

**AM2+**  
Rated by PACRA



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

## **NAFA FINANCIAL SECTOR INCOME FUND**

# **QUARTERLY REPORT**

## **MARCH 31**

# **2016**




*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



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

## Contents

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

# NAFA FINANCIAL SECTOR INCOME 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 Shakra-e-Faisal, Karachi.

### Bankers to the Fund

Askari Bank Limited  
Bank Alfalah Limited  
NIB Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
Faysal Bank Limited  
MCB Bank Limited  
Bank Al Habib Limited  
Habib Bank Limited  
Al Baraka Islamic Bank Limited  
The Bank of Punjab Limited  
Burj Bank Limited  
Summit Bank Limited  
Sindh Bank Limited  
United Bank Limited  
JS Bank Limited  
Khushhali Bank Limited  
Samba Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Zarai Taraqiati Bank Limited  
Bankislami Pakistan Limited

# NAFA FINANCIAL SECTOR INCOME 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](http://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 FINANCIAL SECTOR INCOME FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Financial Sector Income Fund (NFSIF)** for the period ended March 31, 2016.

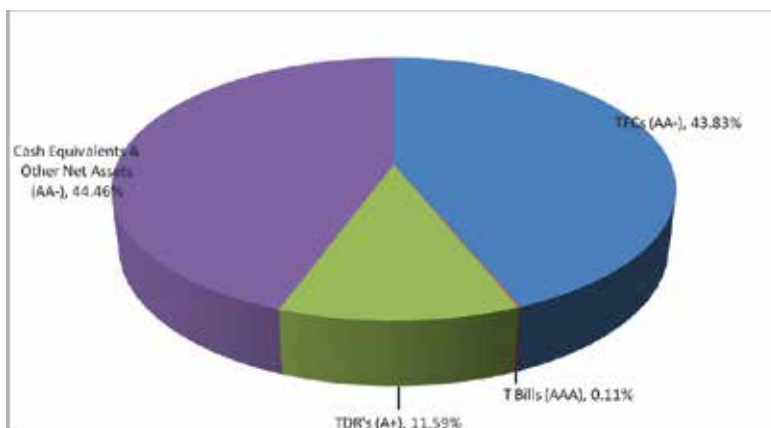
### Fund's Performance

The size of NAFA Financial Sector Income Fund has increased from Rs. 776 million to Rs. 863 million during the period, i.e. an increase of 11.2%. During the period, the unit price of the Fund has increased from Rs. 10.4679 on June 30, 2015 to Rs. 10.9899 on March 31, 2016, thus showing a return of 6.62% as compared to its Benchmark (70% 6-month KIBOR & 30% average 3-month deposit rates of A & above rated banks) return of 6.03% for the same period. The performance of the Fund is net of management fee and other expenses.

The Fund is unique as it invests a minimum 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity / instrument rating of debt securities is 'AA-'. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund. The Fund has been assigned 'A+' (f) fund stability rating by PACRA.

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 inflation expectation; ii) high real lending rates; iii) comfortable external account position; and (iv) improving law and order situation; and macroeconomic stability. Sovereign securities responded to the loose monetary policy stance. The T-Bills yield declined by around 78 bps and PIB yield declined by 142 bps, 183 bps and 141 bps for 3year, 5 year 10 Year maturity respectively. On the corporate debt sphere, trading activity in TFCs remained depressed. Dearth of high credit quality corporate bonds issuance further depressed already paltry yields on the secondary market bonds. Foreign exchange reserves reached a comfortable level of USD 20 billion. Inflation as measured by the CPI clocked-in at 3.9% on a year-on-year basis in March compared to 3.2% in June 2015.

The Fund has earned total income of Rs.59.33 million during the period. After deducting expenses of Rs.18.37 million, the net income is Rs.40.96 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NFSIF.



