

**AM2+**  
Rated by PACRA



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

## **NAFA INCOME FUND**

# **QUARTERLY REPORT MARCH 31 2016**




*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



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

# NAFA INCOME FUND

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# NAFA INCOME FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

Mr. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource and Remuneration Committee

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

### Trustee

MCB Financial Service Limited  
3rd Floor, Adamjee House,  
I.I. Chundrigar Road Karachi - 7400

### Bankers to the Fund

Allied Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Bank of Punjab  
National Bank of Pakistan  
NIB Bank Limited  
Habib Bank Limited  
Burj Bank Limited  
Sindh Bank Limited  
Silk Bank Limited  
Dubai Islamic Bank Pakistan Limited  
United Bank Limited  
JS Bank Limited  
Khushhali Bank Limited  
Zarai Taraqiati Bank Limited

# NAFA INCOME FUND

## **Auditors**

Deloitte Yousuf Adil  
Chartered Accountants  
Cavish Court,  
A-35, Block 7 & 8,  
KCHSU, Sharae Faisal  
Karachi-75350 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: 111-111NFA (111-111-632),  
(Toll Free): 0800-20001,  
Fax: (021) 35825329  
Website: [www.nafafunds.com](http://www.nafafunds.com)

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

Opposite Gul Haji Plaza, 2nd Floor  
National Bank Building  
University Road Peshawar,  
UAN: 091-111 111 632 (nfa)  
Fax: 091-5703202

## **Multan Office:**

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

# NAFA INCOME FUND

## DIRECTORS' REPORT

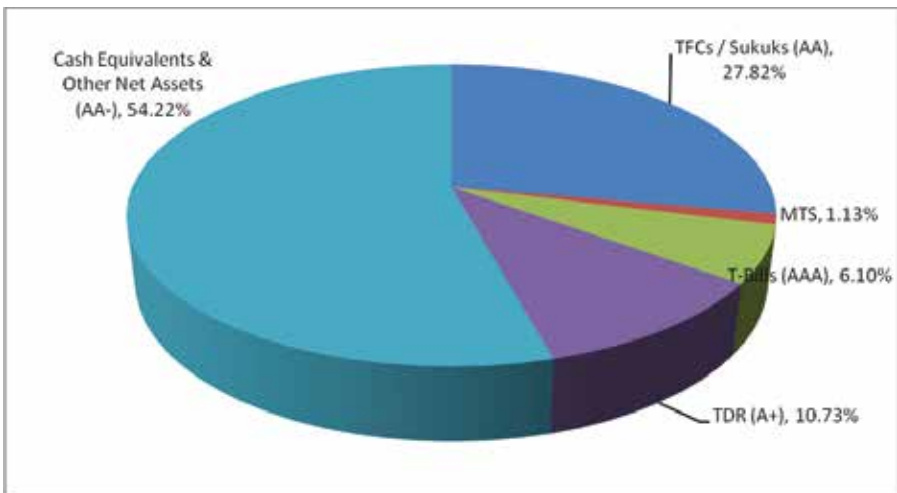
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Fund** (NIF) for the period ended March 31, 2016.

### Fund's Performance

The size of NAFA Income Fund has increased from Rs. 583 million to Rs. 671 million during the period, i.e. an increase of 15.1%. During the period, the unit price of NAFA Income Fund has increased from Rs. 9.7306 on June 30, 2015 to Rs. 10.2651 on March 31, 2016, thus showing a return of 7.29% as compared to the benchmark (6-Month KIBOR) return of 6.62% for the same period. The performance of the Fund is net of management fee and all other expenses.

