

**AM2+**  
Rated by PACRA



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

## **NAFA ISLAMIC ASSET ALLOCATION FUND**

# **HALF YEARLY REPORT DECEMBER 31 2015**



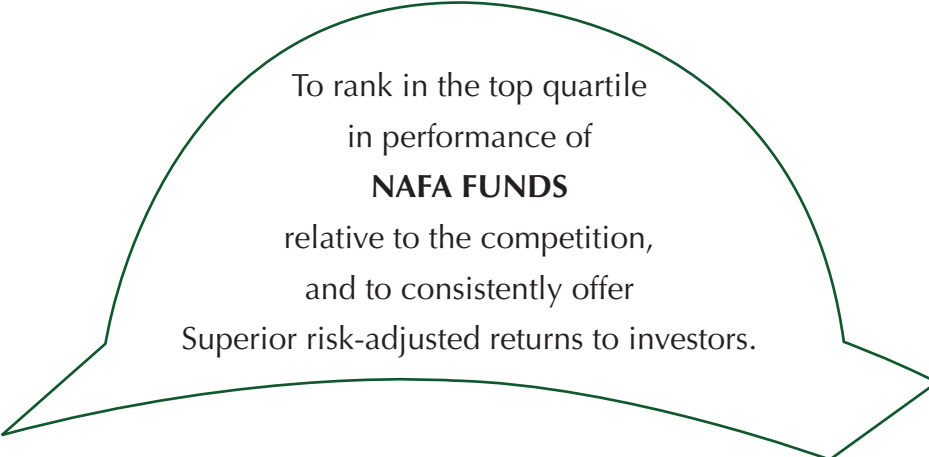
*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



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

## Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	07
AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS	08
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	09
CONDENSED INTERIM INCOME STATEMENT	10
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	11
CONDENSED INTERIM DISTRIBUTION STATEMENT	12
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	13
CONDENSED INTERIM CASH FLOW STATEMENT	14
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	15

# NAFA ISLAMIC ASSET ALLOCATION 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. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

### Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	Member

### Trustee

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

### Bankers to the Fund

Al-Baraka Islamic Bank  
Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Burj Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank Limited  
United Bank Limited  
Bank Al-Habib Limited  
Dubai Islamic Bank Pakistan Limited  
Silk Bank Limited  
Summit Bank Limited  
Sindh Bank Limited

# NAFA ISLAMIC ASSET ALLOCATION FUND

## **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.02  
Beaumont Road,  
Karachi - 75530, Pakistan.

## **Legal Advisor**

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

## **Head Office:**

7<sup>th</sup> Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 111-111-NFA (111-111-632)  
Helpline (Toll Free): 0800-20001  
Fax: (021) 35825329

## **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 ASSET ALLOCATION FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Islamic Asset Allocation Fund (NIAAF)** for the half year ended December 31, 2015.

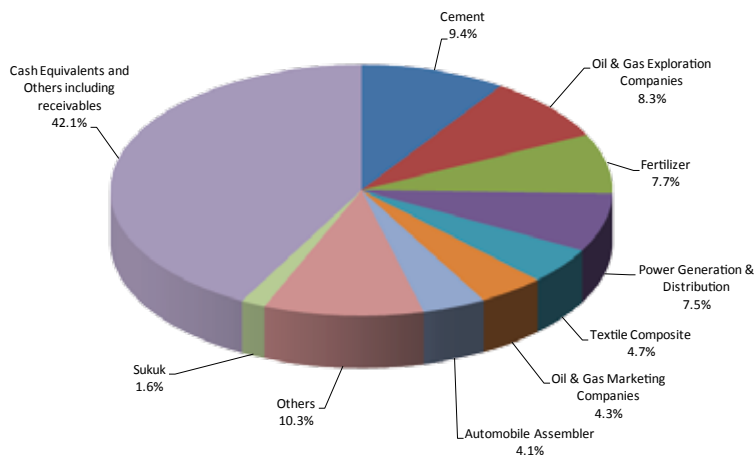
### Fund's Performance

The size of NAFA Islamic Asset Allocation Fund has increased from Rs.2,592 million to Rs.3,910 million during the period, i.e. an increase of 50.8%. During the period, the unit price of NAFA Islamic Asset Allocation Fund has increased from Rs. 15.1854 (Ex-Div) on June 30, 2015 to Rs. 15.4852 on December 31, 2015, thus showing an increase of 1.97%. The Benchmark (Average of (i) average 3-month Islamic banks deposit rate (ii) 6-month KIBOR or its Shariah Compliant equivalent (iii) KMI 30 Index) return during the same period was 1.08%. Thus, the Fund has outperformed its Benchmark by 0.89% during the period under review. This performance is net of management fee and all other expenses.

1HFY16 turned out to be a challenging period for the stock market characterized by a heightened volatility and lackluster performance. The selloff in equities was largely a function of global pullout strategy by foreign funds in anticipation of US interest rate hike and associated rout in emerging market currencies; and global economic slowdown led by China. Subdued market performance can also be attributed to a sharp decline in international crude oil prices amid supply glut and demand slowdown. On domestic front, increase in regulatory requirements for brokers and criminal investigations against some brokers dried out the market volumes. The index heavy Oil & Gas and Banking sectors lagged the market whereas Cements, Pharmaceuticals, Automobile Parts & Accessories and Engineering sectors outperformed the market.

