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

NAFA ISLAMIC ASSET ALLOCATION FUND

**QUARTERLY
REPORT**
**September
30 2016**




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.

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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. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director
Mr. Koh Boon San	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Saiyed Hashim Ishaque	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	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

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

7th 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

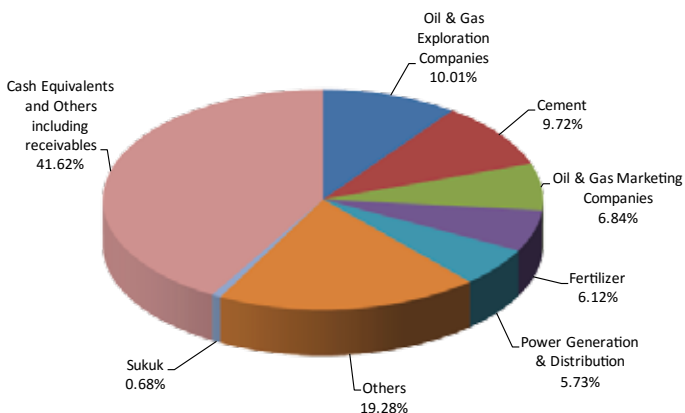
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Islamic Asset Allocation Fund (NIAAF)** for the quarter ended September 30, 2016.

Fund's Performance

The Fund size of NAFA Islamic Asset Allocation Fund (NIAAF) at the end of the period stood at Rs.6,724 million, 24% higher compared to the previous quarter. During the first quarter, the unit price of NIAAF has increased from Rs. 15.5920 on June 30, 2016 to Rs. 16.6316 on September 30, 2016, thus showing an increase of 6.67%. The Benchmark, daily weighted return of KMI-30 Index & 6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP, based on Fund's actual allocation, increased by 2.05%. Thus, the Fund has outperformed its Benchmark by 4.62% during the period under review. This performance is net of management fee and all other expenses.

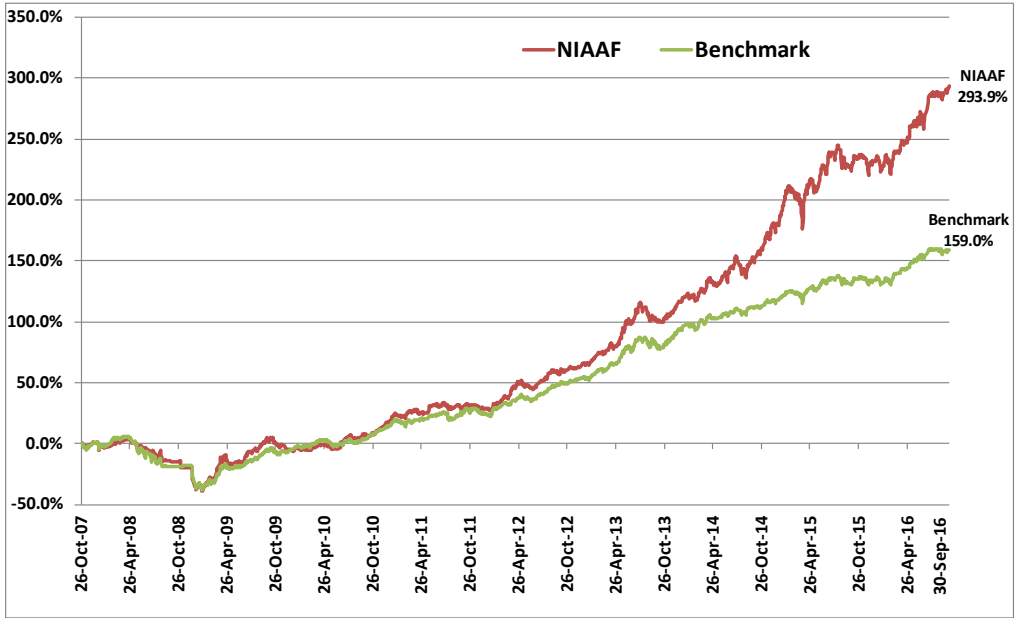
During Q1FY17, the stock market extended the rally that started from the lows hit at the end of February 2016, delivering a return of about 4.2%. Positives like improving economic prospects as captured in an all-time high foreign exchange reserves of US\$23.6bn, multi-year low inflation & interest rates, and pick-up in economic growth, albeit from low levels; attractive stock market valuations; and tepid returns on alternate investment avenues buoyed local investors' interest in the market. Better than expected corporate results announcements for the period ending June 30, 2016 provided the much needed confidence to the market participants. However, foreign investors remained sellers with outflows of US\$ 39.7 million recorded during the quarter. Automobile Assembler, Automobile Parts & Accessories, Engineering, and Textile Composite sectors performed better than the market whereas Cement and Fertilizer sectors lagged behind.

