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

## **NAFA ISLAMIC ASSET ALLOCATION FUND**

**HALF YEARLY  
REPORT  
December  
31 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. Foo Chiah Shiung (Kelvin Foo)	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. Foo Chiah Shiung (Kelvin Foo)	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:**

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, 2016.

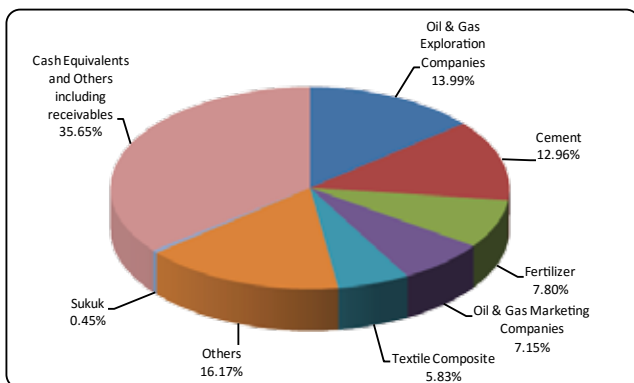
### Fund's Performance

The size of NAFA Islamic Asset Allocation Fund has increased from Rs.5,435 million to Rs.10,025 million during the period, i.e. an increase of 84%. During the period, the unit price of NAFA Islamic Asset Allocation Fund has increased from Rs. 15.5920 on June 30, 2016 to Rs. 18.6026 on December 31, 2016, thus showing an increase of 19.31%. The Benchmark return during the same period was 13.96%. Thus, the Fund has outperformed its Benchmark by 5.35% during the period under review. This performance is net of management fee and all other expenses.

During 1HFY17, riding on the positive momentum built on the Pakistan Stock Exchange (PSX) reclassification into MSCI Emerging Market and driven primarily by the price-to-earnings (PE) re-rating, the stock market delivered a handsome return of about 27%. Positives on the macroeconomic front such as improved economic growth outlook coupled with benign inflation reading and anchored near-term expectations; and stable exchange rate helped the market achieve historic highs. Domestic liquidity unleashed amid low interest rates that helped counter heavy foreign selling of USD298mn. Automobile Assembler, Engineering, Oil & Gas Marketing Companies, and Textile Composite sectors performed better than the market whereas, Power Generation & Distribution Companies and Fertilizer sectors lagged behind. Going forward, expected domestic and foreign liquidity flows amid low interest rates, expected amnesty scheme, and MSCI upgrade theme are likely to keep the market strong while, rising global policy uncertainty pose downside risk.

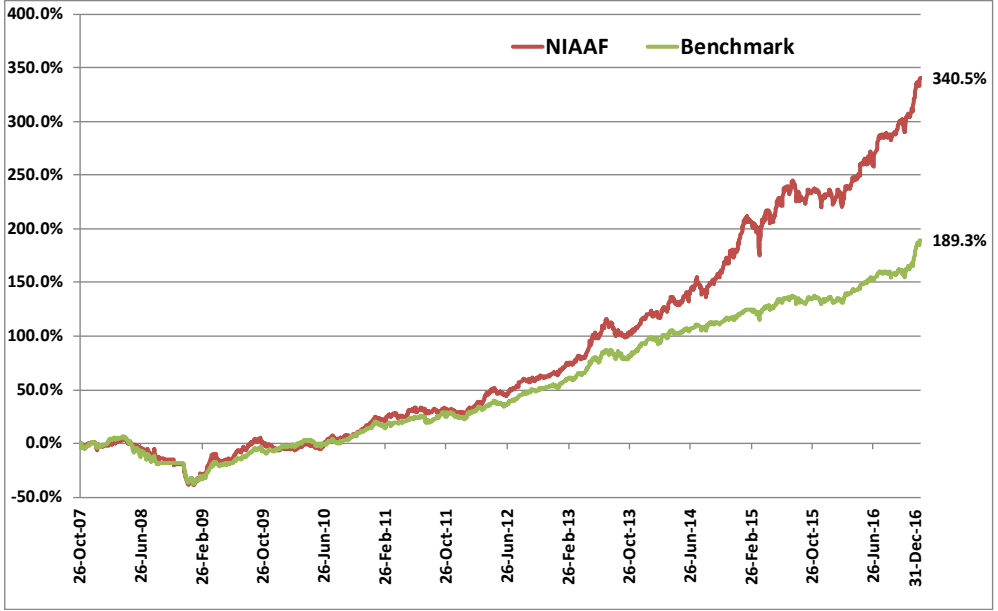
State Bank of Pakistan (SBP) maintained discount rate and policy rate at 6.25% and 5.75% respectively during the period under review. SBP cited improvement in macroeconomic stability, comfortable liquidity conditions coupled with healthy reserve accumulation, manageable in-flationary backdrop, and CPEC related projects gathering momentum being balanced against latent risks to external accounts/factors. However, there are risks to the external account emanating from expected increase in commodity/global oil prices, confluence of declining remittances, challenged exports outlook and mounting external debt levels that may imperil the medium-term sustainability of the Balance of Payments position and warrant decisive policy action. Long-term sovereign yields witnessed an average increase of around 50 basis points, reflecting an uptick in inflation and interest rates.

