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Rated by PACRA



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

NAFA ISLAMIC INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

QUARTERLY
REPORT **September 30**
2017




Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



To rank in the top quartile
in performance of
NAFA FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.

NAFA ISLAMIC INCOME FUND
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NAFA ISLAMIC INCOME FUND

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FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Lui Mang Yin (Martin Lui)	Member

Trustee

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

Bankers to the Fund

Al-Baraka Bank (Pakistan) Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Dubai Islamic Bank Limited
National Bank of Pakistan
Silk Bank Limited
MCB Bank Limited
Meezan Bank Limited
Habib Bank Limited
Bank Islami Pakistan Limited
Sindh Bank Limited
Summit Bank Limited
United Bank Limited
JS Bank Limited

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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 INCOME FUND

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DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Islamic Income Fund** (NIIF) (formerly: NAFA Islamic Aggressive Income Fund) for the quarter ended September 30, 2017.

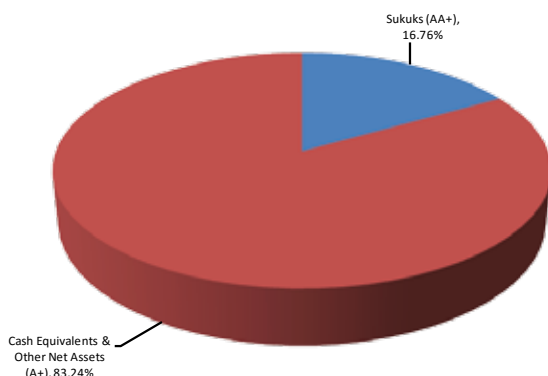
Fund's Performance

The size of NAFA Islamic Income Fund has decreased from Rs. 4,876 million to Rs. 4,335 million during the quarter, i.e. a decrease of 11%. During the period under review, the unit price of the Fund has increased from Rs. 9.5036 (ex-Div) on June 30, 2017 to Rs. 9.6130 on September 30, 2017; thus posting a return of 4.6% as compared to its Benchmark return of 2.3%. The performance of the Fund is net of management fee and all other expenses.

NIIF is categorized as Islamic Income Scheme and has been awarded stability rating of A- (f) by PACRA. SECP has approved the change in category of NAFA Islamic Aggressive Income Fund from Shariah Compliant Aggressive Income Fund to Shariah Compliant Income Fund w.e.f. March 14, 2017. Consequently name of NAFA Islamic Aggressive Income Fund has been changed to NAFA Islamic Income Fund from March 14, 2017.

During the period, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited that macroeconomic environment remains conducive to growth without impacting headline inflation. Average CPI inflation eased to 3.4% in Jul-Sep FY18 compared to 3.9% during the same period last year. Given potential risks to inflation and interest rates from deteriorating Balance of Payment (BoP) position, investors' preference tilted towards short-term government securities as indicated by heavy participation in 03 month T-bills. During the quarter, T-bill yields remained almost unchanged however, PIB yields increased by 45 bps, 56 bps and 13 bps for the 3 year, 5 year and 10 year tenors, respectively. With pickup in private sector investment activity we have seen increased issuance of corporate debt securities. Trading activity in corporate TFCs/Sukuks increased slightly with a cumulative trade value of around Rs. 2.5 billion as compared to Rs. 1.5 billion during 1QFY17 with Banking sector making up the lion's share.

The Fund has earned total income of Rs.57.13 million during the period. After accounting for expenses of Rs.10.71 million, the net income is Rs.46.42 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIIF:



NAFA ISLAMIC INCOME FUND

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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 27, 2017
Place: Karachi.

NAFA ISLAMIC INCOME FUND

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ڈائریکٹر رپورٹ

این بی پی فلرٹن ایسٹ پیمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک انکم فنڈ (NIIF) (سابقہ NAFA اسلامک ایگریسو انکم فنڈ) کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے ختم شدہ ماہی 30 ستمبر 2017 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

فنڈ کی کارکردگی

اس سہ ماہی کے دوران، NAFA اسلامک انکم فنڈ (NIIF) کا حجم 4,876 ملین روپے سے کم ہو کر 4,335 ملین روپے ہو گیا جو 11 فیصد کم ہے۔ زیر جائزہ مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 9.5033 (Ex-Div) روپے سے بڑھ کر 30 ستمبر 2017 کو 9.6130 روپے ہو گئی، جو کہ شیئنگ مارک کے منافع 2.3 فیصد کے مقابلے میں 4.6 فیصد منافع کی نشاندہی کرتا ہے۔ یہ کارکردگی انتظامیہ کے معاوضہ اور دیگر تمام اخراجات نکالنے کے بعد ہے۔

