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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

HALF YEARLY REPORT December 31 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.

Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	09
AUDITORS' REVIEW REPORT TO THE UNITHOLDERS	10
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	11
CONDENSED INTERIM INCOME STATEMENT	12
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	13
CONDENSED INTERIM DISTRIBUTION STATEMENT	14
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	15
CONDENSED INTERIM CASH FLOW STATEMENT	16
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	17

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director
Mr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Saiyed Hashim Ishaque	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Trustee

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

Bankers to the Fund

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town, Lahore.
UAN: 042-111-111-632
Fax: 92-42-35861095

Islamabad Office:

Plot No. 395, 396
Industrial Area, I-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

Opposite Gul Haji Plaza, 2nd Floor
National Bank Building
University Road Peshawar,
UAN: 091-111 111 632 (nfa)
Fax: 091-5703202

Multan Office:

NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Islamic Principal Protected Fund – II (NIPPF – II)** for the half year ended December 31, 2016.

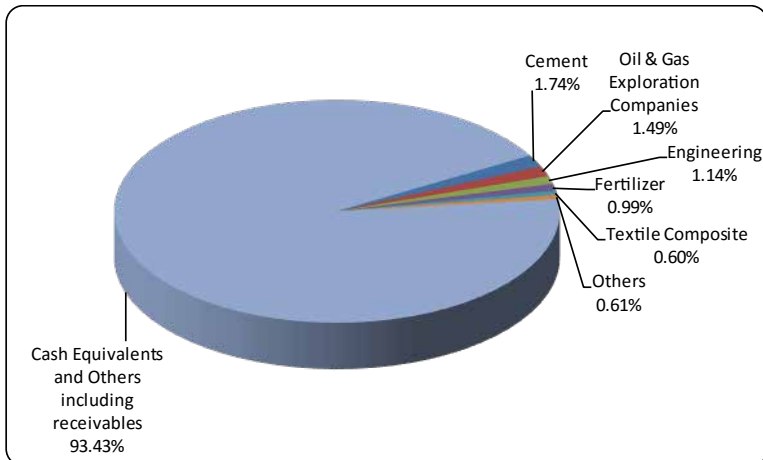
Fund's Performance

The size of NAFA Islamic Principal Protected Fund-II stood at Rs. 1,005 million. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has increased from Rs. 112.1953 on June 30, 2016 to Rs. 137.7928 on December 31, 2016, thus showing an increase of 22.82%. The Benchmark during the same period increased by 14.95%. Thus, the Fund has outperformed its Benchmark by 7.87% during the period under review. Since inception (June 27, 2014), the unit price of the Fund has shown a growth of 53.79% as compared to 40.88% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 12.91%. This performance is net of management fee and all other expenses.

During 1HFY17, riding on the positive momentum built on the Pakistan Stock Exchange (PSX) reclassification into MSCI Emerging Market and driven primarily by the price-to-earnings (PE) re-rating, the stock market delivered a handsome return of about 27%. Positives on the macroeconomic front such as improved economic growth outlook coupled with benign inflation reading and anchored near-term expectations; and stable exchange rate helped the market achieve historic highs. Domestic liquidity unleashed amid low interest rates that helped counter heavy foreign selling of USD298mn. Automobile Assembler, Engineering, Oil & Gas Marketing Companies, and Textile Composite sectors performed better than the market whereas, Power Generation & Distribution Companies and Fertilizer sectors lagged behind. Going forward, expected domestic and foreign liquidity flows amid low interest rates, expected amnesty scheme, and MSCI upgrade theme are likely to keep the market strong while, rising global policy uncertainty pose downside risk.

