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

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

ANNUAL REPORT 2017



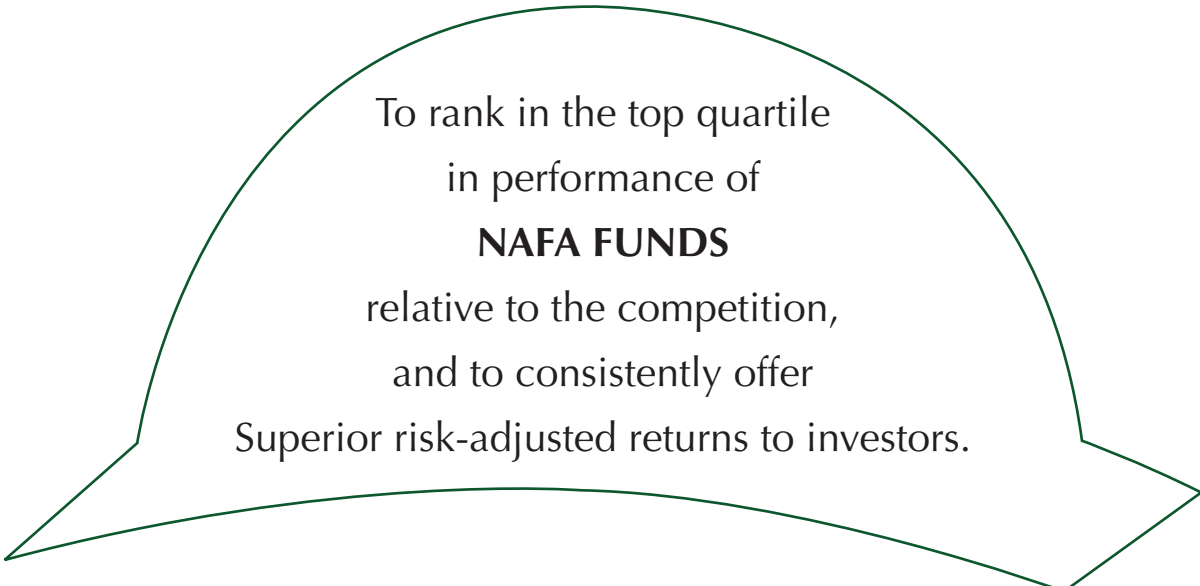
Your investments & "NAFA" grow together



**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 FUND-II

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
United Bank Limited
Dubai Islamic Bank Limited
Allied Bank Limited
JS Bank Limited

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02
Beaumont Road,
Karachi - 75530, Pakistan.

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town, Lahore.
UAN: 042-111-111-632
Fax: 92-42-35861095

Islamabad Office:

Plot No. 395, 396
Industrial Area, I-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

Opposite Gul Haji Plaza, 2nd Floor
National Bank Building
University Road Peshawar,
UAN: 091-111 111 632 (nfa)
Fax: 091-5703202

Multan Office:

NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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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



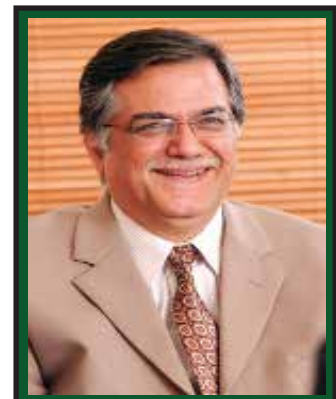
Mr. Shehryar Faruque
Director



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 FUND-II

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the First Annual Report of **NAFA Islamic Active Allocation Fund - II** for the period from May 26, 2017 to June 30, 2017.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income/Money Market Funds.

NAFA Islamic Active Allocation Fund-II has been constituted in the form of a Trust Scheme that shall invest in following Collective Investment Schemes through five (5) Allocation Plans including NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) & NAFA Islamic Active Allocation Plan-VII (NIAAP-VII).

Islamic Income Fund: NAFA Active Allocation Riba Free Savings Fund

Islamic Equity Fund: NAFA Islamic Active Allocation Equity Fund

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 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 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.

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as the short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

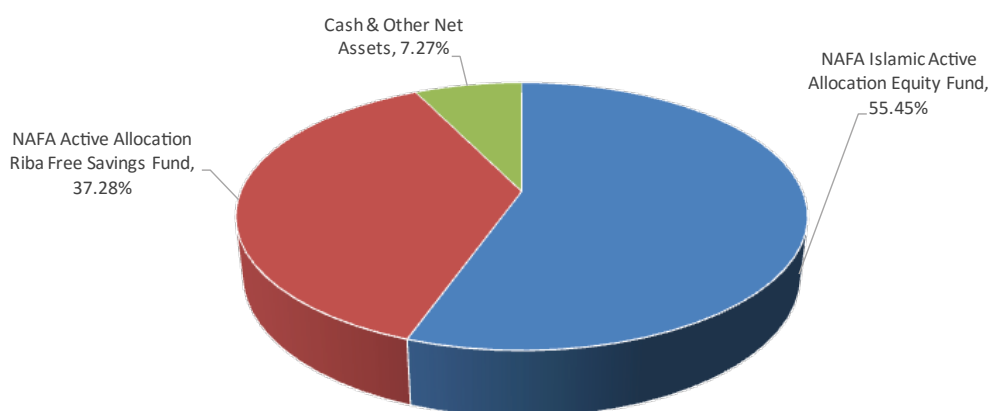
NAFA Islamic Active Allocation Plan-VI (NIAAP-VI)

This is the first annual report for the period ended June 30, 2017, since launch of NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) on May 26, 2017. The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

Fund's Performance

Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) has decreased from Rs.100.0000 on May 26, 2017 to Rs.94.4551 on June 30, 2017, thus showing a decrease of 5.54%. The Benchmark return during the same period decreased by 7.46%. Thus, the Fund has outperformed its Benchmark by 1.92% since its inception on May 26, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs.894 million.

The asset allocation of NIAAP-VI as on June 30, 2017 is as follows:

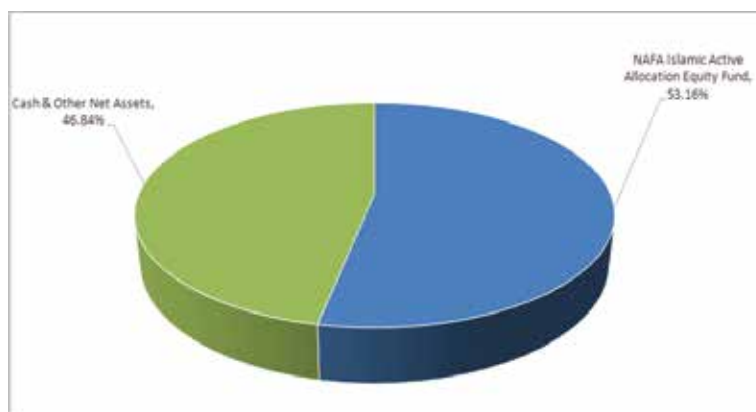


NAFA Islamic Active Allocation Plan-VII (NIAAP-VII)

This is the first annual report for the period ended June 30, 2017, since launch of NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) on June 29, 2017. The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

Fund's Performance

Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) has decreased from Rs.100.00 on June 29, 2017 to Rs.99.9773 on June 30, 2017, thus showing a decrease of 0.02%. The Benchmark return during the same period decreased by 0.6%. Thus, the Fund has outperformed its Benchmark by 0.58% since its inception on June 29, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs.175million.. The asset allocation of NIAAP-VII as on June 30, 2017 is as follows:



NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Taxation

Since the Fund has incurred net loss of Rs.52.52 million for the period from May 26, 2017 to June 30, 2017, consequently, the Fund does not have income for distribution. Therefore, no provision for income tax was recorded in the financial statements of the Fund for the said period.

Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2018.

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 no meetings during the year. The attendance of all directors is disclosed in the note 21 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 20 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 18 to these financial statements.

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.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

ڈائریکٹرز رپورٹ

این بی پی فلٹرن ایسیٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک ایکٹیو ایلوکیشن فنڈ-II (NIAAF-II) کی پہلی سالانہ رپورٹ برائے دورانیہ 26 مئی 2017 تا 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنٹ ایکٹیو فنڈ اور انکم / منی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

NAFA اسلامک ایکٹیو ایلوکیشن فنڈ-II کو ایک ٹرسٹ اسکیم کی شکل میں تیار کیا گیا ہے جو پانچ (5) ایلوکیشنز پلانز کے ذریعے مشترکہ سرمایہ کاری کی اسکیموں میں سرمایہ کاری کرے گا۔ جس میں NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI) اور NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII) شامل ہیں۔

☆ اسلامک انکم فنڈ NAFA ایکٹیو ایلوکیشن ریفری سیونگ فنڈ

☆ اسلامک ایکٹیو فنڈ NAFA اسلامک ایکٹیو ایلوکیشن ایکٹیو فنڈ

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، افراط زر اور سود کی شرح پر کنٹرول، کارپوریٹ کی آمدنی میں بڑا اضافہ اور اسٹاک مارکیٹ کی پرکشش قدر و قیمت (ii) MSCI ایمریکن 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 کی کارخانہ اور (iv) حصص پر مبنی میچول فنڈز کے پرکشش ہونے کے سبب داخلی بہاؤ میں نمایاں اضافہ جس کی وجہ فلسفہ 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 وزیر اعظم کے خلاف عدالتی کارروائی کے آغاز سے ملک میں سیاسی غیر یقینی کیفیت (ii) عالمی سطح پر تیل کی قیمتوں میں دوبارہ کمی جس سے آئل اور گیس اور مینکنگ کے شعبہ جات کے انڈیکس پر دباؤ پڑا (iii) سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے ان ہاؤس بدولت فنانسنگ میں رکاوٹ ڈالنے سے مارکیٹ میں تشویش پائی گئی اور (iv) تجارت اور کرنٹ اکاؤنٹ میں بڑھتے ہوئے خسارے کے سبب توازن ادائیگی (BoP) میں بڑھتے ہوئے خدشات۔ سرمایہ کاروں کو اس وقت بہت مایوسی ہوئی جب MSCI ایمریکن 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 ایکٹیو فروخت ہوئی جو زیادہ تر میچول فنڈز اور بیمہ کمپنیوں میں جذب ہو گئی۔

اشیائے خورد و نوش کی قیمتوں میں کمی کے سبب CPI کے مطابق مالی سال 2017 میں افراط زر اوسطاً 4.2% رہا۔ سال کے دوران اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی کی شرح 5.75% برقرار رکھی۔ SBP نے چین پاکستان اقتصادی راہداری (CPEC) کے تناظر میں منصوبوں کیلئے سرمایہ کاری کی کارروائیوں میں تیزی آنے کو معاشی صورتحال میں بہتری کا سبب قرار دیا؛ تاہم درآمدات میں اضافہ پر اپنے تحفظات کا اظہار کیا، جس کے ساتھ برآمدات میں بیرون ملک سے قوم کی ترسیل میں کمی سے کرنٹ اکاؤنٹ کا خسارہ بڑھ گیا۔ SBP کی دانشمندانہ مانیٹری پالیسی کے نتیجے میں شرح سود میں استحکام اور کمی دیکھنے میں آئی؛ جس سے نجی شعبہ کو اپنی گنجائش بڑھانے میں حوصلہ افزائی ہوئی۔ قلیل حکومتی منافع میں 10-5 بنیادی پوائنٹس کے ساتھ بہتری آئی۔ جب کہ طویل مدت کے منافع میں 60-40 بنیادی پوائنٹس کا اضافہ ہوا۔

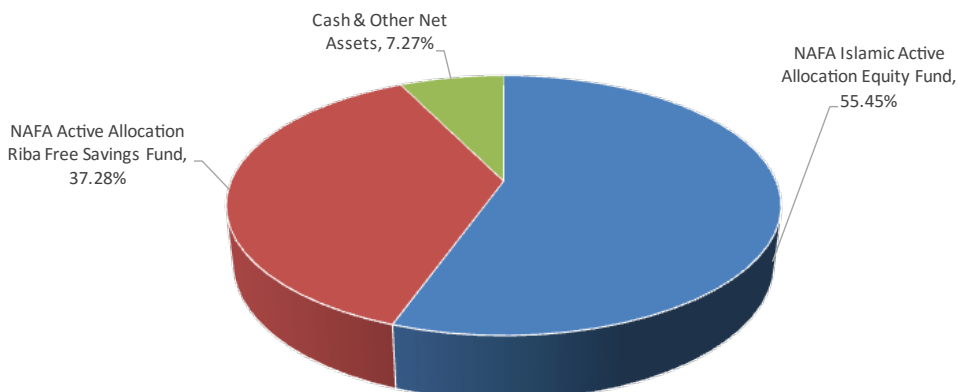
NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI)

NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI کے اجراء 26 مئی 2017 سے لیکر 30 جون 2017 کو اختتام پانے والی مدت کے لیے یہ پہلی سالانہ رپورٹ ہے۔ اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنٹ ایکٹیو فنڈ اور انکم / منی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

فنڈ کی کارکردگی

پلان کے اجراء سے NAFA اسلامک ایکٹیو ایلوکیشن پلان-VI (NIAAP-VI) کے یونٹ کی قیمت 26 مئی 2017 کو 100.0000 روپے سے کم ہو کر 30 جون 2017 کو 94.4551 روپے ہو چکی ہے۔ لہذا 5.54% کی کمی دیکھنے میں آئی۔ اسی مدت کے دوران بیچ مارک منافع کم ہو کر 7.46% ہو گیا۔ لہذا فنڈ نے 26 مئی 2017 کو اپنے قیام کے وقت سے لے کر اب تک اپنے بیچ مارک سے 1.92% بہتر کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 894 ملین روپے ہے۔

NIAAP-VI کی ایسیٹ ایلوکیشن 30 جون 2017 کو بمطابق ذیل ہے:



NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

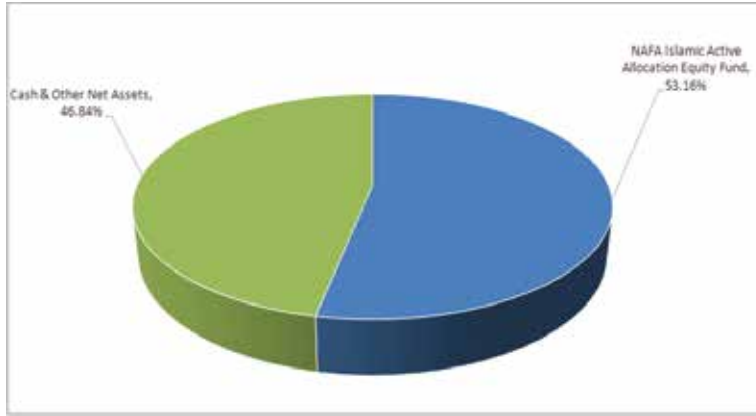
NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII)

NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII کے اجراء 29 جون 2017 سے لیکر 30 جون 2017 کو اختتام پانے والی مدت کے لیے یہ پہلی سالانہ رپورٹ ہے۔ اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کمپلائنسٹ ایکویٹی فنڈ اور انکم امنی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔

فنڈ کی کارکردگی

پلان کے اجراء سے NAFA اسلامک ایکٹیو ایلوکیشن پلان-VII (NIAAP-VII) کے یونٹ کی قیمت 29 جون 2017 کو 100.0000 روپے سے کم ہو کر 30 جون 2017 کو 99.9773 روپے ہو چکی ہے۔ لہذا %0.02 کی کمی دیکھنے میں آئی۔ اسی مدت کے دوران بیچ مارک منافع کم ہو کر %0.6 ہو گیا۔ لہذا فنڈ نے 29 جون 2017 کو اپنے قیام کے وقت سے لے کر اب تک اپنے بیچ مارک سے %0.58 بہتر کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجھٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا ساٹھ ساٹھ 175 ملین روپے ہے۔

NIAAP-VII کی ایسیٹ ایلوکیشن 30 جون 2017 کو بمطابق ذیل ہے:



ٹیکسیشن

چونکہ فنڈ کا خالص نقصان 26 مئی 2017 سے 30 جون 2017 کی مدت کے دوران 52.52 ملین روپے ہے جسے نتیجہ میں فنڈ میں قابل تقسیم آمدنی نہیں رہتی۔ لہذا مذکورہ مالی مدت کے لئے مالی اسٹیٹمنٹ میں انکم ٹیکس کی کوئی رقم مختص نہیں کی گئی۔

آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریسٹائرڈ 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- منجھٹ 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۔ شہادتاتی 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، ڈیوٹیوں، 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 منجھٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CEO، CFO، 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 18 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 ٹرسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز
NBP فلٹن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

15 ستمبر 2017ء

مقام: کراچی

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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 Fund-I (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 period from May 27, 2017 to 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 FUND-II

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE PERIOD 27 MAY 2017 TO 30 JUNE 2017

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA Islamic Active Allocation Fund-II** (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, the Management Company, is not listed and hence, the CCG is not applicable to it. However, the Fund being listed on Pakistan Stock Exchange comes under the ambit of the CCG. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and appoints the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2017, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Lui Mang Yin 5. Dr. Kelvin Foo

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies were occurred on the board on November 21, 2016 and March 17, 2017 which were filled up on the same dates.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (CEO).
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2017, four directors of the Company had acquired the director's training certificate as required under the CCG. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Head of Internal Audit of the Company with remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Chief Financial Officer (CFO) during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 18 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is an independent director.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

18. The Board has set up an effective internal audit function headed by the Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions was determined and intimated to directors, employees and stock exchange except for 60th and 61st meeting of the Board of Directors.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with expect the following:
 - the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.
 - the Company has not complied with the requirements relating to maintenance of register of persons employed having access to inside information nor any senior management officer has been designated by the Company responsible for maintaining proper record including basis for inclusion or exclusion of names of persons from the said list.

For and behalf of the Board

September 15, 2017
Karachi

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

FUND MANAGER REPORT

NAFA Islamic Asset Allocation Fund -II (NIAAF-II) is an Open-ended Shariah Compliant Fund of Funds.

Investment Objective of the Fund

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income/Money Market Funds.

NAFA Islamic Active Allocation Fund-II has been constituted in the form of a Trust Scheme that shall invest in following Collective Investment Schemes through five (5) Allocation Plans including NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) & NAFA Islamic Active Allocation Plan-VII (NIAAP-VII).

Islamic Income: NAFA Active Allocation Riba Free Savings Fund
Islamic Equity: NAFA Islamic Active Allocation Equity Fund

Fund performance review

Plans	Launch Date	Fund Size (Million)	Cumulative Performance Since Inception	
			Plan Return	Benchmark* Return
NIAAP-VI	26-May-17	894	-5.54%	-7.46%
NIAAP-VII	29-June-17	175	-0.02%	-0.60%

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.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

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)

Plans	Asset Allocation of Plans		
	NAFA Islamic Active Allocation Funds		Cash & Other Net Assets/Liabilities
	Equity	Riba Free Savings	
NIAAP-VI	55.45%	37.28%	7.27%
NIAAP-VII	53.16%	-	46.84%

NAFA Islamic Active Allocation Plan - VI

NAFA launched its NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) in May, 2017 which is the sixth plan under NAFA Islamic Active Allocation Fund-II. The Active Allocation Plan will be dynamically managed between dedicated equity and Income schemes managed by NAFA based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NIAAP-VI has an initial maturity of two years.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

Fund's Performance

Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) has decreased from Rs.100.00 on May 26, 2017 to Rs.94.4551 on June 30, 2017, thus showing a decrease of 5.54%. The Benchmark return during the same period decreased by 7.46%. Thus, the Fund has outperformed its Benchmark by 1.92% since its inception on May 26, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs.894 million.

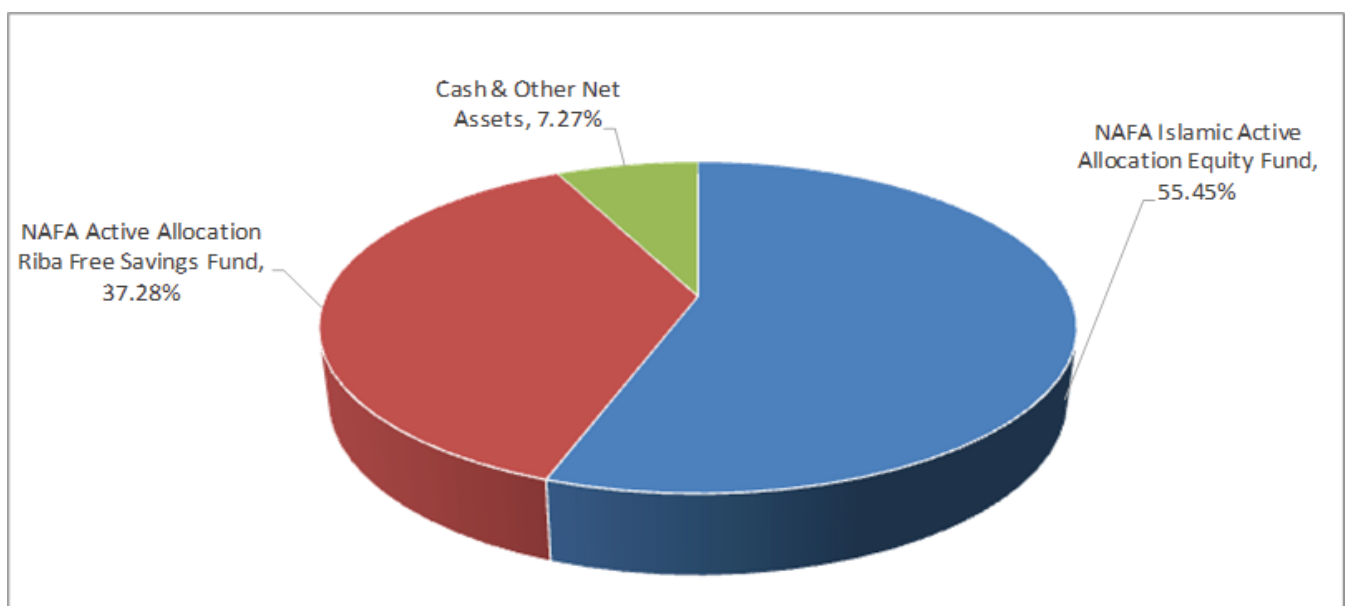
NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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.

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

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.