# NAFA FINANCIAL SECTOR INCOME FUND

## 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: April 29, 2016  
Place: Karachi.

# NAFA FINANCIAL SECTOR INCOME FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT MARCH 31, 2016

|   | Note | Un-Audited<br>March 31,<br>2016 | Audited<br>June 30,<br>2015 |
|---|------|---------------------------------|-----------------------------|
| (Rupees in '000)  |      |                                 |                             |
| <b>ASSETS</b>   |      |                                 |                             |
| Bank balances   |      | 408,667                         | 1,546,969                   |
| Investments   | 4    | 479,024                         | 487,343                     |
| Profit receivable   |      | 12,084                          | 7,143                       |
| Preliminary expenses and floatation costs                               |      | 125                             | 288                         |
| Security deposit  |      | 100                             | 100                         |
| Prepayments and other receivables                                       |      | 204                             | 969                         |
| <b>Total assets</b>   |      | <b>900,204</b>                  | <b>2,042,812</b>            |
| <b>LIABILITIES</b>  |      |                                 |                             |
| Payable to the Management Company                                       |      | 16,351                          | 16,682                      |
| Fee payable to Central Depository Company of Pakistan Limited - Trustee |      | 195                             | 201                         |
| Payable to the Securities and Exchange Commission of Pakistan           |      | 660                             | 1,472                       |
| Dividend payable  |      | -                               | 53,508                      |
| Payable against redemption of units                                     |      | 30                              | 1,168,295                   |
| Accrued expenses and other liabilities                                  |      | 20,449                          | 25,721                      |
| <b>Total liabilities</b>  |      | <b>37,685</b>                   | <b>1,265,879</b>            |
| <b>NET ASSETS</b>   |      | <b>862,519</b>                  | <b>776,933</b>              |
| Unit holders' fund (as per statement attached)                          |      | <b>862,519</b>                  | <b>776,933</b>              |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                    |      |                                 |                             |
|   | 5    | (Number of units)               |                             |
| Number of units in issue  |      | 78,482,814                      | 74,220,469                  |
| Net asset value per unit  |      | 10.9899                         | 10.4679                     |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA FINANCIAL SECTOR INCOME FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2016

|  | Note | Nine Months Ended |                | Quarter Ended  |                |
|--|------|-------------------|----------------|----------------|----------------|
|  |      | March 31, 2016    | March 31, 2015 | March 31, 2016 | March 31, 2015 |
| ------(Rupees in '000)-----  |      |                   |                |                |                |
| <b>INCOME</b>  |      |                   |                |                |                |
| Capital gain / (loss) on sale of investments - net   |      | 2,478             | 4,140          | (156)          | 3,053          |
| Income from term finance certificates  |      | 28,358            | 98,016         | 8,729          | 29,255         |
| Income from government securities  |      | 5,473             | 31,220         | 15             | 11,428         |
| Profit on bank deposits and Term Deposit Receipts  |      | 40,846            | 39,038         | 11,717         | 10,848         |
| Net unrealised appreciation in the value of investments classified as financial assets at fair value through profit or loss' |      | (2,438)           | 18,349         | (874)          | 1,459          |
| <b>Total income</b>  |      | <b>74,717</b>     | <b>190,763</b> | <b>19,431</b>  | <b>56,043</b>  |
| <b>EXPENSES</b>  |      |                   |                |                |                |
| Remuneration of the Management Company   |      | 10,926            | 22,391         | 1,897          | 7,050          |
| Sindh sales tax on remuneration of the Management Company  |      | 1,775             | 3,896          | 309            | 1,227          |
| Federal excise duties on remuneration of the Management Company  |      | 1,748             | 3,583          | 303            | 1,128          |
| Allocation of operational expenses from the Management Company   |      | 360               | -              | 244            | -              |
| Remuneration of the Trustee  |      | 1,373             | 1,907          | 409            | 609            |
| Sindh sales tax on remuneration of the Trustee   |      | 192               | -              | 58             | -              |
| Annual fee - Securities and Exchange Commission of Pakistan  |      | 660               | 1,120          | 182            | 353            |
| Securities transaction cost  |      | 7                 | 37             | 5              | 1              |
| Settlement and bank charges  |      | 448               | 394            | 144            | 147            |
| Annual listing fee   |      | 30                | 30             | 10             | 10             |
| Auditors' remuneration   |      | 478               | 424            | 137            | 95             |
| Printing charges   |      | -                 | 30             | -              | -              |
| Fund's Rating fee  |      | 208               | 176            | 69             | 66             |
| Legal and Professional Charges   |      | -                 | 37             | -              | 12             |
| Amortisation of preliminary expenses and floatation costs  |      | 165               | 164            | 55             | 54             |
| <b>Total expenses</b>  |      | <b>18,370</b>     | <b>34,189</b>  | <b>3,822</b>   | <b>10,752</b>  |
| <b>Net income from operating activities</b>  |      | <b>56,347</b>     | <b>156,574</b> | <b>15,609</b>  | <b>45,291</b>  |
| Element of (loss) and capital (losses) included in prices of units issued less those in units redeemed - net                 |      | (15,384)          | -              | (10,083)       | -              |
| Provision for workers' welfare fund  | 6    | -                 | (3,131)        | -              | (906)          |
| <b>Net income for the period before taxation</b>   |      | <b>40,963</b>     | <b>153,443</b> | <b>5,526</b>   | <b>44,385</b>  |
| Taxation   | 7    | -                 | -              | -              | -              |
| <b>Net income for the period after taxation</b>  |      | <b>40,963</b>     | <b>153,443</b> | <b>5,526</b>   | <b>44,385</b>  |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2016