On the corporate debt sphere, trading activity in Sukuks remained skewed towards high quality issues with total traded value recorded at around Rs 1.5 billion during the quarter. The trades were mainly concentrated in the Banking sector, making up 64% share. State Bank of Pakistan (SBP) in its bi-monthly monetary policy announcements in July and September 2016 maintained the policy rate at 5.75% citing positives such as comfortable liquidity conditions coupled with record-high foreign exchange reserves and CPEC related projects gathering momentum being balanced against uncertain global oil prices, challenged exports outlook, and heavy scheduled foreign loan payments during FY17, and beyond. We see modest pickup in inflation to 5.0% by the year-end due to partial recovery in commodity prices, expected devaluation, and uptick in private sector borrowing. The Fund has earned total income of Rs.459.38 million during the period. After deducting expenses of Rs.39.09 million, the net income is Rs.420.29 million. The asset allocation of the Fund as on September 30, 2016 is as follows:



NAFA ISLAMIC ASSET ALLOCATION FUND

NIAAF 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: October 28, 2016
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ مینجمنٹ لمیٹڈ، بورڈ آف ڈائریکٹرز بصد مسرت 30 ستمبر 2016ء کو ختم ہونے والی سہ ماہی کے لیے NAFA اسلامک ایسیٹ ایلیکشن فنڈ (NIAAF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتا ہے۔

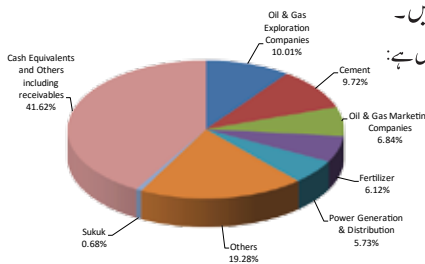
فنڈ کی کارکردگی

NAFA ایسیٹ ایلیکشن فنڈ کا سائز، 30 ستمبر 2016 کے مطابق 6,724 ملین روپے ہے جو گزشتہ سہ ماہی کے مقابلے میں 24% زیادہ ہے۔ فنڈ نے سال کے دوران 571.99 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 102.91 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 469.08 ملین روپے ہے۔ پہلی سہ ماہی کے دوران NAFA ایسیٹ ایلیکشن فنڈ کے یونٹ کی قیمت 30 جون 2015 کو 15.5920 روپے (Ex-Div) سے بڑھ کر 30 ستمبر 2016 کو 16.6316 روپے ہو چکی ہے۔ لہذا 6.67% اضافہ دکھایا ہے۔ اسی مدت کے دوران نیٹ پیج مارک (KMI-30) انڈیکس کا پومیہ میزان اور MUFAP کے منتخب کردہ A ریٹنگ والے اسلامک پیکیجس / روایتی بینکیوں کی اسلامک ونڈوز کی اصل سرمایہ کاری پر مبنی 6 ماہ کا ڈپازٹ ریٹ (2.05% بڑھا، لہذا فنڈ نے زیر جائزہ مدت کے دوران نیچ مارک کو 4.62% بہتر کارکردگی دکھائی۔ یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالی سال 2017 کی پہلی سہ ماہی کے دوران اسٹاک مارکیٹ نے تیزی کا وہ رحمان آگے بڑھایا جس کا آغاز فروری 2016 کے اختتام پر پست سطح سے ہوا تھا اور 4.2% منافع پیش کیا۔ مثبت عوامل مثلاً بہتر ہوتے اقتصادیات امکانات، جن کی نشاندہی 23.6 ارب امریکی ڈالر پر مشتمل ملکی تاریخ کے سب سے بلند زیر مبادلہ کے ذخائر سے ہوتی ہے، کئی سال پر محیط کم تر افراط زر اور شرح سود، اور معاشی نمونے میں تیزی، اسٹاک مارکیٹ میں پُرکشش آمدن اور سرمایہ کاری کے متبادل ذرائع سے بہتر نتائج کے باعث مقامی سرمایہ کاروں کی طرف سے اسٹاک مارکیٹ میں دل چسپی میں اضافہ ہوا۔ 30 جون 2016 کو ختم ہونے والی مدت کے لیے توقع سے بہتر کاروباری نتائج کے اعلانات نے مارکیٹ کے شرکاء کو رکارڈ انتہائی ضروری اعتماد فراہم کیا۔ تاہم غیر ملکی سرمایہ کاروں کی طرف سے فروخت کا سلسلہ جاری رہا جس کے نتیجے میں سہ ماہی کے دوران 39.7 ملین ڈالر کا اخراج ریکارڈ کیا گیا۔ آٹوموبیل سیکٹرز، آٹوموبیل پارٹس اور ایئر سیریز، انجینئرنگ اور ٹیکسٹائل کمپوزٹس سیکٹرز نے مارکیٹ کے مقابلے میں بہتر کارکردگی کا مظاہرہ کیا جب کہ سیمنٹ اور فریٹ لائزر ریکٹرز پسماندگی کا شکار رہے۔

