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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

ANNUAL REPORT 2017



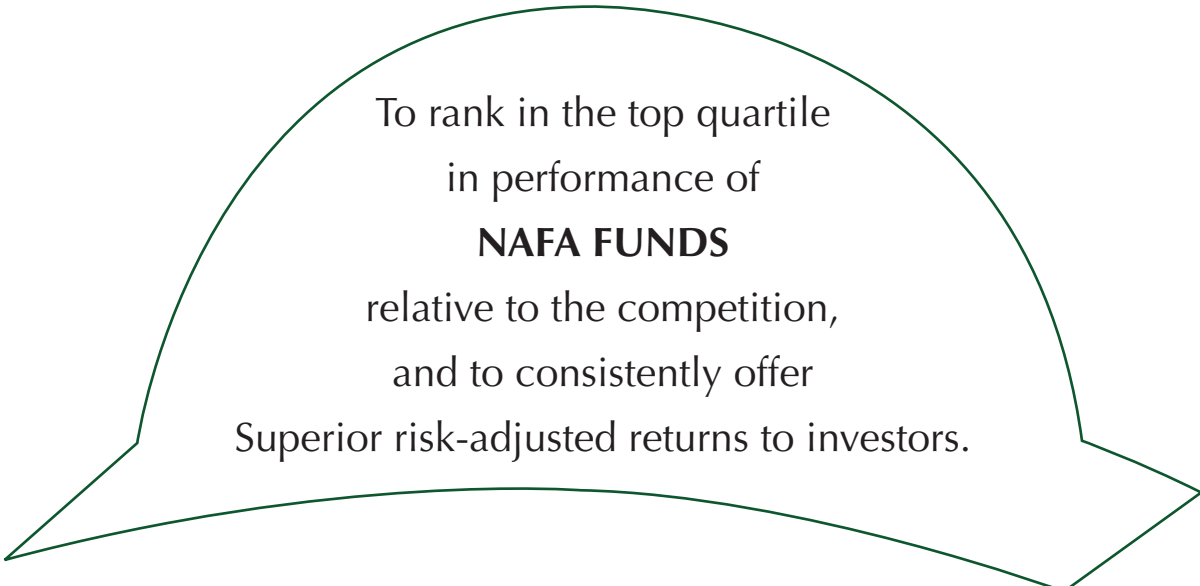
Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

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Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Mudassir Husain Khan
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Lui Mang Yin (Martin Lui)
Director



Mr. Tariq Jamali
Director



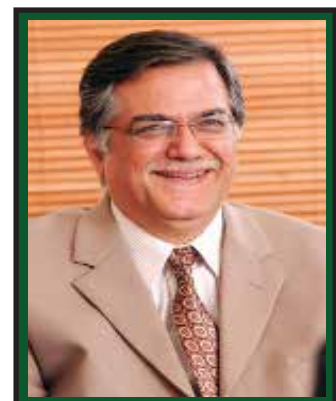
Mr. Shehryar Faruque
Director



Dr. Foo Chiah Shiung (Kelvin Foo)
Director

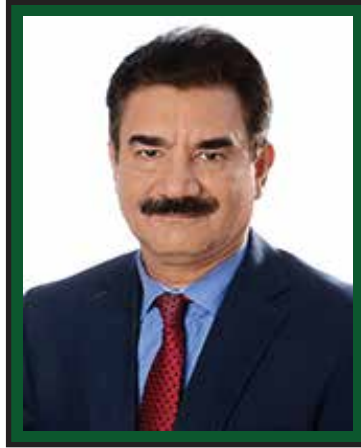


Mr. Abdul Hadi Palekar
Director



Mr. Humayun Bashir
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Hassan Raza, CFA
Head of Research



Mr. Muhammad Ali, CFA, FRM
Head of Fixed Income



Mr. Taha Khan Javed, CFA
Head of Equity



Syed Ali Azhar Hasani
Head of Internal Audit



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman, ACA
Senior Manager Compliance



Mr. Shahbaz Umer
Head of Human Resource &
Administration

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Third Annual Report of **NAFA Islamic Principal Preservation Fund** for the year ended June 30, 2017.

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.

Fund's Performance

Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by a hefty 26.5% during 1HFY17 while in the later half the market declined by 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) supportive investment backdrop with rising economic growth, controlled inflation & interest rates, healthy corporate earnings growth and attractive stock market valuations; (ii) Pakistan's re-classification to MSCI Emerging Market Index effective June 2017; (iii) CPEC related investment activity gaining traction; and (iv) equity related mutual funds attracting hefty inflows on account of paltry yields on fixed income avenues. The optimism of the first half of the fiscal year began to fade on the back of many negatives : (i) rising domestic political uncertainty with the start of court proceeding against the Prime Minister in the Panama Leaks Case; (ii) renewed decline in the global oil prices that weighed in on the index heavy Oil & Gas and Banking sectors; (iii) SECP's drive to curb in-house badla financing sparking concern in the market; and (iv) rising risks to the Balance of Payment (BoP) position from widening trade and current account deficits. A big disappointment for investors was absence of meaningful net foreign portfolio inflows during PSX reclassification into MCSI Emerging Market Index. Foreign investors remained net sellers throughout the year, offloading equity stakes worth USD652mn in FY17 that was mainly absorbed by Mutual Funds and Insurance Companies.

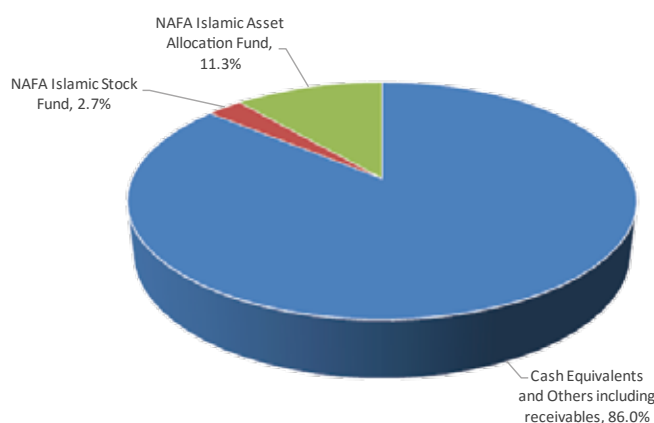
Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as the short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

Trading activity in corporate Sukuks slightly improved with cumulative trade value of Rs 9.1 billion in FY17 compared to Rs 7.7 billion last year. The trades remained skewed towards high quality debt issues, mainly concentrated towards the Banking sector with 71% contribution. Dearth of primary issuance and rising demand kept the yield spread tightened in the secondary market.

