


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 INCOME OPPORTUNITY FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Mr. Khalid Mahmood	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Amir Shehzad	Member

Trustee

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

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Atlas Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
SILK Bank Limited
Soneri Bank Limited
Standard Chartered Bank (PAK) Limited
The Bank of Khyber
The Bank of Punjab
Royal Bank of Scotland Limited
United Bank Limited
Samba Bank Limited
Summit Bank Limited

NAFA INCOME OPPORTUNITY FUND

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi, 75530 Pakistan.

Legal Advisor

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

Head Office:

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

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town Lahore.
Contact: 042-35914272

Islamabad Office:

Plot No. 395, 396
Industrial Area, 1-9/3 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 INCOME OPPORTUNITY FUND

DIRECTORS' REPORT

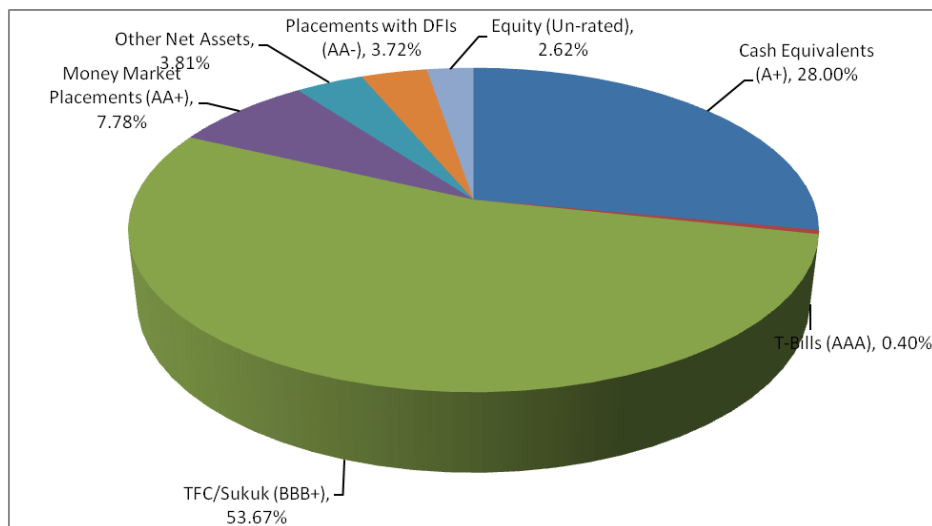
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Opportunity Fund for the period ended March 31, 2013.

Fund's Performance

The size of NAFA Income Opportunity Fund (NIOF) has increased from Rs. 1,546 million to Rs. 1,749 million during the period, i.e. an increase of 13.15%. During the nine month period, the unit price of the Fund has increased from Rs. 9.6618 on June 30, 2012 to Rs. 10.2724 on March 31, 2013, thus showing a simple annualized return of 8.42% as compared to its Benchmark (6-Month KIBOR) simple annualized return of 10.06% for the same period. During the third quarter the size of the Fund increased by 4.43%. During the quarter, the unit price of the Fund has increased from Rs. 9.9752 on December 31, 2012 to Rs. 10.2724 on March 31, 2013, thus showing a simple annualized return of 12.08% as compared to its Benchmark simple annualized return of 9.44% for the same period.

NIOF is categorized as an Income Scheme and has been awarded stability rating of BBB+(f) by PACRA. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. Therefore, any increase in interest rates will improve the coupon income of the TFC portfolio. Trading activity in the TFCs improved in the secondary market with financial sector making the lion share.

The Fund has earned total income of Rs.283.90 million during the period. After deducting expenses of Rs.181.17 million, the net income is Rs.102.73 million. The asset allocation of the Fund as on March 31, 2013 is as follows:



NAFA INCOME OPPORTUNITY 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 26, 2013
Place: Karachi.

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Assets and Liabilities (Un-audited) As at 31 March 2013

	Note	31 March 2013 (Un-audited)	30 June 2012 (Audited)
(Rupees in '000)			
ASSETS			
Balances with banks		489,682	261,841
Investments	4	1,192,287	1,196,892
Deposits, prepayments and other receivables		464,999	464,857
Profit receivable		83,636	102,073
Total assets		2,230,604	2,025,663
LIABILITIES			
Payable to Management Company		2,592	2,190
Payable to Central Depository Company of Pakistan Limited - Trustee		199	177
Payable to Securities and Exchange Commission of Pakistan		908	1,504
Payable against redemption of units		440,064	440,064
Accrued expenses and other liabilities		38,038	36,196
Total liabilities		481,801	480,131
Net assets		1,748,803	1,545,532
Unit holders' funds (as per statement attached)		1,748,803	1,545,532
Contingencies and commitments	5		
		Number of Units	
Number of units in issue		170,243,549	159,963,866
		Rupees	
Net asset value per unit		10.2724	9.6618

