

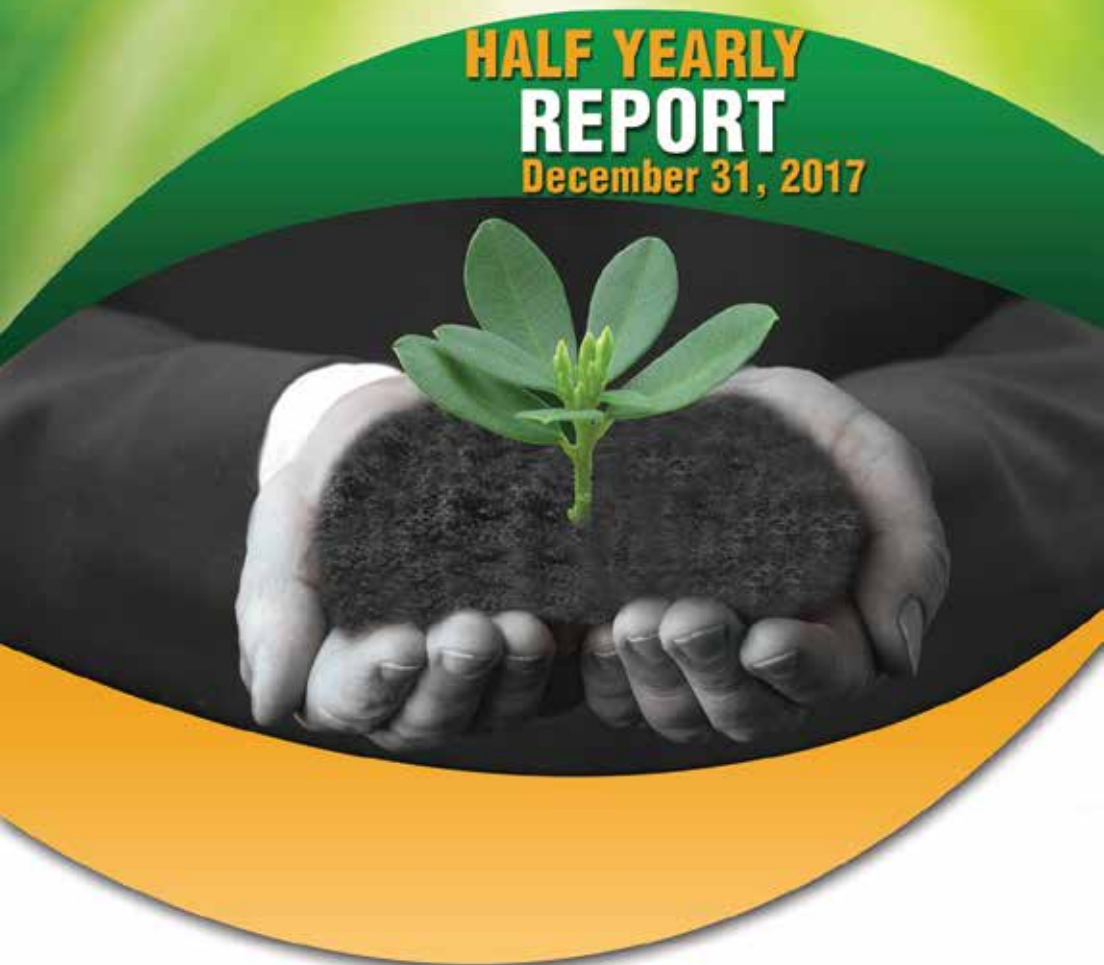
**AM1**  
Rated by PACRA



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

# NAFA ISLAMIC ASSET ALLOCATION FUND

**HALF YEARLY**  
**REPORT**  
**December 31, 2017**



*Your investments & "NAFA" grow together*




**NBP**

**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.

Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	09
AUDITORS' REVIEW REPORT TO THE UNITHOLDERS	10
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	11
CONDENSED INTERIM INCOME STATEMENT	12
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	13
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	14
CONDENSED INTERIM CASH FLOW STATEMENT	15
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	16

# NAFA ISLAMIC ASSET ALLOCATION FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Ms. Anupama Sawhney*	Director

\* SECP's approval is in process

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member

### Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Ms. Anupama Sawhney*	Member

### Trustee

Central Depository Company of Pakistan Limited (CDC)  
CDC House, 99-B, Block "B" S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

### Bankers to the Fund

Al-Baraka Islamic Bank  
Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
United Bank Limited  
Bank Al-Habib Limited  
Dubai Islamic Bank Pakistan Limited  
Silk Bank Limited  
Summit Bank Limited  
Sindh Bank Limited  
JS Bank Limited

# NAFA ISLAMIC ASSET ALLOCATION FUND

## **Auditors**

Deloitte Yousuf Adil  
Chartered Accountants  
Cavish Court,  
A-35, Block 7 & 8,  
KCHSU, Sharae Faisal  
Karachi-75350 Pakistan

## **Legal Advisor**

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

## **Head Office:**

7<sup>th</sup> Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 111-111-NFA (111-111-632)  
Helpline (Toll Free): 0800-20001  
Fax: (021) 35825329

## **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 ASSET ALLOCATION FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Islamic Asset Allocation Fund (NIAAF)** for the Half Year ended December 31, 2017.

### Fund's Performance

The size of NAFA Islamic Asset Allocation Fund has decreased from Rs.14,764 million to Rs.12,547 million during the period, i.e. a decrease of 15%. During the period, the unit price of NAFA Islamic Asset Allocation Fund has decreased from Rs. 16.9827 (Ex-Div) on June 30, 2017 to Rs. 15.3580 on December 31, 2017, thus showing a decrease of 9.57%. The Benchmark decrease during the same period was 6.64%. Thus, the Fund has underperformed its Benchmark by 2.93% during the period under review. This performance is net of management fee and all other expenses.

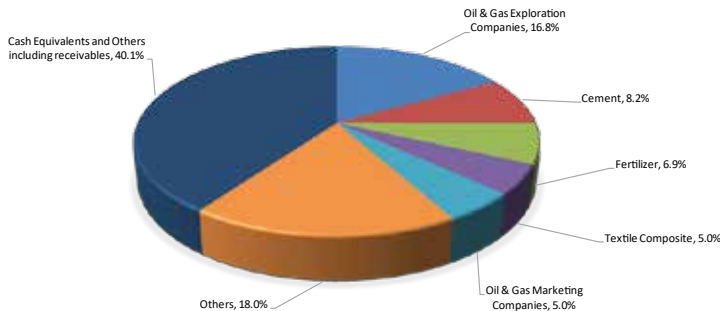
During 1HFY18, the stock market remained in a corrective mode. The euphoria surrounding the up-gradation of KSE-100 Index from MSCI Frontier Market to MSCI Emerging Market petered out and the ongoing heightened political noise took center stage. In addition to this, deteriorating external account position also weighed on investors' sentiments that resulted in a sizeable decline of 13% in the KSE-100 Index during the period under review. Political uncertainty, rising current account deficit, and tension in the US – Pakistan relationship were key reasons for the stock market decline.

