



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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

QUARTERLY REPORT

March
31 2017




Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	09
CONDENSED INTERIM INCOME STATEMENT	10
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	11
CONDENSED INTERIM DISTRIBUTION STATEMENT	12
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	13
CONDENSED INTERIM CASH FLOW STATEMENT	14
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	15

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. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Trustee

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

Bankers to the Fund

Bank Alfalah Limited
Habib Bank Limited
United Bank Limited
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 period ended March 31, 2017.

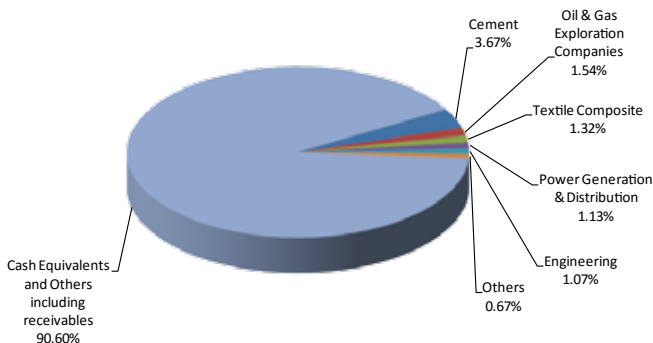
Fund's Performance

The size of NAFA Islamic Principal Protected Fund-II stood at Rs. 227 million. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has increased from Rs. 80.7235 (Ex-Div) on June 30, 2016 to Rs. 101.2336 on March 31, 2017, thus showing an increase of 25.41%. The Benchmark during the same period increased by 15.64%. Thus, the Fund has outperformed its Benchmark by 9.77% during the period under review. Since inception (June 27, 2014), the unit price of the Fund has shown a growth of 57.04% as compared to 41.74% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 15.30%. This performance is net of management fee and all other expenses.

After lackluster stock market performance in FY16, the stock market bounced back sharply in 9MFY17, delivering impressive return of 27.5%. It is however worthwhile to note that most of the gains were made during 1HFY17 in which the benchmark KSE-100 index surged by 26.5%. Favorable macroeconomic indicators such as modest inflation, record low interest rates, all time high forex reserves coupled with reclassification of PSX into MSCI emerging market index from frontier market underpinned the strong run-up in the market during 1HFY17. Though the market carried on its momentum entering into 3QFY17 as KSE-100 index crested at all time high level of 50,192 on 26th January, the market remained quite jittery in the subsequent period. Rising political uncertainty unnerved the investors, triggering panic sell-off by the investors. Rising risks to the external account from widening current account deficit and stagnating foreign remittances further soured the investors' sentiments.

Engineering, Chemicals, Autos, Oil & Gas Marketing Companies and Textiles delivered superior returns during 9MFY17, while Fertilizers, E&Ps, Pharmaceuticals and Power sector underperformed the market during the period. Foreign investors remained large net sellers with outflows of USD483 mn during the aforesaid period. On the local side, Mutual Funds remained the main net buyers taking fresh equity exposure worth USD419 mn absorbing most of the foreign selling. Other than Mutual Funds, Insurance and other Companies also remained net buyers investing USD152 mn and USD131 mn, respectively. Amongst the local investors, Banks/DFIs significantly liquidated their equity position worth USD181 mn.

During the period under review, State Bank of Pakistan (SBP) maintained the discount rate and policy rate at 6.25% and 5.75% respectively. The improved interbank liquidity conditions (due to net government retirement and increase in bank deposits) were well calibrated through the open market operations – keeping the weighted average overnight repo rate close to the policy rate. However, long-term sovereign yields witnessed an average increase of around 45-60 basis points, indicating investors' demand for higher term premium. CPI on year-on-year basis was recorded at 4.01% in 9MFY17 as compared to 2.64% in corresponding period last year. The Fund has earned total income of Rs.230.18 million during the period. After accounting for expenses of Rs.168.81 million, the net income is Rs.61.37 million. The asset allocation of the Fund as on March 31, 2017 is as follows:



NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

Income Distribution

The Board of Directors of the Management Company has approved interim distribution in form of bonus units of 34.81% of opening Ex-NAV (39.06% of the par value) for the period.