NIF is categorized as an Income Scheme and has been awarded stability rating of 'A(f)' by PACRA. During the period under review, the State Bank of Pakistan reduced the discount rate by 50 bps to 6.5%. SBP highlighted: i) benign inflation readings and anchored near-term inflation expectation; ii) high real lending rates; iii) comfortable external account position; and (iv) improving law and order situation and macroeconomic stability. Sovereign securities responded to the loose monetary policy stance. The T-Bills yield declined by around 78 bps and PIB yield declined by 142 bps, 183 bps and 141 bps for 3year, 5 year 10 Year maturity respectively. On the corporate debt sphere, trading activity in TFCs remained depressed. Dearth of high credit quality corporate bonds issuance further depressed already paltry yields on the secondary market bonds. Foreign exchange reserves reached a comfortable level of USD 20 billion. Inflation as measured by the CPI clocked-in at 3.9% on a year-on-year basis in March compared to 3.2% in June 2015.

The Fund has earned total income of Rs.43.31 million during the period. After deducting expenses of Rs.8.37 million, the net income is Rs.34.94 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIF.



# NAFA INCOME FUND

## Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: April 29, 2016  
Place: Karachi.

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2016

	Note	Un-Audited March 31, 2016	Audited June 30, 2015
------(Rupees in '000)-----			
<b>ASSETS</b>			
Balances with banks		407,945	483,554
Investments	4	258,685	247,786
Receivable against Margin Trading System		7,583	-
Advances, deposits, prepayments and other receivables		627	437
Profit receivable		4,473	6,396
<b>Total assets</b>		679,313	738,173
<b>LIABILITIES</b>			
Payable to the Management Company		3,100	2,538
Payable to the Trustee		64	48
Payable to the Securities and Exchange Commission of Pakistan		344	404
Accrued expenses and other liabilities		4,799	151,689
<b>Total liabilities</b>		8,307	154,679
<b>NET ASSETS</b>		<u>671,006</u>	<u>583,494</u>
Unit holders' fund (As per statement attached)		<u>671,006</u>	<u>583,494</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6	(Number of units)	
Number of units in issue		<u>65,367,455</u>	<u>59,964,777</u>
-----Rupees-----			
Net asset value per unit		<u>10.2651</u>	<u>9.7306</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA INCOME FUND

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

	Note	Nine Month Ended		Quarter Ended	
		March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
------(Rupees in '000)-----					
<b>INCOME</b>					
Profit on bank deposits and term deposits		17,842	8,499	7,755	2,156
Gain / (loss) on sale of investments - net		116	601	(254)	221
Income from term finance certificates and sukuk bonds		8,540	20,334	2,753	3,567
Income from Margin Trading System		6,761	-	1,335	-
Income from government securities		5,366	16,053	640	7,051
Income from commercial paper		-	1,727	-	1,727
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		1,074	13,386	921	4,017
<b>Total income</b>		<b>39,699</b>	<b>60,600</b>	<b>13,150</b>	<b>18,739</b>
<b>EXPENSES</b>					
Remuneration of the Management Company		4,072	3,960	1,151	1,354
Sindh Sale Tax on remuneration of the Management Company		662	689	187	235
FED on remuneration of the Management Company		651	634	184	217
Remuneration of the Trustee		459	396	157	135
Sindh Sale Tax on remuneration of the Trustee		64	-	22	-
Allocated Expenses		217	-	156	-
Annual fee - Securities and Exchange Commission of Pakistan		344	297	117	102
Annual listing fee		30	29	10	9
Securities transaction cost		18	19	11	5
Settlement charges and bank charges		1,049	245	282	93
Auditors' remuneration		395	382	91	82
(Reversal) / Impairment loss on term finance certificates and sukuk bonds		(1,277)	(1,824)	-	(1,824)
Fund rating fee		214	183	75	50
Printing and related costs		10	-	10	-
Other expenses		188	38	52	13
<b>Total expenses</b>		<b>7,096</b>	<b>5,048</b>	<b>2,505</b>	<b>471</b>
<b>Net income from operating activities</b>		<b>32,603</b>	<b>55,552</b>	<b>10,645</b>	<b>18,268</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net		2,338	-	2,606	-
Provision for workers' welfare fund		-	(1,111)	-	(365)
<b>Net income for the period before taxation</b>		<b>34,941</b>	<b>54,441</b>	<b>13,251</b>	<b>17,903</b>
Taxation	7	-	-	-	-
<b>Net income for the period after taxation</b>		<b>34,941</b>	<b>54,441</b>	<b>13,251</b>	<b>17,903</b>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