To augment the precarious external account position the government issued international bond of USD2.5bn in addition to the measured PKR devaluation of around 5% against the US Dollar, which allayed the concerns of the market to some extent. Foreign investors remained net sellers during the period with net foreign portfolio outflow of USD155 million while Companies, Insurance, and Banks/DFIs remained net buyers in the market. In terms of sector performance, Oil & Gas Exploration, Fertilizer, Commercial Banks, and Textile sectors fared better compared with the market, while Cement, Refinery, Engineering, and Chemical sectors lagged behind.

State Bank of Pakistan (SBP) pursued accommodative monetary policy stance and left the policy rate unchanged at 5.75% during the period under review. SBP cited the following reasons to support its policy: a) strong economic activity corroborated by pick up in industrial output; b) gains in production of major crops; c) growth in private sector credit off-take; d) improvement in export growth; e) notable increase in foreign direct investments; and f) CPEC related investment activity gathering pace. SBP also highlighted gathering risks to the external account emanating from expected increase in commodity/global oil prices, confluence of declining remittances and mounting external debt levels (that may imperil the near to medium-term sustainability of the BoP position). Owing to stable policy rate and significant liquidity injections by the SBP, sovereign yields remained flat during the period with investors' preference tilted towards short tenors considering upside risks to inflation and interest rates.

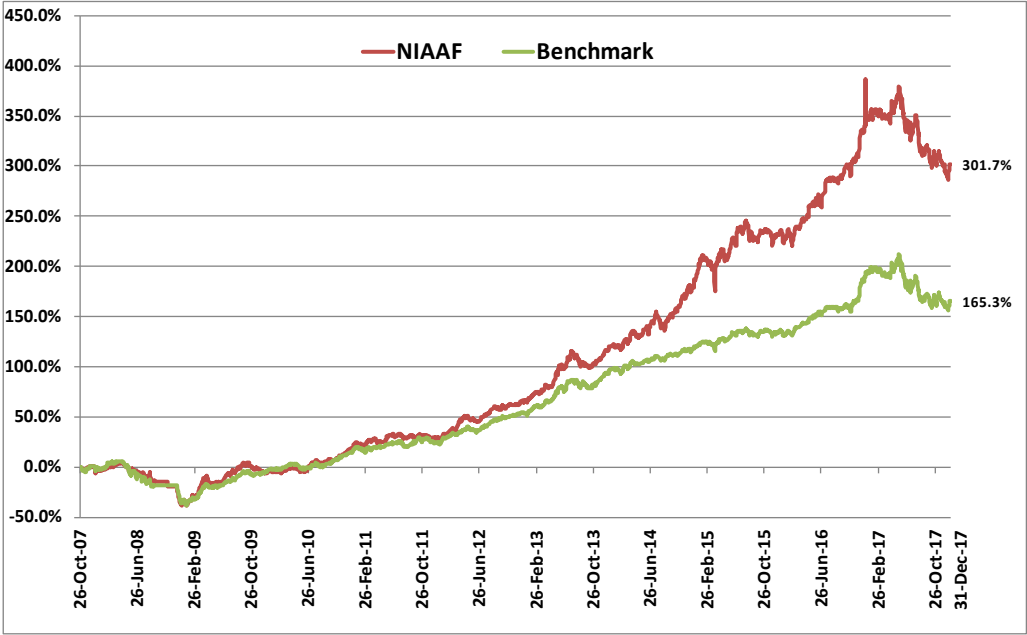
With a pickup in private sector investment activity, we have seen increased issuance of shariah compliant corporate debt securities, during the period. Trading activity in corporate Sukuks increased with a cumulative trade value of around Rs. 2.2 billion as compared to Rs. 1.5 billion during the same period last year.

The asset allocation of the Fund as on December 31, 2017 is as follows:



# NAFA ISLAMIC ASSET ALLOCATION FUND

NAFAF Performance versus Benchmark (Since Inception)



Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 22, 2018  
Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فلٹریشن ایسیٹ منیجمنٹ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2017ء کو ختم ہونے والی ششماہی کے لیے NAFA اسلامک ایسیٹ ایلیکیشن فنڈ (NIAAF) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

### فنڈ کی کارکردگی

NAFA اسلامک ایسیٹ ایلیکیشن فنڈ کا سائز اس مدت میں 14,764 ملین روپے سے کم ہو کر 12,547 ملین روپے ہو گیا، یعنی 15% کی کمی۔ اس مدت کے دوران NAFA اسلامک ایسیٹ ایلیکیشن فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 16.9827 روپے (Ex-Div) سے کم ہو کر 31 دسمبر 2017 کو 15.3580 روپے ہو گئی، لہذا 9.57% کی کمی دیکھی گئی۔ اسی مدت کے دوران بیچ مارک کم ہو کر 6.64% ہو گیا تھا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے 2.93% خراب کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالیاتی سال 18 کی پہلی ششماہی میں مارکیٹ میں مندی کا رجحان برقرار رہا۔ KSE 100 انڈیکس کی MSCI فرنیچر مارکیٹ سے MSCI ایئر لائنز مارکیٹ میں درجہ بندی کی خبر کا اثر مارکیٹ سے ختم ہو گیا اور اس کی جگہ زبردست سیاسی گرما گرمی نے مرکزی حیثیت اختیار کر لی۔ اس کے علاوہ بیرونی اکاؤنٹس کی بگڑتی ہوئی صورتحال سے سرمایہ کاروں پر ڈبائی پڑا جس کے نتیجے میں زیر جائزہ مدت میں KSE 100 انڈیکس نمایاں طور پر 13% نیچے آ گیا۔ سیاسی غیر یقینی کیفیت، بڑھتا ہوا کرنٹ اکاؤنٹ کا خسارہ اور امریکہ - پاکستان کے تعلقات میں کچھ وائٹاٹ مارکیٹ میں انحطاط کی بنیادی وجوہات تھیں۔