|  | <u>Nine Months Ended</u>    |                  | <u>Quarter Ended</u> |                  |
|--|-----------------------------|------------------|----------------------|------------------|
|  | <u>March 31,</u>            | <u>March 31,</u> | <u>March 31,</u>     | <u>March 31,</u> |
|  | <u>2016</u>                 | <u>2015</u>      | <u>2016</u>          | <u>2015</u>      |
|  | ------(Rupees in '000)----- |                  |                      |                  |
| Net income for the period after taxation         | 40,963                      | 153,443          | 5,526                | 44,386           |
| Other comprehensive income for the period        | -                           | -                | -                    | -                |
| <b>Total comprehensive income for the period</b> | <u>40,963</u>               | <u>153,443</u>   | <u>5,526</u>         | <u>44,386</u>    |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2016

|   | Nine Months Ended           |                   | Quarter Ended     |                   |
|---|-----------------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2016           | March 31,<br>2015 | March 31,<br>2016 | March 31,<br>2015 |
|   | ------(Rupees in '000)----- |                   |                   |                   |
| Undistributed income brought forward  | 99,141                      | 74,875            | 134,578           | 176,762           |
| Net income for the period   | 40,963                      | 153,443           | 5,526             | 44,386            |
| Element of (loss) and capital (losses) included in the prices<br>of units issued less those in units redeemed | -                           | (11,768)          | -                 | (4,598)           |
| <b>Undistributed income carried forward</b>   | <u>140,104</u>              | <u>216,550</u>    | <u>140,104</u>    | <u>216,550</u>    |
| <b>Undistributed income comprising of :</b>   |                             |                   |                   |                   |
| - Realised gain   | 142,542                     | 198,201           | 142,542           | 198,201           |
| - Unrealised (loss) / gain  | (2,438)                     | 18,349            | (2,438)           | 18,349            |
|   | <u>140,104</u>              | <u>216,550</u>    | <u>140,104</u>    | <u>216,550</u>    |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2016

|  | Nine Months Ended           |                  | Quarter Ended  |                  |
|--|-----------------------------|------------------|----------------|------------------|
|  | March 31, 2016              | March 31, 2015   | March 31, 2016 | March 31, 2015   |
|  | ------(Rupees in '000)----- |                  |                |                  |
| <b>Net assets at the beginning of the period</b>   | 776,933                     | 2,177,036        | 1,105,109      | 1,940,282        |
| Issue of 156,595,941 units<br>(March 31 2015 : 31,314,916 units)   | 1,649,763                   | 331,596          | 52,549         | 119,023          |
| Redemption of 152,333,596 units<br>(March 31 2015 : 71,926,414 units)  | (1,620,524)                 | (755,148)        | (310,748)      | (196,764)        |
|  | 29,239                      | (423,552)        | (258,199)      | (77,741)         |
| Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed        |                             |                  |                |                  |
| - amount representing (income) / loss that form part of unit holders' fund - transferred to Income statement                       | 15,384                      | -                | 10,083         | -                |
| - amount representing (income) / loss that form part of unit holders' fund - transferred to distribution statement                 | -                           | 11,768           | -              | 4,598            |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | (2,438)                     | 18,349           | (874)          | 1,459            |
| Capital loss on sale of investments  | 2,478                       | 4,140            | (156)          | 3,053            |
| Other operating income   | 40,923                      | 130,954          | 6,556          | 39,874           |
| <b>Net income for the period</b>   | 40,963                      | 153,443          | 5,526          | 44,386           |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed            | -                           | (11,768)         | -              | (4,598)          |
| <b>Net assets as at the end of the period</b>  | <b>862,519</b>              | <b>1,906,927</b> | <b>862,519</b> | <b>1,906,927</b> |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2016

