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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 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-II

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. Koh Boon San | 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. Koh Boon San | 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 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

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

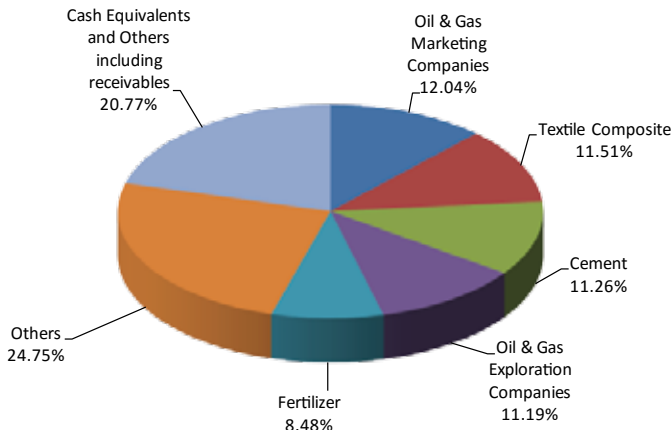
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Islamic Principal Protected Fund – II** (NIPPF – II) for the quarter ended September 30, 2016.

Fund's Performance

The size of NAFA Islamic Principal Protected Fund-II is Rs.928 million. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has increased from Rs. 112.1953 on June 30, 2016 to Rs. 121.3392 on September 30, 2016, thus showing an increase of 8.15%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) increased by 2.41%. Thus, the Fund has outperformed its Benchmark by 5.74% during the period under review. Since Inception the NAV of Fund has increased from Rs. 89.5955 (Ex-Div) on June 27, 2014 to Rs. 121.3392 on September 30, 2016, thus showing an increase of 35.43%. The Benchmark return during the same period was 25.52%. Thus, the Fund has outperformed its Benchmark by 9.91%. This performance is net of management fee and all other expenses.

During Q1FY17, the stock market extended the rally that started from the lows hit at the end of February 2016, delivering a return of about 4.2%. Positives like improving economic prospects as captured in an all-time high foreign exchange reserves of US\$23.6bn, multi-year low inflation & interest rates, and pick-up in economic growth, albeit from low levels; attractive stock market valuations; and tepid returns on alternate investment avenues buoyed local investors' interest in the market. Better than expected corporate results announcements for the period ending June 30, 2016 provided the much needed confidence to the market participants. However, foreign investors remained sellers with outflows of US\$ 39.7 million recorded during the quarter. Automobile Assembler, Automobile Parts & Accessories, Engineering, and Textile Composite sectors performed better than the market whereas Cement and Fertilizer sectors lagged behind.

On the corporate debt sphere, trading activity in Sukuku remained skewed towards high quality issues with total traded value recorded at around Rs 1.5 billion during the quarter. The trades were mainly concentrated in the Banking sector, making up 64% share. State Bank of Pakistan (SBP) in its bi-monthly monetary policy announcements in July and September 2016 maintained the policy rate at 5.75% citing positives such as comfortable liquidity conditions coupled with record-high foreign exchange reserves and CPEC related projects gathering momentum being balanced against uncertain global oil prices, challenged exports outlook, and heavy scheduled foreign loan payments during FY17, and beyond. We see modest pickup in inflation to 5.0% by the year-end due to partial recovery in commodity prices, expected devaluation, and uptick in private sector borrowing. The Fund has earned total income of Rs.77.01 million during the period. After accounting for expenses of Rs.7.06 million, the net income is Rs.69.95 million. The asset allocation of the Fund as on September 30, 2016 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 28, 2016

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسٹٹ منجمنٹ لمیٹڈ، بورڈ آف ڈائریکٹرز بصد مسرت 30 ستمبر 2016ء کو ختم ہونے والی سہ ماہی کے لیے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتا ہے۔

فنڈ کی کارکردگی

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کا فنڈ سائز 928 ملین روپے ہے۔ اس مدت کے دوران NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II کے پونٹ کی قیمت 30 جون 2016 کو 112.19553 روپے سے بڑھ کر 30 ستمبر 2016 پر 121.3392 روپے ہو چکی ہے۔ لہذا 8.15% اضافہ ہوا ہے۔ اسی مدت کے دوران بیچ مارک (KMI-30) انڈیکس کے یومیہ میزان کا منافع اور اسلامک بینکس کے اصل سرمایہ کاری پر مبنی ڈپازٹ ریٹس) 2.41% بڑھا، لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے 5.74% بہتر کارکردگی دکھائی۔

