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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

**HALF YEARLY
REPORT**
December 31, 2017



Your investments & "NAFA" grow together

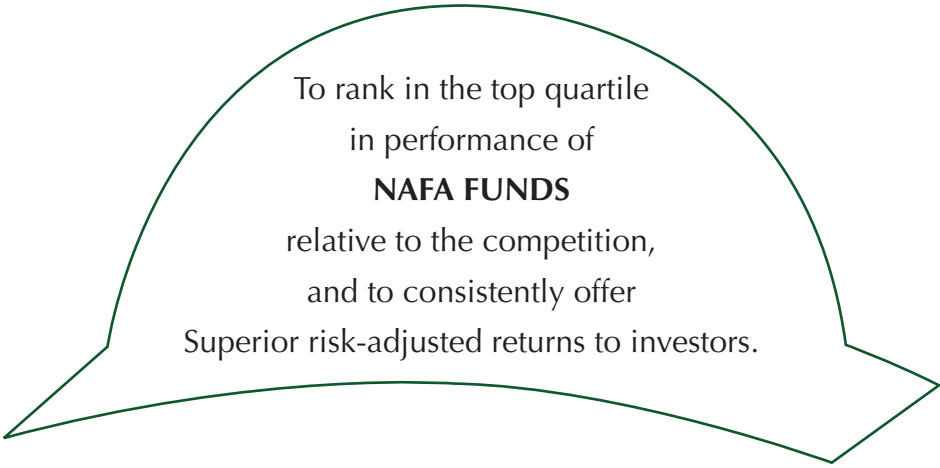


NBP

**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. Humayun Bashir	Director
Ms. Anupama Sawhney*	Director
* SECP's approval is in process	

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
Ms. Anupama Sawhney*	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 reviewed financial statements of **NAFA Islamic Principal Protected Fund – II (NIPPF – II)** for the half year ended December 31, 2017.

Fund's Performance

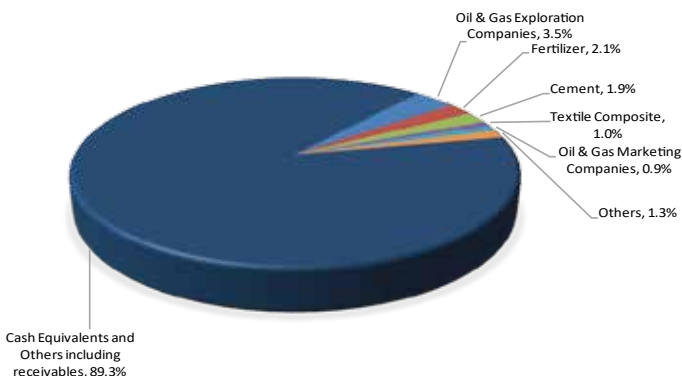
The size of NAFA Islamic Principal Protected Fund-II stood at Rs. 128 million at 31 Dec, 2017. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has decreased from Rs. 101.5691 on June 30, 2017 to Rs. 101.5095 on December 31, 2017, thus showing a decrease of 0.06%. The Benchmark during the same period increased by 0.42%. Thus, the Fund has underperformed its Benchmark by 0.48% during the period under review. Since inception (June 27, 2014), the unit price of the Fund has shown a growth of 57.47% as compared to 42.91% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 14.56%. This performance is net of management fee and all other expenses.

During 1HFY18, the stock market remained in a corrective mode. The euphoria surrounding the up-gradation of KSE-100 Index from MSCI Frontier Market to MSCI Emerging Market petered out and the ongoing heightened political noise took center stage. In addition to this, deteriorating external account position also weighed on investors' sentiments that resulted in a sizeable decline of 13% in the KSE-100 Index during the period under review. Political uncertainty, rising current account deficit, and tension in the US – Pakistan relationship were key reasons for the stock market decline.