During the period, the unit price of NAFA Islamic Principal Preservation Fund has increased from Rs.88.8434 (Ex-Div) on June 30, 2016 to Rs. 102.2235 on June 30, 2017, thus showing an increase of 15.06%. The Benchmark return during the same period was 12.06%. Thus, the Fund has outperformed its Benchmark by 3.0% during the period under review. This performance is net of management fee and all other expenses. Since inception (January 09, 2015), unit price of NIPPF has risen by 25.69%, whereas the Benchmark has increased by 21.25%, thus to date out-performance is 4.44%.

This performance is net of management fee and all other expenses. The Fund has earned a total income of Rs.107.25 million during the year. After deducting total expenses of Rs.15.03 million, the net income is Rs.92.22 million. The size of NAFA Islamic Principal Preservation Fund is Rs.379 million as of June 30, 2017.

The asset allocation of the Fund as on June 30, 2017 is as follows:



NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Income Distribution

The Board of Directors of the Management Company has approved bonus distribution of 14.75% of opening Ex-NAV (15.07% the par value) during the year.

Taxation

Though the Fund has earned net income of Rs.92.22 million for the year ended June 30, 2017, yet after excluding the realized capital gain of Rs.125.76 million, the Fund does not have income for distribution for the year ended June 30, 2017. Therefore, no provision for income tax was recorded in the financial statements of the Fund for the said financial year.

Auditors

The present auditors, Messrs A.F.Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2018.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 20 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 19 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 17 to these financial statements.

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

Chief Executive

Director

Date: September 15, 2017
Place: Karachi.

ڈائریکٹرز رپورٹ

این بی پی فلٹرن ایسیٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) کی تیسری سالانہ رپورٹ برائے سال ختمہ 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) کا مقصد شریعہ کمپلائنٹ ایکویٹیٹیز سے منسلک اور شریعہ کمپلائنٹ ائکم انی مارکیٹ کی مشترکہ سرمایہ کاری کی اسکیموں کے درمیان متحرک ایسیٹ ایلوکیشن کے ذریعے بنیادی سرمائے کو تحفظ مہیا کرنے کے ساتھ ساتھ ملحد منافع کمانے کا موقع فراہم کرنا ہے۔

فنڈ کی کارکردگی

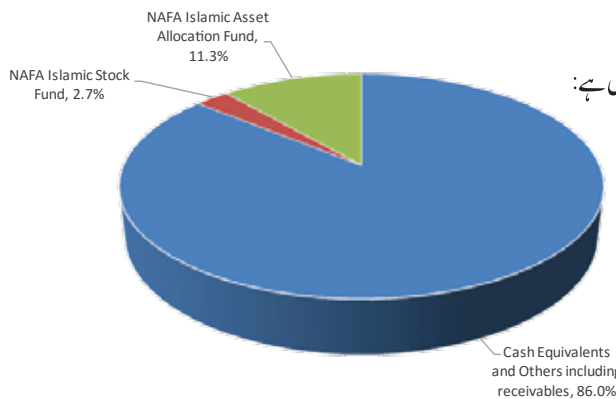
مالی سال 2016-17 کو دو ششماہیوں میں منقسم کیا جاسکتا ہے۔ سال 17 کی پہلی ششماہی میں مارکیٹ میں %26.5 کا شاندار اضافہ ہوا جب کہ دوسری ششماہی میں نسبتاً اتار چڑھاؤ کے ساتھ مارکیٹ گر کر %2.6 پر آگئی۔ مالی سال 17 کا آغاز بڑے مثبت انداز میں ہوا جس میں سرمایہ کار سرگرم رہے جس کی وجہ مختلف مثبت پیش رفت تھی جیسے (i) معاشی نمو میں اضافہ کی بدولت سرمایہ کاری کے لئے موافق پس منظر، افراط زر اور سود کی شرح پر کنٹرول، کارپوریٹ کی آمدنی میں بڑا اضافہ اور اسٹاک مارکیٹ کی پرکشش قدر و قیمت (ii) MSCI ایمریکن مارکیٹ انڈیکس میں جون 2017ء میں پاکستان کی دوبارہ درجہ بندی؛ (iii) چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرمایہ کاری کی سرگرمیوں میں تیزی کا رجحان اور (iv) حصص پر مبنی میوچل فنڈز کے پرکشش ہونے کے سبب داخلی بہاؤ میں نمایاں اضافہ جس کی وجہ سے فنڈز آگے میں معمولی آمدنی کا حصول تھا۔ بعد ازاں مالی سال کی پہلی ششماہی کے مثبت رجحانات مختلف منفی وجوہات کی بنا پر معدوم پڑنے لگیں۔ جیسے (i) پانامہ لیکس کیس میں وزیر اعظم کے خلاف عدالتی کارروائی کے آغاز سے ملک میں سیاسی غیر یقینی کیفیت (ii) عالمی سطح پر تیل کی قیمتوں میں دوبارہ کمی جس سے آئل اور گیس اور بینکنگ کے شعبہ جات کے انڈیکس پر دباؤ پڑا (iii) سکیورٹیز ایڈیٹوریٹ کی رپورٹ (BoP) میں بڑھتے ہوئے خدشات۔ سرمایہ کاروں کو اس وقت بہت مایوسی ہوئی جب MSCI ایمریکن مارکیٹ انڈیکس میں پاکستان اسٹاک ایکسچینج (PSX) کی دوبارہ درجہ بندی کے باوجود با مقصد خالص بیرون ملک زرمبادلہ نہ حاصل ہو پایا۔ پورے سال میں بیرونی سرمایہ کار خالص فروخت کنندہ رہے اور مالی سال 17 کے دوران 652 ملین یو ایس ڈالر کی ایکویٹی فروخت ہوئی جو زیادہ تر میوچل فنڈز اور رہنما کمپنیوں میں جذب ہو گئی۔

ایشیائے خورد نوش کی قیمتوں میں کمی کے سبب CPI کے مطابق مالی سال 2017 میں افراط زر اوسطاً %4.2 رہا۔ سال کے دوران اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی کی شرح %5.75 برقرار رکھی۔ SBP نے چین پاکستان اقتصادی راہداری (CPEC) کے تناظر میں منصوبوں کیلئے سرمایہ کاری کی کارروائیوں میں تیزی آنے کو معاشی صورتحال میں بہتری کا سبب قرار دیا؛ تاہم درآمدات میں اضافہ پر اپنے تحفظات کا اظہار کیا، جس کے ساتھ برآمدات میں بیرون ملک سے قوم کی ترسیل میں کمی سے کرنٹ اکاؤنٹ کا خسارہ بڑھ گیا۔ SBP کی دانشمندانہ مانیٹری پالیسی کے نتیجے میں شرح سود میں استحکام اور کمی دیکھنے میں آئی؛ جس سے نجی شعبہ کو اپنی گنجائش بڑھانے میں حوصلہ افزائی ہوئی۔ قلیل علومی منافع میں 10-5 بنیادی پوائنٹس کے ساتھ بہتری آئی۔ جب کہ طویل مدت کے منافع میں 60-40 بنیادی پوائنٹس کا اضافہ ہوا۔

