

**AM2++**  
Listed by SECP



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

## **NAFA INCOME OPPORTUNITY FUND**

**HALF YEARLY  
REPORT  
December  
31 2016**



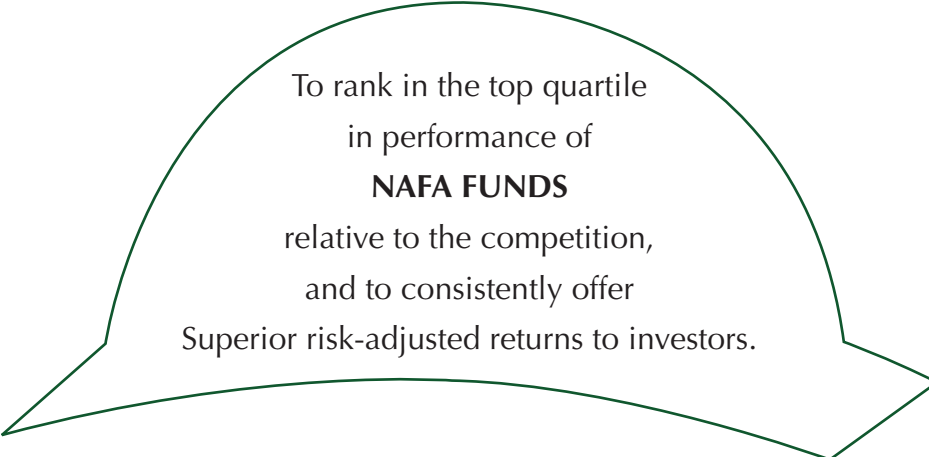
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**FULLERTON FUND  
MANAGEMENT**

*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 INCOME OPPORTUNITY FUND

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# NAFA INCOME OPPORTUNITY 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. Amir 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. Amir 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

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
SILK Bank Limited  
Soneri Bank Limited  
The Bank of Panjab  
Summit Bank Limited  
United Bank Limited  
Samba Bank Limited  
Al Baraka Islamic Bank Limited  
Al Baraka Bank Limited  
Meezan Bank Limited  
Sindh Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Khushhali Bank Limited  
Bankislami Pakistan Limited  
Zarai Taraqiat Bank Limited  
Tameer Micro Finance Bank Limited

# NAFA INCOME OPPORTUNITY FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

# NAFA INCOME OPPORTUNITY FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Income Opportunity Fund (NIOF)** for the half year ended December 31, 2016.

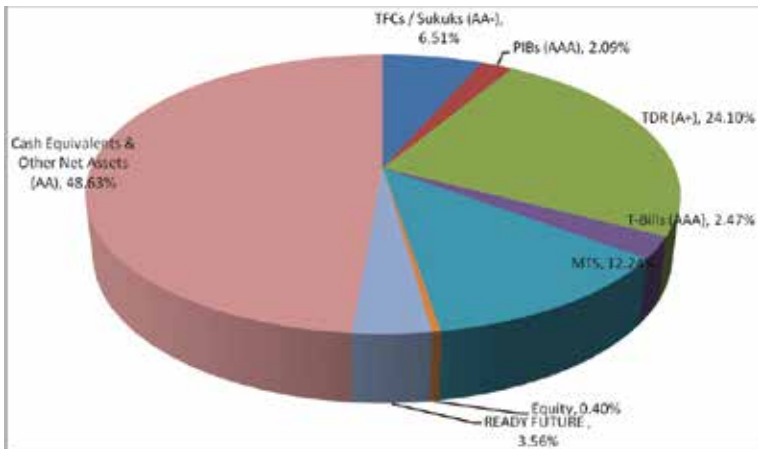
### Fund's Performance

The size of NAFA Income Opportunity Fund has increased significantly from Rs. 6,274 million to Rs. 12,908 million during the period, an extraordinary growth of 106%. During the period, the unit price of the Fund has increased from Rs. 10.7016 on June 30, 2016 to Rs. 11.0585 on December 31, 2016, thus showing a return of 6.6% as compared to the benchmark return of 6.1% for the same period. The performance of the Fund is net of management fee and all other expenses.

NIOF is categorized as an Income Scheme and has been awarded stability rating of 'A(f)' by PACRA. 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 inflationary 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.502.56 million during the period. After deducting expenses of Rs.110.09 million, the net income is Rs.392.47 million. The chart below presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIOF.



# NAFA INCOME OPPORTUNITY FUND

## 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 ایسیٹ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے لیے NAFA انکم آپریشنل فنڈ (NIOF) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

### فنڈ کی کارکردگی

NAFA انکم آپریشنل فنڈ (NIOF) کا فنڈ سائز اس ششماہی کے دوران 6,274 ملین روپے سے ہت زیادہ بڑھ کر 12,908 ملین روپے ہو گیا ہے یعنی %106 کا غیر معمولی اضافہ۔ زیر جائزہ مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2016 کو 10.7016 روپے سے بڑھ کر 31 دسمبر 2016 کو 11.0585 روپے ہو چکی ہے اور اس طرح اپنے بیچ مارک منافع کے %6.1 منافع کے مقابلے میں %6.6 اضافہ دکھایا ہے۔ فنڈ کی یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIOF کی درجہ بندی بطور ایک انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے A-(f) کی اسٹیٹیبیلیٹی ریٹنگ دی گئی ہے۔ اسٹیٹ بینک آف پاکستان (SBP) نے مذکورہ بالامدت کے دوران ڈسکاؤنٹ ریٹ اور پالیسی ریٹ بالترتیب %6.25 اور %5.75 برقرار رکھی۔ SBP کے موقوف کے مطابق مستحکم کلیاتی معیشت، بیکوئیڈیٹی کی باسہولت صورت حال کے ساتھ زرمبادلہ کے ذخیرہ میں خاطر خواہ اضافہ، محدود افراط زر اور CPEC سے متعلقہ منصوبے بیرونی اکاؤنٹ اور عوامل 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 مدت کی دورانیہ میں متاثر کر سکتا ہے جس کے لئے منصوبہ سازی کی ضرورت ہوگی۔ طویل المیعاد خود مختار منافع میں تقریباً 50 پیسے پوائنٹ کا اوسط اضافہ دیکھا گیا، جو افراط زر اور سود کی شرح میں معتدل اضافے کی عکاسی کرتا ہے۔

