



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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

QUARTERLY REPORT

**March
31 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.

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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. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director
Mr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Aamir Sattar	Member

Human Resource and Remuneration Committee

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

Trustee

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

Bankers to the Fund

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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Islamic Principal Preservation Fund (NIPPF)** for the period ended March 31, 2017.

Fund's Performance

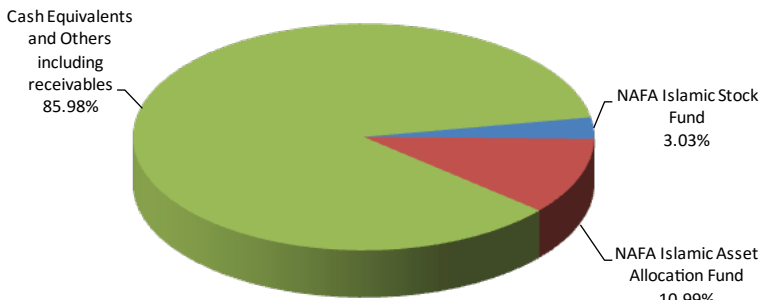
The size of NAFA Islamic Principal Preservation Fund is Rs. 427 million. During the period, the unit price of NAFA Islamic Principal Preservation Fund has increased from Rs. 88.8384 (Ex-Div) on June 30, 2016 to Rs. 101.5061 on March 31, 2017, thus showing an increase of 14.25%. The Benchmark return during the same period was 11.50%. Thus, the Fund has outperformed its Benchmark by 2.75% during the period under review. Since Inception the NAV of Fund has increased from Rs. 81.3267 (Ex-Div) on January 09, 2015 to Rs. 101.5061 on March 31, 2017, thus showing an increase of 24.81%. The Benchmark return during the same period was 20.64%. Thus, the Fund has outperformed its Benchmark by 4.17%. This performance is net of management fee and all other expenses.

After lackluster stock market performance in FY16, the stock market bounced back sharply in 9MFY17, delivering impressive return of 27.5%. It is however worthwhile to note that most of the gains were made during 1HFY17 in which the benchmark KSE-100 index surged by 26.5%. Favorable macroeconomic indicators such as modest inflation, record low interest rates, all time high forex reserves coupled with reclassification of PSX into MSCI emerging market index from frontier market underpinned the strong run-up in the market during 1HFY17. Though the market carried on its momentum entering into 3QFY17 as KSE-100 index crested at all time high level of 50,192 on 26th January, the market remained quite jittery in the subsequent period. Rising political uncertainty unnerved the investors, triggering panic sell-off by the investors. Rising risks to the external account from widening current account deficit and stagnating foreign remittances further soured the investors' sentiments.

Engineering, Chemicals, Autos, Oil & Gas Marketing Companies and Textiles delivered superior returns during 9MFY17, while Fertilizers, E&Ps, Pharmaceuticals and Power sector underperformed the market during the period. Foreign investors remained large net sellers with outflows of USD483 mn during the aforesaid period. On the local side, Mutual Funds remained the main net buyers taking fresh equity exposure worth USD419 mn absorbing most of the foreign selling. Other than Mutual Funds, Insurance and other Companies also remained net buyers investing USD152 mn and USD131 mn, respectively. Amongst the local investors, Banks/DFIs significantly liquidated their equity position worth USD181 mn.

During the period under review, State Bank of Pakistan (SBP) maintained the discount rate and policy rate at 6.25% and 5.75% respectively. The improved interbank liquidity conditions (due to net government retirement and increase in bank deposits) were well calibrated through the open market operations – keeping the weighted average overnight repo rate close to the policy rate. However, long-term sovereign yields witnessed an average increase of around 45-60 basis points, indicating investors' demand for higher term premium. CPI on year-on-year basis was recorded at 4.01% in 9MFY17 as compared to 2.64% in corresponding period last year.

