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

NAFA ISLAMIC STOCK FUND

HALF YEARLY
REPORT
December 31, 2017



Your investments & "NAFA" grow together




NBP

**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA ISLAMIC STOCK FUND

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NAFA ISLAMIC STOCK FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Ms. Anupama Sawhney*	Director
* SECP's approval is in process	

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Ms. Anupama Sawhney*	Member

Trustee

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

Bankers to the Fund

Summit Bank Limited
Bank Alfalah Limited
Habib Bank Limited
National Bank of Pakistan
Silk Bank Limited
United Bank Limited
Al Baraka Bank Limited
BankIslami Pakistan Limited
Meezan Bank Limited
Sindh Bank Limited
Bank Al Habib Limited
Dubai Islamic Bank Pakistan Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
MCB Bank Limited
JS Bank Limited

NAFA ISLAMIC STOCK FUND

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 STOCK FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Islamic Stock Fund (NISF)** for the half year ended December 31, 2017.

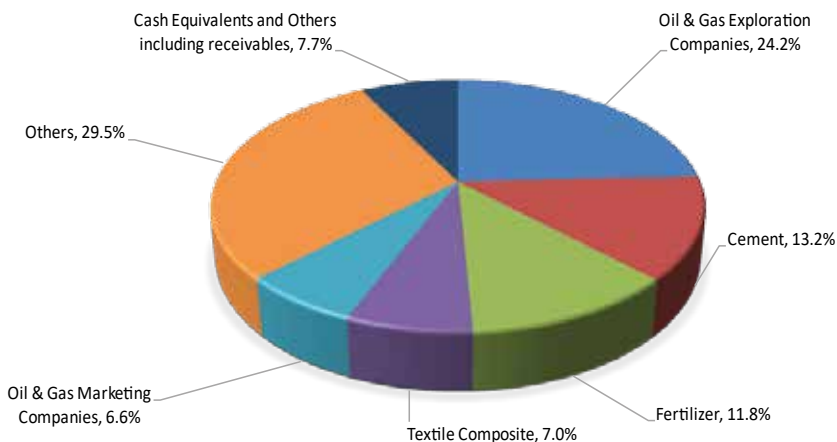
Fund's Performance

The size of NAFA Islamic Stock Fund (NISF) at the end of the period stood at Rs.6,449 million, 22% lower than at June 30, 2017. During the period the unit price of NAFA Islamic Stock Fund (NISF) has decreased from Rs. 13.0678 (Ex-Div) on June 30, 2017 to Rs. 11.1635 on December 31, 2017, thus showing a decrease of 14.57%. The Benchmark (KMI-30 Index) for the same period decreased by 12.71%. Thus, the Fund has underperformed its Benchmark by 1.86% during the period under review. Since inception (January 09, 2015), the unit price of the Fund has shown a growth of 42.28% as compared to 30.83% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 11.45%. This performance is net of management fee and all other expenses.

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

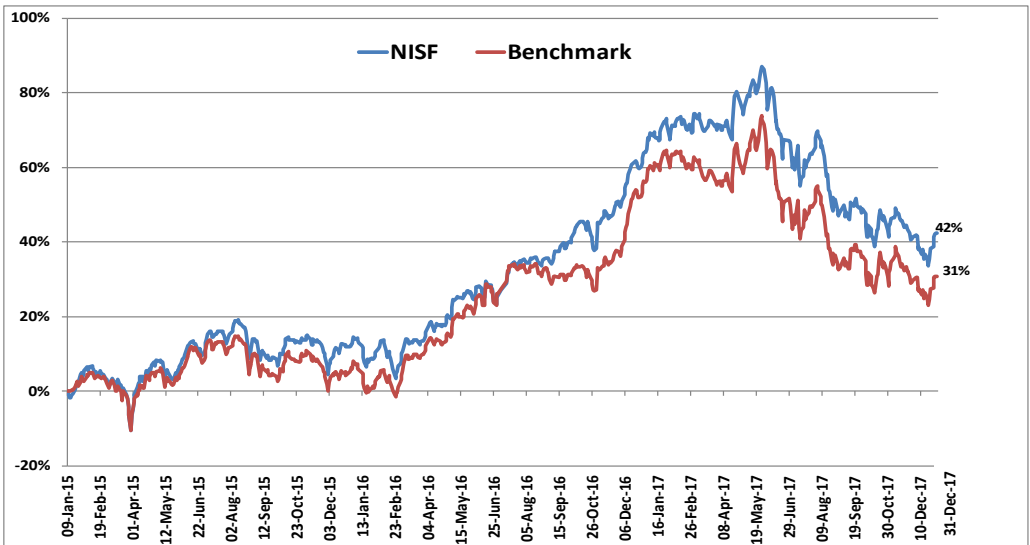
To augment the precarious external account position the government issued international bond of USD2.5bn in addition to the measured PKR devaluation of around 5% against the US Dollar, which allayed the concerns of the market to some extent. Foreign investors remained net sellers during the period with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

The Fund has incurred a loss of Rs.1,182.56 million during the period. After accounting for expenses of Rs.117.48 million, the net loss is Rs.1,300.04 million. The below chart presents the asset allocation of NISF.



NAFA ISLAMIC STOCK FUND

NISF Performance versus Benchmark (Since Inception)



Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 22, 2018
Place: Karachi.