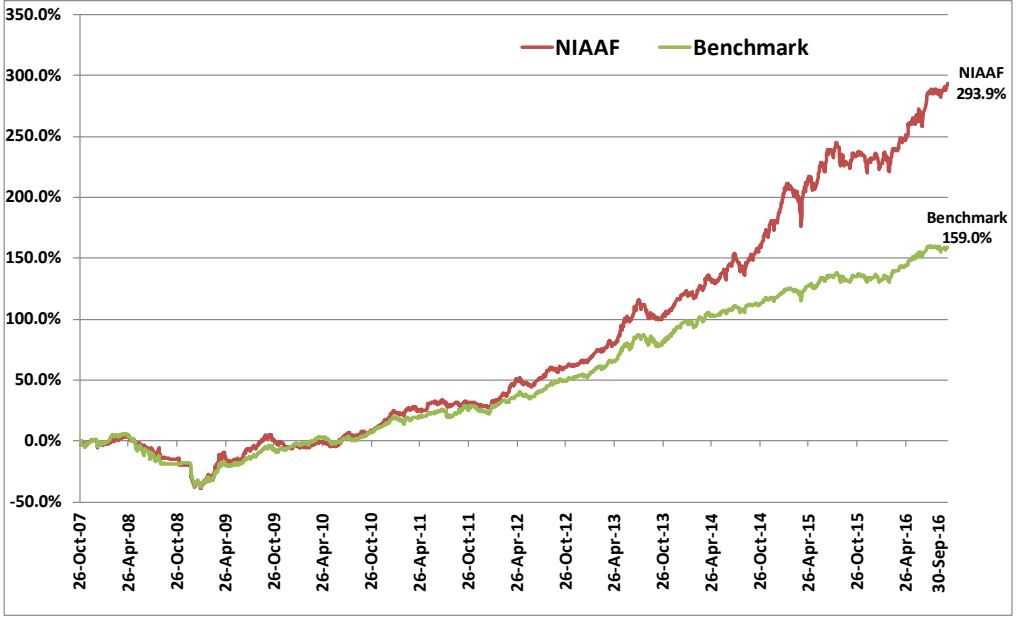
کاروباری قرض کے حلقے میں سکوک میں تجارتی سرگرمیوں کا اعلیٰ کوالٹی اجرائی کارروائیوں کی طرف جھکاؤ رہا، جن کے لین دین کی مجموعی مالیت اس سہ ماہی کے دوران لگ بھگ 1.5 ارب روپے ریکارڈ کی گئی۔ لین دین کا اصل ارتکاز بینکاری کے شعبے میں رہا جس کا حصہ 64% بنتا ہے۔ اسٹیٹ بینک آف پاکستان نے اپنے جولائی اور ستمبر 2016 کے دو ماہی مالیاتی پالیسی بیانات میں پالیسی ریٹ 5.75% برقرار رکھا، لیکوئیڈٹی کی باسہولت صورت حال کے ساتھ زرمبادلہ کے ریکارڈ بلند ذخائر اور سی پیک سے متعلق منصوبوں کی رفتار میں اضافے کے مثبت پہلوؤں کی بدولت تیل کی غیر یقینی عالمی قیمتوں، برآمدات سے متعلق چینج ایبیلٹی اور مالی سال 2017 میں اور اس کے بعد شیڈیول غیر ملکی قرضوں کی بھاری واپسی کے اثرات بیلنس میں رہنے کی توقع ہے۔ ہم ایشیا کے صرف قیمتوں میں جزوی بحالی، روپے کی قدر میں تیزی متوقع کی اور نئی شعبے کی طرف سے قرضوں میں اضافے کی وجہ سے سال کے اختتام تک افراط زر میں 5% تک معتدل اضافہ دیکھ رہے ہیں۔

