



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

## NAFA GOVERNMENT SECURITIES SAVINGS FUND

# QUARTERLY REPORT MARCH 31 2015



*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.

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# NAFA GOVERNMENT SECURITIES SAVINGS 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 & 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. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	Member

### Trustee

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

### Bankers to the Fund

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

7-Noon Avenue, Canal Bank,  
Muslim Town, Lahore.  
UAN: 042-111-111-632  
Fax: 92-42-35861095

## **Islamabad Office:**

Plot No. 395, 396  
Industrial Area, I-9/3 Islamabad.  
UAN: 051-111-111-632  
Phone: 051-2514987  
Fax: 051-4859031

## **Peshawar Office:**

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## DIRECTORS' REPORT

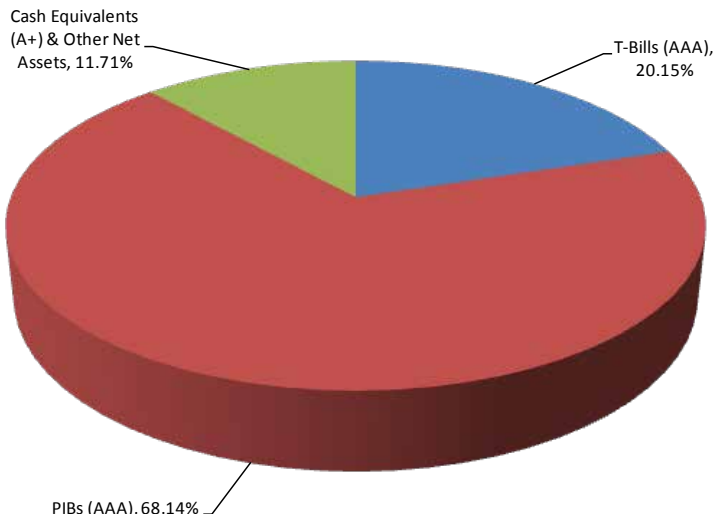
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Government Securities Savings Fund** for the period ended March 31, 2015.

### Fund's Performance

The size of NAFA Government Securities Savings Fund is Rs. 848 million as at March 31, 2015. The Fund has earned an annualized return of 15.56% since its inception (July 10, 2014) as compared to its Benchmark (70% average 6-Month PKRV & 30% average 3-Month deposit rates A+ & above rated banks) annualized return of 9.58% for the same period. During the third quarter, the Fund size increased by 17.3%. During the quarter, the unit price of the Fund has increased from Rs. 10.7470 on December 31, 2014 to Rs. 11.1257 on March 31, 2015, thus showing an annualized return of 14.29% as compared to its Benchmark annualized return of 9.70% for the same period. The performance of the Fund is net of management fee and other expenses.

During the period under review, the State Bank of Pakistan reduced the policy rate by 200 bps to 8.0% mainly due to sharp decline in inflation, build-up of FX reserves, largely contained fiscal deficit, and improved external account position. Sovereign securities responded to the beginning of loose monetary policy period with yields on the PIBs and T-bills declining sharply.

The Fund has earned total income of Rs.111.41 million during the period. After deducting expenses of Rs.13.22 million, the net income is Rs.98.19 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NGSSF.



# NAFA GOVERNMENT SECURITIES SAVINGS 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 21, 2015  
Place: Karachi.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Interim Statement of Assets and Liabilities (Unaudited) As at 31 March 2015

	Note	Un-Audited March 31, 2015 (Rupees in '000)
<b>Assets</b>		
Bank balances	4	289,818
Investments	5	748,611
Profit receivables	6	13,527
Deposit and prepayments	7	282
Receivable against sale of units		1,370
<b>Total assets</b>		<b>1,053,608</b>
<b>Liabilities</b>		
Payable to NBP Fullerton Asset Management Limited - Management Company	8	3,934
Payable to Central Depository Company of Pakistan Limited - Trustee	9	135
Payable to Securities and Exchange Commission of Pakistan	10	493
Payable against redemption of units		197,742
Accrued expenses and other liabilities	11	3,388
<b>Total liabilities</b>		<b>205,692</b>
<b>Net Assets</b>		<b>847,916</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>847,916</b>
<b>Contingencies and commitments</b>	12	
<b>Number of units in issue</b>		<b>76,212,675</b>
<b>Net assets value per unit</b>		<b>11.1257</b>

The annexed notes 1 to 16 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Interim Income Statement (Unaudited)

For the period from 10, July 2014 to march 31, 2015 and quarter ended march 31, 2015