کارپوریٹ TFCs/Sukuks کی تجارتی سرگرمیوں میں کچھ بہتری آئی اور مالی سال 17 میں ان کی مجموعی تجارتی قدر 9.1 بلین روپے رہی جو کہ گزشتہ سال 7.7 بلین روپے تھی۔ تجارت کا جھکاؤ اعلیٰ سطح کے قرضہ جات کی جانب رہا جس میں خاص طور پر بینکنگ کے شعبہ کا حصہ %71 تھا۔ ابتدائی اجراء کی قلت اور طلب میں اضافہ سے ثانوی مارکیٹ میں منافع کی صورتحال محدود رہی۔

اس مدت کے دوران NAFA اسلامک پرنسپل پریزرویشن فنڈ کے یونٹ کی قیمت 30 جون 2016 کو 88.8434 روپے (Ex-Div) سے بڑھ کر 30 جون 2017 کو 102.2235 روپے ہو چکی ہے۔ لہذا فنڈ نے %15.06 کا اضافہ دکھایا۔ اسی مدت میں بیچ مارک منافع %12.06 تھا۔ لہذا زیر جائزہ مدت کے دوران فنڈ نے اپنے بیچ مارک منافع سے %3.0 بہتر کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ اپنے قیام (09 جنوری 2015) سے اب تک NIPPF نے اپنے بیچ مارک منافع کے مقابلے میں %21.25 سے بڑھ کر %25.69 ہو گیا، لہذا اب تک %4.44 کی بہتر کارکردگی دکھائی۔

یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) نے اس سال کے دوران 107.25 بلین روپے کی مجموعی آمدنی کمائی ہے۔ 15.03 بلین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 92.22 بلین روپے رہی۔ NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) کے فنڈ کا حجم 30 جون 2017 کو 379 ملین روپے ہے۔



فنڈ کی ایسیٹ ایلوکیشن 30 جون 2017 کو بمطابق ذیل ہے:

آمدنی کی تقسیم

منجنت کمپنی کے بورڈ آف ڈائریکٹرز نے اس سال کے دوران میں اوپننگ ex-NAV کے 14.75% (بنیادی قدر کا 15.07%) بونس ڈسٹریوشن کی منظوری دی ہے۔

ٹیکسیشن

اگرچہ فنڈ کی خالص آمدنی 92.22 ملین روپے ہے تاہم سرمایہ کاری پر حاصل ہونے والے 125.76 ملین روپے مصدقہ منافع کو منہا کرنے کے بعد 30 جون 2017 کے اختتام پر فنڈ میں آمدنی کی تقسیم نہیں ہوتی لہذا مذکورہ مالی سال کے لیے فنڈ کی مالی اسٹیٹمنٹس میں انکم ٹیکس کا کوئی پروویژن نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2018 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجنت کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔

5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔

9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- اس مدت کے دوران منجنت کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیرن مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 17 میں ظاہر کی گئی ہے۔

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز 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 اسٹیٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن، ایسیٹ منجنت لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

15 ستمبر 2017ء

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Principal Preservation 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 year ended June 30, 2017 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, September 26, 2017

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE NAFA ISLAMIC PRINCIPAL PRESERVATION FUND FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA Islamic Principal Preservation Fund** (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, the Management Company, is not listed and hence, the CCG is not applicable to it. However, the Fund being listed on Pakistan Stock Exchange comes under the ambit of the CCG. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and appoints the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2017, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Lui Mang Yin 5. Dr. Kelvin Foo

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies were occurred on the board on November 21, 2016 and March 17, 2017 which were filled up on the same dates.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (CEO).
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2017, four directors of the Company had acquired the director's training certificate as required under the CCG. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Head of Internal Audit of the Company with remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Chief Financial Officer (CFO) during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 17 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is an independent director.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

18. The Board has set up an effective internal audit function headed by the Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions was determined and intimated to directors, employees and stock exchange except for 60th and 61st meeting of the Board of Directors.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with expect the following:
 - the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.
 - the Company has not complied with the requirements relating to maintenance of register of persons employed having access to inside information nor any senior management officer has been designated by the Company responsible for maintaining proper record including basis for inclusion or exclusion of names of persons from the said list.

For and behalf of the Board

September 15, 2017
Karachi

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

FUND MANAGER REPORT

NAFA Islamic Principal Preservation Fund is a Shariah Compliant Fund of Fund.

Investment Objective of the Fund

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 Shariah compliant income/money market Collective Investment Schemes, while providing principal preservation.

Benchmark

The Benchmark of the Fund is Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds actual allocation.

Fund performance review

This is the Third annual report of the Fund. During the period, the unit price of NAFA Islamic Principal Preservation Fund has increased from Rs.88.8434 (Ex-Div) on June 30, 2016 to Rs. 102.2235 on June 30, 2017, thus showing an increase of 15.06%. The Benchmark return during the same period was 12.06%. Thus, the Fund has outperformed its Benchmark by 3.0% during the period under review. This performance is net of management fee and all other expenses. Since inception (January 09, 2015), NIPPF has risen by 25.69%, whereas the Benchmark has increased by 21.25%, thus to date out-performance is 4.44%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Preservation Fund is Rs.379 million as of June 30, 2017.

The Fund has gradually built its position in risky asset and its current equity related fund exposure stands at around 14.0%. The Fund can invest up to 100% in equity related funds.

Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by hefty 26.5% during 1HFY17 while in the later half the market surrendered return of 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) supportive investment backdrop with rising economic growth, controlled inflation & interest rates, healthy corporate earnings growth and attractive stock market valuations; (ii) Pakistan's re-classification to MSCI Emerging Market Index effective June 2017; (iii) CPEC related investment activity gaining traction; and (iv) equity related mutual funds attracting hefty inflows on account of paltry yields on fixed income avenues. The optimism of the first half began to fade on the back of many negatives : (i) rising domestic political uncertainty with the start of court proceeding against the Prime Minister in the Panama Leaks Case; (ii) renewed decline in the global oil prices that weighed in on the index heavy Oil & Gas and Banking sectors; (iii) SECP's drive to curb in-house badla financing sparking panic in the market; and (iv) rising risks to the Balance of Payment (BoP) position from widening trade and current account deficits. A big disappointment for investors was absence of meaningful net foreign portfolio inflows during PSX reclassification into MCSI Emerging Market index. Foreign investors remained net sellers throughout the year, offloading equity stakes worth USD652mn in FY17 that was mainly absorbed by Mutual Funds and Insurance Companies.