The asset allocation of the Fund as on June 30, 2017 is as follows:



NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Unit Holding Pattern of NAFA Islamic Active Allocation Plan – VI as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
1-1000	71
1001-5000	157
5001-10000	78
10001-50000	75
50001-100000	19
100001-500000	19
500001-1000000	1
	420

NAFA Islamic Active Allocation Plan -VII

NAFA launched its NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) in June 2017 which is the seventh plan under NAFA Islamic Active Allocation Fund-II. The Active Allocation Plan will be dynamically managed between dedicated equity and Income schemes managed by NAFA based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NIAAP-VII has an initial maturity of two years.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

Fund's Performance

Since launch of the plan, the unit price of NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) has decreased from Rs.100.00 on June 29, 2017 to Rs.99.9773 on June 30, 2017, thus showing a decrease of 0.02%. The Benchmark return during the same period was decreased by 0.6%. Thus, the Fund has outperformed its Benchmark by 0.58% since its inception on June 29, 2017. This performance is net of management fee and all other expenses. The size of the Fund is Rs.175million.

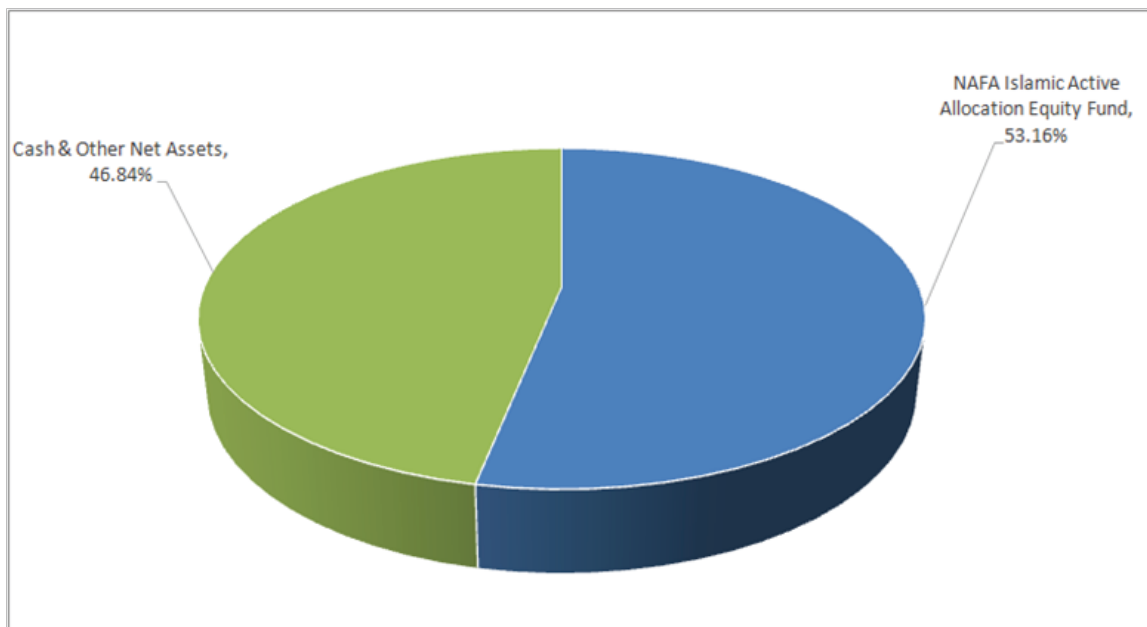
Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by hefty 26.5% during 1HFY17 while in the later half the market surrendered return of 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) 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.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

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.

The asset allocation of the Fund as on June 30, 2017 is as follows:



Unit Holding Pattern of NAFA Islamic Active Allocation Plan – VII as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
1-1000	26
1001-5000	41
5001-10000	27
10001-50000	22
50001-100000	4
100001-500000	2
	122

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Active Allocation Fund-II (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 for the period from May 26, 2017 to June 30, 2017. This has been duly confirmed 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 FUND-II

Report of the Shari'ah Supervisory Board NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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

Alhamdulillah, it was the first year of the operations of NAFA Islamic Active Allocation Fund-II (NIAAF-II). Under this fund, NAFA launched its NAFA Islamic Active Allocation Plan-VI (NIAAP-VI) on May 26, 2017 and NAFA Islamic Active Allocation Plan-VII (NIAAP-VII) on June 29, 2017. 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.

In the capacity of Shari'ah Supervisory Board, we have prescribed criteria and procedure to be followed in ensuring Shari'ah Compliance in every investment.

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 with the Shari'ah policies & 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 of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NIAAF-II in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NIAAF-II by NAFA are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NIAAF-II for the year ended June 30, 2017 are not in compliance with Shari'ah principles.

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

For and on behalf of Meezan Bank Limited
Shar'iah Technical Services & Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **NBP Fullerton Asset Management Limited** (“the Management Company”) of NAFA Islamic Active Allocation Fund-II (the Fund) for the period 27 May 2017 to 30 June 2017, to comply clause 5.19 of the Pakistan Stock Exchange Limited Regulations where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company’s personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

The Code requires the Management company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period 27 May 2017 to 30 June 2017.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph reference	Description
21	As per the Code, there should be announcement of ‘closed period’ prior to the announcement of interim / final results and any business decisions, however a ‘closed period’ was not announced before 60th and 61st board meeting.
23	No register is maintained enlisting persons employed under contract or otherwise who have access to inside information.
23	A mechanism for an evaluation of the Board’s own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board.

Date: September 15, 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Islamic Active Allocation Fund II** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2017 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the period from 27 May 2017 to 30 June 2017 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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 our 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, we consider internal control relevant to the Fund'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 Fund'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 Fund's affairs as at 30 June 2017 and of its financial performance, cash flows and transactions for the period from 27 May 2017 to 30 June 2017 in accordance with approved accounting standards as applicable in Pakistan.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: September 15, 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

Statement of Assets and Liabilities As at 30 June 2017

	Note	2017		
		NIAAP - VI	NIAAP - VII	Total
				------(Rupees in '000)-----
Assets				
Bank balances	5	68,640	176,697	245,337
Investments	6	828,864	92,805	921,669
Profit receivable on bank deposits		947	36	983
Advance and other receivable	7	37	3	40
Preliminary expenses and flotation costs	8	1,354	208	1,562
Total assets		899,842	269,749	1,169,591
Liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	9	4,109	2,296	6,405
Payable to Central Depository Company of Pakistan Limited - Trustee	10	85	1	86
Payable to Securities and Exchange Commission of Pakistan	11	84	1	85
Payable against purchase of investment		-	92,805	92,805
Payable against redemption of units		186	-	186
Accrued expenses and other liabilities	12	1,474	69	1,543
Total liabilities		5,938	95,172	101,110
Net assets		893,904	174,577	1,068,481
Unit holders' fund (as per statement attached)		893,904	174,577	1,068,481
Contingency and commitment	13	-----Number of units-----		
Number of units in issue	14	9,463,800	1,746,167	
Net assets value per unit		94.4551	99.9773	
				-----Rupees-----

The annexed notes 1 to 25 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 FUND-II

Income Statement For the period from 27 May 2017 to 30 June 2017

	Note	For the period	For the period	Total
		27 May 2017 to 30 June 2017	30 June 2017 to 30 June 2017	
		NIAAP - VI	NIAAP - VII	
----- (Rupees in '000) -----				
Income				
Profit on bank deposits		1,040	36	1,076
Dividend income		58,289	-	58,289
Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(111,425)	-	(111,425)
Total (loss) / income		(52,096)	36	(52,060)
Expenses				
Remuneration to NBP Fullerton Asset Management Limited - Management Company	9.1	213	3	216
Sindh Sales Tax on remuneration to Management Company	9.2	28	-	28
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1	88	1	89
Sindh Sales Tax on remuneration to Trustee	10.2	11	-	11
Annual fee - Securities and Exchange Commission of Pakistan	11	84	1	85
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	88	1	89
Auditors' remuneration	15	76	35	111
Legal fee		15	10	25
Printing charges		35	21	56
Shariah advisor fee		37	-	37
Settlement and bank charges		34	4	38
Amortisation of preliminary expenses and flotation cost		78	-	78
Total expenses		787	76	863
Net loss from operating activities		(52,883)	(40)	(52,923)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		407	(1)	406
Net loss for the period before taxation		(52,476)	(41)	(52,517)
Taxation		-	-	-
Net loss for the period after taxation		(52,476)	(41)	(52,517)