To augment the precarious external account position the government issued international bond of USD2.5bn in addition to the measured PKR devaluation of around 5% against the US Dollar, which allayed the concerns of the market to some extent. Foreign investors remained net sellers during the period with net foreign portfolio outflow of USD155 million while Companies, Insurance, and Banks/DFIs remained net buyers in the market. In terms of sector performance, Oil & Gas Exploration, Fertilizer, Commercial Banks, and Textile sectors fared better compared with the market, while Cement, Refinery, Engineering, and Chemical sectors lagged behind.

State Bank of Pakistan (SBP) pursued accommodative monetary policy stance and left the policy rate unchanged at 5.75% during the period under review. SBP cited the following reasons to support its policy: a) strong economic activity corroborated by pick up in industrial output; b) gains in production of major crops; c) growth in private sector credit off-take; d) improvement in export growth; e) notable increase in foreign direct investments; and f) CPEC related investment activity gathering pace. SBP also highlighted gathering risks to the external account emanating from expected increase in commodity/global oil prices, confluence of declining remittances and mounting external debt levels (that may imperil the near to medium-term sustainability of the BoP position). Owing to stable policy rate and significant liquidity injections by the SBP, sovereign yields remained flat during the period with investors' preference tilted towards short tenors considering upside risks to inflation and interest rates.

The Fund has earned total income of Rs. 1.168 million during the period. After accounting for expenses of Rs. 1.299 million, the net loss is Rs. 0.131 million. The asset allocation of the Fund as on December 31, 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: February 22, 2018

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منیجمنٹ کے بورڈ آف ڈائریکٹرز یکم دسمبر 2017ء کو ختم ہونے والی ششماہی کے لیے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کا فنڈ سائز 31 دسمبر 2017ء کو 128 ملین روپے رہا۔ اس مدت کے دوران NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II کے یونٹ کی قیمت 30 جون 2017ء کو 101.5691 روپے سے کم ہو کر 31 دسمبر 2017ء پر 101.5095 روپے ہو چکی ہے، لہذا 0.06% کی کمی ہوئی۔ اسی مدت کے دوران بیچ مارک 0.42% بڑھا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے 0.48% بدتر کارکردگی دکھائی۔ اپنے قیام کے وقت (27 جون 2014ء) سے اب تک فنڈ کے یونٹ کی قیمت نے اپنے بیچ مارک میں 42.91% اضافے کے مقابلے میں 57.47% کا نمو دکھایا۔ اس طرح فنڈ کی کارکردگی اپنے بیچ مارک کے مقابلے میں 14.56% بہتر رہی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

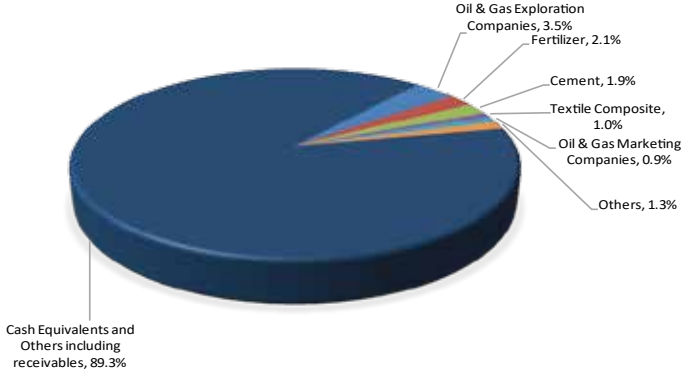
مالیاتی سال 18 کی پہلی ششماہی میں مارکیٹ میں مندی کا رجحان برقرار رہا۔ KSE 100 انڈیکس کی MSCI فرنیچر مارکیٹ سے MSCI ایرجنک مارکیٹ میں درجہ بندی کی خبر کارکردگی سے ختم ہو گیا اور اس کی جگہ زبردست سیاسی گرما گرمی نے مرکزی حیثیت اختیار کر لی۔ اس کے علاوہ بیرونی اکاؤنٹس کی بگڑتی ہوئی صورتحال سے سرمایہ کاروں پر دباؤ پڑا جس کے نتیجے میں زیر جائزہ مدت میں KSE 100 انڈیکس نمایاں طور پر 13% نیچے آ گیا۔ سیاسی غیر یقینی کیفیت، بڑھتا ہوا کرنٹ اکاؤنٹ کا خسارہ اور امریکہ - پاکستان کے تعلقات میں کھپاؤ اسٹاک مارکیٹ میں انحطاط کی بنیادی وجوہات تھیں۔