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Income Statement (Un-audited) For the nine months and quarter ended 31 March 2013

	Note	Nine months ended		Quarter Ended	
		31 March 2013	31 March 2012	31 March 2013	31 March 2012
----- (Rupees in '000) -----					
INCOME					
Gain / (loss) on sale of investments - net		(662)	5,154	128	3,033
Profit on bank deposits and term deposit receipts		19,830	5,778	12,274	2,860
Income from term finance certificates, sukuk bonds		221,405	188,157	42,556	40,570
Income from treasury bills		14,389	321	151	321
Income from money market placements		1,723	-	1,460	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		(22,477)	65,628	(6,825)	68,003
Recovery - fair value of ordinary shares received on partial settlement of investment		49,693	-	-	-
Total income		283,901	265,038	49,744	114,787
EXPENSES					
Remuneration of Management Company		18,168	24,250	6,342	7,062
Sindh sales tax on management fee		2,906	3,880	1,014	1,130
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,668	2,013	569	612
Annual fee - Securities and Exchange Commission of Pakistan		908	1,212	317	353
Annual listing fee		29	30	9	10
Brokerage and other transaction costs		8	80	-	80
Settlement charges and bank charges		169	249	32	91
Auditors' remuneration		355	402	50	87
Impairment loss on investments classified as 'available for sale & held for trading'		155,005	470,948	(1,964)	208,830
Provision against accrued income from term finance certificates & sukuk		-	-	-	(61,520)
Stability rating fee		110	150	-	50
Legal and professional charges		3	3,057	-	1,644
Total expenses		179,329	506,271	6,369	158,429
Net income / (loss) from operating activities		104,572	(241,233)	43,375	(43,642)
Provision for Workers' Welfare Fund	6	(1,845)	-	(1,615)	-
Net income / (loss) for the period before taxation		102,727	(241,233)	41,760	(43,642)
Taxation	7	-	-	-	-
Net income / (loss) for the period after taxation		102,727	(241,233)	41,760	(43,642)

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Comprehensive Income (Un-audited) For the nine months and quarter ended 31 March 2013

	Nine months ended		Quarter Ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	----- (Rupees in '000) -----			
Net income / (loss) for the period after taxation	102,727	(241,233)	41,760	(43,642)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	645	46,988	9,095	28,929
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	148,952	-	-
Total comprehensive income for the period	<u>103,372</u>	<u>(45,293)</u>	<u>50,855</u>	<u>(14,713)</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Distribution Statement (Un-audited) For the nine months and quarter ended 31 March 2013

	Nine months ended		Quarter Ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	----- (Rupees in '000)-----			
Undistributed income brought forward	28,453	327,285	89,517	56,620
Final distribution for the year ended June 30, 2012: Nil (2011:2.961%)				
- Bonus units	-	(28,889)	-	-
- Cash distribution	-	(45,214)	-	-
Element of income and capital gains included in prices of units issued less those in units redeemed- amount representing income that form part of the unit holders' funds	579	14,709	482	13,680
Net income / (loss) for the period after taxation	102,727	(241,233)	41,760	(43,642)
Undistributed income carried forward	<u>131,759</u>	<u>26,658</u>	<u>131,759</u>	<u>26,658</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Movement in Unit Holder's Fund (Un-audited) For the nine months and quarter ended 31 March 2013

	Nine months ended		Quarter Ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
----- (Rupees in '000)-----				
Net assets at beginning of the period	1,545,532	2,505,164	1,674,577	2,082,539
Issue of 15,471,298 units (2012: 3,208,167 units including 2,974,034 bonus units)	151,795	2,230	50,727	841
Redemption of 5,191,615 units (2012: 74,721,454 units)	(51,896)	(711,084)	(27,356)	(362,864)
	99,899	(708,854)	23,371	(362,023)
Issue of bonus units in respect of final distribution for the year ended 30 June 2012: Nil (2011: 2.961%)	-	28,889	-	-
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 the unit holders' funds-net	(579)	(14,709)	(676)	(13,680)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	645	46,988	9,095	28,929
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	148,952	-	-
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	(22,477)	65,628	(6,825)	68,003
Gain / (loss) on sale of investments - net	(662)	5,154	128	3,033
Other operating income / (loss)	125,866	(312,015)	48,457	(114,678)
Net income / (loss) for the period after taxation	102,727	(241,233)	41,760	(43,642)
Distributions:				
Final distribution for the year ended June 30, 2012: Nil (2011: 2.961%)	-	(28,889)	-	-
- Bonus distribution	-	(45,214)	-	-
- Cash distribution	-	(74,103)	-	-
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed	579	14,709	676	13,680
Net assets as at end of the period	<u>1,748,803</u>	<u>1,705,803</u>	<u>1,748,803</u>	<u>1,705,803</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Cash Flow Statement (Un-audited) For the nine months and quarter ended 31 March 2013