State Bank of Pakistan (SBP) maintained discount rate and policy rate at 6.25% and 5.75% respectively during the period under review. SBP cited improvement in macroeconomic stability, comfortable liquidity conditions coupled with healthy reserve accumulation, manageable inflationary backdrop, and CPEC related projects gathering momentum being balanced against latent risks to external accounts/factors. However, there are risks to the external account emanating from expected increase in commodity/global oil prices, confluence of declining remittances, challenged exports outlook and mounting external debt levels that may imperil the medium-term sustainability of the Balance of Payments position and warrant decisive policy action. Long-term sovereign yields witnessed an average increase of around 50 basis points, reflecting an uptick in inflation and interest rates.

The Fund has earned total income of Rs.200.8 million during the period. After accounting for expenses of Rs.14.18 million, the net income is Rs.186.62 million. The asset allocation of the Fund as on December 31, 2016 is as follows:



NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

Income Distribution

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

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 28, 2017
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ منجسٹ کے بورڈ آف ڈائریکٹرز بیکٹرز بصد مسرت 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے لیے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II (NIPPF-II) کا فنڈ سائز 1,005 ملین روپے ہے۔ اس مدت کے دوران NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ-II کے یونٹ کی قیمت 30 جون 2016 کو 112.1953 روپے سے بڑھ کر 31 دسمبر 2016 پر 137.7928 روپے ہو چکی ہے، لہذا 22.82% کا اضافہ ہوا۔ اسی مدت کے دوران بیچ مارک 14.95% بڑھا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے 7.87% بہتر کارکردگی دکھائی۔ اپنے قیام کے وقت (27 جون 2014) سے اب تک فنڈ کے یونٹ کی قیمت نے اپنے بیچ مارک میں 40.88% اضافے کے مقابلے میں 53.79% کا نمود دکھایا۔ اس طرح فنڈ کی کارکردگی اپنے بیچ مارک کے مقابلے میں 12.91% بہتر رہی۔ یہ کارکردگی منجسٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

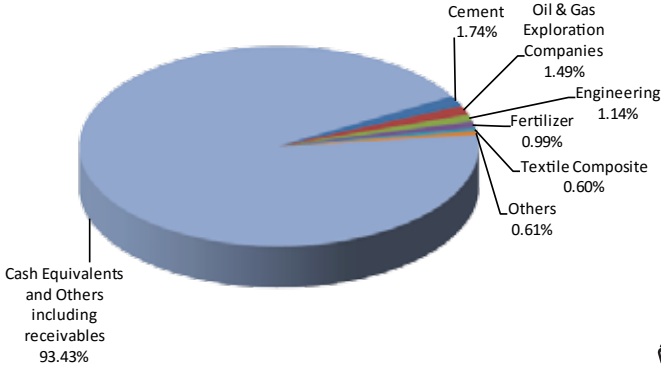
مالی سال 2017 کی پہلی ششماہی کے دوران مثبت رجحان کے ساتھ MSCI ایشیا پسیفک مارکیٹ میں PSX کی از سر نو تشکیل ہوئی اور اس میں PE کی دوبارہ درجہ بندی بنیادی طور پر کارفرما تھی، اسٹاک مارکیٹ نے تقریباً 27% کا شاندار منافع فراہم کیا۔ معاشی حماذ کے مثبت پہلو جیسے ترقی کے بہتر امکانات افراط زر کے بے ضرر کا نیوں سے جڑا ہوا ہے، جڑی ہوئی قریب مدتی توقعات، اور مستحکم شرح مبادلہ مارکیٹ کو تاریخی اونچائی حاصل کرنے میں معاون ثابت ہوئی۔ گھریلو لیکویڈٹی کم شرح سود کے درمیان ہوا جس نے USD298mn کی بھاری غیر ملکی فروخت کو قیام کرنے میں مدد کی۔ آٹوموبیل اسمبلرز، انجینئرز، آئل اور گیس کی مارکیٹنگ کمپنیاں اور ٹیکسٹائل کمپوزٹ سیکٹرز نے مارکیٹ کے مقابلے میں بہتر کارکردگی کا مظاہرہ کیا جب کہ پاور جنریشن، ڈسٹریبیوشن کمپنیاں اور فریٹ لائزر سیکٹرز پسماندگی کا شکار رہے۔ آگے بڑھتے ہوئے، متوقع ملکی اور غیر ملکی لیکویڈٹی کا بہاؤ کم شرح سود کے ساتھ، گمنام اسکیموں، اور MSCI کی اپ گریڈ تقسیم مارکیٹ کو مضبوط کرنے کی حامل ہے، جبکہ بڑھتی ہوئی عالمی پالیسی کی غیر یقینی صورتحال خطرے کے منفی پہلو کو ظاہر کرتی ہے۔