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: April 28, 2017
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز نے 31 مارچ 2017ء کو ختم ہونے والی مدت کے لیے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کا فنڈ سائز 227 ملین روپے رہا۔ اس مدت کے دوران NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II کے یونٹ کی قیمت 30 جون 2016ء کو 80.7235 روپے (Ex-Div) سے بڑھ کر 31 مارچ 2017ء پر 101.2336 روپے ہو چکی ہے، لہذا %25.4 کا اضافہ ہوا۔ اسی مدت کے دوران بیچ مارک %15.64 بڑھا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے %9.77 بہتر کارکردگی دکھائی۔ اپنے قیام کے وقت (27 جون 2014ء) سے اب تک فنڈ کے یونٹ کی قیمت نے اپنے بیچ مارک میں %41.74 اضافے کے مقابلے میں %57.04 کا نمو ہوا دکھایا۔ اس طرح فنڈ کی کارکردگی اپنے بیچ مارک کے مقابلے میں %15.30 بہتر رہی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

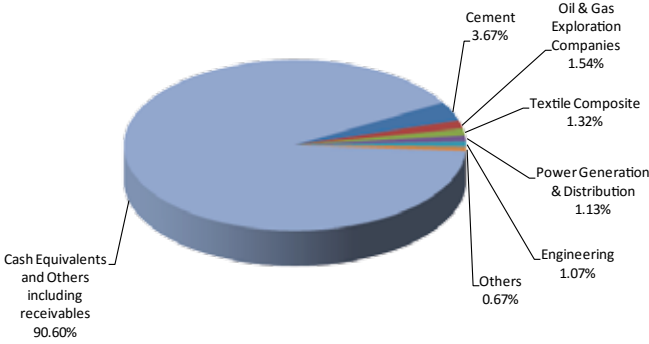
مالی سال 2016ء میں اسٹاک مارکیٹ کی بے یقینی کیفیت کے بعد مالی سال 2017ء کے نو ماہ میں اسٹاک مارکیٹ میں خاطر خواہ تیزی آئی، اور منافع میں %27.5 کا متاثر کن اضافہ حاصل ہوا۔ تاہم یہ بات قابل قدر ہے کہ زیادہ اضافہ مالی سال 2017ء کی پہلی ششماہی میں ہوا جس میں KSE-100 انڈیکس کی معیاری سطح میں %26.5 اضافہ ہوا۔ لکھنوی معیشت کے مثبت اشارے، جیسے معتدل افراط زر، شرح سود میں ریکارڈ کمی، اس وقت تک کے سب سے زیادہ زرمبادلہ کے ذخائر، پاکستان اسٹاک ایکسچینج کی MSCI ایئر جگ مارکیٹ انڈیکس میں دوبارہ شمولیت کی بدولت مالی سال 2017ء کی پہلی ششماہی میں مارکیٹ میں ایک مستحکم تیزی آنے سے تقویت حاصل ہوئی۔ اگرچہ مالی سال 2017ء کی تیسری سہ ماہی کے آغاز میں مارکیٹ کی آگے بڑھنے کی رفتار برقرار رہی جسکی بناء پر 26 جنوری KSE-100 انڈیکس اس وقت تک کی بلند ترین سطح یعنی 50,192 تک پہنچ گیا تاہم اس کے بعد کے عرصہ میں مارکیٹ میں پہچانی کیفیت کا شکار رہی۔ سیاسی بے یقینی کے باعث سرمایہ کار گھبراہٹ کا شکار ہوئے جس کے نتیجے میں انہوں نے نفع فروخت کرنے شروع کر دیئے۔ کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کی وجہ سے بیرونی اکاؤنٹ میں خدشات میں بھی اضافہ ہوا اور بیرون ملک سے تریل زر میں بھی ٹھہراؤ آ گیا جس سے سرمایہ کاروں کا جوش و خروش مزید کم ہو گیا۔

