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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 2016**




Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA ISLAMIC 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. 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

Summit Bank Limited
Bank Alfalah Limited
Habib Bank Limited
National Bank of Pakistan
NIB Bank Limited
Silk Bank Limited
United Bank Limited
Al Baraka Islamic 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

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

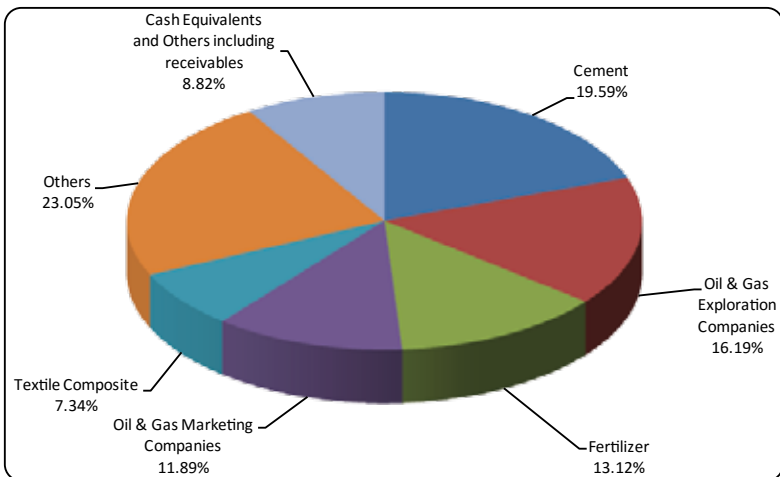
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of NAFA Islamic Stock Fund (NISF) for the half year ended December 31, 2016.

Fund's Performance

The Fund size of NISF at the end of the period stood at Rs.6,022 million, 244% higher than at June 30, 2016. During the period the unit price of NAFA Islamic Stock Fund (NISF) has increased from Rs. 11.4401 on June 30, 2016 to Rs. 14.9143 on December 31, 2016, thus showing an increase of 30.37%. The Benchmark (KMI-30 Index) for the same period increased by 23.63%. Thus, the Fund has outperformed its Benchmark by 6.74% during the period under review. Since inception (January 09, 2015), the unit price of the Fund has shown a growth of 63.93% as compared to 55.96% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 7.97%. This performance is net of management fee and all other expenses.

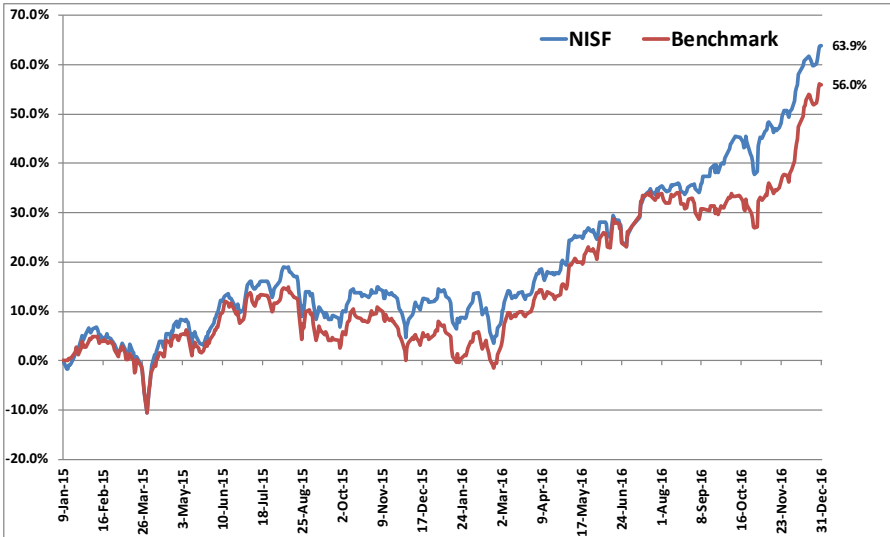
During 1HFY17, riding on the positive momentum built on the Pakistan Stock Exchange (PSX) reclassification into MSCI Emerging Market and driven primarily by the price-to-earnings (PE) re-rating, the stock market delivered a handsome return of about 27%. Positives on the macroeconomic front such as improved 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.

The Fund has earned total income of Rs.1,453.22 million during the period. After deducting expenses of Rs.50.49 million, the net income is Rs.1,402.73 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 28, 2017

Place: Karachi.