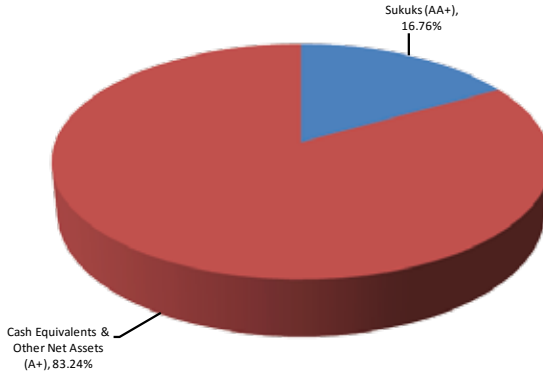
NIIF کی درجہ بندی اسلامک انکم فنڈ میں کی گئی ہے اور اسے PACRA نے A- (f) کی مستحکم درجہ بندی سے نوازا ہے۔ 14 مارچ 2017 سے SECP نے NAFA اسلامک ایگریسو انکم فنڈ کی درجہ بندی شریعہ کمپلائنسٹ ایگریسو انکم فنڈ سے نکال کر شریعہ کمپلائنسٹ انکم فنڈ میں کردی ہے۔ جس کے نتیجے میں 14 مارچ 2017 سے NAFA اسلامک ایگریسو انکم فنڈ کا نام تبدیل ہو کر NAFA اسلامک انکم فنڈ ہو گیا ہے۔

اس مدت کے دوران، اسٹیٹ بینک آف پاکستان نے اپنے پالیسی نرخ 5.75% پر برقرار رکھے۔ SBP نے کلی معاشی معاملات کو ترقی کے لئے موزوں قرار دیا اس بات کی پرواہ کئے بغیر کہ افراط زر کے کیا اثرات مرتب ہونگے۔ جولائی سے ستمبر مالی سال 2018 کے دوران درمیانی CPI افراط زر میں قدرے کمی آئی جو کہ 3.4 فیصد رہی جو پچھلے سال اسی مدت کے دوران 3.9 فیصد تھی۔ توازن ادائیگی کی گہڑتی ہوئی صورتحال کے پیش نظر افراط زر اور سودی نرخوں میں متوقع اضافے کی وجہ سے 3 ماہ کی مدت کی قلیل المیعاد حکومتی تسکات کی طرف سرمایہ داروں کا رجحان رہا جس کی نشاندہی سہ ماہی T-Bills میں بھاری سرمایہ کاری سے ہوتی ہے۔ اس سہ ماہی کے دوران T-Bills پر منافع تقریباً غیر متزلزل رہا تاہم PIB کی تین سالہ، پانچ سالہ اور 10 سالہ مدتی اسکیموں کے منافع میں بالترتیب 45 بی پی ایس، 56 بی پی ایس اور 13 بی پی ایس اضافہ ہوا۔ پرائیویٹ سیکٹر میں سرمایہ کاری کی سرگرمیوں میں اضافہ کی وجہ سے کارپوریٹ قرضہ کی تسکات میں اضافہ دیکھنے میں آیا۔ ٹریڈنگ کی سرگرمیوں کی وجہ سے کارپوریٹ TFCs / سکوک میں معمولی اضافہ ہوا جس کے باعث 2.5 ملین روپے مالیت کے مجموعی سودے ہوئے جبکہ مالی سال 2017 کی پہلی سہ ماہی میں 1.5 ملین تھے۔ مذکورہ بالا سہ ماہی میں بینکنگ سیکٹر کا ایک بہت بڑا حصہ ہے۔

فنڈ کو اس مدت کے دوران 57.13 ملین روپے کی آمدنی ہوئی۔ 10.71 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 46.42 ملین روپے ہو گئی۔ مندرجہ ذیل چارٹ اثاثوں کی تخصیص اور NIIF کے ہر ذیل اثاثے کی اوزانی اوسط کی کریڈٹ درجہ بندی کو ظاہر کرتا ہے:

NAFA ISLAMIC INCOME FUND

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اعتراف

اس موقع پر بورڈ اپنے تمام یونٹ ہولڈرز کا شکریہ ادا کرتے ہیں جنہوں نے انتظامی کمپنی پر اپنے بھروسے اور اعتماد کا اظہار کیا اور ہمیں اپنی خدمت کا موقع دیا۔ بورڈ اپنی مخلصانہ ستائش سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک کو ان کی سرپرستی اور رہنمائی پر پیش کرتا ہے۔

