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RATED BY S&P



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

## NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

# HALF YEARLY REPORT

**December  
31 2016**




*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 PROTECTED FUND-I

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

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

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource and Remuneration Committee

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

### Trustee

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

### Bankers to the Fund

Bank Alfalah Limited  
Habib Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Meezan Bank Limited  
Sindh Bank Limited  
Habib Metropolitan Bank Limited  
Bank Al Habib Limited  
Soneri Bank Limited  
Allied Bank Limited

## **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 PROTECTED FUND-I

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Islamic Principal Protected Fund – I (NIPPF-I)** for the half year ended December 31, 2016.

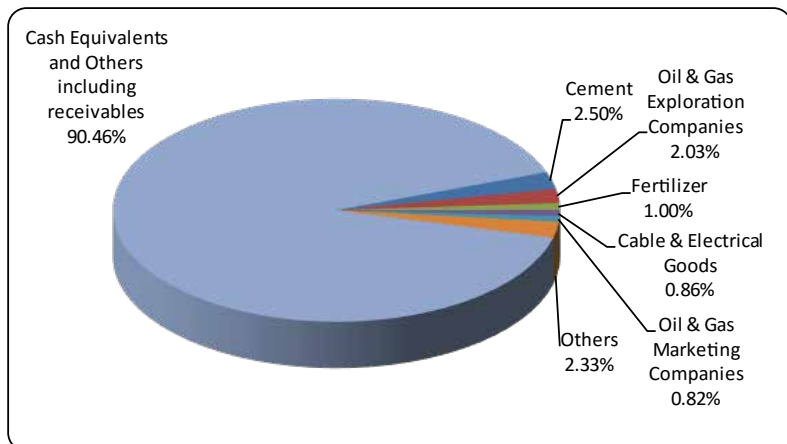
### Fund's Performance

The size of NAFA Islamic Principal Protected Fund-I is Rs.409 million. During the period, the unit price of NAFA Islamic Principal Protected Fund-I has increased from Rs. 111.7228 on June 30, 2016 to Rs.128.7684 on December 31, 2016, thus showing an increase of 15.26%. The Benchmark during the same period increased by 11.64%. Thus, the Fund has outperformed its benchmark by 3.62% during the period under review. Since inception (March 05, 2014), the unit price of the Fund has shown a growth of 49.54% as compared to 38.23% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 11.32%. This performance is net of management fee and all other expenses.

During 1HFY17, riding on the positive momentum built on the Pakistan Stock Exchange (PSX) reclassification into MSCI Emerging Market and driven primarily by the price-to-earnings (PE) re-rating, the stock market delivered a handsome return of about 27%. Positives on the macroeconomic front such as improved economic growth outlook coupled with benign inflation reading and anchored near-term expectations; and stable exchange rate helped the market achieve historic highs. Domestic liquidity unleashed amid low interest rates that helped counter heavy foreign selling of USD298mn. Automobile Assembler, Engineering, Oil & Gas Marketing Companies, and Textile Composite sectors performed better than the market whereas, Power Generation & Distribution Companies and Fertilizer sectors lagged behind. Going forward, expected domestic and foreign liquidity flows amid low interest rates, expected amnesty scheme, and MSCI upgrade theme are likely to keep the market strong while, rising global policy uncertainty pose downside risk.

State Bank of Pakistan (SBP) maintained discount rate and policy rate at 6.25% and 5.75% respectively during the period under review. SBP cited improvement in macroeconomic stability, comfortable liquidity conditions coupled with healthy reserve accumulation, manageable inflationary backdrop, and CPEC related projects gathering momentum being balanced against latent risks to external accounts/factors. However, there are risks to the external account emanating from expected increase in commodity/global oil prices, confluence of declining remittances, challenged exports outlook and mounting external debt levels that may imperil the medium-term sustainability of the Balance of Payments position and warrant decisive policy action. Long-term sovereign yields witnessed an average increase of around 50 basis points, reflecting an uptick in inflation and interest rates.

The Fund has earned total income of Rs.62.84 million during the period. After accounting for expenses of Rs.8.75 million, the net income is Rs.54.09 million. The asset allocation of the Fund as on December 31, 2016 is as follows:



# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## Income Distribution

The Board of Directors of the Management Company has approved interim distribution in form of bonus units of 27.31% of opening Ex-NAV (30.51% of the par value) subsequent to the period end.