NAFA ISLAMIC STOCK FUND

ڈائریکٹرز رپورٹ

NBP فلٹرن ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے لیے INAFA اسلامک اسٹاک فنڈ (NISF) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

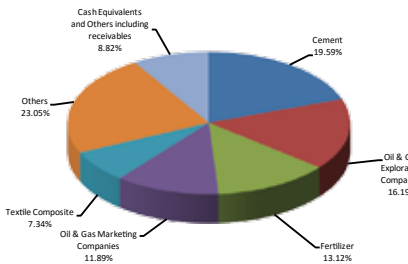
فنڈ کی کارکردگی

INAFA اسلامک اسٹاک فنڈ (NISF) کا فنڈ سائز اس مدت کے اختتام پر 6,022 ملین روپے ہے جو گزشتہ ششماہی کے مقابلے میں 244% زیادہ ہے۔ پہلی ششماہی کے دوران INAFA اسلامک اسٹاک فنڈ کے یونٹ کی قیمت 30 جون 2016 کو 11.440 روپے سے بڑھ کر 31 دسمبر 2016 پر 14.9143 روپے ہو چکی ہے، لہذا فنڈ کا اضافہ 30.37% کا اضافہ ہوا ہے۔ اسی مدت کے دوران بیچ مارک (30-KMI انڈیکس) میں 23.63% اضافہ ہوا تھا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران بیچ مارک سے 6.74% بہتر کارکردگی دکھائی۔ اپنے قیام (9 جنوری 2015) سے اب تک فنڈ کے یونٹ کی قیمت نے اپنے بیچ مارک میں 55.96% اضافے کے مقابلے میں 63.93% نمو دکھائی ہے۔ اس طرح فنڈ کی کارکردگی اپنے بیچ مارک کے مقابلے میں 7.97% بہتر رہی۔ یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

مالی سال 2017 کی پہلی ششماہی کے دوران مثبت رجحان کے ساتھ MSCI ایمریکنگ مارکیٹ میں پاکستان اسٹاک ایکسچینج (PSX) کی ازسرنو تشکیل ہوئی اور اس میں نرخ آمدن تناسب کی دوبارہ درجہ بندی بنیادی طور پر کارفرما تھی، اسٹاک مارکیٹ نے تقریباً 27% کا شاندار منافع فراہم کیا۔ کلیاتی معاشیات کے مثبت پہلو جیسے ترقی کے بہتر امکانات، افراط زر میں کمی، مستقبل قریب میں بہتری کی توقعات اور مستحکم شرح مبادلہ مارکیٹ کو تاریخی اونچائی حاصل کرنے میں معاون ثابت ہوئی۔ گھریلو لیکویڈیٹی کم شرح سود کا باعث بنا جس کی بدولت USD 298 mn کی بھاری غیر ملکی فروخت کے اثر کو زائل کرنے میں مدد ملی۔ آٹوموبیل اسمبلر اور انجنیئرنگ، آئل اور گیس کی مارکیٹنگ کمپنیاں اور ٹیکسٹائل کمپوزٹ سیکٹرز نے مارکیٹ کے مقابلے میں بہتر کارکردگی کا مظاہرہ کیا جب کہ پاور جنریشن، ڈسٹری بیوٹن کمپنیاں اور فریٹ لائزر سیکٹرز کی کارکردگی نسبتاً بہتر رہی۔ آگے بڑھتے ہوئے، متوقع ملکی اور غیر ملکی لیکویڈیٹی کا بہاؤ، کم شرح سود کی متوقع رعایتی اسکیموں اور MSCI کی اسٹاک مارکیٹ کو مضبوط کرنے کا باعث ہے، جبکہ بڑھتی ہوئی عالمی منصوبہ سازی کی غیر یقینی صورتحال خطرے کے منفی پہلو کو ظاہر کرتی ہے۔