فنڈ کی ایسیٹ ایلیکشن 30 ستمبر 2016 کو بمطابق ذیل ہے:



NAFA ISLAMIC ASSET ALLOCATION FUND

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



اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجمنت لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 اکتوبر 2016

مقام: کراچی

NAFA ISLAMIC ASSET ALLOCATION FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2016

	Note	Un-Audited September 30, 2016	Audited June 30, 2016
(Rupees in '000)			
Assets			
Balances with banks		2,858,057	1,615,172
Investments	4	3,925,560	3,414,159
Dividend and profit receivable	5	72,422	11,803
Receivable against conversion of units		15,296	564,154
Receivable against sale of Investments		-	53
Advances, Deposits, prepayments and other receivable		2,883	2,837
Total assets		6,874,218	5,608,178
Liabilities			
Payable to Management Company		68,409	59,700
Payable to Trustee		752	590
Payable to Securities and Exchange Commission of Pakistan		1,257	3,343
Payable against redemption of units		28,825	21,699
Payable against purchase of Investments		13,835	-
Payable against conversion of units		-	24,821
Dividend payable		-	1,011
Accrued expenses and other liabilities	6	36,732	61,896
Total liabilities		149,810	173,060
Net Assets		6,724,408	5,435,118
Unit Holders' Funds (as per statement attached)		6,724,408	5,435,118
Commitments	12	-	-
Number of units			
Number of units in issue		404,314,694	348,584,676
-----Rupees-----			
Net asset value per unit		16.6316	15.5920

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (UN-AUDITED)

	Note	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
(Rupees in '000)			
INCOME			
Gain on sale of investments - net		5,950	18,246
Income from Sukuk bonds		945	3,596
Profit on bank deposits		32,748	21,252
Dividend income		37,388	27,981
Unrealised gain / (loss) on investments at fair value through profit or loss - net		321,907	(96,595)
Total Income		<u>398,938</u>	<u>(25,520)</u>
EXPENSES			
Remuneration of the Management Company		29,565	16,488
Sindh Sales Tax on Management Fee		3,843	2,678
Federal Excise Duty on Management Fee		-	2,638
Accounting and operational charges to the Management Company		1,478	-
Remuneration of the Trustee		1,730	1,076
Sindh Sales Tax on Trustee Fee		225	151
Annual fee - Securities and Exchange Commission of Pakistan		1,257	701
Securities transaction cost		353	912
Settlement and bank charges		230	267
Annual listing fee		10	10
Auditors' remuneration		113	160
Impairment loss / (reversal) on investments classified as 'available for sale'		-	(3,571)
Rating fee		51	43
Other expenses		95	-
Legal and Professional charges		137	-
Total Expenses		<u>39,087</u>	<u>21,553</u>
Net income / (loss) income from operating activities		<u>359,851</u>	<u>(47,073)</u>
Element of income and capital gains included in prices of units issued less those in units redeemed		60,442	41,428
Provision for workers' welfare fund	8	-	-
Net income / (loss) for the period before taxation		<u>420,293</u>	<u>(5,645)</u>
Taxation	11	-	-
Net income / (loss) for the period after taxation		<u>420,293</u>	<u>(5,645)</u>
Earning per unit	9		

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (UN-AUDITED)

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Net income / (loss) for the period after taxation	420,293	(5,645)
Other comprehensive income		
Net unrealised appreciation / (diminution) during the period in the market value of investments classified as 'available for sale'	-	599
Total comprehensive income / (loss) for the period	<u>420,293</u>	<u>(5,046)</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (UN-AUDITED)

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Undistributed income brought forward		
- Realised income	182,540	344,721
- Unrealised gain	<u>433,815</u>	<u>247,527</u>
	616,355	592,248
Distribution:		
Final distribution for the period ended June 30, 2016 : Nil: (June 30, 2015: 8.365%)		
- Cash Distribution	-	(128,689)
Net income / (loss) for the period	420,293	(5,645)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	-	87
Undistributed income carried forward	<u>1,036,648</u>	<u>458,001</u>
Undistributed income comprising:		
- Realised income	714,741	554,596
- Unrealised gain / (loss)	<u>321,907</u>	<u>(96,595)</u>
	<u>1,036,648</u>	<u>458,001</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (UN-AUDITED)