انجینئرنگ، کیمیکلز، آئوز، آئل اینڈ گیس مارکیٹنگ کمپنیوں اور ٹیکسٹائل کے شعبے نے مالی سال 2017ء کے نو ماہ میں بہترین منافع دیا جب کہ اس عرصہ میں فرملا بیوز، تلاش اور پیداوار کی کمپنیوں، فارماسیوٹیکلز اور پاور کے شعبہ کی کارکردگی معمول سے بھی کم رہی۔ مذکورہ مدت میں غیر ملکی سرمایہ کار بڑے فروخت کنندہ رہے اور \$483 ملین کی رقم بیرون ملک چلی گئی۔ ملکی سطح پر میچوئل فنڈز کے \$419 ملین کے حصص کے خریدار رہے جس نے غیر ملکی سرمایہ کاروں کی جانب سے کی گئی فروخت کے اثر کو زائل کیا۔ میچوئل فنڈز کے علاوہ انٹرنیشنل اور دیگر کمپنیاں بھی خالص خریداروں میں شامل رہیں اور انہوں نے بالترتیب 152 ملین یو ایس ڈالر اور 131 ملین یو ایس ڈالر کی سرمایہ کاری کی۔ مقامی سرمایہ کاروں میں بینک/DFIs 181 ملین کے حصص کی فروخت کی۔

زیر جائزہ مدت میں اسٹیٹ بینک آف پاکستان (SBP) نے ڈسکاونٹ ریٹ اور پالیسی ریٹ بالترتیب %6.25 اور %5.75 کی شرح پر برقرار رکھا۔ بہتر انٹرنیٹ سیالیت کی صورت حال (نیٹ گورنمنٹ ریٹائرمنٹ اور بینک ڈپازٹس میں اضافے کے سبب) کی قدر و قیمت کا اہم مارکیٹ آپریشنز کے ذریعہ بہتر تعین کیا گیا۔ جبکہ ریپو کے راتوں رات ریٹ کی شرح کی قدر کو پالیسی ریٹ سے قریب تر رکھا گیا۔ تاہم طویل المعیاد بہترین نتائج میں تقریباً %60-45 بنیادی پوائنٹس کا اوسط اضافہ ہوا، جس سے سرمایہ کاروں کی زیادہ مدت کے پریٹیم کی طلب کا مظاہرہ ہوا۔ مالی سال 2017ء کے نو ماہ میں سال بہ سال بنیاد پر %4.01 ریکارڈ کیا گیا جو گزشتہ سال اسی مدت میں %2.64 تھا۔

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

اس مدت کے دوران فنڈ نے 230.18 ملین روپے کی مجموعی آمدنی کمائی۔ اخراجات کی مد میں 168.81 ملین روپے منہا کرنے کے بعد خالص آمدنی 61.37 ملین روپے ہے۔ فنڈ کی ایسیٹ ایلوکیشن 31 مارچ 2017ء کو برہان ذیل ہے:



آمدنی کی تقسیم

منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ابتدائی ex-NAV کا 34.81% (par value کے مساوی 39.06%) عبوری بونس ڈیویڈنڈ منظور کیا ہے۔

اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منیجمنٹ 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 ہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔ بورڈ اپنے اسٹاف اور ڈسٹری بیوٹرز 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 منیجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 اپریل 2017ء

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

	Note	(Un-audited) March 31, 2017	Audited June 30, 2016
(Rupees in '000)			
ASSETS			
Balances with banks		220,009	523,450
Investments	4	21,372	595,581
Dividend and profit receivable		1,216	2,951
Advances, deposits, prepayments and other receivables		2,614	2,600
Total assets		245,211	1,124,582
LIABILITIES			
Payable to the Management Company		11,803	13,987
Payable to Central Depository Company of Pakistan Limited -Trustee		30	199
Payable to the Securities and Exchange Commission of Pakistan		428	927
Payable against redemption of units		-	16,579
Accrued expenses and other liabilities		5,625	9,386
Total liabilities		17,886	41,078
NET ASSETS		227,325	1,083,504
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		227,325	1,083,504
CONTINGENCIES AND COMMITMENTS	5		
		-----Number of units-----	
NUMBER OF UNITS IN ISSUE		2,245,545	9,657,301
		------(Rupees)-----	
NET ASSET VALUE PER UNIT		101.2336	112.1953

