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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

QUARTERLY
REPORT September 30
2017




Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

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NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Trustee

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

Bankers to the Fund

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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Islamic Principal Preservation Fund (NIPPF)** for the quarter ended September 30, 2017.

Fund's Performance

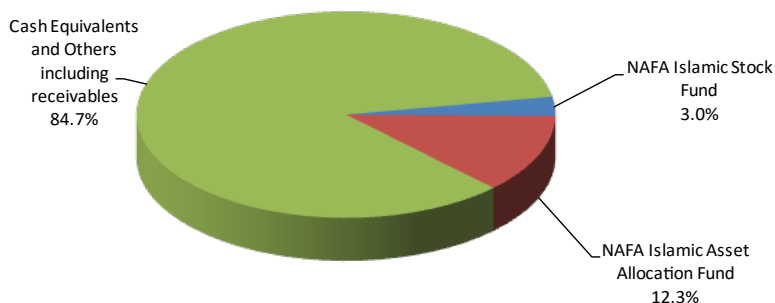
During the period, the unit price of NAFA Islamic Principal Preservation Fund has decreased from Rs. 102.2235 on June 30, 2017 to Rs. 102.1112 on September 30, 2017, thus showing a decrease of 0.1%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Fund's actual allocation) return during the same period was decreased by 0.2%. Thus, the Fund has outperformed its Benchmark by 0.1% during the period under review. Since Inception the NAV of Fund has increased from Rs. 81.3267 (Ex-Div) on January 09, 2015 to Rs. 102.1112 on September 30, 2017, thus showing an increase of 25.6%. The Benchmark return during the same period was 21.3%. Thus, the Fund has outperformed its Benchmark by 4.3%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Preservation Fund is Rs.304 million.

The market started FY18 on a frail note as non-materialization of highly anticipated net foreign inflows in June, post up-gradation of PSX into MSCI Emerging Index from Frontier Market, sapped investor's sentiments. Deteriorating Balance of Payment (BoP) position and its associated impact on other macro-economic indicators dampened investors' confidence in the market. Adding to the investor worries was elevated political incertitude. The growing tensions in the Pak-US relations also impacted the stock market. Resultantly, the benchmark KMI 30 Index declined by 9.1% during the period under review. Looking at the sector-wise performance, Oil & Gas Exploration, Oil & Gas Marketing Companies, Fertilizer, Power Generation & Distribution, and Banking sectors fared better than the market. Cement sector was a major index drag with under-performance of around 18.4%.

After sizeable net outflow of USD652mn in FY17, foreigners continued to remain net sellers during 1QFY18, as they offloaded equity stakes worth USD90mn. Other than foreigners, Mutual Funds during the quarter also remained net sellers with a net outflow of USD38mn. Their counterparts were Insurance Companies and Banks/DFIs with net inflow of USD49mn and USD34mn, respectively.

During the period, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited that macroeconomic environment remains conducive to growth without impacting headline inflation. Average CPI inflation eased to 3.4% in Jul-Sep FY18 compared to 3.9% during the same period last year. Given potential risks to inflation and interest rates from deteriorating Balance of Payment (BoP) position, investors' preference tilted towards short-term government securities as indicated by heavy participation in 03 month T-bills. During the quarter, T-bill yields remained almost unchanged however, PIB yields increased by 45 bps, 56 bps and 13 bps for the 3 year, 5 year and 10 year tenors, respectively. With pickup in private sector investment activity we have seen increased issuance of corporate debt securities.

The Fund has earned total income of Rs.0.77 million during the period. After accounting for expenses of Rs.1.38 million, the net loss is Rs.0.61 million. The below chart presents the asset allocation of NIPPF.



NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: October 27, 2017

Place: Karachi.

