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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

ANNUAL REPORT 2016



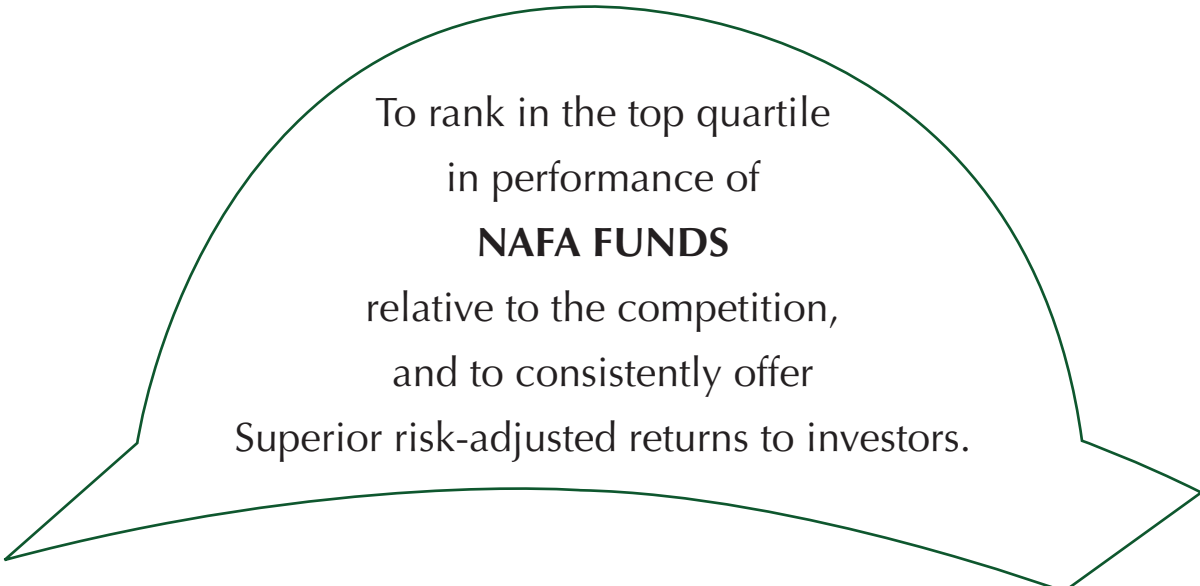
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**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA 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. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	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



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Nigel Poh Cheng
Director



Mr. Abdul Hadi Palekar
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



Syed Suleman Akhtar CFA
Head of Research



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



Mr. Asim Wahab Khan, CFA
Head of Equity



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman ACA, CICA
Senior Manager Compliance

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Second Annual Report of **NAFA Islamic Principal Preservation Fund** for the year ended June 30, 2016.

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.

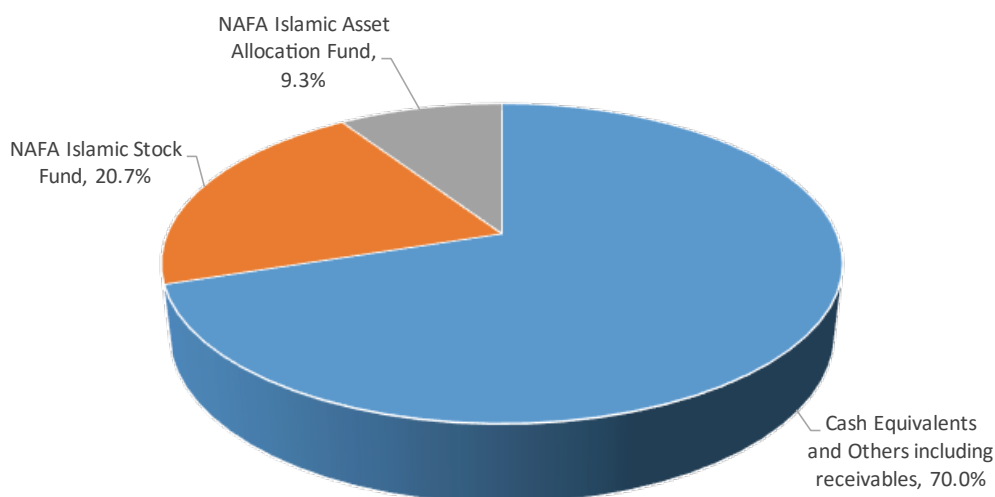
Fund's Performance

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with a 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the large cap energy stocks, and news of Pakistan's re-entry in the MSCI EM Index from next year. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger returns this fiscal year due to inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects.

On the corporate debt sphere, trading activity in /Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. During the period under review (FY16), due to further abatement in inflationary pressures (average inflation of 2.9%), State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps following a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 6% by FY17 year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

Since inception of the Fund, the unit price of NAFA Islamic Principal Preservation Fund has increased from Rs.93.5190 (Ex-Div) on January 09, 2015 to Rs. 102.1626 (Ex-Div) on June 30, 2016, thus showing an increase of 9.24%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds's actual allocation) return during the same period was 8.20%. Thus, the Fund has outperformed its Benchmark by 1.04% during the period under review. This performance is net of management fee and all other expenses.