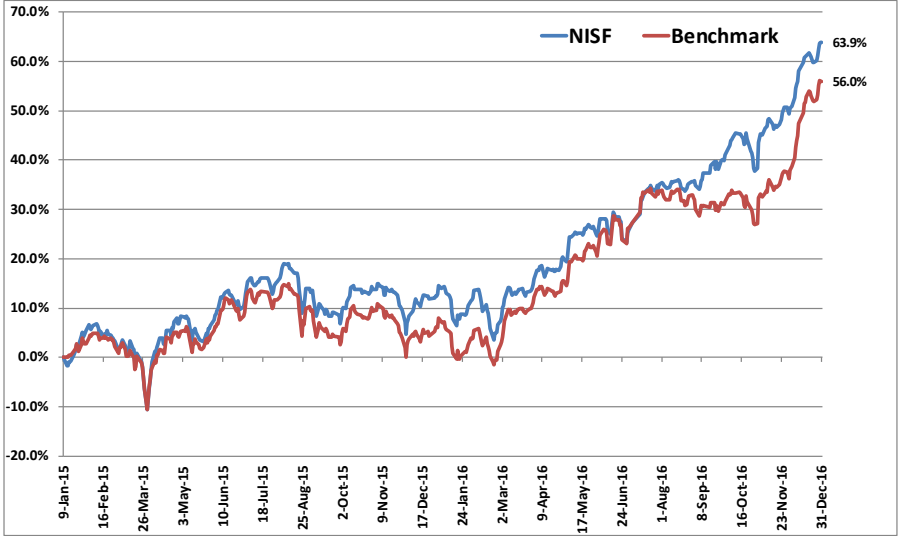
اس مدت کے دوران فنڈ 1453.22 ملین روپے کی مجموعی آمدنی کمائی۔ اخراجات کی مد میں 50.49 ملین روپے منہا کرنے کے بعد خالص آمدنی 1402.73 ملین روپے ہے۔

درج ذیل چارٹ NISF کی ایسیٹ ایلوکییشن 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 منجھٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج 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 ایسٹ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

28 فروری 2017ء

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, 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 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** 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: **Noman Abbas Sheikh**
Dated: February 28, 2017
Karachi

NAFA ISLAMIC STOCK FUND

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	469,157	240,619
Investments	5	5,490,495	1,875,064
Receivable against issue of units		-	5,460
Receivable against sale of investments		101,335	-
Dividend and profit receivable	6	12,701	3,803
Advances, deposits and prepayments		4,118	2,633
Total assets		6,077,806	2,127,579
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	7	29,802	16,136
Payable to the Central Depository Company of Pakistan Limited -Trustee	8	636	293
Payable to the Securities and Exchange Commission of Pakistan	9	1,678	1,568
Payable against redemption of units		-	336,673
Dividend payable		-	14
Accrued expenses and other liabilities	10	23,962	20,508
Total liabilities		56,078	375,192
NET ASSETS		6,021,728	1,752,387
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		6,021,728	1,752,387
CONTINGENCIES AND COMMITMENTS	11	-----Number of units-----	
NUMBER OF UNITS IN ISSUE		403,754,704	153,179,092
NET ASSET VALUE PER UNIT	12	14.9143	11.4401
		------(Rupees)-----	

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 STOCK FUND

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		73,076	5,008	61,245	(1,793)
Profit on bank deposits		11,963	4,235	6,549	2,423
Dividend income		88,169	35,788	60,640	17,861
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		867,113	(8,890)	599,862	53,524
Total income		1,040,321	36,141	728,296	72,015
EXPENSES					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	7.1	35,336	20,827	21,491	10,545
Sindh Sales Tax on the Management Company's remuneration	7.2	4,594	3,382	2,794	1,712
Federal Excise Duty on the Management Company's remuneration	7.3	-	3,332	-	1,687
Allocation of operational expenses from the Management Company	7.4	1,767	181	1,075	181
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		2,271	1,257	1,327	663
Sindh Sales Tax on remuneration of the Trustee	8.1	295	176	172	93
Annual fee of the Securities and Exchange Commission of Pakistan		1,678	717	1,020	391
Auditors' remuneration		282	226	162	125
Annual listing fee		28	20	18	10
Printing charges		55	49	28	24
Securities transaction cost		3,542	2,324	2,470	1,134
Legal and professional charges		70	-	70	-
Settlement and bank charges		424	356	259	75
Shariah advisor fee		147	-	71	-
Total operating expense		50,489	32,847	30,957	16,640
Net income from operating activities		989,832	3,294	697,339	55,375
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		412,903	20,584	360,386	11,265
Net income for the period before taxation		1,402,735	23,878	1,057,725	66,640
Taxation	13	-	-	-	-
Net income for the period after taxation		1,402,735	23,878	1,057,725	66,640
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 STOCK FUND

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

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	----- Rupees in '000 -----			
Net income for the period after taxation	1,402,735	23,878	1,057,725	66,640
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>1,402,735</u>	<u>23,878</u>	<u>1,057,725</u>	<u>66,640</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 STOCK FUND

