

AM2++
Rated by PACRA



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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

ANNUAL REPORT 2016



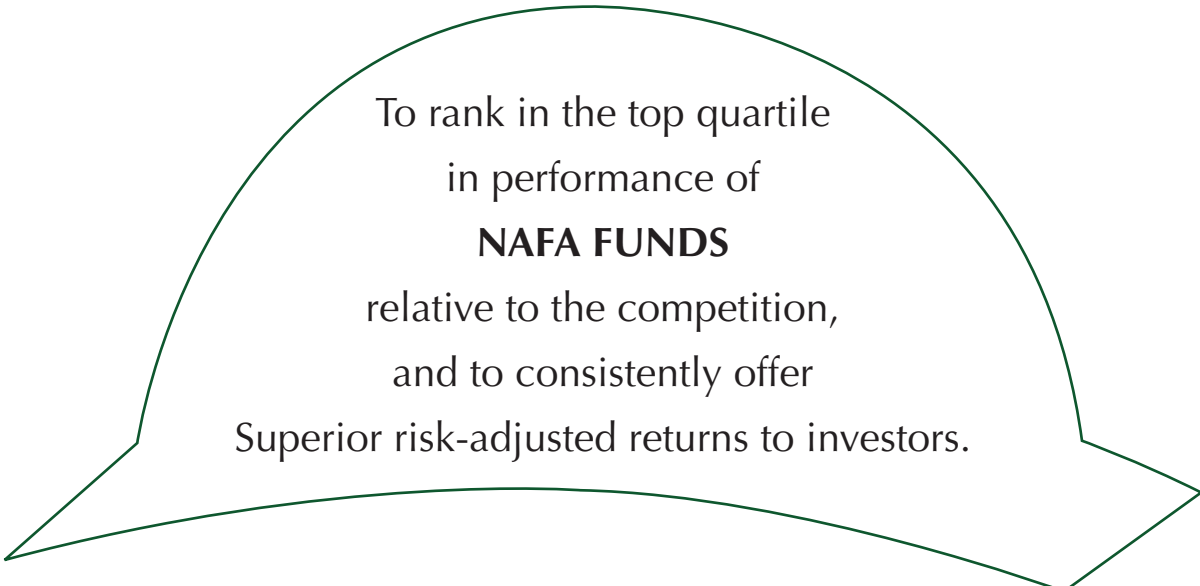
Your investments & "NAFA" grow together



**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.

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. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	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. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	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

Contents

DIRECTORS' REPORT	05
TRUSTEE REPORT TO THE UNIT HOLDERS	10
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	11
FUND MANAGER REPORT	14
STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	16
REPORT OF THE SHARIAH ADVISOR	17
REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE	18
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	19
STATEMENT OF ASSETS AND LIABILITIES	20
INCOME STATEMENT	21
STATEMENT OF COMPREHENSIVE INCOME	22
DISTRIBUTION STATEMENT	23
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	24
CASH FLOW STATEMENT	25
NOTES TO THE FINANCIAL STATEMENTS	26
PERFORMANCE TABLE	43
PROXY ISSUED BY THE FUND	44

Board of Directors



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Nigel Poh Cheng
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Syed Suleman Akhtar CFA
Head of Research



Mr. Muhammad Ali, CFA, FRM
Head of Fixed Income



Mr. Asim Wahab Khan, CFA
Head of Equity



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman ACA, CICA
Senior Manager Compliance

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Third Annual Report of **NAFA Islamic Principal Protected Fund - II** for the year ended June 30, 2016.

NAFA launched its second open-end Islamic capital protected fund on June 27, 2014, namely NAFA Islamic Principal Protected Fund (NIPPF-II). The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved Shariah compliant equities and money market instruments while protecting initial investment value at Initial Maturity date, which is two years from launch date. The Fund is presently closed for new subscription.

Fund's Performance

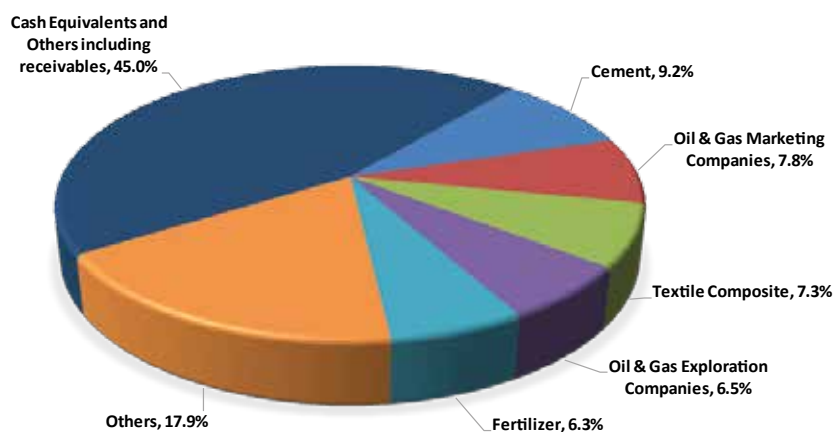
The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with a 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the large cap energy stocks, and news of Pakistan's re-entry in the MSCI EM Index from next year. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger returns this fiscal year due to inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects.

On the corporate debt sphere, trading activity in Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. During the period under review (FY16), due to further abatement in inflationary pressures (average inflation of 2.9%), State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps following a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 6% by FY17 year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

During the period, the unit price of NAFA Islamic Principal Protected Fund - II has increased from Rs.108.5848 (Ex-Div) on June 30, 2015 to Rs. 112.1953 on June 30, 2016, thus showing an increase of 3.33%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) return during the same period was 8.89%. Thus, the Fund has underperformed its Benchmark by 5.56% during the period under review. Since inception (June 27, 2014), NIPPF-II has risen by 25.22%, whereas the Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) has increased by 22.57%, thus to date out-performance is 2.65%.

This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-II is Rs.1,084 million as of June 30, 2016.

The Fund has earned a total income of Rs.76.01 million during the year. After deducting total expenses of Rs.40.08 million, the net income is Rs.35.93 million. The asset allocation of NAFA Islamic Principal Protected Fund - II as on June 30, 2016 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim bonus dividend of 6.50% of opening Ex-NAV (7.72% of the par value) and interim cash dividend of 2.19% of opening Ex-NAV (2.60% of the par value) for the year.

Taxation

As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors, Messrs A.F.Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2017.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held six meetings during the year. The attendance of all directors is disclosed in the note 22 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 21 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 18 to these financial statements.

