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

NAFA GOVERNMENT SECURITIES SAVINGS FUND

HALF YEARLY REPORT DECEMBER 31 2014

Your investments & "NAFA" grow together

NBP National Bank of Pakistan | 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

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. Wah Geok Sum	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 & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	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

Bank Alfalah Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
NIB Bank Limited
Summit Bank Limited
National Bank Pakistan
Allied Bank Limited
Bank Al Habib Limited
JS Bank Limited
United Bank Limited

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:

7th 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:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

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

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Government Securities Savings Fund** for the half year ended December 31, 2014.

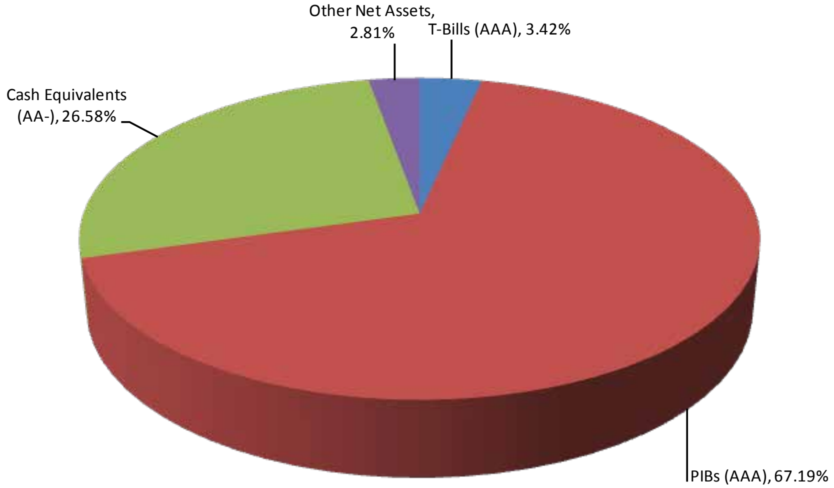
Fund's Performance

The size of NAFA Government Securities Savings Fund is Rs. 723 million as at December 31, 2014. The Fund has earned an annualized return of 15.67% since its inception (July 10, 2014) as compared to its Benchmark (70% average 6-Month PKRV & 30% average3-Month deposit rates A+ & above rated banks) annualized return of 9.52% for the same period. The performance of the Fund is net of management fee and other expenses.

NAFA Government Securities Savings Fund (NGSSF) invests a minimum of 70% in Government Securities (primarily PIBs). The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which enhances liquidity profile of the Fund.

During the period under review, the State Bank of Pakistan reduced the policy rate by 50bps to 9.5% mainly due to sharp decline in inflation and improved external account position. Sovereign securities responded to the loose monetary policy stance with yields on the PIBs and T-bills declining sharply. Going forward, we view that declining trend in inflation along with mitigation of risk to external account could further repress the interest rates.

The Fund has earned total income of Rs.78.02 million during the period. After deducting expenses of Rs.9.02 million, the net income is Rs.69 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NGSSF.



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 17, 2015
Place: Karachi.

TRUSTEE REPORT TO THE UNIT HOLDERS

NAFA GOVERNMENT SECURITIES SAVINGS 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 Government Securities Savings 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 period from July 10, 2014 to December 31, 2014 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 27, 2015

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

Introduction

We have reviewed the accompanying interim statement of assets and liabilities of **NAFA Government Securities Savings Fund** (“the Fund”) as at 31 December 2014 and the related interim income statement, interim statement of comprehensive income, interim distribution statement, interim statement of movement in unit holders’ fund, interim cash flow statement for the period from 10 July 2014 to 31 December 2014 then ended, and a summary of significant accounting policies and other explanatory notes (here-in-after referred to as the “interim financial information”). Management Company is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. 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 interim financial information does not give a true and fair view of the financial position of the Fund as at 31 December 2014, and of its financial performance and its cash flows for the period from 10 July 2014 to 31 December 2014 then ended, in accordance with approved accounting standards as applicable in Pakistan.