## 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: February 28, 2017  
Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فلٹرن ایسٹ منجمنٹ کے بورڈ آف ڈائریکٹرز یکٹرز بصد مسرت 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے لیے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-I پر ڈیکلڈ فنڈ-I (NIPPF-I) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

### فنڈ کی کارکردگی

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-I (NIPPF-I) کا فنڈ سائز 409 ملین روپے ہے۔ اس مدت کے دوران NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-I کے پونٹ کی قیمت 30 جون 2016 کو 111.7228 روپے سے بڑھ کر 31 دسمبر 2016 پر 128.7684 روپے ہو چکی ہے، لہذا 15.26% کا اضافہ ہوا ہے۔ اسی مدت کے دوران بیچ مارک 11.64% بڑھا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے 3.62% بہتر کارکردگی دکھائی۔ 5 مارچ 2014 کو اپنے قیام پر 86.1100 روپے فنڈ کے پونٹ کی قیمت نے اپنے بیچ مارک میں 38.23% اضافے کے مقابلے میں 49.54% کا نمو دکھایا۔ اس طرح فنڈ کی کارکردگی اپنے بیچ مارک کے مقابلے میں 11.32% بہتر رہی۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالی سال 2017 کی پہلی ششماہی کے دوران مثبت رجحان کے ساتھ MSCI ایمرجنگ مارکیٹ میں پاکستان اسٹاک ایکسچینج (PSX) کی ازسرنو تشکیل ہوئی اور اس میں نرخ آمدن تناسب کی دوبارہ درجہ بندی بنیادی طور پر کارفرما تھی، اسٹاک مارکیٹ نے تقریباً 27% کا شاندار منافع فراہم کیا۔ کلیاتی معاشیات کے مثبت پہلو جیسے ترقی کے بہتر امکانات، افراط زر میں کمی، مستقبل قریب میں بہتری کی توقعات اور مستحکم شرح مبادلہ مارکیٹ کو تاریخی اونچائی حاصل کرنے میں معاون ثابت ہوئی۔ گھریلو لیکویڈٹی کم شرح سود کا باعث بنا جس کی بدولت USD298mn کی بھاری غیر ملکی فروخت کے اثر کو زائل کرنے میں مدد ملی۔ آٹوموبیل اسمبلر ز، انجینئرنگ، آئل اور گیس کی مارکیٹنگ کمپنیاں اور ٹیکسٹائل کمپوزٹ سیکٹرز نے مارکیٹ کے مقابلے میں بہتر کارکردگی کا مظاہرہ کیا جب کہ پاور جنریشن، ڈسٹریبوشن کمپنیاں اور فریٹلائرز سیکٹرز کی کارکردگی نسبتاً اتر رہی۔ آگے بڑھتے ہوئے، متوقع ملکی اور غیر ملکی لیکویڈٹی کا بہاؤ، کم شرح سود کی متوقع رعایتی اسکیموں اور MSCI کی ازسرنو شمولیت مارکیٹ کو مضبوط کرنے کا باعث ہے، جبکہ بڑھتی ہوئی عالمی منصوبہ سازی کی غیر یقینی صورتحال خطرے کے منفی پہلو کو ظاہر کرتی ہے۔