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

	<u>Nine Month Ended</u>		<u>Quarter Ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	------(Rupees in '000)-----			
Net income for the period after taxation	34,941	54,441	13,251	17,903
<b>Other comprehensive income for the period</b>				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>34,941</u>	<u>54,441</u>	<u>13,251</u>	<u>17,903</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

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

	<u>Nine Month Ended</u>		<u>Quarter Ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	------(Rupees in '000)-----			
Undistributed income / (loss) brought forward	(3,825)	(27,303)	17,865	9,247
Element of income and capital gains included in prices of units issued less those in units redeemed	-	415	-	403
Net income for the period after taxation	34,941	54,441	13,251	17,903
Undistributed income carried forward	<u>31,116</u>	<u>27,553</u>	<u>31,116</u>	<u>27,553</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

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

	Nine Month Ended		Quarter Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
------(Rupees in '000)-----				
Net assets at the beginning of the period	583,494	500,789	603,660	537,934
Issue of 15,152,125 units (2015: 1,037,219,units )	152,055	10,374	58,957	5,732
Redemption of 9,749,447 units (2015: 561,450 units)	(97,146)	(5,517)	(2,256)	(1,482)
	54,909	4,857	56,701	4,250
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing (income) / loss that form part of unit holders' fund - transferred to distribution statement	-	(415)	-	(403)
- amount representing (income) / loss that form part of unit holders' fund - transferred to Income statement	(2,338)	-	(2,606)	-
	(2,338)	(415)	(2,606)	(403)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets available for sale'	-	-	-	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	1,074	13,386	921	4,017
Capital Gain on sale of Investment	116	601	(254)	221
Other operating income	33,751	40,454	12,584	13,665
<b>Net income for the period</b>	<b>34,941</b>	<b>54,441</b>	<b>13,251</b>	<b>17,903</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	-	415	-	403
<b>Net assets as at the end of the period</b>	<b>671,006</b>	<b>560,087</b>	<b>671,006</b>	<b>560,087</b>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

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

	Nine Month Ended		Quarter Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
------(Rupees in '000)-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	34,941	54,441	13,251	17,903
<b>Adjustments</b>				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,074)	(13,386)	(921)	(4,017)
(Gain) / loss on sale of investments - net	(116)	(601)	254	(221)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(2,338)		(2,606)	-
(Reversal) / Impairment loss on term finance certificates and sukuk bonds	(1,277)	(1,824)	-	(1,824)
	<u>30,136</u>	<u>38,630</u>	<u>9,978</u>	<u>11,841</u>
<b>(Increase) / decrease in assets</b>				
Investments	(8,432)	(166,706)	(35,395)	(140,274)
Advances, deposits, prepayments and other receivables	(190)	122	66	9
Receivable against Margin Trading System	(7,583)		183,011	
Profit receivable	1,923	2,406	(2,503)	5,146
	<u>(14,282)</u>	<u>(164,178)</u>	<u>145,179</u>	<u>(135,119)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	562	1,097	116	240
Payable to the Trustee	16	6	6	2
Payable to Securities and Exchange Commission of Pakistan	(60)	(83)	117	101
Accrued expenses and other liabilities	(146,890)	1,070	190	388
	<u>(146,372)</u>	<u>2,090</u>	<u>429</u>	<u>731</u>
<b>Net cash inflow / (outflow) from operating activities</b>	<u>(130,518)</u>	<u>(123,458)</u>	<u>155,586</u>	<u>(122,547)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	152,055	10,374	58,957	5,732
Payment on redemption of units	(97,146)	(5,517)	(2,256)	(1,482)
<b>Net cash inflow from financing activities</b>	<u>54,909</u>	<u>4,857</u>	<u>56,701</u>	<u>4,250</u>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	<u>(75,609)</u>	<u>(118,601)</u>	<u>212,287</u>	<u>(118,297)</u>
Cash and cash equivalents at the beginning of the period	483,554	144,582	195,658	144,278
<b>Cash and cash equivalents as at the end of the period</b>	<u><u>407,945</u></u>	<u><u>25,981</u></u>	<u><u>407,945</u></u>	<u><u>25,981</u></u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

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

### 1 LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management [formerly National Fullerton Asset Management Limited (NAFA)] as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on January 03, 2008 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

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 and Principal office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units of the Fund are offered for public subscription on a continuous basis. These units are transferable and can be redeemed by surrendering them to the Fund. The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

The core objective of the Fund is to earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets. The Fund comprises of investments of various time horizons with a significant amount invested in short term investments for the purpose of maintaining liquidity.