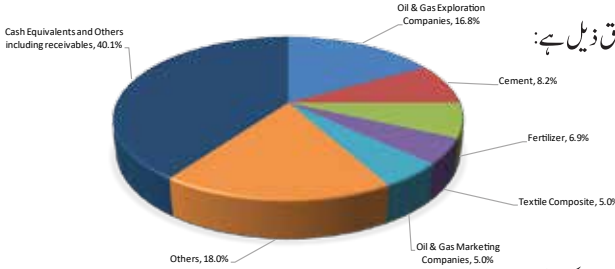
بیرونی اکاؤنٹس کی غیر یقینی صورت حال کو تقویت دینے کیلئے امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 5% کمی کی گئی اور ساتھ ہی حکومت نے 2.5 بلین امریکی ڈالر کے انٹرنیشنل بانڈ جاری کئے جس سے مارکیٹ میں کافی حد تک خدشات دور کرنے میں مدد ملی۔ اس عرصہ میں بیرونی سرمایہ کار بدستور خالص فروخت کنندہ رہے جس سے 155 ملین ڈالر کا سرمایہ بیرون ملک چلا گیا۔ جب کہ بیمہ کار کمپنیاں اور بینک DFIs خالص خریدار رہے۔ شعبہ جات کی کارکردگی کے لحاظ سے آئل اینڈ گیس ایکسپلوریشن، فریٹ لائزر، کمرشل بینکس اور ٹیکنالوجی بہتر رہے جبکہ سیمینٹ، ریفا بنجری، انجینئرنگ اور کیمیکل کے شعبہ جات کی کارکردگی نسبتاً اتر رہی۔

اسٹیٹ بینک آف پاکستان (SBP) نے مفاہمتی مانیٹری پالیسی جاری رکھی اور زیر جائزہ مدت کے دوران پالیسی کی شرح کو 5.75% برقرار رکھا۔ SBP نے اپنی پالیسی کی حمایت میں درج ذیل وجوہات بیان کیں: (ا) مضبوط معاشی سرگرمی، جس کی تصدیق صنعتی پیداوار میں اضافہ سے ہوتی ہے (ب) بڑی فصلوں کی بھرپور پیداوار (ج) نجی شعبہ کے قرضے جات میں اضافہ (د) برآمدات کے اضافے میں بہتری (ر) غیر ملکی براہ راست سرمایہ کاری میں نمایاں اضافہ اور (س) چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرمایہ کاری کی سرگرمیوں کا مسلسل فروغ۔ SBP نے بیرونی اکاؤنٹس کے بارے میں ان خدشات کی بھی نشاندہی کی جو کوڈینیٹل / آئل کی قیمتوں میں عالمی سطح پر اضافہ اور اس کے ساتھ ساتھ زرمبادلہ کی ترسیلات میں کمی اور بیرونی قرضہ جات کے بڑھتے ہوئے حجم کے باعث پیدا ہو رہے ہیں (جس سے توازن ادائیگی کی مستقبل قریب سے وسط مدت کیلئے صورتحال غیر مستحکم ہو سکتی ہے)۔ چنانچہ مستحکم شرح پالیسی اور SBP کی جانب سے نمایاں طور پر لیکوڈیٹی داخل کرنے سے اس مدت میں بالائی نتائج میں کوئی کمی بیشی نہیں ہوئی اور سرمایہ کاروں نے افراط زر اور شرح سود میں بڑھتے ہوئے خدشات کے پیش نظر قلیل المدت سرمایہ کاری کو ترجیح دی۔

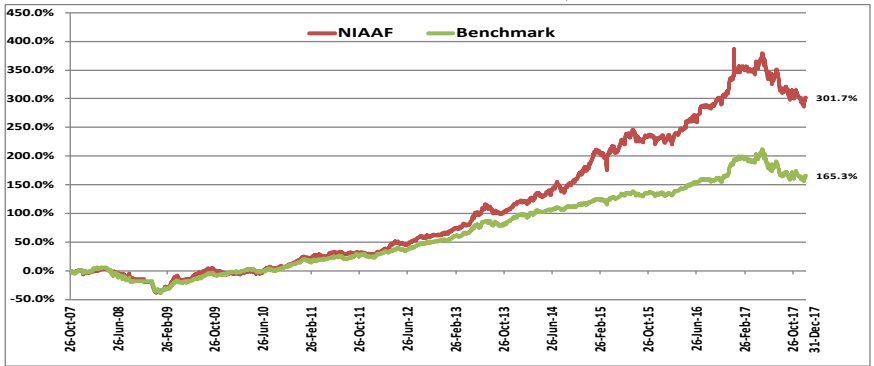
# NAFA ISLAMIC ASSET ALLOCATION FUND

نئی شعبہ میں سرمایہ کاری کی سرگرمیوں کے فروغ سے اس مدت میں شریعہ پر مبنی کارپوریٹ قرضہ کی سیکورٹیز کے اجراء میں اضافہ دیکھنے میں آیا۔ کارپوریٹ Sukuks کی تجارتی سرگرمیوں میں اضافے کے سبب تقریباً 2.2 بلین روپے کی مجموعی تجارتی قدر میں اضافہ ہوا جب کہ گزشتہ سال اسی مدت میں 1.5 بلین روپے کا اضافہ ہوا تھا۔

فنڈ کی ایسیٹ الیکشن 31 دسمبر 2017 کو بمطابق ذیل ہے:



NIAAF کی کارکردگی بمقابلہ بیچ مارک (قیام سے اب تک)



اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجھٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر بونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز ایڈوائسنگ کمیشن آف پاکستان اور ایسیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

بورڈ اپنے اسٹاف اور ڈسٹری بیوٹرز کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

22 فروری 2018

مقام: کراچی

# NAFA ISLAMIC ASSET ALLOCATION FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC ASSET ALLOCATION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Asset Allocation Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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, February 26, 2018

# NAFA ISLAMIC ASSET ALLOCATION FUND

## AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Asset Allocation Fund** (the Fund) as at December 31, 2017, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the half year ended December 31, 2017 (here-in-after referred to as the 'condensed interim financial information'). NBP Fullerton Asset Management Limited (the Management Company) is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures in the condensed interim financial information for the quarter ended December 31, 2017 have not been reviewed by us, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2017 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