Other matter

The figures for the three months period ended 31 December 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 17, 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

Interim Statement of Assets and Liabilities (Unaudited)
As at 31 December 2014

	Note	Audited December 31, 2014
		(Rupees in '000)
Assets		
Bank balances	4	192,169
Investments	5	510,616
Profit receivables	6	24,415
Deposit and prepayments	7	344
Receivable against sale of units		829
Total assets		728,373
Liabilities		
Payable to NBP Fullerton Asset Management Limited - Management Company	8	2,443
Payable to Central Depository Company of Pakistan Limited - Trustee	9	101
Payable to Securities and Exchange Commission of Pakistan	10	332
Payable against redemption of units		457
Accrued expenses and other liabilities	11	1,902
Total liabilities		5,235
Net Assets		723,138
Unit holders' fund (as per statement attached)		723,138
Contingencies and commitments	12	
Number of units in issue	13	67,287,616
Net assets value per unit		10.7470

The annexed notes 1 to 20 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Interim Income Statement (Unaudited)
For the period from 10 July 2014 to 31 December 2014

	Note	For the period from 10 July 2014 to 31 December 2014	Three months period ended 31 December 2014
		(Rupees in '000)	
Income			
Income from Market Treasury Bills		5,335	2,569
Income from Pakistan investment bonds		30,965	16,695
Income from term finance certificates		304	-
Profit on bank deposits		11,197	5,613
Capital gain on sale of investments - net		11,006	11,442
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.4	19,215	17,099
Total income		78,022	53,418
Expenses			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	8.1	4,428	2,318
Sindh Sales Tax on remuneration of Management Company	8.1	770	378
Federal Excise Duty on remuneration of Management Company	8.2	708	370
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	730	380
Annual fee - Securities and Exchange Commission of Pakistan	10	332	174
Securities transaction cost		107	49
Settlement and bank charges		182	81
Annual listing fee		10	(1)
Auditors' remuneration		267	155
Fund rating fee		-	(56)
Printing charges		49	27
Other charges		25	14
Total expenses		7,608	3,889
Net income from operating activities		70,414	49,529
Provision for Workers' Welfare Fund	11.1	(1,408)	(990)
Net income for the period before taxation		69,006	48,539
Taxation	14	-	-
Net income for the period after taxation		69,006	48,539

The annexed notes 1 to 20 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Interim Statement of Comprehensive Income (Unaudited)
For the period from 10 July 2014 to 31 December 2014

	For the period from 10 July 2014 to 31 December 2014	Three months period ended 31 December 2014
	(Rupees in '000)	
Net income for the period after taxation	69,006	48,539
Other comprehensive income for the period	-	-
Total comprehensive income for the period	69,006	48,539

The annexed notes 1 to 20 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Interim Distribution Statement (Unaudited)
For the period from 10 July 2014 to 31 December 2014

	Note	For the period from 10 July 2014 to 31 December 2014	Three months period ended 31 December 2014
		(Rupees in '000)	
Undistributed income brought forward comprising:			
- Realised income		-	21,402
- Unrealised income		-	2,116
		-	23,518
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		(18,743)	(21,794)
Net income for the period after taxation		69,006	48,539
Undistributed income carried forward		50,263	50,263
Undistributed income carried forward comprising:			
- Realised income		31,048	33,164
- Unrealised income	5.4	19,215	17,099
		50,263	50,263

The annexed notes 1 to 20 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Interim Statement of Movement in Unit Holders' Fund (Unaudited)
For the period from 10 July 2014 to 31 December 2014

	For the period from 10 July 2014 to 31 December 2014	Three months period ended 31 December 2014
	(Rupees in '000)	
Net assets at beginning of the period -	-	1,086,812
Issue of 161,454,040 units	1,634,178	252,092
Redemption of 94,166,424 units	(980,046)	(664,305)
	654,132	(412,213)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	(18,743)	(21,794)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	19,215	17,099
Capital gain on sale of investments - net	11,006	11,442
Other net income for period	38,785	19,998
Total comprehensive income for the period	69,006	48,539
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	18,743	21,794
Net assets at end of period	723,138	723,138
[Rs.10.747 per unit]		