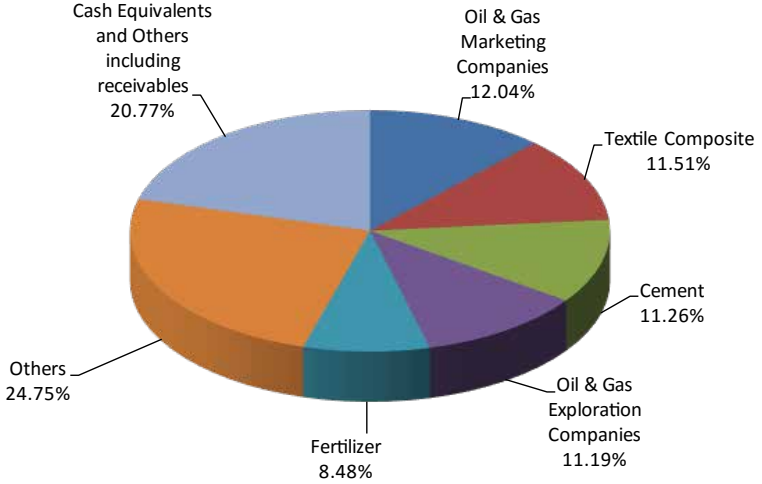
فنڈ کی NAV 27 جون 2014 کو اپنے قیام پر 89.5955 (Ex-Div) سے بڑھ کر 30 ستمبر 2016 پر 121.3392 روپے ہو چکی ہے، لہذا 35.43% اضافہ سامنے آیا۔ اس مدت کے دوران بیچ مارک 25.52% تھا، اس طرح فنڈ کی کارکردگی اپنے بیچ مارک کے مقابلے میں 9.91% بہتر رہی۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالی سال 2017 کی پہلی سہ ماہی کے دوران اسٹاک مارکیٹ نے تیزی کا وہ رجحان آگے بڑھا جس کا آغاز فروری 2016 کے اختتام پر پست سطح سے ہوا تھا اور 4.2% منافع پیش کیا۔ مثبت عوامل مثلاً بہتر ہوتے اقتصادي امکانات، جن کی نشاندہی 23.6 ارب امریکی ڈالر پر مشتمل ملکی تاریخ کے سب سے بلند زرمبادلہ کے ذخائر سے ہوتی ہے، کئی سال پر محیط کم تر افراط زر اور شرح سود، اور معاشی نمونے میں تیزی، اسٹاک مارکیٹ میں پُرکشش آمدن اور سرمایہ کاری کے متبادل ذرائع سے بہتر نتائج کے باعث مقامی سرمایہ کاروں کی طرف سے اسٹاک مارکیٹ میں دل چسپی میں اضافہ ہوا۔ 30 جون 2016 کو ختم ہونے والی مدت کے لیے توقع سے بہتر کاروباری نتائج کے اعلانات نے مارکیٹ کے شرکاء کو درکار انتہائی ضروری اعتماد فراہم کیا۔ تاہم غیر ملکی سرمایہ کاروں کی طرف سے فروخت کا سلسلہ جاری رہا جس کے نتیجے میں سہ ماہی کے دوران 39.7 ملین ڈالر کا اخراج ریکارڈ کیا گیا۔ آٹوموبیل اسمبلر ز، آٹوموبیل پارٹس اور ایسیریز، انجنیئرنگ اور ٹیکسٹائل کمپوزٹ سیکٹرز نے مارکیٹ کے مقابلے میں بہتر کارکردگی کا مظاہرہ کیا جب کہ سینٹ اور فرٹیلایزر ریکٹرز پسماندگی کا شکار رہے۔

