable to NBP Fullerton Asset Management Limited - Management Company	8,028	8,028	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	222	222	-	-
Payable against purchase of investments	424,397	424,397	-	-
Accrued expenses and other liabilities	785	785	-	-
	<u>433,432</u>	<u>433,432</u>	<u>-</u>	<u>-</u>

## 26 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit holders' Fund'.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies stated in note 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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.

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying values as the items are either short term in nature or periodically repriced.

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

### 27.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets 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:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).








As at June 30, 2017, the Fund held the following financial instruments measured at fair value:



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# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

----- As at June 30, 2017 -----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
<b>Assets</b>			
Financial assets 'at fair value through profit or loss' - net			
- Investment in listed equity securities			
4,310,778	-	-	4,310,778
----- As at June 30, 2016 -----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
<b>Assets</b>			
Financial assets 'at fair value through profit or loss' - net			
- Listed equity securities			
1,445,817	-	-	1,445,817

## 28 NON-ADJUSTING EVENT AFTER JUNE 30, 2017

The Board of Directors of the Management Company in their meeting held on September 15, 2017 (2016: September 23, 2016) approved a distribution of Rs. 51 million (Rs. 0.1883) per unit for the year ended June 30, 2017 (2016: Rs. 0.3212 per unit). The financial statements of the Fund for the year ended June 30, 2017 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2018.

## 29 GENERAL

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

29.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statements.

## 30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 15, 2017.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2017	For the year ended June 30, 2016
Net assets at the year / period ended (Rs '000)	4,758,101	1,635,524
Net income for the year / period ended (Rs '000)	1,174,089	254,789
Net Asset Value per unit at the year / period ended (Rs)	13.4187	11.3756
Offer Price per unit	-	-
Redemption Price per unit	13.4187	11.3756
Ex - Highest offer price per unit (Rs.)	-	-
Ex - Lowest offer price per unit (Rs.)	-	-
Ex - Highest redemption price per unit (Rs.)	14.7670	11.5964
Ex - Lowest redemption price per unit (Rs.)	10.5149	9.1825
Opening Nav (Since Inception - January 18, 2016)	10.3144	9.5784
Total return of the fund	30.10%	18.76%
Capital growth	16.57%	13.30%
Income distribution as % of Ex nav	13.53%	5.46%
Income distribution as % of Par nav	13.96%	5.23%
<b>Distribution</b>		
Interim distribution per unit	1.3955	0.2022
Final distribution per unit	0.1883	0.3212
<b>Distribution Dates</b>		
Interim	19-Jun-17	29-Jun-16
Final	15-Sep-17	23-Sep-16
<b>Average annual return of the fund (launch date January 18, 2016)</b>		
(Since inception to June 30, 2017)	35.01%	
(Since inception to June 30, 2016)		18.76%
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>		

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Islamic Active Allocation Equity Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fullerton Asset Management Limited i.e. [www.nafafunds.com](http://www.nafafunds.com). A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Number</b>	5	5	-	-
<b>(%ages)</b>	100%	100%	-	-





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

## Head Office

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