The size of NAFA Islamic Principal Preservation Fund is Rs.1,324 million as of June 30, 2016. The Fund has earned a total income of Rs.74.11 million during the year. After deducting total expenses of Rs.23.11 million, the net income is Rs.51 million. The asset allocation of the Fund as on June 30, 2016 is as follows:



NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 3.88% of opening Ex-NAV (3.96% the par value) during the year.

Taxation

As the above cash dividend is more than 90% of the income earned during the period, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

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, 2017.

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 six meetings during the period. The attendance of all directors is disclosed in the note 21 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 20 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 18 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 23, 2016
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منیجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 30 جون 2016ء کو ختم ہونے والے سال کے لیے NAFA اسلامک پرنسپل پریزرویشن فنڈ کی دوسری سالانہ رپورٹ پیش کرتا ہے۔

NAFA اسلامک پرنسپل پریزرویشن فنڈ کا مقصد شریعہ کمپلائنسٹ ایکویٹیز سے متعلق اور شریعہ کمپلائنسٹ انکم / منی مارکیٹ کی مشترکہ انویسٹمنٹ اسکیم کے درمیان متحرک ایسیٹ الیکیشن کے ذریعے ممکنہ بلند منافع کمانا اور بنیادی سرمائے کو تحفظ فراہم کرنا ہے۔

فنڈ کی پرفارمنس

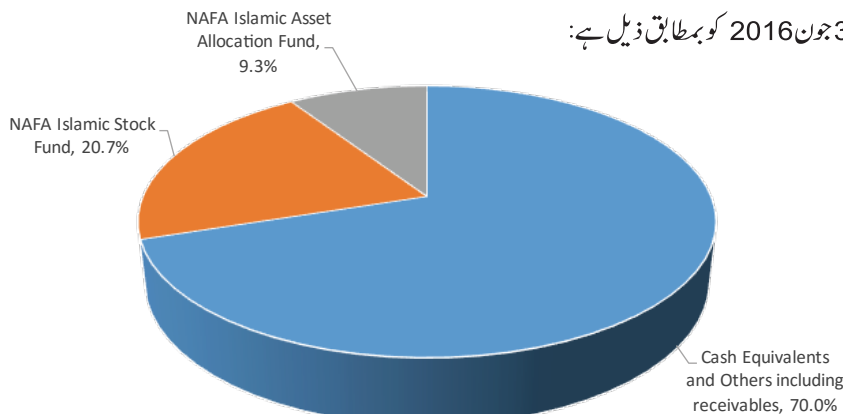
اسٹاک مارکیٹ نے کموڈٹیز میں زبردست مندی اور چین کی زیر قیادت عالمی نمو پر خدشات کے زیر اثر علاقائی اور عالمی مارکیٹس کے مطابق غیر متاثر کارکردگی سے مالی سال 2015-16 کا آغاز کیا۔ لیکن سال کے دوسرے نصف میں ایک زبردست بحالی کے نتیجے میں مقامی اسٹاک ایکسچینج سال کے آخر میں 9.8 فی صد منافع کے ساتھ بند ہوئے۔ سال کے پہلے نصف کے دوران مارکیٹ آئل اینڈ گیس سیکٹر میں خام تیل کی قیمتوں میں تیزی سے کمی اور غیر ملکی سرمایہ کاروں کی طرف سے بے روک ٹوک حصص کی فروخت کے نتیجے میں پر دباؤ میں رہی۔ تاہم مارکیٹ نے دوسرے نصف میں خساروں سے کہیں زیادہ ازالہ کر لیا، جیسا کہ خام تیل کی قیمتوں کی بحالی کا نتیجہ بھاری سرمائے والے انرجی اسٹاکس کی طرف سے زبردست منافع جات کی صورت میں برآمد ہوا اور پاکستان کی آئندہ سال سے MSCI EM میں دوبارہ شمولیت کی خبر سامنے آئی۔ NBFCs، انفرادی اور میوچل فنڈز خالصتاً خریدار رہے اور انہوں نے غیر ملکی سرمایہ کاروں کی طرف سے حصص کی فروخت کے بڑے حصے کو جذب کر لیا۔ اٹارچر ہاؤس بھر پور مالی سال 2015-16 کے بعد MSCI ایمرجنگ مارکیٹس انڈیکس میں شمولیت، قیمتوں کے معقول تعین اور حکومت کی طرف سے سی پیک پروڈیکٹس کے نفاذ کے ساتھ انفراسٹرکچر پر خرچ پر توجہ مرکوز کرنے کی وجہ سے پاکستانی ایکویٹیز زبردست منافع جات پیش کرنے کے لیے عمدہ پوزیشن میں ہیں۔