کاروباری قرض کے حلقے میں سلوک میں تجارتی سرگرمیوں کا اعلیٰ کوالٹی اجزائی کارروائیوں کی طرف جھکاؤ رہا، جن کے لین دین کی مجموعی مالیت اس سہ ماہی کے دوران لگ بھگ 1.5 ارب روپے ریکارڈ کی گئی۔ لین دین کا اصل ارتکاز بینکاری کے شعبے میں رہا جس کا حصہ 64% بنتا ہے۔ اسٹیٹ بینک آف پاکستان نے اپنے جولائی اور ستمبر 2016 کے دو ماہی مالیاتی پالیسی بیانات میں پالیسی ریٹ 5.75% پر قرار رکھا، بلکہ یوٹیٹی کی باسہولت صورت حال کے ساتھ زرمبادلہ کے ریکارڈ بلند ذخائر اور سی بی کے متعلق منصوبوں کی رفتار میں اضافے کے مثبت پہلوؤں کی بدولت تیل کی غیر یقینی عالمی قیمتوں، برآمدات سے متعلق چیلنج آمیز امکانات اور مالی سال 2017 میں اور اس کے بعد شیڈول غیر ملکی قرضوں کی بھاری واپسی کے اثرات بتلیس میں رہنے کی توقع ہے۔ ہم ایشیا نے صرف کی قیمتوں میں جزوی بحالی، روپے کی قدر میں تلی متوقع کمی اور نئی شعبے کی طرف سے قرضوں میں اضافے کی وجہ سے سال کے اختتام تک افراط زر میں 5% تک معتدل اضافہ دیکھ رہے ہیں۔ اس مدت کے دوران فنڈ نے 77.01 ملین روپے کی مجموعی آمدنی کمائی۔ اخراجات کی مدد میں 7.06 ملین روپے منہا کرنے کے بعد خالص آمدنی 69.95 ملین روپے ہے۔

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

فونڈ کی ایسیٹ ایلوکیشن 30 ستمبر 2016 کو برطابق ذیل ہے:



اظہارِ تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل 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 رٹرنس 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 منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 اکتوبر 2016

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2016

| | Note | Un-Audited September 30, 2016 | Audited June 30, 2016 |
|--|------|-------------------------------------|-----------------------------|
| ------(Rupees in '000)----- | | | |
| ASSETS | | | |
| Bank balances | | 205,949 | 523,450 |
| Investments | 4 | 735,393 | 595,581 |
| Dividend and profit receivable | 5 | 9,685 | 2,951 |
| Advances, deposits and prepayments | | 2,696 | 2,600 |
| Total assets | | 953,723 | 1,124,582 |
| LIABILITIES | | | |
| Payable to NBP Fullerton Asset Management Limited - Management Company | | 13,809 | 13,987 |
| Payable to Central Depository Company of Pakistan Limited -Trustee | | 116 | 141 |
| Payable to the Securities and Exchange Commission of Pakistan | | 191 | 927 |
| Payable against redemption of units | | 1,048 | 16,579 |
| Accrued expenses and other liabilities | 6 | 10,382 | 9,444 |
| Total liabilities | | 25,546 | 41,078 |
| NET ASSETS | | 928,177 | 1,083,504 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 928,177 | 1,083,504 |
| CONTINGENCIES AND COMMITMENTS | 8 | | |
| -----Number of units----- | | | |
| NUMBER OF UNITS IN ISSUE | | 7,649,440 | 9,657,301 |
| -----Rupees----- | | | |
| NET ASSET VALUE PER UNIT | | 121.3392 | 112.1953 |