The annexed notes 1 to 25 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 FUND-II

Statement of Comprehensive Income For the period from 27 May 2017 to 30 June 2017

	For the period 27 May 2017 to 30 June 2017 NIAAP - VI	For the period 30 June 2017 to 30 June 2017 NIAAP - VII	Total
	------(Rupees in '000)-----		
Net loss for the period	(52,476)	(41)	(52,517)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	<u>(52,476)</u>	<u>(41)</u>	<u>(52,517)</u>

The annexed notes 1 to 25 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 FUND-II

Distribution Statement For the period from 27 May 2017 to 30 June 2017

	For the period 27 May 2017 to 30 June 2017 NIAAP - VI	For the period 30 June 2017 to 30 June 2017 NIAAP - VII	Total
	------(Rupees in '000)-----		
Net loss for the period	(52,476)	(41)	(52,517)
Distribution for the period	-	-	-
Loss at the end of the period	<u>(52,476)</u>	<u>(41)</u>	<u>(52,517)</u>
Loss carried forward comprising:			
- Realised income / (loss)	58,949	(41)	58,908
- Unrealised loss	<u>(111,425)</u>	<u>-</u>	<u>(111,425)</u>
	<u>(52,476)</u>	<u>(41)</u>	<u>(52,517)</u>

The annexed notes 1 to 25 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 FUND-II

Statement of Movement in Unit Holders' Fund For the period from 27 May 2017 to 30 June 2017

	For the period 27 May 2017 to 30 June 2017 NIAAP - VI	For the period 30 June 2017 to 30 June 2017 NIAAP - VII	Total
------(Rupees in '000)-----			
Net assets at beginning of the period	-	-	-
Issue of units: 9,560,446 units (NIAAP - VI), 1,746,167 units (NIAAP - VII)	956,045	174,617	1,130,662
Redemption of units: 96,646 units (NIAAP - VI), Nil (NIAAP - VII)	(9,258)	-	(9,258)
	946,787	174,617	1,121,404
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net - amount representing (income) / loss transferred to income statement	(407)	1	(406)
Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(111,425)	-	(111,425)
Other net income / (loss) for the period	58,949	(41)	58,908
Total comprehensive loss for the period	(52,476)	(41)	(52,517)
Net assets at end of the period	<u>893,904</u>	<u>174,577</u>	<u>1,068,481</u>
Net assets value per unit at beginning of the period	<u>-</u>	<u>-</u>	
Net assets value per unit at end of the period	<u>94.4551</u>	<u>99.9773</u>	

The annexed notes 1 to 25 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 FUND-II

Cash Flow Statement For the period from 27 May 2017 to 30 June 2017

	Note	For the period	For the period	Total
		27 May 2017	30 June 2017	
		to	to	
		30 June 2017	30 June 2017	
		NIAAP - VI	NIAAP - VII	
------(Rupees in '000)-----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period before taxation		(52,476)	(41)	(52,517)
Adjustments:				
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		111,425	-	111,425
Amortisation of preliminary expenses and flotation costs		(407)	1	(406)
		78	-	78
		<u>58,620</u>	<u>(40)</u>	<u>58,580</u>
(Increase) in assets				
Investments		(940,289)	(92,805)	(1,033,094)
Profit receivable on bank deposits		(947)	(36)	(983)
Advance and other receivable		(37)	(3)	(40)
Preliminary expenses and flotation costs		(1,432)	(208)	(1,640)
		<u>(942,705)</u>	<u>(93,052)</u>	<u>(1,035,757)</u>
Increase in liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company		4,109	2,296	6,405
Payable to Central Depository Company of Pakistan Limited - Trustee		85	1	86
Payable to Securities and Exchange Commission of Pakistan		84	1	85
Payable against purchase of investment		-	92,805	92,805
Accrued expenses and other liabilities		1,474	69	1,543
		<u>5,752</u>	<u>95,172</u>	<u>100,924</u>
Net cash (used in) / generated from operating activities		<u>(878,333)</u>	<u>2,080</u>	<u>(876,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Amounts received against issuance of units		956,045	174,617	1,130,662
Payment against redemption of units		(9,072)	-	(9,072)
Net cash generated from financing activities		<u>946,973</u>	<u>174,617</u>	<u>1,121,590</u>
Net increase in cash and cash equivalents		<u>68,640</u>	<u>176,697</u>	<u>245,337</u>
Cash and cash equivalents at beginning of the period		-	-	-
Cash and cash equivalents at end of the period	5	<u><u>68,640</u></u>	<u><u>176,697</u></u>	<u><u>245,337</u></u>

The annexed notes 1 to 25 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 FUND-II

Notes to and forming part of the Financial Statements For the period from 27 May 2017 to 30 June 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA Islamic Active Allocation Fund - II (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 24 March 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 13 April 2017 under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. During the period, the Fund has offered two plans namely NAFA Islamic Active Allocation Plan – VI (NIAAP - VI) and NAFA Islamic Active Allocation Plan – VII (NIAAP - VII) in which the offer of units is discontinued after the end of the subscription period, however, the subscription in units may be reopened for fresh issuance by the Management Company with prior approval of the SECP after intimation to the Trustee. The units of the Plan VI was initially offered for public subscription from 24 May 2017 to 26 May 2017 at initial price of Rs. 100 and received Rs. 985.106 million against IPO from various investors upto 26 May 2017. Accordingly the Fund commenced its business activities on 27 May 2017. Therefore, these first set of the financial statements have been prepared for the period from 27 May 2017 to 30 June 2017. The units of the plans are transferable and can be categorised as an Open-End "Shariah Compliant Fund of Funds" as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).
- 1.4 The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of shariah compliant equity fund and income fund. The allocation plan intends to dynamically switch between equity asset class (NAFA Islamic Active Allocation Equity Fund) and moderate risk income asset class (NAFA Active Allocation Riba Free Savings Fund) and Bank Deposits. Investors of the Fund may hold different types of Allocation Plans and may invest in any one or more of the available allocation plans. The Management Company may also invest in any other Collective Investment Schemes available to it with the prior approval of the SECP.
- 1.5 Each allocation plan under the Fund announces separate NAV which ranks pari passu according to the number of units of the respective allocation plans. The books and records of each plan have been maintained separately.
- 1.6 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company as at 21 April 2017. The Fund has not yet been rated.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as a Trustee of the Fund. The Fund property of different types of allocations plans shall be accounted for and maintained separately in books of accounts which shall collectively constitute the Fund property of the Scheme.
- 1.8 The duration of the Fund / allocation plans is perpetual. However, the initial maturities of NIAAP - VI and NIAAP - VII shall be two years from the close of the subscription period. Management Company may open the subscription of units after initial maturities with the prior approval of the SECP. SECP or the Management Company may wind allocation plans on the occurrence of certain events as specified in offering document of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Rules, 2003, the NBFC Regulations, 2008, or the directives issued by the SECP shall prevail (refer note 3.2).

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

2.2 Accounting convention

These financial statements are prepared under the historical cost convention except for investments which are carried at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years related to classification and valuation of investments (refer note 4.1 and note 6).