کاروباری قرض کے حلقے میں TFCS/صلوک میں تجارتی سرگرمیوں کے اعلیٰ کوالٹی اجرا کی کارروائیوں کی طرف جھکاؤ کے ساتھ مجموعی تجارتی حجم تقریباً 8 ارب روپے کی سطح تک پہنچ گیا۔ لیکن دین کا اصل ارتکاز بیکاری کے شعبے میں رہا جس کا حصہ 43% بنتا ہے۔ زیر جائزہ مدت (مالی سال 2016) کے دوران، افراط زر کے دباؤ میں مزید کمی کے ساتھ (اوسط افراط زر 2.9%)، اسٹیٹ بینک آف پاکستان نے مالی سال 2015 میں پالیسی ریٹ میں 300 بنیادی پوائنٹس کی مجموعی کمی کے بعد 75 بنیادی پوائنٹس مجموعی طور پر مزید کم کر دیے۔ SBP نے اپنے پالیسی بیان میں درج ذیل کی نشان دہی کی ہے (i) مجموعی معاشی حالات میں بہتری (ii) امن وامان کی بہتر صورت حال اور (iii) چین پاکستان اقتصادی راہداری (CPEC) کے تحت سرمایہ کاری کی بدولت نمو کے مثبت امکانات۔ زیر جائزہ مدت کے دوران آزادانہ منافع جات نے پالیسی ریٹ میں 75 بنیادی پوائنٹس کی کمی کے مطابق رو عمل دکھایا۔ ہم مالی سال 2017 کے آخر تک اشیائے صرف کی قیمتوں کی جزوی بحالی، پاکستانی روپے کی قدر میں محدود کمی اور نجی شعبے کے قرضوں میں اضافے کی وجہ سے افراط زر کو 6% تک بڑھتا دیکھ رہے ہیں۔

اپنے قیام سے اب تک NAFA اسلامک پرنسپل پریزرویشن فنڈ کے یونٹ کی قیمت 09 جون 2015 پر 93.5190 روپے (ex-Div) سے 30 جون 2016 کو 102.1626 روپے (ex-Div) تک بڑھ چکی ہے، لہذا 9.24% اضافہ دکھایا ہے۔ اسی مدت کے دوران بیچ مارک (KMI-30) انڈیکس کا یومیہ میزان اور فنڈز کی اصل الیکیشن پرنسپل اسلامک بینک ڈپازٹس (منافع 8.20% تھا، لہذا فنڈ نے زیر جائزہ مدت کے دوران اپنے بیچ مارک سے 1.04% بہتر کارکردگی کا مظاہرہ کیا۔ یہ منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص نتیجہ ہے۔

NAFA اسلامک پرنسپل پریزرویشن فنڈ کا حجم بمطابق 30 جون 2016، 1,324 ملین روپے ہے۔ فنڈ نے سال کے دوران 74.11 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 23.11 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 51 ملین روپے ہے۔

فنڈ کی ایسیٹ الیکیشن 30 جون 2016 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران ابتدائی NAV-ex کا 3.88% (ویلیو کے مساوی 3.96%) کیش ڈیویڈنڈ منظور کیا ہے۔

ٹیکسیشن

جیسا کہ مندرجہ بالا کیش ڈیویڈنڈ، انویسٹمنٹس کے تصرف شدہ اور غیر تصرف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس پر سال کے دوران کمائی گئی آمدنی کے 90% سے زائد ہے، انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ 1 کی شق 99 کے تحت فنڈ پر ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور بنائے اہلیت، خود کو تختہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجمنٹ 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 ٹیبیل / 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 منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 21 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 18 میں ظاہر کی گئی ہے۔

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ 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 رٹرنس 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 ایسٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

23 ستمبر 2016

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, 2016 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 30, 2016

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

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.

The Company, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Pakistan Stock Exchange Limited.

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, 2016, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
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. Nigel Poh Cheng 5. Mr. Koh Boon San

The independent directors meets 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, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
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 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Head of Internal Audit 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 18 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 including an independent director and the chairman of the committee is non-executive director.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

18. The Board has set up an effective internal audit function.
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. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim / final results.
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:
 - As per the Code, 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.

For and behalf of the Board

Karachi
September 23, 2016

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

FUND MANAGER REPORT

NAFA Islamic Principal Preservation Fund

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 Sharia 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 Second annual report of the Fund. Since inception of the Fund, the unit price of NAFA Islamic Principal Preservation Fund has increased from Rs.93.5190 (Ex-Div) on January 09, 2015 to Rs. 102.1626 on June 30, 2016, thus showing an increase of 9.24%. The Benchmark return during the same period was 8.20%. Thus, the Fund has outperformed its Benchmark by 1.04% during the period under review. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Preservation Fund is Rs.1,324 million as of June 30, 2016.

The Fund has gradually built its position in risky asset and its current equity funds exposure stands at around 30.0%. The Fund can invest up to 100% in equity related funds.

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the heavy eight energy stocks and Pakistan's re-entry in MSCI EM Index from next year boosted general investor sentiment. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger return this year as inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects will keep local & foreign investors' interest strong in the market.