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

Trading activity in corporate TFCs / Sukuks slightly improved with cumulative trade value of Rs 9.1 billion in FY17 compared to Rs 7.7 billion last year. The trades remained skewed towards high quality debt issues, which mainly concentrated towards the Banking sector with 71% contribution. Dearth of primary issuance and rising demand kept the yield spread tightened in the secondary market.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-17	30-Jun-16
Islamic Asset Allocation Fund	11.33%	9.28%
Islamic Stock Fund	2.69%	20.67%
Cash Equivalents	89.50%	71.74%
Other Net Liabilities	-3.52%	-1.69%
Total	100.00%	100.00%

Distribution for the Financial Year 2017

Interim Period/Quarter	Dividend as % of Par Value (Rs.100)	Cumulative Div. Price/Unit	Ex- Div. Price
Interim	15.07%	117.2906	102.2235

Unit Holding Pattern of NAFA Islamic Principal Preservation Fund as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
1-1000	30
1001-5000	45
5001-10000	27
10001-50000	29
50001-100000	6
100001-500000	1
500001-1000000	1
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During the period under question

During the year, the provision for Workers' Welfare Fund held by the fund till June 30, 2015 has been reversed on January 12, 2017. Further, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from May 21, 2015. For further details, refer note 11.1 to the financial statements.

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 3.954 million. If the same were not made the NAV per unit/FY17 return of scheme would be higher by Rs. 1.0659/1.20%. For details investors are advised to read note 11.1 of the Financial Statement of the Scheme for the year ended June 30, 2017.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Principal Preservation Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2017. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 15, 2017
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Report of the Shari'ah Supervisory Board – NAFA Islamic Principal Preservation Fund

August 21, 2017 /Dhu Al-Qi'dah 28, 1438

Alhamdulillah, the period from July 1, 2016 to June 30, 2017 was the third year of the operations of NAFA Islamic Principal Preservation Fund (NIPPF). This report is being issued in accordance with clause 4.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

In the capacity of Shari'ah Supervisory Board, we have prescribed criteria and procedure to be followed in ensuring Shari'ah Compliance in every investment.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance with the Shari'ah policies & guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NIPPF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NIPPF by NAFA are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NIPPF for the year ended June 30, 2017 are not in compliance with Shari'ah principles.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and on behalf of Meezan Bank Limited
Shar'iah Technical Services & Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member Shariah
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Islamic Principal Preservation Fund** (the Fund) for the year ended June 30, 2017 to comply with clause 5.19 of the Pakistan Stock Exchange Limited Regulations where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company (NBP Fullerton Asset Management Limited) of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2017.

Further, we highlight below the instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these have been stated in the Statement of Compliance:

Paragraph reference	Description
23	A mechanism for an evaluation of the Board's own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board.
21	As per the Code, there should be announcement of 'closed period' prior to the announcement of interim / final results and any business decisions, however such 'closed period' was not announced before 60th and 61st board meeting.
23	No register is maintained enlisting persons employed under contract or otherwise who have access to inside information.

A.F. Ferguson & Co.
Chartered Accountants
Dated: September 15, 2017
Karachi

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS *Report on the Financial Statements*

We have audited the accompanying financial statements of NAFA Islamic Principal Preservation Fund (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (NBP Fullerton Asset Management Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2017 and of its financial performance, its cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 15, 2017
Karachi

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2017

	Note	2017 -----Rupees in '000-----	2016
ASSETS			
Balances with banks	4	347,059	949,880
Investments	5	53,176	396,583
Profit receivable	6	1,834	5,924
Preliminary expenses and floatation costs	7	-	630
Total assets		402,069	1,353,017
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	8	9,445	10,258
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	37	119
Payable to the Securities and Exchange Commission of Pakistan	10	805	1,545
Payable against redemption of units		3,210	7,372
Accrued expenses and other liabilities	11	9,383	9,626
Total liabilities		22,880	28,920
NET ASSETS		379,189	1,324,097
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		379,189	1,324,097
CONTINGENCIES AND COMMITMENTS			
	12	-----Number of units-----	
NUMBER OF UNITS IN ISSUE	13	3,709,408	12,960,682
		-----Rupees-----	
NET ASSET VALUE PER UNIT	3.12	102.2235	102.1626

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		-----Rupees in '000-----	
INCOME			
Capital gain / (loss) on sale of investments - net		125,755	(44,679)
Profit on bank deposits		32,509	62,387
Dividend income		5,154	59,135
Income from back end load		1,559	2,861
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.2	1,597	1,094
Total income		166,574	80,798
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	8.1	6,074	12,823
Sindh Sales Tax on the Management Company's remuneration	8.2	790	2,082
Federal Excise Duty on the Management Company's remuneration	8.3	-	2,051
Accounting and operational charges	8.4	848	929
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	9.1	824	1,469
Sindh Sales Tax on remuneration of the Trustee	9.2	107	206
Annual fee - Securities and Exchange Commission of Pakistan	10.1	805	1,545
Amortisation of preliminary expenses and floatation costs	7	630	1,189
Auditors' remuneration	14	362	362
Legal and professional charges		29	20
Annual listing fee		55	40
Shariah advisor fee		419	178
Printing charges		37	87
Bank charges		94	128
Total expenses		11,074	23,109
Net income from operating activities		155,500	57,689
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		(61,095)	(6,693)
Provision for Sindh Workers' Welfare Fund	11.1	(3,954)	-
Reversal of provision for Workers' Welfare Fund	11.1	1,768	-
Net income for the year before taxation		92,219	50,996
Taxation	15	-	-
Net income for the year after taxation		92,219	50,996
Earnings per unit	3.11		

