



NBP FUNDS

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NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

**QUARTERLY
REPORT**
March 31, 2018



MISSION STATEMENT

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

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NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Formerly: NBP Fullerton Asset Management Limited (NAFA)

Board of Directors of the Management Company

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

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
Mr. Humayun Bashir	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

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

Bank Alfalah Limited
Habib Bank Limited
United Bank Limited
Meezan Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Bank Al Habib Limited
Allied Bank Limited
Habib Metropolitan Bank Limited

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

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: 021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbpfunds.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
Fax: 091-5703202

Multan Office:

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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited (Formerly; NBP Fullerton Asset Management Limited) is pleased to present the unaudited financial statements of **NAFA Islamic Principal Preservation Fund (NIPPF)** for the period year ended March 31, 2018.

Fund's Performance

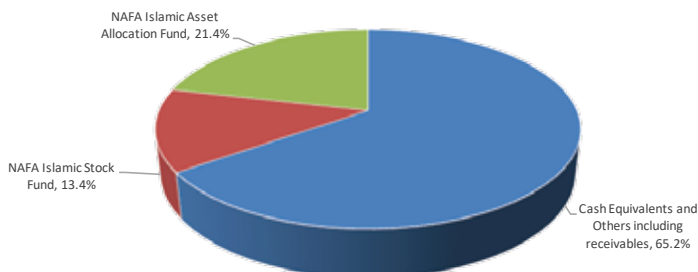
The size of NAFA Islamic Principal Preservation Fund has decreased from Rs. 379 million to Rs. 69 million during the period, i.e. a decrease of 82%. During the period, the unit price of NAFA Islamic Principal Preservation Fund has increased from Rs. 102.2235 on June 30, 2017 to Rs. 104.7307 on March 31, 2018, thus showing an increase of 2.45%. The Benchmark return during the same period was 2.68%. Thus, the Fund has underperformed its Benchmark by 0.23% during the period under review. Since Inception the NAV of Fund has increased from Rs. 81.3267 (Ex-Div) on January 09, 2015 to Rs. 104.7307 on March 31, 2018, thus showing an increase of 28.78%. The Benchmark return during the same period was 24.77%. Thus, the Fund has outperformed its Benchmark by 4.01%. This performance is net of management fee and all other expenses.

After a sizeable decline of 12.7% during the 1HFY2018 mainly driven by plethora of negative news on the political front and concerns on the widening current account deficit, the KMI-30 staged a strong recovery of 12.2% in the 3QFY2018. Overall, during 9MFY2018, the KMI-30 witnessed a meager decline of 2.0%. The rebound in the 3QFY2018 is attributable to anticipation of a Foreign Assets Declaration Scheme (FADR) with the associated expectation of significant inflows to the tune of USD3-5bn, PKR devaluation of around 9%, and 25 basis points increase in policy rate to address the galloping current account deficit. Adding to the investors' optimism were expectations of some tax relief for the capital market and listed sectors of the economy in the upcoming federal budget. The PKR devaluation is generally positive for the stock market as it usually improves the profitability of the select heavy-weight sectors such as Oil & Gas Exploration, Banks, Textile Composite, and Technology & Communication while, profit margins of the other sectors such as Automobile Assemblers, Cement, and Fertilizer, etc remain intact on account of pass-through of the rising input cost. It is worthwhile to mention that post the first round of devaluation on December 8, 2017 through March-end, the KMI-30 Index is up by 15%. Similarly, positive impact of currency devaluation has started reflecting as exports are up by a handsome 12% on a year-on-year basis in March 2018.

During 9MFY2018, Oil & Gas Exploration, Food & Personal Care, and Fertilizer sectors delivered better returns than the benchmark, while Refineries, Cements and Engineering sectors considerably under-performed the benchmark. Foreign investors remained net sellers with outflows of USD124 million during the aforesaid period. On the local side, Insurance and Companies remained major net buyers, taking fresh equity exposure worth USD105 million and USD94 million, respectively. Mutual Funds, on the other hand, remained net sellers, off-loading shares worth USD77 million during the aforementioned period.