بیرونی اکاؤنٹس کی غیر یقینی صورت حال کو تقویت دینے کیلئے امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 5% کمی کی گئی اور ساتھ ہی حکومت نے 2.5 ملین امریکی ڈالر کے انٹرنیشنل بانڈ جاری کئے جس سے مارکیٹ میں کافی حد تک خدشات دور کرنے میں مدد ملی۔ اس عرصہ میں بیرونی سرمایہ کار بدستور خالص فروخت کنندہ رہے جس سے 155 ملین ڈالر کا سرمایہ بیرون ملک چلا گیا۔ جب کہ نیمہ کارہ کمپنیاں اور بینک DFIs خالص خریدار رہے۔ شعبہ جات کی کارکردگی کے لحاظ سے آئل اینڈ گیس ایکسپلوریشن، فرٹیلائزر، کرسٹلینکس اور ٹیکسٹائل بہتر رہے جبکہ سیمنٹ، ربنا فیبر، انجینئرنگ اور کیمیکل کے شعبہ جات کی کارکردگی نسبتاً اتر رہی۔

اسٹیٹ بینک آف پاکستان (SBP) نے مفاہمتی مانیٹری پالیسی جاری رکھی اور زیر جائزہ مدت کے دوران پالیسی کی شرح کو 5.75% برقرار رکھا۔ SBP نے اپنی پالیسی کی حمایت میں درج ذیل وجوہات بیان کیں: (ا) مضبوط معاشی سرگرمی، جس کی تصدیق صنعتی پیداوار میں اضافے سے ہوتی ہے (ب) بڑی فصلوں کی بھرپور پیداوار (ج) نجی شعبہ کے قرضے جات میں اضافہ (د) برآمدات کے اضافے میں بہتری (ر) غیر ملکی براہ راست سرمایہ کاری میں نمایاں اضافہ اور (س) چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرمایہ کاری کی سرگرمیوں کا مسلسل فروغ۔ SBP نے بیرونی اکاؤنٹس کے بارے میں ان خدشات کی بھی نشاندہی کی جو کموڈیٹی / آئل کی قیمتوں میں عالمی سطح پر اضافہ اور اس کے ساتھ ساتھ زرمبادلہ کی ترسیلات میں کمی اور بیرونی قرضہ جات کے بڑھتے ہوئے حجم کے باعث پیدا ہو رہے ہیں (جس سے توازن ادائیگی کی مستقبل قریب سے وسط مدت کیلئے صورتحال غیر مستحکم ہو سکتی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

ہے۔ چنانچہ مستحکم شرح پالیسی اور SBP کی جانب سے نمایاں طور پر لیکچو ڈیٹی داخل کرنے سے اس مدت میں بالائی نتائج میں کوئی کمی بیشی نہیں ہوئی اور سرمایہ کاروں نے افراط زر اور شرح سود میں بڑھتے ہوئے خدشات کے پیش نظر قلیل المدت سرمایہ کاری کو ترجیح دی۔ اس مدت کے دوران فنڈ نے 1.168 ملین روپے کی مجموعی آمدنی کی ہے۔ اخراجات کی مد میں 1.299 ملین روپے منہا کرنے کے بعد کل خسارہ 0.131 ملین روپے ہے۔ فنڈ کی ایسیٹ ایلوکیشن 31 دسمبر 2017 کو بمطابق ذیل ہے:



اظہارِ تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابلِ قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ انویسٹمنٹ 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 سٹریٹیجی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز
NBP فلٹرن ایسیٹ منجمنت لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