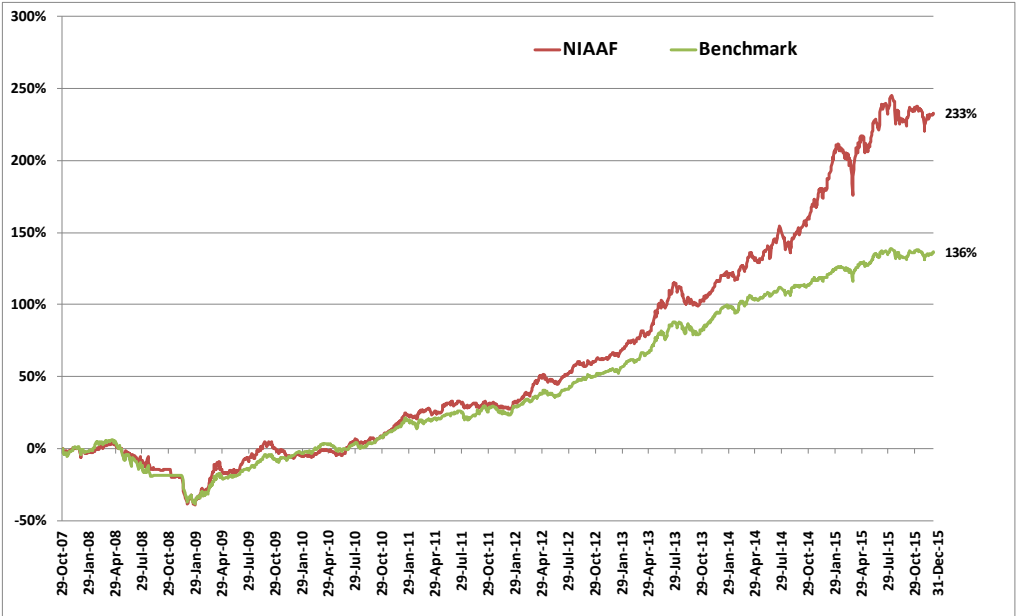
Trading activity in Sukuks remained depressed. Dearth of high credit quality corporate Sukuks further depressed the secondary market yields. During the period under review, the State Bank of Pakistan reduced the discount rate by 50 bps to 6.5%. SBP highlighted i) benign inflation readings and anchored near-term expectation; ii) high real lending rates; iii) external account position; and (iv) improving law and order situation and macroeconomic stability. Sovereign securities responded to the loose monetary policy stance with yields on the short term and long term sovereign bonds declining accordingly. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

The Fund has earned total income of Rs.129.16 million during the period. After deducting expenses of Rs.49.15 million, the net income is Rs.80.01 million. The asset allocation of the Fund as on December 31, 2015 is as follows:



# NAFA ISLAMIC ASSET ALLOCATION FUND

NIAAF 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 26, 2016  
Place: Karachi.

# NAFA ISLAMIC ASSET ALLOCATION FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC ASSET ALLOCATION FUND

**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 Asset Allocation 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, 2015 in accordance with the provisions of the following:

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

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

Karachi: February 25, 2016



# NAFA ISLAMIC ASSET ALLOCATION FUND

## Report on review of Condensed Interim Financial Information to the Unit Holders

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Savings Plus Fund** ("the Fund") as at 31 December 2015 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, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this 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 interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with 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.

### *Other matter*

The figures for the three months period ended 31 December 2015 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 26, 2016

Karachi

---

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem

# NAFA ISLAMIC ASSET ALLOCATION FUND

## Condensed Interim Statement of Assets and Liabilities As at 31 December 2015

	Note	(Un-Audited) December 31, 2015	Audited June 30, 2015
------(Rupees in '000)-----			
<b>Assets</b>			
Bank balances	6	1,717,383	977,085
Investments	7	2,261,905	1,818,155
Dividend and profit receivables	8	13,759	10,280
Advance, deposits and prepayment		2,857	2,633
Receivable against conversion of units	9	10,497	79,915
<b>Total assets</b>		<u>4,006,401</u>	<u>2,888,068</u>
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	44,131	31,548
Payable to Central Depository Company of Pakistan Limited - Trustee	11	474	300
Payable to Securities and Exchange Commission of Pakistan		1,542	1,192
Payable against redemption of units		4,775	134,876
Payable against conversion of units	9	26,287	112,433
Dividend payable		-	11,618
Accrued expenses and other liabilities	12	18,703	32,655
<b>Total liabilities</b>		<u>95,912</u>	<u>324,622</u>
<b>Net assets</b>		<u>3,910,489</u>	<u>2,563,446</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>3,910,489</u>	<u>2,563,446</u>
<b>Contingencies and commitments</b>	13		
		(Number of units)	
<b>Number of units in issue</b>		<u>252,530,575</u>	<u>160,306,772</u>
<b>Net assets value per unit</b>		<u>15.4852</u>	<u>15.9909</u>

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

Chief Executive

For NBP Fullerton Asset Management Limited  
(Management Company)

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## Condensed Interim Income Statement (Unaudited) For the six and three months period ended 31 December 2015