During the period under review, in its bi-monthly monetary policy review in January 2018, State Bank of Pakistan (SBP) increased the policy rate and discount rate by 25 basis points to 6.00% and 6.50%, respectively. After remaining range bound, sovereign yields responded to the recent increase in the policy rate and on expectation of further hike in the near future. During the period under review, yields on T-bills for 3-month, 6-month, and 12-month tenors increased by 41 basis points, 57 basis points and 71 basis points respectively. Expecting upside risks to inflation and interest rates, investors' preference remained tilted toward short tenors.

The Fund has earned total income of Rs.7.21 million during the period. After accounting for expenses of Rs.3.32 million, the net income is Rs. 3.89 million. The asset allocation of the Fund as on March 31, 2018 is as follows:



NAFA ISLAMIC PRINCIPAL PRESERVATION 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
(Formerly; NBP Fullerton Asset Management Limited)

Chief Executive Officer

Director

Date: April 30, 2018
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ منیجمنٹ لمیٹڈ (سابقہ: NBP فلٹرن ایسیٹ منیجمنٹ لمیٹڈ) کے بورڈ آف ڈائریکٹرز بصدِ مسرت 31 مارچ 2018 کو ختم ہونے والی مدت کے لئے NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) کا فنڈ ساز اس مدت کے دوران 379 ملین روپے سے کم ہو کر 69 ملین روپے ہو گیا ہے، یعنی 82% کی کمی۔ اس مدت کے دوران NAFA اسلامک پرنسپل پریزرویشن فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 102.2235 روپے سے بڑھ کر 31 مارچ 2018 پر 104.7307 روپے ہو چکی ہے، لہذا 2.45% کا اضافہ ہوا ہے۔ اسی مدت کے دوران بیچ مارک منافع میں 2.68% کا اضافہ دیکھنے میں آیا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے 0.23% اتر کا کردگی دکھائی۔ 9 جنوری 2015 کو اپنے قیام پر فنڈ کی NAV 81.3267 روپے (Ex-Div) تھی جو بڑھ کر 31 مارچ 2018 پر 104.7307 روپے ہو چکی ہے، لہذا 28.78% کا اضافہ ہوا۔ اس مدت کے دوران بیچ مارک منافع 24.77% تھا، اس طرح فنڈ کی کارکردگی اپنے بیچ مارک کے مقابلے میں 4.01% بہتر رہی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

2018 کی پہلی ششماہی میں 12.7% کی نمایاں کمی دیکھنے میں آئی جس کی بڑی وجہ سیاسی محاذ پر منفی خبروں کی بھرمار اور کرنٹ اکاؤنٹ خسارے کے خدشات میں توسیع تھی تاہم KMI-30 انڈیکس نے 2018 کی تیسری سہ ماہی میں 12.2% سے بہتری دکھائی۔ مجموعی طور پر 2018 کے نو ماہ میں KMI-30 میں 2.0% کی معمولی کمی ہوئی۔ اس کے علاوہ بیرونی اثاثہ جات کا ہر کرنے کی اسکیم (Foreign assets Declaration Scheme (FADR) اور اس کے نتیجے میں 3-5 ملین امریکی ڈالر کے اندرونی بہاؤ کے امکانات، پاکستانی روپے کی قدر میں 9% کی کمی اور کرنٹ اکاؤنٹ خسارے میں تیزی پر قابو پانے کیلئے پالیسی میں 25 پیس پوائنٹس کا اضافہ کا بھی اس بحالی میں کردار ادا کر رہا ہے۔ آنے والے وفاقی بجٹ میں کیپٹل مارکیٹ اور درج شدہ شعبوں کیلئے نگیس ریلیف کی توقعات سے سرمایہ کاروں کی مثبت سوچ میں اضافہ ہوا ہے۔ پاکستانی روپے کی قدر میں کمی عام طور پر اسٹاک مارکیٹ کیلئے مثبت ہوتی ہے کیونکہ اس سے عموماً بڑے شعبہ جات جیسے آئل اینڈ گیس ایکسپلوریشن، بینکس، ٹیکسٹائل، کمپوزٹ اور ٹیکنالوجی اور کمیونیکیشن کی منفعت میں بہتری آتی ہے جب کہ دوسرے شعبہ جات جیسے آٹوموبائل، اسمبلرز، سیمنٹ اور فریٹ لائزر وغیرہ لاگت کے اخراجات کے لحاظ سے غیر متاثر رہتے ہیں۔ یہاں یہ کہنا بے جا نہ ہوگا کہ 8 دسمبر 2017 سے مارچ کے اختتام تک روپے کی قدر میں کمی کے پہلے راؤنڈ میں KMI-30 انڈیکس میں 15% اضافہ ہو۔ اسی طرح روپے کی قدر میں کمی سے برآمدات کا گراف بھی سال بہ سال کے لحاظ سے مارچ 2018 میں 12% تک بڑھ گیا۔