	Note	For the period from 10 July 2014 to 31 March 2015	Three months period ended 31 March 2015
(Rupees in '000)			
<b>Income</b>			
Income from Market Treasury Bills		8,612	3,277
Income from Pakistan investment bonds		45,660	14,695
Income from term finance certificates		304	-
Profit on bank deposits		14,887	3,690
Capital gain on sale of investments - net		14,812	3,806
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.4	27,135	7,920
<b>Total income</b>		<u>111,410</u>	<u>33,388</u>
<b>Expenses</b>			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	8.1	6,580	2,152
Sindh Sales Tax on remuneration of Management Company	8.1	1,145	375
Federal Excise Duty on remuneration of Management Company	8.2	1,053	345
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	1,095	365
Annual fee - Securities and Exchange Commission of Pakistan	10	493	161
Securities transaction cost		112	5
Settlement and bank charges		217	35
Annual listing fee		10	-
Auditors' remuneration		339	72
Fund rating fee		62	62
Printing charges		73	24
Other charges		38	13
<b>Total expenses</b>		<u>11,217</u>	<u>3,609</u>
<b>Net income from operating activities</b>		<u>100,193</u>	<u>29,779</u>
Provision for Workers' Welfare Fund	11.1	(2,003)	(595)
<b>Net income for the period before taxation</b>		<u>98,190</u>	<u>29,184</u>
Taxation	13	-	-
<b>Net income for the period after taxation</b>		<u>98,190</u>	<u>29,184</u>

The annexed notes 1 to 16 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Interim Statement of Comprehensive Income (Unaudited)

For the period from 10, July 2014 to march 31, 2015 and quarter ended march 31, 2015

	For the period from 10 July 2014 to 31 March 2015 (Rupees in '000)	Three months period ended 31 March 2015
Net income for the period after taxation	98,190	29,184
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<u>98,190</u>	<u>29,184</u>

The annexed notes 1 to 16 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Interim Distribution Statement (Unaudited)

For the period from 10, July 2014 to march 31, 2015 and quarter ended march 31, 2015

	Note	For the period from 10 July 2014 to 31 March 2015 (Rupees in '000)	Three months period ended 31 March 2015 (Rupees in '000)
<b>Undistributed income brought forward comprising:</b>			
- Realised income		-	31,048
- Unrealised income		-	19,215
		-	50,263
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net			
		(12,402)	6,341
Net income for the period after taxation			
		98,190	29,184
<b>Undistributed income carried forward</b>			
		85,788	85,788
<b>Undistributed income carried forward comprising:</b>			
- Realised income		58,653	77,868
- Unrealised income	5.4	27,135	7,920
		85,788	85,788

The annexed notes 1 to 16 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Interim Statement of Movement in Unit Holders' Fund (Unaudited) For the period from 10, July 2014 to march 31, 2015 and quarter ended march 31, 2015

	For the period from 10 July 2014 to 31 March 2015 (Rupees in '000)	Three months period ended 31 March 2015 (Rupees in '000)
Net assets at beginning of the period	-	723,138
Issue of 226,975,833 units	2,356,458	722,280
Redemption of 150,763,159 units	(1,606,732)	(626,686)
	749,726	95,594
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	(12,402)	6,341
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	27,135	7,920
Capital gain on sale of investments - net	14,812	3,806
Other net income for period	56,243	17,458
<b>Total comprehensive income for the period</b>	<b>98,190</b>	<b>29,184</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	12,402	(6,341)
<b>Net assets at end of period</b> [Rs.11.1257 per unit]	<b>847,916</b>	<b>847,916</b>

The annexed notes 1 to 16 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Interim Cash Flow Statement (Unaudited)

For the period from 10, July 2014 to march 31, 2015 and quarter ended march 31, 2015

	Note	For the period from 10 July 2014 to 31 March 2015 (Rupees in '000)	Three months period ended 31 March 2015 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period before taxation		98,190	29,184
<b>Adjustments:</b>			
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(27,135)	(27,135)
		<u>71,055</u>	<u>2,049</u>
<b>Movement in assets</b>			
Investments - net		(721,476)	(230,075)
Profit receivables		(13,527)	10,888
Deposit and prepayments		(282)	62
Receivable against sale of units		(1,370)	(541)
		<u>(736,655)</u>	<u>(219,666)</u>
<b>Movement in liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		3,934	3,934
Payable to Central Depository Company of Pakistan Limited - Trustee		135	34
Payable to Securities and Exchange Commission of Pakistan		493	161
Payable against redemption of units		197,742	197,285
Accrued expenses and other liabilities		3,388	1,486
		<u>205,692</u>	<u>202,900</u>
<b>Net cash (used in) / from operating activities</b>		<u>(459,908)</u>	<u>(14,717)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipts from issue of units		2,356,458	722,280
Net payments against redemption of units		(1,606,732)	(626,686)
<b>Net cash from / (used in) financing activities</b>		<u>749,726</u>	<u>95,594</u>
Cash and cash equivalents at beginning of the period		-	192,169
<b>Cash and cash equivalents at end of the period</b>	4	<u><u>289,818</u></u>	<u><u>273,046</u></u>

The annexed notes 1 to 16 form an integral part of these interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Notes to and forming part of the interim financial statements (Unaudited) For the period from 10, July 2014 to march 31, 2015 and quarter ended march 31, 2015

### 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.

In compliance with schedule V of the NBFC Regulations 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, 2015.

#### 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.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

- 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 1 January 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 to the 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.



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 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.

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## 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 of 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 amortised 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 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.

## 3.8 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.

## 3.9 Preliminary expenses and floatation costs

Preliminary expenses represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from 10 July 2014 in accordance with the Trust Deed of the Fund & the NBFC Regulations 2008.