NAFA ISLAMIC STOCK FUND

ڈائریکٹرز رپورٹ

NBP فلٹرٹن ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2017ء کو ختم ہونے والی ششماہی کے لیے NAFA اسلامک اسٹاک فنڈ (NISF) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

NAFA اسلامک اسٹاک فنڈ (NISF) کا فنڈ سائز اس مدت کے اختتام پر 6,449 ملین روپے ہے جو 30 جون 2017 کے مقابلے میں 22% کم ہے۔ اس مدت کے دوران NAFA اسلامک اسٹاک فنڈ کے یونٹ کی قیمت 30 جون 2017 پر 13.0678 روپے (Ex-Div) سے کم ہو کر 31 دسمبر 2017 پر 11.1635 روپے ہو چکی ہے، لہذا 14.57% کی کمی ہوئی۔ اسی مدت کے دوران بینچ مارک (KMI-30 انڈیکس) میں 12.71% کمی ہوئی۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بینچ مارک سے 1.86% خراب کارکردگی دکھائی۔ اپنے قیام (9 جنوری 2015) سے اب تک فنڈ کے یونٹ کی قیمت نے اپنے بینچ مارک میں 30.83% اضافے کے مقابلے میں 42.28% نمود کھائی ہے۔ اس طرح فنڈ کی کارکردگی اپنے بینچ مارک کے مقابلے میں 11.45% بہتر رہی۔ یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

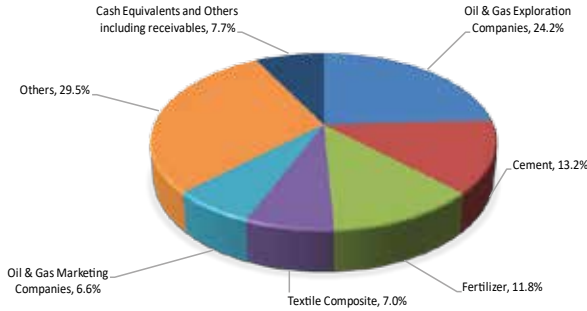
مالیاتی سال 18 کی پہلی ششماہی میں مارکیٹ میں مندی کا رجحان برقرار رہا۔ 100 KSE انڈیکس کی MSCI فرٹینئر مارکیٹ سے MSCI ایمریکنگ مارکیٹ میں درجہ بندی کی خبر کا اثر مارکیٹ سے ختم ہو گیا اور اس کی جگہ زبردست سیاسی گرما گرمی نے مرکزی حیثیت اختیار کر لی۔ اس کے علاوہ بیرونی اکاؤنٹس کی بگڑتی ہوئی صورتحال سے سرمایہ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

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

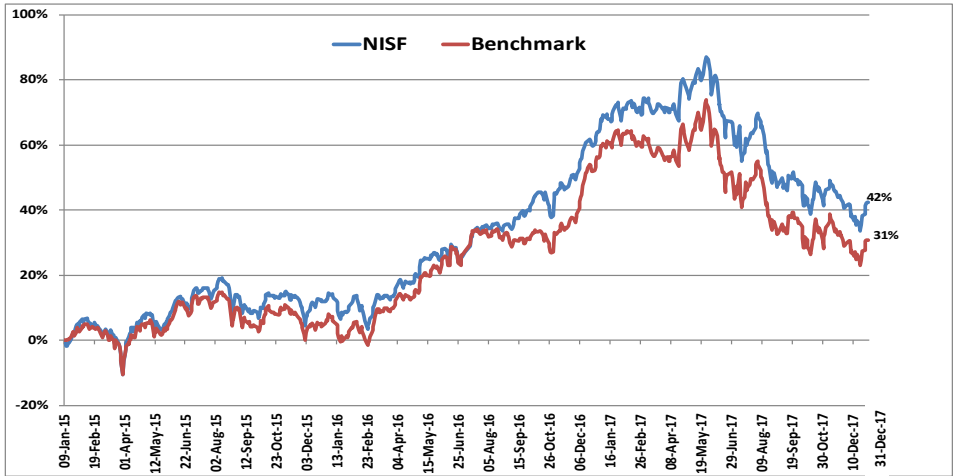
اس مدت کے دوران فنڈ کو 1,182.56 ملین روپے کا نقصان ہوا۔ اخراجات کی مد میں 117.48 ملین روپے منہا کرنے کے بعد خالص نقصان 1,300.04 ملین روپے ہوا۔

درج ذیل چارٹ NISF کی ایسیٹ ایلوکیشن پیش کرتا ہے:

NAFA ISLAMIC STOCK FUND



NISF کی کارکردگی بمقابلہ بیچ مارک (قیام سے اب تک)



اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجسٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر پونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص 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 اسٹیٹ منجسٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

22 فروری 2018ء

مقام: کراچی

NAFA ISLAMIC STOCK FUND

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 Stock Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2017 in accordance with the provisions of the following:

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

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited
Karachi, February 26, 2018

NAFA ISLAMIC STOCK FUND

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 Stock Fund** (the Fund) as at December 31, 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2017. The Management Company (NBP Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures included in the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

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

Conclusion

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

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Noman Abbas Sheikh**
Dated: February 22, 2018
Karachi