The Fund has earned total income of Rs.102.66 million during the period. After deducting expenses of Rs.13.43 million, the net income is Rs.89.23 million. The below chart presents the asset allocation of NIPPF.



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: April 28, 2017
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز نے صدمست 31 مارچ 2017ء کو ختم ہونے والی مدت کے لیے NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) کا فنڈ سائز 427 ملین روپے ہے۔ اس مدت کے دوران NAFA اسلامک پرنسپل پریزرویشن فنڈ کے یونٹ کی قیمت 30 جون 2016ء کا 88.8434 روپے (Ex-Div) سے بڑھ کر 31 مارچ 2017ء کا 101.5061 روپے ہو چکی ہے، لہذا 14.25% اضافہ ہوا ہے۔ اسی مدت کے دوران شیئ مارک کے منافع میں 11.50% کا اضافہ دیکھنے میں آیا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران شیئ مارک سے 2.75% بہتر کارکردگی دکھائی۔ 9 جنوری 2015ء کو اپنے قیام پر فنڈ کی NAV 81.3267 روپے (Ex-Div) تھی جو بڑھ کر 31 مارچ 2017ء تک 101.5061 روپے ہو چکی ہے، لہذا 24.81% کا اضافہ ہوا۔ اس مدت کے دوران شیئ مارک منافع 20.64% تھا، اس طرح فنڈ کی کارکردگی اپنے شیئ مارک کے مقابلے میں 4.17% بہتر رہی۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالی سال 2016ء میں اسٹاک مارکیٹ کی بے یقینی کی کیفیت کے بعد مالی سال 2017ء کے نو ماہ میں اسٹاک مارکیٹ میں خاطر خواہ تیزی آئی، اور منافع میں 27.5% کا متاثر کن اضافہ حاصل ہوا۔ تاہم یہ بات قابل قدر ہے کہ زیادہ اضافہ مالی سال 2017ء کی پہلی ششماہی میں ہوا جس میں KSE-100 انڈیکس کی معیاری سطح میں 26.5% اضافہ ہوا۔ کلیاتی معیشت کے مثبت اشارے، جیسے معتدل افراط زر، شرح سود میں ریکارڈ کمی، اس وقت تک کے سب سے زیادہ زرمبادلہ کے ذخائر پاکستان اسٹاک ایکسچینج کی MSCI ایمریکنگ مارکیٹ انڈیکس میں دوبارہ شمولیت کی بدولت مالی سال 2017ء کی پہلی ششماہی میں مارکیٹ میں ایک مضحکم تیزی آنے سے تقویت حاصل ہوئی۔ اگرچہ مالی سال 2017ء کی تیسری سہ ماہی کے آغاز میں مارکیٹ کی آگے بڑھنے کی رفتار برقرار رہی جسکی بناء پر 26 جنوری KSE-100 انڈیکس اس وقت تک کی بلند ترین سطح یعنی 50,192 تک پہنچ گیا تاہم اس کے بعد عرصہ میں مارکیٹ میں ہجانی کیفیت کا شکار رہی۔ سیاسی یقینی کے باعث سرمایہ کار گھبراہٹ کا شکار ہوئے جس کے نتیجے میں انہوں نے حصص فروخت کرنے شروع کر دیئے۔ کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کی وجہ سے بیرونی اکاؤنٹس میں خدشات میں بھی اضافہ ہوا اور بیرون ملک سے تریل زر میں بھی ٹھیراؤ آ گیا جس سے سرمایہ کاروں کا جوش و خروش مزید ٹھنڈا ہو گیا۔