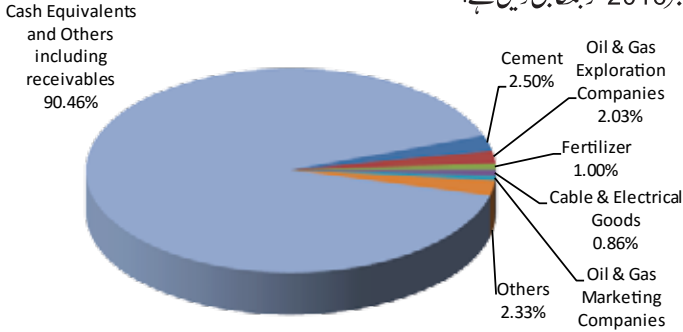
اسٹیٹ بینک آف پاکستان (SBP) نے مذکورہ بالا مدت کے دوران ڈسکاؤنٹ ریٹ اور پالیسی ریٹ بالترتیب 6.25% اور 5.75% برقرار رکھی۔ SBP کے متوقف کے مطابق مستحکم کلیاتی معیشت، لیکویڈٹی کی باسہولت صورت حال کے ساتھ زرمبادلہ کے ذخیرہ میں خاطر خواہ اضافہ، محدود افراط زر اور CPEC سے متعلقہ منصوبے بیرونی اکاؤنٹ اور عوامل کے پوشیدہ خطرات سے نبرد آزما ہونے کے لئے برسر پیکار ہیں۔ تاہم بیرونی اکاؤنٹ کو عالمی تیل اور ایشیا، صرف کی قیمتوں میں متوقع اضافہ، گرتی ہوئی ترسیلات، برآمدات سے متعلق چیلنجز اور بڑھتی ہوئی بیرونی قرض کی سطح سے خطرات لاحق ہیں جو کہ ادائیگی کے توازن کو وسط مدتی دورانیہ میں متاثر کر سکتا ہے جس کے لئے منصوبہ سازی کی ضرورت ہوگی۔ طویل المیعاد خود مختار منافع میں تقریباً 50 پیسے پوائنٹ کا اوسط اضافہ دیکھا گیا، جو افراط زر اور سود کی شرح میں معتدل اضافے کی عکاسی کرتا ہے۔



# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

اس مدت کے دوران فنڈ نے 62.84 ملین روپے کی مجموعی آمدنی کمائی۔ اخراجات کی مد میں 8.75 ملین روپے منہا کرنے کے بعد خالص آمدنی 54.09 ملین روپے ہے۔

فنڈ کی ایسیٹ ایلوکیشن 31 دسمبر 2016 کو برطابق ذیل ہے:



## آمدنی کی تقسیم

منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ابتدائی NAV-ex (30.51% کی par value) کا 27.31% کے بونس یونٹس کی مدت کے اختتام کے بعد منظوری دی۔

## اظہارِ تشکر

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منیجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 فروری 2017ء

مقام: کراچی

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## TRUSTEE REPORT TO THE UNIT HOLDERS

### Report of the Trustee pursuant to Regulation 41 (h) 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 Protected Fund-I (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 six months period ended December 31, 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 27, 2017

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Principal Protected Fund I** as at December 31, 2016 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2016. The Management Company (NBP Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2016 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: February 28, 2017  
Karachi

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2016

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
(Rupees in '000)			
<b>ASSETS</b>			
Balances with banks	4	245,575	403,489
Investments	5	38,985	314,827
Receivable against sale of investments		153,352	-
Dividend and profit receivable	6	1,794	2,736
Advances, deposits and prepayments		2,627	2,666
<b>Total assets</b>		442,333	723,718
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	7	18,033	18,923
Payable to the Central Depository Company of Pakistan Limited -Trustee	8	55	88
Payable to the Securities and Exchange Commission of Pakistan	9	226	1,012
Payable against redemption of units		-	5,147
Accrued expenses and other liabilities	10	15,404	11,476
<b>Total liabilities</b>		33,718	36,646
<b>NET ASSETS</b>		<u>408,615</u>	<u>687,072</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>408,615</u>	<u>687,072</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	11	-----Number of units-----	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>3,173,259</u>	<u>6,149,790</u>
		------(Rupees)-----	
<b>NET ASSET VALUE PER UNIT</b>	12	<u>128.7684</u>	<u>111.7228</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- Rupees in '000 -----					
<b>INCOME</b>					
Capital gain on sale of investments - net		62,116	4,680	57,813	12
Profit on bank deposits		9,900	27,071	4,322	13,901
Dividend income		8,675	23,219	5,467	11,639
Income from GoP Ijarah Sukuk		-	1,508	-	538
Unrealised appreciation / (diminution) on remeasurement of investments 'classified as financial assets 'at fair value through 'profit or loss' - net	5.2	6,642	(43,284)	(21,113)	1,227
<b>Total income</b>		<b>87,333</b>	<b>13,194</b>	<b>46,489</b>	<b>27,317</b>
<b>EXPENSES</b>					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	7.1	6,018	16,994	2,682	8,402
Sindh sales tax on the Management Company's remuneration	7.2	782	2,760	348	1,365
Federal excise duty on the Management Company's remuneration	7.3	-	2,719	-	1,344
Allocation of operational expenses from the Management Company	7.4	300	167	133	167
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		391	1,105	174	546
Sindh sales tax on remuneration of the Trustee		51	155	23	77
Annual fee - Securities and Exchange Commission of Pakistan		226	637	101	315
Amortisation of preliminary expenses and floatation costs		-	585	-	292
Auditors' remuneration		235	250	128	128
Annual listing fee		28	20	18	10
Legal and professional charges		63	-	32	-
Printing charges		50	27	25	27
Securities transaction cost		216	246	200	97
Shariah advisor fee		148	-	58	-
Settlement and bank charges		239	221	147	99
<b>Total expenses</b>		<b>8,747</b>	<b>25,886</b>	<b>4,069</b>	<b>12,869</b>
<b>Net income / (loss) from operating activities</b>		<b>78,586</b>	<b>(12,692)</b>	<b>42,420</b>	<b>14,448</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(24,497)	(3)	(22,070)	104
<b>Net income / (loss) for the period before taxation</b>		<b>54,089</b>	<b>(12,695)</b>	<b>20,350</b>	<b>14,552</b>
Taxation	13	-	-	-	-
<b>Net income / (loss) for the period after taxation</b>		<b>54,089</b>	<b>(12,695)</b>	<b>20,350</b>	<b>14,552</b>
<b>Earnings per unit</b>	14				