On the corporate debt sphere, trading activity in TFCs/Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. Due to further abatement in inflationary pressures as captured in FY16 average inflation of 2.9%, State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps in FY16 up on the heels of a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 5.5% by year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-16	30-Jun-15
Islamic Asset Allocation Fund	9.28%	20.59%
Islamic Stock Fund	20.67%	23.95%
Cash Equivalents	71.74%	58.78%
Other Net Liabilities	-1.69%	-3.32%
Total	100.00%	100.00%

Distribution for the Financial Year 2016

Interim / Final	Dividend as a % of Par Value (Rs.100)	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Final	3.96%	106.0270	102.0670

Unit Holding Pattern of NAFA Islamic Principal Preservation Fund as on June 30, 2016

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	46
1,001	5,000	211
5,001	10,000	122
10,001	50,000	143
50,001	100,000	29
100,001	500,000	23
500,001	1,000,000	2
1000,001	5,000,000	1
Total		577

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of 1.768 million. If the same were not made, the NAV per unit/since inception return of scheme would have been higher by Rs 0.1364 / 0.14%. For details, investors are advised to read the Note 16 of the Financial Statements of the Scheme for the year ended June 30, 2016.

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, 2016. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 23, 2016
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

Sep 20, 2016/ Dhu Al-Hijjah 17, 1437

Alhamdulillah, the period from July 1, 2015 to Jun 30, 2016 was the Second 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, 2016 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 Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF 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, 2016 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 of Corporate Governance 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 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's 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 of Corporate Governance as applicable to the Fund for the year ended June 30, 2016.

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
21	No closed period was determined prior to the announcement of interim / final results.
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.

A.F. Ferguson & Co.
Chartered Accountants
Dated: September 30, 2016
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, 2016, 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, 2016 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: Shahbaz Akbar
Dated: September 30, 2016
Karachi

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

	Note	2016 Rupees in '000	2015
ASSETS			
Balances with banks	4	949,880	986,966
Investments	5	396,583	783,135
Profit receivable	6	5,924	4,910
Preliminary expenses and floatation costs	7	630	1,819
Total assets		1,353,017	1,776,830
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	8	10,258	10,496
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	119	130
Payable to the Securities and Exchange Commission of Pakistan	11	1,545	806
Payable against redemption of units		7,372	-
Accrued expenses and other liabilities	12	9,626	7,080
Total liabilities		28,920	18,512
NET ASSETS		1,324,097	1,758,318
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		1,324,097	1,758,318
CONTINGENCIES AND COMMITMENTS			
	13	Number of units	
NUMBER OF UNITS IN ISSUE	14	12,960,682	17,189,941
		Rupees	Rupees
NET ASSET VALUE PER UNIT	3.12	102.1626	102.2876

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	For the year from July 01, 2015 to June 30, 2016	For the period from January 07, 2015 to June 30, 2015
Rupees in '000			
INCOME			
Capital loss on sale of investments - net		(44,679)	(1,726)
Profit on bank deposits		62,387	37,410
Dividend income		59,135	33,124
Income from back end load		2,861	1,228
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		1,094	31,442
Total income		80,798	101,478
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	8.1	12,823	5,973
Sindh Sales Tax on the Management Company's remuneration	8.2	2,082	1,039
Federal Excise Duty on the Management Company's remuneration	8.3	2,051	956
Accounting and operational expenses	9	929	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	1,469	754
Sindh Sales Tax on remuneration of the Trustee		206	-
Annual fee - Securities and Exchange Commission of Pakistan	11.1	1,545	806
Amortisation of preliminary expenses and floatation costs	7	1,189	559
Auditors' remuneration	15	362	275
Legal and professional charges		20	125
Annual listing fee		40	20
Shariah advisor fee		178	-
Printing charges		87	96
Settlement and bank charges		128	77
Total expenses		23,109	10,680
Net income from operating activities		57,689	90,798
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		(6,693)	(2,373)
Provision for Workers' Welfare Fund	16	-	(1,768)
Net income for the year / period before taxation		50,996	86,657
Taxation	17	-	-
Net income for the year / period after taxation		50,996	86,657
Earnings per unit	3.11		