	Note	Six months period ended		Three months period ended	
		2015	2014	2015	2014
----- Rupees in '000 -----					
<b>Income</b>					
Gain / (loss) on sale of investments - net		14,419	7,278	(3,827)	8,517
Profit on bank deposits		50,756	8,164	29,504	5,268
Income from sukuk bonds		7,092	6,139	3,496	3,006
Dividend income		63,346	12,677	34,119	7,765
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7.4	(63,893)	91,227	32,702	84,029
<b>Total income</b>		<u>71,720</u>	<u>125,485</u>	<u>95,994</u>	<u>108,585</u>
<b>Expenses</b>					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	36,285	7,561	19,797	4,541
Sindh Sales Tax on remuneration of Management Company	10.2	5,893	1,316	3,215	755
Federal Excise Duty on remuneration of Management Company	10.3	5,806	1,210	3,168	727
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,317	752	1,241	450
Sindh Sales Tax on remuneration of Trustee	11.1	324	-	173	-
Annual fee - Securities and Exchange Commission of Pakistan		1,542	321	841	193
Allocation of expenses related to registrar services, accounting, operations and valuation services	14	392	-	392	-
Securities transaction costs		1,455	760	543	527
Settlement and bank charges		481	244	214	161
Annual listing fee		20	15	10	7
Auditors' remuneration		261	328	101	230
Mutual Fund Rating fee		86	86	43	49
Legal and professional charges		25	25	25	12
Charity		1,246	224	-	224
Reversal of provision against non-performing sukuk bonds classified as 'available for sale' - net	7.6	(7,143)	-	(3,572)	-
Printing charges		160	-	160	-
<b>Total expenses</b>		<u>49,150</u>	<u>12,842</u>	<u>26,351</u>	<u>7,876</u>
<b>Net income from operating activities</b>		<u>22,570</u>	<u>112,643</u>	<u>69,643</u>	<u>100,709</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		57,440	-	10,604	-
Provision for Workers' Welfare Fund	12.1	-	(2,253)	-	(2,014)
<b>Net income for the period before taxation</b>		<u>80,010</u>	<u>110,390</u>	<u>80,247</u>	<u>98,695</u>
<b>Taxation</b>	15	-	-	-	-
<b>Net income for the period</b>		<u>80,010</u>	<u>110,390</u>	<u>80,247</u>	<u>98,695</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 ASSET ALLOCATION FUND

## Condensed Interim Statement of Comprehensive Income (Unaudited) For the six and three months period ended 31 December 2015

	Six months period ended		Three months period ended	
	2015	2014	2015	2014
	----- Rupees in '000 -----			
Net income for the period	80,010	110,390	80,247	98,695
<b>Other comprehensive income for the period</b>				
Items to be reclassified to income statement in subsequent periods:				
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	3,348	3,461	2,749	872
<b>Total comprehensive income for the period</b>	<u>83,358</u>	<u>113,851</u>	<u>82,996</u>	<u>99,567</u>

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

Chief Executive

For NBP Fullerton Asset Management Limited  
(Management Company)

Director

# NAFA ISLAMIC ASSET ALLOCATION FUND

## Condensed Interim Distribution Statement (Unaudited) For the six and three months period ended 31 December 2015

	Six months period ended		Three months period ended	
	2015	2014	2015	2014
----- Rupees in '000 -----				
<b>Undistributed income brought forward comprising:</b>				
Realised income	344,721	89,603	560,004	126,510
Unrealised income / (loss)	247,527	29,913	(96,595)	7,198
	<u>592,248</u>	<u>119,516</u>	<u>463,409</u>	<u>133,708</u>
Final cash distribution for the year ended 30 June 2015: 8.365% (30 June 2014: Nil)	(128,689)	-	-	-
Net income for the period before taxation	80,010	110,390	80,247	98,695
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund - net	101	30,360	14	27,863
<b>Undistributed income carried forward</b>	<u>543,670</u>	<u>260,266</u>	<u>543,670</u>	<u>260,266</u>
<b>Undistributed income comprising of:</b>				
Realised income	607,563	169,039	607,563	169,039
Unrealised (loss) / income	(63,893)	91,227	(63,893)	91,227
	<u>543,670</u>	<u>260,266</u>	<u>543,670</u>	<u>260,266</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 ASSET ALLOCATION FUND

## Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited) For the six and three months period ended 31 December 2015

Note	Six months period ended		Three months period ended	
	2015	2014	2015	2014
----- Rupees in '000 -----				
Net assets at beginning of the period [Rs. 15.9909 per unit (2014: Rs. 13.0012)]	2,563,446	556,964	3,635,046	672,928
Issue of 243,278,906 units (2014: 58,304,842 units)	3,813,557	815,606	1,180,563	623,318
Redemption of 151,055,103 units (2014: 27,484,430 units)	(2,363,743)	(384,592)	(977,512)	(293,984)
	1,449,814	431,014	203,051	329,334
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net				
- amount representing (income) transferred to condensed interim income statement	(57,440)	-	(10,604)	-
- amount representing (income) transferred to condensed interim distribution statement	(101)	(30,360)	(14)	(27,863)
	(57,541)	(30,360)	(10,618)	(27,863)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	3,348	3,461	2,749	872
Gain / (loss) on sale of investments - net	14,419	7,278	(3,827)	8,517
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(63,893)	91,227	32,702	84,029
Other net income for the period	129,484	11,885	51,372	6,149
<b>Total comprehensive income for the period</b>	<b>83,358</b>	<b>113,851</b>	<b>82,996</b>	<b>99,567</b>
Final cash distribution for the year ended 30 June 2015: 8.365% (30 June 2014: Nil)	(128,689)	-	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund - net	101	30,360	14	27,863
<b>Net assets at end of the period</b> [Rs. 15.4852 per unit (2014: Rs. 14.9597)]	<b>3,910,489</b>	<b>1,101,829</b>	<b>3,910,489</b>	<b>1,101,829</b>