اسٹیٹ بینک آف پاکستان (SBP) نے زیر غور مدت کے دوران رعایت اور پالیسی کی شرح بالترتیب 6.25% اور 5.75% برقرار رکھی۔ SBP نے حوالہ دیا کہ معاشی استحکام میں بہتری، لیکویڈٹی کی باہولت صورت حال کے ساتھ صحت مند سرمایہ کی ایکویلیٹی، انتظامی افراط زر کے پس منظر میں اور CPEC سے متعلقہ منصوبے کی رفتار میں ہونے والا اضافہ بیرونی اکاؤنٹ اور عوامل کے پوشیدہ خطرات سے تناسب میں ہے۔ تاہم بیرونی اکاؤنٹ کو لاحق خطرات عالمی تیل اور ایشیا صرف کی قیمتوں میں متوقع اضافہ، گرتی ہوئی ترسیلات کما لاپ، برآمدات سے متعلق چیلنج آگیز امکانات اور بیرونی قرض کی سطح سے نکلنے ہیں BOP پوزیشن کے وسط مدت کی پائیداری کو خطرے میں ڈالتا ہے اور فیصلہ کن پالیسی کی کاروائی کا ضامن ہے۔ طویل المیعاد خود مختار پیداوار میں تقریباً 50 پیسے پوائنٹ کا اوسط اضافہ دیکھا گیا، جو افراط زر اور سود کی شرح میں معتدل اضافے کی عکاسی کرتا ہے۔ اس مدت کے دوران فنڈ نے

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

200.8 ملین روپے کی مجموعی آمدنی کمائی۔ اخراجات کی مد میں 14.18 ملین روپے منہا کرنے کے بعد خالص آمدنی 186.62 ملین روپے ہے۔ فنڈ کی

ایسیٹ ایلوکیشن 31 دسمبر 2016 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ابتدائی ex-NAV (39.06% par value) کے 34.81% کے بونس پونٹس کی مدت کے اختتام کے بعد منظوری دی۔

اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منیجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر پونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن 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 ڈسٹری بیوٹرز کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منیجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

28 فروری 2017ء

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41 (h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Principal Protected Fund-II (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 27, 2017

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Principal Protected Fund II** as at December 31, 2016 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2016. The Management Company (NBP Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2016 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Salman Hussain**
Dated: February 28, 2017
Karachi