NAFA ISLAMIC STOCK FUND

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

	Note	(Un-audited) December 31, 2017	Audited June 30, 2017
(Rupees in '000)			
ASSETS			
Balances with banks	4	628,625	1,014,592
Investments	5	5,952,066	7,508,122
Receivable against issue of units		-	8,042
Receivable against sale of investments		-	28,893
Dividend and profit receivable	6	32,221	23,286
Advances, deposits and prepayments		4,104	4,091
Total assets		6,617,016	8,587,026
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	7	47,399	48,112
Payable to the Central Depository Company of Pakistan Limited - Trustee	8	698	886
Payable to the Securities and Exchange Commission of Pakistan	9	3,491	5,370
Payable against purchase of investments		63,686	-
Payable against redemption of units		-	57,347
Dividend payable		-	10,050
Accrued expenses and other liabilities	10	53,017	172,568
Total liabilities		168,291	294,333
NET ASSETS		6,448,725	8,292,693
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		6,448,725	8,292,693
CONTINGENCIES AND COMMITMENTS			
	11	-----Number of units-----	
NUMBER OF UNITS IN ISSUE		577,659,446	632,814,636
		------(Rupees)-----	
NET ASSET VALUE PER UNIT	12	11.1635	13.1045

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC STOCK FUND

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

Note	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Rupees in '000				
INCOME				
(Loss) / gain on sale of investments - net	(333,526)	73,076	(204,477)	61,245
Profit on balances with banks	24,641	11,963	11,632	6,549
Dividend income	199,908	88,169	157,860	60,640
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.2 (1,073,586)	867,113	(242,604)	599,862
Total income	(1,182,563)	1,040,321	(277,589)	728,296
EXPENSES				
Remuneration of NBP Fullerton Asset Management Limited - Management Company	7.1 73,490	35,336	33,215	21,491
Sindh Sales Tax on the Management Company's remuneration	7.2 9,554	4,594	4,318	2,794
Accounting and operational expenses	7.4 3,675	1,767	1,661	1,075
Selling and marketing expense	14,698	-	6,644	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	4,179	2,271	1,913	1,327
Sindh Sales Tax on remuneration of the Trustee	8.1 543	295	248	172
Annual fee of the Securities and Exchange Commission of Pakistan	3,491	1,678	1,578	1,020
Auditors' remuneration	234	282	67	162
Annual listing fee	14	28	2	18
Printing charges	18	55	9	28
Securities transaction cost	6,293	3,542	2,434	2,470
Legal and professional charges	-	70	-	70
Settlement and bank charges	987	424	701	259
Shariah advisor fee	212	147	106	71
Mutual fund rating fee	90	-	44	-
Total operating expense	117,478	50,489	52,940	30,957
Net (loss) / income from operating activities	(1,300,041)	989,832	(330,529)	697,339
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	412,903	-	360,386
Net (loss) / income for the period before taxation	(1,300,041)	1,402,735	(330,529)	1,057,725
Taxation	13 -	-	-	-
Net (loss) / income for the period after taxation	(1,300,041)	1,402,735	(330,529)	1,057,725
Earnings / (loss) per unit	14			
Allocation of net Income for the period:				
Net (loss) / income for the period after taxation	(1,300,041)	1,402,735	(330,529)	1,057,725
Income already paid on units redeemed	-	-	-	-
	(1,300,041)	1,402,735	(330,529)	1,057,725
Accounting income available for distribution:				
- Relating to capital gains	-	-	-	-
- Excluding capital gains	-	-	-	-

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC STOCK FUND

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

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees in '000			
Net (loss) / income for the period after taxation	(1,300,041)	1,402,735	(330,529)	1,057,725
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(1,300,041)</u>	<u>1,402,735</u>	<u>(330,529)</u>	<u>1,057,725</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC STOCK FUND

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

	For the half year ended December 31, 2017				For the half year ended December 31, 2016			
	Rupees				Rupees			
	Capital Value	Undistributed income / (loss)	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Capital Value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total
Net assets at beginning of the period (audited)	7,053,964	1,238,729	-	8,292,693	1,566,885	185,502	-	1,752,387
Issue of 243,554,736 units (December 31, 2016: 477,102,808 units)								
- Capital value (at net asset value per unit at the beginning of the period)	3,188,811	-	-	3,188,811				
- Element of loss	(189,359)	-	-	(189,359)				
Total proceeds on issuance of units	2,999,452	-	-	2,999,452	5,458,100	922,401	-	6,380,501
Redemption of 298,709,926 units (December 31, 2016: 226,527,196 units)								
- Capital value (at net asset value per unit at the beginning of the period)	(3,909,789)	-	-	(3,909,789)				
- Element of income	387,412	-	-	387,412				
Total payments on redemption of units	(3,522,377)	-	-	(3,522,377)	(2,591,494)	(509,498)	-	(3,100,992)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	-	-	-	-	(412,903)	-	(412,903)
Total comprehensive (loss) / income for the period	-	(1,300,041)	-	(1,300,041)	-	1,402,735	-	1,402,735
Distribution during the period	-	(21,002)	-	(21,002)	-	-	-	-
Net income for the period less distribution	-	(1,321,043)	-	(1,321,043)	-	1,402,735	-	1,402,735
Net assets at end of the period (un-audited)	6,531,039	(82,314)	-	6,448,725	4,433,491	1,588,237	-	6,021,728
Undistributed income brought forward								
- Realised income		681,555				27,642		
- Unrealised income		557,174				157,860		
		1,238,729				185,502		
Accounting income available for distribution								
- Relating to capital gains		-						
- Excluding capital gains		-						
Net (loss) / income for the period after taxation		(1,300,041)				1,402,735		
Distribution during the period		(21,002)				-		
Undistributed (accumulated loss) / income carried forward		(82,314)				1,588,237		
Undistributed (accumulated loss) / income carried forward								
- Realised (loss) / income		991,272				721,124		
- Unrealised (loss) / income		(1,073,586)				867,113		
		(82,314)				1,588,237		
			(Rupees)				(Rupees)	
Net assets value per unit at beginning of the period			13.1045				11.4401	
Net assets value per unit at end of the period			11.1635				14.9143	