**Deloitte Yousuf Adil**  
Chartered Accountants

**Engagement Partner**  
Hena Sadiq

**Date:** February 22, 2018  
**Place:** Karachi

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2017

	Note	(Un-audited) December 31, 2017	(Audited) June 30, 2017
(Rupees in '000)			
<b>ASSETS</b>			
Bank balances	4	5,334,151	6,044,017
Investments	5	7,517,622	9,047,063
Mark-up accrued and dividend receivable		50,856	56,542
Receivable against transfer of units		-	4,861
Deposits, prepayments and other receivables		5,328	3,961
<b>Total assets</b>		<b>12,907,957</b>	<b>15,156,444</b>
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		83,214	112,880
Payable to Central Depository Company of Pakistan Limited - Trustee	6	1,282	1,533
Payable to the Securities and Exchange Commission of Pakistan	7	6,531	10,281
Payable against redemption of units	8	2,395	7,412
Payable against transfer of units		-	2,055
Dividend payable		-	22,790
Payable against purchase of Investment		165,160	2,027
Accrued expenses and other liabilities		102,424	233,233
<b>Total liabilities</b>	9	<b>361,006</b>	<b>392,211</b>
<b>NET ASSETS</b>		<b>12,546,951</b>	<b>14,764,233</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>12,546,951</b>	<b>14,764,233</b>
<b>Contingencies and commitments</b>			
	10		
<b>Number of units in issue</b>		<b>816,967,210</b>	<b>864,317,639</b>
<b>Net asset value per unit</b>		<b>15.3580</b>	<b>17.0820</b>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

INCOME	Note	Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Rupees in '000			
Return / mark-up on:					
- bank balances		167,920	78,330	81,430	45,582
- sukuks		-	1,885	-	940
Dividend income		250,134	123,779	192,803	86,660
Net (loss) / gain on sale of investments		(235,868)	30,219	(108,378)	24,269
Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading	5.2	(1,443,617)	1,178,949	(535,071)	857,042
<b>Total (loss) / income</b>		<b>(1,261,431)</b>	<b>1,413,162</b>	<b>(369,216)</b>	<b>1,014,493</b>
<b>EXPENSES</b>					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	6.1	137,491	71,024	65,038	41,459
Sindh Sales Tax on remuneration of the Management Company	6.2	17,874	9,233	8,455	5,390
Reimbursement of operational expenses to the Management Company	6.3	6,875	3,551	3,252	2,073
Selling and marketing expense		27,498	-	13,007	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	7.1	7,379	4,055	3,504	2,325
Sindh Sales Tax on remuneration of the Trustee	7.2	959	527	455	302
Annual fee to the Securities and Exchange Commission of Pakistan	8.1	6,531	3,929	3,089	2,672
Securities transaction cost		2,887	2,153	746	1,800
Settlement and bank charges		1,196	420	657	190
Auditors' remuneration		359	352	179	225
Fund rating fee		90	-	45	-
Legal and professional charges		209	-	104	-
Annual listing fee		14	28	-	18
Printing charges		8	-	4	-
Shariah advisor fee		245	141	126	141
<b>Total expenses</b>		<b>209,615</b>	<b>95,413</b>	<b>98,661</b>	<b>56,595</b>
<b>Net (loss) / income from operating activities</b>		<b>(1,471,046)</b>	<b>1,317,749</b>	<b>(467,877)</b>	<b>957,898</b>
Net element of (loss) / income and capital gain included in prices of units issued less those in units redeemed		-	304,644	-	244,202
<b>Net (loss) / income for the period before taxation</b>		<b>(1,471,046)</b>	<b>1,622,393</b>	<b>(467,877)</b>	<b>1,202,100</b>
Taxation	11	-	-	-	-
<b>Net (loss) / income for the period after taxation</b>		<b>(1,471,046)</b>	<b>1,622,393</b>	<b>(467,877)</b>	<b>1,202,100</b>
<b>Earning per unit</b>	12				
<b>Allocation of net loss for the period</b>					
Net loss for the period after taxation		(1,471,046)		(467,877)	
Income already paid on units redeemed		-		-	
		<b>(1,471,046)</b>		<b>(467,877)</b>	
<b>Accounting income available for distribution:</b>					
Relating to capital gain		-		-	
Excluding capital gain		-		-	

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- Rupees in '000 -----			
Net (loss) / income for the period after taxation	(1,471,046)	1,622,393	(467,877)	1,202,100
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(1,471,046)</u>	<u>1,622,393</u>	<u>(467,877)</u>	<u>1,202,100</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended December 31,			2016		
	2017			2016		
	(Rupees in '000)					
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
Net assets at beginning of the period	12,860,041	1,904,192	14,764,233	4,818,763	616,355	5,435,118
Issuance of 269,358,408 units (2016: 417,433,957 units)						
- Capital value	4,590,119	-	4,590,119			
- Element of loss	(230,576)	-	(230,576)			
Total proceeds on issuance of units	4,359,543	-	4,359,543	6,508,613	617,743	7,126,356
Redemption of 316,708,837 units (2016: 227,142,803 units)						
- Capital value	(5,395,579)	-	(5,395,579)			
- Element of income	369,729	-	369,729			
Total payments on redemption of units	(5,025,850)	-	(5,025,850)	(3,541,623)	(313,099)	(3,854,722)
Element of income and capital gain included in prices of units issued less those in units redeemed - net	-	-	-	-	(304,644)	(304,644)
Total comprehensive (loss) / income for the period	-	(1,471,046)	(1,471,046)	-	1,622,393	1,622,393
Distribution during the year	-	(79,929)	(79,929)	-	-	-
<b>Net assets at end of the period</b>	<b>12,193,734</b>	<b>353,217</b>	<b>12,546,951</b>	<b>7,785,753</b>	<b>2,238,748</b>	<b>10,024,501</b>
Undistributed income brought forward						
- Realised		845,799			182,540	
- Unrealised		1,058,393			433,815	
		1,904,192			616,355	
Accounting income available for distribution						
- Relating to capital gain		-				
- Excluding capital gain		-				
<b>Net (loss) / income for the period after taxation</b>		<b>(1,471,046)</b>			<b>1,622,393</b>	
Distribution during the period		<b>(79,929)</b>				
<b>Undistributed income carried forward</b>		<b>353,217</b>			<b>2,238,748</b>	
Undistributed income carried forward						
- Realised		1,796,834			1,059,799	
- Unrealised		(1,443,617)			1,178,949	
		353,217			2,238,748	
		- (Rupees) -			- (Rupees) -	
Net assets value per unit at beginning of the period		17.0820			15.5920	
Net assets value per unit at end of the period		15.3580			18.6026	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