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 Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM INCOME STATEMENT (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | Note | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|---|------|--|--|
| ------(Rupees in '000)----- | | | |
| INCOME | | | |
| Capital gain on sale of investments - net | | 6,918 | 10,026 |
| Profit on bank deposits | | 4,850 | 5,981 |
| Dividend income | | 8,739 | 13,785 |
| Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net | | 66,838 | (57,224) |
| Total Income / (loss) | | 87,345 | (27,432) |
| EXPENSES | | | |
| Remuneration of NBP Fullerton Asset Management Limited - Management Company | | 5,081 | 6,610 |
| Sindh sales tax on Management Company's remuneration | | 661 | 1,074 |
| Federal Excise Duty on Management Company's remuneration | | - | 1,058 |
| Accounting and operational charges to the Management Company | | 254 | - |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | | 330 | 430 |
| Sindh sales tax on Trustee remuneration | | 43 | 60 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 191 | 248 |
| Amortisation of preliminary expenses and floatation costs | | - | 290 |
| Auditors' remuneration | | 97 | 109 |
| Annual listing fee | | 10 | 10 |
| Printing charges | | 25 | - |
| Legal and professional charges | | 31 | - |
| Settlement and bank charges | | 92 | 141 |
| Securities transaction cost | | 155 | 403 |
| Shariah advisor fee | | 90 | - |
| Total Expenses | | 7,060 | 10,433 |
| Net income / (loss) from operating activities | | 80,285 | (37,865) |
| Element of (loss)/ income and capital (losses)/ gains included in the prices of units issued less those in units redeemed - net | | (10,339) | (89) |
| Provision for Workers' Welfare Fund | 7 | - | - |
| Net income / (loss) for the period before taxation | | 69,946 | (37,954) |
| Taxation | 9 | - | - |
| Net income / (loss) for the period after taxation | | 69,946 | (37,954) |
| 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 Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|---|--|--|
| | ----- (Rupees in '000) ----- | |
| Net income / (loss) for the period after taxation | 69,946 | (37,954) |
| Other comprehensive income for the period | - | - |
| Total comprehensive income / (loss) for the period | <u>69,946</u> | <u>(37,954)</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 Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM DISTRIBUTION STATEMENT (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|---|--|--|
| | ------(Rupees in '000)----- | |
| Undistributed income brought forward | | |
| Realised gain | 108,079 | 64,964 |
| Unrealised gain | <u>31,479</u> | <u>143,577</u> |
| | 139,558 | 208,541 |
| Net income / (loss) for the period after taxation | 69,946 | (37,954) |
| Final Distributions made during the period | | |
| Cash distribution | | |
| - Rs Nil (2015 : Re 0.2192 per unit) | - | (2,402) |
| Undistributed income carried forward | <u>209,504</u> | <u>168,185</u> |
| Undistributed income comprising of : | | |
| Realised gain | 142,666 | 225,409 |
| Unrealised gain / (loss) | <u>66,838</u> | <u>(57,224)</u> |
| | <u>209,504</u> | <u>168,185</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 Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|--|--|--|
| | ------(Rupees in '000)----- | |
| Net assets at the beginning of the period | 1,083,504 | 1,308,075 |
| Issue of Nil units: (September 30, 2015: 18,303 units) | - | 2,249 |
| Redemption of 2,007,861 units: (September 30, 2015: 130,824 units) | (235,612) | (15,704) |
| | (235,612) | (13,455) |
| Net element of loss/ (income) and capital losses/ (gains) included in the prices of units issued less those in units redeemed transferred to income statement | 10,339 | 89 |
| Unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets' 'at fair value through profit or loss' - net | 66,838 | (57,224) |
| Capital gain on sale of investments - net | 6,918 | 10,026 |
| Other net (loss)/ income for the period | (3,810) | 9,244 |
| Net income / (loss) for the period | 69,946 | (37,954) |
| Final Distribution made during the period | | |
| Cash distribution | | |
| - Rs Nil (2015 : Re 0.2192 per unit) | - | (2,402) |
| Net assets at the end of the period | <u>928,177</u> | <u>1,254,353</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 Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|--|--|--|
| | ------(Rupees in '000)----- | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net income / (loss) for the period before taxation | 69,946 | (37,954) |
| Adjustments | | |
| Unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets 'at fair value through profit or loss' - net | (66,838) | 57,224 |
| Amortisation of preliminary expenses and floatation costs | - | 290 |
| Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net | 10,339 | 89 |
| | <u>13,447</u> | <u>19,649</u> |
| (Increase) / decrease in assets | | |
| Investments | (72,974) | 169,802 |
| Receivables against sale of investments | - | (41,737) |
| Dividend and profit receivable | (6,734) | (10,884) |
| Advances, deposits and prepayments | (96) | (60) |
| | <u>(79,804)</u> | <u>117,121</u> |
| Increase / (decrease) in liabilities | | |
| Payable to NBP Fullerton Asset Management Limited - Management Company | (178) | 940 |
| Payable to Central Depository Company of Pakistan Limited -Trustee | (25) | 14 |
| Payable to the Securities and Exchange Commission of Pakistan | (736) | (731) |
| Accrued expenses and other liabilities | 938 | (1,257) |
| | <u>(1)</u> | <u>(1,034)</u> |
| Net cash (used in) /generated from operating activities | <u>(66,358)</u> | <u>135,736</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Receipts from issue of units | - | 2,249 |
| Payments on redemption of units | (251,143) | (14,588) |
| Cash dividend | - | (2,402) |
| Net cash (used in) from financing activities | <u>(251,143)</u> | <u>(14,741)</u> |
| Net (decrease) / increase in cash and cash equivalents during the period | <u>(317,501)</u> | <u>120,995</u> |
| Cash and cash equivalents at the beginning of the period | 523,450 | 372,463 |
| Cash and cash equivalents at the end of the period | <u><u>205,949</u></u> | <u><u>493,458</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 Executive