ڈائریکٹر رپورٹ

این بی پی فلٹرن ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک پرنسپل پریزرویشن فنڈ (NIPPF) کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے مختتمہ سہ ماہی 30 ستمبر 2017 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

فنڈ کی کارکردگی

اس مدت کے دوران، NAFA اسلامک پرنسپل پریزرویشن فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 102.2235 روپے سے گزر کر 30 ستمبر 2017 کو 102.1112 روپے ہو گئی، جو کہ 0.1 فیصد کی کمی کی نشاندہی کرتا ہے۔ بیچ مارک (KMI-30) کا روزانہ اوازن فی منافع اور اسلامک پینکوں میں جمع شدہ رقم کی اصل تخصیص کے منافع میں 0.2 فیصد کی واقع ہوئی۔ لہذا فنڈ کی کارکردگی بیچ مارک سے 0.1 فیصد زیادہ رہی۔ فنڈ کی ابتداء سے فنڈ کا NAV 09 جنوری 2015ء کو 81.3267 روپے (Ex-Div) سے بڑھ کر 30 ستمبر 2017 کو 102.1112 روپے ہو گیا، جو کہ 25.6 فیصد اضافہ کی نشاندہی کرتا ہے۔ اس مدت کے دوران بیچ مارک پر منافع 21.3 فیصد رہا۔ لہذا فنڈ کی کارکردگی بیچ مارک سے 4.3 فیصد بہتر رہی۔ یہ کارکردگی انتظامیہ کے معاوضہ اور دیگر تمام اخراجات نکالنے کے بعد ہے۔ نفع اسلامک پرنسپل پریزرویشن فنڈ کا حجم 304 ملین روپے ہے۔

مالی سال 2018 میں مارکیٹ ایک نازک موڑ سے شروع ہوئی اسکی وجہ جون میں متوقع بیرونی ترسیلات کی عدم حصولی ہے۔ جس سے فرنٹیر مارکیٹ میں PSX کی MSICI انڈیکس میں اپ گریڈیشن کے باوجود سرمایہ کاروں کے جذباتی مجروح کئے۔ توازن ادائیگی کے بگڑتی ہوئی صورتحال اور کئی معاشی اعداد و شمار کے متعلقہ اثرات نے مارکیٹ میں سرمایہ داروں کے اعتماد پر برا اثر ڈالا۔ غیر مستحکم سیاسی صورتحال نے سرمایہ کاروں کی پریشانی میں مزید اضافہ کر دیا۔ پاک-امریکہ تعلقات میں تناؤ کی وجہ سے بھی اسٹاک مارکیٹ متاثر ہوئی۔ جس کے نتیجے میں بیچ مارک KMI-30 زیر جائزہ مدت کے دوران 9.1 فیصد گر گیا۔ اگر ہم صنعت دار کارکردگی کا جائزہ لیں تو تیل و گیس کی تلاش، گیس و تیل کی اشتہاری کمپنیاں، کھاد، توانائی پیدا کرنے اور تقسیم کرنے والے اداروں اور بینکنگ سیکٹرز بہتر رہی۔ البتہ سیمنٹ سیکٹر کے انڈیکس میں شدید مندی کا رجحان رہا جس میں 18.4 فیصد کمی دیکھی گئی۔

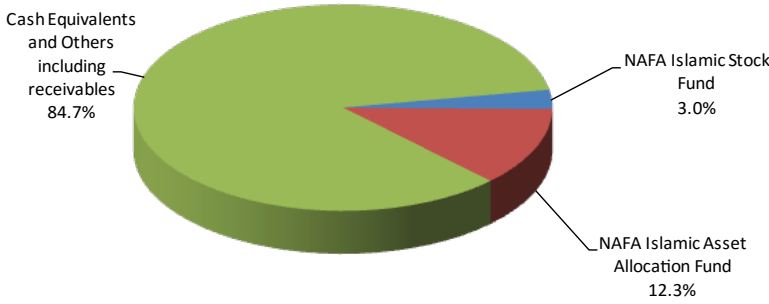
مالی سال 2017 میں یو ایس ڈالر 652 ملین کا بھاری مقدار میں بیرونی بہاؤ ہوا، غیر ملکیتوں نے خصوصی طور پر مالی سال 2018 کی پہلی سہ ماہی میں یو ایس ڈالر 90 ملین کے ایکویٹی سرمایہ کار مارکیٹ سے باہر نکالا۔ غیر ملکیتوں کے علاوہ، میوچل فنڈ نے بھی اس سہ ماہی میں یو ایس ڈالر 38 ملین کا بھی سرمایہ باہر نکالا۔ جبکہ اس کے برخلاف انشورنس کمپنیاں اور بینک / ڈی ایف آئیر نے بالترتیب یو ایس ڈالر 49 ملین اور یو ایس ڈالر 34 ملین کی سرمایہ کاری کی۔