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

Title of the assets of the Fund is held in the name of MCB Financial Services Limited (MCBFSL) as the trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of International Accounting Standard (IAS) 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2016.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2015.

# NAFA INCOME FUND

4 INVESTMENTS	Note	(Un-audited)	(Audited)
		March 31, 2016	June 30, 2015
		(Rupees in '000)	
<b>At fair value through profit or loss - held for trading</b>			
Term finance certificates - listed	4.1.1	95,702	70,308
Term finance certificates - unlisted	4.1.2	-	14,754
Sukuks	4.2	50,054	49,079
Government securities	4.3	40,929	113,645
		186,685	247,786
<b>Available for sale</b>			
Term finance certificates - listed	4.4	-	-
Sukuks	4.5	-	-
		-	-
<b>Loans and receivables</b>			
Investment in long term TDRs		72,000	-
		72,000	-
		258,685	247,786

## 4.1 Term Finance Certificates - at fair value through profit or loss - held for trading

### 4.1.1 Term Finance Certificates - listed

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

Name of the investee company	Number of certificates				Market value as at March 31, 2016	Investment as a percentage of		
	As at July 01, 2015	Purchases during the period	Sales during the period	As at March 31, 2016		Net Assets	Market value of total investments	Issue Size
					Rupees in '000		-----%-----	
Allied Bank Limited	2,000	-	2,000	-	-	-	-	-
Askari Bank Limited	-	7,400	-	7,400	37,255	5.55%	14.40%	-
Bank Alfalah Limited	2,000	-	-	2,000	10,200	1.52%	3.94%	0.21
Faysal Bank Limited	5,000	-	-	5,000	25,445	3.79%	9.84%	0.87
Saudi Pak Leasing Company Limited (4.1.1.1)	15,000	-	-	15,000	-	-	-	2.87
Jahangir Siddiqui and Company Ltd.(08-04-14)	5,000	-	-	5,000	21,567	3.21%	8.34%	2.50
Jahangir Siddiqui and Company Ltd.(30-10-12)	1,000	-	-	1,000	1,235	0.18%	0.48%	0.87
<b>Total as at March 31, 2016</b>					95,702	14.26%	22.59%	
<b>Carrying Value as at March 31, 2016</b>					136,928			
<b>Accumulated Impairment</b>					41,321			

4.1.1.1 This represents investment in listed term finance certificates with original term of five years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its term on December 26, 2011 with a new maturity in March 2017. In prior year, the investee company again defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset (NPA) by MUFAP since April 31, 2014. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of said circular.

### 4.1.2 Term Finance Certificates - unlisted

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

Name of the investee company	Number of certificates				Market value as at March 31, 2016	Investment as a percentage of		
	As at July 01, 2015	Purchases during the period	Sales during the period	As at March 31, 2016		Net Assets	Market value of total investments	Issue Size
					Rupees in '000		-----%-----	
Engro Fertilizers Limited	2,900	-	2,900	-	-	-	-	-
Agritech Limited II (note: 4.1.3)	30,000	-	-	30,000	-	-	-	-
Agritech Limited V (note: 4.1.4)	4,436	-	-	4,436	-	-	-	-
<b>Total as at March 31, 2016</b>					-	-	-	
<b>Carrying Value as at March 31, 2016</b>					172,056			
<b>Accumulated impairment</b>					172,056			

# NAFA INCOME FUND

4.1.3 This represents investment in privately placed unlisted term finance certificates with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since August 2, 2010. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.1.4 This represents investment in privately placed term finance certificates (PPTFC) of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since January 17, 2012 . The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