Trading activity in corporate debt securities (TFCs & Sukuks) remained thin and was recorded at around Rs.5 billion during the reported period. Demand for the high credit quality corporate bonds issuance was again witnessed. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR, mitigating the interest rate risk. The Fund has earned total income of Rs.1,717.05 million during the period. After deducting expenses of Rs.94.66 million, the net income is Rs.1,622.39 million. The asset allocation of the Fund as on December 31, 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: February 28, 2017  
Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فلٹرن ایسٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے لیے NAFA اسلامک ایسٹ ایلیکشن فنڈ (NIAAF) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

### فنڈ کی کارکردگی

NAFA ایسٹ ایلیکشن فنڈ کا سا سزاں مدت میں 5,435 ملین روپے سے بڑھ کر 10,025 ملین روپے ہو گیا، یعنی 84% کا اضافہ۔ پہلی ششماہی کے دوران NAFA ایسٹ ایلیکشن فنڈ کے یونٹ کی قیمت 30 جون 2016 کو 15.5920 روپے سے بڑھ کر 31 دسمبر 2016 کو 18.6026 روپے ہو گئی، لہذا 19.31% کا اضافہ دیکھا گیا۔ اسی مدت کے دوران بیچ مارک بڑھ کر 13.96% ہو گیا تھا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے 5.35% بہتر کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالی سال 2017 کی پہلی ششماہی کے دوران مثبت رجحان کے ساتھ MSCI ایمرجنگ مارکیٹ میں پاکستان اسٹاک ایکسچینج (PSX) کی از سر نو تشکیل ہوئی اور اس میں نرخ آمدن تناسب کی دوبارہ درجہ بندی بنیادی طور پر کارفرما تھی، اسٹاک مارکیٹ نے تقریباً 27% کا شاندار منافع فراہم کیا۔ کلیاتی معاشیات کے مثبت پہلو جیسے ترقی کے بہتر امکانات، افراط زر میں کمی، مستقبل قریب میں بہتری کی توقعات اور مستحکم شرح مبادلہ مارکیٹ کو تازہ سنجی اور نچائی حاصل کرنے میں معاون ثابت ہوئی۔ گھریلو لیکویڈیٹی کم شرح سود کا باعث بنا جس کی بدولت USD298mn کی بھاری غیر ملکی فروخت کے اثر کو زائل کرنے میں مدد ملی۔ آٹوموبیل اسمبلرز، انجنیئرنگ، آئل اور گیس کی مارکیٹنگ کمپنیاں اور ٹیکسٹائل کمپوزٹس ایکٹرز نے مارکیٹ کے مقابلے میں بہتر کارکردگی کا مظاہرہ کیا جب کہ پاور جنریشن، ڈسٹریبیوشن کمپنیاں اور فریٹ لائزر سیکٹرز کی کارکردگی نسبتاً اتر رہی۔ آگے بڑھتے ہوئے، متوقع ملکی اور غیر ملکی لیکویڈیٹی کا بہاؤ، کم شرح سود کی متوقع رعایتی اسکیموں اور MSCI کی از سر نو شمولیت مارکیٹ کو مضبوط کرنے کا باعث ہے، جبکہ بڑھتی ہوئی عالمی منصوبہ سازی کی غیر یقینی صورتحال خطرے کے منفی پہلو کو ظاہر کرتی ہے۔

اسٹیٹ بینک آف پاکستان (SBP) نے مذکورہ بالا مدت کے دوران ڈسکاونٹ ریٹ اور پالیسی ریٹ بالترتیب 6.25% اور 5.75% برقرار رکھی۔ SBP کے منوقف کے مطابق مستحکم کلیاتی معیشت، لیکویڈیٹی کی باسہولت صورت حال کے ساتھ زرمبادلہ کے ذخیرہ میں خاطر خواہ اضافہ، محدود افراط زر اور CPEC سے متعلقہ منصوبے بیرونی اکاؤنٹ اور عوام کے پوشیدہ خطرات سے نبرد آزما ہونے کے لئے برسر پیکار ہیں۔ تاہم بیرونی اکاؤنٹ کو عالمی تیل اور ایشیا، صرف کی قیمتوں میں متوقع اضافہ، گرتی ہوئی ترسیلات، برآمدات سے متعلق چیلنجز اور بڑھتی ہوئی بیرونی قرض کی سطح سے خطرات لاحق ہیں جو کہ ادائیگی کے توازن کو وسط مدتی دورانیہ میں متاثر کر سکتا ہے جس کے لئے منصوبہ سازی کی ضرورت ہوگی۔ طویل المیعاد خود مختار منافع میں تقریباً 50 بیس پوائنٹ کا اوسط اضافہ دیکھا گیا، جو افراط زر اور سود کی شرح میں معتدل اضافے کی عکاسی کرتا ہے۔

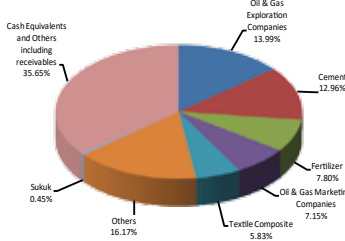
کارپوریٹ ڈیپٹ سیکیورٹیز (TFCs) اور سٹاک میں ہونے والی تجارتی سرگرمیوں میں جھکاؤ دیکھنے میں آیا اور تقریباً 5 بلین روپے پر ریکارڈ کیا۔ اعلیٰ