		Half year ended	
	Note	December 31, 2017	December 31, 2016
		-----Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) / income for the period before taxation		(1,471,046)	1,622,393
<b>Adjustments:</b>			
Return / mark-up on:			
- bank balances		(167,920)	(78,330)
- sukuk		-	(1,885)
Dividend income		(250,134)	(123,779)
Net loss / (gain) on sale of investments		235,868	(30,219)
Net unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss - held for trading		1,443,617	(1,178,949)
		-	(304,644)
		(209,615)	(95,413)
<b>Increase in assets</b>			
Investments - net		(152,254)	(1,828,477)
Receivable against sale of investment		-	(2,448)
Deposits, prepayments and other receivables		(1,367)	(1,117)
		(153,621)	(1,832,042)
<b>(Decrease) / Increase in liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		(29,666)	41,872
Payable to Central Depository Company of Pakistan Limited - Trustee		(251)	429
Payable to the Securities and Exchange Commission of Pakistan		(3,750)	586
Payable against purchase of Investment		163,133	-
Accrued expenses and other liabilities		(130,809)	(21,844)
		(1,343)	21,043
Mark-up on bank balances received		168,532	67,272
Mark-up on sukuk received		-	114,880
Dividend received		255,208	1,874
		423,740	184,026
		59,161	(1,722,386)
<b>Net cash generated from / (used in) operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash generated from investing activities		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received on issuance of units		4,359,543	7,670,491
Amounts paid on redemption of units		(5,025,850)	(3,901,242)
Distributions paid		(102,719)	(1,011)
<b>Net cash (used in) / generated from financing activities</b>		<b>(769,026)</b>	<b>3,768,238</b>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>		<b>(709,864)</b>	<b>2,045,852</b>
Cash and cash equivalents at the beginning of the period		6,044,017	1,615,172
Cash and cash equivalents at the end of the period		5,334,151	3,661,024

4

4

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through supplemental trust deed executed on October 07, 2013 for the change of name and categorization of the Fund as an asset allocation scheme.

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 SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

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

The investment objective of the Fund is to generate income by investing in Shariah compliant equity and equity related securities and income by investing in Shariah compliant bank deposits, debt and money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company while and has assigned performance ranking of 3- star to the fund.

Title of the assets of the Fund is held in the name of CDC as a trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC 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). In case where requirements differ, the provisions of or directives issued 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) shall prevail.

During the year, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. An exemption was granted to companies whose financial year ended on or before June 30, 2017 via Circular No. 23 of October 04, 2017. No further exemption has been provided and the Company is currently in process of determining impact, if any, on annual financial statements due to implementation of the Act. There is no impact on this condensed interim financial information as they have been prepared primarily under IAS 34 as stated above.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and, therefore, should be read in conjunction with the annual financial statements of the Fund for the year ended June 30, 2017.

In compliance with Schedule V of the NBFC regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2017.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the investments which are stated at fair value.

#### 2.3 Functional and presentation currency

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

# NAFA ISLAMIC ASSET ALLOCATION FUND

## 2.4 Estimates and judgements

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

The significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2017.

## 2.5 Financial risk management

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended June 30, 2017.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, basis of accounting estimates applied and method of computation adopted in the preparation of this condensed interim financial information and financial risk management objectives and policies are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2017 except as explained in note 3.1.

- 3.1 The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the amended regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealized appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognized in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as allowed by SECP vide their email to MUFAP dated February 8, 2018. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs. 139.153 million consequently there would be no effect on NAV per unit. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements. However, Management Company believes that the requirement to disclose allocation of Net income for the year in the income statement showing separately the 'income already paid on units redeemed' and accounting income available for distribution' is not applicable in the period / year when the Fund has incurred loss, accordingly, such allocation has not been disclosed in the Income Statement.

# NAFA ISLAMIC ASSET ALLOCATION FUND

	Note	(Un-audited) December 31, 2017	Audited June 30, 2017
		----- Rupees in '000 -----	
<b>4 Bank Balances</b>			
Current account		101,544	260,680
Savings accounts	4.1	5,232,607	5,783,337
		<u>5,334,151</u>	<u>6,044,017</u>

4.1 These savings accounts carry mark-up at rates ranging from 2.4.% to 6.80% per annum (June 30, 2017: 2.40% to 6.75% per annum).

	Note	(Un-audited) December 31, 2017	Audited June 30, 2017
		----- Rupees in '000 -----	
<b>5 INVESTMENTS</b>			
At fair value through profit or loss - held for trading			
Listed equity securities	5.1	7,517,622	9,047,063
Sukuks		-	-
		<u>7,517,622</u>	<u>9,047,063</u>

## 5.1 Listed equity securities

Name of the investee company	As at July 01, 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at December 31, 2017	Market value as at December 31, 2017	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
----- Number of shares -----					Rupees in '000		----- % -----		

All shares have a nominal face value of Rs. 10 each except for shares of Thal Limited and K-Electric Limited which have a face value of Rs. 5 and Rs. 3.5 each respectively.

### OIL AND GAS MARKETING COMPANIES

Attock Petroleum Limited	133,900	-	-	-	133,900	70,040	0.56	0.93	0.16
Pakistan State Oil Company Limited (Refer 5.1.1)	1,003,596	172,719	-	286,400	889,915	260,843	2.08	3.47	0.33
Hascol Petroleum Limited (Refer 5.1.2)	2,604	-	22	-	2,626	649	0.01	0.01	0.00
Sui Northern Gas Pipelines Limited	1,085,500	821,000	-	229,000	1,677,500	158,708	1.26	2.11	1.57
Shell Pakistan Limited	494,200	9,800	-	-	504,000	136,388	1.09	1.81	0.47
						<u>5.00</u>	<u>8.33</u>		

### OIL AND GAS EXPLORATION COMPANIES

Oil and Gas Development Company Limited	2,756,300	700,800	-	-	3,457,100	562,781	4.49	7.49	0.08
Pakistan Oilfields Limited (Refer 5.1.1)	758,560	205,300	-	-	963,860	572,783	4.57	7.62	0.41
Pakistan Petroleum Limited (Refer 5.1.1)	1,945,070	716,500	-	94,000	2,567,570	528,688	4.21	7.03	0.13
Mari Petroleum Company Limited	330,720	-	-	-	306,340	444,460	3.54	5.91	0.28
						<u>16.81</u>	<u>28.05</u>		

### REFINERY

Attock Refinery Limited	150,600	30,000	-	229,000	5,134,600	42,282	0.34	0.56	6.02
						<u>0.34</u>	<u>0.56</u>		