The annexed notes 1 to 20 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Interim Cash Flow Statement (Unaudited)
For the period from 10 July 2014 to 31 December 2014

	Note	For the period from 10 July 2014 to 31 December 2014	Three months period ended 31 December 2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		69,006	48,539
Adjustments:			
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(19,215)	(17,099)
		49,791	31,440
Movement in assets			
Investments - net		(491,401)	476,336
Profit receivables		(24,415)	(7,813)
Deposit and prepayments		(344)	(344)
Receivable against sale of units		(829)	(829)
		(516,989)	467,350
Movement in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		2,443	681
Payable to Central Depository Company of Pakistan Limited - Trustee		101	(48)
Payable to Securities and Exchange Commission of Pakistan		332	174
Payable against redemption of units		457	457
Accrued expenses and other liabilities		1,902	852
		5,235	2,116
Net cash (used in) / from operating activities		(461,963)	500,906
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issue of units		1,634,178	252,092
Net payments against redemption of units		(980,046)	(665,229)
Net cash from / (used in) financing activities		654,132	(413,137)
Cash and cash equivalents at beginning of the period		-	104,400
Cash and cash equivalents at end of the period	4	192,169	192,169

The annexed notes 1 to 20 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive **Director**

Notes to and forming part of the interim financial statements (Unaudited)
For the period from 10 July 2014 to 31 December 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Government Securities Savings Fund ("the 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 the Trustee. The Trust Deed was executed on 05 June 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 May 2014 in accordance with 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 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 the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an "Income Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The objective of the Fund is to provide unit holders with competitive return from portfolio of low credit risk securities by investing primarily in Government Securities.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2 to the Management Company and stability rating of 'AA-(f)' to the Fund.

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

The initial offering period of the Fund was started on 3 July 2014 and ended on 10 July 2014. Up to the end of initial offering period, all expenses / costs inclusive of expenses incurred in respect of offering document amounted to Rs. 1.313 million have been treated as formation costs. Units were issued subsequent to initial period end to core and pre-IPO investor against amount invested. Accordingly the Fund has commenced its commercial activities from the end of initial period. Therefore these interim financial statements are prepared for the period starting from 10 July 2014 to 31 December 2014.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified 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 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Rules, 2003, the NBFC Regulations, 2008, or the directives issued by the SECP prevail.

2.2 Accounting convention

These interim financial statements are prepared under the historical cost convention except for investments which are carried at fair values.

2.3 Functional and presentation currency

These interim financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment thereagainst, if any (note 3.2.1 and 3.2.5).

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- Amendments to IAS 19 'Employee Benefits' Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments have no impact on the Fund's financial statements.

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments have no impact on the Fund's financial statements.

- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard would have no impact on the Fund's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard would have no impact on the Fund's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard would have no impact on the Fund's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard would have no impact on the Fund's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments have no impact on the Fund's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

  - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

  - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments tothe following standards:

  - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in interim financial statements for all interim periods.

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

3.2 Financial Assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Management Company determines the classification of its financial assets at initial recognition.

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

c) Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold maturity are classified as held to maturity.

d) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed as incurred in the income statement.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

a) Basis of valuation of debt securities

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

c) Basis of valuation of Government Securities

The investment o the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the statement of comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Subsequent to the initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest rate method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

a) Debt securities

In case of debt instruments classified as available for sale, if any such evidence exists, the cumulative loss measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised through comprehensive income is reclassified through other comprehensive income to income statement. Impairment losses recognised on debt instruments in the income statement are reversed subsequently from income statement through comprehensive income.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

c) Equity Securities

The Management Company assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities in the income statement are not reversed subsequently.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

3.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at mortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.5 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.6 Provision

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 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 year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders.

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.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2015 as reduced by capital gains (whether realised or unrealised) to its unit holders.

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on the date on which the funds are actually realized against application. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load , any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is credited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the sale proceeds of units. Upon redemption of units, the 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is debited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the redemption price.

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' during the year is included in the amount available for distribution to the unit holders.