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, 2016

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 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. Due to a fire incident in the month of June 2016 at the registered office of the Management Company, its office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund 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 AM2++ to the Management Company as at August 04, 2016. The Fund has not yet been rated.

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 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 (IFRSs) issued by the International Accounting Standards Board (IASB) 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 Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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 interim financial statements for the quarter ended September 30, 2016 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2016.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

4 INVESTMENTS

Note (Un-Audited) Audited
September 30, 2016 June 30, 2016
----- Rupees in '000 -----

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

4.1 735,393 595,581

4.1 Listed equity securities - at fair value through profit or loss

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 and K-Electric Limited which have a face value of Rs. 3.5 each.

| Name of the investee company | Number of shares | | | | | Market value as at September 30, 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 September 30, 2016 | | Net assets | Market value of total investments | |
| Rupees in '000 ----- % ----- | | | | | | | | | |
| Refinery | | | | | | | | | |
| Attock Refinery Limited | - | 37,000 | - | 6,200 | 30,800 | 10,037 | 1.08 | 1.36 | 0.04 |
| National Refinery Limited | 21,200 | - | - | 11,600 | 9,600 | 5,430 | 0.58 | 0.74 | 0.01 |
| | | | | | | 15,467 | 1.67 | 2.10 | |
| Oil & Gas Exploration Companies | | | | | | | | | |
| Attock Petroleum Limited | 64,050 | - | - | 19,300 | 44,750 | 23,270 | 2.51 | 3.16 | 0.05 |
| Hascol Petroleum Limited | 876 | - | - | - | 876 | 193 | 0.02 | 0.03 | 0.00 |
| Pakistan Oilfields Limited | 98,000 | 14,000 | - | 12,000 | 100,000 | 40,131 | 4.32 | 5.46 | 0.04 |
| Pakistan Petroleum Limited | 168,400 | 32,000 | - | 6,500 | 193,900 | 31,736 | 3.42 | 4.32 | 0.01 |
| Pakistan State Oil Company Limited | 93,600 | 28,000 | - | - | 121,600 | 50,359 | 5.43 | 6.85 | 0.04 |
| Mari Petroleum Company Limited | 11,850 | 10,600 | - | - | 22,450 | 21,429 | 2.31 | 2.91 | 0.02 |
| Oil and Gas Development Company Limited | - | 75,000 | - | - | 75,000 | 10,592 | 1.14 | 1.44 | 0.02 |
| Shell Pakistan Limited | 74,000 | 18,500 | - | - | 92,500 | 37,931 | 4.09 | 5.16 | 0.09 |
| | | | | | | 215,641 | 23.23 | 29.32 | |
| Fertilizer | | | | | | | | | |
| Engro Fertilizers Company Limited | 251,500 | 120,000 | - | - | 371,500 | 22,907 | 2.47 | 3.11 | 0.03 |
| Engro Corporation Limited | 137,400 | 16,000 | - | - | 153,400 | 44,678 | 4.81 | 6.08 | 0.03 |
| Fauji Fertilizer Bin Qasim Limited | 120,000 | 97,000 | - | - | 217,000 | 11,149 | 1.20 | 1.52 | 0.02 |
| | | | | | | 78,734 | 8.48 | 10.71 | |