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Net assets at the beginning of the period	5,435,118	2,563,446
Issue of 132,388,269 units (September 30, 2015: 166,939,807 units)	2,161,776	2,632,994
Redemption of 76,658,250 units (September 30, 2015: 87,414,116 units)	(1,232,337)	(1,386,231)
	929,439	1,246,763
Element of income and capital gains included in prices of units issued less those in units redeemed		
- amount representing (income) transferred to income statement	(60,442)	(41,428)
- amount representing (income) transferred to distribution statement	-	(87)
	(60,442)	(41,515)
Net unrealised appreciation during the period in the market value of investments classified as 'available for sale'	-	599
Unrealised gain/(loss) on investments at fair value through profit or loss - net	321,907	(96,595)
Gain on sale of investments - net	5,950	18,246
Other income (net of expenses)	92,436	72,704
	420,293	(5,046)
Less: Distribution:		
Final distribution for the period ended June 30, 2016: Nil (June 30, 2015: 8.365%)		
- Cash Distribution	-	(128,689)
	-	(128,689)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	-	87
Net assets as at the end of the period	6,724,408	3,635,046

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (UN-AUDITED)

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / Income for the period	420,293	(5,645)
Adjustments		
Unrealised (gain) / loss on investments at fair value through profit or loss - net (Gain) on sales of investments	(321,907)	96,595
Impairment (gain) / loss on investments classified as 'available for sale'	(5,950)	(18,246)
Element of income and capital gains included in prices of units issued less those in units redeemed	-	(3,571)
	<u>(60,442)</u>	<u>(41,428)</u>
	31,994	27,705
(Increase) / decrease in assets		
Receivable against sale of investments	53	-
Investments	(183,544)	(154,642)
Dividend and profit receivable	(60,619)	(27,514)
Advances, Deposits, prepayments and other receivable	(46)	(129)
	<u>(244,156)</u>	<u>(182,285)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	8,709	490
Payable against sale of investments	13,835	-
Payable to Trustee	162	138
Payable to Securities and Exchange Commission of Pakistan	(2,086)	(491)
Accrued expenses and other liabilities	<u>(25,164)</u>	<u>(13,995)</u>
	(4,544)	(13,858)
Net cash used in operating activities	<u>(216,706)</u>	<u>(168,438)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	2,710,634	2,711,903
Payments on redemption of units	(1,250,032)	(1,632,230)
Distribution paid	(1,011)	(140,307)
Net cash inflow from financing activities	<u>1,459,591</u>	<u>939,366</u>
Net increase in cash and cash equivalents during the period	<u>1,242,885</u>	<u>770,928</u>
Cash and cash equivalents at the beginning of the period	1,615,172	977,085
Cash and cash equivalents at the end of the period	<u><u>2,858,057</u></u>	<u><u>1,748,013</u></u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

NOTES TO AND FORMING PART OF THIS CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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 Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.

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 Management Company is also the member of MUFAP.

The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Board of Directors had approved that the Fund should be categorized as "Shariah Compliant (Islamic) Scheme" and Balanced Fund as per the categories defined by the Securities and Exchange Commission of Pakistan. With effect from 22 April 2014 the Fund re-categorized as shariah compliant Asset Allocation scheme. Accordingly name of the fund was renamed as NAFA Islamic Asset Allocation Fund.

The Objective of the Scheme is to generate capital appreciation by investing in Shariah Compliant equity and equity related securities and income by investing in Shariah Compliant bank deposits, debt & money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2++ to the Management Company.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP shall prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

The directors of the Asset Management Company declare that these condensed interim financial statements give a true and fair view of the Fund.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2016 are same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2016.

NAFA ISLAMIC ASSET ALLOCATION FUND

4

INVESTMENTS

At fair value through profit or loss - held for trading

Investment in shares of listed companies
Investment in Sukuk bonds

Note	Un-Audited September 30, 2016	Audited June 30, 2016
4.1	3,879,905	3,369,248
4.2	45,655	44,911
	<u>3,925,560</u>	<u>3,414,159</u>