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
Net income for the year after taxation	92,219	50,996
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>92,219</u>	<u>50,996</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
Undistributed income at the beginning of the year	36,803	39,324
Net income for the year after taxation	92,219	50,996
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	-
Interim distribution		
- Rs 15.0671 per unit declared on January 20, 2017 - Bonus distribution	(91,992)	
- Rs 3.96 per unit declared on June 30, 2016 - Cash distribution	-	(49,758)
		-
Final distribution		
- Rs 0.2206 per unit declared on July 16, 2015 for the period ended June 30, 2015 - Cash distribution	-	(3,759)
Undistributed income carried forward	<u>37,030</u>	<u>36,803</u>
Undistributed income at the end of the year comprising of:		
- Realised income	35,433	35,709
- Unrealised income	<u>1,597</u>	<u>1,094</u>
	<u>37,030</u>	<u>36,803</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
Net assets at the beginning of the year	1,324,097	1,758,318
Issue of Nil Units(2016: 449,029 units)	-	45,937
Redemption of 10,120,830 units (2016: 4,678,288 units)	(1,093,622)	(484,330)
	(1,093,622)	(438,393)
Bonus issue of 869,556 units	87,392	-
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net		
- transferred to income statement	61,095	6,693
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	1,597	1,094
Capital gain / (loss) on sale of investments - net	125,755	(44,679)
Other net (loss) / gain for the year	(35,133)	94,581
	92,219	50,996
Interim distribution		
- Rs 15.0671 per unit declared on January 20, 2017		
- Bonus distribution	(91,992)	-
- Rs 3.96 per unit declared on June 30, 2016		
- Cash distribution	-	(49,758)
Final distribution		
- Rs 0.2206 per unit declared on July 16, 2015 for the period ended June 30, 2015		
- Cash distribution	-	(3,759)
Net assets at the end of the year	<u>379,189</u>	<u>1,324,097</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	92,219	50,996
Adjustments for:		
Profit on bank deposits	(32,509)	(62,387)
Dividend income	(5,154)	(59,135)
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(1,597)	(1,094)
Amortisation of preliminary expenses and floatation costs	630	1,189
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	61,095	6,693
Provision for Sindh Workers' Welfare Fund	3,954	-
Federal excise duty on remuneration of the Management Company	-	2,051
Reversal of provision for Workers Welfare Fund	(1,768)	-
	24,651	(112,683)
Increase in assets		
Investments	345,004	387,646
Increase in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management company	(813)	(2,289)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(82)	(11)
Payable to the Securities and Exchange Commission of Pakistan	(740)	739
Accrued expenses and other liabilities	(2,429)	2,546
	(4,064)	985
Profit received on bank balances	36,599	61,373
Dividend received	5,154	59,135
Withholding tax paid on distribution during the year	(4,600)	-
Net cash generated from operating activities	<u>494,963</u>	<u>447,452</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units net of distribution	-	(7,580)
Payments on redemption of units	(1,097,784)	(476,958)
Net cash used in financing activities	<u>(1,097,784)</u>	<u>(484,538)</u>
Net decrease in cash and cash equivalents during the year	<u>(602,821)</u>	<u>(37,086)</u>
Cash and cash equivalents at the beginning of the year	949,880	986,966
Cash and cash equivalents at the end of the year	<u><u>347,059</u></u>	<u><u>949,880</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Principal Preservation 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 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 and Notified Entities Regulations, 2008 (the NBFC Regulations)

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 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 shares / equity related instruments and shariah compliant income / money market Collective Investment Schemes. Principal preservation means that the net realisable value of the Fund shall not fall below the initial investment value (adjusted for distributions / redemptions during the life of the Fund), provided that the units are held till the completion of the initial maturity of the Fund.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM 1 to the Management Company as at April 21, 2017. The Fund has not yet been rated.

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 duration of the Fund is perpetual. The initial maturity of the Fund is two (2) years from the commencement of the life of the Fund. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in offering document of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in current year

There are certain new and amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 01, 2016 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

2.3.1 There are certain new and amended standards and interpretations that are mandatory for the accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.3.2 Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Standards, Interpretations or Amendments	Effective date accounting period beginning on or after
- IFRS-9 Financial Instruments	January 1, 2018
- IFRS-15 Revenue from contracts with customers	January 1, 2018
- IFRS-16 Leases	January 1, 2019

2.3.3 The SECP vide its SRO 756(1) / 2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations, 2008 which will be applicable on the financial statements of the Fund from the accounting year ending on June 30, 2018. 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, 2008. In addition there are certain changes in the disclosure requirements relating to the Income Statement and the Statement of Movement in Unit Holders' Fund. The management is currently in the process of assessing the impact of these changes on the financial statements.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- Classification and valuation of investments (note 3.2.1, 3.2.4 and 5.1)
- Impairment of financial assets (note 3.2.5)
- Taxation (note 3.7 and 15)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments which have been carried at fair value.

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that upon initial recognition are designated under this category.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value while the transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

a) Financial assets at fair value through profit or loss and available for sale

Subsequent to initial recognition, financial assets designated by the management as "at fair value through profit or loss" and "available for sale" are measured at fair value.

- Basis of valuation of units of mutual funds

The investment of the Fund in the units of mutual funds is valued by reference to the net asset values (redemption prices) declared by the respective funds.

Net gains and losses arising from changes in the fair value and on sale of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is shown as part of net income for the year.

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment of financial assets

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and transferred to the income statement. Impairment loss in the income statement on equity securities are only reversed when the equity securities are derecognized.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred or the Fund has transferred substantially all risks and rewards of ownership.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.5 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of two years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.7 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 year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend.

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

3.8 Proposed distribution

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

Units redeemed are recorded at the redemption price, as per the constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents daily net asset value (NAV) per unit announced as of the close of the dealing day less any back end load, provisions for transaction costs and any provision for duties and charges, if applicable.

3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element arising as a result of unrealised appreciation / (diminution) on available for sale securities is recognised in the distribution statement. The remaining portion of the element is recognised in the income statement.

3.11 Earnings per unit

Earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of the weighted average number of outstanding units for calculating EPU is not practicable.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

3.12 Net asset value per unit

The net asset value per unit as disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue as at the year end.

3.13 Revenue recognition

- Dividend income is recognised in the income statement when the right to receive the dividend is established.
- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

3.14 Expenses

All expenses including management fee and trustee fee are recognised in the income statement on accrual basis.

	Note	2017	2016
Rupees in '000			
4 BALANCES WITH BANKS			
Profit and loss savings accounts	4.1	<u>347,059</u>	<u>949,880</u>

4.1 These carry profit at the rates ranging from 2.40% to 6.05% (2016: 2.40% to 6.70%) per annum.

	Note	2017	2016
Rupees in '000			
5 INVESTMENTS			
Financial assets at fair value through profit or loss			
- Units of mutual funds	5.1	<u>53,176</u>	<u>396,583</u>

5.1 Investment in mutual funds - related parties

Name of the fund	Number of units				Balances as at June 30, 2017		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchases during the period	Redeemed during the period	As at June 30, 2017	Carrying value	Market value		
					(Rupees in '000)	-----%-----		
NAFA Islamic Asset Allocation Fund	7,883,315	18,675,429	24,043,879	2,514,865	42,066	42,959	11.33%	80.79%
NAFA Islamic Stock Fund	23,921,697	13,740,298	36,882,365	779,630	9,513	10,217	2.69%	19.21%
Total as at June 30, 2017					<u>51,579</u>	<u>53,176</u>	<u>14.02%</u>	<u>100%</u>
Total as at June 30, 2016					<u>395,489</u>	<u>396,583</u>	<u>29.95%</u>	<u>100%</u>

	Note	2017	2016
Rupees in '000			
5.2 Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net			
Market value of investments	5.1	53,176	396,583
Less: carrying value of investments		<u>51,579</u>	<u>395,489</u>
		<u>1,597</u>	<u>1,094</u>

6 PROFIT RECEIVABLE

Profit accrued on bank deposits		<u>1,834</u>	<u>5,924</u>
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7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	7.1	630	1,819
Less: amortisation during the year		<u>(630)</u>	<u>(1,189)</u>
Closing balance		<u>-</u>	<u>630</u>

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of two years commencing from January 09, 2015 as per the requirements set out in the Trust Deed of the Fund.