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

**For NBP Fullerton Asset Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC STOCK FUND

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

	Half year ended	
	December 31, 2017	December 31, 2016
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / income for the period before taxation	(1,300,041)	1,402,735
Adjustments		
Profit on balances with banks	(24,641)	(11,963)
Dividend income	(199,908)	(88,169)
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	1,073,586	(867,113)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	-	(412,903)
	(451,004)	22,587
Decrease / (increase) in assets		
Investments	482,470	(2,748,318)
Receivable against sale of investments	28,893	(101,335)
Advances, deposits and prepayments	(13)	(1,485)
	511,350	(2,851,138)
(Decrease) / increase in liabilities		
Payable to the Management Company	(713)	13,666
Payable to the Central Depository Company of Pakistan Limited - Trustee	(188)	343
Payable to the Securities and Exchange Commission of Pakistan	(1,879)	110
Payable against purchase of investment	63,686	-
Dividend payable	(10,050)	(14)
Accrued expenses and other liabilities	(119,551)	3,454
	(68,695)	17,559
Dividends received	191,214	81,069
Profit received	24,400	10,165
Net cash generated from / (used in) operating activities	207,265	(2,719,758)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash distribution	(21,002)	-
Proceeds on issuance of units	3,007,494	6,385,961
Payments on redemption of units	(3,579,724)	(3,437,665)
Net cash (used in) / generated from financing activities	(593,232)	2,948,296
Net (decrease) / increase in cash and cash equivalents during the period	(385,967)	228,538
Cash and cash equivalents at the beginning of the period	1,014,592	240,619
Cash and cash equivalents at the end of the period	628,625	469,157

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC STOCK FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Stock Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on November 18, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on November 21, 2014 in accordance with 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 No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund commenced its operations from January 9, 2015. It is an open-end mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an Open-End "Shariah Compliant Equity Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The core objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of shariah compliant listed equity securities.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 to the Management Company as at December 08, 2017 and performance ranking of "4 - Star" to the Fund.

Title to the assets of the Fund is held in the name of the CDC as Trustee of the Fund.

The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in offering document of the Fund.

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 NBFC Rules, the NBFC Regulations and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2017.

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

NAFA ISLAMIC STOCK FUND

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

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

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

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

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 198.053 million net off charge for SWWF in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.3 The preparation of 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.

NAFA ISLAMIC STOCK FUND

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, 2017.

3.4 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2017.

3.5 Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

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

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

	Note	(Un-audited) December 31, 2017	Audited June 30, 2017
4 BALANCE WITH BANKS		----- Rupees in '000 -----	
Profit and loss sharing accounts	4.1	582,495	953,172
Current accounts	4.2	46,130	61,420
		<u>628,625</u>	<u>1,014,592</u>

4.1 These carry profits at the rates ranging from 3.75% to 6.7% per annum (June 30, 2017: 2.40% to 6.40 per annum) and include Rs 539.27 million (June 30, 2017: Rs 695.088 million) and Rs 0.515 million (June 30, 2017: Rs 0.507 million) maintained with Bank Islami Pakistan Limited and Summit Bank Limited (being the related parties of the Fund) which carry profit at the rate of 6% (June 30, 2017: 5.6%).

4.2 This includes balances of Rs 7.503 million (June 30, 2017: Rs 4.210 million) and Rs 8.408 million (June 30, 2017: Rs 10.276 million) maintained with the National Bank of Pakistan and Summit Bank Limited (being the related parties of the Fund) respectively.

	Note	(Un-audited) December 31, 2017	(Audited) June 30, 2017
5 INVESTMENTS		(Rupees in '000)	
Financial assets 'at fair value through profit or loss'			
- Listed equity securities	5.1	<u>5,952,066</u>	<u>7,508,122</u>

NAFA ISLAMIC STOCK FUND

5.1 Listed equity securities

All shares have a nominal face value of Rs.10 each except for the shares of Thal Limited, Shabbir Tiles & Ceramics Limited and Agriauto Industries Limited which have a face value of Rs 5 and K-Electric Limited which have a face value of Rs 3.5 each.