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

## 4.2 Sukuks - at fair value through profit or loss - held for trading

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

Name of the investee company	Number of certificates				Market value as at March 31, 2016	Investment as a percentage of		
	As at July 01, 2015	Purchases during the period	Sales during the period	As at March 31, 2016		Net Assets	Market value of total investments	Issue Size
Rupees in '000						-----%-----		
New Allied Electronics Industries (Private) Limited (note 4.2.1)	10,000	-	-	10,000	-	-	-	-
K Electric AZM Sukuk	9,800	-	-	9,800	50,054	7.46%	19.35%	1.30
<b>Total as at March 31, 2016</b>					<u>50,054</u>	<u>7.46%</u>	<u>19.35%</u>	<u>-</u>
Carrying Value as at March 31, 2016					<u>98,134</u>			
Accumulated impairment					<u>49,054</u>			

4.2.1 This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since January 9, 2009. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

## 4.3 Government Securities - at fair value through profit or loss - held for trading

Issue date	Tenor	Face Value				Market value as at March 31, 2016	Investment as a percentage of	
		As at July 01, 2015	Purchases during the period	Sales/ matured during the period	As at March 31, 2016		Net Assets	Market Value of total investments
Rupees in '000						-----%-----		
<b>Market Treasury Bills</b>								
November 13, 2014	12 Months	-	90,000	48,000	42,000	40,929	6.00	15.82
September 3, 2015	12 Months	-	41,300	41,300	-	-	-	-
<b>Pakistan Investment Bond</b>								
July 17, 2014	3 Years	50,000	-	50,000	-	-	-	-
March 26, 2015	3 Years	58,500	-	58,500	-	-	-	-
<b>Total as at March 31, 2016</b>						<u>40,929</u>	<u>6.00</u>	<u>15.82</u>
Carrying Value as at March 31, 2016						<u>40,924</u>		



# NAFA INCOME FUND

## 4.4 Term Finance Certificates - available for sale (listed)

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

Name of the investee company	Number of certificates / bonds				Market value as at March 31, 2016	Investment as a percentage of		
	As at July 01, 2015	Purchases during the period	Sales during the period	As at March 31, 2016		Net assets	Market value of total investments	Issue Size
Worldcall Telecom Limited (note 4.4.1)	14,000	-	-	14,000	Rupees in '000	------%		
					-	-	-	3.00
<b>Total as at March 31, 2016</b>					<u>-</u>	<u>-</u>	<u>-</u>	
<b>Carrying Value as at March 31, 2016</b>					<u>26,881</u>			
<b>Accumulated impairment</b>					<u>26,881</u>			

4.4.1 This represents investment in listed term finance certificates of Worldcall Telecom Limited. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

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

## 4.5 Sukuks - available for sale

Name of the investee company	Number of certificates / bonds				Market value as at March 31, 2016	Investment as a percentage of		
	As at July 01, 2015	Purchases during the period	Sales during the period	As at March 31, 2016		Net assets	Market value of total investments	Issue Size
Eden Housing Limited (note 4.5.1)	20,000	-	-	20,000	Rupees in '000	------%		
					-	-	-	13.70
<b>Carrying Value as at March 31, 2016</b>					<u>19,688</u>			
<b>Accumulated impairment</b>					<u>19,688</u>			

4.5.1 This represents investment in privately placed sukuk bonds with a term of five years. On May 6, 2011, the issuer defaulted its scheduled principal and profit payment and therefore it was classified as 'Non Performing Asset' (NPA) by MUFAP. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.5.2 The sukuk held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

## 5 PROVISION FOR WORKERS' WELFARE FUND

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

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgment, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 4.095 million in these condensed interim financial information. Had the same not been made the net asset value per unit of the Fund as at March 31, 2016 would have been higher by Rs 0.0627 per unit.