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 ASSET ALLOCATION FUND

## Condensed Interim Cash Flow Statement (Unaudited) For the six and three months period ended 31 December 2015

Note	Six months period ended		Three months period ended	
	2015	2014	2015	2014
----- Rupees in '000 -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	80,010	110,390	80,247	98,695
<b>Adjustments:</b>				
Net unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss	63,893	(91,227)	(32,702)	(84,029)
Capital (gain) / loss on sale of investments - net	(14,419)	(7,278)	3,827	(8,517)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(57,440)	-	(10,604)	-
Reversal of provision against non-performing sukuk bonds classified as 'available for sale'	(7,143)	-	(3,572)	-
	64,901	11,885	37,196	6,149
<b>(Increase) / decrease in assets</b>				
Investments - net	(482,733)	(339,507)	(328,091)	(314,970)
Dividend and profit receivable	(3,479)	4,361	24,035	6,113
Advance, deposit and prepayment	(224)	2,473	(95)	(896)
Receivable against sale of investments	-	(4,649)	-	12,615
	(486,436)	(337,322)	(304,151)	(297,138)
<b>(Decrease) / increase in liabilities</b>				
Payable to NBP Fullerton Asset Management Limited - Management Company	12,583	9,653	12,093	7,616
Payable to Central Depository Company of Pakistan Limited - Trustee	174	84	36	68
Payable to Securities and Exchange Commission of Pakistan	350	(67)	841	193
Payable against purchase of investments	-	15,027	-	15,027
Accrued expenses and other liabilities	(13,952)	2,427	43	1,836
	(845)	27,124	13,013	24,740
<b>Net cash (used in) operating activities</b>	(422,380)	(298,313)	(253,942)	(266,249)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Amount received on issue of units	3,882,975	815,606	1,171,072	623,318
Payments against redemption of units	(2,579,990)	(383,201)	(947,760)	(293,083)
Distributions paid	(140,307)	-	-	-
<b>Net cash flows from financing activities</b>	1,162,678	432,405	223,312	330,235
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	740,298	134,092	(30,630)	63,986
Cash and cash equivalents at beginning of the period	977,085	129,884	1,748,013	199,990
<b>Cash and cash equivalents at end of the period</b>	6 1,717,383	263,976	1,717,383	263,976

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 ASSET ALLOCATION FUND

## Notes to and forming part of the Condensed Interim Financial information (Unaudited) For the six and three months period ended 31 December 2015

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Asset Allocation Fund was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.

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 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 also the member of MUFAP (Mutual Fund Association of Pakistan).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange (subsequent to the period end due to demutualization, all Stock Exchange are integrated into Pakistan Stock Exchange). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Board of Directors had approved that the Fund should be categorized as "Shariah Compliant (Islamic) Scheme" and Balanced Fund as per the categories defined by the Securities and Exchange Commission of Pakistan. With effect from 22 April 2014 the Fund was recategorized as Shariah compliant Asset Allocation scheme. Accordingly, the fund was renamed as NAFA Islamic Asset Allocation Fund.

The objective of the Scheme is to generate capital appreciation by investing in Shariah Compliant equity and equity related securities and income by investing in Shariah Compliant bank deposits, debt & money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2+ to the Management Company. Based on the performance of the Fund, it has assigned performance ranking of Four Star (short term) to the Fund.

The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

This condensed interim financial information of the fund for the six months period ended 31 December 2015 has been prepared in accordance with the requirements of the international Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (The NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2015.

2.3 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (2)(f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

#### 2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the 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 30 June 2015, except for the following standards which became effective during the period.



# NAFA ISLAMIC ASSET ALLOCATION FUND

## 3.1 New, Amended And Revised Standards And Interpretations of IFRSs

IFRS 10 'Consolidated Financial Statements,' IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurements'. These standards became applicable from 1 January 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Fund.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the Fund, except certain additional disclosures.

## 4 ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2015.

## 5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2015.

	Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
----- Rupees in '000 -----			
<b>6 BALANCES WITH BANKS</b>			
In current accounts		83,370	104,317
In savings accounts	6.1	1,634,013	872,768
		<u>1,717,383</u>	<u>977,085</u>
<b>6.1</b>	These accounts carry mark-up rates ranging from 4% to 9.65% (30 June 2015: 4.5% to 10.25%).		

	Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
----- Rupees in '000 -----			
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Investments in shares of listed companies	7.1	2,199,944	1,755,054
Investments in sukuk bonds	7.2	45,273	45,073
<b>Available for sale</b>			
Sukuk bonds	7.3	16,688	18,028
		<u>2,261,905</u>	<u>1,818,155</u>