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
Net income / (loss) for the period after taxation	54,089	(12,695)	20,350	14,552
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>	<u>54,089</u>	<u>(12,695)</u>	<u>20,350</u>	<u>14,552</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
<b>Undistributed income brought forward comprising of:</b>				
Realised gain	169,560	115,809	192,089	301,727
Unrealised gain / (loss)	16,545	173,109	27,755	(44,511)
	<u>186,105</u>	<u>288,918</u>	<u>219,844</u>	<u>257,216</u>
Net income / (loss) for the period after taxation	54,089	(12,695)	20,350	14,552
<b>Final distribution made during the period</b>				
- Rs. Nil ( 2015: Re 0.3152 per unit declared on July 16, 2015)	-	(4,455)	-	-
<b>Undistributed income carried forward</b>	<u>240,194</u>	<u>271,768</u>	<u>240,194</u>	<u>271,768</u>
<b>Undistributed income comprising of :</b>				
Realised gain	233,552	315,052	233,552	315,052
Unrealised gain / (loss)	6,642	(43,284)	6,642	(43,284)
	<u>240,194</u>	<u>271,768</u>	<u>240,194</u>	<u>271,768</u>

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees in '000			
Net assets at the beginning of the period	687,072	1,707,275	641,996	1,660,948
Issue of nil units (2015: 32,608 units)	-	3,994	-	-
Redemption of 2,976,532 units (2015: 359,323 units)	(357,043)	(43,156)	(275,801)	(24,430)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net - transferred to income statement	24,497	3	22,070	(104)
Unrealised appreciation / (diminution) on remeasurement of investments classified as financial assets 'at fair value through profit or loss' - net	6,642	(43,284)	(21,113)	1,227
Capital gain on sale of investments - net	62,116	4,680	57,813	12
Other net loss / income for the period	(14,669)	25,909	(16,350)	13,313
<b>Net income / (loss) for the period</b>	<b>54,089</b>	<b>(12,695)</b>	<b>20,350</b>	<b>14,552</b>
<b>Final distribution made during the period</b>				
- Rs Nil ( 2015: Re 0.3152 per unit declared on July 16, 2015)	-	(4,455)	-	-
<b>Net assets at the end of the period</b>	<b>408,615</b>	<b>1,650,966</b>	<b>408,615</b>	<b>1,650,966</b>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- Rupees in '000 -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income / (loss) for the period	54,089	(12,695)	20,350	14,552
<b>Adjustments</b>				
Unrealised (appreciation) / diminution on remeasurement of investments classified as financial assets at fair value through profit or loss - net	(6,642)	43,284	21,113	(1,227)
Amortisation of preliminary expenses and floatation costs	-	585	-	292
Profit on bank deposits and government securities	(9,900)	(28,579)	(4,322)	(14,439)
Dividend income	(8,675)	(23,219)	(5,467)	(11,639)
Federal excise duty on the Management Company's remuneration	-	2,719	-	1,344
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	24,497	3	22,070	(104)
	53,369	(17,902)	53,744	(11,221)
<b>(Increase) / decrease in assets</b>				
Investments	129,132	252,966	104,779	173,017
Advances, deposits and prepayments	39	(86)	95	10
	129,171	252,880	104,874	173,027
<b>Increase / (decrease) in liabilities</b>				
Payable to NBP Fullerton Asset Management Limited - Management Company	(890)	93	(898)	227
Payable to the Central Depository Company of Pakistan Limited -Trustee	(33)	23	(24)	4
Payable to the Securities and Exchange Commission of Pakistan	(786)	(624)	101	315
Accrued expenses and other liabilities	3,928	(5,144)	4,988	(341)
	2,219	(5,652)	4,167	205
Profit received on bank deposits	10,780	27,073	4,981	14,706
Dividend received	8,737	23,741	8,332	20,820
<b>Net cash generated from operating activities</b>	204,276	280,140	176,098	197,537
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments on redemption of units	(362,190)	(43,156)	(275,801)	(24,546)
<b>Net cash used in financing activities</b>	(362,190)	(43,156)	(275,801)	(24,546)
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	(157,914)	236,984	(99,703)	172,991
Cash and cash equivalents at the beginning of the period	403,489	856,369	345,278	920,362
<b>Cash and cash equivalents at the end of the period</b>	245,575	1,093,353	245,575	1,093,353