3 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

3.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2016 but are considered not to be relevant or do not have any significant effect on the the Fund's financial statements and are therefore not stated in these financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Fund's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- The Companies Ordinance, 1984 was repealed by the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that all those companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures and has also enhanced the definition of related parties. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.
- SECP through SRO 756(I)/2017 dated 03 August 2017 with immediate effect has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". The said SRO also deleted 'Distribution Statement' and requires additional disclosures and recording of element of income / loss included in price of unit issued or redeemed in Statement of movements in reserves or unit holders' fund instead of income statement. This change will affect the charge for SWWF in respect of element of income and consequently NAV per unit in future years.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

4.1 Financial Assets

4.1.1 Classification

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

a) Loans and receivables

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

b) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

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) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in prices.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.1.3 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 in the income statement.

4.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

a) Basis of valuation of units of mutual funds

The investment of the Fund in the units of mutual funds is valued by reference to the net asset values (redemption prices) declared by the respective funds.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the 'income statement'.

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

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.

4.1.5 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 are impaired. The carrying value of the Fund's assets are 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. Impairment loss are recognised in the income statement.

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 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.

4.1.6 Derecognition

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

4.1.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount 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.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that 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.

4.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

4.4 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 or cancelled or expired.

4.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of two years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

4.6 Provisions

Provisions are 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.7 Taxation

The income of the Fund is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the period, the income distributed through bonus units shall not be taken into account.

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.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. The Fund has not recognised any amount in respect of taxation in these financial statements due to loss in the current period and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.8 Issue and redemption of units

Units issued are recorded at the offer price of each allocation plan, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price of each allocation plan represents the net assets 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. The sales load is payable to the Management Company.

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

4.9 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' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the period is recognised in the income statement and to the extent that is represented by unrealised appreciation / (diminution) arising during the period on available for sale securities is included in the distribution statement.

4.10 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.

4.11 Net assets value per unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of each allocated Plan by the number of units in circulation of the respective Plans at the period end.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

4.12 Revenue recognition

- Dividend income is recognised in the income statement when the right to receive the dividend is established.
- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised using the effective yield method.

4.13 Proposed distribution

Dividend / distributions are recognised in the period in which such distributions are declared / approved.

	Note	2017		
		NIAAP - VI	NIAAP - VII	Total
				(Rupees in '000)
5 BANK BALANCES				
In current account	5.1	780	-	780
In savings accounts		<u>67,860</u>	<u>176,697</u>	<u>244,557</u>
		<u>68,640</u>	<u>176,697</u>	<u>245,337</u>

5.1 These carry profit at the rates ranging from 5.5% to 6.25% per annum.

	Note	2017		
		NIAAP - VI	NIAAP - VII	Total
				(Rupees in '000)
6 INVESTMENTS				
Financial assets 'at fair value through profit or loss' - held for trading				
Investment in mutual funds - related parties	6.1	<u>828,864</u>	<u>92,805</u>	<u>921,669</u>

6.1 Investment in mutual funds - related parties

6.1.1 NAFA Islamic Active Allocation Plan VI

Name of Fund	Purchased during	Redeemed during the	As at 30 June	Market value / carrying value	Market value as a	Market value as a
	(Number of units)	(Number of units)		(Rupees in '000)	(%)	(%)
NAFA Islamic Active Allocation Equity Fund	36,937,734	-	36,937,734	495,656	55.45	59.80
NAFA Islamic Active Allocation Riba Free Savings Fund	<u>33,269,542</u>	-	<u>33,269,542</u>	<u>333,208</u>	<u>37.28</u>	<u>40.20</u>
Total	<u>70,207,276</u>	<u>-</u>	<u>70,207,276</u>	<u>828,864</u>	<u>92.73</u>	<u>100.00</u>
Carrying value before fair value adjustment as at 30 June 2017				<u>940,289</u>		

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

6.1.2 NAFA Islamic Active Allocation Plan VII

Name of Fund	Purchased during the period	Redeemed during the period	As at 30 June 2017	Market value / carrying value as at 30 June 2017	Market value as a percentage of net assets	Market value as a percentage of total investments
	----- (Number of units) -----			(Rupees in '000)	----- (%) -----	
NAFA Islamic Active Allocation Equity Fund	<u>6,916,095</u>	<u>-</u>	<u>6,916,095</u>	<u>92,805</u>	<u>53.16</u>	<u>100.00</u>
Carrying value before fair value adjustment as at 30 June 2017				<u>92,805</u>		

6.2 Net unrealised (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'

		2017		
		NIAAP - VI	NIAAP - VII	Total
		(Rupees in '000)		
Market value of investments	6.1	828,864	92,805	921,669
Less: Carrying value of investments	6.1	(940,289)	(92,805)	(1,033,094)
		<u>(111,425)</u>	<u>-</u>	<u>(111,425)</u>

7 ADVANCE AND OTHER RECEIVABLE

		2017		
		NIAAP - VI	NIAAP - VII	Total
		(Rupees in '000)		
Advance tax		37	-	37
Other receivable		-	3	3
		<u>37</u>	<u>3</u>	<u>40</u>

8 PRELIMINARY EXPENSES AND FLOTATION COSTS

		2017		
		NIAAP - VI	NIAAP - VII	Total
		(Rupees in '000)		
Incurred during the period		1,432	208	1,640
Less: Amortisation for the period		(78)	-	(78)
Balance at end of the period		<u>1,354</u>	<u>208</u>	<u>1,562</u>

8.1 Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of two periods as per the requirements set out in the Trust Deed of the NIAAP-VI and NIAAP-VII commencing from 27 May 2017 and 30 June 2017 respectively.

		2017		
	Note	NIAAP - VI	NIAAP - VII	Total
		----- (Rupees in '000) -----		
9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY				
Remuneration to Management Company	9.1	112	3	115
Sindh Sales Tax on management remuneration	9.2	15	-	15
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	88	1	89
Sales and transfer load		2,161	1,831	3,992
Sindh Sales Tax on sales load		281	238	519
Preliminary expenses and flotation costs		1,432	208	1,640
Other payable		20	15	35
		<u>4,109</u>	<u>2,296</u>	<u>6,405</u>

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- 9.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged remuneration at the rate of 1.25% per annum based on the average daily net assets of the allocation plans after deducting the market value of investment in collective investments, managed by the Management Company of the Fund. The amount of remuneration is being paid monthly in arrears.
- 9.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the period, Sindh Sales Tax at the rate of 13% was charged on management remuneration and sales load.
- 9.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged at the rate of 0.1% of average annual net assets of the Fund.

	Note	2017		
		NIAAP - VI	NIAAP - VII	Total
		----- (Rupees in '000) -----		
10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE				
Trustee remuneration	10.1	75	1	76
Sindh Sales Tax on Trustee remuneration	10.2	<u>10</u>	<u>-</u>	<u>10</u>
		<u>85</u>	<u>1</u>	<u>86</u>

- 10.1 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 value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.10% p.a of net assets
On an amount exceeding Rs 1,000 million	Rs 1.0 million plus 0.075% p.a of net assets, on amount exceeding Rs 1,000 million.