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	For the year from July 01, 2015 to June 30, 2016	For the period from January 07, 2015 to June 30, 2015
	Rupees in '000	
Net income for the year / period after taxation	50,996	86,657
Other comprehensive income for the year / period	-	-
Total comprehensive income for the year / period	<u>50,996</u>	<u>86,657</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	For the year from July 01, 2015 to June 30, 2016	For the period from January 07, 2015 to June 30, 2015
	Rupees in '000	
Undistributed income at the beginning of the year / period	39,324	-
Net income for the year / period after taxation	50,996	86,657
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	(847)
Interim Distribution		
- Rs 3.96 per unit declared on June 30, 2016 - Cash distribution	(49,758)	-
- Rs 2.77 per unit declared on June 30, 2015 - Cash distribution	-	(46,486)
Final Distribution		
- Rs 0.2206 per unit distribution for the year ended June 30, 2015 - Cash distribution	(3,759)	-
Undistributed income carried forward	<u>36,803</u>	<u>39,324</u>
Undistributed income at the end of the year / period comprising of:		
Realised income	35,709	7,882
Unrealised income	<u>1,094</u> <u>36,803</u>	<u>31,442</u> <u>39,324</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	For the year from July 01, 2015 to June 30, 2016	For the period from January 07, 2015 to June 30, 2015
	Rupees in '000	
Net assets at the beginning of the year / period	1,758,318	-
Issue of 449,029 (18,376,281 units)	45,937	1,838,535
Redemption of 4,678,288 (1,186,340 units)	(484,330)	(122,761)
	(438,393)	1,715,774
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	6,693	2,373
- transferred to distribution statement	-	847
	6,693	3,220
Unrealised appreciation on re-measurement of investments classified as financial asset 'at fair value through profit or loss' - net	1,094	31,442
Capital loss on sale of investments - net	(44,679)	(1,726)
Other net income for the period	94,581	56,941
	50,996	86,657
Interim Distribution		
- Rs 3.96 per unit declared on June 30, 2016		
- Cash distribution	(49,758)	-
- Rs 2.77 per unit declared on June 30, 2015		
- Cash distribution	-	(46,486)
Final Distribution		
- Re 0.2206 per unit distribution for the year ended June 30, 2015		
- Cash distribution	(3,759)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to distribution statement	-	(847)
Net assets at the end of the year / period	<u>1,324,097</u>	<u>1,758,318</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	For the year from July 01, 2015 to June 30, 2016	For the period from January 07, 2015 to June 30, 2015
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year / period before taxation	50,996	86,657
Adjustments for:		
Profit on bank deposits	(62,387)	(37,410)
Dividend income	(59,135)	(33,124)
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(1,094)	(31,442)
Amortisation of preliminary expenses and floatation costs	1,189	559
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	6,693	2,373
Provision for Workers' Welfare Fund	-	1,768
Federal excise duty on the remuneration of the Management Company	2,051	956
	(112,683)	(96,320)
Increase in assets		
Investments	387,646	(751,693)
Increase in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management company	(2,289)	7,162
Payable to the Central Depository Company of Pakistan Limited - Trustee	(11)	130
Payable to the Securities and Exchange Commission of Pakistan	739	806
Accrued expenses and other liabilities	2,546	537
	985	8,635
Profit received on bank balances	61,373	32,500
Dividend received	59,135	33,124
Net cash generated from / (used in) operating activities	447,452	(687,097)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units net off cash distribution	(7,580)	1,796,824
Payments on redemption of units	(476,958)	(122,761)
Net cash generated from financing activities	(484,538)	1,674,063
Net increase in cash and cash equivalents during the year / period	(37,086)	986,966
Cash and cash equivalents at the beginning of the period	986,966	-
Cash and cash equivalents at the end of the period	949,880	986,966

The annexed notes 1 to 27 form an integral part of these 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 FOR THE YEAR ENDED JUNE 30, 2016

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. Due to a fire incident in the month of June 2016 at the registered office of the Management Company, it's office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, 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 (formerly Lahore 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 AM2++ to the Management Company as at August 4, 2016. 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.

- 1.1 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. The 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

The following standard, is mandatory for the financial year beginning on or after July 01, 2015 and is relevant to the Fund:

IFRS 13 'Fair Value Measurement' establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. Notwithstanding the above, the change had no significant impacts on the measurements of the Fund's assets and liabilities except for additional disclosures which are included in note 24.1 to these financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are, therefore, not detailed in these financial statements.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

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

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

2.3 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 the 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 relate to classification, impairment and valuation of investments (note 3.2 and 5).

2.4 Accounting convention

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

2.5 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:

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less.

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.

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.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

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 valued as follows:

- 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 period.

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.

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.

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.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

3.5 Taxation

Current

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 amongst the unit holders.

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.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders as cash dividend.

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 Provision

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.

3.8 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) 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 is determined based on the income / (loss) incurred during the period including income / (loss) arising as a result of unrealised appreciation / (diminution) on available for sale securities. 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 assets 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 period 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	2016	2015
		Rupees in '000	
4 BALANCES WITH BANKS			
Profit and loss savings accounts	4.1	<u>949,880</u>	<u>986,966</u>

4.1 These carry profits at the rates ranging from 2.40% to 6.70% (2015: 4.5% to 10.25%) per annum.

	Note	2016	2015
		Rupees in '000	
5 INVESTMENTS			
'Financial assets at fair value through profit or loss'			
- Units of mutual funds	5.1	<u>396,583</u>	<u>783,135</u>

5.1 Investment in mutual funds - related parties

Name of the fund	Number of units				Balances as at June 30, 2016		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2015	Purchases during the period	Redeemed during the period	As at June 30, 2016	Carrying value	Market value		
							-----%-----	
					(Rupees in '000)			
NAFA Islamic Asset Allocation Fund	22,641,889	31,724,388	46,482,962	7,883,315	126,677	122,917	9.28%	30.99%
NAFA Islamic Stock Fund	38,204,892	34,563,602	48,846,797	23,921,697	268,812	273,666	20.67%	69.01%
					<u>395,489</u>	<u>396,583</u>	29.95%	100.00%