|  | Nine Months Ended |                | Quarter Ended  |                |
|--|-------------------|----------------|----------------|----------------|
|  | March 31, 2016    | March 31, 2015 | March 31, 2016 | March 31, 2015 |
| ------(Rupees in '000)-----  |                   |                |                |                |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |                   |                |                |                |
| Net income for the period before taxation  | 40,963            | 153,443        | 5,526          | 44,386         |
| <b>Adjustments :</b>   |                   |                |                |                |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 2,438             | (18,349)       | 874            | (1,459)        |
| Element of loss and capital losses included in prices of units issued less those in units redeemed - net                           | 15,384            | -              | 10,083         | -              |
| Amortisation of preliminary expenses and floatation costs  | 165               | 164            | 55             | 54             |
|  | 58,950            | 135,258        | 16,538         | 42,981         |
| <b>Decrease / (increase) in assets</b>   |                   |                |                |                |
| Investments  | 5,880             | 257,065        | 44,989         | 4,422          |
| Advances, deposits, prepayments and other receivables  | 764               | 158            | 10             | 10             |
| Profit receivable  | (4,941)           | 17,970         | (9,657)        | (5,090)        |
|  | 1,703             | 275,193        | 35,342         | (658)          |
| <b>(Decrease) / increase in liabilities</b>  |                   |                |                |                |
| Payable to the Management Company  | (331)             | 4,685          | (46)           | 763            |
| Fee payable to Central Depository Company of Pakistan Limited - Trustee  | (6)               | (52)           | 19             | (7)            |
| Payable to the Securities and Exchange Commission of Pakistan  | (812)             | (1,771)        | 182            | 353            |
| Accrued expenses and other liabilities   | (5,272)           | 2,847          | 1,462          | 861            |
|  | (6,421)           | 5,709          | 1,617          | 1,970          |
| <b>Net cash generated from operating activities</b>  | 54,232            | 416,160        | 53,497         | 44,293         |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |                   |                |                |                |
| Receipts from issue of units   | 1,649,763         | 331,596        | 52,549         | 119,023        |
| Payment on redemption of units   | (2,788,789)       | (1,705,608)    | (312,374)      | (204,757)      |
| Distribution paid  | (53,508)          | -              | -              | -              |
| <b>Net cash (used in) financing activities</b>   | (1,192,534)       | (1,374,012)    | (259,825)      | (85,734)       |
| <b>Net increase in cash and cash equivalents during the period</b>   | (1,138,302)       | (957,852)      | (206,328)      | (41,441)       |
| Cash and cash equivalents at the beginning of the period   | 1,546,969         | 1,411,420      | 614,995        | 495,009        |
| <b>Cash and cash equivalents as at the end of the period</b>   | 408,667           | 453,568        | 408,667        | 453,568        |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA FINANCIAL SECTOR INCOME FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2016

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange (Now merged into Pakistan Stock Exchange Limited). Units of the Fund are offered for public subscription on a continuous basis. These units are transferable and can be redeemed by surrendering to the Fund. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by the SECP for categorization of Collective Investment Schemes (CISs).

The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments.

The Pakistan Credit Rating Agency (PACRA) has assigned Management Quality Rating of 'AM2+' to the Management Company as at April 6, 2015 and Fund stability rating of 'A+(f)' to the Fund as at March 31, 2016.

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed interim financial information have 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 the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the published annual audited financial statements of the Fund for the year ended June 30, 2015.