The annexed notes 1 to 11 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 NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

Note	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
------(Rupees in '000)-----				
INCOME				
Capital gain/ (loss) on sale of investments - net	185,454	(27,327)	10,140	(23,910)
Profit on bank deposits	12,569	22,658	3,557	9,747
Dividend income	21,951	35,027	63	9,961
Reversal of provision for Workers' Welfare Fund	5,070	-	5,070	-
Unrealised appreciation/ (diminution) / on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5,131	(28,984)	(6,531)	19,308
Total Income	230,175	1,374	12,299	15,106
EXPENSES				
Remuneration of the Management Company	10,482	18,784	547	5,902
Sindh Sales Tax on Management Company's remuneration	1,362	3,051	71	958
Federal Excise Duty on Management Company's remuneration	-	3,005	-	944
Accounting and operational charges to the Management Company	569	417	72	296
Remuneration of Central Depository Company of Pakistan Limited - Trustee	741	1,221	95	383
Sindh Sales Tax on remuneration of the Trustee	96	171	12	54
Annual fee to the Securities and Exchange Commission of Pakistan	428	704	55	220
Amortisation of preliminary expenses and floatation costs	-	867	-	287
Auditors' remuneration	308	294	100	61
Annual listing fee	41	26	13	6
Printing charges	75	22	25	-
Legal and professional charges	95	-	32	-
Securities transaction cost	661	1,095	44	336
Shariah advisor fee	236	-	88	-
Provision for Sindh Workers' Welfare Fund- previous years	2,141	-	2,141	-
Settlement and bank charges	467	358	228	112
Total Expenses	17,702	30,015	3,523	9,559
Net income/ (loss) from operating activities	212,473	(28,641)	8,776	5,547
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(149,855)	900	(132,771)	645
Provision for Sindh Workers' Welfare Fund	6 (1,252)	-	(1,252)	-
Net income/ (loss) for the period before taxation	61,366	(27,741)	(125,247)	6,192
Taxation	7 -	-	-	-
Net income/ (loss) for the period after taxation	61,366	(27,741)	(125,247)	6,192

The annexed notes 1 to 11 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 NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Net income/ (loss) for the period after taxation	61,366	(27,741)	(125,247)	6,192
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/ (loss) for the period	<u>61,366</u>	<u>(27,741)</u>	<u>(125,247)</u>	<u>6,192</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

For NBP Fullerton Asset Management Limited
(Management Company)

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Undistributed income brought forward comprising of :				
Realised gain	108,079	64,964	314,509	220,498
Unrealised gain / (loss)	31,479	143,577	11,662	(48,292)
	<u>139,558</u>	<u>208,541</u>	<u>326,171</u>	<u>172,206</u>
Net income/ (loss) for the period after taxation	61,366	(27,741)	(125,247)	6,192
Final Distributions made during the period				
- Rs. Nil (2016: Re 0.2192 per unit declared on July 16, 2015)	-	(2,402)	-	-
Interim bonus distribution Rs. 39,0554 per unit declared on January 20, 2017 846,771 units (2016: Nil units)	(88,261)	-	(88,261)	-
Undistributed income carried forward	<u>112,663</u>	<u>178,398</u>	<u>112,663</u>	<u>178,398</u>
Undistributed income comprising of :				
Realised gain	107,532	207,382	119,194	159,090
Unrealised gain / (loss)	5,131	(28,984)	(6,531)	19,308
	<u>112,663</u>	<u>178,398</u>	<u>112,663</u>	<u>178,398</u>