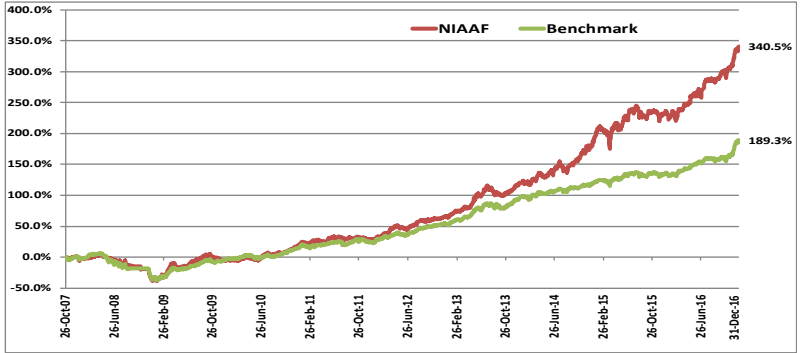
# NAFA ISLAMIC ASSET ALLOCATION FUND

کریڈٹ معیاری کارپوریٹ بانڈ کی اجراء کے مطالبہ کا ترجمان دوبارہ دیکھنے میں آیا۔ فنڈ میں تمام TFCS اور سلوک رواں شرح ہیں جو کہ KIBOR سے منسلک ہیں، جو سود کی شرح میں خطرے کی کمی کا باعث ہے۔

فنڈ نے اس مدت کے دوران 1,717.05 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 94.66 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 1,622.39 ملین روپے ہے۔ فنڈ کی ایسیٹ ایلوکیشن 31 دسمبر 2016 کو بمطابق ذیل ہے:



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



## اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر پونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ اینجینئرنگ کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور ہنمائی 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 منجٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 فروری 2017

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, 2016 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 28, 2017

# 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, 2016, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, 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, 2016 (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, 2016 have not been reviewed by us, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

### 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, 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other matter

The condensed interim financial information of the Fund for the half year ended December 31, 2015 and the annual financial statements of the Fund for the year ended June 30, 2016 were reviewed and audited respectively by another firm of Chartered Accountants who, through their report dated February 26, 2016 and September 23, 2016 expressed an unqualified conclusion and opinion respectively thereon.

**Deloitte Yousuf Adil**  
Chartered Accountants

**Engagement Partner**  
Naresh Kumar

**Date:** February 28, 2017  
**Place:** Karachi

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2016

	Note	(Un-audited) December 31, 2016	(Audited) June 30, 2016
(Rupees in '000)			
<b>ASSETS</b>			
Balance with banks	4	3,661,024	1,615,172
Investments	5	6,451,804	3,414,159
Mark-up accrued and dividend receivable		31,771	11,803
Receivable against sale of investments		2,501	53
Receivable against transfer of units		20,019	564,154
Deposits, prepayments and other receivables		3,954	2,837
<b>Total assets</b>		<b>10,171,073</b>	<b>5,608,178</b>
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	6	101,572	59,700
Payable to Central Depository Company of Pakistan Limited - Trustee	7	1,019	590
Payable to the Securities and Exchange Commission of Pakistan	8	3,929	3,343
Payable against redemption of units		-	21,699
Payable against transfer of units		-	24,821
Dividend payable		-	1,011
Accrued expenses and other liabilities	9	40,052	61,896
<b>Total liabilities</b>		<b>146,572</b>	<b>173,060</b>
<b>NET ASSETS</b>		<b>10,024,501</b>	<b>5,435,118</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>10,024,501</b>	<b>5,435,118</b>
<b>Contingencies and commitments</b>	10	-----Number of units-----	
<b>Number of units in issue</b>		<b>538,875,830</b>	<b>348,584,676</b>
<b>Net asset value per unit</b>		<b>18.6026</b>	<b>15.5920</b>
		-----Rupees-----	

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Rupees in '000					
<b>INCOME</b>					
Return / mark-up on:					
- bank balances		78,330	50,756	45,582	29,504
- sukuks		1,885	7,092	940	3,496
Dividend income		123,779	62,100	86,660	34,119
Net gain / (loss) on sale of investments		30,219	14,419	24,269	(3,827)
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss - held for trading	5.4	1,178,949	(63,893)	857,042	32,702
Reversal of provision against non-performing sukuks classified as available for sale		-	7,143	-	3,572
<b>Total income</b>		<b>1,413,162</b>	<b>77,617</b>	<b>1,014,493</b>	<b>99,566</b>
<b>EXPENSES</b>					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	6.1	71,024	36,285	41,459	19,797
Sindh Sales Tax on remuneration of the Management Company	6.2	9,233	5,893	5,390	3,215
Federal Excise Duty on remuneration of the Management Company	6.3	-	5,806	-	3,168
Reimbursement of operational expenses to the Management Company	6.4	3,551	392	2,073	392
Remuneration of Central Depository Company of Pakistan Limited - Trustee	7.1	4,055	2,317	2,325	1,241
Sindh Sales Tax on remuneration of the Trustee	7.2	527	324	302	173
Annual fee to the Securities and Exchange Commission of Pakistan	8.1	3,929	1,542	2,672	841
Securities transaction cost		2,153	1,455	1,800	543
Settlement and bank charges		420	481	190	214
Auditors' remuneration		352	261	225	101
Fund rating fee		-	86	-	43
Legal and professional charges		-	25	-	25
Annual listing fee		28	20	18	10
Printing charges		-	160	-	160
Shariah advisor fee		141	-	141	-
<b>Total expenses</b>		<b>95,413</b>	<b>55,047</b>	<b>56,595</b>	<b>29,923</b>
<b>Net income from operating activities</b>		<b>1,317,749</b>	<b>22,570</b>	<b>957,898</b>	<b>69,643</b>
Net element of income and capital gains included in prices of units issued less those in units redeemed		304,644	57,440	244,202	10,604
<b>Net income for the period before taxation</b>		<b>1,622,393</b>	<b>80,010</b>	<b>1,202,100</b>	<b>80,247</b>
Taxation	12	-	-	-	-
<b>Net income for the period after taxation</b>		<b>1,622,393</b>	<b>80,010</b>	<b>1,202,100</b>	<b>80,247</b>
<b>Earnings per unit</b>	13				