# NAFA ISLAMIC ASSET ALLOCATION FUND

## 7.1 Investment in shares of listed companies - at fair value through profit or loss

Name of the investee company	As at July 1, 2015	Purchases during the period	Bonus / Right Issue	Sale during the period	As at December 31, 2015	Market value at December 31, 2015	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid-up capital of the investee company held
<b>Oil and Gas</b>									
Pakistan Oil Fields Limited	104,660	262,300	-	-	366,960	98,353	2.52%	4.35%	0.16%
Pakistan Petroleum Limited	285,070	586,800	-	-	871,870	106,202	2.72%	4.70%	0.04%
Pakistan State Oil Company Limited	229,796	134,000	-	47,500	316,296	103,040	2.63%	4.56%	0.12%
Attock Petroleum Limited	76,700	-	-	-	76,700	38,743	0.99%	1.71%	0.09%
Shell (Pakistan) Limited	106,100	-	-	-	106,100	24,216	0.62%	1.07%	0.10%
National Refinery Limited	70,400	68,000	-	138,400	-	-	0.00%	0.00%	0.00%
Attock Refinery Limited	68,100	305,500	-	173,600	200,000	42,376	1.08%	1.87%	0.00%
Hascal Petroleum Limited (refer note 7.1.1)	201,970	-	434	199,800	2,604	376	0.01%	0.02%	0.00%
Mari Petroleum Company Limited	-	173,900	-	-	173,900	121,233	3.10%	5.36%	0.16%
<b>Chemicals</b>									
Fauji Fertilizer Company Limited	161,068	-	-	161,000	68	8	0.00%	0.00%	0.00%
Dyneema Pakistan Limited	21,500	-	-	-	21,500	875	0.02%	0.04%	0.23%
Engro Fertilizers Limited	585,500	879,000	-	-	1,464,500	123,208	3.15%	5.45%	0.00%
Engro Corporation Limited	621,100	276,700	-	256,500	641,300	179,173	4.58%	7.92%	0.12%
Fatima Fertilizer Limited	2,500	-	-	-	2,500	112	0.00%	0.00%	0.00%
Ittehad Chemicals Limited	357,500	-	107,250	-	464,750	14,626	0.37%	0.65%	0.93%
<b>Construction and Materials</b>									
D.G. Khan Cement Company Limited	965,500	-	-	311,100	654,400	96,583	2.47%	4.27%	0.15%
Lucky Cement Company Limited	210,000	80,300	-	56,500	233,800	115,740	2.96%	5.12%	0.07%
Akzo Nobel Pakistan Limited	29,900	-	-	-	29,900	6,487	0.17%	0.29%	0.06%
Fauji Cement Company Limited	-	1,019,000	-	-	1,019,000	37,520	0.96%	1.66%	0.08%
Maple Leaf Cement Factory Limited	671,000	201,000	-	290,000	582,000	43,406	1.11%	1.92%	0.11%
Pioneer Cement Limited	354,500	138,000	-	7,000	485,500	44,113	1.13%	1.95%	0.00%
Kohat Cement Limited	82,000	-	-	80,000	2,000	482	0.01%	0.02%	0.00%
Fecto Cement Limited	290,500	74,500	-	-	365,000	28,492	0.73%	1.26%	0.73%
<b>General Industrials</b>									
Thal Limited	110,196	-	-	-	110,196	27,916	0.71%	1.23%	0.27%
<b>Personal Goods</b>									
Nishat Mills Limited	374,200	336,400	-	-	710,600	67,415	1.72%	2.98%	0.00%
Kohinoor Textile Limited	1,565,500	68,500	-	-	1,634,000	116,831	2.99%	5.17%	0.67%
Service Industries Limited	-	26,000	-	-	26,000	22,100	0.57%	0.98%	0.22%
<b>Electricity</b>									
The Hub Power Company Limited	1,217,760	94,500	-	173,500	1,138,760	116,837	2.99%	5.17%	0.10%
Kot Addu Power Company Limited	1,477,500	-	-	90,000	1,387,500	112,388	2.87%	4.97%	0.16%
K-Electric Limited	655,000	-	-	-	655,000	4,873	0.12%	0.22%	0.01%
Lalpur Power Limited	924,000	-	-	-	924,000	27,480	0.70%	1.21%	0.24%
Pakgen Power Limited	304,000	775,500	-	-	1,079,500	31,770	0.81%	1.40%	0.29%
<b>Banks</b>									
Meezan Bank Limited	323,781	342,000	-	-	665,781	30,460	0.78%	1.35%	0.07%
<b>AutoMobile and Parts</b>									
Ghandhara Nissan Limited	130,500	-	-	130,500	-	-	0.00%	0.00%	0.00%
Honda Atlas Cars (Pakistan) Limited	205,800	30,200	-	163,200	72,800	17,395	0.44%	0.77%	0.05%
Pak Suzuki Motor Company Limited	39,200	46,500	-	-	85,700	42,447	1.09%	1.88%	0.10%
Sazzar Engineering Works Limited	171,500	-	-	-	171,500	5,488	0.14%	0.24%	0.95%
Baluchistan Wheels Limited	227,000	-	-	-	227,000	13,901	0.36%	0.61%	1.70%
Indus Motor Company Limited	51,000	47,700	-	5,120	93,580	94,673	2.42%	4.19%	0.12%
<b>Industrial Transportation</b>									
Pakistan National Shipping Corporation Limited	63,500	110,700	-	-	174,200	15,504	0.40%	0.69%	0.13%
<b>Pharma and Bio Tech</b>									
Abbott Laboratories (Pakistan) Limited	30,500	-	-	-	30,500	19,368	0.50%	0.86%	0.03%
Ferozsons Laboratories Limited	8,600	-	-	-	8,600	9,519	0.24%	0.42%	0.03%
The Searle Company Limited (refer note 7.1.1)	65,100	-	19,530	-	84,630	33,490	0.86%	1.48%	0.10%
<b>Industrial Metal and Mining</b>									
Crescent Steel & Allied Products Limited	263,000	-	-	263,000	-	-	0.00%	0.00%	0.00%
<b>Multitiilities (Gas and Water)</b>									
Sui Northern Gas Pipeline Limited	746,500	1,000,000	-	1,746,500	-	-	0.00%	0.00%	0.00%
<b>Technology Hardware and Equipment</b>									
Avanceon Limited	450,000	660,000	-	80,500	1,029,500	42,003	1.07%	1.86%	0.00%
<b>Engineering</b>									
Mughal Iron & Steel Limited (refer note 7.1.1)	446,000	296,500	94,125	115,000	721,625	50,296	1.29%	2.22%	0.00%
<b>Household Goods</b>									
Pak Elektron Limited	471,000	630,000	-	515,000	586,000	36,647	0.94%	1.62%	0.00%
Tariq Glass Industries Limited	-	222,000	-	-	222,000	15,507	0.40%	0.69%	0.00%
<b>Food Producers</b>									
Al Shaheer Corporation Limited (refer note 7.1.1)	-	241,500	84,525	-	326,025	20,272	0.52%	0.90%	0.00%
					<u>20,245,645</u>	<u>2,199,944</u>			
Carrying value of investment before fair value adjustment						<u>2,264,037</u>			

# NAFA ISLAMIC ASSET ALLOCATION FUND

Investments include shares with market value of Rs. 75.25 million (30 June 2015: Rs 81.635 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

7.1.1 This represents gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honourable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 57 (3) (viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favour and accordingly has recorded the bonus shares on gross basis.

