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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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 PROTECTED FUND-II

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 Shakra-e-Faisal, Karachi.

Bankers to the Fund

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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-II

DIRECTORS' REPORT

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

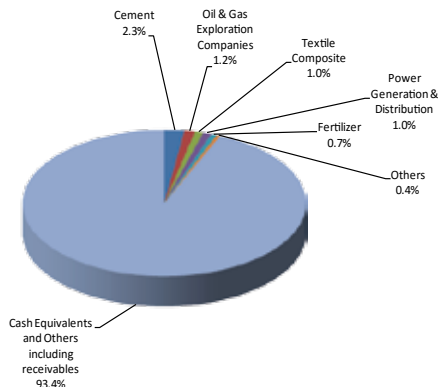
Fund's Performance

During the period, the unit price of NAFA Islamic Principal Protected Fund-II has decreased from Rs. 101.5691 on June 30, 2017 to Rs. 101.2717 on September 30, 2017, thus showing a decrease of 0.3%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) decreased by 0.1%. Thus, the Fund has underperformed its Benchmark by 0.2% during the period under review. Since Inception the NAV of Fund has increased from Rs. 64.4632 (Ex-Div) on June 27, 2014 to Rs. 101.2717 on September 30, 2017, thus showing an increase of 57.1%. The Benchmark return during the same period was 42.2%. Thus, the Fund has outperformed its Benchmark by 14.9%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-II is Rs.139 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.0.21 million during the period. After accounting for expenses of Rs.0.62 million, the net loss is Rs.0.41 million. The asset allocation of the Fund as on September 30, 2017 is as follows:



NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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 ایسٹس مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے مختتمہ سہ ماہی 30 ستمبر 2017 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

فنڈ کی کارکردگی

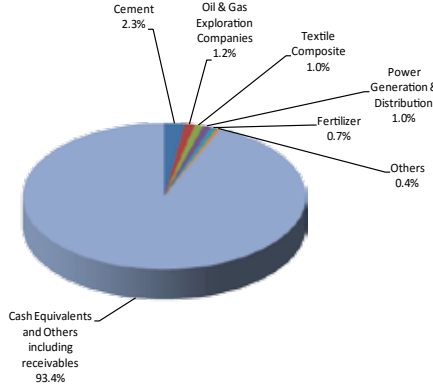
اس مدت کے دوران، NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کے یونٹ کی قیمت 30 جون 2017 کو 101.569 روپے (Ex-Div) سے کم ہو کر 30 ستمبر 2017 کو 101.271 روپے ہو گئی، جو کہ 0.3 فیصد کی کمی کی نشاندہی کرتا ہے۔ بیچ مارک (KMI-30) کاروبارہ اوازنی منافع اور اسلامک بینکوں میں جمع شدہ رقم کی اصل تخصیص میں 0.1 فیصد کی واقع ہوئی۔ لہذا فنڈ کی کارکردگی بیچ مارک سے 0.2 فیصد کم رہی۔ فنڈ کی شروعات سے فنڈ کی NAV 27 جون 2014ء کو 64.463 (Ex-Div) سے بڑھ کر 30 ستمبر 2017 کو 101.271 روپے ہو گئی، جو کہ 57.1 فیصد اضافہ کی نشاندہی کرتا ہے۔ اس مدت کے دوران بیچ مارک پر منافع 42.2 فیصد رہا۔ لہذا فنڈ کی کارکردگی بیچ مارک سے 14.9 فیصد بہتر رہی۔ یہ کارکردگی انتظامیہ کے معاوضہ اور دیگر تمام اخراجات نکالنے کے بعد ہے۔ NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II کا حجم 139 ملین روپے ہے۔