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 March 31, 2016.

#### 2.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are effective:

There are certain new standards, amendments to approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

# NAFA FINANCIAL SECTOR INCOME FUND

## 3 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 audited financial statements for the year ended June 30, 2015.

| 4 INVESTMENTS                               | Note | (Un-audited)<br>March 31,<br>2016 | (Audited)<br>June 30,<br>2015 |
|---|------|-----------------------------------|-------------------------------|
| (Rupees in '000)                            |      |                                   |                               |
| <b>At fair value through profit or loss</b> |      |                                   |                               |
| Term finance certificates - listed          | 4.1  | 141,983                           | 222,732                       |
| Term finance certificates - unlisted        | 4.2  | 236,067                           | 264,611                       |
| <b>Government securities</b>                |      |                                   |                               |
| Treasury Bills                              | 4.3  | 974                               | -                             |
| <b>Loans and receivables</b>                |      |                                   |                               |
| Term Deposit Receipts - Long Term           | 4.5  | 100,000                           | -                             |
|   |      | <u>479,024</u>                    | <u>487,343</u>                |

### 4.1 Term finance certificates - listed

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

| Name of the investee company  | Number of certificates |                                   |                               |                            | Market value<br>as at<br>March 31,<br>2016 | Investment as a percentage of |   |
|---|------------------------|-----------------------------------|-------------------------------|----------------------------|--|-------------------------------|---|
|   | As at July<br>01, 2015 | Purchases<br>during the<br>period | Sales<br>during the<br>period | As at<br>March 31,<br>2016 |  | Net Assets                    | Market value<br>of total<br>investments |
| Rupees in '000  |                        |                                   |                               |                            |  |                               |   |
| <b>Term finance certificates - listed</b>   | -----%-----            |                                   |                               |                            |  |                               |   |
| Allied Bank Limited II  | 13,000                 | -                                 | 13,000                        | -                          | -  | -                             | -                                       |
| Faysal Bank Limited - III   | 27,900                 | -                                 | -                             | 27,900                     | 141,983                                    | 16.46                         | 29.64                                   |
| Pak Libya Holding Company (Pvt) Limited   | 10,000                 | -                                 | 10,000                        | -                          | -  | -                             | -                                       |
|   |                        |                                   |                               | <u>27,900</u>              | <u>141,983</u>                             |                               |   |
| <b>Carrying Value as at March 31, 2016</b>  |                        |                                   |                               |                            | <u>142,772</u>                             |                               |   |
| Net unrealised (diminution) on re-measurement of investments<br>classified as 'financial assets at fair value through profit or loss' |                        |                                   |                               |                            | <u>(789)</u>                               |                               |   |

### 4.2 Term finance certificates - unlisted

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

| Name of the investee company  | Number of certificates |                                   |                               |                            | Market value<br>as at<br>March 31,<br>2016 | Investment as a percentage of |   |
|---|------------------------|-----------------------------------|-------------------------------|----------------------------|--|-------------------------------|---|
|   | As at July<br>01, 2015 | Purchases<br>during the<br>period | Sales<br>during the<br>period | As at<br>March 31,<br>2016 |  | Net Assets                    | Market value<br>of total<br>investments |
| Rupees in '000  |                        |                                   |                               |                            |  |                               |   |
| <b>Term finance certificates - unlisted</b>   | -----%-----            |                                   |                               |                            |  |                               |   |
| Bank Alfalah Limited - IV   | 39,500                 | -                                 | 5,200                         | 34,300                     | 174,938                                    | 20.28                         | 36.52                                   |
| Askari Bank Limited - IV  | 44                     | -                                 | -                             | 44                         | 44,588                                     | 5.17                          | 9.31                                    |
| Standard Chartered Bank   | 3,300                  | -                                 | -                             | 3,300                      | 16,541                                     | 1.92                          | 3.45                                    |
|   |                        |                                   |                               | <u>37,644</u>              | <u>236,067</u>                             |                               |   |
| <b>Carrying Value as at March 31, 2016</b>  |                        |                                   |                               |                            | <u>237,718</u>                             |                               |   |
| Net unrealised (diminution) on re-measurement of investments<br>classified as 'financial assets at fair value through profit or loss' |                        |                                   |                               |                            | <u>(1,651)</u>                             |                               |   |