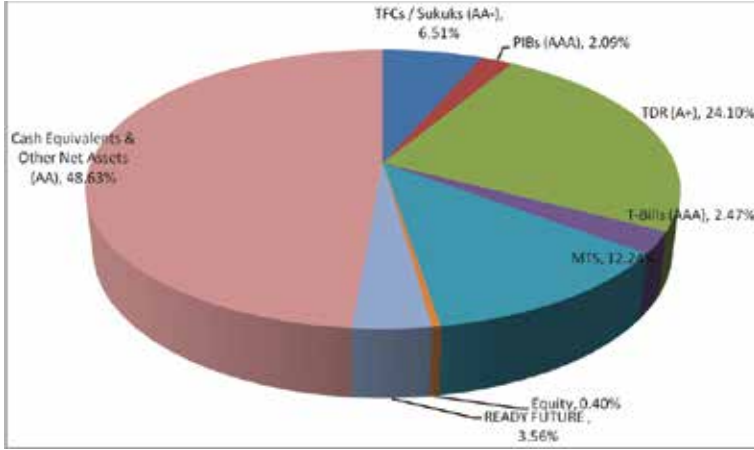
کارپوریٹ ڈیپٹ سیکیورٹیز (TFCS اور سوک) میں ہونے والی تجارتی سرگرمیوں میں جھکاؤ دیکھنے میں آیا اور تقریباً 5 ملین روپے پر ریکارڈ کیا۔ اعلیٰ کریڈٹ معیاری کارپوریٹ بانڈ کی اجراء کے مطالبہ کا زحمان دوبارہ دیکھنے میں آیا۔ فنڈ میں تمام TFCS اور سوک رواں شرح ہیں جو کہ KIBOR سے منسلک ہیں، جو سود کی شرح میں خطرے کی کمی کا باعث ہے۔

فنڈ نے اس مدت کے دوران 502.56 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 110.09 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 392.47 ملین روپے ہے۔



# NAFA INCOME OPPORTUNITY FUND

درج ذیل چارٹ NIOF کی ایسیٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:-



## اظہارِ تشکر

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 فروری 2017

مقام: کراچی

# NAFA INCOME OPPORTUNITY FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA INCOME OPPORTUNITY 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 Income Opportunity 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 INCOME OPPORTUNITY 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 Income Opportunity 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.

**Deloitte Yousuf Adil**  
Chartered Accountants

**Engagement Partner**  
Naresh Kumar

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

# NAFA INCOME OPPORTUNITY 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	6,135,163	7,112,317
Investments	5	4,090,464	1,726,628
Receivable against margin trading system	6	1,579,384	109,868
Mark-up accrued		89,386	66,079
Receivable against sale of investments		952,509	-
Deposits, prepayments and other receivables	7	697,999	484,545
Total assets		13,544,905	9,499,437
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	8	63,361	58,866
Payable to Central Depository Company of Pakistan Limited - Trustee	9	1,032	741
Payable to the Securities and Exchange Commission of Pakistan	10	4,378	6,836
Accrued expenses and other liabilities	11	568,122	3,158,771
<b>Total liabilities</b>		<u>636,893</u>	<u>3,225,214</u>
<b>NET ASSETS</b>		<u>12,908,012</u>	<u>6,274,223</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>12,908,012</u>	<u>6,274,223</u>
Contingencies and commitments	13		
-----Number of units-----			
Number of units in issue		<u>1,167,246,153</u>	<u>586,288,408</u>
------(Rupees)-----			
Net asset value per unit		<u>11.0585</u>	<u>10.7016</u>

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY 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 and term deposits	346,775	182,089	192,693	111,664
- term finance certificates and sukuks	29,285	59,209	11,959	28,031
- government securities	20,646	71,018	11,538	37,480
- margin trading system	25,624	26,198	12,429	6,971
Net loss on spread transactions	(20,685)	-	(9,506)	-
Dividend income on spread transactions	41,010	-	21,911	-
Net gain on sale of investments	-	14,466	-	1,965
Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading	(8)	10,336	(3,310)	-
Reversal of provision in respect of non-performing investments	8,474	19,195	487	8,572
Net unrealised loss on equity securities - listed (spread transactions)	(387)	(25)	(1,721)	(25)
<b>Total income</b>	<b>450,734</b>	<b>382,486</b>	<b>236,480</b>	<b>197,904</b>
<b>EXPENSES</b>				
Remuneration of NBP Fullerton Asset Management Limited - Management Company	8.1	75,884	60,687	42,198
Sindh Sales Tax on remuneration of the Management Company	8.2	9,865	9,855	5,486
Federal Excise Duty on remuneration of the Management Company	8.3	-	9,709	-
Reimbursement of operational expenses to the Management Company	8.4	5,837	1,009	3,246
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	4,893	3,698	2,676
Sindh Sales Tax on remuneration of the Trustee	9.2	636	518	348
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	4,378	3,102	2,435
Securities transaction cost		3,617	175	2,191
Settlement and bank charges		4,362	3,312	2,348
Auditors' remuneration		373	285	143
Fund rating fee		171	162	125
Annual listing fee		28	20	14
Printing and other charges		50	103	4
<b>Total expenses</b>		<b>110,094</b>	<b>92,635</b>	<b>61,214</b>
<b>Net income from operating activities</b>		<b>340,640</b>	<b>289,851</b>	<b>146,987</b>
Net element of income and capital gains included in prices of units issued less those in units redeemed		51,829	49,343	15,481
<b>Net income for the period before taxation</b>		<b>392,469</b>	<b>339,194</b>	<b>190,747</b>
Taxation	14	-	-	-
<b>Net income for the period after taxation</b>		<b>392,469</b>	<b>339,194</b>	<b>190,747</b>
<b>Earnings per unit</b>	<b>15</b>			

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY 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	392,469	339,194	190,747	170,333	
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to income statement:					
Net unrealised gain / (loss) on re-measurement of investments classified as 'available for sale'	5.11	16,524	29,197	(2,262)	16,778
<b>Total comprehensive income for the period</b>	<u>408,993</u>	<u>368,391</u>	<u>188,485</u>	<u>187,111</u>	