| Cement | | | | | | | | | |
| D.G. Khan Cement Company Limited | 102,700 | - | - | - | 102,700 | 19,090 | 2.06 | 2.60 | 0.02 |
| Lucky Cement Limited | 42,500 | - | - | 2,100 | 40,400 | 27,361 | 2.95 | 3.72 | 0.01 |
| Maple Leaf Cement Factory Limited | 71,500 | - | - | - | 71,500 | 6,850 | 0.74 | 0.93 | 0.01 |
| Attock Cement (Pakistan) Limited | 92,600 | 21,000 | - | - | 113,600 | 28,528 | 3.07 | 3.88 | 0.10 |
| Fauji Cement Company Limited | 392,000 | - | - | - | 392,000 | 13,826 | 1.49 | 1.88 | 0.03 |
| Pioneer Cement Limited | 83,500 | - | - | - | 83,500 | 8,825 | 0.95 | 1.20 | 0.04 |
| | | | | | | 104,480 | 11.26 | 14.21 | |
| Automobile Parts & Accessories | | | | | | | | | |
| Thal Limited | 78,600 | - | - | 20,100 | 58,500 | 23,731 | 2.56 | 3.23 | 0.07 |
| Automobile Assembler | | | | | | | | | |
| Indus Motor Company Limited | 25,830 | 2,250 | - | 1,900 | 26,180 | 39,280 | 4.23 | 5.34 | 0.03 |
| Electrical Goods | | | | | | | | | |
| Pak Elektron Limited | 179,875 | 82,500 | - | 25,000 | 237,375 | 16,799 | 1.81 | 2.28 | 0.05 |
| Engineering | | | | | | | | | |
| Mughal Iron & Steel Industries Limited | 329,975 | - | - | 80,000 | 249,975 | 21,375 | 2.30 | 2.91 | 0.20 |
| Crescent Steel & Allied Products Limited | 48,500 | 30,000 | - | - | 78,500 | 9,892 | 1.07 | 1.35 | 0.10 |
| | | | | | | 31,267 | 3.37 | 4.25 | |
| Textile Composite | | | | | | | | | |
| Kohinoor Textile Mills Limited | 526,225 | - | - | - | 526,225 | 44,729 | 4.82 | 6.08 | 0.19 |
| Nishat Mills Limited | 347,600 | 93,000 | - | - | 440,600 | 62,081 | 6.69 | 8.44 | 0.13 |
| | | | | | | 106,810 | 11.51 | 14.52 | |
| Pharmaceuticals | | | | | | | | | |
| The Searle Company Limited | 24,000 | - | - | - | 24,000 | 13,764 | 1.48 | 1.87 | 0.02 |
| Ferozsons Laboratories Limited | 3,000 | - | - | - | 3,000 | 2,611 | 0.28 | 0.36 | 0.01 |
| | | | | | | 16,375 | 1.76 | 2.23 | |
| Technology & Communication | | | | | | | | | |
| Pakistan Telecommunication Company Limited | 337,000 | - | - | - | 337,000 | 6,160 | 0.66 | 0.84 | 0.01 |
| Avanceon Limited | 227,500 | - | - | - | 227,500 | 7,396 | 0.80 | 1.01 | 0.22 |
| NetSol Technologies Limited | 45,000 | - | - | - | 45,000 | 2,725 | 0.29 | 0.37 | 0.05 |
| | | | | | | 16,282 | 1.75 | 2.21 | |
| Power Generation & Distribution | | | | | | | | | |
| The Hub Power Company Limited | 205,300 | - | - | - | 205,300 | 24,466 | 2.64 | 3.33 | 0.02 |
| Kof Addu Power Company Limited | 272,000 | 59,500 | - | - | 331,500 | 27,743 | 2.99 | 3.77 | 0.04 |
| Lalpir Power Limited | 337,500 | - | - | - | 337,500 | 7,482 | 0.81 | 1.02 | 0.09 |
| | | | | | | 59,691 | 6.43 | 8.12 | |
| Commercial Banks | | | | | | | | | |
| Meezan Bank Limited | 237,500 | - | - | 40,500 | 197,000 | 10,837 | 1.17 | 1.47 | 0.02 |
| | | | | | | | | | |
| | | | | | | <u>735,393</u> | <u>79.22</u> | <u>100.00</u> | |
| | | | | | | <u>668,555</u> | | | |

Carrying value as at September 30, 2016

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

Investments include shares with market value of Rs 72.361 million (June 30, 2016: Rs 66.642 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.