The annexed notes 1 to 11 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 NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Net assets at the beginning of the period	1,083,504	1,308,075	1,004,548	1,205,251
Issue of 846,771 bonus units (2016: 18,303 units)	-	2,249	-	-
Redemption of 8,258,527 units (2016: 729,902 units)	(1,063,101)	(85,886)	(780,448)	(17,403)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net - transferred to income statement	149,855	(900)	132,771	(645)
Interim bonus distribution Rs. 39.0554 per unit declared on January 20, 2017 846,771 units (2016: Nil units)	(88,261)	-	(88,261)	-
Unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss' - net	5,131	(28,984)	(6,531)	19,308
Capital gain/ (loss) on sale of investments - net	185,454	(27,327)	10,140	(23,910)
Other net income for the period	(129,219)	28,570	(128,856)	10,794
Net income/ (loss) for the period	61,366	(27,741)	(125,247)	6,192
Final Distribution made during the period - Rs. Nil (2016: Re 0.2192 per unit declared on July 16, 2015)	-	(2,402)	-	-
Interim bonus distribution Rs. 39.0554 per unit declared on January 20, 2017 846,771 units (2016: Nil units)	83,962	-	83,962	-
Net assets at the end of the period	227,325	1,193,395	227,325	1,193,395

The annexed notes 1 to 11 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 NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2017

	Nine months ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES				
Net (loss) / income for the period before taxation	61,366	(27,741)	(125,247)	6,192
Adjustments				
Unrealised diminuation/ (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(5,131)	28,984	6,531	(19,308)
Amortisation of preliminary expenses and floatation costs	-	867	-	287
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	149,855	(900)	132,771	(645)
	<u>206,090</u>	<u>1,210</u>	<u>14,055</u>	<u>(13,474)</u>
Decrease/ (Increase) in assets				
Investments	579,340	334,443	38,108	74,426
Receivables against sale of investments	-	-	477,394	-
Dividend and profit receivable	1,735	(5,229)	1,735	(5,309)
Advances, deposits, prepayments and other receivables	(14)	(44)	13	5
	<u>581,061</u>	<u>329,170</u>	<u>517,250</u>	<u>69,122</u>
Increase / (decrease) in liabilities				
Payable to the Management Company	(2,184)	2,803	(1,660)	803
Payable to Central Depository Company of Pakistan Limited -Trustee	(169)	8	(136)	(2)
Payable to the Securities and Exchange Commission of Pakistan	(499)	(275)	55	221
Accrued expenses and other liabilities	(3,761)	(1,674)	(2,841)	428
	<u>(6,613)</u>	<u>862</u>	<u>(4,582)</u>	<u>1,450</u>
Net cash generated from operating activities	<u>780,538</u>	<u>331,242</u>	<u>526,723</u>	<u>57,098</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of units	-	2,249	-	-
Payments on redemption of units	(1,079,680)	(85,886)	(780,448)	(17,404)
Cash dividend	(4,299)	(2,402)	(4,299)	-
Net cash (used in) from financing activities	<u>(1,083,979)</u>	<u>(86,039)</u>	<u>(784,747)</u>	<u>(17,404)</u>
Net (decrease)/ increase in cash and cash equivalents during the period	<u>(303,441)</u>	<u>245,203</u>	<u>(258,024)</u>	<u>39,694</u>
Cash and cash equivalents at the beginning of the period	523,450	372,463	478,033	577,972
Cash and cash equivalents at the end of the period	<u>220,009</u>	<u>617,666</u>	<u>220,009</u>	<u>617,666</u>

The annexed notes 1 to 11 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 THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 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 Management Company and 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 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 Lahore Stock Exchange (now merged into 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. 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 w.e.f April 21, 2017 to the Management Company. The Fund has not yet been rated.

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

The Fund commenced its operations from 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

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2017.

3 Accounting Policies

The accounting policies adopted for the preparation of the condensed interim financial statements for the Nine months and quarter ended March 31, 2017 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2016.