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: September 23, 2016
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 30 جون 2016ء کو ختم ہونے والے سال کے لیے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II کی تیسری سالانہ رپورٹ پیش کرتا ہے۔

NAFA نے 27 جون 2014 کو اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کے نام سے اپنا دوسرا اوپن اینڈ اسلامک لیٹیٹل پروٹیکٹڈ فنڈ لانچ کیا۔ اس فنڈ کا مقصد یونٹ ہولڈر کی سرمایہ کاری کو منظور شدہ شریعہ کمپلائنسٹ ایکویٹیز اور مٹی مارکیٹ انسٹرومنٹس میں طویل مدتی مواقع فراہم کرنا، جب کہ ان کی ابتدائی سرمایہ کاری کو ابتدائی میچورٹی کی تاریخ تک تحفظ فراہم کرنا ہے، جو لانچ کی تاریخ سے دو سال ہے۔ یہ فنڈ فی الوقت نئے اندراج کے لیے بند ہے۔

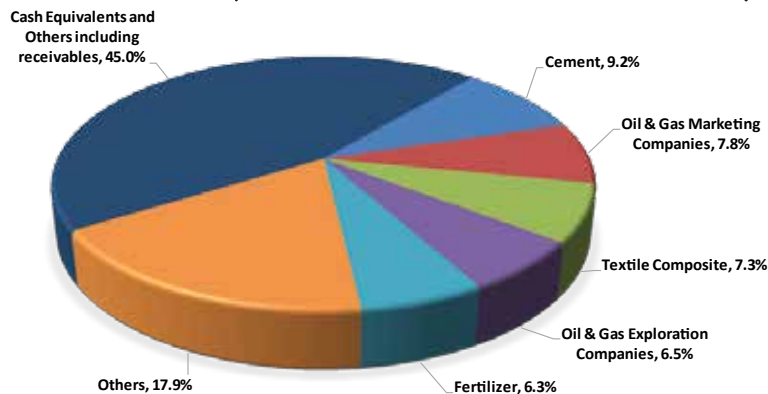
فنڈ کی پرفارمنس

اسٹاک مارکیٹ نے کموڈٹیز میں زبردست مندی اور چین کی زیر قیادت عالمی نمو پر خدشات کے زیر اثر علاقائی اور عالمی مارکیٹس کے مطابق غیر متاثر کارکردگی سے مالی سال 2015-16 کا آغاز کیا۔ لیکن سال کے دوسرے نصف میں ایک زبردست بحالی کے نتیجے میں مقامی اسٹاک ایکسچینج سال کے آخر میں 9.8 فی صد منافع کے ساتھ بند ہوئے۔ سال کے پہلے نصف کے دوران مارکیٹ آئل اینڈ گیس سیکٹر میں خام تیل کی قیمتوں میں تیزی سے کمی اور غیر ملکی سرمایہ کاروں کی طرف سے بے روک ٹوک حصص کی فروخت کے نتیجے میں پر دباؤ میں رہی۔ تاہم مارکیٹ نے دوسرے نصف میں خساروں سے کہیں زیادہ ازالہ کر لیا، جیسا کہ خام تیل کی قیمتوں کی بحالی کا نتیجہ بھاری سرمائے والے انرجی اسٹاکس کی طرف سے زبردست منافع جات کی صورت میں برآمد ہوا اور پاکستان کی آئندہ سال سے MSCI EM میں دوبارہ شمولیت کی خبر سامنے آئی۔ NBFCs، انفرادی اور میوچل فنڈز خالصتاً خریدار رہے اور انہوں نے غیر ملکی سرمایہ کاروں کی طرف سے حصص کی فروخت کے بڑے حصے کو جذب کر لیا۔ اتار چڑھاؤ سے بھرپور مالی سال 2015-16 کے بعد MSCI ایمرجنگ مارکیٹس انڈیکس میں شمولیت، قیمتوں کے معقول تعین اور حکومت کی طرف سے CPEC پروجیکٹس کے نفاذ کے ساتھ انفراسٹرکچر پروجیکٹ پر توجہ مرکوز کرنے کی وجہ سے پاکستانی ایکویٹیز زبردست منافع جات پیش کرنے کے لیے عمدہ پوزیشن میں ہیں۔

کاروباری قرض کے حلقے میں TFCs/سلوک میں تجارتی سرگرمیوں کے اعلیٰ کوالٹی اجرائی کارروائیوں کی طرف جھکاؤ کے ساتھ مجموعی تجارتی حجم نے تقریباً 8 ارب روپے کی سطح تک پہنچ گیا۔ لیکن دین کا اصل ارتکاز بینکاری کے شعبے میں رہا جس کا حصہ 43% بنتا ہے۔ زیر جائزہ مدت (مالی سال 2016) کے دوران، افراط زر کے دباؤ میں مزید کمی کے ساتھ (اوسط افراط زر 2.9%)، اسٹیٹ بینک آف پاکستان نے مالی سال 2015 میں پالیسی ریٹ میں 300 بنیادی پوائنٹس کی مجموعی کمی کے بعد 75 بنیادی پوائنٹس مجموعی طور پر مزید کم کر دیے۔ SBP نے اپنے پالیسی بیان میں درج ذیل کی نشان دہی کی ہے (i) مجموعی معاشی حالات میں بہتری (ii) امن و امان کی بہتر صورت حال اور (iii) چین پاکستان اقتصادی راہداری (CPEC) کے تحت سرمایہ کاری کی بدولت نمو کے مثبت امکانات۔ زیر جائزہ مدت کے دوران آزادانہ منافع جات نے پالیسی ریٹ میں 75 بنیادی پوائنٹس کی کمی کے مطابق ردعمل دکھایا۔ ہم مالی سال 2017 کے آخر تک ایشیا کے صرف کی قیمتوں کی جزوی بحالی، پاکستانی روپے کی قدر میں محدود کمی اور نئی شعبے کے قرضوں میں اضافے کی وجہ سے افراط زر کو 6% تک بڑھتا دیکھ رہے ہیں۔

اسلامک پرنسپل پروٹیکٹڈ فنڈ-I (NIPPF-I) کے یونٹ کی قیمت 30 جون 2015 پر 108.5848 روپے (ex-Div) سے 30 جون 2016 کو 112.1953 روپے تک بڑھ چکی ہے، لہذا 3.33% اضافہ دکھایا ہے۔ اسی مدت کے دوران بیٹج مارک (KMI-30) انڈیکس کا یومیہ میزبان اور فنڈز کی اصل ایلوکیشن پر مبنی اسلامک بینک ڈپازٹس (منافع 8.89% ex-Div) تھا، لہذا فنڈ نے زیر جائزہ مدت کے دوران اپنے بیٹج مارک سے 5.56% کم تر کارکردگی کا مظاہرہ کیا۔ اپنے قیام (27 جون 2014) سے اب تک NIPPF-II میں 25.22% اضافہ ہوا ہے، جب کہ بیٹج مارک (KMI-30) انڈیکس کا یومیہ میزبان اور فنڈز کی اصل ایلوکیشن پر مبنی اسلامک بینک ڈپازٹس (22.57% بڑھا ہے، لہذا اتنا حال فنڈ کو 2.65% برتری حاصل ہے۔ یہ منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص نتیجہ ہے۔ NIPPF-II کا حجم بمطابق 30 جون 2016، 1,084 ملین روپے ہے۔

فنڈ نے سال کے دوران 76.01 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 40.08 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 35.93 ملین روپے ہے۔ NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II کی ایسیٹ ایلوکیشن 30 جون 2016 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منجنت کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران ابتدائی NAV ex-NAV کا 6.50% (ویلیو کے مساوی 7.72%) بونس ڈیویڈنڈ اور ابتدائی NAV ex-NAV کا 2.19% (ویلیو کے مساوی 2.60%) کیش ڈیویڈنڈ منظور کیا ہے۔