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY 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>				
- realised income	464,419	743,075	687,665	680,399
- unrealised income	18,533	1,075	3,302	7,090
	482,952	744,150	690,967	687,489
<b>Net income for the period</b>				
	392,469	339,194	190,747	170,333
<b>Final distribution for the year ended June 30, 2015:</b>				
- cash distribution @ Rs. 0.8675 per unit declared on July 16, 2015	-	(237,655)	-	-
<b>Net element of income and capital gains included in prices of units issued less those in units redeemed</b>				
	7,620	16,115	1,327	3,982
<b>Undistributed income carried forward</b>				
	400,089	117,654	192,074	174,315
	883,041	861,804	883,041	861,804
<b>Undistributed income carried forward comprising of:</b>				
- realised income	883,436	851,468	888,072	858,558
- unrealised (loss) / income	(395)	10,336	(5,031)	3,246
	883,041	861,804	883,041	861,804

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY 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 the beginning of the period [Rs. 10.7016 per unit (June 30, 2015: Rs. 11.5590 per unit)]	6,274,223	5,242,537	11,785,521	8,306,339
Issuance of 1,145,480,774 units (December 31, 2015: 1,047,756,150 units)	12,612,696	11,494,650	5,468,844	3,480,348
Redemption of 564,523,029 units (December 31, 2015: 650,941,545 units)	(6,336,071)	(7,342,354)	(4,519,357)	(2,474,226)
	6,276,625	4,152,296	949,487	1,006,122
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to income statement	(51,829)	(49,343)	(15,481)	(23,346)
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to distribution statement	(7,620)	(16,115)	(1,327)	(3,982)
Total comprehensive income for the period	408,993	368,391	188,485	187,111
<b>Distributions during the period</b>				
Final distribution for the year ended June 30, 2015: - cash distribution @ Rs. 0.8675 per unit declared on July 16, 2015	-	(237,655)	-	-
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that forms part of the unit holders fund	7,620	16,115	1,327	3,982
Net assets at the end of the period [Rs. 11.0585 per unit (December 31, 2015: Rs. 11.1438 per unit)]	12,908,012	9,476,226	12,908,012	9,476,226

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA INCOME OPPORTUNITY FUND

## CONDENSED INTERIM CASH FLOW 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>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	392,469	339,194	190,747	170,333
<b>Adjustments:</b>				
Net gain on sale of investments	-	(14,466)	-	(1,965)
Net unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss - held for trading	8	(10,336)	3,310	(3,246)
Net unrealised loss on equity securities - listed (spread transactions)	387	25	1,721	25
Net element of income and capital gains included in prices of units issued less those in units redeemed	(51,829)	(49,343)	(15,481)	(23,346)
Reversal of provision in respect of non-performing investments	(8,474)	(19,195)	(487)	(8,572)
	332,561	245,879	179,810	133,229
<b>(Increase) / decrease in assets</b>				
Investments	(2,339,233)	(940,728)	(1,554,425)	(412,258)
Receivable against margin trading system	(1,469,516)	271,578	(51,852)	250,779
Mark-up receivable	(23,307)	626	3,837	16,491
Receivable against sale of investments	(952,509)	-	(200,890)	-
Deposits, prepayment and other receivable	(214,214)	(17,483)	(228,919)	(38,767)
	(4,998,779)	(686,007)	(2,032,249)	(183,755)
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	4,495	11,940	(1,292)	7,620
Payable to the Trustee	291	267	109	140
Payable to the Securities and Exchange Commission of Pakistan	(2,458)	(1,186)	2,434	1,744
Accrued expenses and other liabilities	(17,647)	(11,965)	2,526,171	5,765
	(15,319)	(944)	2,527,422	15,269
<b>Net cash (used in) / generated from operating activities</b>	(4,681,537)	(441,072)	674,983	(35,257)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Amount received on issuance of units	12,613,456	12,710,696	5,469,604	3,481,347
Amounts paid on redemption of units	(8,909,073)	(7,391,388)	(7,092,359)	(2,476,333)
Distributions paid	-	(238,821)	-	-
<b>Net cash generated from / (used in) financing activities</b>	3,704,383	5,080,487	(1,622,755)	1,005,014
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	(977,154)	4,639,415	(947,772)	969,757
<b>Cash and cash equivalents as at the beginning of the period</b>	4 7,112,317	2,218,579	7,082,935	5,888,237
<b>Cash and cash equivalents as at the end of the period</b>	6,135,163	6,857,994	6,135,163	6,857,994

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY 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 Income Opportunity Fund ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 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 an income scheme and other allied matters.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund classified as an '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 are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return by investing in money market and debt securities having good credit rating and liquidity. Other avenues of investments include ready future arbitrage in listed securities and transactions under margin trading system.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' to the Management Company and a stability rating of A(f) to the Fund.

Title to 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 the SECP differ with the requirements of the IFRS the requirements of NBFC Rules, the NBFC Regulations or the directives issued by the 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, therefore, 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 gives 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 has been presented in Pak Rupees, which is the functional and presentation currency of the Fund.

# NAFA INCOME OPPORTUNITY FUND

## 2.4 Estimates and judgements

The preparation of this condensed interim financial information requires management to make judgements, 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.

## 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 adopted 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.

		31 December 2016	30 June 2016
	Note	Unaudited	Audited
<b>4 BALANCE WITH BANKS</b>		(Rupees in '000)	
Current accounts		11,225	17,866
Saving accounts	4.1 & 4.2	5,163,427	5,989,525
Term deposits	4.3	960,511	1,104,926
		<u>6,135,163</u>	<u>7,112,317</u>

4.1 This includes Rs. 35.41 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 mark-up at rates ranging from 3.75% to 10.25% per annum (June 30, 2016: 4.50% to 9.00% per annum).

4.3 These represent short term deposits having original maturity period of less than three months. These carry mark-up rate of 7.30% per annum (June 30, 2016: 7.30% to 7.75% per annum).