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
Net income for the period after taxation	1,622,393	80,010	1,202,100	80,247
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to the income statement:				
Net unrealised gain on re-measurement investments classified as available for sale	-	3,348	-	2,749
<b>Total comprehensive income for the period</b>	<u>1,622,393</u>	<u>83,358</u>	<u>1,202,100</u>	<u>82,996</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
<b>Undistributed income brought forward comprising of:</b>				
- realized income	182,540	344,721	714,741	560,004
- unrealized income / (loss)	433,815	247,527	321,907	(96,595)
	616,355	592,248	1,036,648	463,409
Net income for the period	1,622,393	80,010	1,202,100	80,247
Final distribution for the year ended June 30, 2016: Nil (2015: cash distribution @ Rs. 0.8365 per unit declared on July 16, 2015)	-	(128,689)	-	-
Element of income and capital gains included in prices of units issued less those in units redeemed	-	101	-	14
Undistributed income carried forward	2,238,748	543,670	2,238,748	543,670
<b>Undistributed income carried forward comprising of:</b>				
- realized income	1,059,799	607,563	1,381,706	510,968
- unrealized income / (loss)	1,178,949	(63,893)	857,042	32,702
	2,238,748	543,670	2,238,748	543,670

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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 (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
Net assets at beginning of the period [Rs. 15.5920 per unit (June 30, 2015: Rs. 15.9909 per unit)]	5,435,118	2,563,446	6,724,408	3,635,046
Issuance of 417,433,957 units (December 31, 2015: 243,278,906 units)	7,126,356	3,813,557	4,964,580	1,180,563
Redemption of 227,142,803 units (December 31, 2015: 151,055,103 units)	(3,854,722)	(2,363,743)	(2,622,385)	(977,512)
	3,271,634	1,449,814	2,342,195	203,051
Net element of loss and capital losses included in prices of units issued less those in units redeemed - transferred to income statement	(304,644)	(57,440)	(244,202)	(10,604)
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to distribution statement	-	(101)	-	(14)
Total comprehensive income for the period	1,622,393	83,358	1,202,100	82,996
<b>Distributions during the period</b>				
Final distribution for the year ended June 30, 2016: Nil (2015: cash distribution @ Rs. 0.8365 per unit declared on July 16, 2015)	-	(128,689)	-	-
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to distribution statement	-	101	-	14
Net assets at end of the period [Rs. 18.6026 per unit (December 31, 2015: Rs. 15.4852 per unit)]	<u>10,024,501</u>	<u>3,910,489</u>	<u>10,024,501</u>	<u>3,910,489</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA ISLAMIC ASSET ALLOCATION FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Note	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- Rupees in '000 -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	1,622,393	80,010	1,202,100	80,247
<b>Adjustments:</b>				
Return / mark-up on:				
- bank balances	(78,330)	(50,756)	(45,582)	(29,504)
- sukuks	(1,885)	(7,092)	(940)	(3,496)
Dividend income	(123,779)	(62,100)	(86,660)	(34,119)
Net (gain) / loss on sale of investments	(30,219)	(14,419)	(24,269)	3,827
Net unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss - held for trading	(1,178,949)	63,893	(857,042)	(32,702)
Net element of income and capital gains included in prices of units issued less those in units redeemed	(304,644)	(57,440)	(244,202)	(10,604)
Reversal of provision against non-performing sukuks classified as available for sale	-	(7,143)	-	(3,572)
	(95,413)	(55,047)	(56,595)	(29,923)
<b>Increase in assets</b>				
Investments - net	(1,828,477)	(482,733)	(1,644,664)	(328,091)
Deposits, prepayments and other receivables	(1,117)	(224)	(1,071)	(95)
Receivable against sale of investments	(2,448)	-	(2,501)	-
	(1,832,042)	(482,957)	(1,648,236)	(328,186)
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	41,872	12,583	33,163	12,093
Payable to the Trustee	429	174	267	36
Payable to the Securities and Exchange Commission of Pakistan	586	350	2,117	841
Accrued expenses and other liabilities	(21,844)	(13,952)	3,320	43
	21,043	(845)	38,867	13,013
Mark-up on bank balances received	67,272	44,786	56,923	29,236
Mark-up on sukuks received	114,880	7,129	114,880	3,529
Dividend received	1,874	64,554	2,316	58,389
	184,026	116,469	174,119	91,154
<b>Net cash used in operating activities</b>	<b>(1,722,386)</b>	<b>(422,380)</b>	<b>(1,491,845)</b>	<b>(253,942)</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	7,670,491	3,882,975	4,959,857	1,171,072
Amounts paid on redemption of units	(3,901,242)	(2,579,990)	(2,657,919)	(947,760)
Distributions paid	(1,011)	(140,307)	-	-
<b>Net cash generated from financing activities</b>	<b>3,768,238</b>	<b>1,162,678</b>	<b>2,301,938</b>	<b>223,312</b>
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	<b>2,045,852</b>	<b>740,298</b>	<b>810,093</b>	<b>(30,630)</b>
Cash and cash equivalents at the beginning of the period	1,615,172	977,085	2,850,931	1,748,013
Cash and cash equivalents at the end of the period	4 3,661,024	1,717,383	3,661,024	1,717,383