بورڈ بخوشی اس بات کا اعتراف کرتا ہے کہ ملازمین اور سٹیز نے انتھک محنت، جدوجہد اور لگن سے کام کیا۔

از طرف بورڈ

این بی پی فلرٹن ایسیٹ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ: اکتوبر 27، 2017

بمقام کراچی

NAFA ISLAMIC INCOME FUND

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CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2017

	Note	(Un- Audited) September 30' 2017	Audited June 30, 2017
(Rupees in '000)			
ASSETS			
Balances with banks		3,609,214	4,210,904
Investments	4	726,487	430,906
Profit receivable	5	25,798	16,556
Receivable against conversion of units		5,417	262,484
Advances, deposits, prepayments and other receivables		1,589	1,403
Total assets		4,368,505	4,922,253
LIABILITIES			
Payable to Management Company		6,294	7,173
Payable to Trustee		415	321
Payable to Securities and Exchange Commission of Pakistan		771	2,104
Payable on redemption of units		2,476	4,081
Payable against conversion of units		-	7,995
Dividend Payable		3,256	768
Accrued expenses and other liabilities	6	19,751	23,634
Total liabilities		32,963	46,076
Net Assets		<u>4,335,542</u>	<u>4,876,177</u>
Unit Holders' Funds (as per statement attached)		<u>4,335,542</u>	<u>4,876,177</u>
Commitments	13	-	-
-----Number of units-----			
Number of units in issue		<u>451,009,101</u>	<u>512,725,293</u>
------(Rupees)-----			
Net asset value per unit		<u>9.6130</u>	<u>9.5103</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

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CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Note	Quarter Ended September 30' 2017 (Rupees in '000)	Quarter Ended September 30, 2016
INCOME			
Income from sukuk, ijarah bonds		7,789	2,269
Income from certificates of musharika		1,270	-
Profit on bank deposits		51,486	38,603
Net unrealised (diminution) / appreciation in the value of investments carried 'at fair value through profit or loss'		(3,418)	604
Total Income		<u>57,127</u>	<u>41,476</u>
EXPENSES			
Remuneration of the Management Company		5,613	3,868
Sindh Sales Tax on Management Fee		730	503
Accounting and operational charges to the Management Company		1,028	638
Remuneration of the Trustee		1,088	757
Sindh Sales Tax on Trustee Fee		141	98
Annual fee - Securities and Exchange Commission of Pakistan		771	479
Settlement and bank charges		92	184
Annual listing fee		14	10
Auditors' remuneration		83	138
Printing Expense		-	25
Fund rating Fee		78	77
Shariah Advisor Fee		106	92
Legal and Professional Charges		13	-
Total Expenses		<u>9,757</u>	<u>6,869</u>
		<u>47,370</u>	<u>34,607</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		-	(798)
Provision for sindh workers' welfare fund	7	(947)	-
Net income for the period before taxation		<u>46,423</u>	<u>33,809</u>
Taxation	12	-	-
Net income for the period after taxation		<u>46,423</u>	<u>33,809</u>
Earning per unit	10		
Allocation of Net income for the period:			
Income already paid on units redeemed		(7,627)	-
Accounting income available for distribution:			
- Relating to Capital Gains		(2,856)	-
- Excluding Capital Gains		41,652	-
		<u>38,796</u>	<u>33,809</u>