22 فروری 2018ء

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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 - II (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, 2017 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 26, 2018

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Principal Protected Fund II** (the Fund) as at December 31, 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, 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, 2017. 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 included in the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

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 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: **Noman Abbas Sheikh**
Dated: February 22, 2018
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2017

	Note	(Un-audited) December 31, 2017	Audited June 30, 2017
(Rupees in '000)			
ASSETS			
Balances with banks	4	127,349	144,702
Investments	5	13,690	12,097
Dividend and profit receivable	6	719	622
Security deposits and prepayments		2,611	2,600
Total assets		144,369	160,021
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	7	11,216	11,759
Payable to the Central Depository Company of Pakistan Limited -Trustee	8	16	17
Payable to the Securities and Exchange Commission of Pakistan	9	52	457
Accrued expenses and other liabilities	10	4,912	5,755
Total liabilities		16,196	17,988
NET ASSETS		128,173	142,033
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		128,173	142,033
CONTINGENCIES AND COMMITMENTS	11	-----Number of units-----	
NUMBER OF UNITS IN ISSUE		1,262,671	1,398,392
		------(Rupees)-----	
NET ASSET VALUE PER UNIT	12	101.5095	101.5691

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 Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

		Half year ended		Quarter ended	
	Note	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Rupees in '000			
INCOME					
(Loss) / gain on sale of investments - net		(94)	175,314	-	168,396
Profit on balances with banks		4,065	9,012	2,048	4,162
Dividend income		273	21,888	250	13,149
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		(3,076)	11,662	(1,339)	(55,176)
Total income		1,168	217,876	959	130,531
EXPENSES					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	7.1	513	9,935	253	4,854
Sindh Sales Tax on remuneration of the Management Company	7.2	67	1,291	33	630
Accounting and operational charges	7.4	69	497	34	243
Remuneration of the Central Depository Company of Pakistan Limited -Trustee		90	646	44	316
Sindh sales tax on remuneration of the Trustee	8.1	12	84	6	41
Annual fee to the Securities and Exchange Commission of Pakistan		52	373	25	182
Auditors' remuneration		76	208	50	111
Annual listing fee		11	28	5	18
Printing charges		30	50	9	25
Legal and professional charges		15	63	12	32
Securities transaction cost		7	617	6	462
Settlement and bank charges		131	239	102	147
Shariah advisor fee		226	148	102	58
Total operating expense		1,299	14,179	681	7,119
Net (loss) / income from operating activities		(131)	203,697	278	123,412
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - net	3.2	-	(17,084)	-	(6,745)
Net (loss) / income for the period before taxation		(131)	186,613	278	116,667
Taxation	13	-	-	-	-
Net (loss) / income for the period after taxation		(131)	186,613	278	116,667
(Loss) / earnings per unit	14				
Allocation of net income for the period					
Net (loss) / income for the period after taxation		(131)	186,613	278	116,667
Income already paid on units redeemed		-	-	-	-
		(131)	186,613	278	116,667
Accounting income available for distribution:					
-Relating to capital gains		-	-	-	-
-Excluding capital gains		-	-	-	-

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 Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees in '000			
Net (loss) / income for the period after taxation	(131)	186,613	278	116,667
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	(131)	186,613	278	116,667