	Nine months ended		Quarter Ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
----- (Rupees in '000)-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	102,727	(241,233)	41,760	(43,642)
Adjustments:				
Net unrealised (appreciation) / diminution in the fair value of investments classified as financial assets at 'fair value through profit or loss' - net	22,477	(65,628)	6,825	(68,003)
(Gain) / loss on sale of investments	662	(5,154)	(128)	(3,033)
Impairment loss on investments classified as 'available for sale'	155,005	-	(1,964)	(262,118)
	<u>280,871</u>	<u>(312,015)</u>	<u>46,493</u>	<u>(376,796)</u>
(Increase) / decrease in assets				
Investments - net	(172,894)	1,074,230	(41,983)	733,000
Loans and receivables	-	-	-	-
Deposits, prepayments and other receivables	(142)	2,429	(122)	1,587
Profit receivable	18,437	74,788	(2,128)	3,056
	<u>(154,599)</u>	<u>1,151,447</u>	<u>(44,233)</u>	<u>737,643</u>
Increase / (decrease) in liabilities				
Payable to Management Company	402	1,503	154	2,128
Payable to Central Depository Company of Pakistan Limited Trustee	22	(52)	8	(20)
Payable to Securities and Exchange Commission of Pakistan	(596)	(1,249)	317	353
Accrued expenses and other liabilities	1,842	1,167	1,510	690
	<u>1,670</u>	<u>1,369</u>	<u>1,989</u>	<u>3,151</u>
Net cash inflow from operating activities	<u>127,942</u>	<u>840,801</u>	<u>4,249</u>	<u>363,998</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts against issue of units	151,795	2,230	50,727	841
Net payments against redemption of units	(51,896)	(611,092)	(27,356)	(262,864)
Distributions paid during the period	-	(45,214)	-	-
Net cash outflow from financing activities	<u>99,899</u>	<u>(654,076)</u>	<u>23,371</u>	<u>(262,023)</u>
Net decrease in cash and cash equivalents during the period	<u>227,841</u>	<u>186,725</u>	<u>27,620</u>	<u>101,975</u>
Cash and cash equivalents at beginning of the period	<u>261,841</u>	<u>31,179</u>	<u>462,062</u>	<u>115,929</u>
Cash and cash equivalents at end of the period	<u><u>489,682</u></u>	<u><u>217,904</u></u>	<u><u>489,682</u></u>	<u><u>217,904</u></u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Notes to and forming part of the Condensed Interim Financial information (Unaudited) For the nine months and quarter ended 31 March 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity 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 Trustee. The Trust Deed was executed on 11 February 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 January 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters.

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).

NAFA Income Opportunity 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 are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return. The principal activity of the Fund is to make investments in money market and debt securities having a good credit rating and liquidity subject to the guidelines prescribed by SECP. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2 to the Management Company and a stability rating of BBB+ to the Fund.

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

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "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 IFRSs the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have been limited based on the requirements of 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, 2012.

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, 2013.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The following new standards and amendments to existing standards are mandatory for the first time for the accounting periods beginning on or after July 1, 2012:

Amendment to IFRS 7, 'Financial instruments': The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

NAFA INCOME OPPORTUNITY FUND

There are certain other new standards, amendments and interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

2.3 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments to approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements for the year ended June 30, 2012.

4 INVESTMENTS

	Note	(Un-audited) 31 March 2013	(Audited) 30 June 2012
(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held for trading			
Equity securities - listed	4.1	-	-
Market Treasury Bills	4.2	6,943	-
Term finance certificates	4.3	156,135	42,256
Sukuk bonds	4.3	136,000	-
		<u>299,078</u>	<u>42,256</u>
Available for sale			
Equity securities - listed	4.4	45,734	-
Term finance certificates - listed	4.5	232,080	328,643
Term finance certificates - unlisted	4.5	288,208	443,372
Sukuk bonds	4.5	262,187	382,621
		<u>828,209</u>	<u>1,154,636</u>
Loans and receivable			
Investment in certificate of investments	4.6	65,000	-
		<u>65,000</u>	<u>-</u>
		<u>1,192,287</u>	<u>1,196,892</u>