ٹیکسیشن

جیسا کہ مندرجہ بالا کیش ڈیویڈنڈ، انویسٹمنٹس کے تصرف شدہ اور غیر تصرف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس پر سال کے دوران کمائی گئی آمدنی کے 90% سے زائد ہے، انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ 1 کی شق 99 کے تحت فنڈ پر ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور بنائے اہلیت، خود کو مختتمہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجنت کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔

5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا سالانہ رپورٹ میں شامل ہے۔

9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- اس مدت کے دوران منجنت کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 18 میں ظاہر کی گئی ہے۔

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج

کیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

بورڈ اپنے اسٹاف اور رٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

مخائب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجنت لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

23 ستمبر 2016

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V 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 year ended June 30, 2016 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 30, 2016

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA Islamic Principal Protected Fund - II** (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Pakistan Stock Exchange Limited.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2016, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Nigel Poh Cheng 5. Mr. Koh Boon San

The independent directors meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (CEO).
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 18 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors including an independent director and the chairman of the committee is non-executive director.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim / final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with expect the following:
 - As per the Code, the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.

For and behalf of the Board

Karachi
September 23, 2016

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

FUND MANAGER REPORT

NAFA Islamic Principal Protected Fund-II

NAFA Islamic Principal Protected Fund-II is an Open-ended Shariah Compliant Capital Protected Fund

Investment Objective of the Fund

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.

Benchmark

The Benchmark of the Fund is Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds's actual allocation.

Fund performance review

This is the third annual report of the Fund. During the period, the unit price of NAFA Islamic Principal Protected Fund - II has increased from Rs.108.5848 (Ex-Div) on June 30, 2015 to Rs. 112.1953 (Ex-Div) on June 30, 2016, thus showing an increase of 3.33%. The Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) return during the same period was 8.89%. Thus, the Fund has underperformed its Benchmark by 5.56% during the period under review. Since inception (June 27, 2014), NIPPF-II has risen by 25.22%, whereas the Benchmark (Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds' actual allocation) has increased by 22.57%, thus to date out-performance is 2.65%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-II is Rs.1,084 million as of June 30, 2016.

The Fund has gradually built its position in equities and its current stock exposure stands at around 55.0%. Key holdings of the Fund belong to Cement, Oil & Gas Exploration Companies, Oil & Gas Marketing Companies, Textile Composite, Power Generation & Distribution and Fertilizer sectors.

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the heavy eight energy stocks and Pakistan's re-entry in MSCI EM Index from next year boosted general investor sentiment. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger return this year as inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects will keep local & foreign investors' interest strong in the market.

On the corporate debt sphere, trading activity in Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. Due to further abatement in inflationary pressures as captured in FY16 average inflation of 2.9%, State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps in FY16 up on the heels of a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 5.5% by year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-16	30-Jun-15
Equities / Stocks	54.97%	72.38%
Cash Equivalents	48.31%	28.47%
Other Net Liabilities	-3.28%	-0.85%
Total	100.00%	100.00%

Distribution for the Financial Year 2016

Interim / Final	Dividend as a % of Par Value (Rs. 100)	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Interim bonus distribution	7.7158%	119.2816	111.5658
Interim cash distribution	2.6047%	114.5866	111.9819

Unit Holding Pattern of NAFA Islamic Principal Protection Fund-I as on June 30, 2016

Size of Unit Holding (Units)	No. of Unit Holders
1	45
1,001	132
5,001	74
10,001	64
50,001	8
100,001	11
500,001	1
1000,001	1
Total	336

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of 5.070 million. If the same were not made, the NAV per unit/last one year return of scheme would have been higher by Rs 0.5250 / 0.48%. For details, investors are advised to read the Note 16 of the Financial Statements of the Scheme for the year ended June 30, 2016.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NAFA Islamic Principal Protected Fund - II (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2016. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 23, 2016
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Report of the Shari'ah Supervisory Board – NAFA Islamic Principal Protected Fund–II

Sep 20, 2016/Dhu al-Hijjah 17, 1437

Alhamdulillah, the period from July 1, 2015 to June 30, 2016 was the third year of operations of NAFA Islamic Principal Protected Fund (NIPPF – II). This report is being issued in accordance with clause 4.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on fulfillment of the Shariah Compliance requirements for launching of the fund.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

- i. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIPPF – II are Shari'ah Compliant and in accordance with the criteria established by us.
- ii. There are investments made by NIPPF – II where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance in line with the Shari'ah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria regarding launching of the fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIPPF – II for the year ended June 30, 2016 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 670,563/- was created and an amount of Rupees 486,134/- was available for disbursement into charity as of June 30, 2016. However, the provisional amount will be adjusted after the availability of the respective annual financial statements.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and on behalf of Meezan Bank Limited
Shar'iah Technical Services & Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Islamic Principal Protected Fund II** (the Fund) for the year ended June 30, 2016 to comply with clause 5.19 of the Pakistan Stock Exchange Limited Regulations where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company (**NBP Fullerton Asset Management Limited**) of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2016.

Further, we highlight below the instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these have been stated in the Statement of Compliance:

Paragraph reference	Description
21	No closed period was determined prior to the announcement of interim / final results.
23	A mechanism for an evaluation of the Board's own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board.

A.F. Ferguson & Co.
Chartered Accountants
Dated: September 30, 2016
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS *Report on the Financial Statements*

We have audited the accompanying financial statements of **NAFA Islamic Principal Protected Fund - II** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2016, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (NBP Fullerton Asset Management Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2016 and of its financial performance, its cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 30, 2016
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

	Note	2016 -----Rupees in '000-----	2015
ASSETS			
Balances with banks	4	523,450	372,463
Investments	5	595,581	946,823
Dividend and profit receivable	6	2,951	4,327
Security deposits	7	2,600	2,600
Preliminary expenses and floatation costs	8	-	1,155
Total assets		1,124,582	1,327,368
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	13,987	9,641
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	141	141
Payable to the Securities and Exchange Commission of Pakistan	11	927	979
Payable against redemption of units		16,579	-
Accrued expenses and other liabilities	12	9,444	8,532
Total liabilities		41,078	19,293
NET ASSETS		<u>1,083,504</u>	<u>1,308,075</u>
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		<u>1,083,504</u>	<u>1,308,075</u>
CONTINGENCIES AND COMMITMENTS			
	13	-----Number of units-----	
NUMBER OF UNITS IN ISSUE	14	<u>9,657,301</u>	<u>10,991,585</u>
		-----Rupees-----	
NET ASSET VALUE PER UNIT	3.11	<u>112.1953</u>	<u>119.0069</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 -----Rupees in '000-----	2015
INCOME			
Capital (loss) / gain on sale of investments - net		(24,637)	75,514
Profit on bank deposits		29,520	47,486
Dividend income		41,795	35,779
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.2	31,479	143,577
Total income		78,157	302,356
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	24,708	26,117
Sindh Sales Tax on the Management Company's remuneration	9.2	4,013	4,544
Federal Excise Duty on the Management Company's remuneration	9.3	3,953	4,179
Accounting and operational charges	9.4	713	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	1,606	1,698
Sindh sales tax on remuneration of the Trustee		225	-
Annual fee - Securities and Exchange Commission of Pakistan	11.1	927	979
Amortisation of preliminary expenses and floatation costs	8	1,155	1,151
Auditors' remuneration	15	386	345
Annual listing fee		40	40
Printing charges		100	123
Securities transaction costs		1,504	2,279
Settlement and bank charges		449	619
Legal and professional charges		125	125
Shariah Advisor Fee		179	-
Total operating expenses		40,083	42,199
Net income from operating activities		38,074	260,157
Element of (loss) and capital (losses) included in the prices of units issued less those in units redeemed - net		(2,150)	(7,573)
Provision for Workers' Welfare Fund	16	-	(5,052)
Net income for the year before taxation		35,924	247,532
Taxation	17	-	-
Net income for the year after taxation		35,924	247,532
Earning per unit	3.12		