		31 December 2016	30 June 2016
	Note	Unaudited	Audited
<b>5 INVESTMENTS</b>		(Rupees in '000)	
<b>At fair value through profit or loss - held for trading</b>			
Equity securities - listed	5.1	-	-
Equity securities - listed (spread transactions)	5.2	460,015	-
Government securities	5.3	589,312	350,875
Term finance certificates - listed	5.4	322,437	225,875
Term finance certificates - unlisted		-	100,000
Sukuks	5.5	217,472	215,174
		1,589,236	891,924
<b>Available for sale</b>			
Equity securities - listed	5.6	51,228	34,704
Term finance certificates - listed	5.7	-	-
Term finance certificates - unlisted	5.8	-	-
Sukuks	5.9	-	-
		51,228	34,704
<b>Loans and receivables</b>			
Advance against purchase of term finance certificate	5.15	300,000	-
Term deposits	5.16	2,150,000	800,000
		<u>2,450,000</u>	<u>800,000</u>
		<u>4,090,464</u>	<u>1,726,628</u>

# NAFA INCOME OPPORTUNITY FUND

## 5.1 Equity securities - listed at fair value through profit or loss - held for trading

Name of the investee company	Number of shares				Market value as at December 31, 2016	Investment as a percentage of		
	As at July 01, 2016	Purchases during the period	Sold during the period	As at December 31, 2016		Net assets	Market value of total investments	Paid up capital of the investee company

Rupees in '000

-----%-----

All shares have nominal face value of Rs. 10 each.

### PERSONAL GOODS

Azgard Nine Limited - Non-voting

308

308

Carrying value before mark to market as at December 31, 2016

13

Accumulated impairment

13

## 5.2 Equity securities - listed (spread transactions) at fair value through profit or loss - held for trading

The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready market and sells them in future market on the same day, resulting in spread income due to difference in ready and future stock prices. This way the Fund has no open exposure to the stock market.

Name of the investee company	As at July 01, 2016	Purchases during the period	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 investments	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 K-Electric Limited which have a face value of Rs. 3 each.

### CEMENT

D.G. Khan Cement Company Limited  
Fauji Cement Company Limited  
Mapef Leaf Cement Factory Limited  
Pioneer Cement Limited

- 1,297,500  
- 2,979,500  
- 658,000  
- 102,500

1,159,500  
2,295,000  
649,500  
65,500

138,000  
684,500  
8,500  
37,000

30,599  
30,857  
1,084  
5,257

0.24  
0.24  
0.01  
0.04

0.75  
0.75  
0.03  
0.13

0.03  
0.05  
0.00  
0.02

### COMMERCIAL BANKS

Askari Bank Limited  
Bank Al-Falah Limited  
Habib Bank Limited  
MCB Bank Limited  
United Bank Limited

- 1,991,000  
- 818,500  
- 69,000  
- 372,000  
- 34,500

1,898,000  
813,000  
37,000  
351,500  
34,000

93,000  
5,500  
32,000  
20,500  
500

2,320  
209  
8,744  
4,875  
120

0.02  
0.01  
0.07  
0.04  
0.01

0.06  
0.01  
0.21  
0.12  
0.01

0.01  
0.00  
0.00  
0.00  
0.00

### FERTILIZER

Engro Fertilizers Limited  
Engro Corporation Limited  
Falima Fertilizer Company Limited  
Fauji Fertilizer Bin Qasim Limited  
Fauji Fertilizer Company Limited

- 5,390,500  
- 1,530,000  
- 2,186,500  
- 255,000  
- 360,000

5,133,500  
1,350,500  
2,154,500  
234,500  
279,000

257,000  
179,500  
32,000  
20,500  
81,000

17,471  
56,738  
1,180  
1,050  
8,454

0.14  
0.44  
0.01  
0.01  
0.07

0.43  
1.39  
0.03  
0.03  
0.21

0.02  
0.03  
0.00  
0.00  
0.01

### FOOD AND PERSONAL CARE PRODUCTS

Engro Foods Limited

- 383,500

219,500

164,000

31,478

0.24

0.77

0.02

### OIL AND GAS EXPLORATION COMPANIES

Oil and Gas Development Company Limited  
Pakistan Oilfields Limited  
Pakistan Petroleum Limited

- 1,573,500  
- 235,000  
- 163,500

1,432,000  
192,500  
108,500

141,500  
42,500  
55,000

23,397  
22,721  
10,350

0.18  
0.18  
0.08

0.57  
0.56  
0.25

0.00  
0.02  
0.00

### OIL AND GAS MARKETING COMPANIES

Pakistan State Oil Company Limited

- 481,000

404,500

76,500

33,217

0.26

0.81

0.03

### POWER GENERATION AND DISTRIBUTION

The Hub Power Company Limited  
K-Electric Limited

- 62,000  
- 4,062,000

56,500  
3,256,500

5,500  
805,500

679  
7,548

0.01  
0.06

0.02  
0.18

0.00  
0.01

### REFINERY

Attock Refinery Limited

- 1,037,500

907,000

130,500

55,502

0.43

1.36

0.15

### TECHNOLOGY AND COMMUNICATION

Pakistan Telecommunication Company Limited

- 1,994,000

722,500

1,271,500

21,844

0.17

0.53

0.03

### TEXTILE COMPOSITE

Nishat Mills Limited  
Nishat (Chunian) Limited

- 573,000  
- 4,502,500

508,000  
3,653,500

65,000  
849,000

9,898  
53,003

0.08  
0.08

0.24  
1.30

0.02  
0.35

### CABLE AND ELECTRICAL GOODS

Pak Elektron Limited

- 4,211,500

3,911,000

300,500

21,420

0.17

0.52

0.06

460,015

3

11

Carrying value before mark to market as at December 31, 2016

449,744

# NAFA INCOME OPPORTUNITY FUND

## 5.3 Government Securities at fair value through profit or loss - held for trading

Issue Date	Tenor	Face value				Market value as at December 31, 2016	Investment as a percentage of	
		As at July 01, 2016	Purchased during the period	Sold / matured during the period	As at December 31, 2016		Net assets	Market value of total investments
						Rupees in '000	-----%-----	
<b>Market treasury bills</b>								
January 21, 2016 (5.3.1)	12 Months	-	70,000	-	70,000	69,786	0.54	1.71
May 12, 2016	6 Months	-	750,000	750,000	-	-	-	-
July 11, 2016	3 Months	-	125,000	125,000	-	-	-	-
August 18, 2016	3 Months	-	75,000	75,000	-	-	-	-
October 27, 2016 (5.3.1)	3 Months	-	250,000	-	250,000	249,235	1.93	6.09
September 3, 2015	12 Months	75,000	-	75,000	-	-	-	-
<b>Pakistan investment bonds</b>								
July 22, 2010 (5.3.2)	10 Years	100,000	-	-	100,000	115,710	0.90	2.83
March 26, 2015 (5.3.2)	03 Years	150,000	-	-	150,000	154,581	1.20	3.78
						<u>589,312</u>		
Carrying value before mark to market as at December 31, 2016						<u>595,713</u>		

5.3.1 The effective yield on market treasury bills is 5.86% per annum (June 30, 2016: 5.91% per annum).

5.3.2 These Pakistan investment bonds carry coupon interest at the rates ranging from 8.75% to 12.00% per annum.

5.3.3 Investments include treasury bills with market value of Rs. 319.021 million (June 30, 2016: 74.246) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with circular no. 11 dated October 23, 2007 issued by SECP.