# NAFA INCOME FUND

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

## 6 CONTINGENCIES AND COMMITMENTS

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

## 7 TAXATION

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

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

## 8 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Scheme'.

The Clause (IV) of the categorisation criteria requires that not more than 15% of the net assets shall be invested in non traded securities including reverse repos, bank deposits, certificates of investments (COI), certificates of musharakas (COM) and anything over 6 months maturity which is not a marketable security. Clause (v) of the categorisation criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at March 31, 2016, the Fund is in non-compliance with the above-mentioned requirements in respect of the following:

Type of Investment	Name of non-compliant investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		Rupees in '000			-----%-----	
Investment in Debt securities	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Worldcall Telecom Limited	26,881	26,881	-	-	-
	Saudi Pak Leasing Company Limited	41,321	41,321	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk	49,054	49,054	-	-	-
	Eden Housing - Sukuk II	19,688	19,688	-	-	-

8.1 SECP vide circular no. 16 of 2010 dated July 7, 2010 required that a scheme non-compliant with this requirement should comply with this requirement by December 31, 2010.

8.2 At the time of purchase, the above Term Finance Certificates were in compliance with the circular (i.e. investment grade) and were subsequently downgraded. In case of New Allied Electronics Industries (Private) Limited, Agri Tech Limited, Eden Housing Limited and Saudi Pak Leasing Company Limited, the downgrading has been made due to default in payments of due principal and markup.

## 9 TRANSACTIONS WITH CONNECTED PERSONS

9.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

9.3 Remuneration and front - end load payable to the Management Company and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

# NAFA INCOME FUND

----- (Un-Audited) -----  
 Nine months ended      Quarter ended  
 March 31, 2016      March 31, 2016  
 March 31, 2015      March 31, 2015  
 ----- (Rupees in '000) -----

## 9.4 Transactions during the period

### NBP Fullerton Asset Management Limited - Management Company

Management fee expense for the period	4,072	3,960	1,151	1,354
Sindh sales tax on remuneration of the Management Company	662	689	187	235
FED on remuneration of the Management Company	651	634	184	217
Allocated Expenses	217	-	156	-

### MCB Financial Services Limited- Trustee

Remuneration	459	396	157	135
Sindh Sales Tax Payable on remuneration	64	-	22	-

### National Bank of Pakistan

Purchased of Pakistan Investment Bond	-	44,101	-	-
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### NAFA Government Securities Liquid Fund

Sale of Market Treasury Bills	-	98,943	-	-
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### NAFA Income Opportunity Fund

Sale of Market Treasury Bills	45,738	-	-	-
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### Executives of Management Company

Units Issued / transferred in (41,506 units; 2015:73,326 units)	405	708	-	-
Units redeemed / transferred out (43,431 units; 2015:46,054 units)	440	462	421	300

Un-audited      Audited  
 As at      As at  
 March 31,      June 30,  
 2016      2015  
 -----Rupees in '000-----

## 9.5 Balances outstanding as at period / year end

### NBP Fullerton Asset Management Limited - Management Company

Management fee payable	404	479
Sindh sales tax payable on remuneration of the Management Company	66	72
Federal Excise Duty payable on Management Remuneration	2,617	1,975
Front end load payable	13	12

### National Bank of Pakistan - Sponsor

Balance in current account	473	423
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### MCB Financial Services Limited- Trustee

Remuneration payable	56	48
Sindh Sales Tax Payable on remuneration	8	-

### NBP Employees Pension Fund

Investment held in the Fund (52,044,698 units; June 30, 2015: 52,044,698)	534,244	506,428
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### Employees of Management Company

Investment held in the Fund ( 1,120 units; June 30, 2015: 3,045)	11	30
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### Net amount receivable / (payable) against transfer of units to

NAFA Multi Asset Fund	-	(65,000)
NAFA Income Opportunity Fund	-	(30,000)
NAFA Stock Fund	-	(47,935)
NAFA Money Market Fund	-	(3,597)
NAFA Islamic Asset Allocation Fund	-	(221)

# NAFA INCOME FUND

## 10 DATE OF AUTHORISATION FOR ISSUE

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

## 11 GENERAL

11.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

11.2 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

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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