### CHEMICALS

AKZO Noble Pakistan Limited	29,900	-	-	-	29,900	6,369	0.05	0.08	0.06
Dynco Pakistan Limited	21,500	-	-	-	21,500	1,899	0.02	0.03	0.23
ICI Pakistan	-	5,000	-	-	5,000	3,840	0.03	0.05	0.01
Ittihad Chemicals Limited	327,750	-	-	137,000	190,750	8,548	0.07	0.11	0.25
						<u>0.17</u>	<u>0.27</u>		

### PAPERS AND BOARD

Century Papers and Board Mills Limited	-	60,400	-	-	6,400	3,753	0.03	0.05	0.00
						<u>0.03</u>	<u>0.05</u>		

### FOOD AND PERSONAL CARE PRODUCTS

Engro Foods Limited	85,500	-	-	-	85,500	6,867	0.05	0.09	0.01
Al Shauher Corporation Limited	1,116,654	-	-	-	1,116,654	24,550	0.20	0.33	0.79
						<u>0.25</u>	<u>0.42</u>		

### LEATHER AND TANNERIES

Service Industries Limited	26,000	-	-	-	26,000	19,500	0.16	0.26	0.22
						<u>0.16</u>	<u>0.26</u>		

### ENGINEERING

International Steels Limited	1,141,500	466,900	-	175,000	1,433,400	152,471	1.22	2.03	0.33
International Industries Limited	125,900	12,000	-	-	137,900	33,111	0.26	0.44	0.12
K.S.B. Pumps Company Limited	8,200	-	-	-	8,200	2,509	0.02	0.03	0.06
Crescent Steel & Allied Products	350,000	-	-	227,000	123,000	15,659	0.12	0.21	0.16
Amrli Steels Limited	1,413,000	407,000	-	-	1,820,000	168,641	1.34	2.24	0.61
Mughal Iron And Steel Industries Limited	1,359,543	701,500	-	253,500	1,807,543	105,018	0.84	1.40	0.72
						<u>3.80</u>	<u>6.35</u>		

# NAFA ISLAMIC ASSET ALLOCATION FUND

Name of the investee company	As at July 01, 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at December 31, 2017	Market value as at December 31, 2017	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
Number of shares					Rupees in '000		%		
<b>CEMENT</b>									
D.G. Khan Cement Company Limited	1,998,900	-	-	440,500	1,558,400	208,389	1.66	2.77	1.36
Lucky Cement Limited	563,200	28,400	-	11,000	580,600	300,409	2.39	4.00	0.18
Maple Leaf Cement Factory Limited (Refer 5.1.2)	994,000	-	103,625	1,097,625	-	-	-	-	-
Attock Cement Pakistan Limited	814,200	86,800	-	-	901,000	163,090	1.30	2.17	0.79
Pioneer Cement Limited	1,597,200	-	-	210,000	1,387,200	87,561	0.70	1.16	0.61
Fauji Cement Company Limited	3,582,000	-	-	3,582,000	-	-	-	-	-
FECTO Cement Limited	239,200	-	-	-	239,200	11,948	0.10	0.16	0.48
Kohat Cement Co Limited	582,300	77,300	-	-	659,600	93,637	0.75	1.25	4.95
Cherat Cement Company Limited	566,200	958,500	-	-	1,524,700	169,104	1.35	2.25	3.28
							8.25	13.76	
<b>TRANSPORT</b>									
Pakistan National Shipping Corporation	169,200	-	-	-	169,200	17,556	0.14	0.23	0.13
							0.14	0.23	
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Limited (Refer 5.1.2)	2,286,100	601,000	-	197,000	2,690,100	402,170	3.21	5.35	0.77
Kohinoor Textile Mills Limited (Refer 5.1.2)	3,152,100	99,400	119,028	-	3,370,528	228,018	1.82	3.03	25.28
Synthetic Products Limited	578,500	50,500	-	-	629,000	38,017	0.30	0.51	2.08
							5.33	8.89	
<b>FERTILIZER</b>									
Engro Corporation Limited (Refer 5.1.1)	1,799,200	-	-	-	1,799,200	520,431	4.15	6.92	0.34
Engro Fertilizers Limited (Refer 5.1.2)	5,842,000	3,728,000	-	3,295,500	6,274,500	309,650	2.47	4.12	0.47
Fauji Fertilizer Bin Qasim Limited (Refer 5.1.2)	825,000	-	-	825,000	-	-	-	-	-
Dawood Hercules Corporation Limited	267,200	-	-	-	267,200	29,894	0.24	0.40	0.06
Fatima Fertilizer Company Limited	2,500	-	-	-	2,500	77	-	0.00	0.12
							6.87	11.43	
<b>POWER GENERATION AND DISTRIBUTION</b>									
The Hub Power Company Limited (Refer 5.1.1 & 5.1.2)	3,147,960	646,000	-	119,000	3,674,960	334,421	2.67	4.45	0.32
Lalpir Power Limited	407,000	-	-	-	407,000	9,170	0.07	0.12	0.11
Pakgen Power Limited	5,000	-	-	-	5,000	112	0.00	0.00	0.00
Kot Addu Power Company Limited (Refer 5.1.2)	2,238,000	-	-	420,000	1,818,000	97,990	0.78	1.30	0.21
K-Electric Limited (Refer 5.1.2)	11,665,000	10,240,000	-	3,950,000	17,955,000	113,296	0.90	1.51	0.07
							4.42	7.38	
<b>COMMERCIAL BANKS</b>									
Meezan Bank Limited (Refer 5.1.2)	665,781	35,500	39,948	7,000	734,229	49,266	0.39	0.66	0.07
							0.39	0.66	
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	274,600	19,600	-	87,540	206,660	242,130	1.93	3.22	0.47
Hinopak Motors Limited	1,780	-	-	-	1,780	1,825	0.01	0.02	0.01
Sazgar Engineering Works Limited	-	-	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	104,450	-	-	-	104,450	53,521	0.43	0.71	0.07
Indus Motor Company Limited	134,380	-	-	11,640	122,740	206,224	1.64	2.74	0.16
							4.00	6.68	
<b>AUTOMOBILE PARTS AND ACCESSORIES</b>									
Baluchistan Wheels Limited	227,000	-	-	-	227,000	25,028	0.20	0.33	1.70
Thal Limited	160,096	900	-	17,200	143,796	73,007	0.58	0.97	0.18
							0.78	1.30	
<b>PHARMACEUTICALS</b>									
Abbott Laboratories (Pakistan) Limited	148,450	-	-	2,550	145,900	101,781	0.81	1.35	0.15
Ferozsons Laboratories Limited	51,200	-	-	-	51,200	10,435	0.08	0.14	0.17
The Searle Company Limited (Refer 5.1.2)	86,806	65,000	13,961	17,000	148,767	46,841	0.37	0.62	0.11
GlaxoSmithKline Pakistan Limited	97,100	-	-	-	97,100	16,301	0.13	0.22	0.03
							1.39	2.33	
<b>TECHNOLOGY AND COMMUNICATION</b>									
Avanceon Limited	634,000	-	-	-	634,000	21,936	0.17	0.29	0.60
							0.17	0.29	
<b>CABLE AND ELECTRIC GOODS</b>									
Pak Elektron Limited	3,002,500	439,000	-	1,929,000	1,512,500	71,828	0.57	0.96	0.30
							0.57	0.96	
<b>GLASS AND CERAMICS</b>									
Tariq Glass Industries Limited	1,005,500	87,200	-	-	1,092,700	103,795	0.83	1.38	1.49
Shabbir Tiles and Ceramics Limited	1,895,500	16,000	-	-	1,911,500	28,156	0.22	0.37	0.19
							1.05	1.75	
						7,517,622	61	100	
Carrying value before mark to market as at December 31, 2017						8,961,239			