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

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, 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 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 'AM2++' to the Management Company while the Fund is currently not rated.

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 Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of the IFRS, the requirements of NBFC Rules, the NBFC Regulations or the directives issued by SECP shall prevail.

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 should be read in conjunction with the annual financial statements of the Fund for the year ended June 30, 2016.

In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information give a true and fair view of the state of the Fund's affairs as at December 31, 2016.

#### 2.2 Basis of measurement

This condensed interim financial information has 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.

#### 2.4 Estimates and judgements

The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, 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, 2016.

# NAFA ISLAMIC ASSET ALLOCATION FUND

## 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, 2016.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Fund as at and for the year ended June 30, 2016.

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
<b>4 BALANCE WITH BANKS</b>			
Current accounts	4.1	170,886	163,219
Saving accounts	4.1 & 4.2	3,490,138	1,451,953
		<u>3,661,024</u>	<u>1,615,172</u>

4.1 This includes Rs 49.04 million pertaining to amounts from other collective investment schemes being managed by the Management Company in respect of units issued to various unit holders based on their request for transfer of units from other collective investment scheme to the Fund which have been cleared subsequent to the period end.

4.2 These saving accounts carry markup at rates ranging from 5.00% to 6.75% per annum ( June 30, 2016: 5.00% to 8.00% per annum).

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Listed equity securities	5.1	6,406,413	3,369,248
Sukuku	5.2	45,391	44,911
<b>Available for sale</b>			
Sukuku	5.3	-	-
		<u>6,451,804</u>	<u>3,414,159</u>

## 5.1 Listed equity securities

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issues	Sold during the period	As at December 31, 2016	Market value as at December 31, 2016	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
						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	89,100	38,100	-	-	127,200	87,084	0.87	1.35	0.15
Pakistan State Oil Company Limited	731,196	189,000	-	35,000	885,196	384,361	3.83	5.96	0.33
Hascol Petroleum Limited (Refer 5.1.2)	2,604	-	-	-	2,604	879	0.01	0.01	0.00
Shell Pakistan Limited	201,100	271,600	-	-	472,700	244,528	2.44	3.79	0.44
							7.15	11.11	

### OIL AND GAS EXPLORATION COMPANIES

Mari Petroleum Company Limited	214,050	92,550	-	-	306,600	421,547	4.21	6.53	0.28
Oil and Gas Development Company Limited	489,000	1,402,800	-	-	1,891,800	312,809	3.12	4.85	0.04
Pakistan Oilfields Limited	537,760	130,400	-	18,500	649,660	347,321	3.46	5.38	0.27
Pakistan Petroleum Limited	904,570	839,200	-	37,000	1,706,770	321,180	3.20	4.98	0.09
							13.99	21.74	

### REFINERY

Attock Refinery Limited	184,600	-	-	34,000	150,600	64,050	0.64	0.99	0.18
							0.64	0.99	