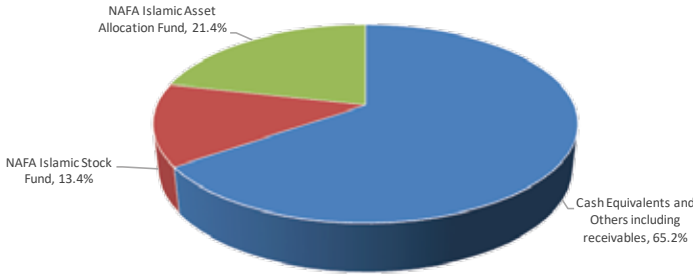
مالی سال 2018 کے نو ماہ کے دوران میں آئل اینڈ گیس ایکسپلوریشن، فوڈ اینڈ پراسسنگ، کیمیکلز اور کرنٹل بینکس کے شعبہ جات نے مارکیٹ سے زیادہ بہتر نتائج پیش کئے جب کہ ریفرنڈم، سیمنٹ اور انجینئرنگ کے شعبہ جات نے مارکیٹ سے کافی حد تک کم کارکردگی کا مظاہرہ کیا۔ بیرونی سرمایہ کار خالص فروخت کنندہ رہے جس سے مذکورہ مدت میں بیرونی سمت کو 124 ملین امریکی ڈالر کا بہاؤ ریکارڈ کیا گیا۔ مقامی سطح پر انشورنس اور کمپنیاں بڑی خالص خریدار رہیں جنہوں نے بالترتیب 105 ملین امریکی ڈالر اور 94 ملین امریکی ڈالر کی تازہ ایکویٹی حاصل کی۔ دوسری طرف میوچل فنڈز بھی خالص فروخت کنندہ رہے جنہوں نے مذکورہ عرصہ میں 77 ملین امریکی ڈالر کے مساوی شیئرز فروخت کئے۔

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

زیر جائزہ مدت میں اسٹیٹ بینک آف پاکستان (SBP) نے جنوری 2018 میں اپنی دو ماہ کی مانیٹری پالیسی میں پالیسی ریٹ اور ڈسکاؤنٹ ریٹ میں 25 پیس پوائنٹس کے اضافے سے انھیں بالترتیب 6.00% اور 6.50% تک پہنچا دیا ہے۔ بقیہ رینج کے محدود ہونے کے بعد (Sovereign) منافع نے حالیہ پالیسی ریٹس میں اضافے اور مستقبل قریب میں مزید اضافے کی توقع کا رد عمل ظاہر کیا۔ زیر جائزہ مدت کے دوران میں 3 ماہ، 6 ماہ اور 12 ماہ کیلئے T-Bills کے منافع میں بالترتیب 41 پیس پوائنٹس، 57 پیس پوائنٹس اور 71 پیس پوائنٹس کا اضافہ ہوا۔ افراط زر اور شرح سود سے متعلقہ بڑھتے ہوئے خدشات کی بنا پر سرمایہ کاروں کی ترجیح کا جھکاؤ مختصر مدت کی طرف رہا۔

فنانس مدت کے دوران 7.21 ملین روپے کی آمدنی ہوئی۔ 3.32 ملین روپے کے اخراجات منہا کرنے کے بعد کل آمدنی 3.89 ملین روپے ہے۔

31 مارچ 2018ء کو فنڈ کی ایسیٹ ایلوکیشن درج ذیل ہے:



اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

(سابقہ: NBP فلٹرن ایسیٹ مینجمنٹ لمیٹڈ)