# NAFA ISLAMIC ASSET ALLOCATION FUND

5.1.1 Investments include shares with market value of Rs. 276.51 million (June 30, 2017: Rs. 104.035 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.1.2 The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the Company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in the Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) has withheld the shares equivalent to 5% of bonus announcement and not yet deposited in CDC account of department of Income Tax.

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
Note		-----Rupees in '000-----	
5.2	<b>Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading</b>		
	Market value of investments	5.1 7,517,622	9,047,063
	Less: carrying value of investments	5.1 (8,961,239)	(7,988,670)
		<b>(1,443,617)</b>	<b>1,058,393</b>
		(Un-audited) December 31, 2017	(Audited) June 30, 2017
Note		-----Rupees in '000-----	

## 6 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company	6.1	21,109	24,768
Sindh Sales Tax on remuneration of the Management Company	6.2	2,741	3,217
Operational expenses	6.3	6,875	10,235
Selling and marketing expenses	6.4	27,498	19,137
Sales load		5,000	32,020
Sindh Sales Tax and Federal Excise Duty on sales load		19,991	23,503
		<b>83,214</b>	<b>112,880</b>

6.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets provided that Management Company may charge performance based or fixed fee or a combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

On November 25, 2015, SECP had made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations, the applicable rate has been changed to 2% of average annual net assets.

Accordingly, Management Company has charged its remuneration at the rate of 2% of the average annual net assets of the Fund from that date.

# NAFA ISLAMIC ASSET ALLOCATION FUND

- 6.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 6.3 This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.
- 6.4 This represents selling and marketing expenses charged by the Management Company to the Fund. During the year, the SECP through circular No. 40 of 2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to certain collective investment schemes managed by them. Pursuant to the circular, AMCs are allowed to charge selling and marketing expenses initially for three years (effective from January 01, 2017 till December 31, 2019) on open end equity, asset allocation, and index funds maximum up to 0.4% of the average annual net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% per annum of the average annual net assets of the Fund with effect from March 01, 2017, being the lower amount.

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
	Note	-----Rupees in '000-----	
<b>7 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration of the Trustee	7.1	1,138	1,365
Sindh Sales Tax on remuneration of the Trustee	7.2	144	168
		<b>1,282</b>	<b>1,533</b>

- 7.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears.

The applicability of Tariff Structure to the Fund is same as that disclosed in note 10.1 to the annual audited financial statements of the fund for the year ended June 30, 2017.

- 7.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on the remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

## 8 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 8.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorized as "asset allocation scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075% of the average annual net assets of the Fund. The fee is paid annually in arrears.

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
	Note	-----Rupees in '000-----	
<b>9 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		388	402
Provision for Sindh Workers' Welfare Fund	9.1	60,862	60,862
Federal Excise Duty on remuneration of the Management Company	9.2	18,406	18,406
Bank charges		108	86
Settlement charges		54	99
Printing charges		45	98
Brokerage		3	264
Charity		7,893	5,916
Withholding tax		11,355	130,800
Capital gain tax		2,635	15,536
Others		679	764
		<b>102,424</b>	<b>233,233</b>

# NAFA ISLAMIC ASSET ALLOCATION FUND

- 9.1 The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is same as that disclosed in note 18 to the annual audited financial statements of the Fund for the year ended June 30, 2017.

The Fund, being prudent, management recognised provision for SWWF amounting to Rs. 60.862 million as at December 31, 2017 in this condensed interim financial information. Had the provision not been made, net assets value per unit at December 31, 2017 would have been higher by Rs. 0.0745 per unit (June 30, 2017: Rs 0.0704 per unit).

- 9.2 The legal status of applicability of Federal Excise Duty on the Fund is same as disclosed in note 13.1 to the annual audited financial statements of the Fund for the year ended June 30, 2017, and the appeal, filed by tax authorities against the order in the Honourable Supreme Court of Pakistan dated July 16, 2016, is pending for decision.

In view of above, the Management Company, being prudent, is carrying provision for FED for the period from January 13, 2013 to June 30, 2016 aggregating to Rs. 18.406 million. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2017 would have been higher by Rs. 0.0225 per unit (June 30, 2017: 0.0213 per unit).

## 10 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2017 and June 30, 2017.

## 11 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund intends to distribute such accounting income for the year ending June 30, 2017 to its unit holders. Accordingly, no provision in respect of taxation has been made in the current period.

The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

## 12 EARNINGS PER UNIT

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

## 13 DETAILS OF NON-COMPLIANT INVESTMENTS

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

The Securities and Exchange Commission of Pakistan vide its circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
-----------------------------------	--------------------------	--------------------	--------------------------------------	----------------	-------------------------------------	-----------------	-------------------

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

Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular no. 7 of 2009	Sukuks (13.1)	4,922	(4,922)	-	-	-
----------------------	--	---------------	-------	---------	---	---	---

# NAFA ISLAMIC ASSET ALLOCATION FUND

13.1 At the time of purchase, these sukuks were in compliance with the aforementioned circular. However, they were subsequently defaulted or were downgraded to non investment grade.

## 14 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net assets for the period) is 3.05% per annum including 0.37% representing government levies on collective investment scheme such as sales tax and Securities and Exchange Commission of Pakistan fee for the period.