7.1.2 All shares have a nominal face value of Rs 10 each except for the shares of Thal Limited and K-electric which have a face value of Rs 5 & Rs. 3.5 respectively.

## 7.2 Sukuk bonds - at fair value through profit or loss

Name of the investee	Number of bonds				Market value as at December 31, 2015	Investment as a percentage of	
	As at July 01, 2015	Purchases during the period	Sales/ matured during the period	As at December 31, 2015		Market value of net assets	Market value of total investments
Rupees in '000						-----%-----	
K-Electric AZM Sukuk	9,000	-	-	9,000	45,273	1.16%	2.00%
					45,273		
Carrying value of investment before fair value adjustment					45,073		

## 7.3 Sukuk bonds - available for sale

Name of the investee	Number of bonds				Market value as at December 31, 2015	Investment as a percentage of	
	As at July 01, 2015	Purchases during the period	Sales/ matured during the period	As at December 31, 2015		Market value of net assets	Market value of total investments
Rupees in '000						-----%-----	
Eden Housing Limited (Note 7.3.3)	5,000	-	-	5,000	-	-	-
Kohat Cement Company Limited	10,000	-	-	10,000	-	-	-
Maple Leaf Cement Factory Limited - 1st Issue	10,000	-	-	10,000	16,688	0.43%	0.74%
Pak Elektron Limited (Note 7.3.4)	10,000	-	-	10,000	-	-	-
					16,688		
Carrying value of investment before fair value adjustment					28,976		
Provision for impairment loss					15,636		

\* In case of debt securities against which provision has been made, these are carried at amortised cost less provision.

### 7.3.1 Significant terms and conditions of sukuk bonds outstanding as at 31 December 2015 are as follows:

Ijarah and sukuk bonds	Remaining principal (per Sukuk)	Mark-up rate (per annum)	Issue date	Maturity date
-----Rupees in '000-----				
Eden Housing Limited	984	2.5% + 6 Month KIBOR	29 Mar 2008	29 Sep 2014
Kohat Cement Company Limited	-	2.5% + 6 Month KIBOR	20 Dec 2007	20 Dec 2015
Maple Leaf Cement Factory Limited (1st Issue)	1677	1.7% + 3 Month KIBOR	03 Dec 2007	03 Dec 2018
Pakistan Elektron Limited	1071	1.75% + 3 Month KIBOR	28 Sep 2007	28 Sep 2014
K-Electric AZM Sukuk	5000	2.25% + 6 Month KIBOR	19 Mar 2014	19 Mar 2017

# NAFA ISLAMIC ASSET ALLOCATION FUND

7.3.1. All sukuk bonds have a face value of Rs 5,000 each.

7.3.2 Fair value of all performing listed term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

7.3.3 This represents investment in privately placed sukuk bonds issued with a term of five years. On 6 May 2011, these Sukuks have been classified as non performing by MUFAP. The investment has been fully provided. The income suspended on these sukuk bonds up to 31 December 2015 amounted to Rs. 1.181 million (30 June 2015: 0.939 million).

7.3.4 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 0.8 million was not received by the Fund. The investment has been fully provided. The income suspended on these sukuk bonds up to 31 December 2015 amounted to Rs. 0.0082 million (30 June 2015: 0.0123 million).

	Note	Un-Audited December 31, 2015	Un-Audited December 31, 2014
----- Rupees in '000 -----			
<b>7.4 Net unrealised appreciation on remeasurement of investments classified as 'financial assets at fair value through profit or loss'</b>			
Market value of investments	7.1	2,245,217	842,269
Less: carrying value of investments		<u>(2,309,110)</u>	<u>(751,042)</u>
		<u>(63,893)</u>	<u>91,227</u>
<b>7.5 Net unrealised appreciation on re-measurement of investments classified as 'available for sale'</b>			
Market value of investments	7.3	16,688	23,978
Less: carrying value of investments		<u>(28,976)</u>	<u>(46,867)</u>
		<u>(12,288)</u>	<u>(22,889)</u>
<b>Provision against non-performing sukuks</b>			
Balance as at 1 July	7.6	22,779	26,350
Reversal of provision due to redemption of principal		<u>(7,143)</u>	<u>-</u>
Balance as at 31 December		<u>15,636</u>	<u>26,350</u>
		<u>3,348</u>	<u>3,461</u>
<b>7.6 Movement in provision against non-performing sukuks</b>			
Balance as at 1 July		22,779	26,350
Reversal of provision due to redemption of principal		<u>(7,143)</u>	<u>-</u>
Balance as at 31 December		<u>15,636</u>	<u>26,350</u>
		(Un-Audited)	(Audited)
		December	June 30,
		31, 2015	2015
		----- Rupees in '000 -----	
<b>8 DIVIDEND AND PROFIT RECEIVABLES</b>			
Dividend receivable on equity securities		3,210	5,664
Profit on savings deposits		10,156	4,186
Income accrued on sukuk bonds - net		<u>393</u>	<u>430</u>
		<u>13,759</u>	<u>10,280</u>