ڈائریکٹر

چیف ایگزیکٹو آفیسر

بتاریخ

30 اپریل 2018

بمقام: کراچی

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT MARCH 31, 2018

	Note	(Un- Audited) March 31' 2018	Audited June 30, 2017
(Rupees in '000)			
ASSETS			
Balances with banks		59,005	347,059
Investments	4	24,186	53,176
Profit receivable		219	1,834
Advances, deposits and other receivables		5	-
Total assets		83,415	402,069
LIABILITIES			
Payable to the Management Company		8,355	9,445
Payable to the Trustee		7	37
Payable to Securities and Exchange Commission of Pakistan		198	805
Payable against redemption of units		-	3,210
Accrued expenses and other liabilities		5,368	9,383
Total liabilities		13,928	22,880
NET ASSETS		69,487	379,189
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		69,487	379,189
CONTINGENCIES AND COMMITMENTS	5		
		-----Number of units-----	
Number of units in issue		663,484	3,709,408
		------(Rupees)-----	
NET ASSET VALUE PER UNIT		104.7307	102.2235

The annexed notes 1 to 11 form an integral part of these condensed interim financial Information.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2018

Note	Nine months ended		Quarter Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	------(Rupees in '000)-----			
INCOME				
Capital (loss) / gain on sale of investments - net	(2,828)	124,495	(2,416)	10,385
Profit on bank deposits	10,238	27,374	2,213	8,763
Dividend Income	245	-	-	-
Reversal of provision for Workers' Welfare Fund	-	1,767	-	1,767
Income from Back End Load	-	1,560	-	38
Net unrealised (diminution) / appreciation on re-measurement as 'financial assets at fair value through profit or loss'	(448)	8,626	4,575	(7,027)
Total Income	7,207	163,822	4,372	13,926
EXPENSES				
Remuneration of the Management Company	1,855	5,189	491	1,369
Sindh sales tax on remuneration of the Management Company	241	675	64	178
Accounting and operational charges to the Management Company	208	744	47	151
Remuneration of the Trustee	208	721	47	150
Sindh Sales Tax on remuneration of the Trustee	27	94	6	20
Annual fee - Securities and Exchange Commission of Pakistan	198	707	45	144
Settlement and bank charges	10	74	1	69
Annual listing fee	22	41	11	14
Auditors' remuneration	77	304	27	55
Amortisation of preliminary expenses and floatation costs	-	630	-	31
Printing charges	6	37	6	-
Provision for Sindh Workers' Welfare Fund- previous years	-	2,072	-	2,072
Shariah advisor fee	368	304	138	157
Legal & Professional charges	17	19	17	9
Total Expenses	3,237	11,611	900	4,419
Net income from operating activities	3,970	152,211	3,472	9,507
Element of (loss) and capital (losses) included in the prices of units issued less those in units redeemed - net	-	(61,161)	-	(51,409)
Provision for Sindh Workers' Welfare Fund	(79)	(1,821)	(69)	(1,821)
Net income / (loss) for the period before taxation	3,891	89,229	3,403	(43,723)
Taxation	-	-	-	-
Net income / (loss) for the period after taxation	3,891	89,229	3,403	(43,723)
Allocation of net income for the period:				
Net income for the period after taxation	3,891	89,229	3,403	(43,723)
Income already paid on units redeemed	(2,594)	-	(2,577)	-
	1,297	89,229	826	(43,723)
Accounting income available for distribution:				
-Relating to capital gains	-	-	-	-
-Excluding capital gains	1,297	-	826	-
	1,297	-	826	-

The annexed notes 1 to 11 form an integral part of these condensed interim financial Information.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2018

	Nine months ended		Quarter Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	------(Rupees in '000)-----			
Net income / (loss) for the period after taxation	3,891	89,229	3,403	(43,723)
Other Comprehensive Income	-	-	-	-
Total comprehensive income / (loss) for the period	<u><u>3,891</u></u>	<u><u>89,229</u></u>	<u><u>3,403</u></u>	<u><u>(43,723)</u></u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial Information.