	Note	2016	2015
		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	396,583	783,135
Less: carrying value of investments		<u>395,489</u>	<u>751,693</u>
		<u>1,094</u>	<u>31,442</u>

6 PROFIT RECEIVABLE

Profit accrued on bank deposits		<u>5,924</u>	<u>4,910</u>
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7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	7.1	1,819	2,378
Less: amortisation during the period		<u>(1,189)</u>	<u>(559)</u>
Closing balance		<u>630</u>	<u>1,819</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	2016	2015
		Rupees in '000	
Remuneration of the Management Company	8.1	915	1,005
Allocation of operational expenses from the Management Company		929	-
Sindh Sales Tax on the Management Company's remuneration	8.2	149	175
Federal Excise Duty on the remuneration of the Management Company	8.3	3,007	956
Sales load payable		5,258	5,942
Preliminary expenses and floatation costs payable		-	2,378
Other payable		-	40
		<u>10,258</u>	<u>10,496</u>

8.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first two years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Currently, the Management Company has charged its remuneration at the rate of 1.25% per annum.

8.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 15% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

8.3 As per the requirements of The Finance Act, 2013 Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax as explained in note 8.2, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

On 4 September 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.

Subsequent to the year ended June 30, 2016; 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.

With effect from 1 July 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 (2015: Rs 0.956 million) (including Rs. 2.051 million for the current year) 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, 2016 would have been higher by Re 0.2320 (2015: Re 0.1583) per unit.

9 ACCOUNTING AND OPERATIONAL EXPENSES

During the year, the SECP vide SRO No 1160 (1) / 2015 dated November 25, 2015 introduced amendments in the NBFC regulations. As a result of these amendments, 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 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 0.929 million to the Fund during the year.

10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE	Note	2016	2015
		Rupees in '000	
Remuneration of Trustee	10.1	104	130
Sindh Sales Tax on Trustee's remuneration		15	-
		<u>119</u>	<u>130</u>

10.1 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 period ended June 30, 2016 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	2016	2015
		Rupees in '000	
Annual fee	11.1	<u>1,545</u>	<u>806</u>

11.1 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 average annual net assets of the Fund.

12 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2016	2015
		Rupees in '000	
Auditors' remuneration payable		283	275
Provision for Workers' Welfare Fund	16	1,768	1,768
Shariah advisor fee		178	-
Printing charges		88	97
Bank charges		45	-
Dividend		18	-
Withholding tax and capital gain tax		7,223	4,815
Legal fee		23	125
		<u>9,626</u>	<u>7,080</u>

13 CONTINGENCIES AND COMMITMENTS

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

14 NUMBER OF UNITS IN ISSUE	2016	2015
	Rupees in '000	
Total units in issue at the beginning of the period	17,189,941	-
Add: units issued during the period	449,029	18,376,281
Less: Redemption during the period	<u>4,678,288</u>	<u>1,186,340</u>
Total units in issue as at June 30	<u>12,960,682</u>	<u>17,189,941</u>

15 AUDITORS' REMUNERATION	2016	2015
	Rupees in '000	
Annual audit fee and other certification	297	226
Out of pocket expenses	65	49
	<u>362</u>	<u>275</u>

16 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this connection, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance, 1971 about the applicability of WWF to the CISs which is still pending before the Court. In a judgment of May 2014, the Honourable Peshawar High Court (PHC) had also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to make the provision for WWF amounting to Rs 1.768 million in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2016 would have been higher by Rs. 0.136 (2015: Rs. 0.1028) per unit.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

16.1 The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no further provision of WWF has been made from July 1, 2015. However, provision made till June 30, 2015 has not been reversed as the above petition is still pending in the SHC.

17 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. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management company has distributed the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders as cash dividend.

18 TRANSACTIONS WITH CONNECTED PERSONS

18.1 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.

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

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

18.4	Details of the transactions with connected persons are as follows:	Note	2016	2015
			Rupees in '000	
	NBP Fullerton Asset Management Limited - Management Company			
	Remuneration for the period		12,823	5,973
	Sindh Sales Tax on remuneration of the Management Company		2,082	1,039
	Federal Excise Duty on remuneration of the Management Company		2,052	956
	Preliminary expenses and floatation costs incurred		-	2,378
	Listing fee		-	20
	Initial deposit on opening of bank accounts		-	20
	Sales load paid during the period		-	32,257
	Investment in NAFA Islamic Stock Fund			
	Purchased 34,563,602 units (2015: 59,577,235 units)		388,670	599,017
	Sold 48,846,797 units (2015: 21,372,343 units)		521,282	210,808
	Cash distribution for the period		25,035	4,386
	Investment in NAFA Islamic Asset Allocation Fund			
	Purchased 31,724,388 units (2015: 42,050,355 units)		505,681	671,748
	Sold 46,482,962 units (2015: 19,408,465 units)		716,036	306,538
	Cash distribution for the period		34,100	28,738
	State Petroleum Refining & Petrochemical Corporation (Pvt (Pvt) Limited (Unit Holder with more than 10% holding)	18.6		
	Issued 60,153		6,151	-
	Cash distribution during the period		6,151	-
	Employees of the Management Company			
	Issued Nil (2015: 11,551 units)		-	1,155
	Redeemed Nil (2015: 10,000 units)		-	1,028
	Cash distribution during the period		6	4
	Central Depository Company of Pakistan Limited - Trustee			
	Remuneration		1,469	754
	Sindh Sales Tax on remuneration of the Trustee		206	-