# NAFA ISLAMIC ASSET ALLOCATION FUND

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issues	Sold during the period	As at December 31, 2016	Market value as at December 31, 2016	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
<b>Rupees in '000</b> ----- % -----									
<b>CHEMICALS</b>									
AKZO Noble Pakistan Limited	29,900	-	-	-	29,900	6,997	0.07	0.11	0.06
Dyneen Pakistan Limited	21,500	-	-	-	21,500	1,148	0.01	0.02	0.23
Ittihad Chemicals Limited	464,750	-	-	137,000	327,750	13,185	0.13	0.20	0.50
							0.21	0.33	
<b>FOOD AND PERSONAL CARE PRODUCTS</b>									
Al Shaheer Corporation Limited (Refer 5.1.2)	927,525	50,000	139,129	-	1,116,654	64,096	0.64	0.99	0.79
Engro Foods Limited	-	401,000	-	200,500	200,500	38,484	0.38	0.60	0.03
							1.02	1.59	
<b>LEATHER AND TANNERIES</b>									
Service Industries Limited	26,000	-	-	-	26,000	38,925	0.39	0.60	0.22
							0.39	0.60	
<b>ENGINEERING</b>									
International Industries Limited	-	18,000	-	-	18,000	3,667	0.04	0.06	0.02
Mughal Iron And Steel Industries Limited (Refer 5.1.2)	829,125	-	-	147,000	682,125	60,136	0.60	0.93	0.54
K.S.B. Pumps Company Limited	-	8,200	-	-	8,200	3,348	0.03	0.05	0.06
							0.67	1.04	
<b>CEMENT</b>									
Attock Cement Pakistan Limited	410,900	317,400	-	-	728,300	244,898	2.44	3.80	0.64
D.G. Khan Cement Company Limited	497,500	693,500	-	-	1,191,000	264,080	2.63	4.09	0.27
Maple Leaf Cement Factory Limited	738,500	255,500	-	-	994,000	126,815	1.27	1.97	0.19
Fauji Cement Company Limited	2,486,500	-	-	-	2,486,500	112,091	1.12	1.74	0.18
Pioneer Cement Limited	535,500	689,200	-	-	1,224,700	174,018	1.74	2.70	0.54
FACTO Cement Limited	276,500	-	-	37,300	239,200	28,491	0.28	0.44	0.48
Lucky Cement Limited	330,700	103,000	-	30,800	402,900	349,016	3.48	5.41	0.12
							12.96	20.15	
<b>TRANSPORT</b>									
Pakistan National Shipping Corporation	174,200	-	-	-	174,200	28,112	0.28	0.44	0.13
							0.28	0.44	
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Limited	1,083,100	893,000	-	-	1,976,100	300,901	3.00	4.66	0.56
Kohinoor Textile Mills Limited (Refer 5.1.2)	1,964,600	475,000	-	-	2,439,600	283,482	2.83	4.39	0.86
							5.83	9.05	
<b>FERTILIZER</b>									
Dawood Hercules Corporation Limited	-	267,200	-	-	267,200	38,565	0.38	0.60	0.06
Engro Fertilizers Limited	1,885,000	2,180,000	-	-	4,065,000	276,339	2.76	4.28	0.31
Fatima Fertilizer Company Limited	2,500	-	-	-	2,500	92	0.00	0.00	0.00
Fauji Fertilizer Bin Qasim Limited	825,000	-	-	-	825,000	42,248	0.42	0.65	0.09
Fauji Fertilizer Company Limited	68	-	-	68	-	-	-	-	-
Engro Corporation Limited	758,200	586,500	-	-	1,344,700	425,046	4.24	6.59	0.26
							7.81	12.12	
<b>POWER GENERATION AND DISTRIBUTION</b>									
The Hub Power Company Limited	1,360,260	349,400	-	228,100	1,481,560	182,943	1.82	2.84	0.13
Lalpur Power Limited	857,000	-	-	450,000	407,000	9,849	0.10	0.15	0.11
Pakgen Power Limited	1,079,500	-	-	1,074,500	5,000	134	0.00	0.00	0.00
Kof Adu Power Company Limited	1,532,500	-	-	-	1,532,500	120,761	1.20	1.87	0.17
K-Electric Limited	5,123,000	3,000,000	-	2,105,000	6,018,000	56,389	0.56	0.87	0.02
							3.69	5.73	
<b>COMMERCIAL BANKS</b>									
Meezan Bank Limited	665,781	-	-	-	665,781	45,346	0.45	0.70	0.07
							0.45	0.70	
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	-	253,500	-	-	253,500	229,331	2.29	3.55	0.57
Indus Motor Company Limited	114,380	20,000	-	-	134,380	216,961	2.16	3.36	0.17
Hinopak Motors Limited	-	1,780	-	-	1,780	3,227	0.03	0.05	0.01
Sazgar Engineering Works Limited	171,500	-	-	171,500	-	-	-	-	-
							4.47	6.96	
<b>AUTOMOBILE PARTS AND ACCESSORIES</b>									
Baluchistan Wheels Limited	227,000	-	-	-	227,000	29,549	0.29	0.46	1.70
Thal Limited	159,196	900	-	-	160,096	81,414	0.81	1.26	0.20
							1.11	1.72	

# NAFA ISLAMIC ASSET ALLOCATION FUND

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issues	Sold during the period	As at December 31, 2016	Market value as at December 31, 2016	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
						Rupees in '000	----- % -----		
<b>PHARMACEUTICALS</b>									
Abbott Laboratories (Pakistan) Limited	30,500	-	-	-	30,500	29,191	0.29	0.45	0.03
Ferozsons Laboratories Limited	18,150	-	-	-	18,150	13,590	0.14	0.21	0.06
The Searle Company Limited (Refer 5.1.2)	69,223	-	9,691	-	78,914	51,593	0.51	0.80	0.06
Glaxosmithkline Pakistan Limited	97,100	-	-	-	97,100	22,653	0.23	0.35	0.03
							1.17	1.81	
<b>TECHNOLOGY AND COMMUNICATION</b>									
Avanceon Limited	1,029,500	-	-	-	1,029,500	35,878	0.36	0.56	0.97
							0.36	0.56	
<b>CABLE AND ELECTRIC GOODS</b>									
Pak Elektron Limited	1,062,500	351,000	-	105,000	1,308,500	93,270	0.93	1.45	0.26
							0.93	1.45	
<b>GLASS AND CERAMICS</b>									
Tariq Glass Industries Limited	685,000	75,500	-	-	760,500	76,395	0.76	1.22	1.04
							0.76	1.22	
						<b>6,406,413</b>	<b>63.90</b>	<b>99.30</b>	
Carrying value before mark to market as at December 31, 2016						<u>5,227,944</u>			

5.1.1 Investments include shares with market value of Rs. 107.872 million (June 30, 2016: Rs. 89.792 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 five 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 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 five percent of bonus announcement and not yet deposited in CDC account of department of Income Tax.