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Principal Protected Fund-I (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 December 30, 2013 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 17, 2014 under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

The Fund has been categorised as an Open-End "Shariah Compliant Capital Protected Fund Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).

The objective of NAFA Islamic Principal Protection Fund-I is to earn a potentially high return through dynamic asset allocation between shariah compliant equities and Money Market investment avenues, while providing principal protection. Principal protection 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 April 6, 2015. The Fund has not yet been rated.

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

The Fund commenced its operations from March 6, 2014. As per the offering document, the nature of the Fund is perpetual and the initial maturity of the fund is two years from the date of commencement. Principal protection will not be available if units are encashed before the expiry of initial maturity term.

### 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 for interim financial reporting. 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 Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance 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.

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

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

### 3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENTS AND CHANGES THEREIN

#### 3.1 The accounting policies applied in the preparation of this condensed interim financial information for the half year and quarter ended December 31, 2016 are the same as those applied in the preparation of the published annual audited financial statements for the year ended June 30, 2016.

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

- 3.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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 significant judgments made by management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2016. The development relating to estimation of provision in respect of Federal Excise Duty and Workers' Welfare Fund is given in note 7.3 and 10.1 to the condensed interim financial information, respectively.

- 3.3 The financial risk management objectives and policies are consistent with those disclosed in the published annual audited financial statements of the Fund for the year ended June 30, 2016.
- 3.4 **Standards, interpretations and amendments to published the approved accounting standards that are effective in the current period**

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are, therefore, not disclosed in this condensed interim financial information.

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
<b>4 BALANCE WITH BANKS</b>			
Profit and loss saving accounts	4.1 & 4.2	243,488	402,556
Current accounts		2,087	933
		<u>245,575</u>	<u>403,489</u>
<b>4.1</b> These carry profits at rates ranging from 3.75% to 6.40% (June 30, 2016:m 2.40% to 6.70%) per annum.			
These include deposit of Rs 0.903 million ( June 30, 2016: Rs 0.893 million ) which is maintained with the National Bank of Pakistan, a related party and carries profit rate of 3.5% (June 30, 2016: 3.50%).			

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
<b>5 INVESTMENTS</b>			
<b>Financial assets classified as 'at fair value through profit or loss'</b>			
Listed equity securities	5.1	<u>38,985</u>	<u>314,827</u>
<b>5.1 Listed equity securities</b>			

All shares have a nominal face value of Rs. 10 each except for the shares of Thal Limited which have a face value of Rs. 5 per share.