## 5.4 Term finance certificates - listed at fair value through profit or loss - held for trading

Name of the investee company	Note	Number of certificates				Market value as at December 31, 2016	Investment as a percentage of		
		As at July 01, 2016	Purchased during the period	Sold / matured during the period	As at December 31, 2016		Net assets	Market value of total investment	Issue size
						Rupees in '000	-----%-----		
All term finance certificates have a face value of Rs 5,000 each unless stated otherwise.									
Bank Alfalah Limited - V		32,550	-	-	32,550	166,795	1.29	4.08	3.26
Jahangir Siddiqui and Company Limited (April 08, 2014)		15,000	-	-	15,000	52,531	0.41	1.28	10.00
Jahangir Siddiqui and Company Limited (June 24, 2016)		20,000	-	-	20,000	103,111	0.80	2.52	10.00
Pace (Pakistan) Limited	5.4.1	30,000	-	-	30,000	-	-	-	10.00
Saudi Pak Leasing Company Limited	5.4.2	15,000	-	-	15,000	-	-	-	10.00
						<u>322,437</u>			
Carrying value before mark to market as at December 31, 2016						<u>509,483</u>			
Accumulated impairment						<u>191,141</u>			

5.4.1 This represents investment in listed term finance certificates with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by Mutual Funds Association of Pakistan (MUFAP) since September 5, 2011. The amount of provision as per circular number 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.4.2 This represents investment in term finance certificates with original term of nine years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its term on December 26, 2011 with a new maturity in March 2017. The said term finance certificates complied with repayment terms since it was rescheduled and had been reclassified as performing as per criteria defined in circular no.1 of 2009. However, the investee company again defaulted on its obligation on account of principal and profit payment for the month of April 2014 and was therefore declared as non performing asset MUFAP since April 30, 2014. 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.

# NAFA INCOME OPPORTUNITY FUND

5.4.3 Other particulars of term finance certificates - listed outstanding as at December 31, 2016 are as follows:

Description	Face value	Mark-up rate per annum	Rating	Issue date	Maturity date
Bank Alfalah Limited - V	4,994	6 months KIBOR offer rate + 1.25%	AA-	20- Feb-13	20- Feb-21
Jahangir Siddiqui and Company Limited (April 08, 2014)	3,500	6 months KIBOR offer rate + 1.75%	AA+	8- Apr-14	8- Apr-19
Jahangir Siddiqui and Company Limited (June 24, 2016)	5,000	6 months KIBOR offer rate + 1.65%	AA+	24- Jun-16	24- Jun-21
Pace (Pakistan) Limited	4,994	6 months KIBOR offer rate + 2.00%	Not rated	15- Feb-08	15- Feb-17
Saudi Pak Leasing Company Limited	2,755	6.87% fixed rate	Not rated	13- Mar-08	13- Mar-13

5.5 Sukus - 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 01, 2016	Purchased during the period	Sold / matured during the period	As at December 31, 2016		Net assets	Market value of total investment	Issue size
					Rupees in '000		------%-----	
K-Electric Azm Sukuk	43,120	-	-	43,120	217,472	1.68	5.32	5.75
Carrying value before mark to market as at December 31, 2016					<u>215,174</u>			

All term finance certificates have a face value of Rs 5,000 each unless stated otherwise.

K-Electric Azm Sukuk	43,120	-	-	43,120	217,472	1.68	5.32	5.75
Carrying value before mark to market as at December 31, 2016					<u>215,174</u>			

5.5.1 Other particulars of sukus outstanding as at December 31, 2016 are as follows:

Name of the investee company	Face value	Mark-up rate per annum	Rating	Issue date	Maturity date
K-Electric Limited - AZM Sukuk	5,000	3 Month KIBOR offer rate + 2.25%	AA	19-Mar-14	19-Mar-17

5.6 Equity securities - listed - available for sale

Name of the investee company	Note	Number of shares				Market value as at December 31, 2016	Investment as a percentage of		
		As at July 01, 2016	Purchased during the period	Sold during the period	As at December 31, 2016		Net assets	Market value of total investments	Paid up capital of the investee company
						Rupees in '000		------%-----	
Agritech Limited	5.6.1	4,040,090	-	-	4,040,090	51,228	0.40	1.25	1.03
Carrying value before mark to market as at December 31, 2016						<u>34,704</u>			
Accumulated impairment						<u>18,584</u>			

All shares have a nominal face value of Rs. 10 each.

## Chemicals

Agritech Limited	5.6.1	4,040,090	-	-	4,040,090	51,228	0.40	1.25	1.03
Carrying value before mark to market as at December 31, 2016						<u>34,704</u>			
Accumulated impairment						<u>18,584</u>			

5.6.1 On April 12, 2012, a share transfer and debt swap agreement was entered into between the Financial Institutions and Azgard Nine Limited (the issuer), whereby the issuer agreed to transfer its entire holding in Agritech Limited to the existing lenders / creditors, including the Term Finance Certificate (TFC) holders at the agreed settlement price, in partial settlement of the outstanding principal / redemption obligations. As part of the above arrangement, the Fund settled its investment in TFC of Azgard Nine Limited amounted to Rs. 141,403,150 in consideration of 4,040,090 ordinary shares at the value of Rs. 35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transaction date i.e. October 31, 2012. Accordingly, the same have been recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.

As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited shares shall be held by the respective trustees for the TFC issues in their name for and on behalf of the TFC Holders who shall be the beneficial owners of the subjected shares in proportion to their holdings. Accordingly, the Trustees for the TFC issue pursuant to shareholders investors agreement hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. During the lock in period of five years, shares can be sold to an outside buyer subject to a prior written approval of the investors, however, no such approval is required for inter financier sale.

These shares have been marked to market at prevailing market price as of December 31, 2016 and accumulated impairment loss of Rs. 18.584 million has been recorded in this condensed interim financial information.