# NAFA ISLAMIC ASSET ALLOCATION FUND

## 9 RECEIVABLE / (PAYABLE) AGAINST CONVERSION OF UNITS

At period end, units of Rs. 655,778 (30 June 2015: Rs.1,035,717) have been issued and units of Rs. 1,697,534 (30 June 2015: Rs.1,068,235) have been redeemed (conversion / switching of units) as per the instructions of units holders of the respective funds between funds managed by the Management Company. However, receivable and payable were stated based on net settlement basis among funds and these were settled during the six months period ended 31 December 2015. As at 31 December 2015 amount of Rs. 16.840 million is payable to NAFA Riba Free Savings Fund and Rs. 1.051 million is receivable from NAFA Government Securities Liquid Fund against conversion of units (Refer note 17.2).

	Note	Un-Audited December 31, 2015	(Audited) June 30, 2015
----- Rupees in '000 -----			
<b>10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management remuneration	10.3	6,539	4,270
Sindh Sales Tax	10.3	1,062	743
Federal Excise Duty	10.3	11,629	5,823
Allocation of expenses related to registrar services, accounting, operation and valuation services	14	392	-
Sales load and others		10,564	12,780
Sindh Sales Tax and Federal Excise Duty on Sales load		13,945	7,932
		<u>44,131</u>	<u>31,548</u>

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulation), the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. On 25 November 2015, SECP has made certain amendments in the NBFC Regulations, 2008. As per the provision of amended NBFC Regulation 2008, the applicable rate has been changed to 2% of annual average net assets. The Fund had completed its five years and accordingly the management Company has charged its remuneration at the rate of 2% of the average annual net assets of the Fund from that date (30 June: 2% per annum), therefore no impact on the Fund's net assets. The remuneration is paid to the management company on a monthly basis in arrears.

10.2 The Sindh Government has levied Sindh Sales Tax at the rate of 14% (30 June 2015: 15%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

10.3 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In 2014, the Honourable High Court of Sindh in a Constitutional petition relating to levy of FED on Mutual Funds has granted a stay order for the recovery of FED. As a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 11.825 million out of which Rs. 0.196 million have been paid to the Management Company.

Had the provision not been made, the Net Assets Value (NAV) per unit of the fund as at 31 December 2015 would have been higher by Rs. 0.0468 per unit (30 June 2015: Rs. 0.0375 per unit).

	Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
----- Rupees in '000 -----			
<b>11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee remuneration		416	300
Sindh Sales Tax	11.1	58	-
		<u>474</u>	<u>300</u>

11.1 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 14% on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015.

# NAFA ISLAMIC ASSET ALLOCATION FUND

	Note	Un-Audited December 31, 2015	(Audited) June 30, 2015
		----- Rupees in '000 -----	
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	12.1	15,790	15,790
Auditors' remuneration		310	369
Brokerage		224	496
Bank charges		12	41
Printing charges		60	124
NCCS charges		19	36
Charity		2,044	1,119
Withholding tax		39	9,950
Capital gain tax		84	4,576
Others		121	154
		<u>18,703</u>	<u>32,655</u>

- 12.1 There has been no change in the status of litigation relating to Workers' Welfare Fund as reported in annual financial statements of the Fund for the year ended 30 June 2015.

However, after the exclusion of the Mutual Funds from federal statute on Workers Welfare Fund, from 1st July 2015, the Fund has discontinued making the provision in this regard. Since the amendment is federal statute was applicable prospectively therefore the provision amounting Rs. 15.79 million has not been reversed. Had the provision not been maintained, the Net Asset Value (NAV) per unit of the Fund as at 31 December 2015 would have been higher by Rs. 0.0625 per unit (30 June 2015: 0.0985 per unit).

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2015 and 30 June 2015.

## 14 ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES

Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.

The expenses represents the allocation of expenses relating to registrar services, accounting, operations and valuation services at 0.1% of average net annual assets of the Fund with effect from 25 November 2015.

## 15 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The management intends to distribute atleast 90% 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.

## 16 NON-COMPLIANCE WITH THE CIRCULAR AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 06 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Management Company had classified NAFA Islamic Asset Allocation Fund (the Fund) as 'Shariah Compliant (Islamic) Scheme' and 'Asset Allocation Scheme' in accordance with the said circular. As at 31 December 2015, the Fund is compliant with all the requirements of the said circular except for clause 2(iv) which requires that rating of any debt security in the portfolio shall not be lower than A- (A minus). Non-compliance of the said circular are as follows:

# NAFA ISLAMIC ASSET ALLOCATION FUND

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
----------------------------------	--------------------	--------------------------------------	------------------------	-------------------------------------	--------------------------	----------------------------

----- (Rupees in '000) ----- (%) -----

i) Investment in debt securities	a) Eden Housing Limited - Sukuk*	4,922	4,922	-	-	-
	b) Pak Electron Limited - Sukuk *	10,714	10,714	-	-	-

\* At the time of purchase, the said Sukuks were in compliance of the said circular (i.e. investment grade) and were subsequently downgraded due to default in payments of due principal and mark-up.

## 17 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and its connected persons and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and officers of the Management Company and unit holders holding 10 percent or more units of the Fund.