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
Net income for the year after taxation	35,924	247,532
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>35,924</u>	<u>247,532</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
Undistributed income at the beginning of the year / period comprising of:		
Realised gain / (loss)	64,964	(27)
Unrealised gain	143,577	995
	<u>208,541</u>	<u>968</u>
Net income for the year after taxation	35,924	247,532
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	(16,479)
Distributions made during the year		
- Re 0.2192 per unit declared on July 16, 2015 (2015: Nil)	(2,402)	-
- Cash distribution		
Interim bonus distribution for the nine months and period ended March 31, 2016 682,028 units (March 31, 2015 : Nil units)	(77,873)	-
- Rs 2.6047 per unit declared on June 30, 2016 (2015 : 2.1727 per unit)		
- Cash distribution	(24,632)	(23,480)
Undistributed income carried forward	<u>139,558</u>	<u>208,541</u>
Undistributed income at the end of the year / period carried forward comprising of :		
Realised gain	108,079	64,964
Unrealised gain	31,479	143,577
	<u>139,558</u>	<u>208,541</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
Net assets at the beginning of the year	1,308,075	792,371
Issue of 222,275 units (2015 : 5,444,217 units)	25,133	547,767
Redemption of 2,238,587 units (2015 : 2,366,661 units)	(258,962)	(263,688)
	(233,829)	284,079
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	2,150	7,573
- transferred to distribution statement	-	16,479
	2,150	24,052
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	31,479	143,577
Capital gain / (loss) on sale of investments - net	(24,637)	75,514
Other net income for the year	29,082	28,441
	35,924	247,532
Distribution made during the year		
- Re 0.2192 per unit declared on July 16, 2015 (2015: Nil)	(2,402)	-
- Interim bonus distribution during the year - 682,028 units	(77,873)	-
- Rs 2.6047 per unit declared on June 30, 2016 (2015 : 2.1727 per unit)		
- Cash distribution	(24,632)	(23,480)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to distribution statement - net	-	(16,479)
Interim bonus distribution during the year - 682,028 units - net of tax	76,091	-
Net assets at the end of the year	<u>1,083,504</u>	<u>1,308,075</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 -----Rupees in '000-----	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		35,924	247,532
Adjustments for:			
Profit on bank deposits		(29,520)	(47,486)
Dividend income		(41,795)	(35,779)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(31,479)	(143,577)
Amortisation of preliminary expenses and floatation costs		1,155	1,151
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net		2,150	7,573
Provision for Workers' Welfare Fund		-	5,052
Federal excise duty on the remuneration of the Management Company		3,953	4,179
		(95,536)	(208,887)
(Increase) / decrease in assets			
Investments		382,721	(646,340)
Security deposit		-	100,000
		382,721	(546,340)
(Decrease) / increase in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		393	(18,847)
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	133
Payable to the Securities and Exchange Commission of Pakistan		(52)	974
Payable against purchase of investments		-	(155,911)
Accrued expenses and other liabilities		(2,772)	1,624
		(2,431)	(172,027)
Profit received on bank balances		29,237	46,229
Dividend received		43,454	33,189
Net cash generated from / (used in) operating activities		393,369	(600,304)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		-	525,793
Payments on redemption of units		(242,382)	(263,833)
Net cash (used in) / generated from financing activities		(242,382)	261,960
Net increase / (decrease) in cash and cash equivalents during the year		150,987	(338,344)
Cash and cash equivalents at the beginning of the year		372,463	710,807
Cash and cash equivalents at the end of the year	4	<u>523,450</u>	<u>372,463</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

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 FOR THE YEAR ENDED JUNE 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, it's 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 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 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. The 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.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following standard, implementations and amendment to published approved accounting standards are mandatory for the financial year beginning on or after July 01, 2015 and is relevant to the Fund:

IFRS 13 'Fair Value Measurement' establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. Notwithstanding the above, the change had no significant impacts on the measurements of the Fund's assets and liabilities. The disclosures of the same are included in note 26 to these financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are, therefore, not detailed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain amendments to the existing published approved accounting standards, new interpretations and certain new standards that are mandatory for accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or will not have any significant effect on the Fund's financial statements and are, therefore, not disclosed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follow:

- Classification and valuation of financial assets (note 3.2.1 and 5.1)
- Taxation (note 3.7 and 17)
- Impairment of financial assets (note 3.2.5)
- Amortization of preliminary expenses and floatation cost (note 3.6 and 8)

2.5 Accounting Convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been carried at fair value.

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are classified as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed out in the income statement.

3.2.4 Subsequent measurement

a) Financial assets at fair value through profit or loss and available for sale

Subsequent to initial recognition, financial assets at fair value through profit or loss and available for sale are revalued at fair value.

Net gains and losses arising from the changes in the fair value and on sale of financial assets at fair value through profit or loss are taken to the 'income statement'.

Net gains and losses arising from the changes in the fair value of available for sale financial assets are taken to the 'other comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the 'other comprehensive income' is shown as part of net income for the year.

- Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

- Basis of valuation of debt securities

The investment of the Fund in sharia compliant debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates the MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The methodology also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

- Basis of valuation of government securities

The investments of the Fund in government securities are valued on the basis of rates published by the MUFAP.

Net gains and losses arising from the changes in the fair value and on sale of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in the fair value of available for sale financial assets are taken to 'other comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in 'other comprehensive income' is shown as part of net income for the year.

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets is impaired. The carrying value of the Fund's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and shown as part of income before taxation.

The amount of provision for certain debt securities is determined based on the provisioning criteria specified by the Securities and Exchange Commission of Pakistan.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.5 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of two years in accordance with the requirements set out in the Trust Deed of the Fund.

3.7 Taxation

Current

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 the accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders.

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.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not accounted for deferred tax, if any, in these financial statements as the Fund intends to avail the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year as cash dividend.

3.8 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the year in which such distributions are declared.

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

Units redeemed are recorded at the redemption price, as per the constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents daily Net Asset Value (NAV) announced as of the close of the dealing day less any back end load, provisions for transaction costs and any provision for duties and charges, if applicable.