مالی سال 2018 میں مارکیٹ ایک نازک موڑ سے شروع ہوئی جس کی وجہ سے بیرونی ترسیلات کی عدم حصولی ہے جس نے فرنیچر مارکیٹ میں PSX کی MSCI ایمرجنٹ انڈیکس میں اپ گریڈیشن کے باوجود سرمایہ کاروں کے جذبات مجروح کئے۔ توازن ادائیگی کے بگڑتی ہوئی صورتحال اور کلی معاشی اعداد و شمار کے متعلق 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 و کارکردگی کا جائزہ لیں تو تیل و گیس کی تلاش، گیس و تیل کی کمپنیاں، کھاد، توانائی پیدا کرنے اور تقسیم کرنے والے اداروں اور بینکنگ سیکٹر کی کارکردگی بہتر رہی۔ البتہ سیمنٹ سیکٹر کے انڈیکس میں شدید پستی 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 ملکیوں نے خصوصی طور پر مالی سال 2018 کی پہلی سہ ماہی میں یو ایس ڈالر 90 ملین کے ایکویٹی سرمایہ کو مارکیٹ سے باہر نکالا۔ غیر ملکیوں کے علاوہ، میوچل فنڈ نے بھی اس سہ ماہی میں یو ایس ڈالر 38 ملین کا سرمایہ بھی باہر نکالا۔ جبکہ اس کے برخلاف انشورنس کمپنیاں اور بینک/ڈی ایف آئی 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 کلی معاشی معاملات کو ترقی کے لئے موزوں قرار دیا اس بات کی پرواہ کئے بغیر کہ افراط زر کے کیا اثرات مرتب ہو گئے۔ 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 البعا دکھن کو 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 سالہ مدتی اسکیموں کے منافع میں بالترتیب 45 پی پی ایس، 56 پی پی ایس اور 13 پی پی ایس اضافہ ہوا۔ پرائیویٹ سیکٹر میں سرمایہ کاری کی سرگرمیوں میں اضافہ کی وجہ سے کارپوریٹ قرضہ کی تسکات میں اضافہ دیکھنے میں آیا۔ پرائیویٹ سیکٹر میں سرمایہ کاری کی سرگرمیوں میں اضافہ کی وجہ سے کارپوریٹ قرضہ کی تسکات میں اضافہ ہوا۔ فنڈ کو اس مدت کے دوران 0.21 ملین روپے کی آمدنی ہوئی۔ 0.62 ملین روپے کے اخراجات کے بعد خالص خسارہ 0.41 ملین روپے ہو گیا۔ 30 ستمبر 2017 کو اثاثوں کی تخصیص درج ذیل ہے:

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II



اعتراف

اس موقع پر بورڈ اپنے تمام پونٹ ہولڈرز کا شکریہ ادا کرتا ہے جنہوں نے انتظامی کمپنی پر اپنے بھروسے اور اعتماد کا اظہار کیا اور ہمیں اپنی خدمت کا موقع دیا۔ بورڈ اپنی مخلصانہ ستائش سیکورٹیز اینڈ ایکسچینج 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 سٹیز نے انتہک محنت، جدوجہد اور لگن سے کام کیا۔

از طرف بورڈ

این بی پی فلٹرٹن ایسٹ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ: اکتوبر 27، 2017

بمقام کراچی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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			
Bank balances		144,300	144,702
Investments	4	9,230	12,097
Dividend and profit receivable	5	687	622
Advances, deposits and prepayments		2,616	2,600
Total assets		156,833	160,021
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company		11,795	11,759
Payable to Central Depository Company of Pakistan Limited -Trustee		17	17
Payable to the Securities and Exchange Commission of Pakistan		26	457
Accrued expenses and other liabilities	6	5,906	5,755
Total liabilities		17,744	17,988
NET ASSETS		139,089	142,033
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		139,089	142,033
CONTINGENCIES AND COMMITMENTS	8		
-----Number of units-----			
NUMBER OF UNITS IN ISSUE		1,373,424	1,398,392
------(Rupees)-----			
NET ASSET VALUE PER UNIT		101.2717	101.5691

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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 (loss)/ gain on sale of investments - net		(94)	6,918
Profit on bank deposits		2,017	4,850
Dividend income		23	8,739
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		(1,737)	66,838
Total Income		209	87,345
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company		260	5,081
Sindh sales tax on Management Company's remuneration		34	661
Accounting and operational charges to the Management Company		35	254
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		46	330
Sindh sales tax on Trustee remuneration		6	43
Annual fee - Securities and Exchange Commission of Pakistan		27	191
Auditors' remuneration		26	97
Annual listing fee		6	10
Printing charges		21	25
Legal and professional charges		27	31
Settlement and bank charges		5	92
Securities transaction cost		1	155
Shariah advisor fee		124	90
Total Expenses		618	7,060
Net (loss)/ income from operating activities		(409)	80,285
Element of (loss) and capital (losses) included in the prices of units issued less those in units redeemed - net		-	(10,339)
Provision for Sindh Workers' Welfare Fund	7	-	-
Net (loss)/ income for the period before taxation		(409)	69,946
Taxation	9	-	-
Net (loss)/ income for the period after taxation		(409)	69,946
Allocation of Net Income for the year:			
Income already paid on units redeemed		(2)	-
Accounting income available for distribution carried to distribution account:			
-Relating to capital gains		-	-
-Excluding capital gains		-	-
		(411)	69,946
Earnings per unit	10		