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

4.1 Investment in shares of listed companies - at fair value through profit or loss

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issues	Sales during the period	As at September 30, 2016	Market value as at September 30, 2016	Investment as a percentage of		
							Net assets	Market value of total investments	Paid-up capital of the investee company held
Rupees in '000							----- % -----		
Oil and Gas									
Oil & Gas Development Company Limited	489,000	250,000	-	-	739,000	104,369	1.55	0.03	0.00
Pakistan Oil Fields Limited	537,760	-	-	18,500	519,260	208,384	3.10	0.05	0.09
Pakistan Petroleum Limited	904,570	-	-	37,000	867,570	141,995	2.11	0.04	0.01
Pakistan State Oil Company Limited	731,196	-	-	35,000	696,196	288,323	4.29	0.07	0.11
Attock Petroleum Limited	89,100	-	-	-	89,100	46,332	0.69	0.01	0.06
Shell (Pakistan) Limited	201,100	102,500	-	-	303,600	124,494	1.85	0.03	0.12
Attock Refinery Limited	184,600	-	-	17,000	167,600	54,618	0.81	0.01	0.06
Hascol Petroleum Limited (Note 6.1.1)	2,604	-	-	-	2,604	574	0.01	0.00	0.00
Mari Petroleum Company Limited	214,050	15,000	-	-	229,050	218,635	3.25	0.06	0.20
Chemicals									
Fauji Fertilizer Company Limited	68	-	-	-	68	7	0.00	0.00	0.00
Fauji Fertilizer Bin Qasim Limited	825,000	-	-	-	825,000	42,389	0.63	0.01	0.45
Dyneen Pakistan Limited	21,500	-	-	-	21,500	1,268	0.02	0.00	0.00
Engro Fertilizers Limited	1,885,000	216,000	-	-	2,101,000	129,548	1.93	0.03	0.02
Engro Corporation Limited	758,200	-	-	-	758,200	220,826	3.28	0.06	0.01
Fatima Fertilizer Limited	2,500	-	-	-	2,500	87	0.00	0.00	0.02
Ittehad Chemicals Limited	464,750	-	-	106,000	358,750	15,545	0.23	0.00	0.02
Dawood Hercules	-	139,700	-	-	139,700	18,575	0.28	0.00	0.00
Construction and Materials									
Attock Cement Pakistan Limited	410,901	-	-	-	410,901	103,190	1.53	0.03	0.09
D.G. Khan Cement Company Limited	497,500	-	-	-	497,500	92,475	1.38	0.02	0.02
Lucky Cement Company Limited	330,700	-	-	16,100	314,600	213,066	3.17	0.05	0.07
Akzo Nobel Pakistan Limited	29,900	-	-	-	29,900	7,439	0.11	0.00	0.02
Fauji Cement Company Limited	2,486,500	-	-	-	2,486,500	87,699	1.30	0.02	0.01
Maple Leaf Cement Factory Limited	738,500	-	-	-	738,500	70,748	1.05	0.02	0.01
Pioneer Cement Limited	535,500	-	-	-	535,500	56,597	0.84	0.01	0.02
Fecto Cement Limited	276,500	-	-	37,300	239,200	29,582	0.44	0.01	0.02
General Industrials									
Thal Limited	159,197	-	-	-	159,197	64,578	0.96	0.02	0.16
Personal Goods									
Nishat Mills Limited	1,083,100	120,000	-	-	1,203,100	169,517	2.52	0.04	0.05
Kohinoor Textile Limited (Refer note 6.1.1)	1,964,600	-	-	-	1,964,600	166,991	2.48	0.04	0.07
Service Industries Limited	26,000	-	-	-	26,000	33,237	0.49	0.01	0.01
Electricity									
The Hub Power Company Limited	1,360,260	-	-	143,700	1,216,560	144,978	2.16	0.04	0.01
Kot Addu Power Company Limited	1,532,500	-	-	-	1,532,500	128,255	1.91	0.03	0.01
K-Electric Limited	5,123,000	3,000,000	-	780,000	7,343,000	67,629	1.01	0.02	0.00
Lalpur Power Limited	857,000	-	-	-	857,000	19,000	0.28	0.00	0.01
Pakgen Power Limited	1,079,500	-	-	-	1,079,500	25,681	0.38	0.01	0.01
Banks									
Meezan Bank Limited	665,782	-	-	-	665,782	36,625	0.54	0.01	0.00
AutoMobile and Parts									
Sazgar Engineering Works Limited	171,500	-	-	-	171,500	9,950	0.15	0.00	0.06
Baluchistan Wheels Limited	227,000	-	-	-	227,000	32,289	0.48	0.01	0.24
Indus Motor Company Limited	114,380	17,250	-	-	131,630	197,495	2.94	0.05	1.10
Millat Tractor	-	39,700	-	-	39,700	26,956	0.40	0.01	0.20
Industrial Transportation									
Pakistan National Shipping Corporation Limited	174,200	-	-	-	174,200	19,625	0.29	0.00	0.01