3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element arising as a result of unrealised appreciation / (diminution) on available for sale securities is recognised in the distribution statement. The remaining portion of the element is recognised in the income statement.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

3.11 Net asset value per unit

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

3.12 Earning per unit (EPU)

Earning per unit has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of units outstanding during the year for calculating earnings per unit is not practicable.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' is included in the income statement in the year in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis.

3.14 Expenses

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

4 BALANCES WITH BANKS	Note	2016	2015
-----Rupees in '000-----			
Profit and loss saving accounts	4.1	523,311	354,706
Current account		139	17,757
		<u>523,450</u>	<u>372,463</u>

4.1 These carry profits at the rates ranging from 2.4% to 6.7% (June 30, 2015 : 6.00% to 10.25%) per annum.

5 INVESTMENTS	Note	2016	2015
-----Rupees in '000-----			
'Financial assets at fair value through profit or loss' - net			
- Investments in listed equity securities	5.1	<u>595,581</u>	<u>946,823</u>

5.1 Listed equity securities

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 Sector / investee company	Number of shares					Market value as at June 30, 2016	Market Value as a percentage of		Holding as a percentage of Paid up capital of the investee company
	As at July 1, 2015	Purchases during the period	Bonus / Right Issue	Sales / during the period	As at June 30, 2016		Net assets	Total investments	
(Rupees in '000) -----%-----									
Refinery									
Attock Refinery Limited	125,600	41,200	-	166,800	-	-	-	-	-
National Refinery Limited	85,100	107,600	-	171,500	21,200	10,078	0.93	1.69	0.03
						10,078	0.93	1.69	
Oil & Gas Exploration Companies									
Attock Petroleum Limited	74,300	1,700	-	11,950	64,050	28,024	2.59	4.71	0.08
Hascol Petroleum Limited	63,530	-	146	62,800	876	171	0.02	0.03	0.00
Pakistan Oilfields Limited	136,500	155,000	-	193,500	98,000	34,053	3.14	5.72	0.04
Pakistan Petroleum Limited	164,700	435,000	-	431,300	168,400	26,110	2.41	4.38	0.01
Pakistan State Oil Company Limited	137,200	112,700	-	156,300	93,600	35,143	3.24	5.90	0.03
Mari Petroleum Company Limited	-	17,400	-	5,550	11,850	10,762	0.99	1.81	0.01
Sui Northern Gas Pipelines Limited	-	370,500	-	370,500	-	-	-	-	-
Shell Pakistan Limited	85,500	18,300	-	29,800	74,000	21,476	1.98	3.60	0.07
						155,739	14.37	26.15	
Fertilizer									
Engro Fertilizers Company Limited	314,000	690,000	-	752,500	251,500	16,217	1.50	2.72	0.02
Engro Corporation Limited	356,800	157,300	-	376,700	137,400	45,750	4.22	7.68	0.03
Fauji Fertilizer Bin Qasim Limited	-	170,000	-	50,000	120,000	6,361	0.59	1.07	0.01
Fauji Fertilizer Company Limited	-	115,900	-	115,900	-	-	-	-	-
						68,328	6.31	11.47	

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Name of the Sector / investee company	Number of shares					Market value as at June 30, 2016	Market Value as a percentage of		Holding as a percentage of Paid up capital of the investee company
	As at July 1, 2015	Purchases during the period	Bonus / Right Issue	Sales / during the period	As at June 30, 2016		Net assets	Total investments	
						(Rupees in '000)	-----%-----		
Chemical									
Akzo Nobel Pakistan Limited	45,500	-	-	45,500	-	-	-	-	-
Cement									
D.G. Khan Cement Company Limited	375,000	161,900	-	434,200	102,700	19,563	1.81	3.28	0.02
Kohat Cement Company Limited	13,000	-	-	13,000	-	-	-	-	-
Lucky Cement Limited	138,700	60,700	-	156,900	42,500	27,562	2.54	4.62	0.01
Maple Leaf Cement Factory Limited	344,000	131,000	-	403,500	71,500	7,544	0.70	1.27	0.01
Attock Cement (Pakistan) Limited	-	105,100	-	12,500	92,600	22,105	2.04	3.71	0.08
Fauji Cement Company Limited	-	892,000	-	500,000	392,000	14,034	1.30	2.36	0.03
Pioneer Cement Limited	85,000	277,500	-	279,000	83,500	8,968	0.83	1.51	0.04
						99,776	9.22	16.75	
Automobile Parts & Accessories									
Thal Limited	78,600	-	-	-	78,600	22,245	2.05	3.74	0.19
Automobile Assembler									
Ghandhara Nissan Limited	88,500	8,000	-	96,500	-	-	-	-	-
Honda Atlas Cars Pakistan Limited	71,500	7,200	-	78,700	-	-	-	-	-
Indus Motor Company Limited	32,450	1,660	-	8,280	25,830	24,268	2.24	4.07	0.03
Pak Suzuki Motor Company Limited	33,000	48,300	-	81,300	-	-	-	-	-
						24,268	2.24	4.07	
Electrical Goods									
Pak Elektron Limited	290,500	145,500	54,875	311,000	179,875	11,629	1.07	1.95	0.04
Engineering									
Mughal Iron & Steel Industries Limited	125,000	340,500	26,475	162,000	329,975	22,171	2.05	3.73	0.26
Crescent Steel & Allied Products Limited	-	48,500	-	-	48,500	5,559	0.51	0.93	0.06
						27,730	2.56	4.66	
Textile Composite									
Kohinoor Textile Mills Limited	800,500	-	94,725	369,000	526,225	42,114	3.89	7.07	0.19
Nishat Mills Limited	146,600	241,000	-	40,000	347,600	37,506	3.46	6.30	0.10
						79,620	7.35	13.37	
Pharmaceuticals									
Abbott Laboratories (Pakistan) Limited	3,000	-	-	3,000	-	-	-	-	-
The Searle Company Limited	-	23,000	1,000	-	24,000	12,868	1.19	2.16	0.02
Ferozsons Laboratories Limited	20,250	3,500	-	20,750	3,000	3,093	0.29	0.52	0.01
						15,961	1.48	2.68	
Technology & Communication									
Pakistan Telecommunication Company Limited	-	1,235,500	-	898,500	337,000	5,065	0.47	0.85	0.01
Avanceon Limited	276,500	-	-	49,000	227,500	6,545	0.60	1.10	0.22
NetSol Technologies Limited	-	45,000	-	-	45,000	2,255	0.21	0.38	0.05
						13,865	1.28	2.33	
Power Generation & Distribution									
K-Electric Limited	255,000	-	-	255,000	-	-	-	-	-
The Hub Power Company Limited	722,500	165,800	-	683,000	205,300	24,648	2.27	4.14	0.02
Kot Addu Power Company Limited	633,000	19,000	-	380,000	272,000	24,276	2.24	4.07	0.03
Lalpir Power Limited	809,500	-	-	472,000	337,500	7,324	0.68	1.23	0.09
						56,248	5.19	9.44	
Commercial Banks									
Meezan Bank Limited	166,500	139,000	-	68,000	237,500	10,094	0.93	1.69	0.02
						595,581	54.98	100.00	
Carrying value as at June 30, 2016						564,102			