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

	Quarter Ended September 30, 2017	Quarter Ended September 30, 2016
	(Rupees in '000)	
Accounting (loss)/ income available for distribution	(411)	69,946
Other comprehensive income for the period	-	-
Total comprehensive (loss)/ income for the period	(411)	69,946

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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	142,033	1,083,504
Redemption of 24,969 units: (September 30, 2016: 2,007,861 units)	(2,536)	(235,612)
Element of loss/ (income) and capital losses/ (gains) included in the prices of units issued less those in units redeemed - net - transferred to income statement	-	10,339
Accounting (loss)/ income for the period	(411)	69,946
Income already paid on units redeemed	2	-
Net assets at the end of the period	139,089	928,177
Net Assets value per unit as at beginning of the period	101.5691	112.1953
Net Assets value per unit as at end of the period	101.2717	121.3392
Distribution during for the period:		
Undistributed income brought forward		
Realised gain	176,102	108,079
Unrealised gain	2,183	31,479
	178,285	139,558
Accounting (loss)/ income available for distribution	(411)	69,946
Distribution made during the period	-	-
Undistributed income carried forward	177,874	209,504
Undistributed income comprising of :		
Realised gain	179,611	142,666
Unrealised (loss)/gain	(1,737)	66,838
	177,874	209,504

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

	Quarter ended September 30, 2017	Quarter ended September 30, 2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss)/ Income for the period before taxation	(409)	69,946
Adjustments		
Unrealised diminution/ (appreciation) on re-measurement of investments classified as 'financial assets 'at fair value through profit or loss' - net	1,737	(66,838)
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net	-	10,339
	<u>1,328</u>	<u>13,447</u>
Decrease/ (Increase) in assets		
Investments	1,130	(72,974)
Dividend and profit receivable	(65)	(6,734)
Advances, deposits and prepayments	(16)	(96)
	<u>1,049</u>	<u>(79,804)</u>
(Decrease)/ Increase in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management Company	36	(178)
Payable to Central Depository Company of Pakistan Limited -Trustee	-	(25)
Payable to the Securities and Exchange Commission of Pakistan	(431)	(736)
Payable against purchase of investments	-	-
Accrued expenses and other liabilities	151	938
	<u>(244)</u>	<u>(1)</u>
Net cash generated/ (used in) from operating activities	<u>2,133</u>	<u>(66,358)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on redemption of units	(2,536)	(251,143)
Net cash (used in) from financing activities	<u>(2,536)</u>	<u>(251,143)</u>
Net decrease in cash and cash equivalents during the period	<u>(402)</u>	<u>(317,501)</u>
Cash and cash equivalents at the beginning of the period	144,702	523,450
Cash and cash equivalents at the end of the period	<u><u>144,300</u></u>	<u><u>205,949</u></u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Principal Protected Fund-II (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on May 07, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 15, 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 Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block 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) and is listed on the Pakistan Stock Exchange Limited.

The objective of NAFA Islamic Principal Protected Fund-II 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 AM1 to the Management Company as of April 21, 2017.

The 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 June 28, 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

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, and the requirements of 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 Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirement of the NBFC Rules, the NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules, the NBFC Regulations, and the said directives shall 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.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

The directors of the Asset Management Company declare that these condensed interim financial statements give a true and fair view of the Fund.

3 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.

	Note	(Un-audited) September 30, 2017	Audited June 30, 2017
		----- Rupees in '000 -----	

4 INVESTMENTS

Financial assets classified as 'at fair value through profit or loss'

Listed equity securities

4.1	<u>9,230</u>	<u>12,097</u>
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4.1 Listed equity securities - at fair value through profit or loss