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

Name of the investee company	Number of certificates				Market value as at December 31, 2016	Investment as a percentage of			
	As at July 1, 2016	Purchased during the period	Sold / matured during the period	As at December 31, 2016		Net assets	Market value of total investments	Issue size	
						Rupees in '000	----- % -----		
K-Electric Limited - AZM Sukuk 2	9,000	-	-	9,000	45,391	0.45	0.70	1.20	
Carrying value before mark to market as at December 31, 2016					<u>44,911</u>				

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

# NAFA ISLAMIC ASSET ALLOCATION FUND

## 5.3 Sukuks - available for sale

Name of the investee company	Note	Number of certificates				Market value as at December 31, 2016	Investment as a percentage of		
		As at July 1, 2016	Purchased during the period	Sold / Matured during the period	As at December 31, 2016		Net assets	Market value of total investments	Issue size

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

Rupees in '000-----%

Eden Housing Limited	5.3.1	5,000	-	-	5,000	-		3.42
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Carrying value as at December 31, 2016 4,922

Accumulated impairment 4,922

5.3.1 This represents investment in privately placed sukuks with a term of five years. On May 6, 2011, the investee company defaulted its principal and profit payment and therefore it was classified as non performing asset by MUFAP. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

### 5.3.2

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

5.3.3 Other particulars of sukuks outstanding as at December 31, 2016 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue Date	Maturity Date
K-Electric Limited - AZM Sukuk 2	5,000	3 Month KIBOR ask rate plus 2.25%	AA+	9-Mar-14	9-Mar-17
Eden House Limited	984	6 Month KIBOR ask rate plus 2.5%	Not rated	31-Mar-08	31-Mar-13

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
5.4 Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss - held for trading		----- Rupees in '000 -----	
Market value of investments	5.1, 5.2	6,451,804	3,414,159
Less: carrying value of investments	5.1, 5.2	(5,272,855)	(3,143,767)
		<u>1,178,949</u>	<u>270,392</u>
5.5 Net unrealised gain / (loss) on re-measurement of investments classified as available for sale			
Market value of investments	5.3	-	-
Less: carrying value of investments		(4,922)	(4,922)
		<u>(4,922)</u>	<u>(4,922)</u>
Add: provision against non performing sukuks		4,922	4,922
		<u>-</u>	<u>-</u>
5.6 Movement in provision against non-performing sukuks			
Opening balance		4,922	22,779
Reversal of provision against non performing sukuks		-	(17,857)
Closing balance		4,922	4,922

# NAFA ISLAMIC ASSET ALLOCATION FUND

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
<b>6 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		----- Rupees in '000 -----	
Remuneration of the Management Company	6.1	16,394	8,125
Sindh Sales Tax on remuneration of the Management Company	6.2	2,128	1,317
Federal Excise Duty on remuneration of the Management Company	6.3	18,406	18,406
Operational expenses	6.4	3,551	2,509
Sales load		38,329	9,777
Sindh Sales Tax and Federal Excise Duty on sales load		22,764	19,566
		<u>101,572</u>	<u>59,700</u>

- 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 three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent 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 two percent of the average annual net assets of the Fund from that date.

- 6.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 6.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC).

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 18.406 million as at December 31, 2016.

Had the provision not being made, the net asset value per unit as at December 31, 2016 would have been higher by Rs.0.0342 per unit (June 30, 2016: Rs. 0.0534 per unit).

- 6.4 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.

# NAFA ISLAMIC ASSET ALLOCATION FUND

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
		----- Rupees in '000 -----	
<b>7</b>	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
	Remuneration of the Trustee	7.1	905
	Sindh Sales Tax on remuneration of the Trustee	7.2	114
		1,019	590

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.

Tariff structure applicable to the Fund as at December 31, 2016 is as follows:

Net asset value	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.7 million or 0.20% per annum of net assets, whichever is higher.
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net assets exceeding Rs.1,000 million.

7.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) 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 0.095 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
		----- Rupees in '000 -----	
<b>9</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Auditors' remuneration	351	418
	Provision for Workers' Welfare Fund	11	15,790
	Bank charges	3	193
	Settlement charges	52	17
	Printing charges	90	159
	Charity	5,102	2,822
	Withholding tax	5,544	37,740
	Capital gain tax	12,750	4,537
	Others	370	220
		40,052	61,896

## 10 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2016 and June 30, 2016.



# NAFA ISLAMIC ASSET ALLOCATION FUND

## 11 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that Workers Welfare Fund (WWF) is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

"Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- The entire provision against the Federal WWF held by the mutual funds till June 30, 2015, to be reversed on January 12, 2017; and
- The provision in respect of Sindh WWF should be made on a prudent basis on January 12, 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Accordingly, the provision for Sindh WWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The net effect of the above two adjustments if these had been made on December 31, 2016 would have resulted in decrease in the net asset value per unit of the Fund by Rs. 0.0573.

## 12 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.

## 13 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.

# NAFA ISLAMIC ASSET ALLOCATION FUND

## 14 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 (14.1)	4,922	(4,922)	-	-	-

14.1 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.

## 15 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net assets for the period) is 2.68% per annum including 0.38% representing government levies on collective investment scheme such as sales tax and Securities and Exchange Commission of Pakistan fee for the period.

## 16 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

16.1 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.

16.2 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.