Name of the investee company	Number of shares					Market value as at December 31, 2016	Investment as a percentage of		Holding as a percentage of paid up capital of the investee company
	As at July 01, 2016	Purchases during the period	Bonus / Right Issues	Sales during the period	As at December 31, 2016		Net assets	Total investments	
						Rupees in '000	----- % -----		
<b>Automobile Assembler</b>									
Indus Motor Company Limited	25,750	-	-	25,750	-	-	-	-	-
<b>Cable and Electrical Goods</b>									
Pak Elektron Limited	102,875	-	-	53,500	49,375	3,520	0.86	9.03	0.01
<b>Cement</b>									
Attock Cement Pakistan Limited	46,400	-	-	46,400	-	-	-	-	-
D.G. Khan Cement Company Limited	47,300	-	-	30,300	17,000	3,769	0.92	9.67	0.00
Fauji Cement Company Limited	270,500	-	-	222,500	48,000	2,164	0.53	5.55	0.00
Lucky Cement Limited	20,000	-	-	17,500	2,500	2,166	0.53	5.56	0.00
Maple Leaf Cement Factory Limited	23,000	-	-	23,000	-	-	-	-	-
Pioneer Cement Limited	66,000	-	-	51,100	14,900	2,117	0.52	5.43	0.01

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

Name of the investee company	Number of shares					Market value as at December 31, 2016	Investment as a percentage of		Holding as a percentage of paid up capital of the investee company
	As at July 01, 2016	Purchases during the period	Bonus / Right Issues	Sales during the period	As at December 31, 2016		Net assets	Total investments	
						Rupees in '000	----- % -----		
<b>Commercial Banks</b>									
Meezan Bank Limited	172,000	-	-	172,000	-	-	-	-	-
<b>Engineering</b>									
Mughal Iron and Steel Industries Limited	131,500	-	-	107,000	24,500	2,160	0.53	5.54	0.02
<b>Fertilizer</b>									
Engro Corporation Limited	49,600	-	-	43,200	6,400	2,073	0.51	5.32	0.00
Engro Fertilizers Limited	155,500	-	-	125,000	30,500	2,023	0.50	5.19	0.00
Fauji Fertilizer Bin Qasim Limited	105,000	-	-	105,000	-	-	-	-	-
<b>Food and Personal Care Products</b>									
Al Shaheer Corporation Limited	170,000	-	25,500	158,530	36,970	2,122	0.52	5.44	0.03
<b>Oil and Gas Exploration Companies</b>									
Mari Petroleum Company Limited	7,300	-	-	5,700	1,600	2,200	0.54	5.64	0.00
Pakistan Oilfields Limited	58,800	-	-	53,100	5,700	3,047	0.75	7.82	0.01
Pakistan Petroleum Limited	158,800	-	-	142,600	16,200	3,049	0.75	7.82	0.00
<b>Oil and Gas Marketing Companies</b>									
Attock Petroleum Limited	14,900	-	-	14,900	-	-	-	-	-
Hascol Petroleum Limited	522	-	-	-	522	176	0.04	0.45	0.00
Pakistan State Oil Company Limited	57,280	-	-	50,000	7,280	3,161	0.77	8.11	0.00
Shell Pakistan Limited	26,500	-	-	26,500	-	-	-	-	-
<b>Paper and Board</b>									
Packages Limited	13,700	-	-	13,700	-	-	-	-	-
<b>Pharmaceuticals</b>									
Glaxo Smith Kline Pakistan Limited	37,500	-	-	37,500	-	-	-	-	-
Glaxo Smith Kline Consumer Healthcare Pakistan Limited	11,250	-	-	-	11,250	698	0.17	1.79	-
The Searle Company Limited (note:5.3)	17,600	-	2,464	19,800	264	173	0.04	0.44	0.00
<b>Power Generation and Distribution</b>									
Kot Addu Power Company Limited	221,000	-	-	195,500	25,500	2,009	0.49	5.15	0.00
Pakgen Power Limited	500	-	-	-	500	13	-	0.03	0.00
The Hub Power Company Limited	146,200	-	-	146,200	-	-	-	-	-
<b>Refinery</b>									
National Refinery Limited	6,400	-	-	6,400	-	-	-	-	-
<b>Technology and Communication</b>									
Pakistan Telecommunication Company Limited	89,000	-	-	89,000	-	-	-	-	-
<b>Textile Composite</b>									
Kohinoor Textile Mills Limited (note: 5.3)	123,000	-	-	121,950	1,050	122	0.03	0.31	0.00
Nishat Mills Limited	83,100	-	-	68,500	14,600	2,223	0.54	5.70	0.00
						<u>38,985</u>	<u>9.54</u>	<u>100</u>	
Carrying value as at December 31, 2016						<u>32,343</u>			

5.1 Investments include shares with market value of Rs 3.423 million (2016: 43.677 Rs million) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular Number 11 dated October 23, 2007 issued by the SECP.