The above investments include shares with market value of Rs 66.642 million (June 30, 2015: 68.46 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 of 2007 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.2 Unrealised appreciation in the value of investments classified as financial assets 'at fair value through profit or loss' - net

	Note	2016	2015
-----Rupees in '000-----			
Market value of investments	5.1	595,581	946,823
Less: carrying value of investments		(564,102)	(803,246)
		<u>31,479</u>	<u>143,577</u>

5.3 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001. As a result of these amendments, companies are liable to withhold bonus shares at the rate of 5 percent. In accordance with the requirement of the Ordinance these shares shall only be released if the fund deposit tax equivalent to 5% 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.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

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

As at June 30, 2016, the following bonus shares of the Fund were withheld by certain companies at the time of bonus declaration. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Name of the company	June 30, 2016		June 30, 2015	
	Bonus Shares			
	Number	Market value	Number	Market value
		Rupees in '000'		Rupees in '000'
Hascol Petroleum Company Limited	132		676	77
Mughal Iron & Steel Industries Limited	89		-	-
Kohinoor Textile Mills Limited	379		-	-
The Searle Company Limited	27		-	-
	627			77

		2016	2015
		-----Rupees in '000-----	
6 DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		931	2,590
Profit receivable on deposit with banks		2,020	1,737
		<u>2,951</u>	<u>4,327</u>
7 SECURITY DEPOSIT			
Security deposit with the National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with the Central Depository Company of Pakistan Limited		100	100
		<u>2,600</u>	<u>2,600</u>
8 PRELIMINARY EXPENSES AND FLOATATION COSTS			
At the beginning of the year		1,155	2,306
Less: amortisation during the year		(1,155)	(1,151)
At the end of the year		<u>-</u>	<u>1,155</u>
8.1	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of two years commencing from June 28, 2014 as per the requirements set out in the Trust Deed.		
		2016	2015
		-----Rupees in '000-----	
9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note		
Remuneration of the Management Company	9.1	1,913	2,167
Sindh Sales Tax on remuneration of the Management Company	9.2	311	377
Federal Excise Duty on remuneration of the Management Company	9.3	8,151	4,198
Federal excise duty on sales load		2,899	2,899
Accounting and operational charges	9.4	713	-
		<u>13,987</u>	<u>9,641</u>
9.1	The Management company has charged remuneration at the rate of 2% per annum based on the daily net assets of the Fund. The amount of remuneration is being paid monthly in arrears.		
9.2	The Provincial Government of Sindh has levied Sindh sales tax at the rate of 14% (2015 : 15%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.		

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

9.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax as explained in note 9.2, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

On September 04, 2013, a Constitutional Petition has been filed in the Honorable Sindh High Court (SHC) jointly by various asset management Companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

Subsequent to year ended June 30, 2016, the SHC has passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) have been set aside.

With effect from July 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on management fee from July 01, 2016. The provision made with effect from June 13, 2013 to June 30, 2016, aggregating to Rs. 8.151 million has not been reversed as the management believes that the Federal Government retains the right to appeal against the said order in the Supreme Court within the prescribed timeline. Had the provision not been made, the Net Asset Value per unit of the Fund as at June 30, 2016 would have been higher by 0.8440 per unit.

9.4 During the current period, the SECP vide S.R.O No 1160(I) / 2015 dated November 25, 2015 introduced amendments in the NBFC regulations. As a result of these amendments, the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme upto a maximum of 0.1% of the average annual net assets of the Scheme or actual whichever is less. Based on these requirements, the Management Company has charged operating expenses amounting to Rs 0.713 million to the Fund from November 25, 2015 to June 30, 2016.

	Note	2016	2015
-----Rupees in '000-----			
10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE			
Trustee remuneration	10.1	124	141
Sindh Sales Tax on the remuneration of trustee	10.2	17	-
		<u>141</u>	<u>141</u>

10.1 The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed as per the tariff structure specified therein, based on the daily net assets of the Fund. The fee is paid on a monthly basis in arrears at the rate of 0.13% (2015 : 0.13%) of net assets. There is no change in the tariff structure in the current year.

10.2 The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of service and has levied Sindh Sales Tax on custodianship services. Accordingly, Sindh Sales Tax of 14% is charged on Trustee fee under section 2(79A) of the Sindh Finance Bill, 2010 with effect from July 01, 2015.

	Note	2016	2015
-----Rupees in '000-----			
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>927</u>	<u>979</u>

11.1 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% (2015 : 0.075%) of the average annual net assets of the Fund. There has been no change in this percentage in the current year.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

	Note	2016	2015
-----Rupees in '000-----			
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		283	252
Provision for Workers' Welfare Fund	16	5,070	5,070
Brokerage		297	165
Settlement charges		58	60
Bank charges		84	66
Printing charges		128	100
Withholding tax and capital gains tax on dividend		2,256	1,674
Charity payable	12.1	958	980
Legal fee		131	125
Listing fee		-	40
Shariah Advisory Fee		179	-
		<u>9,444</u>	<u>8,532</u>

12.1 Total charity payable for the year amounted to Rs 0.701 million (2015: 0.652 million). The dividend income is recorded net of charity payable.

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2016 and June 30, 2015.

	2016	2015
-----Number of units-----		
14 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	10,991,585	7,914,029
Add: units issued during the year	222,275	5,444,217
Add: bonus units issued during the year	682,028	-
Less: units redeemed during the year	<u>(2,238,587)</u>	<u>(2,366,661)</u>
Total units in issue at the end of the year	<u>9,657,301</u>	<u>10,991,585</u>

	2016	2015
-----Rupees in '000-----		
15 AUDITORS' REMUNERATION		
Annual audit fee and other certification	244	224
Half yearly review fee	82	73
Out of pocket expenses	60	48
	<u>386</u>	<u>345</u>

16 PROVISION FOR WORKERS' WELFARE FUND

16.1 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this connection, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh did not address the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgment, the Peshawar High Court (PHC) also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

16.2 The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under the WWF Ordinance, 1971. Accordingly, no further provision of WWF has been made from July 1, 2015. However, provision made till June 30, 2015 amounting to Rs 5.070 million has not been reversed as the above law suit is still pending in SHC. Had the same not been made the net asset value per unit of the Fund as at June 30, 2016 would have been higher by Re 0.5250 per unit.

17 TAXATION

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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. The Fund has not recorded provision for taxation as the Management Company has distributed at least ninety percent of the Fund's accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unit holders as cash dividend.

18 TRANSACTIONS WITH CONNECTED PERSONS

18.1 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.

18.2 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.

18.3 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.