	Note	(Un-audited) March 31, 2017	Audited June 30, 2016
----- Rupees in '000 -----			
4 INVESTMENTS			
Financial assets classified as 'at fair value through profit or loss'			
- Listed equity securities	4.1	21,372	595,581

4.1 Listed equity securities

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

Name of the investee company	Number of shares					Market value as at March 31, 2017	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 March 31, 2017		Net assets	Total investments	
Refinery						Rupees in '000	-----	%	-----
Attock Refinery Limited	-	37,000	-	37,000	-	-	-	-	-
National Refinery Limited	21,200	-	-	21,200	-	-	-	-	-
Oil & Gas Marketing Companies									
Attock Petroleum Limited	64,050	-	-	64,050	-	-	-	-	-
Hascal Petroleum Limited	876	-	-	-	876	263	0.12	1.23	0.00
Pakistan State Oil Company Limited	93,600	28,000	-	121,600	-	-	-	-	-
Shell Pakistan Limited	74,000	18,500	-	92,500	-	-	-	-	-
Oil & Gas Exploration Companies									
Pakistan Oilfields Limited	98,000	14,000	-	112,000	-	-	-	-	-
Pakistan Petroleum Limited	168,400	32,000	-	200,400	-	-	-	-	-
Mari Petroleum Company Limited	11,850	10,600	-	20,150	2,300	3,497	1.54	16.36	0.00
Oil and Gas Development Company Limited	-	75,000	-	75,000	-	-	-	-	-
Fertilizer									
Engro Fertilizers Limited	251,500	120,000	-	371,500	-	-	-	-	-
Engro Corporation Limited	137,400	19,000	-	153,400	3,000	1,104	0.49	5.17	0.00
Fauji Fertilizer Bin Qasim Limited	120,000	97,000	-	217,000	-	-	-	-	-
Cement									
D.G. Khan Cement Company Limited	102,700	-	-	91,400	11,300	2,626	1.16	12.29	0.00
Lucky Cement Limited	42,500	-	-	42,500	-	-	-	-	-
Maple Leaf Cement Factory Limited	71,500	-	-	71,500	-	-	-	-	-
Attock Cement (Pakistan) Limited	92,600	21,000	-	113,600	-	-	-	-	-
Fauji Cement Company Limited	392,000	-	-	341,900	50,100	2,138	0.94	10.00	0.00
Pioneer Cement Limited	83,500	-	-	58,500	25,000	3,575	1.57	16.73	0.01
Automobile Parts and Accessories									
Thal Limited	78,600	-	-	78,600	-	-	-	-	-
Automobile Assembler									
Indus Motor Company Limited	25,830	2,250	-	28,080	-	-	-	-	-

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

Name of the investee company	Number of shares					Market value as at March 31, 2017	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 March 31, 2017		Net assets	Total investments	
Cable and Electrical Goods									
Pak Elektron Limited	179,875	82,500	-	262,375	-	-	-	-	-
Engineering									
Mughal Iron and Steel Industries Limited	329,975	-	-	312,700	17,275	2,436	1.07	11.40	0.01
Crescent Steel & Allied Products Limited	48,500	30,000	-	78,500	-	-	-	-	-
Textile Composite									
Kohinoor Textile Mills Limited	526,225	-	-	521,488	4,737	530	0.23	2.48	0.00
Nishat Mills Limited	347,600	93,000	-	425,600	15,000	2,478	1.09	11.59	0.00
Pharmaceuticals									
The Searle Company Limited	24,000	-	3,360	27,132	228	158	0.07	0.74	0.00
Ferozsons Laboratories Limited	3,000	-	-	3,000	-	-	-	-	-
Technology & Communication									
Pakistan Telecommunication Company Limited	337,000	-	-	337,000	-	-	-	-	-
Avanceon Limited	227,500	-	-	227,500	-	-	-	-	-
Netsol Technologies Limited	45,000	-	-	45,000	-	-	-	-	-
Power Generation & Distribution									
The Hub Power Company Limited	205,300	-	-	205,300	-	-	-	-	-
Kot Addu Power Company Limited	272,000	59,500	-	299,600	31,900	2,559	1.13	11.97	0.00
Lalpir Power Limited	337,500	-	-	337,500	-	-	-	-	-
Commercial Banks									
Meezan Bank Limited	237,500	-	-	237,400	100	7	0.00	0.03	0.00
						21,372	9.40	100.00	
Carrying value as at March 31, 2017						16,241			