انجنیئرنگ، کیمیکلز، آئوز، آئل اینڈ گیس مارکیٹنگ کمپنیوں اور ٹیکسٹائل کے شعبہ نے مالی سال 2017ء کے نو ماہ میں بہترین منافع دیا جب کہ اس عرصہ میں فرملائزرز، تھلاش اور پیداوار کی کمپنیوں، فارما سیویٹیکلز اور پاور کے شعبہ کی کارکردگی معمول سے بھی کم رہی۔ مذکورہ مدت میں غیر ملکی سرمایہ کار بڑے فروخت کنندہ رہے اور \$483 ملین کی رقم بیرون ملک چلی گئی۔ ملکی سطح پر میوچل فنڈز کے \$419 ملین کے حصص کے خریدار رہے جس نے غیر ملکی سرمایہ کاروں کی جانب سے کی گئی فروخت کے اثر کو زائل کیا۔ میوچل فنڈز کے علاوہ انشورنس اور دیگر کمپنیاں بھی خالص خریداریوں میں شامل رہیں اور انہوں نے بالترتیب 152 ملین یو ایس ڈالر اور 131 ملین یو ایس ڈالر کی سرمایہ کاری کی۔ مقامی سرمایہ کاروں میں بینک DFIs نے \$181 ملین میں حصص کی فروخت کی۔

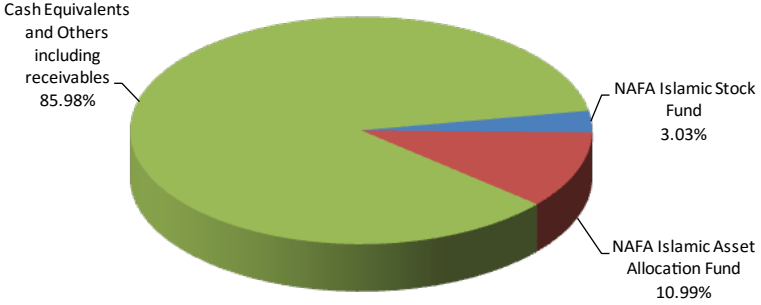
زیر جائزہ مدت میں اسٹیٹ بینک آف پاکستان (SBP) نے ڈسکونٹ ریٹ اور پالیسی ریٹ بالترتیب 6.25% اور 5.75% کی شرح پر برقرار رکھا۔ بہتر انٹرنیٹک سیالیت کی صورت حال (نیٹ گورنمنٹ ریٹائرمنٹ اور بینک پازس میں اضافہ کے سبب) کی قدر و قیمت کا اوین مارکیٹ آپریشنز کے ذریعہ بہتر یقین کیا گیا۔ جبکہ رپو کے ریٹ کی شرح کی قدر کو پالیسی ریٹ سے قریب تر رکھا گیا۔ تاہم طویل المعیاد بہترین نتائج میں تقریباً 60-45 بنیادی پوائنٹس کا اوسط اضافہ ہوا، جس سے سرمایہ کاروں کی زیادہ مدت کے پریڈیکٹ میں طلب کا مظاہرہ ہوا۔ مالی سال 2017ء کے نو ماہ میں سال بہ سال بنیاد پر CPI 4.01% ریکارڈ کیا گیا جو گزشتہ سال اسی مدت میں 2.64% تھا۔

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

اس مدت کے دوران فنڈ نے 102.66 ملین روپے کی مجموعی آمدنی کمائی۔ اخراجات کی مدد سے 13.43 ملین روپے منہا کرنے کے بعد خالص آمدنی 89.23 ملین روپے ہے۔ درج ذیل چارٹ NIPPF کی ایسیٹ ایلوکیشن پیش کرتا ہے:

آمدنی کی تقسیم

منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ابتدائی NAV-ex کا 14.79% (par value کے مساوی 15.07%) عبوری بولس ڈیویڈنڈ منظور کیا ہے۔



اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز
NBP فلرٹن ایسیٹ منیجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 اپریل 2017ء