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

	2016	2015
	-----Rupees in '000-----	
18.5 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration for the year	24,708	26,117
Sindh Sales Tax on remuneration of the Management Company	4,013	4,544
Federal Excise Duty on remuneration of the Management Company	3,953	4,179
Sales load paid	-	19,834
Accounting and operational charges to the Management Company	713	-
Expenses reimbursed to the Management Company		
- Preliminary expenses and floatation costs	-	2,316
- Initial deposit on opening of bank accounts	-	20
- Listing fee	-	20
- Other payable	-	2,606
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	1,606	1,698
Sindh sales tax on remuneration of the Trustee	225	-
CDS charges	300	466
PTCL Employees General Provident Fund		
Issue of Nil units; (2015: 4,072,975 units)	-	408,691
Cash distribution for the year	893	8,691
Issue of 282,186 bonus units; (2015: Nil units)	-	-
Employees of the Management Company		
Issue of Nil units; (2015: 18,030 units)	-	1,803
Redemption of Nil units; (2015: 18,006 units)	-	1,788
Cash distribution for the year	4	3
Issue of 101 bonus units; (2015: Nil units)	-	-
Taurus Securities Limited		
Brokerage expense	114	201

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

	2016	2015
	-----Rupees in '000-----	
18.6 Amounts outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	1,913	2,167
Sindh Sales Tax payable on remuneration of the Management Company	311	377
Federal Excise Duty payable on remuneration of the Management Company	8,151	4,198
Federal Excise Duty payable on sales load	2,899	2,899
Accounting and operational charges to the Management Company	713	-
Central Depository Company of Pakistan Limited - Trustee	124	141
Remuneration payable	17	-
Sindh Sales Tax payable on remuneration of the Trustee	58	60
CDS charges payable	100	100
Security deposit		
PTCL Employees General Provident Fund	500,807	484,712
Units held: 4,463,705 (June 30, 2015: 4,072,975 units)		
Employees of the Management Company	187	182
Units held: 1,669 units (2015: 1,531 Units)		
Taurus Securities Limited	47	-
Brokerage payable		
Amount payable against redemption of units to:	416	-
NAFA Islamic Energy Fund	16,163	-
NAFA Islamic Active Allocation Fund - I (Plan - III)		

19 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the investment committee of the Fund are as follows:

-----As at June 30, 2016-----

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	28
2	Mr. Sajjad Anwar*	CFA / MBA Finance	16
3	Mr. Muhammad Ali Bhabha	CFA / MBA / FRM	21
4	Mr. Syed Suleman Akhtar	CFA / MBA Finance	16
5	Mr. Asim Wahab Khan	CFA	10
6	Mr. Muhammad Imran	CFA / ACCA	10

*Mr. Sajjad Anwar is the manager of the Fund. He is also the Fund manager of NAFA Islamic Principal Protected Fund - I, NAFA Islamic Principal Preservation Fund, NAFA Islamic Active Allocation Plan I,II, III, NAFA Islamic Stock Fund, NAFA Pension Fund and NAFA Islamic Pension Fund.

20 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION CHARGED

	2016
1 Taurus Securities Ltd.	9.00%
2 Arif Habib Securities Limited	6.30%
3 Foundation Securities	5.79%
4 Concordaia Securities (Pvt) Limited	4.38%
5 Al Habib Capital Markets (Pvt) Limited	3.86%
6 Habib Metropolitan Financial Services	3.73%
7 Bma Capital Management Limited	3.67%
8 KASB Securites Ltd.	3.40%
9 IGI Finex Securities Limited	3.21%
10 Aqeel Karim Dehdi Securities (Pvt) Limited	3.18%
	2015
1 Taurus Securities Limited	8.91%
2 Elixir Securities Pakistan (Private) Limited	6.58%
3 Arif Habib Securities Limited	6.18%
4 J.S. Global Capital Limited	5.36%
5 Fortune Securities	5.00%
6 Topline Securities (Private) Limited	4.85%
7 Optimus Capital Management Limited	4.76%
8 BMA Capital Management Limited	4.71%
9 Habib Metropolitan Financial Services	4.14%
10 Aqeel Karim Dehdi Securities (Private) Limited	4.05%

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

21 PATTERN OF UNIT HOLDING

-----As at June 30, 2016-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals*	308	301,764	28.00%
Retirement Funds**	12	627,434	58.00%
Others	16	154,306	14.00%
	336	1,083,504	100.00%

* This include investment of Rs 0.187 million of related parties / connected persons.

** This include investment of Rs 500.807 million of related parties / connected persons.

-----As at June 30, 2015-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals*	466	472,685	36.14%
Banks / DFIs	1	4,827	0.37%
Retirement Funds**	23	686,403	52.47%
Others	15	144,160	11.02%
	505	1,308,075	100.00%

* This include investment of Rs 0.182 million of related parties / connected persons.

** This include investment of Rs 484.712 million of related parties / connected persons.

22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	5	1	54th meeting
Mr. Aamir Sattar	6	4	2	56th & 57th meeting
Mr. Abdul Hadi Palekar	6	5	1	58th meeting
Mr. Koh Boon San	6	4	2	54th & 57th meeting
Mr. Nigel Poh Cheng	6	3	3	56th, 58th & 59th meeting
Mr. Kamal Amir Chinoy	6	5	1	57th meeting
Mr. Shehryar Faruque	6	4	2	54th & 59th meeting
Dr. Amjad Waheed	6	6	-	-

23 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2016, all the financial assets carried on the statement of assets and liabilities are categorised either as loans and receivables or financial assets at fair value through profit or loss. All the financial liabilities carried on the statement of assets and liabilities are categorised as financial liabilities measured at amortised cost.

-----As at June 30, 2016-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

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

Financial assets			
Balances with banks	523,450	-	523,450
Investments	-	595,581	595,581
Dividend and profit receivable	2,951	-	2,951
Security deposits	2,600	-	2,600
	529,001	595,581	1,124,582

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

Particulars	Loans and receivables	Other financial liabilities at amortised cost	Total
-------------	-----------------------	---	-------

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	13,987	13,987
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	141	141
Payable against redemption of units	-	16,579	16,579
Accrued expenses and other liabilities	-	2,118	2,118
	<u>-</u>	<u>32,825</u>	<u>32,825</u>

-----As at June 30, 2015-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

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

Financial assets

Balances with banks	372,463	-	372,463
Investments	-	946,823	946,823
Dividend and profit receivable	4,327	-	4,327
Advances and deposits	2,600	-	2,600
	<u>379,390</u>	<u>946,823</u>	<u>1,326,213</u>

-----As at June 30, 2015-----

Particulars	At fair value through profit or loss	Other financial liabilities at amortised cost	Total
-------------	--------------------------------------	---	-------

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

Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	-	9,641	9,641
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	141	141
Accrued expenses and other liabilities	-	1,788	1,788
	<u>-</u>	<u>11,570</u>	<u>11,570</u>

24 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

24.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following the internal risk management policies and the investment guidelines approved by the investment committee and regulations laid down by the SECP.

Market risk comprises of three types of risk: currency risk, yield / profit rate risk and other price risk.

24.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

24.1.2 Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The Fund is mainly exposed to profit rate risk on balances held with the banks.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not directly hold any variable rate instrument and is not exposed to cash flow profit rate risk except for balances in profit and loss accounts with certain banks the profit rate of which ranges from 2.4% to 6.7%.

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that may expose the Fund to any material profit rate risk.

Yield / profit rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet financial instruments is based on settlement date.