**For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

	For the nine months period ended March 31, 2018			For the nine months period ended March 31, 2017		
	(Rupees in '000)			(Rupees in '000)		
	Capital Value	Undistrib- uted income / (loss)	Total	Capital Value	Undistrib- uted income / (loss)	Total
Net assets at beginning of the period	342,159	37,030	379,189	1,287,294	36,803	1,324,097
Issue of units (2017: 869,556 units)						
- Capital value (at net asset value per unit at the beginning of the period)	-	-	-			
- Element of income	-	-	-	88,836	(1,443)	87,393
Redemption of 3,045,924 units (2017: 9,623,038 units)						
- Capital value (at net asset value per unit at the beginning of the period)	(311,365)	-	(311,365)			
- Element of income / (loss)	366	(2,594)	(2,228)			
Total payments on redemption of units	(310,999)	(2,594)	(313,593)	(983,115)	(59,717)	(1,042,832)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	61,161	61,161
Total comprehensive income for the period	-	3,891	3,891	-	89,229	89,229
Interim bonus distribution made during the period	-	-	-	-	(91,992)	(91,992)
Nil per unit distribution (2017: Rs 15.0671)						
Net income for the period less distribution	-	3,891	3,891	-	(2,763)	(2,763)
Net assets at end of the period	311,160	38,327	69,487	393,016	34,040	427,056
Undistributed income brought forward						
- Realised		35,433			35,709	
- Unrealised		1,597			1,094	
		37,030			36,803	
Accounting income available for distribution						
- Relating to capital gains		-				
- Excluding capital gains		1,297				
		1,297				
Net income for the period less distribution		-			89,229	
Interim bonus distribution made during the period						
Nil per unit distribution (2017: Rs 15.0671)		-			(91,992)	
Undistributed income carried forward		38,327			34,040	
Undistributed income carried forward						
- Realised income		38,775			25,414	
- Unrealised (loss) / income		(448)			8,626	
		38,327			34,040	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		102.2235			102.1626	
		104.7307			101.5061	

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

For NBP Fund Management Limited
(Formerly; NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

	Nine months ended	
	2018	2017
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	3,891	89,229
Adjustments		
Net unrealised (diminution) / appreciation on re-measurement as 'financial assets at fair value through profit or loss'	448	(8,626)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	61,161
Amortisation of preliminary expenses and floatation costs	-	630
	4,339	142,394
(Increase) / decrease in assets		
Investments	28,542	345,297
Profit receivable	1,615	3,870
Advances, deposits and other receivables	(5)	(14)
	30,152	349,153
Increase / (decrease) in liabilities		
Payable to the Management Company	(1,090)	(849)
Payable to the Trustee	(30)	(77)
Payable to the Securities and Exchange Commission of Pakistan	(607)	(838)
Accrued expenses and other liabilities	(4,015)	(4,035)
	(5,742)	(5,799)
Net cash generated operating activities	28,749	485,748
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from issue of units	-	87,393
Net payments on redemption of units	(316,803)	(1,050,204)
Distributions made	-	(91,992)
Net cash (used in) financing activities	(316,803)	(1,054,803)
Net (decrease) cash and cash equivalents during the period	(288,054)	(569,055)
Cash and cash equivalents at the beginning of the period	347,059	949,880
Cash and cash equivalents at the end of the period	59,005	380,825

The annexed notes 1 to 11 form an integral part of these condensed interim financial Information.

For NBP Fund Management Limited
(Formerly; NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL INFORMATION (Un-Audited) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Principal Preservation Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited (Formerly: NBP Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on October 16, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on October 29, 2014. under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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 the SECP. The principal 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 and is listed on the Pakistan Stock Exchange. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange. The Fund is categorized as an Open-End "Shariah Compliant Fund of Funds" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The objective of NAFA Islamic Principal Preservation Fund is to earn a potentially high return through dynamic asset allocation between Shariah compliant equity related, and Sharia compliant income/money market Collective Investment Schemes, while providing principal preservation

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of "AM1" to the Management Company

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan limited (CDC) as trustee of the Fund.

The Fund commenced its operations from January 9, 2015. As per the offering document, the duration of the Fund is perpetual and the initial maturity of the Fund is two (2) years from the commencement of the life of the Fund. Principal preservation will not be available if units are encashed before the expiry of the initial maturity term. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and

Notified Entities Regulations, 2008(the NBFC Regulations) and requirements of the Trust Deed.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

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

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declared that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Had the element of loss been recognised as per the previous accounting policy, the profit of the Fund would have been lower by Rs. 2.183 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been higher by Re. 0.0672. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

4 INVESTMENTS

Financial assets at fair value through profit or loss'
- Units of mutual funds

Note	(Un-audited) March 31, 2018	(Audited) June 30, 2017
	----- Rupees in '000 -----	
4.1	<u>24,186</u>	<u>53,176</u>