NAFA ISLAMIC ASSET ALLOCATION FUND

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issues	Sales during the period	As at September 30, 2016	Market value as at September 30, 2016	Investment as a percentage of		
							Net assets	Market value of total investments	Paid-up capital of the investee company held
Rupees in '000							----- % -----		
Pharma and Bio Tech									
Abbott Laboratories (Pakistan) Limited	30,500	-	-	-	30,500	25,879	0.38	0.01	0.03
Glaxo smithkline	97,100	-	-	-	97,100	20,964	0.31	0.01	0.01
Ferozsons Laboratories Limited	18,150	-	-	-	18,150	15,799	0.23	0.00	0.05
The Searle Company Limited (Note 6.1.1)	69,223	-	-	-	69,223	39,699	0.59	0.01	0.05
Technology Hardware and Equipment									
Avanceon Limited	1,029,500	-	-	-	1,029,500	33,469	0.50	0.01	0.03
Engineering									
Mughal Iron & Steel Limited (Note 6.1.1)	829,125	-	-	-	829,125	70,899	1.05	0.02	0.06
International Industries Limited	-	18,000	-	-	18,000	2,423	0.04	0.00	0.00
Household Goods									
Pak Elektron Limited (Note 6.1.1)	1,062,500	-	-	105,000	957,500	67,762	1.01	0.02	0.02
Tariq Glass Industries Limited	685,000	-	-	-	685,000	65,603	0.98	0.02	0.09
Food Producers									
Engro Foods	-	401,000	-	-	401,000	58,670	0.87	0.01	0.01
Al Shaheer Corporation Limited (Note 6.1.1)	927,525	-	-	-	927,525	59,167	0.88	0.02	0.05
Total - 30 September 2016					<u>34,927,191</u>	<u>3,879,905</u>	<u>28.85</u>		
Carrying value of investment before fair value adjustment						<u>3,558,742</u>			

4.1.1 This represents gross bonus shares as per Fund's entitlement declared by the investee company. 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 percent 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 investee company 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 Fund Association of Pakistan, has filed a petition in Honourable 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 funds based on the premise of exemption given to mutual funds under clause 57 (3) (viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favour and accordingly has recorded the bonus shares on gross basis.

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

4.1.3 The above investments in securities with market value aggregating to Rs. 82.94 million (30 June 2016: 89.792 million) have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated 23 October 2007 issued by SECP.

NAFA ISLAMIC ASSET ALLOCATION FUND

4.2 Sukuk bonds - at fair value through profit or loss

Name of investee company	Number of bonds				Market value at 30 Sep 2016	Investment as a percentage of		
	As at 01 July 2016	Purchases during the period	Sales during the period	As at 30 Sep 2016		Market value of net assets	Market value of total investments	
K-Electric AZM Sukuk	9,000	-	-	9,000	45,655	0.68	1.16	
					(Rupees in '000)			
					9,000	45,655	0.68	1.16
Carrying value of investment before fair value adjustment							44,911	

Sukuk bonds - available for sale

Name of investee company	Number of bonds				Market value at 30 Sep 2016	Investment as a percentage of	
	As at 01 July 2016	Purchases during the period	Sales during the period	As at 30 Sep 2016		Market value of net assets	Market value of total investments
Eden Housing Limited (Note 4.2.3)	5,000	-	-	5,000	-	-	-

4.2.1 All sukuk bonds have a face value of Rs 5,000 each.

4.2.2 Fair value of all performing listed term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

4.2.3 This represents investment in privately placed sukuk bonds issued with a term of five years. On 6 May 2011, these Sukuks have been classified as non performing by MUFAP.

(Un-audited) (Audited)
September 30, June 30,
2016 2016

(Rupees in '000)

5 DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable on equity securities	42,306	4,476
Profit receivable on savings deposits	29,048	7,204
Income accrued on sukuk bonds-net	1,068	123
	<u>72,422</u>	<u>11,803</u>

6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	531	418
Brokerage payable	-	-
Bank charges payable	316	193
Payable against printing charges	209	159
Accrued NCCS charges	109	17
Charity payable	3,260	2,822
Rating fee payable	50	-
Others	3,472	220
Withholding tax	5,964	37,740
Capital gain tax	7,031	4,537
Provision for Workers' Welfare Fund	15,790	15,790
	<u>36,732</u>	<u>61,896</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

7 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015. Accordingly no further provision of WWF has been recorded subsequent to June 30, 2015.