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT MARCH 31, 2017

	Note	(Un-audited) March 31, 2017	Audited June 30, 2016
(Rupees in '000)			
ASSETS			
Balances with banks		380,825	949,880
Investments	4	59,912	396,583
Profit receivable		2,054	5,924
Preliminary expenses and floatation costs		-	630
Advances, deposits and other receivables		14	-
Total assets		442,805	1,353,017
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company		9,409	10,258
Payable to Central Depository Company of Pakistan Limited - Trustee		42	119
Payable to Securities and Exchange Commission of Pakistan		707	1,545
Payable against redemption of units		-	7,372
Accrued expenses and other liabilities		5,591	9,626
Total liabilities		15,749	28,920
NET ASSETS		<u>427,056</u>	<u>1,324,097</u>
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		<u>427,056</u>	<u>1,324,097</u>
CONTINGENCIES AND COMMITMENTS			
	5	-----Number of units-----	
Number of units in issue		<u>4,207,199</u>	<u>12,960,682</u>
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		<u>101.5061</u>	<u>102.1626</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

Note	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
------(Rupees in '000)-----				
INCOME				
Capital income / (loss) on sale of investments - net	124,495	(54,702)	10,385	(30,918)
Profit on bank deposits	27,374	47,386	8,763	19,081
Dividend Income	-	29,174	-	-
Reversal of provision for Workers' Welfare Fund	1,767	-	1,767	-
Income from Back End Load	1,560	1,552	38	603
Net unrealised appreciation / (diminution) on re-measurement as 'financial assets at fair value through profit or loss'	8,626	7,331	(7,027)	15,715
Total Income	163,822	30,741	13,926	4,481
EXPENSES				
Remuneration of NBP Fullerton Asset Management Limited Management Company	5,189	9,845	1,369	3,788
Sindh sales tax on remuneration of the Management Company	675	1,599	178	615
FED on remuneration of the Management Company	-	1,575	-	605
Accounting and operational charges to the Management Company	744	577	151	407
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	721	1,143	150	367
Sindh Sales Tax on remuneration of the Trustee	94	160	20	51
Annual fee - Securities and Exchange Commission of Pakistan	707	1,210	144	387
Settlement and bank charges	74	126	69	5
Annual listing fee	41	30	14	10
Auditors' remuneration	304	246	55	45
Amortisation of preliminary expenses and floatation costs	630	893	31	295
Printing charges	37	60	-	11
Provision for Sindh Workers' Welfare Fund- previous years	2,072	-	2,072	-
Shariah advisor fee	304	-	157	-
Legal & Professional charges	19	-	9	-
Total Expenses	11,611	17,464	4,419	6,586
Net income / (loss) from operating activities	152,211	13,277	9,507	(2,105)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(61,161)	(1,335)	(51,409)	-363
Provision for Sindh Workers' Welfare Fund	6 (1,821)	-	(1,821)	-
Net income / (loss) for the period before taxation	89,229	11,942	(43,723)	(2,468)
Taxation	7 -	-	-	-
Net income / (loss) for the period after taxation	89,229	11,942	(43,723)	(2,468)