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For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
	(Rupees in '000)	
Accounting income available for distribution:	38,796	33,809
Other comprehensive income		
Net unrealised appreciation / (diminution) during the period in the market value of investments classified as 'available for sale'	-	-
Total comprehensive income for the period	<u>38,796</u>	<u>33,809</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Note	Quarter Ended September 30' 2017 (Rupees in '000)	Quarter Ended September 30, 2016
Net assets at the beginning of the period		4,876,177	2,566,748
Issue of 250,710,239 units (September 30, 2016: 144,734,557 units)		2,396,524	1,381,884
Redemption of 312,426,431 units (September 30, 2016: 157,197,843 units)		(2,980,567) (584,043)	(1,500,903) (119,019)
Element of (income) and capital (gains) included in prices of units issued less those in units redeemed			
- amount representing (gain) transferred to income statement		-	798
- amount representing (income) transferred to distribution statement		-	-
		-	798
Total Comprehensive income		38,796	33,809
Income already paid on units redeemed		7,627	-
		46,423	33,809
Final distribution for the year ended June 30, 2017 - Cash distribution of Rs.0.0068 per unit declared on Sep 15, 2017		(3,015)	-
Net assets as at the end of the period		<u>4,335,542</u>	<u>2,482,336</u>
Net Assets value per unit as at beginning of the period		<u>9.5103</u>	<u>9.4856</u>
Net Assets value per unit as at end of the period		<u>9.6130</u>	<u>9.6165</u>
Distribution during for the period:			
Accumulated income brought forward			
- Realised income		49,278	38,787
- Unrealised income		2,951	760
		<u>52,229</u>	<u>39,547</u>
Accounting income available for distribution for the period:			
- Relating to Capital Gains		(2,856)	
- Excluding Capital Gains		41,652	
		<u>38,796</u>	<u>33,809</u>
Final distribution for the year ended June 30, 2017 - Cash distribution of Rs.0.0068 per unit declared on Sep 15, 2017		(3,015)	-
Undistributed carried forward		<u>88,010</u>	<u>73,356</u>
Undistributed income comprising of :			
- Realised income		91,428	72,752
- Unrealised income		(3,418)	604
		<u>88,010</u>	<u>73,356</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2017 (UN-AUDITED)

	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	46,423	33,809
Adjustments		
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	798
Impairment loss on sukuk bonds classified as investments 'available for sale'	13	-
Net unrealised appreciation in the value of investments carried 'at fair value through profit or loss'	3,418	(604)
	<u>49,854</u>	<u>34,003</u>
decrease / (increase) in assets		
Investments	(299,012)	(1)
Profit receivable	(9,242)	(7,273)
Advances, deposits, prepayments and other receivables	(186)	32
	<u>(308,440)</u>	<u>(7,242)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	(879)	2,424
Payable to Trustee	94	287
Payable to Securities and Exchange Commission of Pakistan	(1,333)	(903)
Accrued expenses and other liabilities	(3,883)	1,697
	<u>(6,001)</u>	<u>3,505</u>
Net cash (used in) / generated from operating activities	<u>(264,587)</u>	<u>30,266</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	2,653,591	1,637,855
Payments on redemption of units	(2,990,167)	(1,476,786)
Distributions paid	(527)	(601)
Net cash (used in) / generated from financing activities	<u>(337,103)</u>	<u>160,468</u>
Net increase / (decrease) in cash and cash equivalents during the period	<u>(601,690)</u>	<u>190,734</u>
Cash and cash equivalents at the beginning of the period	4,210,904	2,345,246
Cash and cash equivalents at the end of the period	<u><u>3,609,214</u></u>	<u><u>2,535,980</u></u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

NOTES TO AND FORMING PART OF THIS CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Income Fund (formerly: NAFA Islamic Aggressive Income Fund) (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) 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 August 17, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as shariah-compliant aggressive fixed income scheme as per the criteria for categorization of open end collective investment scheme as specified by SECP and other allied matters. CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC on November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Trust Deed executed between the Management Company, CDC and MCBFSL. Thereafter, on July 17, 2014 CDC was re-appointed as the new Trustee of the Fund, after MCBFSL retired on prior day.

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 classified as shariah compliant "income" scheme by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units 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 Management Company has obtained approval of SECP, pursuant to which the category of the Fund has been changed from shariah compliant aggressive fixed income scheme to 'shariah compliant income scheme' and the name of the Fund 'NAFA Islamic Income Fund' with effect from March 14, 2017. The trust deed has been amended through supplemental trust deed executed for the change of name and categorisation of the fund as income scheme.

The core objective of the Fund is to provide preservation of capital and earn a reasonable rate of return. The principal activity of the Fund is to make investments in Shariah compliant securities, having a good credit rating and liquidity subject to the guidelines prescribed by SECP.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and has assigned stability rating of 'A-(f)' to the Fund.

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

2 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 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.

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

3 SUMMARY OF ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed financial statements for the quarter ended September 30, 2017 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2017 except for element of income. Pursuant to SRO 756(I)/2017, management has changed its accounting policy whereby element of income / loss and capital gains / losses in prices of units issued less those in units redeemed during the year, previously transferred to the 'income statement' has now been taken to unit holders' fund. The above change has been applied from July 01, 2017 as clarified by MUFAP, therefore the comparative information have not been restated.