## 15 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

15.1 Connected persons and related parties include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Alexandra Fund Management Pte. Limited being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

15.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

15.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

15.5 Details of transaction with connected persons and related parties are as follows:

(Un-audited)	
Half year ended	
December 31, 2017	December 31, 2016
----- Rupees in '000 -----	

### NBP Fullerton Asset Management Limited (Management Company)

Remuneration of NBP Fullerton Asset Management Limited	137,491	71,024
Sindh Sales Tax on remuneration of the Management Company	17,874	9,233
Reimbursement of operational expenses to the Management Company	6,875	3,551
Selling and marketing expense	27,498	-
Sales load and related Sindh Sales Tax and Federal Excise Duty	30,532	87,048

### NBP Fullerton Asset Management Limited (Provident Fund Company)

Units issued / transferred in 433,895 units (2016: Nil)	6,664	-
---	-------	---

### CDC Trustee NAFA Islamic Principal Preservation Fund - Related Party

Units issued / transferred in 13,735 units (2016: Nil)	220	-
Units redeemed / transferred out 486,291 units (2016: Nil)	7,893	-

### Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	7,379	4,055
Sindh Sales Tax on remuneration of the Trustee	959	527

### Telenor Pakistan (Pvt) Ltd Employees Provident Fund (Islamic) - Related party

Units issued / transferred in 622,135 units (2016: Nil)	10,114	-
---	--------	---

### Employees of the Management Company

Units issued / transferred in 176,628 units (2016: 370,821 units)	2,956	6,235
Units redeemed / transferred out 332,639 units (2016: 378,730 units)	5,336	6,333
Dividend re-invest: 2,508 units (2016: Nil)	40	-

# NAFA ISLAMIC ASSET ALLOCATION FUND

		(Un-audited)	
		Half year ended	
		December 31, 2017	December 31, 2016
		Rupees in '000	
<b>Taurus Securities (Private) Limited</b> <b>(Subsidiary of Parent of the Management Company)</b>			
Brokerage charges		166	158
<b>International Industries Limited</b> <b>(Common directorship with the Management Company)</b>			
Shares purchased 12,000 (2016: 18,000 shares)		3,910	2,250
<b>International Steel Limited (Common directorship with the Management Company)</b>			
Shares purchased 466,900 (2016: Nil)		51,660	-
<b>Cherat Cement Company Limited (Common directorship with the Management Company)</b>			
Shares purchased 958,500 (2016: Nil)		152,604	-
		(Un-audited) December 31, 2017	(Audited) June 30, 2017
		Rupees in '000	
15.6	Amounts outstanding as at period / year end are as follows:		
<b>NBP Fullerton Asset Management Limited (Management Company)</b>			
Remuneration of the Management Company		21,109	24,768
Sindh Sales Tax on remuneration of the Management Company		2,741	3,217
Operational expenses		6,875	10,235
Sales load		5,001	32,020
Selling and marketing expense		27,498	19,137
Sindh Sales Tax and Federal Excise Duty on sales load		19,991	23,503
<b>Central Depository Company of Pakistan Limited (Trustee)</b>			
Remuneration of the Trustee		1,138	1,365
Sindh Sales Tax on remuneration of the Trustee		144	168
CDS charges		3	44
Security deposit		100	100
<b>National Bank of Pakistan (Parent of the Management Company)</b>			
Bank balance		11,143	3,274
<b>International Industries Limited (Common directorship with the Management Company)</b>			
Ordinary shares held 137,900 (June 2017: 125,900 shares)		33,111	46,403
Dividend receivable		-	434
<b>International Steel Limited (Common directorship with the Management Company)</b>			
Ordinary shares held shares 1,433,400 (June 2017: 1,141,500 shares)		152,471	145,986
Dividend Receivable		-	2,854
<b>Cherat Cement Company Limited (Common directorship with the Management Company)</b>			
Ordinary shares held shares 1,524,700 (June 2017: 566,200 shares)		169,104	101,225

# NAFA ISLAMIC ASSET ALLOCATION FUND

	(Un-audited) December 31, 2017	(Audited) June 30, 2017
	----- Rupees in '000 -----	
<b>Bank Islami Pakistan Limited (Common directorship with the Management Company)</b>		
Bank balance	1,369,375	2,521,661
Mark-up accrued	6,665	11,675
<b>Askari Bank Limited (Common directorship with the Management Company)</b>		
Bank balance	1,617	4,484
<b>Summit Bank Limited (Common directorship with the Management Company)</b>		
Bank balance	13,043	13,073
<b>Employees of the Management Company</b>		
Investment held in the Fund 355,092 units (June 2017: 605,610 units)	5,454	8,688
Investment held in the Fund 2,042,308 units (June 2017: 2,514,865 units)	31,366	42,959
<b>Fatima Fertilizer Limited</b>		
Ordinary shares held 2,500 (June 2017: 2,500 shares)	77	84
<b>NBP Fullerton Asset Management Limited - Employee Provident</b>		
Investment held in the Fund 433,895 units (June 2017: Nil)	6,664	-
<b>Telenor Pakistan (Pvt) Ltd Employees Provident Fund Islamic</b>		
Investment held in the Fund 3,066,080 units (June 2017: 2,443,945 units)	47,089	41,747
<b>Net amount receivable / (payable) against transfer of units from / to:</b>		
NAFA Riba Free Savings Fund	-	(75)
NAFA Islamic Energy Fund	-	515
NAFA Income Opportunity Fund	-	(1,440)
NAFA Money Market Fund	-	4,346
NAFA Islamic Income Fund	-	(215)
NAFA Financial Sector Income Fund	-	(325)

## 16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2 :** 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 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Fund's financial assets which are carried at fair value:

# NAFA ISLAMIC ASSET ALLOCATION FUND

	(Un-audited)			
	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
ASSETS				
At fair value through profit or loss				
- held for trading				
Listed equity securities	7,517,622		-	7,517,622
Sukuks			-	

	(Audited)			
	As at June 30, 2017			
ASSETS	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
At fair value through profit or loss				
- held for trading				
Listed equity securities	9,047,063	-	-	9,047,063
Sukuks	-	-	-	-

There were no transfers between above levels during the period.

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

## 17 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 22, 2018 by the Board of Directors of the Management Company.

## 18 GENERAL

18.1 Figures have been rounded off to the nearest thousand rupees.

18.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation.

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

**Chief Financial Officer**

**Chief Executive Officer**

**Director**



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

## Head Office

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

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** NAFA INVEST to 9995

**Fax:** 021-35825335

**Email:** [info@nafafunds.com](mailto:info@nafafunds.com)

**Website:** [www.nafafunds.com](http://www.nafafunds.com)

 /nafafunds