| | September 30, 2016 (Un-audited) | June 30, 2016 (Audited) |
|--|---------------------------------------|-------------------------------|
| | ----- Rupees in '000 ----- | |
| 5 DIVIDEND AND PROFIT RECEIVABLE | | |
| Profit accrued on saving deposits | 1,172 | 931 |
| Dividend receivable | 8,513 | 2,020 |
| | <u>9,685</u> | <u>2,951</u> |
| 6 ACCRUED EXPENSES AND OTHER LIABILITIES | | |
| Auditors' remuneration | 380 | 283 |
| Provision for Workers' Welfare Fund | 5,070 | 5,070 |
| Brokerage | - | 297 |
| Settlement charges | 15 | 58 |
| Bank charges | 8 | 84 |
| Printing charges | 153 | 128 |
| Withholding tax and capital gains tax on dividend | 3,257 | 2,256 |
| Charity payable | 1,068 | 958 |
| Legal fee | 163 | 131 |
| Shariah advisor fee | 268 | 179 |
| | <u>10,382</u> | <u>9,444</u> |
| 7 PROVISION FOR WORKERS' WELFARE FUND | | |
| <p>The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015. Accordingly no further provision for WWF has recorded subsequent to June 30, 2015.</p> <p>However, without prejudice to the above and owing to the fact that the decision of Sindh High Court on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to record and retain provision of WWF in financial statements for the quarter ended September 30, 2016 which aggregates to Rs. 5.070 million. Had the same not been made the net asset value per unit / return of the Fund would have been higher by 0.6628 per unit respectively.</p> | | |
| 8 CONTINGENCIES AND COMMITMENTS | | |
| <p>There were no contingencies and commitments outstanding as at the September 30, 2016 and June 30, 2016.</p> | | |
| 9 TAXATION | | |
| <p>The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.</p> | | |
| 10 EARNINGS PER UNIT | | |
| <p>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.</p> | | |

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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, Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.

12 TRANSACTIONS WITH CONNECTED PERSONS

- 12.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan, and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and the directors and the key management personnel of the Management Company. These also include any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 12.2 The transactions with 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, 2016 | Un-audited Quarter ended September 30, 2015 |
|---|--|--|
| | ------(Rupees in '000)----- | |
| NBP Fullerton Asset Management Limited - Management Company | | |
| Remuneration for the period | 5,081 | 6,610 |
| Sindh Sales Tax on remuneration of management company | 661 | 1,074 |
| Federal Excise Duty on remuneration of the Management Company | - | 1,058 |
| Accounting and operational charges to the Management Company | 254 | - |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration for the period | 330 | 430 |
| Sindh Sales Tax on remuneration of Trustee | 43 | 60 |
| CDS charges | 46 | 96 |
| PTCL Employees General Provident Fund | | |
| Dividend re-investment Nil units: (September 30, 2015: 7,267 units) | - | 893 |
| Taurus Securities Limited | | |
| Brokerage expense | 1 | 7 |

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

| | Un-audited September 30, 2016 | Audited June 30, 2016 |
|---|-------------------------------------|-----------------------------|
| | ------(Rupees in '000)----- | |
| 12.6 Amounts outstanding as at period end | | |
| NBP Fullerton Asset Management Limited - Management Company | | |
| Management fee payable | 1,586 | 1,913 |
| Sindh Sales Tax payable on remuneration of the Management Company | 206 | 311 |
| 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 | 967 | 713 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 103 | 124 |
| Sindh Sales Tax payable on remuneration of Trustee | 13 | 17 |
| CDS charges payable | 15 | 58 |
| Security deposit | 100 | 100 |
| PTCL Employees General Provident Fund | | |
| Units held: 4,463,705 units (June 30, 2016: 4,080,242 units) | 541,622 | 500,807 |
| Employees of the Management Company | | |
| Units held: 1,669 units (June 30, 2016: 1,669 Units) | 203 | 187 |
| Taurus Securities Limited | | |
| Brokerage payable | - | 47 |
| Amount payable against redemption of units to: | | |
| NAFA Islamic Energy Fund | - | 416 |
| NAFA Islamic Active Allocation Fund - I (Plan - III) | - | 16,163 |
| NAFA Islamic Active Allocation Fund - I (Plan - IV) | 765 | - |

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 28, 2016.

14 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



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

Head Office

7th Floor, Clifton Diamond Building, Block No.4,
Scheme No.5, Clifton, Karachi.

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: NAFA INVEST to 8080

Fax: 021-35825335

Email: info@nafafunds.com

Website: www.nafafunds.com

 /nafafunds