8 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2017	2016
		Rupees in '000	
Remuneration of the Management Company	8.1	293	915
Sindh Sales Tax on the Management Company's remuneration	8.2	39	149
Accounting and operational charges	8.3	848	929
Federal Excise Duty on the remuneration of the Management Company	8.4	3,007	3,007
Federal Excise Duty on sales load		5,258	5,258
		<u>9,445</u>	<u>10,258</u>

8.1 During the current year, the criteria for the payment of remuneration to the Management Company was changed. From July 1, 2016 to December 31, 2016 the Management Company charged remuneration at the rate of 1.25% (2016: 1.25%) per annum based on the daily net assets of the Fund. However, with effect from January 1, 2017, the Management Company charged remuneration at a rate of 12% of net income excluding equity component, subject to a minimum of 0.5% of net assets and maximum of 1% of net assets of the Fund, and 2% of net assets on equity component. The remuneration is paid to the Management Company on a monthly basis in arrears.

8.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 13% on the remuneration of the Management Company through 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 had been applied effective June 13, 2013. The Management Company was of the view that since the remuneration was already subject to the provincial sales tax as explained in note 8.2, further levy of FED results in double taxation, which does not appear to be the spirit of the law.

On September 4, 2013, a Constitutional Petition was filed in the Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the current year, the SHC has passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) have been set aside. The Deputy Commissioner Inland Revenue, Zone II has filed a petition for leave to appeal against the SHC order with the Supreme Court of Pakistan (SCP).

Further with effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016. In view of the above, the Fund has discontinued making further provision in respect of FED on management fee from July 01, 2016. However, the provision made till June 30, 2016, aggregating to Rs. 3.007 million has not been reversed as the management believes that the Federal Government retains the right to appeal against the said order in the Supreme Court within the prescribed timeline. Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2017 would have been higher by Re 0.8105 (2016: Re 0.2320) per unit.

In accordance with the provisions of the NBFC regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to collective investment schemes upto a maximum of 0.1% of the average annual net assets of the scheme or actual whichever is less. Based on these requirements, the Management Company has charged operating expenses amounting to Rs 0.848 million to the Fund during the year.

9 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE	Note	2017	2016
		Rupees in '000	
Remuneration of Trustee	9.1	33	104
Sindh Sales Tax on Trustee's remuneration		4	15
		<u>37</u>	<u>119</u>

9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears. Based on the Trust Deed, the tariff structure applicable to the Fund during the year ended June 30, 2017 is as follows:

Net Assets	Tariff per annum
Upto Rs 1,000 million	0.10% p.a of the net assets
On an amount exceeding Rs 1,000 million	Rs1.0 million plus 0.075% p.a. of the net assets, exceeding Rs 1,000 million

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2017	2016
		Rupees in '000	
Annual fee	10.1	<u>805</u>	<u>1,545</u>
<p>10.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Shariah Compliant Capital Protected scheme is required to pay an annual fee to SECP. During the period the Fund has paid an amount equal to 0.095 percent of the average annual net assets of the Fund.</p>			
11 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2017	2016
		Rupees in '000	
Auditors' remuneration payable		243	283
Provision for Federal Workers' Welfare Fund	11.1	-	1,768
Provision for Sindh Workers' Welfare Fund	11.1	3,954	-
Payable to NAFA Islamic Asset Allocation Fund		3,700	-
Shariah advisor fee		409	178
Printing charges		50	88
Bank charges		58	45
Dividend		-	18
Withholding tax and capital gain tax		963	7,223
Legal fee		6	23
		<u>9,383</u>	<u>9,626</u>

- 11.1 The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) 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 the Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through the Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of the 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 a 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. The MUFAP reviewed the issue and, based on a legal opinion, decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by the SWWF Act, 2014. The MUFAP wrote to the 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. The SRB responded back that as mutual funds are included in the definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. The MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from the applicability of SWWF.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of Sindh WWF should be made 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, on January 12, 2017 the provision for WWF was reversed and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made by the Fund 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 CISs/ mutual funds. Accordingly, necessary adjustments in this respect were recorded in the books of the Fund on January 12, 2017.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re 1.0659 per unit.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2017 and June 30, 2016.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

13 NUMBER OF UNITS IN ISSUE	2017	2016
	Rupees in '000	
Total units in issue at the beginning of the year	12,960,682	17,189,941
Add: bonus units issued during the year	869,556	449,029
Less: redemptions during the year	10,120,830	4,678,288
Total units in issue as at June 30	<u>3,709,408</u>	<u>12,960,682</u>

14 AUDITORS' REMUNERATION	2017	2016
	Rupees in '000	
Annual audit fee and other certifications	297	297
Out of pocket expense	65	65
	<u>362</u>	<u>362</u>

15 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 year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. The Fund has not recorded provision for taxation as the Fund's income for the year is not subject to taxation after it has been reduced by capital gains (realised or unrealised). Hence no cash dividend is distributed during the year.

16 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ended June 30, 2017 is 1.78% which includes 0.67% representing government levies on the Fund such as sales tax, Sindh Workers' Welfare Fund, annual fee payable to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a "Fund of Funds".

17 TRANSACTIONS WITH CONNECTED PERSONS

17.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and the officers of the Management Company. Connected persons also includes any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

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

17.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

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

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

	2017	2016
	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited - Management Company		
Remuneration	6,074	12,823
Sindh Sales Tax on remuneration	790	2,082
Federal Excise Duty on remuneration	-	2,052
Accounting and operational charges	848	929
Investment in NAFA Islamic Asset Allocation Fund		
Purchased 18,675,429 units (2016: 31,724,388 units)	315,417	505,681
Sold 24,043,879 units (2016: 46,482,962 units)	431,021	716,036
Cash distribution	3,755	34,100
Investment in NAFA Islamic Stock Fund		
Purchased 13,740,298 units (2016: 34,563,602 units)	178,075	388,670
Sold 36,882,365 units (2016: 48,846,797 units)	533,231	521,282
Cash distribution	1,399	25,035

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

	2017	2016
	-----Rupees in '000-----	
State Petroleum Refining & Petrochemical Corporation (Private) Limited (Unit holder with more than 10% holding)		
Issued Nil (2016: 60,153)	-	6,151
Bonus issue 287,565 units (2016: Nil units)	30,422	-
Cash distribution	-	6,151
Employees of the Management Company		
Bonus issue 139 units (2016: Nil units)	24	-
Cash distribution	-	6
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	824	1,469
Sindh Sales Tax on remuneration	107	206
17.6 Amounts / balances outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management remuneration payable	293	915
Sindh Sales tax payable on remuneration	39	149
Federal excise duty payable on remuneration	3,007	3,007
Federal excise duty payable on sales load	5,258	5,258
Accounting and operational charges payable	848	929
Payable to NAFA Islamic Asset Allocation Fund	3,700	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	33	104
Sindh Sales Tax	4	15
State Petroleum Refining & Petrochemical Corporation (Private) Limited (Unit holder with more than 10% holding)		
Units held: 2,306,673 units (2016: 2,019,108 units)	235,796	206,277
Employees of the Management Company		
Units held: 1,837 units (2016: 1,698 units)	188	164
NAFA Islamic Asset Allocation Fund		
Investment in 2,514,865 units (2016: 7,883,316 units)	42,959	122,917
NAFA Islamic Stock Fund		
Investment in 779,630 units (2016: 23,921,697 units)	10,217	273,667