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

18.5	Amounts / balances outstanding as at period end	Note	2016	2015
			Rupees in '000	
	NBP Fullerton Asset Management Limited - Management Company			
	Management remuneration payable		915	1,005
	Sales tax payable		149	175
	FED payable		3,007	956
	Sales load payable to the Management Company		5,258	5,942
	Preliminary expenses and floatation costs		-	2,378
	Other payable		-	40
	Central Depository Company of Pakistan Limited - Trustee			
	Remuneration payable		104	130
	Sindh Sales Tax on Trustee's remuneration		15	-
	State Petroleum Refining & Petrochemical Corporation (Pvt (Pvt) Limited (Unit Holder with more than 10% holding)			
	Units held: 2,019,108	18.6	206,277	-
	Employees of the Management Company			
	Units held: 1,608 (2015: 1,551 units)		164	159
	NAFA Islamic Stock Fund			
	Investment in 23,921,697 units (2015: 38,204,892 units)		273,667	421,071
	NAFA Islamic Asset Allocation Fund			
	Investment in 7,883,316 units (2015: 22,641,889 units)		122,917	362,064

18.6 Comparative figure has not been presented as the entity is not classified as a related party / connected person of the Fund as at June 30, 2015.

19 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

-----2015-----			
S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	28
2	Mr. Sajjad Anwar*	CFA / MBA Finance	16
3	Mr. Syed Suleman Akhtar	CFA / MBA Finance	16
4	Mr. Asim Wahab Khan	CFA	10
5	Mr. Muhammad Ali Bhabha	MBA / MS / CFA / FRM	21
6	Mr. Muhammad Imran	CFA / ACCA	10
7	Mr. Asad Haider	MBA	11

* 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.

20 PATTERN OF UNIT HOLDING

As at June 30, 2016

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals	525	621,589	46.94%
Bank / DFI	0	-	0.00%
Associated Companies and Directors	0	-	0.00%
Retirement Funds	36	331,998	25.07%
Other Corporate	16	370,510	27.98%
	577	1,324,097	100.00%

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

As at June 30, 2015

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals	717	853,939	48.57%
Bank / DFI	1	3,068	0.17%
Associated Companies and Directors	1	200,377	11.40%
Retirement Funds	45	529,963	30.14%
Other Corporate	17	170,971	9.72%
	781	1,758,318	100.00%

21 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS THE MANAGEMENT COMPANY

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	5	1	54th meeting
Mr. Aamir Sattar	6	4	2	56th & 57th meeting
Mr. Abdul Hadi Palekar	6	5	1	58th meeting
Mr. Koh Boon San	6	4	2	54th & 57th meeting
Mr. Nigel Poh Cheng	6	3	3	56th, 58th & 59th meeting
Mr. Kamal Amir Chinoy	6	5	1	57th meeting
Mr. Shehryar Faruque	6	4	2	54th & 59th meeting
Dr. Amjad Waheed	6	6	-	-

22 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

-----Rupees in '000-----			
Financial assets			
Balances with banks	949,880	-	949,880
Investments	-	396,583	396,583
Profit receivable	5,924	-	5,924
	955,804	396,583	1,352,387

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

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

-----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
Accrued expenses and other liabilities	-	635	635
	-	11,012	11,012

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

-----June 30, 2015-----

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

Financial assets

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

Balances with banks	986,966	-	986,966
Investments	-	783,135	783,135
Profit receivable	4,910	-	4,910
	<u>991,876</u>	<u>783,135</u>	<u>1,775,011</u>

-----June 30, 2015-----

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

Financial liabilities

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

Payable to NBP Fullerton Asset Management Limited - Management Company	-	10,496	10,496
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	130	130
Accrued expenses and other liabilities	-	497	497
	<u>-</u>	<u>11,123</u>	<u>11,123</u>

23 FINANCIAL RISK MANAGEMENT

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

23.1 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.

23.1.1 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. As at June 30, 2016, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

23.1.2 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 account's carry profit at rates ranging from 5.00% to 7.00% (2015: 4.5% to 10.25%).