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	27,642	31,811	263,261	120,059
Unrealised gain / (loss)	<u>157,860</u>	<u>84,170</u>	<u>267,251</u>	<u>(62,414)</u>
	185,502	115,981	530,512	57,645
Net income for the period after taxation	1,402,735	23,878	1,057,725	66,640
Distribution made during the period				
- Nil distribution for the year ended June 30, 2016 (2015:				
Rs. 1.369 per unit declared on July 15, 2015)				
	-	(15,574)	-	-
Undistributed income carried forward	<u>1,588,237</u>	<u>124,285</u>	<u>1,588,237</u>	<u>124,285</u>
Undistributed income comprising of :				
Realised gain	721,124	133,175	721,124	133,175
Unrealised gain / (loss)	<u>867,113</u>	<u>(8,890)</u>	<u>867,113</u>	<u>(8,890)</u>
	<u>1,588,237</u>	<u>124,285</u>	<u>1,588,237</u>	<u>124,285</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 STOCK FUND

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	1,752,387	1,251,505	3,175,103	1,273,891
Issue of 477,102,808 units (2015: 153,236,212 units) during the half year ended	6,380,501	1,695,598	4,998,913	1,004,902
Redemption of 226,527,196 units (2015: 94,535,219 units) during the half year ended	(3,100,992)	(1,036,031)	(2,849,627)	(435,376)
	3,279,509	659,567	2,149,286	569,526
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net transferred to income statement	(412,903)	(20,584)	(360,386)	(11,265)
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets "at fair value through profit or loss" - net	867,113	(8,890)	599,862	53,524
Capital gain / (loss) on sale of investments - net	73,076	5,008	61,245	(1,793)
Other net income for the period	462,546	27,760	396,618	14,909
Net income for the period	1,402,735	23,878	1,057,725	66,640
Distribution made during the period				
- Nil distribution for the year ended June 30, 2016 (2015: Rs. 1.369 per unit declared on July 15, 2015)	-	(15,574)	-	-
Net assets at the end of the period	6,021,728	1,898,792	6,021,728	1,898,792

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 STOCK FUND

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 FLOW FROM OPERATING ACTIVITIES				
Net income for the period before taxation	1,402,735	23,878	1,057,725	66,640
Adjustments				
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(867,113)	8,890	(599,862)	(53,524)
Dividend Income	(88,169)	(35,788)	(60,640)	(17,861)
Profit on bank deposits	(11,963)	(4,235)	(6,549)	(2,423)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	(412,903)	(20,584)	(360,386)	(11,265)
Federal excise duty on remuneration of the Management Company	-	3,332	-	1,687
	22,587	(24,507)	30,288	(16,746)
Decrease / (Increase) in assets				
Investments	(2,748,318)	(710,991)	(2,036,736)	(595,700)
Receivable against sale of investments	(101,335)	-	(101,335)	-
Advances, deposits and prepayments	(1,485)	(42)	(1,278)	10
	(2,851,138)	(711,033)	(2,139,349)	(595,690)
(Decrease) / Increase in liabilities				
Payable to the Management Company	13,666	1,469	9,330	(1,287)
Payable to the Central Depository Company of Pakistan Limited -Trustee	343	89	262	55
Payable to the Securities and Exchange Commission of Pakistan	110	319	1,020	391
Payable against purchase of investment	-	-	(25,457)	-
Dividend payable	(14)	-	-	-
Accrued expenses and other liabilities	3,454	(3,952)	13,886	(524)
	17,559	(2,075)	(959)	(1,365)
Dividends received	81,069	4,012	77,737	2,332
Profit received	10,165	37,173	6,338	33,154
Net cash used in operating activities	(2,719,758)	(696,430)	(2,025,945)	(578,315)
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of units	6,385,961	1,777,680	5,006,012	1,030,205
Payments on redemption of units	(3,437,665)	(1,055,094)	(2,849,868)	(427,182)
Net cash generated from financing activities	2,948,296	722,586	2,156,144	603,023
Net increase in cash and cash equivalents during the period	228,538	26,156	130,199	24,708
Cash and cash equivalents at the beginning of the period	240,619	133,821	338,958	135,269
Cash and cash equivalents at the end of the period	469,157	159,977	469,157	159,977

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 STOCK FUND

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 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 AM2++ to the Management Company as at August 4, 2016. The Fund has not yet been rated.

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 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 STOCK FUND

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

3.1 The significant accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published audited financial statements of the Fund 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 10.2 to this condensed interim financial information.