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 Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended December 31, 2017				Half year ended December 31, 2016			
	(Rupees in '000)				(Rupees in '000)			
	Capital Value	Undistribut ed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Capital Value	Undistribut ed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total
Net assets at beginning of the period (audited)	17,335	124,698	-	142,033	943,946	139,558	-	1,083,504
Redemption of 135,721 units (2016: 2,367,019 units)								
- Capital value (at net asset value per unit at the beginning of the period)	13,785	-	-	13,785				
- Element of income	(56)	-	-	(56)				
Total payments on redemption of units	13,729	-	-	13,729	(265,569)	(17,084)	-	(282,653)
Element of loss / (income) and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	-	17,084	-	17,084
Total comprehensive (loss) / income for the period	-	(131)	-	(131)	-	186,613	-	186,613
Distribution during the period	-	-	-	-	-	-	-	-
Net (loss) / income for the period less distribution	-	(131)	-	(131)	-	186,613	-	186,613
Net assets at end of the period (un-audited)	<u>3,606</u>	<u>124,567</u>	<u>-</u>	<u>128,173</u>	<u>678,377</u>	<u>326,171</u>	<u>-</u>	<u>1,004,548</u>
Undistributed income brought forward								
- Realised		122,351				108,079		
- Unrealised		2,347				31,479		
		<u>124,698</u>				<u>139,558</u>		
Accounting income available for distribution								
- Relating to capital gains		-						
- Excluding capital gains		-						
		<u>-</u>						
Net (loss) / income for the period after taxation		(131)				186,613		
Distribution during the period		-				-		
Undistributed income carried forward		<u>124,567</u>				<u>326,171</u>		
Undistributed income carried forward								
- Realised income		127,643				314,509		
- Unrealised (loss) / income		(3,076)				11,662		
		<u>124,567</u>				<u>326,171</u>		
			(Rupees)				(Rupees)	
Net assets value per unit at beginning of the period			<u>101.5691</u>				<u>112.1953</u>	
Net assets value per unit at end of the period			<u>101.5095</u>				<u>137.7928</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 Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended	
	December 31, 2017	December 31, 2016
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period before taxation	(131)	186,613
Adjustments		
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	3,076	(11,662)
Dividend income	(273)	(21,888)
Profit on balances with banks	(4,065)	(9,012)
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed - net	-	17,084
	(1,393)	161,135
(Increase) / decrease in assets		
Investments	(4,669)	541,232
Receivable against sale of investments	-	(477,394)
Security deposits and prepayments	(11)	(27)
	(4,680)	63,811
(Decrease) / increase in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management Company	(543)	(524)
Payable to the Central Depository Company of Pakistan Limited -Trustee	(1)	(33)
Payable to the Securities and Exchange Commission of Pakistan	(405)	(554)
Accrued expenses and other liabilities	(843)	(920)
	(1,792)	(2,031)
Dividend received	288	21,610
Profit received	3,953	9,290
Net cash (used in) / generated from operating activities	(3,624)	253,815
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on redemption of units	(13,729)	(299,232)
Net cash used in financing activities	(13,729)	(299,232)
Net decrease in cash and cash equivalents	(17,353)	(45,417)
Cash and cash equivalents at the beginning of the period	144,702	523,450
Cash and cash equivalents at the end of the period	127,349	478,033

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 Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 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 the 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 (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 has been categorised as an open-end "Shariah Compliant Capital Protected 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 Protection 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 to its unit holders. 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. The Fund has not yet been rated.

The titles to the assets of the Fund is held in the name of CDC as the trustee of the Fund.

The Fund commenced its operations on June 28, 2014. As per the offering document, the duration of the Fund is perpetual and the initial maturity of the Fund is two years from the date of commencement. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund and the Non-Banking Finance and Notified Entities Regulations, 2008.

2 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 NBFC Rules, the NBFC Regulations and the directives issued by the 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 the 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 the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2017.

This condensed interim financial information is unaudited. However, a limited scope review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance. In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund as at December 31, 2017.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

- 3.1 The accounting policies adopted and the methods of computation of balances in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except the for change in accounting policy as stated in note 3.2.
- 3.2 The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was set up, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertains to unrealised appreciation / (diminution) was held in the Unit Holder's Fund in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on the clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been higher by Rs 0.056 million net off charge for SWWF in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.3 The preparation of the condensed interim financial information in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. In preparing the condensed interim financial information, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the financial statements as at and for the year ended June 30, 2017. The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2017.
- 3.4 Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for accounting periods beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

3.4 Standards and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from July 1, 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2018. However, these are not expected to have any significant impact on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