اس مدت کے دوران، اسٹیٹ بینک آف پاکستان نے اپنے پالیسی نرخ 5.75% پر برقرار رکھے۔ SBP نے بڑے معاشی معاملات کو ترقی کے لئے موزوں قرار دیا اس بات کی پرواہ کئے بغیر کہ افراط زر کے کیا اثرات مرتب ہونگے۔ جولائی سے ستمبر مالی سال 2018 کے دوران درمیانی CPI افراط زر میں قدرے کمی آئی جو کہ 3.4 فیصد رہی جبکہ پچھلے سال اسی مدت کے دوران 3.9 فیصد تھی۔ توازن ادائیگی کی بگڑتی ہوئی صورتحال کے پیش نظر افراط زر اور سودی نرخوں میں متوقع اضافے کی وجہ سے 3 ماہ کی مدت کی قلیل المیعاد حکومتی تسکات کی طرف سرمایہ داروں کا رجحان رہا جس کی نشاندہی سہ ماہی T-Bills میں بھاری سرمایہ کاری سے ہوتی ہے۔ اس سہ ماہی کے دوران T-Bills پر منافع تقریباً غیر متزلزل رہا تاہم PIB کی تین سالہ، پانچ سالہ اور 10

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

سالہ قتی اسکیموں کے منافع میں بالترتیب 45 بی پی ایس، 56 بی پی ایس اور 13 بی پی ایس اضافہ ہوا۔ پرائیویٹ سیکٹر میں سرمایہ کاری کی سرگرمیوں میں اضافہ کی وجہ سے کارپوریٹ قرضہ کی تمسکات میں اضافہ دیکھنے میں آیا۔

فند کو اس مدت کے دوران 0.77 ملین روپے کی کل آمدنی ہوئی۔ 1.38 ملین روپے کے اخراجات منہا کرنے کے بعد خالص خسارہ 0.61 ملین روپے ہو گیا۔ مندرجہ ذیل چارٹ NIPPF کے اثاثوں کی تخصیص ظاہر کرتا ہے:



اعتراف

اس موقع پر بورڈ اپنے تمام یونٹ ہولڈرز کا شکریہ ادا کرتے ہیں جنہوں نے انتظامی کمپنی پر اپنے بھروسے اور اعتماد کا اظہار کیا اور ہمیں اپنی خدمت کا موقع دیا۔ بورڈ اپنی خلاصہ ستائش سیکورٹیز اینڈ اینڈیکس کمیشن آف پاکستان اور اسٹیٹ بینک کو ان کی سرپرستی اور رہنمائی پر پیش کرتا ہے۔

بورڈ بخوشی اس بات کا اعتراف کرتا ہے کہ ملازمین اور ٹرسٹیز نے انتھک محنت، جدوجہد اور لگن سے کام کیا۔

از طرف بورڈ

این بی پی فلٹرن ایسیٹ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ: اکتوبر 27، 2017

بمقام کراچی

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2017

	Note	(Un- Audited) September 30' 2017	Audited June 30, 2017
(Rupees in '000)			
ASSETS			
Balances with banks		271,533	347,059
Investments	4	46,630	53,176
Profit receivable		1,349	1,834
Advances and deposits		15	-
Preliminary expenses and floatation costs		-	-
Total assets		319,527	402,069
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company		9,462	9,445
Payable to the Central Depository Company of Pakistan Limited - Trustee		30	37
Payable to the Securities and Exchange Commission of Pakistan		84	805
Payable against redemption of units		-	3,210
Accrued expenses and other liabilities	5	5,958	9,383
Total liabilities		15,534	22,880
NET ASSETS		303,993	379,189
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		303,993	379,189
CONTINGENCIES AND COMMITMENTS	6		
		-----Number of units-----	
Number of units in issue		2,977,073	3,709,408
		------(Rupees)-----	
NET ASSET VALUE PER UNIT		102.1112	102.2235