# NAFA INCOME OPPORTUNITY FUND

## 5.7 Term finance certificate - listed - 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 01, 2016	Purchased during the period	Sold / matured during the period	As at December 31, 2016		Net assets	Market value of total investment	Issue size
Worldcall Telecom Limited	5.7.1	45,000	-	-	45,000	-	-	-	5.63
						Rupees in '000 ------%-----			
						<u>88,456</u>			
Carrying value as at December 31, 2016						<u>88,456</u>			
Accumulated impairment						<u>88,456</u>			

5.7.1 This represents investment in listed term finance certificates with a term of 5 years. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since November 8, 2012. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.7.2 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
Worldcall Telecom Limited	1,966	6 Month KIBOR offer rate + 1.6%	Not rated	7-Oct-08	7-Oct-13

## 5.8 Term finance certificate - unlisted - 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 01, 2016	Purchased during the period	Sold / matured during the period	As at December 31, 2016		Net assets	Market value of total investment	Issue size
Azgard Nine Limited III	5.8.1	50,000	-	-	50,000	-	-	-	10.00
Azgard Nine Limited V	5.8.1	16,436	-	-	16,436	-	-	-	2.35
Dewan Cement Limited	5.8.2	30,000	-	-	30,000	-	-	-	7.50
New Allied Electronics Industries (Private) Limited	5.8.3	15,000	-	-	15,000	-	-	-	8.33
Agritech Limited I	5.8.4	30,000	-	-	30,000	-	-	-	10.00
Agritech Limited V	5.8.5	6,464	-	-	6,464	-	-	-	10.00
						Rupees in '000 ------%-----			
						<u>554,444</u>			
Carrying value as at December 31, 2016						<u>554,444</u>			
Accumulated impairment						<u>554,444</u>			

5.8.1 These zero coupon privately placed term finance certificates were issued against the interest receivable on TFCs of Azgard Nine Limited (disclosed in note 5.6.1) under an agreement dated June 28, 2012 between the Management Company of the Fund and Azgard Nine Limited. These privately placed term finance certificates were issued against non performing securities, therefore the management, as a matter of prudence has recognized these at nil value. MUFAP classified these as non-performing since June 21, 2010 and December 7, 2012 respectively. 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.

5.8.2 The Fund had advanced an amount of Rs 150 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 09, 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. 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.

5.8.3 These represent investments in privately placed term finance certificate (term: 4 years) and sukuks (term: 5 years) of the investee company. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly had been classified as non performing asset by MUFAP since January 09, 2009. 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.

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- 5.8.4 This represents investment in listed term finance certificates with a term of seven years. On May 30, 2010, Agritech Limited defaulted in payment of principal and mark-up due and accordingly has been classified as non performing asset by MUFAP since June 14, 2010. 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.
- 5.8.5 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. MUFAP classified these as non-performing on January 17, 2012. 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.
- 5.8.6 Other particulars of term finance certificate - unlisted outstanding as at December 31, 2016 are as follows:

Description	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Azgard Nine Limited III	2,168	6 months KIBOR offer rate + 2.25%	Not rated	4-Dec-07	4-Dec-14
Azgard Nine Limited V	5,000	-	Not rated	31-Mar-12	31-Mar-17
Dewan Cement Limited	5,000	6 months KIBOR offer rate + 2%	Not rated	14-Jan-08	14-Jan-14
New Allied Electronics Industries (Private) Limited	2,114	3 months KIBOR offer rate + 3%	Not rated	15-May-07	15-May-11
Agritech Limited I	4,995	6 months KIBOR offer rate + 1.75%	Not rated	29-Nov-07	29-Nov-14
Agritech Limited V	5,000	1% fixed rate	Not rated	28-Oct-11	28-Apr-17

## 5.9 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 01, 2016	Purchased during the period	Sold / matured during the period	As at December 31, 2016		Net assets	Market value of total investment	Issue size
						Rupees in '000	-----%-----		
New Allied Electronics Industries (Private) Limited	5.8.3	9,000	-	-	9,000	-	-	-	6.00
Eden Housing Limited	5.9.1	9,200	-	-	9,200	-	-	-	2.30
BRR Guardian Modaraba	5.9.2	10,000	-	-	10,000	-	-	-	6.25
Carrying value as at December 31, 2016						71,293			
Accumulated impairment						71,293			

5.9.1 This represents investment in privately placed sukuk with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 9, 2009. 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.

5.9.2 This represents investment in privately placed sukuk. The investee company has defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 26, 2015. 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.

	Note	(Un-audited) December 31, 2016	(Audited) June 30, 2016
(Rupees in '000)			
5.10 Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading			
Market value of investments	5.1, 5.2, 5.3, 5.4 & 5.5	1,129,221	891,924
Less: carrying value of investments	5.1, 5.2, 5.3, 5.4 & 5.5	(1,320,370)	(1,068,127)
		(191,149)	(176,203)
Add: provision against non-performing investments		191,141	191,141
		(8)	14,938



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	Note	(Un-audited) December 31, 2016	(Audited) June 30, 2016
<b>5.11 Net unrealised gain on re-measurement of investments classified as 'available for sale'</b>		(Rupees in '000)	
Market value of investments	5.6, 5.7, 5.8 & 5.9	51,228	34,704
Less: carrying value of investments	5.6, 5.7, 5.8 & 5.9	(767,481)	(772,360)
		(716,253)	(737,656)
Add: provision against non-performing investments	5.12	732,777	741,251
		16,524	3,595
<b>5.12 Details of provision against investments</b>			
Provisions related to investments classified as "fair value through profit or loss - held for trading"		191,141	191,141
Provisions related to investments classified as "available for sale"		732,777	741,251
		923,918	932,392
<b>5.13 Movement in provision against non performing investments</b>			
Opening balance		932,392	978,239
Add: charge for the period / year		-	-
Less: reversal of provision due to recovery		(8,474)	(45,847)
Closing balance		923,918	932,392
<b>5.14</b>	The term finance certificates and sukuku held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the investee company.		
<b>5.15</b>	This represents advance amounting to Rs. 300 million paid on December 14, 2016 in relation to term finance certificates to be issued by JS Bank Limited, having face value of Rs. 5,000 each.		
<b>5.16</b>	These represent term deposits having original maturity period of more than three months. These carry mark-up rate of 7.30% to 11.30% per annum (June 30, 2016: 10.00% per annum).		
<b>6. RECEIVABLE AGAINST MARGIN TRADING SYSTEM</b>			
	This carried average mark-up rate of 7.56% (June 30, 2016: 8.63%) and are matured at the option of financee subject to maximum period of 60 days.		
<b>7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	This mainly includes receivable of Rs. 463.225 million on account of deposit maintained with KASB Bank Limited (now BankIslami Pakistan Limited) ("the Bank"). The Fund has recorded accrued profit on this receivable amounting to Rs. 50.871 million on which aggregate provision amounting to Rs. 31.871 million has been maintained in this interim financial information and Rs. 19 million have been adjusted from accrued mark-up pursuant to the order of SECP dated August 12, 2011. The Fund has also recorded liability of Rs. 440.064 million and Rs. 23.161 million on account of redemption of units made by the Bank and contingent load respectively, the payments of which have been withheld due to dispute with the Bank. Subsequent to the period end, the Bank has settled the outstanding obligation by making payment of Rs. 35 million to the Fund.		