4 BALANCE WITH BANKS

Note	(Un-audited) December 31, 2017	Audited June 30, 2017
	----- Rupees in '000 -----	
Profit and loss savings accounts	124,136	141,787
Current accounts	3,213	2,915
	<u>127,349</u>	<u>144,702</u>

4.1 These carry profit at the rates ranging from 2.40% to 6.05% (June 30, 2017: 2.40% to 6.05%) per annum.

5 INVESTMENTS

Note	(Un-audited) December 31, 2016	Audited June 30, 2016
	----- Rupees in '000 -----	
Financial assets 'at fair value through profit or loss' - Listed equity securities	13,690	12,097

5.1 Listed equity securities

All shares have a face value of Rs.10 each.

Name of the Investee Company	Number of shares					Market value as at December 31, 2017	Market value as a percentage 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 December 31, 2017		Net assets	Total investments	
						Rupees in '000		%	
Refinery									
Attock Refinery Limited	-	37,000	-	37,000	-	-	-	-	-
Oil & Gas Marketing Companies									
Hascol Petroleum Limited (Note 5.4)	876	-	12	-	888	219	0.17	1.60	.*
Pakistan State Oil Company Limited	-	3,300	-	-	3,300	967	0.75	7.06	.*
						1,186	0.92	8.66	
Oil & Gas Exploration Companies									
Mari Petroleum Company Limited	1,100	-	-	-	1,100	1,596	1.25	11.66	.*
Oil & Gas Development Company	-	6,000	-	-	6,000	977	0.76	7.14	.*
Pakistan Oilfields Limited	-	1,600	-	-	1,600	951	0.74	6.95	.*
Pakistan Petroleum Limited	-	4,900	-	-	4,900	1,009	0.79	7.37	.*
						4,533	3.54	33.12	
Fertilizer									
Engro Corporation Limited	3,000	2,300	-	-	5,300	1,456	1.14	10.64	.*
Engro Fertilizers Limited	-	19,000	-	-	19,000	1,287	1.00	9.40	.*
						2,743	2.14	20.04	
Cement									
D.G. Khan Cement Company Limited. (Note 5.2)	5,200	-	-	-	5,200	695	0.54	5.08	.*
Fauji Cement Company Limited (Note 5.2)	32,600	-	-	-	32,600	815	0.64	5.95	.*
Pioneer Cement Limited (Note 5.2)	15,200	-	-	-	15,200	959	0.75	7.01	0.01
						2,469	1.93	18.04	
Engineering									
Mughal Iron and Steel Industries Limited (Note 5.4)	22,225	-	-	14,000	8,225	478	0.37	3.49	.*
Textile Composite									
Kohinoor Textile Mills Limited (Note 5.4)	4,737	-	-	-	4,737	314	0.24	2.29	.*
Nishat Mills Limited (Note 5.2)	6,200	-	-	-	6,200	927	0.72	6.77	.*
						1,241	0.96	9.06	
Pharmaceuticals									
The Searle Company Limited (Note 5.4)	251	-	50	-	301	95	0.07	0.69	.*
Power Generation & Distribution									
Kot Addu Power Company Limited (Note 5.2)	17,400	-	-	-	17,400	938	0.73	6.85	.*
Commercial Banks									
Meezan Bank Limited	100	-	6	-	106	7	0.01	0.05	.*
						<u>13,690</u>	<u>10.67</u>	<u>100</u>	
Carrying value as at December 31, 2017						<u>16,766</u>			
Market value as at June 30, 2017						<u>12,097</u>			
Carrying value as at June 30, 2017						<u>9,750</u>			

* Percentage not presented due to rounding off.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

- 5.2 The above investments include shares having a market value (in aggregate) amounting to Rs 3.524 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 No. 11 dated October 23, 2007 issued by the Securities & Exchange Commission of Pakistan. The details of shares which have been pledged are as follows:

Name of the Company	(Un-Audited) December 31, 2017		(Audited) June 30, 2017	
	Number of shares pledged	Market value of pledged shares Rupees in '000	Number of shares pledged	Market value of pledged shares Rupees in '000
D.G. Khan Cement Company Limited	4,000	535	4,000	853
Fauji Cement Company Limited	27,000	675	27,000	1,107
Kot Addu Power Company Limited	15,000	809	15,000	1,080
Nishat Mills Limited	5,000	748	5,000	793
Pioneer Cement Limited	12,000	757	12,000	1,560
	<u>63,000</u>	<u>3,524</u>	<u>63,000</u>	<u>5,393</u>

- 5.3 **Unrealised (diminution) / appreciation on re-measurement of investments classified as financial asset 'at fair value through profit or loss'**

	(Un-audited) December 31, 2017	(Audited) June 30, 2017
	-----Rs. In '000-----	
Market value of securities	13,690	12,097
Less: Carrying amount of investments	<u>(16,766)</u>	<u>(9,750)</u>
	<u>(3,076)</u>	<u>2,347</u>

- 5.4 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 requirements 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 the deduction of income tax under Clause 99 of Part I of 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, 2017, certain companies withheld bonus shares issued to the Fund at the time of declaration. These shares have been included in the portfolio of the Fund, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Names of the Company	As at December 31, 2017		As at June 30, 2017	
	Number of shares	Market value Rupees in '000	Number of shares	Market value Rupees in '000
Hascol Petroleum Limited	813	201	813	277
Mughal Iron and Steel Industries Limited	1,323	77	1,324	107
Kohinoor Textile Mills Limited	4,737	314	4,736	498
The Searle Company Limited	298	94	248	127
		<u>685</u>		<u>1,009</u>

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

			(Un-Audited) December 31, 2017	(Audited) June 30, 2017
6	DIVIDEND AND PROFIT RECEIVABLE	Note	-----Rs. In '000-----	
	Dividend receivable		-	15
	Profit accrued on profit and loss savings accounts		719	607
			<u>719</u>	<u>622</u>
7	PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	(Un-Audited) December 31, 2017	(Audited) June 30, 2017
			-----Rs. In '000-----	
	Remuneration of the Management Company	7.1	86	88
	Sindh sales tax payable on remuneration of the Management Company	7.2	11	12
	Federal excise duty payable on the remuneration of the Management Company	7.3	8,151	8,151
	Accounting and operational charges	7.4	69	609
	Federal excise duty payable on sales load		<u>2,899</u>	<u>2,899</u>
			<u>11,216</u>	<u>11,759</u>

- 7.1 The Management Company has charged remuneration at a rate of 2% on equity component and 12% of net income excluding equity component, subject to a minimum of 0.5% of net assets and maximum of 1% of net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 7.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 13% (June 30, 2017:13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 7.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company and sales load was applied effective from June 13, 2013. The Management Company was of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 4, 2013.

The SHC while disposing of the Constitutional Petition No. D-3184 of 2014 relating to levy of FED on Mutual Funds had declared the said provisions to be ultra vires and as a result no FED was payable with effect from July 1, 2011, (i.e., the date on which Sindh Sales Tax on Services Act, 2011 came into force). However, the tax authorities subsequently filed an appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for decision.

Effective July 1, 2016, mutual funds have been excluded from levy of FED vide Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 8.151 million (June 30, 2017: Rs 8.151 million) is being retained in this condensed interim financial information of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at December 31, 2017 would have been higher by Rs 6.4554 (June 30, 2017: Rs 5.8288) per unit.