3.3 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, 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
4 BALANCE WITH BANKS		----- Rupees in '000 -----	
Profit and loss saving accounts	4.1	404,541	221,786
Current account	4.2	64,616	18,833
		<u>469,157</u>	<u>240,619</u>

4.1 These carry profit at the rates ranging from 3.75% to 6.5% (June 30, 2016: 2.50% to 6.70%) per annum.

4.2 These include deposits of Rs 1.925 million (2016: Rs 0.98 million) and Rs 4.7 million (2016: Rs 3.121 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, 2016	(Audited) June 30, 2016
4 INVESTMENTS		(Rupees in '000)	

Financial assets 'at fair value through profit or loss'

- Listed equity securities	5.1	<u>5,490,495</u>	<u>1,875,064</u>
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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 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				As at December 31, 2016	Market value as at December 31, 2016	Market value as a percentage of		Holding as a percentage of paid up capital of the investee company
	As at July 1, 2016	Purchases during the period	Bonus / right shares	Sales during the period			Net assets	Total investment	
Oil and Gas Marketing Companies						(Rupees in '000)		-----%	
Attock Petroleum Limited	51,100	52,800	-	-	103,900	71,132	1.18	1.30	0.13
Pakistan State Oil Company Limited	235,100	624,400	-	125,900	733,600	318,537	5.29	5.80	0.27
Shell Pakistan Limited	150,500	231,100	-	-	381,600	197,402	3.28	3.60	0.36
Hascol Petroleum Limited	1,248	36,400	-	35,000	2,648	894	0.01	0.02	0.00
Sui Northern Gas Pipelines Limited	-	1,200,000	-	371,000	829,000	67,622	1.12	1.23	0.13
Sui Southern Gas Company Limited	-	1,657,500	-	-	1,657,500	60,250	1.00	1.10	0.19
						715,837	11.88	13.04	
Oil and Gas Exploration Companies									
Pakistan Oilfields Limited	226,400	247,700	-	111,900	362,200	193,639	3.22	3.53	0.15
Pakistan Petroleum Limited	432,100	1,056,700	-	74,500	1,414,300	266,143	4.42	4.85	0.07
Mari Petroleum Company Limited	127,550	95,200	-	9,500	213,250	293,200	4.87	5.34	0.19
Oil and Gas Development Company Limited	293,000	1,138,300	-	88,000	1,343,300	222,115	3.69	4.05	0.03
						975,097	16.20	17.76	
OIL REFINERY									
Attock Refinery Limited	92,400	63,000	-	58,900	96,500	41,042	0.68	0.75	0.11
National Refinery Limited	49,800	-	-	25,300	24,500	13,992	0.23	0.25	0.03
						55,034	0.91	1.00	
Chemicals									
Ittehad Chemical Limited	469,500	-	-	269,000	200,500	8,066	0.13	0.15	0.31
						8,066	0.13	0.15	
FERTILIZERS									
Engro Fertilizers Limited	512,000	3,210,500	-	-	3,722,500	253,056	4.20	4.61	0.28
Engro Corporation Limited	358,400	877,800	-	54,000	1,182,200	373,682	6.21	6.81	0.23
Dawood Hercules Corporation Limited	464,400	181,000	-	-	645,400	93,151	1.55	1.70	0.13
Fauji Fertilizer Bin Qasim Limited	624,000	773,000	-	29,000	1,368,000	70,055	1.16	1.28	0.15
						789,944	13.12	14.39	
CEMENT									
D.G. Khan Cement Company Limited	244,600	967,600	-	34,000	1,178,200	261,242	4.34	4.76	0.27
Kohat Cement Limited	39,400	353,600	-	-	393,000	114,615	1.90	2.09	0.25
Lucy Cement Limited	163,000	177,600	-	53,700	286,900	248,530	4.13	4.53	0.09
Maple Leaf Cement Factory Limited	280,500	294,500	-	27,500	547,500	69,850	1.16	1.27	0.10
Pioneer Cement Limited	344,000	964,800	-	105,500	1,203,300	170,977	2.84	3.11	0.53
Attock Cement (Pakistan) Limited	307,700	292,600	-	-	600,300	201,857	3.35	3.68	0.52
Fecto Cement Limited	256,500	-	-	138,500	118,000	14,055	0.23	0.26	0.24
Fauji Cement Company Limited	1,723,000	731,500	-	267,000	2,187,500	98,613	1.64	1.80	0.16
						1,179,739	19.59	21.49	
GENERAL INDUSTRIES									
Ecopack Limited	328,500	-	34,500	190,500	172,500	4,328	0.07	0.08	0.60
Synthetic Products Enterprises Limited	246,500	330,000	-	-	576,500	37,115	0.62	0.68	0.75
						41,443	0.69	0.75	
AUTOMOBILE PARTS & ACCESSORIES									
Thal Limited	83,800	-	-	10,400	73,400	37,326	0.62	0.68	0.09
Agriaautos Industries Limited	-	115,200	-	9,600	105,600	37,804	0.63	0.69	0.37
						75,130	1.25	1.37	
AUTOMOBILES ASSEMBLER									
Baluchistan Wheels Limited	10,000	-	-	-	10,000	1,302	0.02	0.02	0.08
Indus Motor Company Limited	67,350	15,900	-	8,700	74,550	120,363	2.00	2.19	0.09
Sazzar Engineering Works Limited	159,000	-	-	34,000	125,000	11,871	0.20	0.22	0.70
Honda Atlas Cars (Pakistan) Limited	95,000	93,200	-	66,400	121,800	81,440	1.35	1.48	0.09
Millat Tractors Limited	-	149,000	-	-	149,000	134,794	2.24	2.46	0.34
HinoPak Motors Limited	-	2,000	-	2,000	-	-	-	-	-
						349,770	5.81	6.37	
GLASS AND CERAMICS									
Tariq Glass Industries Limited	677,500	375,500	-	-	1,053,000	105,774	1.76	1.93	1.43
Shabbir Tiles and Ceramics Limited	-	2,162,000	-	-	2,162,000	24,128	0.40	0.44	0.90
						129,902	2.16	2.37	
CABLE AND ELECTRIC GOODS									
Pak Elektron Limited	452,750	942,500	-	304,500	1,090,750	77,749	1.29	1.42	0.22
						77,749	1.29	1.42	
ENGINEERING									
Mughal Iron and Steel Industries Limited	378,325	205,500	-	130,000	453,825	40,009	0.66	0.73	0.36
Amreli Steels Ltd.	-	756,000	-	107,000	649,000	43,217	0.72	0.79	0.22
						83,226	1.38	1.52	
TEXTILE COMPOSITE									
Kohinoor Textile Mills Limited	673,225	865,500	-	-	1,538,725	178,800	2.97	3.26	0.55
Nishat Mills Limited	734,500	998,000	-	296,100	1,436,400	218,721	3.63	3.98	0.41
Dawood Lawrencepur Limited	-	174,900	-	-	174,900	44,250	0.73	0.81	0.30
						441,771	7.33	8.05	
LEATHER & TANNERIES									
Service Industries Limited	10,150	-	-	-	10,150	15,196	0.25	0.28	0.08
						15,196	0.25	0.28	
PHARMACEUTICALS									
Ferrosens Laboratories Limited	15,450	-	-	200	15,250	11,418	0.19	0.21	0.05
Abbot Laboratories (Pakistan) Limited	950	-	-	-	950	909	0.02	0.02	0.00
The Searle Company Limited	39,226	-	5,492	-	44,718	29,236	0.49	0.53	0.03
GlaxoSmithKline (Pakistan) Limited	-	84,000	-	-	84,000	19,597	0.33	0.36	0.03
						61,160	1.03	1.11	
TECHNOLOGY AND COMMUNICATION									
Avanceon Limited	1,032,000	-	-	-	1,032,000	35,965	0.60	0.66	0.98
NetSol Technologies Limited	208,000	-	-	-	208,000	11,290	0.19	0.21	0.23
						47,255	0.79	0.86	
POWER GENERATION AND DISTRIBUTION									
Hub Power Company Limited	446,000	903,100	-	162,000	1,187,100	146,583	2.43	2.67	0.10
Kot Addu Power Company Limited	461,500	517,000	-	-	978,500	77,106	1.28	1.40	0.11
K-Electric Limited	2,478,500	2,614,500	-	1,936,000	3,157,000	29,581	0.49	0.54	0.14
Pakgen Power Limited	500	-	-	-	500	13	0.00	0.00	0.00
						253,283	4.21	4.61	