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	Note	(Un-audited) December 31, 2016	(Audited) June 30, 2016
<b>8 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		(Rupees in '000)	
Remuneration of the Management Company	8.1	14,463	9,679
Sindh Sales Tax on remuneration of the Management Company	8.2	1,878	1,570
Federal Excise Duty on remuneration of the Management Company	8.3	39,241	39,241
Operational expenses	8.4	5,837	5,986
Sales load		431	726
Sindh Sales Tax and Federal Excise Duty on sales load		1,511	1,664
		63,361	58,866

- 8.1** 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 from 2% to 1.5%.

The Management Company has charged management remuneration at the rate of 1.5% per annum until December 06, 2015. Thereafter from December 07, 2015, the Management Company has charged management remuneration at the rate of 1.3% per annum.

- 8.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the services provided by the Management Company as required by the Sindh Sales Tax on Services Act, 2011.
- 8.3** 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. 39.241 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.0.0336 per unit (June 30, 2016: Rs. 0.0669 per unit).

- 8.4** This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(s) of the NBFC Regulations, fee and expense 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 lower amount, to the Fund.

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	Note	(Un-audited) December 31, 2016	(Audited) June 30, 2016
<b>9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		(Rupees in '000)	
Remuneration of the Trustee	9.1	807	650
Sindh Sales Tax on remuneration of the Trustee	9.2	225	91
		<u>1,032</u>	<u>741</u>
<b>9.1</b>	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 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:		
<b>Net asset value</b>	<b>Tariff per annum</b>		
Upto Rs 1,000 million	0.17% per annum of net asset value		
On an amount Rs 1,000 million to 5,000 million	Rs 1.7 million plus 0.085% per annum of net asset value exceeding Rs 1,000 million.		
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% per annum of net asset value exceeding Rs 5,000 million.		
<b>9.2</b>	This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.		
<b>10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
<b>10.1</b>	Under the provisions of the NBFC Regulations, a collective investment scheme categorised as 'income scheme' is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 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
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		(Rupees in '000)	
Auditors' remuneration		439	410
Provision for Workers' Welfare Fund	12	31,218	31,218
Brokerage charges		2,799	204
Settlement charges		233	203
Withholding tax		9,838	24,973
Capital gain tax		27,532	42,118
Legal and professional charges		-	10
Payable against redemption of units	11.1	21,593	2,594,595
Payable to KASB Bank Limited (now BankIslami Pakistan Limited)		440,064	440,064
Printing charges payable		185	200
Contingent load		23,161	23,161
Dividend payable		-	1,131
Unrealized loss on equity securities - listed (spread transactions)	11.2	10,660	-
Others		400	484
		<u>568,122</u>	<u>3,158,771</u>

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- 11.1 This mainly represents amounts payable to other collective investment schemes being managed by the Management Company of the Fund. These amounts are payable in respect of units redeemed by various unit holders based on their request for transfer of units from the Fund to the other collective investment schemes.
- 11.2 This represents unrealized loss on cash settled future stock contracts with settlement date of January 31, 2017.

## 12 WORKERS WELFARE FUND AND SINDH WORKER'S 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 1, 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 an increase in the net asset value per unit of the Fund by Rs. 0.0161.

	Note	(Un-audited) December 31, 2016	(Audited) June 30, 2016
<b>(Rupees in '000)</b>			
<b>13. CONTINGENCIES AND COMMITMENTS</b>			
<b>13.1 Contingencies</b>			
There are no contingencies as at December 31, 2016 and June 30, 2016.			
<b>13.2 Commitments:</b>			
Margin trading system transactions entered into by the Fund in respect of which release transactions have not been settled		225,164	22,530
Sale of future stock contracts	13.3	463,931	-
<b>13.3</b> This represents the investment in future stock contracts with settlement date of January 31, 2017.			

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## 14. 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 realized or unrealized 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 realized or unrealized 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.

## 15. 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.

## 16. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net assets for the period) is 1.88% per annum including 0.25% representing government levies on Collective Investment scheme such as Sales tax and Securities and Exchange Commission of Pakistan fee for the period.

## 17. DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan (SECP) 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 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.

Following is the detail of non-compliant investments:

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	% of gross assets
			-----Rupees in '000-----			------(%)-----	
Azgard Nine Limited III	Rating is below investment grade prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	108,377	(108,377)	-		-
Azgard Nine Limited V	Rating is below investment grade prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	82,180	(82,180)	-		-
Agritech Limited I	Rating is below investment grade prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	149,860	(149,860)	-		-
Agritech Limited V	Rating is below investment grade prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	32,320	(32,320)	-		-
BRR Guardian Modaraba	Rating is below investment grade prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Sukuks (17.1)	18,088	(18,088)	-		-
Dewan Cement Limited	Rating is below investment grade prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	150,000	(150,000)	-		-

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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	% of gross assets
Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Sukuks (17.1)	9,056	(9,056)	-	-	-
New Allied Electronics Industries (Private) Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	31,707	(31,707)	-	-	-
New Allied Electronics Industries (Private) Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Sukuks (17.1)	44,149	(44,149)	-	-	-
Pace Pakistan Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	149,820	(149,820)	-	-	-
Saudi Pak Leasing Company Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	41,321	(41,321)	-	-	-
Worldcall Telecom Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Term finance certificates (17.1)	88,455	(88,455)	-	-	-
Azgard Nine Limited (Non-voting)	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Shares (17.1)	13	(13)	-	-	-
Agritech Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular 7 of 2009	Shares (17.1)	69,812	(18,584)	51,228	0.39%	0.38%

17.1 At the time of purchase, these term finance certificates and sukus were in compliance with the aforementioned circular. However, they either subsequently defaulted or were downgraded to non investment grade.