18 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the investment committee of the Fund are as follows:

----- As at June 30, 2017 -----

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	29
2	Mr. Sajjad Anwar	CFA / MBA Finance	17
3	Mr. Muhammad Ali Bhabha	MBA / MS / CFA / FRM	22
4	Mr. Hassan Raza	ACCA / BSC / CFA	6
5	Mr. Taha Khan Javed	MBA / CFA	11

18.1 Mr. Sajjad Anwar is the manager of the Fund. He is also the Fund manager of NAFA Islamic Principal Protected Fund - I, NAFA Islamic Principal Preservation Fund, NAFA Islamic Active Allocation Plan I,II, III, NAFA Islamic Stock Fund, NAFA Pension Fund and NAFA Islamic Pension Fund.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

19 PATTERN OF UNIT HOLDING

----- As at June 30, 2017-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals *	128	98,681	26.02%
Retirement Funds	6	17,315	4.57%
Other Corporate**	5	263,193	69.41%
	<u>139</u>	<u>379,189</u>	<u>100.00%</u>

* This includes investment amount of Rs 0.188 million of related parties / connected persons.

** This includes investment amount of Rs 235.796 million of related party / connected person.

----- As at June 30, 2016-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals *	525	621,589	46.95%
Retirement Funds	36	331,998	25.07%
Other Corporate**	16	370,510	27.98%
	<u>577</u>	<u>1,324,097</u>	<u>100%</u>

* This includes investment amount of Rs 0.164 million of related parties / connected persons.

** This includes investment amount of Rs 206.277 million of related parties / connected persons.

20 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS THE MANAGEMENT COMPANY

The 60th, 61st, 62nd and 63rd Board meetings were held on September 23, 2016, October 28, 2016, February 28, 2017 and April 28, 2017, respectively. Information in respect of attendance by directors in the meetings is given below:

Category	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	4	4	-	-
Mr. Aamir Sattar	4	4	-	-
Mr. Abdul Hadi Palekar	4	3	1	61st
Mr. Koh Boon San [note 20.1]	2*	2	-	-
Mr. Lui Mang Yin (Martin Lui)	4	4	-	-
Dr. Foo Chiah Shiung (Kelvin Foo) [note 20.2]	2*	1	1	63rd
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	3	1	62nd
Mr. Saiyed Hashim Ishaque [note 20.3]	3*	3	-	-
Mr. Humayun Bashir [note 20.4]	1*	1	-	-
Dr. Amjad Waheed	4	4	-	-

20.1 Mr. Koh Boon San retired in Extra Ordinary General Meeting held on November 21, 2016.

20.2 Dr. Foo Chiah Shiung (Kelvin Foo) appointed as director on the Board with effect from November 21, 2016.

20.3 Mr. Saiyed Hashim Ishaque retired in Extra Ordinary General Meeting held on March 17, 2017.

20.4 Mr. Humayun Bashir appointed as director on the Board with effect from March 17, 2017.

* These directors were appointed and retired during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

21 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30, 2017-----

Particulars	Loans and receivables	Financial assets 'at fair value through profit or loss	Total
-------------	-----------------------	--	-------

Financial assets

Balances with banks	347,059	-	347,059
Investments	-	53,176	53,176
Profit receivable	1,834	-	1,834
	<u>348,893</u>	<u>53,176</u>	<u>402,069</u>

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

-----June 30, 2017-----

Particulars	At fair value through profit or loss	Other financial liabilities at amortised cost	Total
-------------	--------------------------------------	---	-------

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	9,445	9,445
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	37	37
Accrued expenses and other liabilities	-	4,466	4,466
Payable against redemption of units	-	3,210	3,210
	<u>-</u>	<u>17,158</u>	<u>17,158</u>

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

-----June 30, 2016-----

Particulars	Loans and receivables	Financial assets 'at fair value through profit or loss	Total
-------------	-----------------------	--	-------

Financial assets

Balances with banks	949,880	-	949,880
Investments	-	396,583	396,583
Profit receivable	5,924	-	5,924
	<u>955,804</u>	<u>396,583</u>	<u>1,352,387</u>

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

-----June 30, 2016-----

Particulars	Loans and receivables	Other financial liabilities at amortised cost	Total
-------------	-----------------------	---	-------

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	10,258	10,258
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	119	119
Accrued expenses and other liabilities	-	635	635
Payable against redemption of units	-	7,372	7,372
	<u>-</u>	<u>18,384</u>	<u>18,384</u>

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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

22 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

22.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the investment committee and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, profit rate risk and other price risk.

22.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

22.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market rates. The Fund is mainly exposed to profit rate risk on balances held with banks.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument except for balances in saving accounts. These bank accounts carry profit at rates ranging from 2.40% to 6.05% (2016: 2.40% to 6.70%) per annum.

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that exposes the Fund to any material profit rate risk.

Yield / profit rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

-----As at June 30, 2017-----

Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	

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

On-balance sheet financial instruments

Financial assets

	2.40 - 6.05					
Balances with banks		347,059	347,059	-	-	-
Investments		53,176	-	-	-	53,176
Profit receivable		1,834	-	-	-	1,834
		402,069	347,059	-	-	55,010

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		9,445	-	-	-	9,445
Payable to the Central Depository Company of Pakistan Limited - Trustee		37	-	-	-	37
Payable against redemption of units		3,210	-	-	-	3,210
Accrued expenses and other liabilities		4,466	-	-	-	4,466
		17,158	-	-	-	17,158

On-balance sheet gap

	384,911	347,059	-	-	37,852
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Total profit rate sensitivity gap

	384,911	347,059	-	-	37,852
--	---------	---------	---	---	--------

Cumulative profit rate sensitivity gap

	347,059	347,059	347,059
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NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

-----As at June 30, 2016-----

Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
		------(Rupees in '000)-----				
%						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	2.4 - 6.7	986,966	986,966	-	-	-
Investments		396,583	-	-	-	396,583
Profit receivable		5,924	-	-	-	5,924
		1,389,473	986,966	-	-	402,507
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		10,258	-	-	-	10,258
Payable to the Central Depository Company of Pakistan Limited - Trustee		119	-	-	-	119
Payable against redemption of units		7,372	-	-	-	7,372
Accrued expenses and other liabilities		635	-	-	-	635
		18,384	-	-	-	18,384
On-balance sheet gap		<u>1,371,089</u>	<u>986,966</u>	<u>-</u>	<u>-</u>	<u>384,123</u>
Total profit rate sensitivity gap		<u>1,371,089</u>	<u>986,966</u>	<u>-</u>	<u>-</u>	<u>384,123</u>
Cumulative profit rate sensitivity gap			<u>986,966</u>	<u>986,966</u>	<u>986,966</u>	

22.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is exposed to price risk due to its investment in the units of mutual funds. In case of 5% increase / (decrease) in the Net Asset Value per unit of the funds i.e. NAFA Islamic Stock Fund and NAFA Islamic Asset Allocation Fund, the net income of the Fund for the period would increase / (decrease) by Rs 2.659 million (2016: Rs 19.829 million) and net assets of the Fund would increase / (decrease) by the same amount as a result of gains / (losses) on these securities at 'fair value through profit and loss'.