Name of the investee company	Number of shares					Market value as at December 31, 2017	Market value as a percentage of		Holding as a percentage of paid up capital of the investee company
	As at July 01, 2017	Purchases during the period	Bonus / Right Issue	Sales during the period	As at December 31, 2017		Net assets	Total investments	
Rupees in '000 ----- %									
OIL AND GAS MARKETING COMPANIES									
Attock Petroleum Limited	111,850	20,400	-	-	132,250	69,177	1.07	1.16	0.16
Pakistan State Oil Company Limited	624,300	483,500	129,620	634,300	603,120	176,781	2.74	2.97	0.19
Shell (Pakistan) Limited	267,600	2,400	-	53,450	216,550	66,520	1.03	1.12	0.20
Hascol Petroleum Limited (note 5.3)	2,648	-	300	-	2,948	728	0.01	0.01	-
Sui Northern Gas Pipelines Limited	1,567,500	1,366,500	-	1,740,700	1,193,300	112,898	1.75	1.90	0.19
Sui Southern Gas Company Limited	2,124,500	197,500	-	2,322,000	-	-	-	-	-
						426,104	6.61	7.16	
OIL AND GAS EXPLORATION COMPANIES									
Pakistan Oilfields Limited (note 5.1.1)	741,000	323,000	-	389,950	674,050	400,561	6.21	6.73	0.29
Pakistan Petroleum Limited (note 5.1.1)	2,333,800	597,000	-	735,000	2,195,800	452,137	7.01	7.60	0.11
Mari Petroleum Company Limited	243,270	80	-	57,400	185,950	269,789	4.18	4.53	0.17
Oil and Gas Development Company Limited	2,066,600	1,182,600	-	558,800	2,690,400	437,970	6.79	7.36	0.06
						1,560,457	24.20	26.22	
OIL REFINERY									
Attock Refinery Limited	176,500	203,300	-	260,500	119,300	27,931	0.43	0.47	0.10
						27,931	0.43	0.47	
CHEMICALS									
Engro Polymer & Chemicals Limited	3,666,000	1,330,500	-	3,977,000	1,019,500	29,117	0.45	0.49	0.15
						29,117	0.45	0.49	
FERTILIZERS									
Engro Fertilizers Limited	2,730,000	3,254,000	-	1,687,000	4,297,000	290,993	4.51	4.89	0.32
Engro Corporation Limited (note 5.1.1)	649,400	1,378,600	-	459,600	1,568,400	430,918	6.68	7.24	0.30
Dawood Hercules Corporation Limited	330,000	-	-	-	330,000	36,920	0.57	0.62	0.07
						758,831	11.77	12.75	
CEMENT									
Cherat Cement Company Limited	1,460,600	364,700	-	-	1,825,300	202,444	3.14	3.40	1.03
D.G. Khan Cement Company Limited (note 5.1.1)	1,193,900	819,500	-	634,800	1,378,600	184,346	2.86	3.10	0.31
Kohat Cement Limited	537,700	85,900	-	-	623,600	88,526	1.37	1.49	0.40
Lucky Cement Limited (note 5.1.1)	497,900	37,500	-	218,800	316,600	163,812	2.54	2.75	0.10
Maple Leaf Cement Factory Limited	809,200	-	55,087	809,200	55,087	3,770	0.06	0.06	0.01
Pioneer Cement Limited	988,900	193,400	-	266,700	915,600	57,792	0.90	0.97	0.40
Attock Cement (Pakistan) Limited	625,300	76,900	-	-	702,200	127,105	1.97	2.14	0.61
Fauji Cement Company Limited	3,144,000	764,000	-	2,944,500	963,500	24,097	0.37	0.40	0.07
						851,892	13.21	14.31	
PAPER AND BOARD									
Cherat Packaging Limited	202,600	-	27,351	-	229,951	45,760	0.71	0.77	0.68
Century Paper & Board Mills Limited	489,000	443,200	-	-	932,200	57,918	0.90	0.97	0.63
						103,678	1.61	1.74	
GENERAL INDUSTRIES									
Ecopack Limited (note 5.3)	172,000	-	86	170,275	1,811	36	0.00	0.00	0.01
Synthetic Products Enterprises Limited (note 5.3)	1,738,600	15,000	-	-	1,753,600	105,988	1.64	1.78	2.06
						106,024	1.64	1.78	
AUTOMOBILE PARTS & ACCESSORIES									
Agriauto Industries Limited	112,600	-	-	-	112,600	35,809	0.56	0.60	0.39
Thal Limited	73,400	-	-	5,500	67,900	34,690	0.54	0.58	0.08
						70,499	1.09	1.18	
AUTOMOBILES ASSEMBLER									
Baluchistan Wheels Limited	10,000	-	-	-	10,000	1,103	0.02	0.02	0.08
Indus Motor Company Limited	74,550	-	-	11,300	63,250	106,271	1.65	1.79	0.08
Pak Suzuki Motor Company Limited	111,500	-	-	27,500	84,000	41,813	0.65	0.70	0.10
Sazgar Engineering Works Limited	98,500	-	80	98,100	480	89	0.00	0.00	-
Millat Tractors Limited	157,950	-	-	58,200	99,750	116,870	1.81	1.96	0.23
Honda Atlas Cars (Pakistan) Limited	195,800	-	-	47,050	148,750	76,221	1.18	1.28	0.10
						342,367	5.31	5.75	
GLASS AND CERAMICS									
Tariq Glass Industries Limited	1,227,100	-	-	-	1,227,100	116,562	1.81	1.96	1.67
Shabbir Tiles and Ceramics Limited	6,928,000	-	-	5,258,500	1,669,500	24,592	0.38	0.41	5.10
						141,154	2.19	2.37	
CABLE AND ELECTRIC GOODS									
Pak Elektron Limited	1,475,750	647,000	-	1,192,700	930,050	44,168	0.68	0.74	0.19
						44,168	0.68	0.74	