3.10 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

- Unrealised appreciation / (diminution) arising on remeasurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Unrealised appreciation / (diminution) arising on remeasurement of investments classified as 'available for sale investments' are included in the other comprehensive income in the period in which they arise.

- Profit on bank deposits, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

3.11 Earnings per unit

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

3.12 Net Assets Value Per Unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

3.13 Proposed distribution

Dividend distributions are recognised in the financial statements in the period in which such distributions are declared / approved.

		Note	31 December 2014 Unaudited (Rupees in '000)
4	**BANK BALANCES**		
	In current accounts		501
	In savings accounts	4.1	191,668
			192,169

4.1 These accounts carry rates ranging from 7% to 10% per annum.

5	**INVESTMENTS**		
	Financial assets 'at fair value through profit or loss' - held for trading		
	Market Treasury Bills	5.1	24,757
	Pakistan Investment Bonds	5.2	485,859
	Term Finance Certificates	5.3	-
			510,616

5.1 Market Treasury Bills

Issue Date	Tenor	Face value				Balance as at 31 December 2014		Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchases during the period	Sales / matured during the period	As at 31 December 2014	Carrying value	Market value	Diminution		
		-----------------------------Rupees in ' 000-----------------------------						--------------------- % ---------------------	
17 April 2014	6 Months	265,000	265,000	-	-	-	-	-	-
15 May 2014	6 Months	310,000	310,000	-	-	-	-	-	-
12 June 2014	3 Months	52,050	52,050	-			-	-	-
26 June 2014	3 Months	236,000	236,000	-	-	-	-	-	-
10 July 2014	3 Months	533,000	533,000	-	-	-	-	-	-
24 July 2014	3 Months	233,000	233,000	-	-	-	-	-	-
07 August 2014	3 Months	350,000	350,000	-	-	-	-	-	-
4 September 2014	3 Months	50,000	50,000	-	-	-	-	-	-
13 November 2014	3 Months	330,000	305,000	25,000	24,761	24,757	(4)	3.42	4.85
Total		**2,359,050**	**2,334,050**	**25,000**	**24,761**	**24,757**	**(4)**	**3.42**	**4.85**

5.2 Pakistan Investment Bonds

Issue Date	Tenor	Face value				Balance as at 31 December 2014		Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchases during the period	Sales / matured during the period	As at 31 December 2014	Carrying value	Market value	Appreciation		
		-----------------------------Rupees in ' 000-----------------------------						--------------------- % ---------------------	
17 July 2014	3 Years	669,000	499,100	169,900	167,851	176,237	8,386	24.37	34.51
18 July 2013	3 Years	499,100	210,000	289,100	286,708	296,446	9,738	40.99	58.06
17 July 2014	10 Years	75,000	75,000	-		-	-	-	-
17 July 2014	5 Years	125,000	125,000	-		-	-	-	-
18 July 2013	5 Years	212,500	200,000	12,500	12,081	13,176	1,095	1.82	2.58
Total		**1,580,600**	**1,109,100**	**471,500**	**466,640**	**485,859**	**19,219**	**67.18**	**95.15**

5.3 Term Finance Certificates - unlisted

All certificates have a face value of Rs. 5,000 each.

Name of the investee company	Number of certificates				Balance as at 31 December 2014		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2014	Purchases during the period	Sale during the period	As at December 31, 2014	Carrying value	Market value		
					Rupees in '000		---------------------- % ----------------------	
Hascol Petroleum Limited	-	9,000	9,000	-	-	-	-	-

	31 December 2014 Unaudited (Rupees in '000)
5.4 Net unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	
Market value of investments	510,616
Less: carrying value of investments	(491,401)
	19,215

6 PROFIT RECEIVABLES

Savings account	79
Pakistan Investment Bond	24,336
	24,415

		Note	31 December 2014 Unaudited (Rupees in '000)
7	**DEPOSIT AND PREPAYMENTS**		
	Security deposits with Central Depository Company of Pakistan Limited		102
	Prepayments		
	- Listing fee		10
	- Rating fee		232
			344