5.2 Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	Note	(Un-audited)	Audited
		December 31, 2016	June 30, 2016
		----- Rupees in '000 -----	
Market value of securities	5.1	38,985	314,827
Less: Carrying amount of securities		<u>(32,343)</u>	<u>(298,282)</u>
		<u>6,642</u>	<u>16,545</u>

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

- 5.3 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001. As a result of these amendments, companies are liable to withhold bonus shares at the rate of 5 percent. In accordance with the requirement of the Ordinance these shares shall only be released to a shareholder if the Company collects from the shareholder tax equal to 5 percent of the value of the bonus shares issued. The value of tax is computed on the basis of day-end price on the first day of book closure.

In this regard, a constitutional petition has been filed by the Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by the CISs, which is pending adjudication. The petition is based on the fact that because the CISs are exempt from deduction of income tax under Clause 99 of Part I to the Second Schedule to the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by the CISs. A stay order has been granted by the High Court of Sindh in favour of the CISs.

As at December 31, 2016, the following bonus shares of the Fund were withheld by certain companies at the time of declaration. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Names of the Company	December 31, 2016		June 30, 2016	
	Bonus Shares			
	Number	Market value	Number	Market value
	Rupees in '000		Rupees in '000	
Hascol Petroleum Limited	522	176	522	102
Kohinoor Textile Mills Limited	1,050	122	1,050	84
The Searle Company Limited	243	159	105	56
Al-Shaheer Corporation Limited	1,275	73	-	-
		<u>530</u>		<u>242</u>

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
		----- Rupees in '000 -----	
<b>6 DIVIDEND AND PROFIT RECEIVABLE</b>			
Profit accrued on savings deposits		1,497	2,377
Dividend receivable		<u>297</u>	<u>359</u>
		<u>1,794</u>	<u>2,736</u>
<b>7 PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration of the Management Company	7.1	750	1,180
Sindh sales tax on remuneration of the Management Company	7.2	98	192
Federal excise duty on remuneration of the Management Company	7.3	11,370	11,370
Operational expenses payable to the Management Company	7.4	301	667
Federal excise duty on sales load payable		<u>5,514</u>	<u>5,514</u>
		<u>18,033</u>	<u>18,923</u>

- 7.1 The Management Company has charged remuneration at the rate of 2% per annum based on the average annual net assets for the period. The fee is payable to the Management Company monthly in arrears.
- 7.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 13% (June 30, 2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 7.3 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 the provincial sales tax as explained in note 7.2, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

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

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

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

Further with effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016. In view of the above, the Fund has discontinued making further provision in respect of FED on management fee from July 01, 2016. However, the provision made till June 30, 2016, aggregating to Rs. 11.370 million has not been reversed as the management believes that the Federal Government retains the right to appeal against the said order in the Supreme Court. Had the provision not been made, the Net Asset Value per unit of the Fund as at December 31, 2016 would have been higher by Re 3.5830 (June 30, 2016: Re 1.8489) per unit.

- 7.4 Last year, the SECP vide S.R.O No 1160(I) / 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 a maximum of 0.1% of the average annual net assets of the Scheme or actual whichever is less. The Management Company has charged operating expenses to the Fund at the rate of 0.1% per annum of the average annual net assets of the Fund for the period from July 1, 2016 to December 31, 2016 amounting to Rs 0.301 million (November 25, 2015 to June 30, 2016: Rs 0.667 million).