NAFA ISLAMIC STOCK FUND

Name of the investee company	Number of shares					Market value as at December 31, 2017	Market value as a percentage of		Holding as a percentage of paid up capital of the investee company
	As at July 01, 2017	Purchases during the period	Bonus / Right Issue	Sales during the period	As at December 31, 2017		Net assets	Total investments	
Rupees in '000 ----- %									
ENGINEERING									
Amreli Steels Limited	1,888,500	146,000	-	927,900	1,106,600	102,538	1.59	1.72	0.37
Ittefaq Iron Industries Limited	2,500,000	-	-	1,223,000	1,277,000	21,632	0.34	0.36	0.97
Crescent Steel & Allied Products Limited	170,500	-	-	139,800	30,700	3,908	0.06	0.07	0.04
International Steels Limited	710,500	887,900	-	478,000	1,120,400	119,177	1.85	2.00	0.26
Mughal Iron and Steel Industries Limited (note 5.3)	739,408	736,000	-	384,000	1,091,408	63,411	0.98	1.07	0.43
International Industries Limited	-	6,100	-	-	6,100	1,465	0.02	0.02	0.01
						312,131	4.84	5.24	
TEXTILE COMPOSITE									
Dawood Lawrencepur Limited	174,900	-	-	-	174,900	32,881	0.51	0.55	0.30
Kohinoor Textile Mills Limited (note 5.3)	1,719,225	17,400	103,909	105,000	1,735,534	114,979	1.78	1.93	0.58
Nishat Mills Limited	1,334,700	1,549,200	-	865,000	2,018,900	301,825	4.68	5.07	0.57
						449,685	6.97	7.56	
LEATHER & TANNERIES									
Service Industries Limited	9,830	-	-	-	9,830	7,373	0.11	0.12	0.08
						7,373	0.11	0.12	
PHARMACEUTICALS									
Ferozsons Laboratories Limited	186,500	-	-	-	186,500	38,010	0.59	0.64	0.62
Abbot Laboratories (Pakistan) Limited	62,250	-	-	100	62,150	43,356	0.67	0.73	0.06
GlaxoSmithKline Pakistan Limited	289,500	-	-	10,800	278,700	46,788	0.73	0.79	0.09
The Searle Company Limited (note 5.3)	49,189	-	6,438	17,000	38,627	12,162	0.19	0.20	0.02
						140,316	2.18	2.36	
TECHNOLOGY AND COMMUNICATION									
Avanceon Limited (note 5.3)	748,624	-	-	124,000	624,624	21,612	0.34	0.36	0.47
Pakistan Telecommunication Company Limited	4,500	-	-	-	4,500	59	0.00	0.00	-
NetSol Technologies Limited	593,500	135,000	-	298,500	430,000	27,241	0.42	0.46	0.48
Systems Limited	572,500	484,500	-	-	1,057,000	78,133	1.21	1.31	0.95
						127,045	1.97	2.13	
POWER GENERATION AND DISTRIBUTION									
Hub Power Company Limited (note 5.1.1)	2,658,000	1,302,200	-	1,548,200	2,412,000	219,492	3.40	3.69	0.21
Kot Addu Power Company Limited	773,000	-	-	110,000	663,000	35,736	0.55	0.60	0.08
K-Electric Limited	3,810,000	23,766,000	-	15,815,000	11,761,000	74,212	1.15	1.25	0.04
Pakgen Power Limited	500	-	-	-	500	11	0.00	-	0.00
						329,451	5.11	5.53	
COMMERCIAL BANKS									
Meezan Bank Limited	442,500	833,500	26,550	-	1,302,550	87,401	1.36	1.47	0.12
						87,401	1.36	1.47	
TRANSPORT									
Pakistan National Shipping Corporation	150,000	-	-	32,500	117,500	12,192	0.19	0.20	0.09
						12,192	0.19	0.20	
FOOD AND PERSONAL CARE PRODUCTS									
Al-Shaheer Corporation Limited (note 5.3)	1,547,338	-	-	456,000	1,091,338	24,250	0.38	0.41	0.08
						24,250	0.38	0.41	
As at December 31, 2017						5,952,066	92.30	100.00	
Cost as at December 31, 2017 (carrying cost)						7,025,652			

- 5.1.1 Investments include shares with market value of Rs 196.653 million (June 30, 2017: 176.817 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.

Name of the company	December 31, 2017		June 30, 2017	
	Number of shares pledged	Market value of pledged shares	Number of shares pledged	Market value of pledged shares
		(Rupees in '000)		
D.G. Khan Cement Company Limited	100,000	13,372	100,000	21,316
Engro Corporation Limited	100,000	27,475	100,000	32,591
The Hub Power Company Limited	100,000	9,100	100,000	11,743
Lucky Cement Limited	10,000	5,174	10,000	8,363
Pakistan Oilfields Limited	32,000	19,016	32,000	14,661
Pakistan Petroleum Limited	595,000	122,516	595,000	88,143
	937,000	196,653	937,000	176,817

NAFA ISLAMIC STOCK FUND

	Note	(Un-audited) December 31, 2017	(Audited) June 30, 2017
5.2 Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		-----Rs. In '000-----	
Market value of securities	5.1	5,952,066	7,508,122
Less: Carrying value of investments		(7,025,652)	(6,950,948)
		<u>(1,073,586)</u>	<u>557,174</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 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, 2017, 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	(Un-audited)		(Audited)	
	December 31, 2017		June 30, 2017	
	Bonus Shares			
	Number	Market value	Number	Market value
	Rupees in '000		Rupees in '000	
Hascol Petroleum Limited	1,150	284	1,150	392
Ecopack Limited	1,811	36	1,725	46
Synthetic Products Enterprises Limited	7,405	448	7,405	559
Mughal Iron and Steel Industries Limited	4,242	246	4,242	342
Kohinoor Textile Mills Limited	4,812	319	4,812	506
Avanceon Limited	7,381	255	7,381	334
The Searle Company Limited	1,665	524	1,130	579
Al-Shaheer Corporation Limited	18,377	408	18,377	737
Pakistan State Oil Company Limited	6,481	1,900	-	-
Sazgar Engineering Works Limited *	4	-	-	-
	53,328	4,420	46,222	3,495

* Nil market value is shown due to rounding off.