		Note	31 December 2014 Unaudited (Rupees in '000)
8	**PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**		
	Management remuneration	8.1	587
	Sindh Sales Tax	8.1	102
	Federal Excise Duty	8.2	708
	Sales Load		314
	Transfer Load		431
	Sales Tax on sales load		137
	Federal Excise Duty on sales load		119
	Others		45
			2,443

8.1 Under the provisions of the NBFC Regulations, 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. Currently, Management fee is being charged at the rate of one percent per annum of the average annual net assets of the Fund. The Sindh Provincial Government levied Sindh Sales Tax at the rate of 15% on the remuneration of the Management Company and sales through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2014

8.2 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. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. The High Court of Sindh in its order dated 09 September 2013 granted stay to the various funds for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision with effect from 10 July 2014, aggregating to Rs. 0.708 million Had the provision not been made, the net assets value (NAV) per unit of the Fund as at 31 December 2014 would have been higher by Rs. 0.0105 per unit.

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

Net Assets	**Tariff per annum**
Upto Rs 1,000 million	0.17% p.a. of net assets
On an amount Rs 1,000 million to 5,000 million	Rs 1.7 million plus 0.085% p.a. of net assets exceeding Rs 1,000 million.
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% p.a. of net assets exceeding Rs 5,000 million.

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective scheme categorized as an income scheme is required to pay an annual fee to SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Workers' Welfare Fund	11.1	1,408
Auditors' remuneration		267
Printing charges		48
Withholding tax		8
Settlement charges		12
Legal and professional charges		25
Others		134
		1,902

11.1 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 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 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, declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) in various Constitutional Petitions declared that amendments introduced in the WWF Ordinance, 1971 through Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, the Management Company, as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 1.408 million (including Rs.1.408 million for the current period). Had the same not been made the net assets value per unit of the Fund would have been higher by Rs. 0.0209.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 December 2014.

13 NUMBER OF UNITS IN ISSUE

	2014 (Number of units)
Total units in issue at beginning of the period	-
Add: units issued during the period	161,454,040
Less: units redeemed during the period	(94,166,424)
Total units in issue at end of the period	67,287,616

14 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of the accounting income, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2015 as reduced by capital gains (whether realised or unrealised) to its unit holders.

15 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

15.1 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 and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, NAFA provident Trust Fund 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, any person or company beneficially owning directly or indirectly ten percent or more units of the Fund.

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

15.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

15.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

15.5 Details of the transactions with connected persons are as follows:

	For the period from 10 July 2014 to 31 December 2014	Three months period ended 31 December 2014
	Unaudited (Rupees in '000)	
NBP Fullerton Asset Management Limited Management Company		
Management remuneration	4,428	2,318
Sindh Sales Tax on remuneration of Management Company	770	378
Federal Excise Duty on remuneration of Management Company	708	370
Sales load	998	778
Thal Limited - Employees Provident Fund		
Purchases of Market Treasury Bills	5,000	-
International Steel Limited - Employees Provident Fund		
Purchase of Pakistan Investment Bond	1,600	-
National Bank of Pakistan		
Sale of Market Treasury Bills	149,646	-
Sale of Pakistan Investment Bond	137,308	137,308
Employees of the Management Company		
1,097,575 units issued	11,221	3,989
1,002,385 units redeemed	10,345	5,206
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	730	380
CDC Trustee NAFA Money Market Fund		
Sale of Market Treasury Bills	230,061	230,061
CDC Trustee NAFA Income Opportunity Fund		
Sale of Pakistan Investment Bond	105,210	105,210

	31 December 2014 Unaudited (Rupees in '000)
15.6 Amounts outstanding as at period end:	
NBP Fullerton Asset Management Limited - Management Company	
Management remuneration payable	587
Sindh Sales Tax payable	236
Federal Excise Duty on Management Fee payable	828
Sales load and transfer load payable	746
Other payable	45
Employees of the Management Company	
95,189 units held	1,023
Central Depository Company of Pakistan Limited - Trustee	
Trustee fee payable	101
Security deposit	102
National Bank of Pakistan	
Bank Balances	5