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Net income / (loss) for the period after taxation	89,229	11,942	(43,723)	(2,468)
Other Comprehensive Income	-	-	-	-
Total comprehensive income / (loss) for the period	<u>89,229</u>	<u>11,942</u>	<u>(43,723)</u>	<u>(2,468)</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Undistributed income at the beginning of the period				
Realised gain	35,709	7,882	154,102	58,359
Unrealised gain / (loss)	<u>1,094</u>	<u>31,442</u>	<u>15,653</u>	<u>(8,384)</u>
	36,803	39,324	169,755	49,975
Net income / (loss) for the period after taxation	89,229	11,942	(43,723)	(2,468)
Interim bonus distribution made during the period Rs 15.0671 per unit distribution (2016: Nil)	(91,992)	-	(91,992)	-
Final distribution made during the period Nil (Re 0.2206 per unit June 30, 2015)	-	(3,759)	-	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	-	-	-
Undistributed income carried forward	<u>34,040</u>	<u>47,507</u>	<u>34,040</u>	<u>47,507</u>
Undistributed income at the end of the period comprising of:				
Realised gain	25,414	40,176	41,067	31,792
Unrealised gain / (loss)	<u>8,626</u>	<u>7,331</u>	<u>(7,027)</u>	<u>15,715</u>
	<u>34,040</u>	<u>47,507</u>	<u>34,040</u>	<u>47,507</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
------(Rupees in '000)-----				
Net assets at the beginning of the period	1,324,097	1,758,318	1,164,580	1,678,353
Issue of 869,556 (2016: 32,405 units)	87,393	3,373	87,393	-
Redemption of 9,623,038 (2016: 2,093,255 units)	(1,042,832)	(215,086)	(740,611)	(120,125)
	(955,439)	(211,713)	(653,218)	(120,125)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	61,161	1,335	51,409	363
Net unrealised appreciation / (diminution) on re-measurement as 'financial assets at fair value through profit or loss'	8,626	7,331	(7,027)	15,715
Capital income / (loss) on sale of investments - net	124,495	(54,702)	10,385	(30,918)
Other income (net of expenses) for period	(43,892)	59,313	(47,081)	12,735
Net income / (loss) for the period	89,229	11,942	(43,723)	(2,468)
Interim bonus distribution made during the period Rs 15.0671 per unit distribution (2016: Nil)	(91,992)	-	(91,992)	-
Final distribution made during the period Nil (Re 0.2206 per unit June 30, 2015)	-	(3,759)	-	-
Net assets at the end of the period	427,056	1,556,123	427,056	1,556,123

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	89,229	11,942	(43,723)	(2,468)
Adjustments				
Net unrealised appreciation / (diminution) on re-measurement as 'financial assets at fair value through profit or loss'	(8,626)	(7,331)	7,027	(15,715)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	61,161	1,335	51,409	363
Amortisation of preliminary expenses and floatation costs	630	893	31	295
	<u>142,394</u>	<u>6,839</u>	<u>14,744</u>	<u>(17,525)</u>
(Increase) / decrease in assets				
Investments	345,297	394,855	40,218	201,585
Profit receivable	3,870	(1,135)	350	(390)
Advances, deposits and other receivables	(14)	(10)	14	9
	<u>349,153</u>	<u>393,710</u>	<u>40,582</u>	<u>201,204</u>
Increase / (decrease) in liabilities				
Payable to the Management Company	(849)	(614)	(1,010)	(1,269)
Payable to the Trustee	(77)	10	(65)	(6)
Payable to the Securities and Exchange Commission of Pakistan	(838)	403	144	386
Accrued expenses and other liabilities	(4,035)	(4,978)	2,450	(147)
	<u>(5,799)</u>	<u>(5,179)</u>	<u>1,519</u>	<u>(1,036)</u>
Net cash generated operating activities	<u>485,748</u>	<u>395,370</u>	<u>56,845</u>	<u>182,643</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts from issue of units	87,393	3,373	87,393	-
Net payments on redemption of units	(1,050,204)	(215,086)	(740,611)	(120,125)
Distributions made	(91,992)	(3,759)	(91,992)	-
Net cash (used in) financing activities	<u>(1,054,803)</u>	<u>(215,472)</u>	<u>(745,210)</u>	<u>(120,125)</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(569,055)</u>	<u>179,898</u>	<u>(688,365)</u>	<u>62,518</u>
Cash and cash equivalents at the beginning of the period	949,880	986,966	1,069,190	1,104,346
Cash and cash equivalents at the end of the period	<u>380,825</u>	<u>1,166,864</u>	<u>380,825</u>	<u>1,166,864</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Un-Audited) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 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 (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

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

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

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM1 w.e.f April 21, 2017 to the Management Company

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

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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 directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

The disclosures made in this condensed interim financial information have been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2016

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2016.