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2016

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
(Rupees in '000)			
ASSETS			
Balances with banks	4	478,033	523,450
Investments	5	66,011	595,581
Receivable against sale of investments		477,394	-
Dividend and profit receivable	6	2,951	2,951
Advances, deposits and prepayments		2,627	2,600
Total assets		1,027,016	1,124,582
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	7	13,463	13,987
Payable to the Central Depository Company of Pakistan Limited -Trustee	8	166	199
Payable to the Securities and Exchange Commission of Pakistan	9	373	927
Payable against redemption of units		-	16,579
Accrued expenses and other liabilities	10	8,466	9,386
Total liabilities		22,468	41,078
NET ASSETS		<u>1,004,548</u>	<u>1,083,504</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>1,004,548</u>	<u>1,083,504</u>
CONTINGENCIES AND COMMITMENTS	11		-----Number of units-----
NUMBER OF UNITS IN ISSUE		<u>7,290,282</u>	<u>9,657,301</u>
			------(Rupees)-----
NET ASSET VALUE PER UNIT	12	<u>137.7928</u>	<u>112.1953</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Note	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- Rupees in '000 -----				
INCOME				
Capital gain / (loss) on sale of investments - net	175,314	(3,417)	168,396	(13,443)
Profit on bank deposits	9,012	12,911	4,162	6,930
Dividend income	21,888	25,066	13,149	11,281
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	11,662	(48,292)	(55,176)	8,932
Total income	217,876	(13,732)	130,531	13,700
EXPENSES				
Remuneration of NBP Fullerton Asset Management Limited - Management Company	7.1	9,935	12,882	4,854
Sindh sales tax on the Management Company's remuneration	7.2	1,291	2,092	630
Federal excise duty on the Management Company's remuneration	7.3	-	2,061	-
Allocation of operational expenses from the Management Company	7.4	497	121	243
Remuneration of the Central Depository Company of Pakistan Limited -Trustee		646	838	316
Sindh sales tax on remuneration of the Trustee		84	117	41
Annual fee of the Securities and Exchange Commission of Pakistan		373	484	182
Auditors' remuneration		208	233	111
Amortisation of preliminary expenses and floatation costs		-	580	-
Annual listing fee		28	20	18
Printing charges		50	22	25
Legal and professional charges		63	-	32
Securities transaction cost		617	759	462
Settlement and bank charges		239	247	147
Shariah advisor fee		148	-	58
Total operating expense		14,179	20,456	7,119
Net income / (loss) from operating activities		203,697	(34,188)	123,412
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - net		(17,084)	255	(6,745)
Net income / (loss) for the period before taxation		186,613	(33,933)	116,667
Taxation	13	-	-	-
Net income / (loss) for the period after taxation		186,613	(33,933)	116,667
Earnings per unit	14			

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- Rupees in '000 -----			
Net income / (loss) for the period after taxation	186,613	(33,933)	116,667	4,014
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>186,613</u>	<u>(33,933)</u>	<u>116,667</u>	<u>4,014</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Chief Executive

For NBP Fullerton Asset Management Limited
(Management Company)

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- Rupees in '000 -----				
Undistributed income brought forward comprising of :				
Realised gain	108,079	64,964	142,666	225,416
Unrealised gain / (loss)	31,479	143,577	66,838	(57,224)
	<u>139,558</u>	<u>208,541</u>	<u>209,504</u>	<u>168,192</u>
Net income / (loss) for the period after taxation	186,613	(33,933)	116,667	4,014
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	-	-	-
Final distribution made during the period				
- Nil distribution for the year period ended December 31, 2016 (2015: Re 0.2192 per unit as declared on July16, 2015)	-	(2,402)	-	-
	<u>326,171</u>	<u>172,206</u>	<u>326,171</u>	<u>172,206</u>
Undistributed income carried forward				
Undistributed income comprising of :				
Realised gain	314,509	220,498	314,509	220,498
Unrealised gain / (loss)	11,662	(48,292)	11,662	(48,292)
	<u>326,171</u>	<u>172,206</u>	<u>326,171</u>	<u>172,206</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees in '000			
Net assets at the beginning of the period	1,083,504	1,308,075	928,177	1,254,353
Issue of nil units (2015: 18,303 units)	-	2,249	-	-
Redemption of 2,367,019 units (2015: 577,965 units)	(282,653)	(68,483)	(47,041)	(52,779)
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed - net - transferred to income statement	17,084	(255)	6,745	(337)
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	11,662	(48,292)	(55,176)	8,932
Capital gain / (loss) on sale of investments - net	175,314	(3,417)	168,396	(13,443)
Other net (loss) / income for the period	(363)	17,776	3,447	8,525
Net income / (loss) for the period	186,613	(33,933)	116,667	4,014
Final distribution made during the period				
- Nil distribution for the period ended December 31, 2016 (2015: Re 0.2192 per unit as declared on July16, 2015)	-	(2,402)	-	-
Net assets at the end of the period	1,004,548	1,205,251	1,004,548	1,205,251