NAFA ISLAMIC STOCK FUND

Name of the investee company	Number of shares					Market value as at December 31, 2016	Market value as a percentage of		Holding as a percentage of paid up capital of the investee company
	As at July 1, 2016	Purchases during the period	Bonus / right shares	Sales during the period	As at December 31, 2016		Net assets	Total investment	
						(Rupees in '000)	-----%		
COMMERCIAL BANKS									
Meezan Bank Limited	309,500	101,500	-	-	411,000	27,993	0.46	0.51	0.04
						27,993	0.46	0.51	
INDUSTRIAL METALS AND MINING									
Crescent Steel & Allied Products Limited	310,400	-	-	-	310,400	47,858	0.79	0.87	0.40
						47,858	0.79	0.87	
FOOD AND PERSONAL CARE PRODUCTS									
Al-Shaheer Corporation Limited	872,250	470,500	173,588	119,000	1,397,338	80,206	1.33	1.46	0.98
						80,206	1.33	1.46	
BEVERAGES									
Shezan International Limited	20,700	-	-	-	20,700	10,388	0.17	0.19	0.26
						10,388	0.17	0.19	
TRANSPORT									
Pakistan National Shipping Corporation Limited	224,000	-	-	72,500	151,500	24,448	0.41	0.45	0.11
						24,448	0.41	0.45	
						5,490,495	91.18	100.00	
Carrying value as at December 31, 2016						4,623,382			

5.1.1 Investments include shares with market value of Rs 109.78 million (June 30, 2016: 84.123 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.