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
<b>8 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee remuneration		49	77
Sindh sales tax on trustee remuneration	8.1	<u>6</u>	<u>11</u>
		<u>55</u>	<u>88</u>
<b>8.1</b> The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services and has levied Sindh Sales Tax on custodianship services. Accordingly, Sindh Sales Tax of 13% (June 30, 2016: 14%) has been charged on Trustee fee under section 2(79A) of the Sindh Finance Bill, 2010 during the period.			
	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
<b>9 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	9.1	<u>226</u>	<u>1012</u>
<b>9.1</b> 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 at an amount equal to 0.075 percent of the average annual net assets of the Fund. There has been no change in this percentage in the current year.			
	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
<b>10 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		210	318
Legal fee		117	121
Settlement charges		32	26
Bank charges		49	21
Haram portion of dividend	10.1	631	953
Brokerage payable		106	-
Printing charges		105	122
Provision for Workers' Welfare Fund	10.2	7,552	7,552
Withholding tax and capital gain tax		6,276	2,184
Shariah advisory fee		326	179
		<u>15,404</u>	<u>11,476</u>

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

- 10.1** According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the current period, Non Shariah compliant income amounting to Rs 0.165 million (2016: 0.622 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of Shariah Advisor. The dividend income is recorded net of haram portion.

**10.2 Provision for Workers' Welfare Fund**

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. The MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. The MUFAP wrote to the SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. The SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. The MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

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

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of Sindh WWF should be made on January 12, 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Accordingly, the provision for SWWF is being made on a daily basis going forward.

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

The net effect of the above two adjustments if these had been made on December 31, 2016 would have resulted in an increase in the net asset value per unit of the Fund by Rs. 1.4375.

**11 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at December 31, 2016 and June 30, 2016.

**12 NET ASSET VALUE PER UNIT**

The net asset value (NAV) per unit, as disclosed on the condensed interim statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

**13 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 unitholders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information.

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

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.

## 14 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended December 31, 2016 has not been disclosed as in the opinion of the management, determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

## 15 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net asset value for the period) is 2.94% p.a including 0.28% representing government levies on Collective Investment Schemes such as Sales tax, Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the period.

## 16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

16.1 Related Parties / 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 (NBP), Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and key management personnel of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

16.3 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.

16.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

16.5 Details of the transactions with related parties / connected persons are as follows:

	(Unaudited)			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
<b>NBP Fullerton Asset Management Limited - Management Company</b>				
Remuneration of the Management Company for the period	6,018	16,994	2,682	8,402
Sindh sales tax on remuneration of the Management Company	782	2,760	348	1,365
Federal excise duty on remuneration of the Management Company	-	2,719	-	1,344
Reimbursement of operational expenses to the Management Company	300	167	133	167
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration for the period	391	1,105	174	546
Sindh sales tax on remuneration of the Trustee	51	155	23	77
<b>Employees of the Management Company</b>				
Units issued / transfer in Nil Units (2015: 5 units)	-	1	-	-
Units redeemed / transferred out ; Nil units (2015: 505 units)	-	60	-	60
<b>National Bank of Pakistan - Sponsor</b>				
Profit on bank deposits	27	20	11	10
<b>Taurus Securities Limited</b>				
Brokerage expense	15	25	1	17



# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

	(Un-audited) December 31, 2016	Audited June 30, 2016
	----- Rupees in '000 -----	
<b>16.6 Amounts outstanding as at period / year end</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management fee payable	750	1,180
Sindh sales tax payable on remuneration of the Management Company	98	192
Federal excise duty payable on remuneration of the Management Company	11,370	11,370
Operational expenses payable to the Management Company	301	667
Sales load payable	5,514	5,514
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	49	77
Sindh sales tax payable on remuneration of the Trustee	6	11
Security deposit receivable	100	100
<b>National Bank of Pakistan-sponsor</b>		
Bank balance	903	893
Profit receivable	27	26
<b>Employees of the Management Company</b>		
Investment held in the Fund 2,013 units (June 30, 2015: 2,013 units)	259	225
<b>Amount payable against redemption of units to:</b>		
NAFA Islamic Active Allocation Fund - I (Plan - III)	-	5,147

## 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- Fair value of GoP Ijarah Sukuk is derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from pre-defined / approved dealers / brokers.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

### 17.1 Fair value hierarchy

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

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2016, the Fund held the following financial instruments measured at fair value:

# NAFA ISLAMIC PRINCIPAL PROTECTED FUND-I

	-----Unaudited----- As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
<b>Assets</b>				
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	38,985	-	-	
				38,985
	-----Audited----- As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
<b>Assets</b>				
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	314,827	-	-	314,827

## 18 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 28, 2017.

## 19 GENERAL

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

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



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

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