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- Rupees in '000 -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	186,613	(33,933)	116,667	4,014
Adjustments				
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(11,662)	48,292	55,176	(8,932)
Dividend Income	(21,888)	(25,066)	(13,149)	(11,281)
Profit on bank deposits	(9,012)	(12,911)	(4,162)	(6,930)
Amortisation of preliminary expenses and floatation costs	-	580	-	290
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed - net	17,084	(255)	6,745	(337)
Federal excise duty on remuneration of the Management Company	-	2,061	-	1,003
	<u>161,135</u>	<u>(21,232)</u>	<u>161,277</u>	<u>(22,173)</u>
(Increase) / decrease in assets				
Investments	541,232	260,017	614,206	90,215
Receivable against sale of investments	(477,394)	-	(477,394)	41,737
Advances, deposits and prepayments	(27)	(49)	69	11
	<u>63,811</u>	<u>259,968</u>	<u>136,881</u>	<u>131,963</u>
(Decrease) / increase in liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	(524)	(61)	(346)	57
Payable to the Central Depository Company of Pakistan Limited -Trustee	(33)	9	(8)	(5)
Payable to the Securities and Exchange Commission of Pakistan	(554)	(496)	182	235
Accrued expenses and other liabilities	(920)	(2,254)	(1,858)	(844)
	<u>(2,031)</u>	<u>(2,802)</u>	<u>(2,030)</u>	<u>(557)</u>
Dividends received	21,610	26,290	20,453	22,735
Profit received	9,290	11,768	3,592	6,441
Net cash generated from operating activities	<u>253,815</u>	<u>273,992</u>	<u>320,173</u>	<u>138,409</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on redemption of units	(299,232)	(68,483)	(48,089)	(53,895)
Net cash used in financing activities	<u>(299,232)</u>	<u>(68,483)</u>	<u>(48,089)</u>	<u>(53,895)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(45,417)</u>	<u>205,509</u>	<u>272,084</u>	<u>84,514</u>
Cash and cash equivalents at the beginning of the period	523,450	372,463	205,949	493,458
Cash and cash equivalents at the end of the period	<u>478,033</u>	<u>577,972</u>	<u>478,033</u>	<u>577,972</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 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 the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on May 07, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 15, 2014 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The principal office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block no. 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an Open-End "Shariah Compliant Capital Protected Fund Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited.

The objective of NAFA Islamic Principal Protection Fund - II is to earn a potentially high return through dynamic asset allocation between shariah compliant equities and money market investment avenues, while providing principal protection to its unit holders. Principal protection means that the net realisable value of the Fund shall not fall below the initial investment value (adjusted for distributions / redemptions during the life of the Fund), provided that the units are held till the completion of the initial maturity of the Fund.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2++ to the Management Company as at August 4, 2016. The Fund has not yet been rated.

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

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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

- 3.1 The accounting policies applied in the preparation of this condensed interim financial information for the half year and quarter ended December 31, 2015 are same as those applied in the preparation of published annual audited financial statements for the year ended June 30, 2016.
- 3.2 The preparation of this condensed interim financial information 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2016. The development relating to estimation of provision in respect of Workers' Welfare Fund is given in note 10.1 to the condensed interim financial information.

- 3.3 The financial risk management objectives and policies are consistent with those disclosed in the published annual audited financial statements of the Fund for the year ended June 30, 2016.
- 3.4 **Standards, interpretations and amendments to published approved accounting standards that are effective in the current period**

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are, therefore, not disclosed in this condensed interim financial information.

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
		----- Rupees in '000 -----	
4 BALANCE WITH BANKS			
Profit and loss saving accounts	4.1	474,535	523,311
Current accounts		<u>3,498</u>	<u>139</u>
		<u>478,033</u>	<u>523,450</u>
4.1 These carry profit at the rates ranging from 3.75% to 6.00% (June 30, 2016: 2.4% to 6.7%) per annum.			
	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
5 INVESTMENTS		----- Rupees in '000 -----	
Financial assets 'at fair value through profit or loss'			
- Listed equity securities	5.1	<u>66,011</u>	<u>595,581</u>

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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 per share.