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

Sector / Name of the investee company	Number of shares					Market value as at September 30, 2017	Market value as a % of		Holding as a percentage of paid up capital of the investee company
	As at July 01, 2017	Purchases during the period	Bonus / Right Issue	Sales during the period	As at September 30, 2017		Net assets	Total investments	
Rupees in '000----- %-----									
Oil & Gas Exploration Companies									
Hascol Petroleum Limited	876	-	-	-	876	246	0.18	2.67	0.00
Mari Petroleum Company Limited	1,100	-	-	-	1,100	1,656	1.19	17.94	0.00
						1,902	1.37	20.60	
Fertilizer									
Engro Corporation Limited	3,000	-	-	-	3,000	909	0.65	9.85	0.00
						909	0.65	9.85	
Cement									
D.G. Khan Cement Company Limited	5,200	-	-	-	5,200	764	0.55	8.27	0.00
Fauji Cement Company Limited	32,600	-	-	-	32,600	1,060	0.76	11.49	0.00
Pioneer Cement Limited	15,200	-	-	-	15,200	1,367	0.98	14.81	0.01
						3,191	2.29	34.57	
Engineering									
Mughal Iron and Steel Industries Limited	22,225	-	-	14,000	8,225	471	0.34	5.10	0.01
						471	0.34	5.10	
Textile Composite									
Kohinoor Textile Mills Limited	4,737	284	-	-	5,021	426	0.31	4.61	0.00
Nishat Mills Limited	6,200	-	-	-	6,200	900	0.65	9.75	0.00
						1,325	0.95	14.36	
Pharmaceuticals									
The Searle Company Limited	251	-	-	-	251	101	0.07	1.10	0.00
						101	0.07	1.10	
Power Generation & Distribution									
Kot Addu Power Company Limited	17,400	-	-	-	17,400	1,323	0.95	14.34	0.00
						1,323	0.95	14.34	
Commercial Banks									
Meezan Bank Limited	100	6	-	-	106	8	0.01	0.08	0.00
						8	0	0	
						9,230	6.63	100.00	
Carrying value as at September 30, 2017						10,967			

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

- 4.1.1 Investments include shares with market value of Rs 4.411 million (June 30, 2017: Rs 5.393 million) which have been pledged with 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.

	(Un-audited) September 30, 2017	Audited June 30, 2017
	----- Rupees in '000 -----	
5 DIVIDEND AND PROFIT RECEIVABLE		
Profit accrued on saving deposits	663	607
Dividend receivable	24	15
	<u>687</u>	<u>622</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	314	289
Provision for Workers' Welfare Fund	2,141	-
Provision for Sindh Workers' Welfare Fund	1,451	3,592
Brokerage	1	-
Settlement charges	9	64
Bank charges	54	50
Printing charges	177	155
Withholding tax and capital gain tax on dividend	94	92
Charity payable	894	894
Legal fee	237	210
Shariah advisor fee	534	409
	<u>5,906</u>	<u>5,755</u>

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.

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 2.6155 per unit.

8 CONTINGENCIES AND COMMITMENTS

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

9 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.

10 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.

11 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 2.79% p.a. including 0.36% 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.

12 TRANSACTIONS WITH CONNECTED PERSONS

- 12.1 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) and 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 officers 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.
- 12.2 The transactions with related parties / connected persons are in the normal course of business, at contracted rates and the terms determined in accordance with the market rates.
- 12.3 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.
- 12.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 12.5 Details of the transactions with connected persons are as follows:

	------(Un-Audited)-----	
	Quarter ended September 30, 2017	Quarter ended September 30, 2016
	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited - Management Company		
Remuneration for the period	260	5,081
Sindh Sales Tax on remuneration of management company	34	661
Accounting and operational charges to the Management Company	35	254
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	46	330
Sindh Sales Tax on remuneration of Trustee	6	43
CDS charges	-	46
Taurus Securities Limited		
Brokerage expense	-	1

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

(Un-Audited) September 30, 2017	(Audited) June 30, 2017
----- (Rupees in '000) -----	

12.6 Amounts outstanding as at period end

NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	89	88
Sindh Sales Tax payable on remuneration of the Management Company	12	12
Federal Excise Duty payable on remuneration of the Management Company	8,151	8,151
Federal Excise Duty payable on sales load	2,899	2,899
Accounting and operational charges payable to the Management Company	644	609
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	15	15
Sindh Sales Tax payable on remuneration of Trustee	2	2
CDS charges payable	8	64
Security deposit	100	100
Employees of the Management Company		
Units held: 2,287 units (June 30, 2017: 2,287 Units)	232	232
Persons holding directly or indirectly 10% or more of the units in issue / net assets of the Fund		
City School Provident Fund Trust		
Units held: 458,218 units (2017: 458,218 units)	46,404	46,541
Mehreen Dawood		
Units held: 208,293 units (2017: 208,293)	21,094	21,156

13 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.

14 GENERAL

14.1 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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