NAFA ISLAMIC INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

	Note	Un-audited As at September 30, 2017	Audited As at June 30, 2017
(Rupees in '000)			
4 INVESTMENTS			
Available for sale			
Sukuk and Ijara bonds	4.1	-	-
At fair value through profit or loss - held for trading			
Sukuk and Ijara bonds	4.2	556,487	430,906
Loans and Receivables	4.3	170,000	-
Certificates of musharika		<u>726,487</u>	<u>430,906</u>

4.1 Sukuk and Ijara bonds - available for sale

Name of the investee company	Number of bonds				Market value as at September 30, 2017	Investment as a percentage of		
	As at July 1, 2017	Purchases during the period	Sales / matured during the period	As at September 30, 2017		Net assets	Market value of total investments	Issue size
Rupees in '000						-----%-----		
New Allied Electronics Industries (Private) Limited-1st issue (note 4.1.2.1)	352,000	-	-	352,000	-	-	-	14.67
New Allied Electronics Industries (Private) Limited-2nd issue (note 4.1.2.1)	1,000	-	-	1,000	-	-	-	0.65
	353,000	-	-	353,000	-	-	-	

Carrying Value as at September 30, 2017

114,905

Accumulated Impairment

114,905

4.1.1 All sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics (Private) Limited - 1st issue which have a face value of Rs 312.5.

4.1.2.1 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.

4.2 Sukuk and Ijara bonds - At fair value through profit or loss - held for trading

Name of the investee company	Number of bonds				Market value as at September 30, 2017	Investment as a percentage of		
	As at July 1, 2017	Purchases during the period	Sales / matured during the period	As at September 30, 2017		Net assets	Market value of total investments	Issue size
	Rupees in '000					-----%-----		
K-Electric Limited - AZM Sukuk (5 years)	5,200	-	-	5,200	26,777	0.62	3.69	1.81
Dubai Islamic Bank Limited - Sukuk	-	129	-	129	129,000	2.98	17.76	-
GOPIS-XVI	1,000	-	-	1,000	100,740	2.32	13.87	0.09
GOPIS-XIX	3,000	-	-	3,000	299,970	6.92	41.29	0.43
Total - September 30, 2017	9,200	129	-	9,329	556,487	12.84	76.60	

Carrying Value as at September 30, 2017

559,905

NAFA ISLAMIC INCOME FUND

Formerly; NAFI Islamic Aggressive Income Fund

4.2.1 All sukuk bonds have a face value of Rs 5,000 each except for GOP Ijara Sukuks which have face value of Rs.100,000 each.

4.3 This represents investment in certificates of mushariki of First Habib Modaraba at mark up rate of 6.2%.

	Un-audited As at September 30, 2017	Audited As at June 30, 2017
	(Rupees in '000)	
5 PROFIT RECEIVABLE		
Profit on savings deposits	17,006	16,240
Income accrued on sukuk bonds - net	7,521	316
Income accrued on certificates of musharika	1,271	-
	<u>25,798</u>	<u>16,556</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	599	516
Bank charges payable	1	34
Payable to brokers	22	22
Provision for Sindh Workers' Welfare Fund	3,481	2,534
Federal Excise Duty on remuneration of the Management Company	3,955	3,955
Printing charges payable	58	58
Legal Fee	62	49
Settlement Charges	2	21
Withholding tax	8,958	8,230
Capital gain tax	1,328	6,586
Shariah Advisor Fee	531	425
Others	754	1,204
	<u>19,751</u>	<u>23,634</u>
7 PROVISION FOR SINDH WORKERS' WELFARE FUND		

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP on January 12, 2017 recommended all its members that as a matter of abundant caution the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Re 0.0077 per unit.

8 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 categorize funds under their management on the basis of criteria laid down in the circular. The Board has approved the category of the fund as 'income scheme'.

The SECP vide circular no. 16 dated July 07, 2010, prescribed specific disclosures for the scheme holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with investment requirements of their constitutive documents.

NAFA ISLAMIC INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of net assets
*New Allied Electronics Industries (Private) Limited - Sukuk 1	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Sukuks	110,000	(110,000)	-	-
*New Allied Electronics Industries (Private) Limited - Sukuk 2	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Sukuks	4,905	(4,905)	-	-
Total carrying value and accumulated impairment as at June 30, 2017			114,905	(114,905)		

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

9 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.