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
(Rupees in '000)			
INCOME			
Capital gain on sale of investments - net		29	2,562
Dividend Income		245	-
Profit on bank deposits		4,419	11,400
Income from Back End Load		-	1,096
Net unrealised (diminution) / appreciation on re-measurement as 'financial assets at fair value through profit or loss'		(3,927)	44,309
Total Income		766	59,367
Remuneration of NBP Fullerton Asset Management Limited		746	2,201
Sindh sales tax on remuneration of the Management Company		97	286
Accounting and operational expenses		88	306
Remuneration to Central Depository Company of Pakistan Limited- Trustee		89	292
Sindh sales tax on remuneration of Trustee		12	38
Annual fee - Securities and Exchange Commission of Pakistan		84	291
Settlement and bank charges		5	-
Annual listing fee		12	10
Shariah advisor fee		101	76
Auditors' remuneration		147	92
Amortisation of preliminary expenses and floatation costs		-	300
Printing charges		-	18
Total Expenses		1,381	3,910
Net (loss) / Income from operating activities		(615)	55,457
Net element of income/(loss) and capital gains/(losses) included 'in prices of units issued less those in units redeemed		-	(4,362)
Provision for Sindh Workers' Welfare Fund	7	-	-
Net (loss) / Income for the period before taxation		(615)	51,095
Taxation	8	-	-
Net (loss) / Income for the period after taxation		(615)	51,095
Earnings per unit	9	-	-
Allocation of Net income for the period:			
Income already paid on units redeemed		(7)	-
Accounting income available for distribution:			
- Relating to Capital Gains		-	-
- Excluding Capital Gains		-	-
		(622)	51,095

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2017 (Un-audited)

	Note	Quarter Ended September 30' 2017	Quarter Ended September 30, 2016
		(Rupees in '000)	
Accounting (loss) / Income available for Distribution		(615)	51,095
Other Comprehensive Income		-	-
Total comprehensive (loss) / Income for the period		<u>(615)</u>	<u>51,095</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter Ended September 30' 2017 (Rupees in '000)	Quarter Ended September 30, 2016
Net assets at the beginning of the period	379,189	1,324,097
Issue of Nil units (2016: Nil units)	-	-
Redemption of 732,335 units (2016: 2,100,362 units)	(74,581) (74,581)	(218,940) (218,940)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	-	4,362
Accounting (loss) / Income for the period	(622)	51,095
Income already paid on units redeemed	7	-
Net assets at the end of the period	303,993	1,160,614
Net Assets value per unit as at beginning of the period	102.2235	102.1626
Net Assets value per unit as at end of the period	102.1112	106.8674
Distribution during for the period:		
Undistributed income brought forward comprises of:		
- Realised Gain	35,433	35,709
- Unrealised Gain	1,597	1,094
	37,030	36,803
Accounting income available for distribution:		
-Relating to capital gains	-	-
-Excluding capital gains	(622)	51,095
Undistributed income carried forward	36,408	87,899
Undistributed income carried forward comprises of:		
- Realised Gain	40,335	43,590
- Unrealised Gain	(3,927)	44,309
	36,408	87,899

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter ended September 30, 2017 (Rupees in '000)	Quarter ended September 30, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / Income for the period before taxation	(615)	51,095
Adjustments		
Net unrealised appreciation / (diminution) on re-measurement as 'financial assets at fair value through profit or loss'	3,927	(44,309)
Amortisation of preliminary expenses and floatation costs	-	300
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	4,362
	3,312	11,448
(Increase) / decrease in assets		
Investments	2,619	(116,458)
Profit receivable	485	597
Advances and deposits	(15)	(45)
	3,089	(115,906)
Increase / (decrease) in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management Company	17	(25)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(7)	(15)
Payable to the Securities and Exchange Commission of Pakistan	(721)	(1,254)
Accrued expenses and other liabilities	(3,425)	(6,006)
	(4,136)	(7,300)
Net cash generated from / (used in) operating activities	2,265	(111,758)
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from issue of units	-	-
Net payments on redemption of units	(77,791)	(224,340)
Net cash (used) in financing activities	(77,791)	(224,340)
Net (decrease) in cash and cash equivalents during the period	(75,526)	(336,098)
Cash and cash equivalents at the beginning of the period	347,059	949,880
Cash and cash equivalents at the end of the period	271,533	613,782

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

NOTES TO AND FORMING PART OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

The directors of the Management Company hereby declare that these condensed interim financial statements give a true and fair view of the state of the Fund's affairs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed financial statements for the quarter ended September 30, 2017 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2017 except for element of income. Pursuant to SRO 756(I)/2017, management has changed its accounting policy whereby element of income / loss and capital gains / losses in prices of units issued less those in units redeemed' during the year, previously transferred to the 'income statement' has now been taken to unit holders' fund. The above change has been applied from July 01, 2017 as clarified by MUFAP, therefore the comparative information have not been restated.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