- 7.4 In accordance with Regulation 60 of the NBFC Regulations the Management Company has charged expenses at the rate of 0.1% of the average net assets of the Fund being lower than actual expenses chargeable to the Fund for the period.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

		(Un-Audited) December 31, 2017	(Audited) June 30, 2017
		-----Rs. In '000-----	
8	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE	Note	
	Remuneration payable to the Trustee		14
	Sindh sales tax payable on remuneration of the Trustee	8.1	2
			<u>16</u>
8.1	Sindh Sales Tax at 13% (June 30, 2017: 13%) has been charged on Trustee fee.		
9	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
	Annual fee	9.1	<u>52</u>
9.1	Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Shariah Compliant Capital Protected Scheme is required to pay an annual fee to the SECP at an amount equal to 0.075% of the average annual net assets of the Fund. There has been no change in this percentage in the current period.		
10	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	
	Auditors' remuneration payable		143
	Provision for Sindh Workers' Welfare Fund	10.1	3,592
	Brokerage payable		4
	Settlement charges		27
	Bank charges payable		24
	Printing charges payable		126
	Withholding tax and capital gains tax on dividend		18
	Charity payable	10.2	537
	Legal and professional charges payable		225
	Shariah advisory fee payable		216
			<u>4,912</u>
10.1	As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWWF 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, the MUFAP had recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act (i.e. starting from May 21, 2015).		
	Had the provision for SWWF not been recorded in this condensed interim financial information the net asset value of the Fund as at December 31, 2017 would have been higher by Rs. 2.845 per unit (June 30, 2017: Rs. 2.569).		
10.2	According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.		

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

During the current period, Non Shariah compliant income amounting to Rs 0.009 million (June 30, 2017: Rs 0.422 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 charity portion.

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2017 and June 30, 2017.

12 NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit, as disclosed in the condensed interim statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in issue as at the period / year end.

13 TAXATION

The Fund's income 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 90 percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute 90 percent of the net accounting income other than capital gains to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the period.

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 LOSS / EARNINGS PER UNIT

Loss / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the 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 assets value for the period) is 1.87 % per annum including 0.18% representing government levies on collective investment scheme such as sales tax and SECP 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 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.

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

16.3 Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

16.4 Details of the transactions with related parties / connected persons during the period and balances with them as at period / year end are as follows:

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

------(Un-audited)-----
Half year ended
December 31, 2017 **December 31, 2016**
 -----(Rupees in '000)-----

NBP Fullerton Asset Management Limited - Management Company

Remuneration for the period	513	9,935
Sindh sales tax on remuneration of the Management Company	67	1,291
Accounting and operational charges	69	497

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the period	90	646
Sindh sales tax on remuneration of the Trustee	12	84
CDS charges	95	95

Taurus Securities Limited

Brokerage expense	-	16
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(Un-audited) Audited
 December 31, June 30,
 2017 2017

Balances outstanding as at period / year end

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

NBP Fullerton Asset Management Limited - Management Company

Remuneration of the Management Company	86	88
Sindh sales tax payable on remuneration of the Management Company	11	12
Federal excise duty payable on the remuneration of the Management Company	8,151	8,151
Accounting and operational charges payable	69	609
Federal excise duty payable on sales load	2,899	2,899

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	14	15
Sindh sales tax payable on remuneration of the trustee	2	2
Settlement charges payable	27	64
Security deposit	100	100

Employees of the Management Company

Units held: 2,287 units (June 30, 2017: 2,287 units)	232	232
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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 (June 30, 2017: 458,218 units)	46,513	46,541
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Mehreen Dawood

Units held: 208,293 units (June 30, 2017: 208,293 units)	21,144	21,156
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17 FAIR VALUE MEASUREMENTS

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 stock exchange.
- 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.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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. (Level 1)
- 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). (Level 2)
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs). (Level 3)

As at December 31, 2017 and June 30, 2017, the Fund held the following assets measured at fair values:

----- Un-audited -----				
----- As at December 31, 2017 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000-----			
ASSETS				
Financial assets at fair value through profit or loss				
- Listed equity securities	13,690	-	-	13,690
----- Audited -----				
----- As at June 30, 2017 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000-----			
ASSETS				
Financial assets at fair value through profit or loss				
- Listed equity securities	12,097	-	-	12,097

18 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 22, 2018 by the Board of Directors of the Management Company.

19 GENERAL

19.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise is specified.

19.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure. There have been no significant reclassification during the period except for the impact of change in accounting policy as more fully disclosed in note 3.2 to the condensed interim financial information.

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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