5.2 Unrealised appreciation / (diminution) on re-measurement of investments classified as financial asset 'at fair value through profit or loss'	Note	(Un-audited)	(Audited)
		December 31, 2016	June 30, 2016
(Rupees in '000)			
Market value of securities	5.1	5,490,495	1,875,064
Less: Carrying amount of securities		(4,623,382)	(1,717,204)
		<u>867,113</u>	<u>157,860</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, 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.

NAFA ISLAMIC STOCK FUND

Names of the Company	(Un-audited)		(Audited)		
	December 31, 2016		June 30, 2016		
	Bonus Shares				
Number	Market value	Number	Market value		
Rupees in '000		Rupees in '000			
Hascol Petroleum Limited	1,150	388	1,150	225	
Mughal Iron and Steel Industries Limited	4,242	374	4,242	285	
Kohinoor Textile Mills Limited	4,812	559	4,812	385	
The Searle Company Limited	828	541	488	262	
Al-Shaheer Corporation Limited	18,378	1,055	8,488	443	
Ecopack Limited	1,725	43	-	-	
	<u>31,135</u>	<u>2,960</u>	<u>19,180</u>	<u>1,600</u>	

6 DIVIDEND AND PROFIT RECEIVABLE	Note	(Un-audited)	(Audited)
		December 31, 2016	June 30, 2016
(Rupees in '000)			
Profit accrued on profit and loss savings accounts		2,626	828
Dividend receivable		10,075	2,953
Other receivables		-	22
		<u>12,701</u>	<u>3,803</u>
7 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	7.1	9,566	3,493
Sindh Sales Tax payable on remuneration of the Management Company	7.2	1,244	567
Federal Excise Duty on the remuneration of the Management Company	7.3	8,209	8,209
Allocation of operational expenses from the Management Company	7.4	1,767	1,077
Front end load payable		8,996	2,770
Other payables		20	20
		<u>29,802</u>	<u>16,136</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, 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.

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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. 8.209 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 Re 0.0203 (June 30, 2016: Re 0.0535) per unit.

- 7.4 As per the SECP S.R.O No 1160(I) / 2015 dated November 25, 2015 the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by it 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 1.767 million (November 25, 2015 to June 30, 2016: Rs 1.077 million).

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
8	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE	----- Rupees in '000 -----	
	Remuneration payable to the Trustee	563	257
	Sindh Sales Tax on Trustee remuneration	73	36
		<u>636</u>	<u>293</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
9	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	----- Rupees in '000 -----	
	Annual fee	<u>1,678</u>	<u>1,568</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.

NAFA ISLAMIC STOCK FUND

	Note	(Un-audited) December 31, 2016	Audited June 30, 2016
----- Rupees in '000 -----			
10 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		249	310
Legal Fee		13	-
Settlement charges		1	69
Bank charges		16	5
Haram portion of dividend	10.1	2,136	1,323
Brokerage payable		1,283	872
Printing charges payable		94	-
Provision for Workers' Welfare Fund	10.2	2,403	2,403
Withholding tax and capital gain tax		17,441	15,231
Shariah advisor fee payable		326	-
Other payables		-	295
		23,962	20,508

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 1.512 million (2016: 1.064 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.

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 November 10, 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 SRB that mutual funds are not establishments and are 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 are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. The MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from 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:

- based on 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 a prudent basis 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, the provision for SWWF is being made on a daily basis going forward.

NAFA ISLAMIC STOCK FUND

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 an decrease in the net asset value per unit of the Fund by Re 0.0771.

11 CONTINGENCIES AND COMMITMENTS

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

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 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. The management intends to distribute 90 percent of the Fund's net accounting income earned by the year end as cash dividend to the unit holders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information.

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

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 assets value for the period) is 2.84 % per annum including 0.37 % representing government levies on collective investment scheme such as sales tax, worker's welfare fund and SECP 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 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 NBFC Regulations and the Trust Deed.