Name of the investee company	Number of shares					Market value as at December 31, 2016	Investment as a percentage of		Holding as a percentage of paid up capital of the investee company
	As at July 01, 2016	Purchases during the period	Bonus / Right Issues	Sales during the period	As at December 31, 2016		Net assets	Total investments	
						Rupees in '000	%		
Refinery									
Attock Refinery Limited	-	37,000	-	37,000	-	-	-	-	-
National Refinery Limited	21,200	-	-	21,200	-	-	-	-	-
Oil & Gas Marketing Companies									
Attock Petroleum Limited	64,050	-	-	64,050	-	-	-	-	-
Hascal Petroleum Limited	876	-	-	-	876	296	0.03	0.45	-
Pakistan State Oil Company Limited	93,600	28,000	-	121,600	-	-	-	-	0.00
Shell Pakistan Limited	74,000	18,500	-	92,500	-	-	-	-	-
Oil & Gas Exploration Companies									
Pakistan Oilfields Limited	98,000	14,000	-	103,300	8,700	4,651	0.46	7.05	0.00
Pakistan Petroleum Limited	168,400	32,000	-	175,500	24,900	4,686	0.47	7.10	0.00
Mari Petroleum Company Limited	11,850	10,600	-	18,350	4,100	5,637	0.56	8.54	0.00
Oil and Gas Development Company Limited	-	75,000	-	75,000	-	-	-	-	-
Fertilizer									
Engro Fertilizers Limited	251,500	120,000	-	292,500	79,000	5,370	0.53	8.14	0.01
Engro Corporation Limited	137,400	16,000	-	138,800	14,600	4,615	0.46	6.99	0.00
Fauji Fertilizer Bin Qasim Limited	120,000	97,000	-	217,000	-	-	-	-	-
Cement									
D.G. Khan Cement Company Limited	102,700	-	-	81,200	21,500	4,767	0.47	7.22	0.00
Lucky Cement Limited	42,500	-	-	39,650	2,850	2,469	0.25	3.74	0.00
Maple Leaf Cement Factory Limited	71,500	-	-	71,500	-	-	-	-	-
Attock Cement (Pakistan) Limited	92,600	21,000	-	113,600	-	-	-	-	-
Fauji Cement Company Limited	392,000	-	-	292,900	99,100	4,467	0.44	6.77	0.01
Pioneer Cement Limited	83,500	-	-	43,000	40,500	5,755	0.57	8.72	0.02
Automobile Parts and Accessories									
Thal Limited	78,600	-	-	78,600	-	-	-	-	-
Automobile Assembler									
Indus Motor Company Limited	25,830	2,250	-	28,080	-	-	-	-	-
Cable and Electrical Goods									
Pak Elektron Limited	179,875	82,500	-	262,375	-	-	-	-	-
Engineering									
Mughal Iron and Steel Industries Limited	329,975	-	-	300,200	29,775	2,625	0.26	3.98	0.02
Crescent Steel & Allied Products Limited	48,500	30,000	-	21,100	57,400	8,850	0.88	13.40	0.07
Textile Composite									
Kohinoor Textile Mills Limited	526,225	-	-	521,489	4,736	550	0.05	0.83	0.00
Nishat Mills Limited	347,600	93,000	-	404,600	36,000	5,482	0.55	8.31	0.01
Pharmaceuticals									
The Searle Company Limited	24,000	-	3,360	27,132	228	149	0.01	0.23	0.00
Ferozsons Laboratories Limited	3,000	-	-	3,000	-	-	-	-	-
Technology & Communication									
Pakistan Telecommunication Company Limited	337,000	-	-	337,000	-	-	-	-	-
Avanceon Limited	227,500	-	-	227,500	-	-	-	-	-
NetSol Technologies Limited	45,000	-	-	32,500	12,500	679	0.07	1.03	0.01
Power Generation & Distribution									
The Hub Power Company Limited	205,300	-	-	205,300	-	-	-	-	-
Kot Addu Power Company Limited	272,000	59,500	-	268,600	62,900	4,956	0.49	7.51	0.01
Lalpur Power Limited	337,500	-	-	337,500	-	-	-	-	-
Commercial Banks									
Meezan Bank Limited	237,500	-	-	237,400	100	7	-	0.01	-
						66,011	6.57	100.00	
Carrying value as at December 31, 2016						54,349			