9.1 Details of the transactions with connected persons are as follows:

NBP Fullerton Asset Management Limited - Management Company

	Quarter ended September 30, 2017	Quarter ended September 30, 2016
Management fee expense for the period	5,613	3,868
Sindh Sales Tax on Management Fee	730	503
Reimbursement of operational expenses	1,028	638
Front end load for the period	468	422

Central Depository Company of Pakistan Limited - Trustee

Trustee fee expense for the period	1,088	757
Sindh Sales Tax on Trustee Fee	141	98
CDS charges	46	2

Alexandra Fund Management Pte. Limited - Sponsor

Units redeemed / transferred out 5,969,262 units (September 30, 2016: Nil units)	56,795	-
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Mr. Khalid Mehmood - CFO

Units issued / transferred in 312,120 units (September 30, 2016: 31,502 units)	3,000	300
Units redeemed / transferred out Nil units (September 30, 2016: 31,502 units)	-	300

Akhuwat (Portfolio managed by the Management Company)

Dividend Re-invest units issued 2,305	22	-
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Employees of the Management Company

Dividend Re-invest units issued 2,983	29	-
Units issued / transferred in 5,374,048 units (September 30, 2016: 2,346,356 units)	51,455	22,467
Units redeemed / transferred out 2,453,888 units (September 30, 2016: 1,896,008 units)	23,444	18,133

Quarter ended
September 30,
2017

Quarter ended
September 30,
2016

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

NAFA ISLAMIC INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

(Un-Audited) (Audited)
As at September As at June
30, 2017 30, 2017
------(Rupees in '000)-----

9.2 Amounts outstanding as at quarter end

NBP Fullerton Asset Management Limited - Management Company

Management fee payable	1,952	1,624
Sindh Sales Tax payable on Management Fee	251	209
Sindh Sales Tax and Federal Excise Duty on sales load	1,046	985
Front end load	2,017	1,549
Accounting and operational charges to the Management Company	1,028	2,806

Central Depository Company of Pakistan Limited - Ex Trustee

Remuneration payable	367	284
Sindh Sales Tax payable	48	37
Security deposits	100	100

National Bank of Pakistan - Sponsor

Balance in current account	4,311	3,311
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Alexandra Fund Management Pte. Limited - Sponsor

Investment held by the Sponsor in the Fund (Nil units; June 30, 2017: 5,969,262 units)	-	56,770
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Employees of Management Company

Investment held by the executives in the Fund (6,737,037 units; June 30, 2017: 3,813,893 units)	64,763	36,271
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Mr. Khalid Mehmood - CFO

Investment held in the Fund 312,120 units: (June 30, 2017: Nil units)	3,000	-
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Akhuwat (Portfolio managed by the Management Company)

Investment held in the Fund 3,254,552 units: (June 30, 2017: 3,252,247 units)	31,286	30,930
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Sadia Kamran (Unit holder of 10% or more of units of the CIS)

Investment held in the Fund Nil units : (June 30, 2017: 51,923,866 units)	-	493,812
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Punjab Police Welfare Fund (Unit holder of 10% or more of units of the CIS)

Investment held in the Fund 74,730,658 units	718,386	-
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Bank Islami Pakistan Limited (Common Directorship)

Balance in savings accounts		61,832
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Amount receivable against issue of units from:

NAFA Islamic Asset Allocation Fund	-	215
NAFA Islamic Energy Fund	-	248,834
NAFA Riba Free Savings Fund	-	10,800
NAFA Islamic Stock Fund	-	2,439
NAFA Stock Fund	-	196

Amount payable against conversion of units to:

NAFA Islamic Stock Fund	-	7,995
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NAFA ISLAMIC INCOME FUND

Formerly; NAFA Islamic Aggressive Income Fund

10 EARNING PER UNIT

Earning per unit (EPU) for the quarter ended September 30, 2017 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

11 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.04% p.a. including 0.25% 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.

12 TAXATION

The income of the Fund is exempt from income tax as per clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. The management intends to distribute 90 percent of the Fund's net accounting income earned by the year end as cash dividend to the unit holders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information.

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

13 COMMITMENTS

There were no commitments as on September 30, 2017 and June 30, 2017.

14 DATE OF AUTHORISATION FOR ISSUE

14.1 These financial statements were authorised for issue by the Board of Directors of the Management Company on 27 October 2017.

15 GENERAL

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

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

Chief Financial Officer

Chief Executive Officer

Director



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

Head Office

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

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: NAFA INVEST to 9995

Fax: 021-35825335

Email: info@nafafunds.com

Website: www.nafafunds.com

 /nafafunds