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

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

The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:

### 17.1 Transactions during the period

	----- (Unaudited) -----			
	Six months period ended		Three months period ended	
	2015	2014	2015	2014
	----- Rupees in '000 -----			
<b>NBP Fullerton Asset Management Company Limited - Management Company</b>				
Management remuneration	36,285	7,561	19,797	4,541
Sindh Sales Tax on remuneration of Management Company	5,893	1,316	3,215	755
Federal Excise Duty on remuneration of Management Company	5,806	1,210	3,168	727
Allocation of expenses related to registrar services, accounting, operations and valuation services	392	-	392	-
Sales load for the period	47,078	8,328	18,442	6,063
<b>National Bank of Pakistan - Sponsor</b>				
Cash dividend paid	11,618	-	-	-
<b>Taurus Securities (Private) Limited Brokerage</b>				
	96	90	6	46
<b>Aamir Sattar - Director</b>				
Dividend re-invest 3,029 units issued	48	-	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration of the Trustee	2,317	752	1,241	450
Sindh Sales Tax on Trustee remuneration	324	-	173	-

# NAFA ISLAMIC ASSET ALLOCATION FUND

(Unaudited)

	Six months period ended		Three months period ended	
	2015	2014	2015	2014
	Rupees in '000			
<b>Employee of the Management Company</b>				
Dividend re-invest 25,012 units (2014: Nil)	395	-	-	-
Units issued: 1,721,898 units (2014: 1,315,762 units)	27,147	18,238	6,284	12,705
Units redeemed: 1,763,293 units (2014: 544,966 units)	27,946	7,605	9,372	6,332
<b>NAFA Islamic Principal Preservation Fund</b>				
Units issued: (14,373,672 units; 2014: Nil units)	228,778	-	49,796	-
Units redeemed: (21,482,965 units; 2014: Nil units)	327,931	-	110,122	-

## 17.2 Balances outstanding as at period / year end

	31 December 2015 (Un-audited)	30 June 2015 (Audited)
	(Rupees in '000)	
<b>NBP Fullerton Asset Management Company Limited - Management Company</b>		
Management remuneration payable	6,539	4,270
Sindh Sales tax on management remuneration payable	1,062	743
Federal Excise Duty on management remuneration payable	11,629	5,823
Allocation of expenses related to registrar services, accounting, operations and valuation services	392	-
Sales load payable	10,564	12,780
Sindh Sales tax on Sales load payable	1,745	2,221
Federal Excise Duty on sales load payable	12,200	5,711
<b>National Bank of Pakistan</b>		
Cash dividend payable	-	11,618
Balance in current account	1,301	1,667
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	416	300
Sindh Sales Tax on Trustee remuneration payable	58	-
Security deposit	100	100
<b>Aamir Sattar - Director</b>		
Units held : 66,518 units (30 June 2015: Nil)	1,030	-
<b>Taurus Securities (Private) Limited</b>		
Brokerage payable	-	24
<b>Employees of the Management Company</b>		
Units held: 714,925 units (30 June 2015: 731,308 units)	11,071	11,694
<b>Summit Bank Limited</b>		
Balance held in current account	8,321	2,160
<b>CDC Trustee NAFA Islamic Principal Preservation Fund</b>		
Units held: 15,532,596 units (30 June 2015: 22,641,889 units)	240,525	362,064
<b>NAFA Financial Sector Income Fund</b>		
Net receivable against conversion of units	-	4,079
<b>NAFA Islamic Aggressive Income Fund</b>		
Net receivable against conversion of units	-	2,097
<b>NAFA Asset Allocation Fund</b>		
Net receivable against conversion of units	-	42,255
<b>NAFA Savings Plus Fund</b>		
Net receivable against conversion of units	-	6,567
<b>NAFA Money Market Fund</b>		
Net receivable against conversion of units	-	14,574



# NAFA ISLAMIC ASSET ALLOCATION FUND

31 December  
2015  
(Un-audited)  
(Rupees in '000)

30 June  
2015  
(Audited)

NAFA Islamic Stock Fund Payable against conversion of units	-	93,671
NAFA Riba Free Savings Fund Payable against conversion of units	26,287	18,762
Receivable against conversion of units	9,446	-
NAFA Government Securities Savings Fund Receivable against conversion of units	-	251
NAFA Islamic Principle Protected Fund - I Receivable against conversion of units	-	1,757
NAFA Islamic Principle Protected Fund - II Receivable against conversion of units	-	1,736
NAFA Government Securities Liquid Fund Receivable against conversion of units	1,051	6,378
NAFA Income Fund Receivable against conversion of units	-	221

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Funds financial assets which are measured at fair value:

Assets	As at December 31, 2015			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investments in securities- at fair value through profit and loss	2,199,944	45,273	-	2,245,217
Investments in securities- at available for sale	-	16,688	-	16,688
	<u>2,199,944</u>	<u>61,961</u>	<u>-</u>	<u>2,261,905</u>
Assets	As at June 30, 2015			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investments in securities- at fair value through profit and loss	1,755,054	45,073	-	1,800,127
Investments in securities- at available for sale	-	18,028	-	18,028
	<u>1,755,054</u>	<u>63,101</u>	<u>-</u>	<u>1,818,155</u>

# NAFA ISLAMIC ASSET ALLOCATION FUND

- 18.1 There was no transfer between levels during the period.
- 18.2 There were no changes in valuation techniques during the period
- 18.3 The Fund has not disclosed the fair values of all other financial assets and liabilities as their carrying amounts are reasonable approximation of their fair values.

**19 DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on February 26, 2016.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



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

## Head Office

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

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** NAFA INVEST to 8080

**Fax:** 021-35825335

**Email:** [info@nafafunds.com](mailto:info@nafafunds.com)

**Website:** [www.nafafunds.com](http://www.nafafunds.com)

 /nafafunds