4 Investment in Funds

'Financial assets at fair value through profit or loss'

- Units of mutual funds

						Note	(Un-audited) September 30, 2017	Audited June 30, 2017
							----- Rupees in '000 -----	
							46,630	53,176
Name of the investee company	As at July 1, 2017	Purchases during the period	Bonus / right shares	Sales during the period	As at September 30, 2017	Market Value as at September 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total investment
						(Rs in "000")	%	
NAFA Islamic Asset Allocation Fund	2,514,865	13,735	-	167,674	2,360,926	37,507	12.34	80.44
NAFA Islamic Stock Fund	779,630	2,196	-	-	781,826	9,123	3.00	19.56
						3,142,752	46,630	15
						50,557		100

Carrying value as at September 30, 2017

5 ACCRUED EXPENSES AND OTHER LIABILITIES

	(Un-audited) September 30, 2017	Audited June 30, 2017
Auditors' remuneration payable	390	243
Provision for Sindh Workers' Welfare Fund	3,954	3,954
Payable to NAFA Islamic Asset Allocation Fund	-	3,700
Shariah advisor fee	510	409
Printing charges	51	50
Bank charges	53	58
Withholding tax and capital gain tax	994	963
Legal fee	6	6
	5,958	9,383

6 CONTINGENCIES AND COMMITMENTS

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

7 PROVISION FOR SINDH WORKERS' WELFARE FUND

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP on January 12, 2017 recommended all its members that as a matter of abundant caution the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Re 1.3282 per unit.

8 TAXATION

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

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.

9 EARNINGS PER UNIT

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

10 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.56% p.a. including 0.22% representing government levies on collective Investment scheme such as Sales tax, Sindh Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period

11 TRANSACTIONS WITH CONNECTED PERSONS

- 11.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, NAFA provident Trust Fund being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 11.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 11.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 11.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC regulation and the Trust Deed.

NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

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

Un-audited For the Quarter ended September 30, 2017
Un-audited For the Quarter ended September 30, 2016

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

NBP Fullerton Asset Management Limited - Management Company

Remuneration of the Management Company	746	2,201
Sindh sales tax on remuneration of the Management Company	97	286
Accounting and operational expenses	88	306

NAFA Islamic Stock Fund

Units purchased: 2,196 (2016: 6,177,180 units)	26	74,875
Units sold: Nil (2016: 2,162,883 units)	-	26,463

NAFA Islamic Asset Allocation Fund

Units purchased: 13,735 (2016: 6,347,743 units)	220	102,542
Units sold: 167,674 (2016: 2,278,434 units)	2,893	37,058

Central Depository Company of Pakistan Limited - Trustee

Remuneration	89	292
Sindh sales tax on remuneration of Trustee	12	38

State Petroleum Refining & Petrochemical Corporation

Units redeemed / transferred out 442,270 (2016: Nil units)	45,000	-
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11.6 Amounts outstanding as at period end

Un-audited As at September 30, 2017
Audited As at September 30, 2016

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

NBP Fullerton Asset Management Limited - Management Company

Management remuneration payable	230	915
Sindh Sales tax payable on remuneration	30	149
Federal excise duty payable on remuneration	3,007	3,007
Federal excise duty payable on sales load	5,258	5,258
Accounting and operational charges payable	936	929

Payable to NAFA Islamic Asset Allocation Fund

- 3,700

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	27	33
Sindh sales tax on remuneration of Trustee	3	4

Employees of the Management Company

"Units held: 1,837 (June 30, 2017 1,837 units) "	188	188
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NAFA Islamic Stock Fund

"Investment in 781,826 (June 30, 2017 779,630 units) "	9,123	10,217
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NAFA Islamic Asset Allocation Fund

"Investment in 2,360,926 (June 30, 2017 2,514,865 units) "	37,507	42,959
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State Petroleum Refining & Petrochemical Corporation

"Units held: 1,864,403 (June 30, 2017 2,306,673 units) "	190,376	235,796
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NAFA ISLAMIC PRINCIPAL PRESERVATION FUND

12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 27, 2017.

13 GENERAL

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

**For NBP Fullerton Asset Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



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

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