## 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.

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## 3.12 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.

## 3.13 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.

## 3.14 Proposed distribution

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

	Note	As at March 31, 2015 (Rupees in '000)
<b>4 BANK BALANCES</b>		
In current accounts		1,230
In savings accounts	4.1	288,588
		<u>289,818</u>

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	170,875
Pakistan Investment Bonds	5.2	577,736
Term Finance Certificates	5.3	-
		<u>748,611</u>

## 5.1 Market Treasury Bills

Issue Date	Tenor	Balance as at 31 March 2015						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 March 2015	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	330,000	-	-	-	-	-	-
27 November 2014	3 Months	150,000	150,000	-	-	-	-	-	-
08 January 2015	3 Months	100,000	100,000	-	-	-	-	-	-
19 March 2015	3 Months	75,000	-	75,000	73,827	73,823	(4)	0.09	9.86
22 January 2015	3 Months	80,000	80,000	-	-	-	-	-	-
22 January 2015	12 Months	60,000	60,000	-	-	-	-	-	-
06 February 2015	12 Months	100,000	100,000	-	-	-	-	-	-
05 March 2015	12 Months	50,000	-	50,000	46,588	46,575	(13)	0.05	6.22
19 March 2015	12 Months	30,000	-	30,000	27,920	27,866	(54)	0.03	3.72
08 January 2015	12 Months	24,000	-	24,000	22,459	22,611	152	0.03	3.02
<b>Total</b>		<b>3,028,050</b>	<b>2,849,050</b>	<b>179,000</b>	<b>170,794</b>	<b>170,875</b>	<b>81</b>	<b>-</b>	<b>-</b>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 5.2 Pakistan Investment Bonds

Issue Date	Tenor	Balance as at 31 March 2015						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 March 2015	Carrying value	Market value	Appreciation		
-----Rupees in ' 000-----									
17 July 2014	3 Years	706,500	549,100	157,400	157,312	167,602	10,290	19.77	22.39
18 July 2013	3 Years	499,100	210,000	289,100	286,708	300,527	13,819	35.44	40.14
17 July 2014	10 Years	75,000	75,000	-	-	-	-	-	-
17 July 2014	5 Years	162,500	125,000	37,500	40,727	41,414	687	4.88	99.01
18 July 2013	5 Years	262,500	200,000	62,500	65,935	68,193	2,258	8.04	9.11
Total		<u>1,705,600</u>	<u>1,159,100</u>	<u>546,500</u>	<u>550,682</u>	<u>577,736</u>	<u>27,054</u>	<u>68.14</u>	<u>170.65</u>

## 5.3 Term Finance Certificates - unlisted

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

Name of investee company	Number of certificates			Balance as at 31 March 2015		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 March 2015	Carrying value	Market value		
-----Rupees in ' 000-----							
Hascol Petroleum Limited	9,000	9,000	-	-	-	-	-

Note  
31 March  
2015  
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	748,611
Less: carrying value of investments	(721,476)
	<u>27,135</u>

## 6 PROFIT RECEIVABLES

Savings account	1,120
Pakistan Investment Bond	12,407
	<u>13,527</u>

## 7 DEPOSIT AND PREPAYMENTS

Security deposits with Central Depository Company of Pakistan Limited	
Prepayments	102
- Listing fee	10
- Rating fee	170
	<u>282</u>

## 8 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management remuneration	8.1	798
Sindh Sales Tax	8.1	391
Federal Excise Duty	8.2	1,280
Sales Load		970
Transfer Load		450
Others		45
		<u>3,934</u>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

- 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	2,004
Auditors' remuneration		339
Printing charges		72
Withholding tax		777
Settlement charges		3
Legal and professional charges		37
Others		156
		<u>3,388</u>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

- 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.2.004 million. Had the same not been made the net assets value per unit of the Fund would have been higher by Rs.0.0263.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 March 2015.

## 13 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% 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.

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

## 14 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 14.1 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.
- 14.2 The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 14.3 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.
- 14.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

14.5 Details of the transactions with connected persons are as follows:	For the period from 10 July 2014 to 31 March 2015	Three months period ended 31 March 2015
	Unaudited (Rupees in '000)	
<b>NBP Fullerton Asset Management Limited Management Company</b>		
Management remuneration	6,580	4,470
Sindh Sales Tax on remuneration of Management Company	1,145	753
Federal Excise Duty on remuneration of Management Company	1,053	715
Sales load	998	778
<b>Employees of the Management Company</b>		
1,542,178 units issued	16,064	8,832
1,389,599 units redeemed	14,582	9,443
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	1,095	745
		Un-Audited March 31, 2015
<b>14.6 Amounts outstanding as at period end:</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management remuneration payable		798
Sindh Sales Tax payable		391
Federal Excise Duty payable		1,280
Sales load and transfer load payable		1,420
Other payable		45
<b>Employees of the Management Company</b>		
152,578 units held		1,698
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable		135
Security deposit		102
<b>National Bank of Pakistan</b>		
Bank Balances		708

## 15 GENERAL

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

## 16 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on April 21, 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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