## 18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS AND RELATED PARTIES

18.1 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

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

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

18.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

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18.5 Details of Transactions 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
<b>NBP Fullerton Asset Management Limited (Management Company)</b>	(Rupees in '000)			
Remuneration of the Management Company	75,884	60,687	42,198	33,520
Sindh Sales Tax on remuneration of the Management Company	9,865	9,855	5,486	5,443
Federal Excise Duty on remuneration of Management Company	-	9,709	-	5,362
Reimbursement of operational expenses to the Management Company	5,837	1,009	3,246	1,009
Sales load and related Sindh Sales Tax and Federal Excise Duty	1,364	2,727	1,231	1,187
<b>National Bank of Pakistan (Parent of the Management Company)</b>				
Cash dividend paid	-	1,166	-	-
<b>Central Depository Company of Pakistan Limited (Trustee)</b>				
Remuneration of the Trustee	4,893	3,698	2,676	2,030
Sindh sales tax on remuneration of the Trustee	636	518	348	284
CDS charges	518	449	314	191
<b>Employees of the Management Company</b>				
Units issued / transferred in 7,239,518 units (2015: 5,416,219 units)	78,826	59,141	36,887	18,926
Units redeemed / transferred out 7,719,372 units (2015: 5,720,325 units)	84,363	64,683	51,824	64,683
Dividend re-invest: Nil (2015: 22,582 units)	-	243	-	-
<b>NAFA Income Fund (CIS managed by Management Company)</b>				
Purchase of market treasury bill	-	45,738	-	45,738
<b>NAFA Government Securities Liquid Fund (CIS managed by Management Company)</b>				
Purchase of market treasury bill	-	4,780	-	4,780
Sell of market treasury bill	324,495	-	-	-
<b>NAFA Financial Sector Income Fund (CIS managed by Management Company)</b>				
Purchase of market treasury bill	68,308	94,538	-	47,658
<b>Summit Bank Limited (Common directorship with the Management Company)</b>				
Mark-up on term deposits	-	64	-	64
Placement of term deposits	-	150,000	-	150,000
Mark-up on saving accounts	38	-	-	-
Balance in current accounts	11,196	-	-	-
Balance in saving accounts	2,099	-	-	-
Units issued / transferred in 905,674 units (2015: Nil)	10,000	-	-	-
Units redeemed / transferred out 2,124,849 units (2015: Nil)	23,465	-	-	-
<b>NBP Employees Benevolent Fund Trust (Benevolent Fund of the parent of the Management Company)</b>				
Units issued / transferred in Nil (2015: 189 units)	-	2	-	-
<b>NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)</b>				
Units issued / transferred in Nil (2015: 5,485,295 units)	-	59,127	-	-
<b>Cherat Cement Company Limited (Common directorship with the Management Company)</b>				
Units issued / transferred in 4,567,253 units (2015: 14,550,860 units)	50,000	164,672	-	-
Units redeemed / transferred out 4,567,253 units (2015: 14,550,860 units)	50,262	165,230	-	-

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	(Un-audited) December 31, 2016	(Audited) June 30, 2016
----- (Rupees in '000) -----		
<b>18.6 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	14,463	9,679
Sindh sales tax on remuneration of the Management Company	1,878	1,570
Federal Excise Duty on remuneration of the Management Company	39,241	39,241
Operational expenses	5,837	5,986
Sales load	431	726
Sindh Sales Tax and Federal Excise Duty on sales load	1,511	1,664
Contingent load	23,161	23,161
<b>National Bank of Pakistan (Parent of the Management Company)</b>		
Balances in current and saving accounts	19,491	2,220
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the trustee	807	650
Sindh Sales Tax on remuneration of the trustee	225	91
CDC charges payable	232	112
Security deposit	100	100
<b>NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)</b>		
Investment held in the Fund: 79,127,910 units (2016: 79,127,910 units)	875,036	846,795
<b>NBP Employees Benevolent Fund Trust (Benevolent Fund of the parent of the Management Company)</b>		
Investment held in the Fund: 2,726 units (2016: 2,726 units)	30	29
<b>Employees of the Management Company</b>		
Investment held in the Fund: 1,462,163 units (2016: 1,942,017 units)	16,169	20,783
<b>Summit Bank Limited (Common directorship with the Management Company)</b>		
Bank balances	13,295	20,630
Investment held in the Fund: 360.7 units (2016: 1,219,535 units)	4	13,051
Profit receivable on saving accounts	2	-
<b>Amount receivable / (payable) against issue of units from:</b>		
NAFA Financial Sector Income Fund	-	(423,934)
NAFA Islamic Aggressive Income Fund	-	(51,671)
NAFA Islamic Asset Allocation Fund	(20,019)	(35,775)
NAFA Islamic Asset Allocation Fund Plan-II	-	760
NAFA Islamic Stock Fund	-	(1,653)
NAFA Money Market Fund	-	(2,070,745)
NAFA Multi Asset Fund	-	(655)
NAFA Savings Plus Fund	-	(1,529)
NAFA Stock Fund	-	(8,501)



# NAFA INCOME OPPORTUNITY FUND

## 19 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:

	(Unaudited)			
	-----As at December 31, 2016-----			
Assets	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
<b>At fair value through profit or loss</b>				
<b>- held for trading</b>				
Government securities	-	589,312	-	589,312
Term finance certificates and sukus	-	539,909	-	539,909
Equity securities - listed (spread transactions)	460,015	-	-	460,015
<b>Investments - available for sale</b>				
Equity securities - listed	51,228	-	-	51,228
	(Audited)			
	-----As at June 30, 2016-----			
Assets	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
<b>At fair value through profit or loss</b>				
<b>- held for trading</b>				
Government securities	-	350,875	-	350,875
Term finance certificates and sukus	-	441,049	-	441,049
<b>Investments - available for sale</b>				
Equity securities - listed	34,704			34,704

There were no transfers between above levels during the period.

# NAFA INCOME OPPORTUNITY FUND

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.

## 20. DATE OF AUTHORISATION FOR ISSUE

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

## 21. GENERAL

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

21.2 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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