22.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and investment made in the units of mutual funds. For banks and financial institutions and investments made in units of mutual funds, only reputed parties are accepted. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarizes the credit rating quality of the Fund's financial assets as at June 30, 2017.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

22.2.1 Credit rating

-----June 30, 2017-----

Particulars	Rating Agency	Latest available published rating	Percentage
Banks			
Habib Bank Limited	JCR-VIS	AAA	0.52%
United Bank Limited	JCR-VIS	AAA	97.23%
Bank Alfalah Limited	JCR-VIS	AA+	0.16%
Allied Bank Limited	PACRA	A1+	0.13%
Bank Al-Habib Limited	PACRA	A1+	1.01%
Habib Metropolitan Bank Limited	PACRA	A1+	-*
Meezan Bank Limited	JCR	A1+	0.52%
Sindh Bank Limited	JCR	A1+	-*
Soneri Bank Limited	PACRA	A1+	0.44%
Investments			
NAFA Islamic Asset Allocation Fund	PACRA	4- STAR	80.79%
NAFA Islamic Stock Fund	PACRA	3- STAR	19.21%

* Nil value due to rounding off difference.

-----June 30, 2016-----

Particulars	Rating Agency	Latest available published rating	Percentage
Banks			
Habib Bank Limited	JCR-VIS	AAA	99.64%
United Bank Limited	JCR-VIS	AAA	0.09%
Allied Bank Limited*	PACRA	AA+	-*
Bank Al-Habib Limited	PACRA	AA+	0.10%
Habib Metropolitan Bank Limited*	PACRA	AA+	-*
Bank Alfalah Limited	PACRA	AA	0.06%
Meezan Bank Limited	JCR-VIS	AA	0.10%
Sindh Bank Limited*	JCR-VIS	AA	-*
Soneri Bank Limited*	PACRA	AA-	-*
Investments			
NAFA Islamic Asset Allocation Fund	PACRA	4- STAR	30.99%
NAFA Islamic Stock Fund	Unrated	Unrated	69.01%

* Nil value due to rounding off difference.

22.2.2 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Out of the total financial assets of Rs 402,070 million (2016: Rs 1,389.473 million), financial assets of Rs 53.176 million (2016: Rs 396.583 million) are invested in the units of two mutual funds which are managed by the Management Company. As at June 30, 2017, the Fund has also kept its major bank balance with UBL Ameen amounting to Rs 337.462 million. The management believes that the underlying assets are held with trustworthy counter parties and therefore do not expose the Fund to any significant risk of loss.

22.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on the terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that can be readily realised. The Fund's investments are considered readily realisable.

In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the period.

The table below indicates the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

----- June 30, 2017 -----

Particulars	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	9,445	9,445	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	37	37	-	-
Payable against redemption of units	3,210	3,210	-	-
Accrued expenses and other liabilities	4,466	4,466	-	-
	<u>17,158</u>	<u>17,158</u>	<u>-</u>	<u>-</u>

----- June 30, 2016 -----

Particulars	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	10,258	10,258	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	119	119	-	-
Payable against redemption of units	7,372	7,372	-	-
Accrued expenses and other liabilities	635	635	-	-
	<u>18,384</u>	<u>18,384</u>	<u>-</u>	<u>-</u>

23 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit holders' Fund'.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current period.

In accordance with the risk management policies stated in note 22, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

The Fund provides preservation of principal to the unit holders' through its investment methodology (Constant Proportion Portfolio Insurance 'CPPI' methodology) and the investment structure of the Fund and not through an undertaking by the Management Company, the Trustee or the SECP.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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.

Fair value of investments is determined as follows:

- The fair value of investments in the units of open-end collective investment schemes is based on the net assets value quoted by the Fund on the balance sheet date.
- The fair value of all other financial assets and financial liabilities of the allocations plans approximate their carrying amounts due to short term maturities of these instruments.

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

- Level 1 Quoted price (unadjusted) in an active market 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Investments carried at fair value are categorised as follows:

ASSETS	----- As at June 30, 2017 -----			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
Financial assets at fair value through profit or loss				
- Investment in units of mutual funds	53,176	-	-	53,176

ASSETS	----- As at June 30, 2016 -----			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
Financial assets at fair value through profit or loss				
- Investment in units of mutual funds	396,583	-	-	396,583

25 GENERAL

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

25.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statements.

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 15, 2017.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

PERFORMANCE TABLE








Particulars	For the year ended June 30, 2017	For the year ended June 30, 2016	For the the period from January 07, 2015 to June 30, 2015
Net assets at the year / period ended (Rs '000)	379,189	1,324,098	1,758,318
Net income for the year / period ended (Rs '000)	92,219	50,996	86,657
Net Asset Value per unit at the year / period ended (Rs)	102.2235	102.1626	102.2876
Offer Price per unit	-	-	-
Redemption Price per unit	102.2235	102.1626	102.2876
Ex - Highest offer price per unit (Rs.)	-	-	97.1473
Ex - Lowest offer price per unit (Rs.)	-	-	97.1473
Ex - Highest redemption price per unit (Rs.)	103.0107	102.9448	102.6855
Ex - Lowest redemption price per unit (Rs.)	89.1465	96.9857	94.9649
Opening Nav of Fiscal Year	88.8434	98.2589	97.1473
Total return of the fund	15.06%	3.97%	5.07%
Capital growth	-1.90%	0.09%	1.99%
Income distribution as a % of e x nav	16.96%	3.88%	3.08%
Income distribution as a % of par value	15.07%	3.96%	2.99%
Distribution			
Interim distribution per unit	15.0671	3.9600	2.7700
Final distribution per unit	-	-	0.2206
Distrubution Dates			
Interim	20-Jan-17	30-Jun-16	30-Jun-15
Final	-	-	14-Jul-15
Average annual return of the fund (launch date January 09, 2015)			
(Since inception to June 30, 2017)	9.68%		
(Since inception to June 30, 2016)		6.18%	
(Since inception to June 30, 2015)			5.10%
Portfolio Composition (Please see Fund Manager Report)			
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>			



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