- 10.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015. During the period, Sindh Sales Tax at the rate of 13% was charged on Trustee remuneration.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as an Shariah Compliant Fund of Funds is required to pay an annual fee to Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

	2017			
	NIAAP - VI	NIAAP - VII	Total	
		----- (Rupees in '000) -----		
12 ACCRUED EXPENSES AND OTHER LIABILITIES				
Auditors' remuneration	76	35	111	
Bank charges	21	4	25	
Printing charges	35	20	55	
Legal fee	15	10	25	
Shariah advisor fee	37	-	37	
Withholding tax	<u>1,290</u>	<u>-</u>	<u>1,290</u>	
	<u>1,474</u>	<u>69</u>	<u>1,543</u>	

13 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 30 June 2017.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

		2017		
		NIAAP - VI	NIAAP - VII	Total
		(Number of units)		
14	NUMBER OF UNITS IN ISSUE			
	Units issued	9,560,446	1,746,167	11,306,613
	Less: units redeemed	(96,646)	-	(96,646)
	Total units in issue at end of the period	<u>9,463,800</u>	<u>1,746,167</u>	<u>11,209,967</u>
15	AUDITORS' REMUNERATION			
		2017		
		NIAAP - VI	NIAAP - VII	Total
		(Rupees in '000)		
	Annual audit fee	72	33	105
	Out of pocket expenses and others including government levy	4	2	6
		<u>76</u>	<u>35</u>	<u>111</u>
16	TOTAL EXPENSE RATIO			
	Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 0.0855% and 0.04276% per annum of NIAAP-VI and NIAAP-VII respectively. Total expense ratio (excluding government levies) is 0.0722% and 0.0423% per annum of NIAAP-VI and NIAAP-VII respectively.			
17	FINANCIAL INSTRUMENTS BY CATEGORY			
		As at 30 June 2017		
		NIAAP - VI		
		Loans and receivables	At fair value through profit or loss	Total
		(Rupees in '000)		
	Assets			
	Bank balances	68,640	-	68,640
	Investments	-	828,864	828,864
	Profit receivable on bank deposits	947	-	947
		<u>69,587</u>	<u>828,864</u>	<u>898,451</u>
		As at 30 June 2017		
		NIAAP - VI		
		At fair value through profit or loss	At amortised cost	Total
	Liabilities			
	Payable to NBP Fullerton Asset Management Management Company	-	4,109	4,109
	Payable to Central Depository Company of Limited - Trustee	-	85	85
	Payable against redemption of units	-	186	186
	Accrued expenses and other liabilities	-	184	184
		<u>-</u>	<u>4,564</u>	<u>4,564</u>

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	As at 30 June 2017		
	NIAAP - VII		
	Loans and receivables	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	176,697	-	176,697
Investments		92,805	92,805
Profit receivable on bank deposits	36	-	36
Other receivable	3	-	3
	<u>176,736</u>	<u>92,805</u>	<u>269,541</u>

	As at 30 June 2017		
	NIAAP - VII		
	At fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to NBP Fullerton Asset Management Management Company	-	2,296	2,296
Payable to Central Depository Company of Limited - Trustee	-	1	1
Payable against purchase of investment	-	92,805	92,805
Accrued expenses and other liabilities	-	69	69
	<u>-</u>	<u>95,171</u>	<u>95,171</u>

18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 18.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Pension Fund, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding 10 percent or more units of the Fund.
- 18.2 The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 18.3 Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 18.4 The details of significant transactions and balances with connected persons at period end except those disclosed elsewhere in these financial statements are as follows:

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

18.5 Transactions during the period:	For the period	For the period	Total
	27 May 2017	30 June 2017	
	to	to	
	30 June 2017	30 June 2017	
	NIAAP - VI	NIAAP - VII	
	(Rupees in '000)		
NBP Fullerton Asset Management Limited- Management Company			
Remuneration to Management Company	213	3	216
Sindh Sales Tax on remuneration of Management Company	28	-	28
Allocation of expenses related to registrar services, accounting, operation and valuation services	88	1	89
Preliminary expenses and flotation costs	78	-	78
Units Issued : 499,812 units (NIAAP-VII)	-	49,981	49,981
Central Depository Company of Pakistan Limited - Trustee			
Remuneration to the Trustee	88	1	89
Sindh Sales Tax on remuneration to Trustee	11	-	11
Employees of the Management Company			
Units issued : 1,935 units (NIAAP-VI)	200	-	200
Investment in NAFA Islamic Active Allocation Equity Fund			
Units purchased: 36,937,734 units (NIAAP-VI) , 6,916,095 units (NIAAP-VII)	596,722	92,805	689,527
Cash distributions during the period	46,722	-	46,722
Investment in NAFA Islamic Active Allocation Riba Free Savings Fund			
Units purchased: 33,269,542 units (NIAAP-VI)	343,567	-	343,567
Cash distributions during the period	11,567	-	11,567
BankIslami Pakistan Limited			
Markup on balances	923	21	944
18.6 Amounts outstanding as at period end:			
	2017		
	NIAAP - VI	NIAAP - VII	Total
	(Rupees in '000)		
NBP Fullerton Asset Management Limited - Management Company			
Management remuneration payable	112	3	115
Sindh Sales Tax payable	15	-	15
Allocation of expenses related to registrar services, accounting, operation and valuation services	88	1	89
Sales load and transfer load payable	2,161	1,831	3,992
Sindh Sales Tax on sales load	281	238	519
Other payable	20	15	35
Preliminary expenses and floatation costs payable	1,432	208	1,640
Units held : 499,812 units (NIAAP-VII)	-	49,970	49,970
Employees of the Management Company			
Units held: 1,935 units (NIAAP-VI)	183	-	183
Central Depository Company of Pakistan Limited - Trustee			
Remuneration payable	75	1	76
Sindh Sales Tax payable on remuneration to Trustee	10	-	10
NAFA Islamic Active Allocation Equity Fund			
Units held: 36,937,734 units (NIAAP-VI) 6,916,095 units (NIAAP-VII)	495,656	92,805	588,461
Payable against purchase of investment	-	92,805	92,805
NAFA Islamic Active Allocation Riba Free Savings Fund			
Units held: 33,269,542 units (NIAAP-VI)	333,208	-	333,208
BankIslami Pakistan Limited			
Bank balances	66,856	137,350	204,206

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

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

*Mr. Sajjad Anwar is the manager of the Fund. He is also the Fund manager of NAFA Islamic Principal Protected Fund - I, NAFA Islamic Principal Preservation Fund, NAFA Islamic Active Allocation Plan I,II, III, NAFA Islamic Stock Fund, NAFA Pension Fund and NAFA Islamic Pension Fund.

20 PATTERN OF UNIT HOLDING

Category	2017		
	NIAAP - VI		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
Individuals	399	645,849	72.25
Retirement Funds	8	124,490	13.93
Corporates	13	123,565	13.82
	420	893,904	100.00

Category	2017		
	NIAAP - VII		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
Individuals	117	103,881	59.50
Retirement Funds	3	18,791	10.76
Corporates	2	51,905	29.74
	122	174,577	100.00

21 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of Director	Number of Meetings			Meetings not attended
	Held during tenure of director	Attended	Leave granted	
Mr. Nausherwan Adil	4	4	-	-
Mr. Aamir Sattar	4	4	-	-
Mr. Abdul Hadi Palekar	4	3	1	61st meeting
Mr. Koh Boon San [note 21.1]	2*	2	-	-
Mr. Lui Mang Yin (Martin Lui)	4	4	-	-
Dr. Foo Chiah Shiung (Kelvin Foo) [note 21.2]	2*	1	1	63rd meeting
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	3	1	62nd meeting
Mr. Saiyed Hashim Ishaque [note 21.3]	3*	3	-	-
Mr. Humayun Bashir [note 21.4]	1*	1	-	-
Dr. Amjad Waheed	4	4	-	-

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- 21.1 Mr. Koh Boon San retired in Extra Ordinary General Meeting held on 21 November 2016.
- 21.2 Dr. Foo Chiah Shiung (Kelvin Foo) opted as director on the Board with effect from 21 November 2016.
- 21.3 Mr. Saiyed Hashim Ishaque retired in Extra Ordinary General Meeting held on 17 March 2017.
- 21.4 Mr. Humayun Bashir opted as director on the Board with effect from 17 March 2017.

22 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of change in market accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.

The Fund primarily invests in a portfolio of shariah compliant equity funds and income funds. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

22.1 Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

Management of market risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP.