-----June 30, 2016-----						
Particulars	Effective yield / profit rate	Total	---Exposed to yield / profit rate risk---			Not exposed to yield / profit rate risk
			Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments		%	------(Rupees in '000)-----			
Financial assets						
Balances with banks	2.4 - 6.7	523,450	523,311	-	-	139
Investments		595,581	-	-	-	595,581
Profit receivable		2,951	-	-	-	2,951
Security deposits		2,600	-	-	-	2,600
		1,124,582	523,311	-	-	601,271
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		13,987	-	-	-	13,987
Payable to the Central Depository Company of Pakistan Limited - Trustee		141	-	-	-	141
Payable against redemption of units		16,579	-	-	-	16,579
Accrued expenses and other liabilities		2,118	-	-	-	2,118
		32,825	-	-	-	32,825
On-balance sheet gap (a)		1,091,757	523,311	-	-	568,446
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap - (a + b)		1,091,757	523,311	-	-	568,446
Cumulative profit rate sensitivity gap			523,311	523,311	523,311	

-----June 30, 2015-----						
Particulars	Effective yield / profit rate	Total	---Exposed to yield / profit rate risk---			Not exposed to yield / profit rate risk
			Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments		%	------(Rupees in '000)-----			
Financial assets						
Balances with banks	6.0 - 10.25	372,463	354,706	-	-	17,757
Investments		946,823	-	-	-	946,823
Profit receivable		4,327	-	-	-	4,327
Advances and deposits		2,600	-	-	-	2,600
		1,326,213	354,706	-	-	971,507
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		9,641	-	-	-	9,641
Payable to the Central Depository Company of Pakistan Limited - Trustee		141	-	-	-	141
Accrued expenses and other liabilities		1,788	-	-	-	1,788
		11,570	-	-	-	11,570
On-balance sheet gap (a)		1,314,643	354,706	-	-	959,937
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap - (a + b)		1,314,643	354,706	-	-	959,937
Cumulative profit rate sensitivity gap			354,706	354,706	354,706	

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust deed. The Fund's constitutive documents / the NBFC Regulations also limit individual equity securities based on the net assets, or issued capital of the investee company and sector exposure limit.

In case of 5% increase / decrease in KMI 30 index on June 30, 2016, net income for the year would increase / decrease by Rs 12.733 million and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on increase / decrease of equity index by 5% with all other variables held constant and with an assumption that all the Fund's equity instruments will move according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 index having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 index, is expected to change over time. Accordingly, the aforementioned sensitivity analysis is not necessarily indicative of the effects on the Fund's net assets of future movements in the level of KMI 30 index.

24.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the counter party to fulfil their obligations. The Fund is exposed to credit risk with respect to its balances with banks, dividend and profit receivable, and advances and deposits. Credit risk also arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The settlement risk of default on equity securities is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instrument guidelines approved by the Investment Committee. The Fund's maximum exposure to credit risk as of June 30, 2016 amounts to Rs 1,124.583 million (2015 : Rs 1,326.213 million).

Credit quality of financial assets

The analysis below summarises the credit quality of the Fund's financial assets:

Balances with banks by rating category

Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
Habib Bank Limited	JCR-VIS	AAA	34.57%
United Bank Limited	JCR-VIS	AAA	0.21%
Bank Al-Habib Limited *	PACRA	AA+	-
Allied Bank Limited *	PACRA	AA+	-
Habib Metropolitan Bank *	PACRA	AA+	-
Meezan Bank Limited	JCR-VIS	AA	7.07%
Sindh Bank Limited *	JCR-VIS	AA	-
Bank AL-Falah Limited	PACRA	AA	0.03%
Soneri Bank Limited	PACRA	AA-	58.13%

* Nil value due to rounding off difference.

24.2.1 Concentration of credit risk

The concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund mainly deals in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial instruments comprise of bank balances.

The Fund's major asset balances (92.70%) is held with Soneri Bank Limited and Habib Bank Limited. The management believes that these are credit-worthy counterparties.

24.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to the daily settlement of equity securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised. The Fund's listed securities are considered readily realisable as they are liquid shares listed on the Stock Exchanges.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below indicates the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

-----June 30, 2016-----				
Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	13,987	13,987	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	141	141	-	-
Payable against redemption of units	16,579	16,579	-	-
Accrued expenses and other liabilities	2,118	2,118	-	-
	<u>32,825</u>	<u>32,825</u>	<u>-</u>	<u>-</u>
-----June 30, 2015-----				
Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	9,641	9,641	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	141	141	-	-
Accrued expenses and other liabilities	1,788	1,788	-	-
	<u>11,570</u>	<u>11,570</u>	<u>-</u>	<u>-</u>

25 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

The Fund provides protection of principal to the unit holders' through its investment methodology (Constant Proportion Portfolio Insurance 'CPP' methodology) and the investment structure of the Fund and not through an undertaking by the Management Company, the Trustee or the SECP.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of investments is determined as follows:

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective 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.

26.1 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:

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.

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

	-----As at June 30, 2016-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
ASSETS				
Financial assets at fair value through profit or loss - Investment in listed equity securities	595,581	-	-	595,581
	-----As at June 30, 2015-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
ASSETS				
Financial assets at fair value through profit or loss - Investment in listed equity securities	946,823	-	-	946,823

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 23, 2016.

28 GENERAL

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

28.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2016	For the year ended June 30, 2015	For the period from June 28, 2014 to June 30, 2014
Net assets at the year / period ended (Rs '000)	1,083,504	1,308,075	792,371
Net income for the year / period ended (Rs '000)	35,924	247,532	876
Net Asset Value per unit at the year / period ended (Rs)	112.1953	119.0069	100.1223
Offer Price per unit at year end	N/A	N/A	104.164
Redemption Price per unit at year end	112.1953	119.0069	100.1223
Highest offer price per unit (Rs)	N/A	102.3029	104.164
Lowest offer price per unit (Rs)	N/A	101.9044	104.0630
Ex- Highest redemption price per unit (Rs)	114.1762	120.8775	100.1223
Ex- Lowest redemption price per unit (Rs)	101.7554	95.6336	100.0252
Ex- Fiscal Year Opening Nav	108.5848	98.1398	-
Total return of the fund	3.33%	21.05%	0.12%
Capital growth	-5.81%	18.66%	0.12%
Income distribution % of Ex NAV	9.13%	2.44%	0.00%
Income distribution % of Par Value	10.32%	2.39%	0.00%
Distribution			
Interim distribution per unit	10.3205	2.1727	0.0000
Final distribution per unit	-	0.2192	-
Distribution Dates			
Interim	28-Apr-16 & 30-Jun-16	30-Jun-15	-
Final	-	16-Jul-15	-
Average annual return of the fund (launch date June 28, 2014)			
(Since inception to June 30, 2016)	25.22%		-
(Since inception to June 30, 2015)		21.00%	-
(Since inception to June 30, 2014)			0.12%
Portfolio Composition (Please see Fund Manager Report)			
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up			

NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II

PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Islamic Principal Protected Fund - II**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fullerton Asset Management Limited i.e. www.nafafunds.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:








	Resolutions	For	Against	Abstain
Number	4	4	-	-
(%ages)	100%	100%	-	-



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



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