15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December 2014			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
On balance sheet - financial assets				
Bank balances	192,169	-	-	192,169
Investments	-	510,616	-	510,616
Profit receivables	24,415	-	-	24,415
Deposit	102	-	-	102
Receivable against sale of units	829	-	-	829
	217,515	510,616	-	728,131

	As at 31 December 2014		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
On balance sheet - financial liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	2,443	2,443
Payable to Central Depository Company of Pakistan Limited - Trustee	-	101	101
Payable on redemption of units	-	457	457
Accrued expenses and other liabilities	-	486	486
		3,487	3,487

17 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities. 17.1.1

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

Risks managed and measured by the Fund are explained as follows:

17.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted.

Credit risk arises from deposits with banks, profit receivable on bank deposits, credit exposure arising as a result, dividends receivable on mutual fund units (if any) and receivable against sale of investments and investments in mutual funds.

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. All transactions in the Fund are executed only in underlying funds, thus the risk of default is considered to be minimal. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors on a quarterly basis.

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentrations of credit risk. The maximum exposure to credit risk as at 31 December 2014 is tabulated below:

	31 December 2014 Unaudited (Rupees in '000)
Financial Assets	
Bank balances	192,169
Profit receivable on savings account	79
	192,248

17.1.1 The percentage of bank balances along with credit ratings are as follows:

Ratings	(Unaudited) 31 December 2014 (%)
AAA	0.56%
AA+	0.44%
AA	6.77%
AA-	5.71%
A+	86.26%
A	0.26%

The Fund does not have any collateral against any of the aforementioned assets.

None of the financial assets were considered to be past due or impaired as on 31 December 2014.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

17.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

Maturity analysis for financial liabilities

The table below analyses the Fund's liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	31 December2014			
	Upto three months	Over three months and up to one year	Over one year	Total
	-------------------(Rupees in '000)----------------------			
Payable to NBP Fullerton Asset Management Limited - Management Company	2,443	-	-	2,443
Payable to Central Depository Company of Pakistan Limited - Trustee	101	-	-	101
Payable against redemption of units	457	-	-	457
Accrued expenses and other liabilities	486	-	-	486
	3,487	-	-	3,487

17.3 Market risk

17.3.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk of currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Currently the Fund is not exposed to equity price risk

17.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) **Sensitivity analysis for variable rate instruments**

Presently, the Fund is not exposed to variable rate instrument.

b) **Sensitivity analysis for fixed rate instruments**

As at 31 December 2014, the Fund holds Pakistan Investment Bonds exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in interest rates on 31 December 2014, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 2.732 million.

The composition of the Fund's investment portfolio and rates announced by MUFAP is expected to change over time. Therefore, the sensitivity analysis prepared as of 31 December 2014 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

		31 December 2014				
		Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Yield / interest rate	Upton three months	Over three months and up to one year	Over one year		
On-balance sheet financial instruments		(Rupees in '000)				
Financial assets						
Bank balances	7% - 10%	191,668	-	-	501	192,169
Investments	9.92% - 12%	24,757	-	485,859	-	510,616
Profit receivable		24,415	-	-	-	24,415
Receivable against sale of units		-	-	-	829	829
		240,840	-	485,859	1,330	728,029
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	2,443	2,443
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	101	101
Payable against redemption of units		-	-	-	457	457
Accrued expenses and other liabilities		-	-	-	486	486
		-	-	-	3,487	3,487
On-balance sheet gap		240,840	-	485,859	(2,157)	724,542
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

17.3.3 Currency risk

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 33 of 2012 dated 24 October 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 33 of 2012 issued by the SECP.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).
- 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 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	As at 31 December2014			
	Level 1	Level 2	Level 3	Total
	--------------------(Rupees in '000)----------------------			
ASSETS				
Investments in securities - at fair value through profit or loss	-	510,616	-	510,616

19 UNIT HOLDERS' FUND RISK MANAGEMENT

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions on the subscription and redemption of units.

The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 17, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

20 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on February 17, 2015.

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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