	Note	(Un-audited) December 31, 2017	(Audited) June 30, 2017
6 DIVIDEND AND PROFIT RECEIVABLE		-----Rs. In '000-----	
Profit accrued on profit and loss savings accounts		4,238	3,997
Dividend receivable		<u>27,983</u>	<u>19,289</u>
		<u>32,221</u>	<u>23,286</u>

NAFA ISLAMIC STOCK FUND

			(Un-audited) December 31, 2017	(Audited) June 30, 2017
			-----Rs. In '000-----	
7	PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note		
	Remuneration of the Management Company	7.1	10,663	14,039
	Sindh Sales Tax on the remuneration of the Management Company	7.2	1,386	1,825
	Federal Excise Duty on the remuneration of the Management Company	7.3	8,209	8,209
	Accounting and operational charges	7.4	3,675	5,653
	Selling and marketing expenses	7.5	14,698	10,910
	Sales load payable		6,421	5,129
	Federal Excise Duty on sales load		2,327	2,327
	Other payable		20	20
			<u>47,399</u>	<u>48,112</u>

7.1 The Management Company has charged remuneration at the rate of 2% per annum 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, 2017: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

7.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company and sales load has applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 4, 2013.

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

Effective July 1, 2016, mutual funds have been excluded from levy of FED vide Finance Act, 2016, hence, no provision of FED has been recognised in the financial statements of the Fund since July 1, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 8.209 million (June 30, 2017: Rs 8.209 million) is being retained in this condensed interim financial information of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at December 31, 2017 would have been higher by Re 0.014 (June 30, 2017: Re 0.013) per unit.

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

7.5 SECP vide a circular no.40 SCD/PRDD/ Circular/361/2016 dated December 30, 2016 (later amended vide circular no. 05 of 2017 dated February 13, 2017), allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from January 1, 2017 till December 31, 2019). Maximum cap of selling and marketing expense shall be 0.4% per annum of net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged at the rate of 0.4% of net assets of the Fund, being lower than the actual expenses incurred.

NAFA ISLAMIC STOCK FUND

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
8	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE	Note	-----Rs. In '000-----
	Remuneration payable to the Trustee		618
	Sindh Sales Tax on Trustee remuneration	8.1	80
			<u>698</u>
			<u>784</u>

8.1 Sindh sales tax at 13 % (June 30, 2017: 13%) is charged on Trustee Fee.

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
9	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	-----Rs. In '000-----
	Annual fee	9.1	<u>3,491</u>
			<u>5,370</u>

9.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorized as equity scheme is required to pay to the SECP an amount equal to 0.095% per annum of the average daily net assets of the Fund. There has been no change in this percentage during the period.

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
10	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	-----Rs. In '000-----
	Auditors' remuneration		246
	Provision against Sindh Workers' Welfare Fund	10.1	44,440
	Brokerage payable		693
	Settlement charges		20
	Bank charges		4
	Withholding tax on dividend		150
	Capital gains tax		36
	Withholding tax others		1,957
	Haram portion of dividend	10.2	5,230
	Other payables		241
			<u>53,017</u>
			<u>172,568</u>

10.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/ mutual funds, the MUFAP had recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act (i.e. starting from May 21, 2015).

NAFA ISLAMIC STOCK FUND

Had the provision for SWWF not been recorded in this condensed interim financial information of the Fund for the period from May 21, 2015 to June 30, 2017, the net asset value of the Fund as at December 31, 2017 would have been higher by Re. 0.0769 per unit (June 30, 2017: Re 0.0702).

- 10.2 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 3.100 million (2016: 1.512 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of Shariah Advisor of the Fund. The dividend income is recorded net of haram portion.

11 CONTINGENCIES AND COMMITMENTS

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

12 NET ASSET VALUE PER UNIT

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

13 TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute 90 percent of the net accounting income other than capital gains to the unitholders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the period.

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

14 EARNINGS / (LOSS) PER UNIT

Earnings / (loss) 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

The total expense ratio (TER) of the Fund as at December 31, 2017 is 3.19% which includes 0.37 % representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC regulations.

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 the terms determined in accordance with the market rates.
- 16.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 16.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA ISLAMIC STOCK FUND