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

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

# NAFA ISLAMIC ASSET ALLOCATION FUND

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

	(Unaudited)			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
<b>NBP Fullerton Asset Management Limited (Management Company)</b>				
Remuneration of the Management Company	71,024	36,285	41,459	19,797
Sindh Sales Tax on remuneration of the Management Company	9,233	5,893	5,390	3,215
Federal Excise Duty on remuneration of the Management Company	-	5,806	-	3,168
Reimbursement of operational expenses to the Management Company	3,551	392	2,073	392
Sales load and related Sindh Sales Tax and Federal Excise Duty	87,048	47,078	48,751	18,442
<b>Central Depository Company of Pakistan Limited (Trustee)</b>				
Remuneration of the Trustee	4,055	2,317	2,325	1,241
Sindh Sales Tax on remuneration of the Trustee	527	324	302	173
<b>Employees of the Management Company</b>				
Units issued / transferred in 370,821 units (2015: 1,721,898 units)	6,235	27,147	3,324	6,284
Units redeemed / transferred out 378,730 units (2015: 1,763,293 units)	6,333	27,946	3,399	9,372
Dividend re-invest: Nil (2015: 25,012 units)	-	395	-	-
<b>Taurus Securities Limited (Subsidiary of Parent of the Management Company)</b>				
Brokerage charges	158	96	151	6
<b>National Bank of Pakistan (Parent of the Management Company)</b>				
Cash dividend paid	-	11,618	-	-
<b>Chief Financial Officer of the Management Company</b>				
Units issued / transferred in 54,049 units (2015: Nil)	913	-	-	-
<b>NAFA Islamic Principal Preservation Fund (CIS managed by the Management Company)</b>				
Units issued / transferred in Nil (2015: 14,373,672 units)	-	228,778	-	49,796
Units redeemed / transferred out Nil (2015: 21,482,965 units)	-	327,931	-	110,122
<b>Aamir Sattar (Director of the Management Company)</b>				
Units issued / transferred in 47,031 units (2015: Nil)	800	-	800	-
Dividend re-invest Nil (2015: 3,029 units)	-	48	-	-
<b>International Industries Limited (Common directorship with the Management Company)</b>				
Shares purchased 18,000 (2015: Nil)	2,250	-	-	-

# NAFA ISLAMIC ASSET ALLOCATION FUND

	(Un-audited) December 31, 2016	Audited June 30, 2016
	----- Rupees in '000 -----	
<b>16.6 Amounts outstanding as at period / year end are as follows:</b>		
<b>NBP Fullerton Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	16,394	8,125
Sindh Sales Tax on remuneration of the Management Company	2,128	1,317
Federal Excise Duty on remuneration of the Management Company	18,406	18,406
Operational expenses	3,551	2,509
Sales load	38,329	9,777
Sindh Sales Tax and Federal Excise Duty on sales load	22,764	19,566
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the Trustee	905	520
Sindh Sales Tax on remuneration of the Trustee	114	70
CDS charges	3	33
Security deposit	100	100
<b>National Bank of Pakistan (Parent of the Management Company)</b>		
Bank balance	5,156	26,902
<b>International Industries Limited (Common directorship with the Management Company)</b>		
Ordinary shares held 18,000 shares (2016: Nil)	3,667	-
<b>Summit Bank Limited (Common directorship with the Management Company)</b>		
Bank balance	8,491	8,878
<b>Aamir Sattar (Director of the Management Company)</b>		
Investment held in the Fund 219,214 units (2016: 172,210 units)	4,078	2,685
<b>Chief Financial Officer of the Management Company</b>		
Investment held in the Fund 54,049 units (2016: Nil)	1,005	-
<b>Employees of the Management Company</b>		
Investment held in the Fund 605,610 units (2016: 613,520 units)	11,266	9,566
<b>Taurus Securities Limited (Subsidiary of Parent of the Management Company)</b>		
Brokerage payable	79	-
<b>Net amount receivable / (payable) against transfer of units from / to:</b>		
NAFA Islamic Aggressive Income Fund	-	(22,710)
NAFA Asset Allocation Fund	-	26,139
NAFA Riba Free Savings Fund	-	10,466
NAFA Islamic Principal Protected Fund - I	-	6,512
NAFA Islamic Principal Protected Fund - II	-	7,498
NAFA Islamic Stock Fund	-	261,074
NAFA Stock Fund	-	2,662
NAFA Islamic Energy Fund	-	214,028
NAFA Government Securities Liquid Fund	-	(1,411)
NAFA Income Opportunity Fund	20,019	35,775
NAFA Government Securities Savings Fund	-	(700)

# NAFA ISLAMIC ASSET ALLOCATION FUND

## 17 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:

Assets	As at December 31, 2016			Total
	Level 1	Level 2	Level 3	
-----Rupees in '000-----				
At fair value through profit or loss - held for trading				
Listed equity securities	6,406,413	-	-	6,406,413
Sukuks	-	45,391	-	45,391
Assets	As at June 30, 2016			Total
	Level 1	Level 2	Level 3	
-----Rupees in '000-----				
At fair value through profit or loss - held for trading				
Listed equity securities	3,369,248	-	-	3,369,248
Sukuks	-	44,911	-	44,911

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 other 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.

## 18 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 28, 2017 by the Board of Directors of the Management Company.

## 19 GENERAL

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

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



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

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