5.1.1 Investments include shares with market value of Rs 9.862 million (June 30, 2016: 66.642 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the SECP.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
		----- Rupees in '000 -----	
5.2 Unrealised appreciation on re-measurement of investments classified as financial asset 'at fair value through profit or loss'			
Market value of securities		66,011	595,581
Less: Carrying amount of investments		(54,349)	(564,102)
		<u>11,662</u>	<u>31,479</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 to a shareholder if the Company collects from the shareholder tax equal to 5 percent of the value of the bonus shares issued. The value of tax is computed on the basis of day-end price on the first day of book closure.

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

As at December 31, 2016, the following bonus shares of the Fund were withheld by certain companies at the time of 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.

Names of the Company	December 31, 2016		June 30, 2016	
	Bonus Shares			
	Number	Market value	Number	Market value
	Rupees in '000		Rupees in '000	
Hascol Petroleum Limited	813	274	813	159
Mughal Iron and Steel Industries Limited	1,324	117	1,324	89
Kohinoor Textile Mills Limited	4,736	550	4,736	379
The Searle Company Limited	225	147	50	27
		<u>1,089</u>		<u>654</u>

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
		----- Rupees in '000 -----	
6 DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		1,209	931
Profit accrued on profit and loss savings accounts		1,742	2,020
		<u>2,951</u>	<u>2,951</u>

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
		----- Rupees in '000 -----	
7 PAYABLE TO THE NBP FULLERTON ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	7.1	1,696	1,913
Sindh sales tax payable on remuneration of the Management Company	7.2	220	311
Federal excise duty on the remuneration of the Management Company	7.3	8,151	8,151
Allocation of operational expenses from the Management Company	7.4	497	713
Federal excise duty on sales load		2,899	2,899
		<u>13,463</u>	<u>13,987</u>

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

- 7.1 The Management Company has charged remuneration at the rate of 2% per annum (June 30, 2016: 2%) based on the average daily net assets for the period. The fee is payable to the Management Company monthly in arrears.
- 7.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 13% (June 30, 2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 7.3 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 the provincial sales tax as explained in note 7.1, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

On September 4, 2013, a Constitutional Petition was 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.

During the period 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. The Deputy Commissioner Inland Revenue, Zone II has filed a petition for leave to appeal against the SHC order with the Supreme Court of Pakistan.

Further with effect from July 1, 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. However, the provision made till 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. Had the provision not been made, the net asset value per unit of the Fund as at December 31, 2016 would have been higher by Rs 1.1181 (June 30, 2016: Re 0.8440) per unit.

- 7.4 During the year ended June 30, 2016, 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. The Management Company has charged operating expenses to the Fund at the rate of 0.1% per annum of the average annual net assets of the Fund for the period from July 1, 2016 to December 31, 2016 amounting to Rs 0.497 million.

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
8	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Remuneration payable to the Trustee	110	124
	Sindh sales tax payable on remuneration of the Trustee	14	17
	CDS charges payable	42	58
		<u>166</u>	<u>199</u>

- 8.1 The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services and has levied Sindh Sales Tax on custodianship services. Accordingly, Sindh Sales Tax of 13% (June 30, 2016: 14%) has been charged on Trustee fee under section 2(79A) of the Sindh Finance Bill, 2010 during the period.