4.1 Investment in Mutual Funds

Name of the fund	As at July 1, 2017	Purchases during the period	Redeemed during the period	As at March 31, 2018	Market Value as at March 31, 2018	Market value as a percentage of net assets	Market value as a percentage of total
					(Rs in "000")%	
NAFA Islamic Asset Allocation Fund	2,514,865	1,219,223	2,815,782	918,306	14,901	21.44	61.61
NAFA Islamic Stock Fund	779,630	1,135,749	1,153,541	761,838	9,285	13.36	38.39
				1,680,144	24,186	35	100

Carrying value as at March 31, 2018

24,634

5 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at March 31, 2018 and June 30, 2017

6 PROVISION FOR SINDH WORKERS' WELFARE FUND

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is same as that disclosed in note 11.1 to the annual audited financial statements of the Fund for the year ended June 30, 2017.

The Fund, being prudent, recognised provision for SWWF amounting to Rs. 4.033 million for the period ended March 31, 2018 in this condensed interim financial information. Had the provision not been made, net assets value per unit at March 31, 2018 would have been higher by Rs. 6.0792 per unit (June 30, 2017: Rs. 1.0659 per unit).

7 TAXATION

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

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.

8 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.60 % per annum including 0.26 % representing government levies on collective investment scheme such as sales tax, Sindh worker's welfare fund and SECP fee for the period.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

9 TRANSACTIONS WITH CONNECTED PERSONS

- 9.1 Connected persons include NBP Fund Management Limited (Formerly: NBP Fullerton Asset Management Limited) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, NAFA provident Trust Fund being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 9.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 9.3 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.
- 9.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC regulation and the Trust Deed.

-----Unaudited-----
Nine months ended
March 31, March 31,
2018 2017
 -----(Rupees in '000)-----

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

NABP Fund Management Limited

(Formerly: NBP Fullerton Asset Management Limited) - Management Company

Remuneration of the Management Company	1,855	5,189
Sindh sales tax on remuneration of the Management Company	241	675
Accounting and operational charges to the Management Company	208	744

NAFA Islamic Stock Fund

Units purchased 1,135,749 (2017: 13,634,387 units)	13,322	176,677
Units sold 1,153,541 (2017: 36,725,395 units)	13,500	530,631

NAFA Islamic Asset Allocation Fund

Units purchased 1,219,223 (2017: 18,453,552 units)	19,357	311,663
Units sold 2,815,782 (2017: 23,866,043 units)	44,893	427,499

Central Depository Company of Pakistan Limited - Trustee

Remuneration	208	721
Sindh Sales Tax on remuneration of the Trustee	27	94

State Petroleum Refining & Petrochemical Corporation (Pvt Limited (Unit Holder with more than 10% holding)

Bonus Distribution: Nil (2017: 287,565 units)	-	30,422
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NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

	(Un-audited) March 31, 2018 (Rupees in '000)	(Audited) June 30, 2017
9.6 Amounts outstanding as at period end		
NBP Fund Management Limited <i>(Formerly: NBP Fullerton Asset Management Limited) - Management Company</i>		
Management remuneration payable	79	293
Sales tax payable	10	39
Accounting and operational charges to the Management Company	208	848
F.E.D payable	3,007	3,007
FED on Sales load payable to the Management Company	5,258	5,258
NAFA Islamic Stock Fund Units held: 761,838 (June 30, 2017: 779,630 units)	9,285	10,217
NAFA Islamic Asset Allocation Fund Units held: 918,306 (June 30, 2017: 2,514,865 units)	14,901	42,959
Payable to NAFA Islamic Asset Allocation Fund	-	3,700
Employees of the Management Company Units held: 1,837 (June 30, 2017: 1,837 units)	192	188
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	6	33
Sindh Sales Tax on remuneration of the Trustee	1	4
State Petroleum Refining & Petrochemical Corporation (Pvt Limited (Unit Holder with more than 10% holding) Units held: Nil (June30, 2017: 2,306,673)	-	235,796
Secretary Khyber Pukhtoon Khwa Medical Faculty Peshawar (Unit Holder with more than 10% holding) Units held: 140,734	14,739	-

10 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on April 30, 2018.

11 GENERAL

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

11.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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: INVEST to 9995

Fax: 021-35825335

Email: info@nbpffunds.com

Website: www.nbpffunds.com

 /nbpffunds