# NAFA FINANCIAL SECTOR INCOME FUND

## 4.3 Government securities

| Issue date                   | Tenor     | As at July 01, 2015 | Face value                  |                                   |                      | Market Value as at March 31, 2016 | Investment as a percentage of |                                   |
|------------------------------|-----------|---------------------|-----------------------------|-----------------------------------|----------------------|-----------------------------------|-------------------------------|-----------------------------------|
|                              |           |                     | Purchases during the period | Sales / matured during the period | As at March 31, 2016 |                                   | Net assets                    | Market value of total investments |
|                              |           |                     |                             |                                   |                      | Rupees in '000                    | ----- % -----                 |                                   |
| <b>Market Treasury Bills</b> |           |                     |                             |                                   |                      |                                   |                               |                                   |
| 6-Aug-15                     | 12 Months | -                   | 150,000                     | 150,000                           | -                    | -                                 | -                             | -                                 |
| 20-Aug-15                    | 12 Months | -                   | 320,000                     | 320,000                           | -                    | -                                 | -                             | -                                 |
| 3-Sep-15                     | 12 Months | -                   | 280,000                     | 279,000                           | 1,000                | 974                               | 0.11                          | 0.20                              |
|                              |           |                     |                             |                                   |                      | 974                               |                               |                                   |

### Carrying Value as at March 31, 2016

Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

974

-

4.4 The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

### 4.5 Term Deposit Receipt

| Name of Issuer | Maturity Date | Rate          | Face Value            |
|----------------|---------------|---------------|-----------------------|
|                |               | ----- % ----- | <b>'Rupees in 000</b> |
| Khushhali Bank | 6-Jul-16      | 10            | 100,000               |

## 5 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at March 31, 2016 and as at June 30, 2015.

## 6 PROVISION FOR WORKERS' WELFARE FUND

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

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgment, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 17.976 million in these condensed interim financial information. Had the same not been made the net asset value per unit of the Fund as at March 31, 2016 would have been higher by Rs 0.229 per unit.

The Finance Act, 2015 has excluded Collective Investment Schemes (CISs) from the definition of 'industrial establishment' subject to WWF under the WWF Ordinance, 1971. Accordingly, the Management Company has discontinued further provisioning of WWF with effect from 1 July 2015. However, provision made till 30 June 2015 has not been reversed as the above law suit is still pending before the Sindh High Court (SHC).



# NAFA FINANCIAL SECTOR INCOME FUND

## 7 TAXATION

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

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

## 8 TRANSACTIONS WITH CONNECTED PERSONS

- 8.1 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 Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 8.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 8.3 Remuneration and front - end load payable to the Management Company and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 8.4 Details of the transactions with connected persons are as follows:

|  | ----- (Un-Audited) -----     |                |                |                |
|--|------------------------------|----------------|----------------|----------------|
|  | Nine months ended            |                | Quarter ended  |                |
|  | March 31, 2015               | March 31, 2014 | March 31, 2015 | March 31, 2014 |
| <b>NBP Fullerton Asset Management Limited - Management Company</b>                           | ----- (Rupees in '000) ----- |                |                |                |
| Remuneration   | 10,926                       | 22,391         | 1,897          | 7,050          |
| Sindh Sales Tax on Management Company's remuneration   | 1,775                        | 3,896          | 309            | 1,227          |
| Federal excise duty on Management Company's remuneration                                     | 1,748                        | 3,583          | 303            | 1,128          |
| Allocation of operational expenses from the Management Company                               | 360                          | -              | 244            | -              |
| Front end load   | 629                          | 726            | 79             | 136            |
| <b>National Bank of Pakistan - Sponsor</b>   |                              |                |                |                |
| Amount paid against redemption of units  | 721,058                      | -              | -              | -              |
| Distributions paid   | 53,508                       | -              | -              | -              |
| Bank Profit  | 6                            | -              | 6              | -              |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>                              |                              |                |                |                |
| Remuneration of the Trustee  | 1,373                        | 1,907          | 409            | 609            |
| Sindh sales tax on remuneration of the Trustee   | 192                          | -              | 58             | -              |
| CDS Charges  | 219                          | 176            | 72             | 64             |
| <b>COO / Company Secretary</b>   |                              |                |                |                |
| Redemption of 45,963 units (March 31 2015: 37,225 units)                                     | 489                          | 400            | -              | 400            |
| <b>Employees of the Management Company</b>   |                              |                |                |                |
| 1,474,201 Units issued / transferred in during the period (March 31 2015 : 121,211 units)    | 15,504                       | 1,262          | 74             | 228            |
| 1,450,026 Units redeemed / transferred out during the period (March 31 2015 : 259,210 units) | 15,295                       | 2,705          | 701            | 403            |
| <b>NAFA Income Opportunity Fund</b>  |                              |                |                |                |
| Sale of Pakistan Investment Bond   | -                            | 234,085        | -              | 26,485         |
| Sale of Treasury Bills   | 94,537                       | -              | -              | -              |
| <b>NAFA Money Market Fund</b>  |                              |                |                |                |
| Sale of Treasury Bills   | -                            | 186,275        | -              | -              |