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
9	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
	Annual fee	373	927

- 9.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Shariah Compliant Capital Protected Scheme is required to pay an annual fee to the SECP at an amount equal to 0.075% of the average annual net assets of the Fund. There has been no change in this percentage in the current year.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
10 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		183	283
Legal and professional charges payable		183	131
Brokerage payable		617	297
Bank charges payable		42	84
Charity payable	10.1	885	958
Printing charges payable		113	128
Provision for Workers' Welfare Fund	10.2	5,070	5,070
Withholding tax and capital gains tax on dividend		1,047	2,256
Shariah advisory fee payable		326	179
		8,466	9,386

10.1 According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes. During the current period, Non Shariah compliant income amounting to Rs 0.413 million (2016: 0.701 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of Shariah Advisor. The dividend income is recorded net of haram portion.

10.2 PROVISION FOR WORKERS' WELFARE FUND

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

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

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

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

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

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

The net effect of the above two adjustments if these had been made on December 31, 2016 would have resulted in a decrease in the net asset value per unit of the Fund by Re. 0.1064.

11 CONTINGENCIES AND COMMITMENTS

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

12 NET ASSET VALUE PER UNIT

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

13 TAXATION

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

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

14 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

15 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net asset value for the period) is 2.88% p.a including 0.28% representing government levies on Collective Investment Schemes such as Sales tax, Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the period.

16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

16.1 Related Parties / Connected persons include NBP Fullerton Asset Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP), and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

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

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

	(Unaudited)			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
NBP Fullerton Asset Management Limited - Management Company				
Remuneration for the period	9,935	12,882	4,854	6,272
Sindh sales tax on remuneration of the Management Company	1,291	2,092	630	1,018
Federal excise duty on remuneration of the Management Company	-	2,061	-	1,003
Accounting and operational charges to the Management Company	497	121	243	121
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	646	838	316	408
Sindh sales tax on remuneration of the Trustee	84	117	41	57
CDS charges	95	199	46	103
PTCL Employees General Provident Fund				
Issue of nil units (2015: 7,267 units)	-	893	-	-
Employees of the Management Company				
Issue of nil units (2015: 3 units)	-	*	-	-
Taurus Securities Limited				
Brokerage expense	16	38	1	31

* Nil due to rounding off

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

	(Un-audited) December 31, 2016	Audited June 30, 2016
	----- Rupees in '000 -----	
16.6 Balances outstanding as at period / year end		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	1,696	1,913
Sindh sales tax payable on remuneration of the Management Company	220	311
Federal excise duty payable on the remuneration of the Management Company	8,151	8,151
Allocation of operational expenses payable to the Management Company	497	713
Federal excise duty payable on sales load	2,899	2,899
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	110	124
Sindh sales tax payable on remuneration of the trustee	14	17
CDS charges payable	42	58
Security deposit	100	100
PTCL Employees General Provident Fund		
Units held: 4,463,705 units (June 30, 2016: 4,463,705 units)	615,066	500,807
Employees of the Management Company		
Units held: 1,669 units (June 30, 2016: 1,669 units)	230	187
Taurus Securities Limited		
Brokerage payable	-	47
NAFA Islamic Energy Fund		
Payable against redemption of units	-	416
NAFA Islamic Active Allocation Fund - I (Plan - III)		
Payable against redemption of units	-	16,163

17 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:

- 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.

17.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- 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).
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2016, the Fund held the following financial instruments measured at fair value:

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

	----- Un-audited -----			
	As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets	-----Rupees in '000-----			
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	66,011	-	-	66,011
	----- Audited -----			
	As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets	-----Rupees in '000-----			
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	595,581	-	-	595,581

18 DATE OF AUTHORISATION FOR ISSUE

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

19 GENERAL

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

19.2 Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison and better presentation. However, no significant rearrangements and reclassifications have been made in this condensed interim financial information during the current period.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



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

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