However, without prejudice to the above and owing to the fact that the decision of Sindh High Court on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to record and retain provision of WWF in financial statements for the quarter ended September 30, 2016 which aggregates to Rs. 15.790 million. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Re.0.0391 per unit respectively.

8 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include NBP Fullerton Asset Management Limited (NAFA) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Note	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
8.1 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Management fee expense for the period	29,565	16,488
Sindh Sales Tax for the period on Management Fee	3,843	2,678
FED for the period on Management Fee	-	2,638
Front end load for the period	8,424	28,636
Accounting and operational charges to the Management Company	1,478	-
National Bank of Pakistan - Sponsor		
Payment of Cash Dividend	-	11,618
Taurus Securities (Private) Limited		
Brokerage	7	90
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee for the period	1,730	1,076
Sindh Sales Tax on Trustee Fee	225	151
CDS charges	-	-
Mr Aamir Sattar - Director		
Dividend Re-invest nil (; September 2015: 3,029 Units)	-	48

NAFA ISLAMIC ASSET ALLOCATION FUND

	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
	(Rupees in '000)	
Employees of the Management Company		
Dividend Re-invest Nil units (units; September 2015: 25,012 units)	-	395
Units Issued (178,273 units; September 2015; 1,312,709 units)	2,911	20,863
Units Redeemed (179,625 units; September 2015; 1,154,328 units)	2,934	18,574

NAFA Islamic Principal Preservation Fund		
Units Issued (6,347,743 units; September 2015; 11,149,007 units)	102,542	178,982
Units Redeemed (2,278,434 units; September 2015; 14,226,216 units)	37,058	217,809

8.2 Amounts outstanding as at quarter / year end

	Un-Audited As at September 30, 2016	Audited As at June 30, 2016
	(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management Company		
Management Fee payable	10,315	8,125
Sindh Sales Tax on Management Fee	1,338	1,317
FED Payable on Management Fee	18,406	18,406
Front End Load Payable	18,202	9,777
Sindh Sales tax payable on front end load	2,598	1,589
Federal Excise Duty Payable on front end load	17,549	17,976
Accounting and operational charges to the Management Company	3,988	2,509
National Bank of Pakistan - Sponsor		
Balance in current account	3,168	26,902
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	599	520
Sindh Sales Tax on Trustee Fee	74	70
CDS cahrges payable	79	33
Security deposit	100	100
Employees of the Management Company		
Units held: 612,168 (2016: 613,520)	10,181	9,566
Aamir Sattar - Director		
Units held: 172,210 units (2016: 172,210)	2,864	2,685
Muhammad Junaid Tayyab		
Units held: Nil (2015: 6,221 units)	-	97
Summit Bank Limited		
Balance held in current account	12,047	8,878
NAFA Islamic Aggressive Income Fund		
Net (payable) / receivable against conversion of units	-	(22,710)
NAFA Asset Allocation Fund		
Net receivable against conversion of units	-	26,139

NAFA ISLAMIC ASSET ALLOCATION FUND

	Note	Un-Audited As at September 30, 2016	Audited As at June 30, 2016 (Rupees in '000)
NAFA Income Opportunity Fund			
Net receivable against conversion of units		10,061	35,775
NAFA Islamic Stock Fund			
Net payable against conversion of units		-	261,074
NAFA Riba Free Savings Fund			
Net payable against conversion of units		-	10,466
NAFA Government Securities Savings Fund			
Net (payable) / receivable against conversion of units		-	(700)
NAFA Islamic Principle Protected Fund - I			
Receivable against conversion of units		-	6,512
NAFA Islamic Principle Protected Fund - II			
Receivable against conversion of units		-	7,498
NAFA Government Securities Liquid Fund			
Net receivable / (payable) against conversion of units		5,236	(1,411)
NAFA Income Fund			
Receivable against conversion of units		-	-
NAFA Stock Fund			
Receivable against conversion of units		-	2,662
Nafa Islamic Energy Fund			
Receivable against conversion of units		-	214,028
NAFA Islamic Principal Preservation Fund			
Units Held 2,019,108 (June 30 2016: 2,019,108 units)		2,015,777	122,917

9 EARNING PER UNIT

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

10 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 2.64% p.a. including 0.36% representing government levies on collective Investment scheme such as Sales tax, Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.

11 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

NAFA ISLAMIC ASSET ALLOCATION FUND

12 COMMITMENTS

There were no commitments as on September 30, 2016 and June 30, 2016.

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 28, 2016.

14 GENERAL

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

14.2 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



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

Head Office

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