4.1.1 Investments include shares with market value of Rs 11.974 million (June 30, 2016: Rs 66.642 million) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular Number 11 dated October 23, 2007 issued by the SECP.

5 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at March 31, 2017 and June 30, 2016.

6 PROVISION FOR SINDH WORKERS' WELFARE FUND

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

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

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

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

Accordingly, on January 12, 2017 the provision for WWF was reversed and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on a daily basis going forward.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

The scheme has maintained provision against Sindh Workers' Welfare Fund's liability to the tune of Rs 3.393 million. If the same were not been made, the NAV per unit of the scheme would have been higher by Rs 1.5112.

7 TAXATION

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

8 TOTAL EXPENSE RATIO

Total expense ratio (expenses incurred during the period divided by the average net asset value for the period) is 3.34% per annum including 0.93% representing government levies on Collective Investment Schemes such as Sales tax, Worker's Welfare Fund and annual fee to the Securities and Exchange Commission of Pakistan for the period

9 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

9.1 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.

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

9.3 Remuneration and sale load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

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

	Un-audited			
	Nine month ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
-----Rupees in '000-----				
NBP Fullerton Asset Management Limited - (Management Company)				
Remuneration of the Management Company	10,482	18,784	547	5,902
Sindh sales tax on remuneration of Management Company	1,362	3,051	71	959
Federal Excise Duty on remuneration of the Management Company	-	3,005	-	944
Accounting and operational charges to the Management Company	569	417	72	296
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	741	1,221	95	383
Sindh Sales Tax on remuneration of the Trustee	96	171	12	54
CDS charges	208	255	113	56
PTCL Employees General Provident Fund				
Issue of Nil units (March 31, 2016: 7,267 units)	-	893	-	-

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

	Un-audited			
	Nine month ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016

Employees of the Management Company
Issue of Nil units (March 31, 2016: 2 units)
Bonus Units issued 618 Units (2016: Nil Units)

Taurus Securities Limited
Brokerage expense

* Nil due to rounding off

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

Unaudited Audited
31 March 30 June
2017 2016
----- (Rupees in '000) -----

9.6 Balances outstanding as at period / year end

NBP Fullerton Asset Management Limited - (Management Company)

Management remuneration payable	162	1,913
Sindh Sales Tax (SST) payable on remuneration of the Management Company	21	311
Federal Excise Duty (FED) payable on remuneration of the Management Company	8,151	8,151
Accounting and operational charges payable to the Management Company	570	713
Federal excise duty payable on sales load	2,899	2,899

Central Depository Company of Pakistan Limited - (Trustee)

Remuneration payable	27	124
Sindh Sales Tax payable on remuneration of the Trustee	3	17
CDS charges payable	46	58
Security deposit	100	100

PTCL Employees General Provident Fund

Units held: Nil units (June 30, 2016: 4,463,705 units)

Employees of the Management Company

Units held: 2,287 units (June 30, 2016: 1,669 units)

Pakistan Security Printing Corporation (Pvt) Limited

Units held: 754,101 units (June 30, 2016: Nil units)

City School Provident Fund Trust

Units held: 458,218 units (June 30, 2016: Nil units)

Taurus Securities Limited

Brokerage payable

NAFA Islamic Energy Fund

Payable against redemption of units

NAFA Islamic Active Allocation Fund - I (Plan - III)

Payable against redemption of units

10 DATE OF AUTHORISATION FOR ISSUE

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

11 GENERAL

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

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



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

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