NAFA ISLAMIC STOCK FUND

16.5 Details of the transactions with related parties / connected persons 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 of the Management Company	35,336	20,827	21,491	10,545
Sindh Sales Tax on remuneration of the Management Company	4,594	3,382	2,794	1,712
Federal Excise Duty on remuneration of the Management Company	-	3,332	-	1,687
Allocation of operational expenses from the Management Company	1,767	181	1,075	181
NBP Fullerton Asset Management Limited - Management Company				
Units issued / transferred in Nil (2015: 109,794 units)	-	1,245	-	-
NAFA Islamic Principal Preservation Fund				
Units issued / transferred In 13,634,387 (2015: 13,421,332 units)	176,677	151,517	101,802	24,306
Units redeemed / transferred out 34,051,041 (2015: 20,695,450 units)	489,278	221,850	462,815	61,212
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	2,271	1,257	1,327	663
Sindh Sales Tax on remuneration of the Trustee	295	176	172	93
NBP Fullerton Asset Management Limited - Employees Provident Fund				
Units redeemed 199,301 (2015: Nil units)	2,850	-	2,850	-
Employees of the Management Company				
Issue of 7,232,001 units (2015: 2,934,841 units)	94,406	31,784	58,762	17,693
Redemption of 6,733,473 units (2015: 2,279,155 units)	87,991	25,076	51,680	13,839
Cash distribution	-	112	-	-
Taurus Securities Limited				
Brokerage expense	209	142	157	37
Summit Capital Pvt Limited				
Brokerage expense	62	39	62	39
Mr Khalid Mehmood - CFO				
Issue of 7,488 (2015: Nil units)	100	-	100	-
Security Papers Limited (More than 10% unit holding in the Fund)				
Units issued / transferred In 117,991,041 (2015: 27,258,829 units)	1,578,171	300,645	1,171,638	300,645
Units redeemed / transferred out 101,993,253 (2015: Nil units)	1,394,103	-	1,394,103	-
Cash distribution	-	737	-	-

16.6 Balances outstanding as at period / year end	(Un-audited)	Audited
	December 31, 2016	June 30, 2016
	----- Rupees in '000 -----	
NBP Fullerton Asset Management Limited - (Management Company)		
Management remuneration payable	9,566	3,493
Sindh Sales Tax (SST) payable on remuneration of the Management Company	1,244	567
Federal Excise Duty (FED) payable on remuneration of the Management Company	8,209	8,209
Allocation of operational expenses from the Management Company	1,767	1,077
Front-end load payable	8,996	2,770
Other payable		
- Listing fee	20	20
Units held: 3,608,882 units (2016: 3,608,882 units)	53,824	41,286
Central Depository Company of Pakistan Limited - (Trustee)		
Remuneration payable	563	257
Sindh Sales Tax payable on remuneration of the Trustee	73	36
Security deposit receivable	103	103

NAFA ISLAMIC STOCK FUND

	(Un-audited) December 31, 2016	Audited June 30, 2016
	----- Rupees in '000 -----	
Mr Khalid Mehmood - CFO		
Units held: 7,488 units (2016: Nil units)	112	-
Employees of the Management Company		
Units held: 2,446,638 units (June 30, 2016: 1,948,110 Units)	36,490	22,287
National Bank of Pakistan - Sponsor		
Bank Balances	1,925	980
NBP Fullerton Asset Management Limited Employees Provident Fund		
Units held: 1,243,821 units (June 30, 2016: 1,443,122 Units)	18,551	16,509
NAFA Islamic Principal Preservation Fund		
Units held: 3,505,043 units (2016: 23,921,697 units)	52,275	273,667
Amount receivable against issue of units from:		
NAFA Financial Sector Income Fund	-	2,521
NAFA Islamic Energy Fund	-	2,139
NAFA Islamic Principal Preservation Fund	-	208
NAFA Islamic Principal Protected Fund II	-	592
Security Papers Limited (More than 10% unit holding in the Fund)		
Units held: 33,586,925 (June 30, 2016: 17,589,137)	500,925	201,221
Summit Bank Limited (Common Directorship)		
Bank Balances	4,676	3,121
Taurus Securities Limited		
Brokerage payable	49	-
Amount payable against redemption of units to:		
NAFA Income Opportunity Fund	-	24
NAFA Stock Fund	-	2,740
NAFA Islamic Asset Allocation Fund	-	261,074
NAFA Islamic Aggressive Income Fund	-	71,917
NAFA Asset Allocation Fund	-	677

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:



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

Head Office

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

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: NAFA INVEST to 8080

Fax: 021-35825335

Email: info@nafafunds.com

Website: www.nafafunds.com

 /nafafunds