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

	(Un-audited)-----	
	Half year ended	
	December 31, 2017	December 31, 2016
	------(Rupees in '000)-----	
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	73,490	35,336
Sindh Sales Tax on remuneration of the Management Company	9,554	4,594
Accounting and operational expenses	3,675	1,767
Selling and marketing expense	14,698	-
Issue of 10,120 units (2016: Nil units)	119	-
Redemption of 4,115,414 units (2016: Nil units)	47,753	-
NAFA Islamic Principal Preservation Fund		
Issue of 2,196 units (2016: 13,634,387 units)	26	176,677
Redemption of Nil units (2016: 34,051,041 units)	-	489,278
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	4,179	2,271
Sindh Sales Tax on remuneration of the Trustee	543	295
NBP Fullerton Asset Management Limited - Employees Provident Fund		
Issue of 350,625 units (2016: Nil units)	4,315	-
Redemption of 1,661,204 units (2016: 199,301 units)	19,300	2,850
Employees of the Management Company		
Issue of 5,235,907 units (2016: 7,232,001 units)	62,668	94,406
Redemption of 7,125,870 units (2016: 6,733,473 units)	84,618	87,991
Taurus Securities Limited		
Brokerage expense	377	209
Summit Capital Pvt Limited		
Brokerage expense	117	62
Mr. Khalid Mehmood - CFO		
Issue of Nil units (2016: 7,488 units)	-	100
Muhammad Murtaza Ali - Company Secretary / Chief Operating Officer		
Issue of 222,626 units (2016: Nil units)	2,502	-
Redemption of 59,608 units (2016: Nil units)	700	-
Bank Islami Pakistan Limited		
Profit on bank deposits	20,053	-
Cherat Cement Company Limited		
Purchase of 364,700 shares	54,928	-
Cherat Packaging Limited		
Purchase of 27,351 shares	3,419	-
International Steels Limited		
Purchase of 887,900 shares	101,658	-
Sale of 478,000 shares	54,823	-
International Industries Limited		
Purchase of 6,100 shares	1,260	-
Akhuwat		
Issue of 2,076 units (2016: Nil units)	24	-
Redemption of 832,958 units (2016: Nil units)	9,758	-
Security Papers Limited (More than 10% unit holding in the Fund) *		
Issue of Nil units (2016: 117,991,041 units)	-	1,578,171
Redemption of Nil units (2016: 101,993,253 units)	-	1,394,103

* Current period figures have not been presented for those connected persons / related parties with whom such relationship does not exist as at December 31, 2017.

NAFA ISLAMIC STOCK FUND

	(Un-audited) December 31, 2017	Audited June 30, 2017
	----- Rupees in '000 -----	
16.6 Balances outstanding as at period / year end		
NBP Fullerton Asset Management Limited - (Management Company)		
Remuneration payable to the Management Company	10,663	14,039
Sindh Sales Tax payable on remuneration of the Management Company	1,386	1,825
Federal Excise Duty payable on remuneration of the Management Company	8,209	8,209
Accounting and operational charges	3,675	5,653
Selling and marketing expense	14,698	10,910
Sales load payable	6,421	5,129
Federal excise duty payable on sales load	2,327	2,327
Listing fee payable	-	-
Units held: Nil units (2017: 4,105,294 units)	-	53,798
Employees of the Management Company		
Units held: 2,102,101 units (June 30, 2017: 3,992,064 Units)	23,467	52,314
Muhammad Murtaza Ali - Company Secretary / Chief Operating Officer		
Units held: 240,251 units (June 30, 2017: 77,233 units)	2,682	1,012
NAFA Islamic Principal Preservation Fund		
Units held: 781,826 units (June 30, 2017: 779,630 units)	8,728	10,217
NBP Fullerton Asset Management Limited Employees Provident Fund		
Units held: Nil units (June 30, 2017: 1,310,579 Units)	-	17,174
Akhuwat		
Units held: Nil units (June 30, 2017: 830,882 units)	-	10,888
Central Depository Company of Pakistan Limited - (Trustee)		
Trustee fee payable	618	784
Sindh sales tax payable	80	102
Security deposit	103	103
National Bank of Pakistan - Sponsor		
Bank Balances	7,503	4,210
Summit Bank Limited		
Bank Balances	8,923	10,783
Bank Islami Pakistan Limited		
Bank balances	539,271	695,088
Profit receivable	3,530	3,619
Cherat Packaging Limited		
Shares held: 229,951 (June 30, 2017: 202,600)	45,760	48,174
Cherat Cement Company Limited		
Shares held: 1,825,300 (June 30, 2017: 1,460,600)	202,444	261,126
International Steels Limited		
Shares held: 1,120,400 (June 30, 2017: 710,500)	119,177	90,866
Dividend income receivable	-	2,349
International Industries Limited		
Shares held: 6100 (June 30, 2017: Nil)	1,465	-

NAFA ISLAMIC STOCK FUND

	(Un-audited) December 31, 2017	Audited June 30, 2017
----- Rupees in '000 -----		

Taurus Securities Limited

Brokerage payable	15	269
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Amount receivable against issue of units from:

NAFA Stock Fund	-	47
NAFA Islamic Income Fund	-	7,995

Amount payable against redemption of units to:

NAFA Government Securities Liquid Fund	-	65
NAFA Income Opportunity Fund	-	3,212
NAFA Islamic Income Fund	-	2,439
NAFA Asset Allocation Plan Fund II - Plan VII	-	207

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 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 (Level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level 3).

As at December 31, 2017 and June 30, 2017, the Fund held the following financial instruments measured at fair value:

NAFA ISLAMIC STOCK FUND

ASSETS

Investment - financial assets 'at fair value
through profit or loss'
- Listed equity securities

----- Unaudited -----			
----- As at December 31, 2017 -----			
Level 1	Level 2	Level 3	Total
----- Rupees in '000-----			
5,952,066	-	-	5,952,066

ASSETS

Investment - financial assets 'at fair value
through profit or loss'
- Listed equity securities

----- Audited -----			
----- As at June 30, 2017 -----			
Level 1	Level 2	Level 3	Total
----- Rupees in '000-----			
7,508,122	-	-	7,508,122

18 DATE OF AUTHORISATION FOR ISSUE

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

19 GENERAL

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

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

**For NBP Fullerton Asset Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

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