22.1.1 Currency risk

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

22.1.2 Interest rate risk

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

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 / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on settlement date.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

As At 30 June 2017						
NIAAP-VI						
Yield / interest rate	Exposed to yield / interest rate risk				Total	
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	5.5% - 6.25%	67,860	-	-	780	68,640
Investments		828,864	-	-	-	828,864
Profit receivable on bank deposits		-	-	-	947	947
		<u>896,724</u>	<u>-</u>	<u>-</u>	<u>1,727</u>	<u>898,451</u>
Financial liabilities						
Payable to NBP Fullerton Asset Management Management Company		-	-	-	4,109	4,109
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	85	85
Payable against redemption of units		-	-	-	186	186
Accrued expenses and other liabilities		-	-	-	184	184
		-	-	-	4,564	4,564
On-balance sheet gap		<u>896,724</u>	<u>-</u>	<u>-</u>	<u>(2,837)</u>	<u>893,887</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>896,724</u>	<u>-</u>	<u>-</u>	<u>(2,837)</u>	<u>893,887</u>
Cumulative interest rate sensitivity gap		<u>896,724</u>	<u>896,724</u>	<u>896,724</u>		
As at 30 June 2017						
NIAAP-VII						
Yield / interest rate	Exposed to yield / interest rate risk				Total	
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	5.5% - 6.25%	176,697	-	-	-	176,697
Investments		92,805	-	-	-	92,805
Profit receivable on bank deposits		-	-	-	36	36
Other receivable		-	-	-	3	3
		<u>269,502</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>269,541</u>
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	2,296	2,296
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1	1
Payable against purchase of investment		-	-	-	92,805	92,805
Accrued expenses and other liabilities		-	-	-	69	69
		-	-	-	95,171	95,171
On-balance sheet gap		<u>269,502</u>	<u>-</u>	<u>-</u>	<u>(95,132)</u>	<u>174,370</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>269,502</u>	<u>-</u>	<u>-</u>	<u>(95,132)</u>	<u>174,370</u>
Cumulative interest rate sensitivity gap		<u>269,502</u>	<u>269,502</u>	<u>269,502</u>		

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

22.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of change in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently allocation plans are exposed to price risk due to their investment in the units of mutual funds. In case of 5% increase / (decrease) in the Net Asset Value per unit of the funds i.e. NAFA Islamic Active Allocation Equity Fund and NAFA Active Allocation Riba Free Savings Fund, the net income of the NIAAP - VI and NIAAP - VII for the period would increase / (decrease) by Rs. 41.443 million and Rs. 4.640 million respectively and net assets of the allocation plans, NIAAP - VI and NIAAP - VII would increase / (decrease) by the same amount as a result of gains / (losses) on these securities at 'fair value through profit and loss.

22.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and bank balances. Risks attributable to investments in National Savings Certificate, Market Treasury Bills and Pakistan Investment Bonds is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2017.

Bank Balances	As at 30 June 2017		
	NIAAP-VI	NIAAP-VII	Total
	----- (Rupees in '000) -----		
AAA	5	-	5
AA+	3	5	8
AA-	1,776	39,342	41,118
A+	66,856	137,350	204,206
	<u>68,640</u>	<u>176,697</u>	<u>245,337</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2017 is the carrying amount of the financial assets.

Concentration of credit risk

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 financial instruments is mostly concentrated in government sector and deposits held with commercial banks.

22.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

The Fund is exposed to daily cash redemptions at the option of unit holders. 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 damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in the market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to ten percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, during the current period, no borrowing was obtained by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the 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 significant redemptions during the period.

Maturity analysis for financial liabilities

The table below analyses the Fund's liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

	As At 30 June 2017			
	NIAAP - VI			
	Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	4,109	-	-	4,109
Payable to Central Depository Company of Pakistan Limited - Trustee	85	-	-	85
Payable against redemption of units	186	-	-	186
Accrued expenses and other liabilities	184	-	-	184
	<u>4,564</u>	<u>-</u>	<u>-</u>	<u>4,564</u>
Unit holders' fund	<u>893,904</u>	<u>-</u>	<u>-</u>	<u>893,904</u>

	As At 30 June 2017			
	NIAAP - VII			
	Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	2,296	-	-	2,296
Payable to Central Depository Company of Pakistan Limited - Trustee	1	-	-	1
Payable against purchase of investment	92,805	-	-	92,805
Accrued expenses and other liabilities	69	-	-	69
	<u>95,171</u>	<u>-</u>	<u>-</u>	<u>95,171</u>
Unit holders' fund	<u>174,577</u>	<u>-</u>	<u>-</u>	<u>174,577</u>

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

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

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

		30-Jun-17						
		NIAAP-VI						
		Carrying value			Fair value			
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
Mutual funds - related parties	828,864	-	-	828,864	-	828,864	-	828,864

Financial assets not measured at fair value 23.1

Bank balances	-	68,640	-	68,640	-	-	-	-
Profit receivable on bank deposits	-	947	-	947	-	-	-	-
	-	69,587	-	69,587	-	-	-	-

Financial liabilities not measured at fair value 23.1

Payable to NBP Fullerton Asset Management Management Company	-	-	4,109	4,109	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	85	85	-	-	-	-
Payable against redemption of units	-	-	186	186	-	-	-	-
Accrued expenses and other liabilities	-	-	184	184	-	-	-	-
	-	-	4,564	4,564	-	-	-	-

As at 30 June 2017

		NIAAP-VII						
		Carrying value			Fair value			
At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
Mutual funds - related parties	92,805	-	-	92,805	-	92,805	-	92,805

Financial assets not measured at fair value 23.1

Bank balances	-	176,697	-	176,697	-	-	-	-
Profit receivable on bank deposits	-	36	-	36	-	-	-	-
Advance and other receivable	-	3	-	3	-	-	-	-
	-	176,736	-	176,736	-	-	-	-

Financial liabilities not measured at fair value 23.1

Payable to NBP Fullerton Asset Management Management Company	-	-	2,296	2,296	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	1	1	-	-	-	-
Payable against purchase of investment	-	-	92,805	92,805	-	-	-	-
Accrued expenses and other liabilities	-	-	69	69	-	-	-	-
	-	-	95,171	95,171	-	-	-	-

NAFA ISLAMIC ACTIVE ALLOCATION FUND-II

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

24 UNIT HOLDERS' FUND RISK MANAGEMENT

The units 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.

The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

The Fund's objectives when managing unit holders' funds 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 under management.

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of change in market maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

25 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 FUND-II

PERFORMANCE TABLE








Particulars	NIAAP VI for the period 27 May 2017 to 30 June 2017	NIAAP VII for the period 30 June 2017 to 30 June 2017
Net assets at the year / period ended (Rs '000)	893,904	174,577
Net income for the year / period ended (Rs '000)	(52,096)	36
Net Asset Value per unit at the year / period ended (Rs)	94.4551	99.9773
Offer Price per unit	N/A	N/A
Redemption Price per unit	94.4551	99.9773
Ex - Highest offer price per unit (Rs.)	N/A	N/A
Ex - Lowest offer price per unit (Rs.)	N/A	N/A
Ex - Highest redemption price per unit (Rs.)	100.0068	100.0000
Ex - Lowest redemption price per unit (Rs.)	92.8764	99.9773
Opening Nav of Fiscal Year	100.0000	100.0000
Total return of the fund	-5.54%	-0.02%
Capital growth	-	-
Income distribution as % of Ex nav	-	-
Income distribution as % of Par nav	-	-
Distribution		
Final distribution per unit	-	-
Distribution Dates		
Interim	-	-
Final	-	-
Average annual return of the fund (launch date May 26, 2015) (Since inception to June 30, 2016)	-5.54%	-0.02%
Portfolio Composition (Please see Fund Manager Report)		
<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>		



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