	Note	(Un-audited) March 31, 2017	Audited June 30, 2016
----- Rupees in '000 -----			
4 INVESTMENTS			
Financial assets at fair value through profit or loss ¹			
- Units of mutual funds	4.1	<u>59,912</u>	<u>396,583</u>

4.1 Investment in Mutual Funds

Name of the fund	As at July 1, 2016	Purchases during the period	Redeemed during the period	As at March 31, 2017	Market Value as at March 31, 2017	Market value as a percentage of net assets	Market value as a percentage of total
					Rupees in '000	-----%-----	
NAFA Islamic Asset Allocation Fund	7,883,315	18,453,552	23,866,043	2,470,824	46,953	10.99	78.37
NAFA Islamic Stock Fund	23,921,697	13,634,387	36,725,395	830,689	12,959	3.03	21.63
				<u>3,301,513</u>	<u>59,912</u>	<u>14</u>	<u>100</u>
Carrying value as at March 31, 2017					<u>51,287</u>		

5 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at March 31, 2017 and June 30, 2016

6 PROVISION FOR SINDH WORKERS' WELFARE FUND

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 judgements were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgement dated November 10, 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgement with the prayer that the judgement dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. The MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. 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 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 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 CIs 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, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CIs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The scheme has maintained provision against Sindh Workers' Welfare Fund's liability to the tune of Rs 3.893 Million, If the same were not been made, the NAV per unit of the scheme would have been higher by Re 0.9253.

7 TAXATION

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

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

8 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.81 % p.a. including 0.72% representing government levies on Collective Investment scheme such as Sales tax, Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.

9 TRANSACTIONS WITH CONNECTED PERSONS

- 9.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, NAFA provident Trust Fund being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

- 9.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 9.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 9.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC regulation and the Trust Deed.
- 9.5 Details of the transactions with connected persons are as follows:

	Nine month ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
-----Rupees in '000-----				
NBP Fullerton Asset Management Limited - Management Company				
Remuneration of the Management Company	5,189	9,845	1,369	3,788
Sindh sales tax on remuneration of the Management Company	675	1,599	178	615
FED on remuneration of the Management Company	-	1,575	-	605
Accounting and operational charges to the Management Company	744	577	151	407
Sales load	-	-	-	-
NAFA Islamic Stock Fund				
Units purchased 13,634,387 (2016: 26,704,010 units)	176,677	295,666	-	144,149
Units sold 36,725,395 (2016: 41,492,480 units)	530,631	433,609	41,353	211,759
NAFA Islamic Asset Allocation Fund				
Units purchased 18,453,552 (2016: 24,408,329 units)	311,663	385,575	-	156,797
Units sold 23,866,043 (2016: 38,712,256 units)	427,499	587,786	9,249	259,855
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	721	1,143	150	367
Sindh Sales Tax on remuneration of the Trustee	94	160	20	51
State Petroleum Refining & Petrochemical Corporation (Pvt Limited (Unit Holder with more than 10% holding)				
Bonus Distribution: 287,565 units	30,422	-	30,422	-
			31 March	30 June
			2017	2016
			Unaudited	Audited
			----- (Rupees in '000) -----	

9.6 Amounts outstanding as at period end

NBP Fullerton Asset Management Limited - Management Company				
Management remuneration payable			353	915
Sales tax payable			46	149
Accounting and operational charges to the Management Company			744	929
F.E.D payable			3,007	3,007
FED on Sales load payable to the Management Company			5,258	5,258
NAFA Islamic Stock Fund				
Units held: 830,689 (June 30, 2016: 23,921,695 units)			12,959	273,666
NAFA Islamic Asset Allocation Fund				
Units held: 2,470,825 (June 30, 2016: 7,883,316 units)			46,953	122,917
Employees of the Management Company				
Units held: 1,837 (June 30, 2016: 1,608 units)			187	164
Central Depository Company of Pakistan Limited - Trustee				
Remuneration payable			37	104
Sindh Sales Tax on remuneration of the Trustee			5	15
State Petroleum Refining & Petrochemical Corporation (Pvt Limited (Unit Holder with more than 10% holding)				
Units held: 2,306,673 (June 30, 2016: 2,019,108 units)			234,141	206,277

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

10 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on April 28, 2017

11 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



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

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