# NAFA FINANCIAL SECTOR INCOME FUND

|  | Un-audited<br>As at<br>March 31,<br>2015 | Audited<br>As at<br>June 30,<br>2014 |
|--|--|--------------------------------------|
| 8.5 Balances outstanding as at period end  |  |                                      |
| -----Rupees in '000-----   |  |                                      |
| <b>NBP Fullerton Asset Management Limited - Management Company</b>   |  |                                      |
| Preliminary expenses and floatation costs paid by the Management Company on behalf of the Fund                             | 17                                       | 17                                   |
| Rating fee paid by the Management Company on behalf of the Fund  | 52                                       | 52                                   |
| Security deposit with Central Depository Company of Pakistan Limited given by the Management Company on behalf of the Fund | 100                                      | 100                                  |
| Management remuneration payable  | 639                                      | 2,320                                |
| Sindh Sales Tax payable on Management Company's remuneration   | 104                                      | 481                                  |
| Federal Excise Duty on Management Company's remuneration   | 14,696                                   | 12,947                               |
| Allocation of operational expenses payable to the Management Company   | 360                                      | -                                    |
| Sales load and transfer load payable to the Management Company   | 743                                      | 765                                  |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>  |  |                                      |
| Remuneration payable   | 178                                      | 201                                  |
| Sales tax payable on remuneration of trustee   | 17                                       | -                                    |
| Security deposit   | 100                                      | 100                                  |
| <b>National Bank of Pakistan - Sponsor</b>   |  |                                      |
| Dividend payable   | -  | 53,508                               |
| Payable against units redeemed ( June 30, 2015: 68,882,766 units )   | -  | 721,058                              |
| Bank balance   | 3,884                                    | 2,113                                |
| <b>COO / Company Secretary</b>   |  |                                      |
| Units held : Nil units (June 30, 2015 : 45,963 units)  | -  | 481                                  |
| <b>Employees of the Management Company</b>   |  |                                      |
| Units held 38,860 units (June 30, 2015 : 14,505 units)   | 425                                      | 152                                  |
| <b>Summit Bank Limited</b>   |  |                                      |
| Bank balance   | 1,747                                    | 1,034                                |
| <b>Amount payable against redemption of units to:</b>  |  |                                      |
| NAFA Government Securities Liquid Fund   | -  | 126,227                              |
| NAFA Government Securities Saving Fund   | -  | 3,735                                |
| NAFA Islamic Asset Allocation Fund   | -  | 4,079                                |
| NAFA Income Opportunity Fund   | -  | 299,121                              |
| NAFA Multi Asset Fund  | -  | 6,484                                |
| NAFA Stock Fund  | -  | 2,466                                |
| NAFA Income Fund   | -  | 4,992                                |
| <b>PAKISTAN ELECTRONIC MEDIA REGULATORY AUTHORITY</b>  |  |                                      |
| Units held : 9,923,033 units (June 30, 2015: 9,923,033 units)  | 109,053                                  | 103,873                              |

## 9 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on April 29, 2016.

## 10 GENERAL

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

10.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



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

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