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 and for off-balance sheet financial instruments is based on settlement date.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

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

Yield / Interest 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	2.40 - 6.70	949,880	949,880	-	-	-
Investments		396,583	-	-	-	396,583
Profit receivable		5,924	-	-	-	5,924
		1,352,387	949,880	-	-	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
Accrued expenses and other liabilities		635	-	-	-	635
		11,012	-	-	-	11,012

On-balance sheet gap (a)

	1,341,375	949,880	-	-	391,495
--	-----------	---------	---	---	---------

Off-balance sheet financial instruments

	-	-	-	-	-
--	---	---	---	---	---

Off-balance sheet gap (b)

	-	-	-	-	-
--	---	---	---	---	---

Total profit rate sensitivity gap (a+b)

	1,341,375	949,880	-	-	391,495
--	-----------	---------	---	---	---------

Cumulative profit rate sensitivity gap

	949,880	949,880	949,880
--	---------	---------	---------

----- As at June 30, 2015 -----

Yield / Interest 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	4.5 - 10.25	986,966	986,966	-	-	-
Investments		783,135	-	-	-	783,135
Profit receivable		4,910	-	-	-	4,910
		1,775,011	986,966	-	-	788,045

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		10,496	-	-	-	10,496
Payable to the Central Depository Company of Pakistan Limited - Trustee		130	-	-	-	130
Accrued expenses and other liabilities		497	-	-	-	497
		11,123	-	-	-	11,123

On-balance sheet gap (a)

	1,763,888	986,966	-	-	776,922
--	-----------	---------	---	---	---------

Off-balance sheet financial instruments

	-	-	-	-	-
--	---	---	---	---	---

Off-balance sheet gap (b)

	-	-	-	-	-
--	---	---	---	---	---

Total profit rate sensitivity gap (a+b)

	1,763,888	986,966	-	-	776,922
--	-----------	---------	---	---	---------

Cumulative profit rate sensitivity gap

	986,966	986,966	986,966
--	---------	---------	---------

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

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 fund 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 19.829 million (2015: Rs 39.157 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'.

23.2 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 the mutual fund. For banks and financial institutions and investments made in the units of mutual fund, 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, 2016.

23.2.1 Credit quality of the Fund's financial assets

Name of the Bank	Rating Agency	Latest available published rating	Percentage
Banks			
Habib Bank Limited	JCR-VIS	AAA	99.64%
UBL Bank Limited	JCR-VIS	AAA	0.09%
Bank Alfalah Limited	PACRA	AA	0.06%
Meezan Bank Limited	JCR-VIS	AA	0.10%
Sindh Bank Limited*	JCR-VIS	AA	0.00%
Soneri Bank Limited*	PACRA	AA-	0.00%
Bank Al-Habib Limited	PACRA	AA+	0.10%
Allied Bank Limited*	PACRA	AA+	0.00%
Habib Metropolitan Bank Limited*	PACRA	AA+	0.00%
* Nil value due to rounding off difference.			
Investments			
NAFA Islamic Asset Allocation Fund	PACRA	4- STAR	30.99%
NAFA Islamic Stock Fund	Unrated	Unrated	69.01%

23.2.2 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 1,352.387 million (2015: Rs 1,775.011 million), financial assets of Rs 396.583 million (2015: Rs 783.135 million) are invested in the units of two mutual fund which are managed by the Management Company. The Fund has also kept its major bank balance with Habib Bank Limited amounting to Rs 946.476 million. The management believes that the underlying assets are held with trustworthy counter parties and therefore do not expose the Fund to any risk of loss.

23.3 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.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

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.

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

Particulars	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-------------	-----------------------	---	--------------------	-------

-----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	-	-
Accrued expenses and other liabilities	635	635	-	-
	<u>11,012</u>	<u>11,012</u>	<u>-</u>	<u>-</u>

-----June 30, 2015-----

Particulars	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
-------------	-----------------------	---	--------------------	-------

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	10,496	10,496	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	130	130	-	-
Accrued expenses and other liabilities	497	497	-	-
	<u>11,123</u>	<u>11,123</u>	<u>-</u>	<u>-</u>

24 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 endeavours 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.

25 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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7, 'Financial Instruments : Disclosure' - 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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

Investments carried at fair value are categorised as follows:

-----As at June 30, 2016-----			
Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----			

ASSETS

Financial assets at fair value through profit or loss

- Investment in units of mutual fund	396,583	-	-	396,583
--------------------------------------	---------	---	---	---------

-----As at June 30, 2016-----			
Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----			

ASSETS

Financial assets at fair value through profit or loss

- Investment in units of mutual fund	783,135	-	-	783,135
--------------------------------------	---------	---	---	---------

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 23, 2016.

27 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

PERFORMANCE TABLE








Particulars	For the Period 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)	1,324,098	1,758,318
Net income for the year / period ended (Rs '000)	50,996	86,657
Net Asset Value per unit at the year / period ended (Rs)	102.1626	102.2876
Offer Price per unit	-	-
Redemption Price per unit	102.1626	102.2876
Highest offer price per unit (Rs)	-	97.1473
Lowest offer price per unit (Rs)	-	97.1473
Highest redemption price per unit (Rs)	102.9448	102.6855
Lowest redemption price per unit (Rs)	96.9857	94.9649
Opening Nav of Fiscal Year	98.2589	97.1473
Total return of the fund	3.97%	5.07%
Capital growth	0.09%	1.99%
Income distribution as a % of e x nav	3.88%	3.08%
Income distribution as a % of par value	3.96%	2.99%
Distribution		
Interim distribution per unit	3.9600	2.7700
Final distribution per unit	-	0.2206
Distrubution Dates		
Interim	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, 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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