NAFA INCOME OPPORTUNITY FUND

4.1 Equity securities - listed

Name of the investee company	Number of shares				Market value / Carrying value as at 31 March 2013	Investment as a %age of	
	As at 1 July 2012	Purchases during the period	Sales during the period	As at 31 March 2013		Market value of net assets	Market value of total investment
(Rupees in '000)							
Fully paid ordinary shares of Rs 10 each Textile composite Azgard Nine Limited - Non-voting	308	-	-	308	-	-	-
Cost of investment before fair value adjustment as at 31 March 2013					<u>13</u>		
Impairment loss					<u>13</u>		

4.2 Market Treasury Bills

Issue Date	Tenor	Face value			As at 31 March 2013	Market value / Carrying value as at 31 March 2013	Investment as a %age of	
		As at 1 July 2012	Purchases during the period	Sales during the period			Market value of net assets	Market value of total investment
(Rupees in '000)								
11-Aug-11	12 Months	-	180,000	180,000	-	-	-	-
31-May-12	3 Months	-	5,500	5,500	-	-	-	-
9-Aug-12	3 Months	-	180,000	180,000	-	-	-	-
23-Aug-12	3 Months	-	35,000	35,000	-	-	-	-
6-Sep-12	3 Months	-	30,000	30,000	-	-	-	-
14-Jun-12	6 Months	-	105,000	105,000	-	-	-	-
20-Sep-12	3 Months	-	50,000	50,000	-	-	-	-
4-Oct-12	3 Months	-	83,500	83,500	-	-	-	-
18-Oct-12	3 Months	-	10,000	10,000	-	-	-	-
1-Nov-12	3 Months	-	200,000	200,000	-	-	-	-
1-Nov-12	6 Months	-	7,000	-	7,000	6,943	0.397	0.582
15-Nov-12	3 Months	-	350,000	350,000	-	-	-	-
29-Nov-12	3 Months	-	250,000	250,000	-	-	-	-
13-Dec-12	3 Months	-	187,500	187,500	-	-	-	-
13-Dec-12	6 Months	-	187,500	187,500	-	-	-	-
13-Dec-12	12 Months	-	187,500	187,500	-	-	-	-
10-Jan-13	3 Months	-	250,000	250,000	-	-	-	-
10-Jan-13	6 Months	-	250,000	250,000	-	-	-	-
10-Jan-13	12 Months	-	250,000	250,000	-	-	-	-
24-Jan-13	3 Months	-	250,000	250,000	-	-	-	-
24-Jan-13	6 Months	-	250,000	250,000	-	-	-	-
24-Jan-13	12 Months	-	250,000	250,000	-	-	-	-
21-Feb-13	3 Months	-	250,000	250,000	-	-	-	-
21-Feb-13	6 Months	-	250,000	250,000	-	-	-	-
21-Feb-13	12 Months	-	250,000	250,000	-	-	-	-
21-Mar-13	3 Months	-	250,000	250,000	-	-	-	-
						<u>6,943</u>	<u>0.397</u>	<u>0.582</u>
Cost of investment before fair value adjustment as at 31 March 2013						<u>6,948</u>		

NAFA INCOME OPPORTUNITY FUND

4.3 Term finance certificates & Sukuk Bonds - At fair value through profit or loss - held for trading

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

Name of the investee company	Number of certificates			Market value / Carrying value as at 31 March 2013	Investment as a %age of	
	As at 1 July 2012	Purchases during the period	Sales during the period		Market value of net assets	Market value of total investment
(Rupees in '000)						
Term finance certificates						
Bank Alfalah Limited - II	128	-	128	-	-	-
Bank Alfalah Limited - V	-	20,000	-	20,000	99,414	5.68% 8.34%
Bank Al-Habib Limited	-	500	-	500	2,544	0.15% 0.21%
Engro Fertilizer Limited	-	5,200	-	5,200	24,587	1.41% 2.06%
Escort Investment Bank Limited	10,000	-	-	10,000	5,526	0.32% 0.46%
Gharibwal Cement Limited (note 4.3.3)	5,000	-	-	5,000	-	-
Pace (Pakistan) Limited (note: 4.3.4)	30,000	-	-	30,000	-	-
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	24,064	1.38% 2.02%
				<u>85,700</u>	<u>156,135</u>	
Sukuk bonds						
HUBCO Islamic Sukuk (13 MAR-13 to 12 SEP-13)	-	10,200	-	10,200	51,000	2.92% 4.28%
HUBCO Islamic Sukuk (14 FEB-13 to 14 AUG-13)	-	17,000	-	17,000	85,000	4.86% 7.13%
				<u>27,200</u>	<u>136,000</u>	
				<u>112,900</u>	<u>292,135</u>	
Carrying value as at 31 March 2013					<u>488,783</u>	
Provision for impairment losses as at 31 March 2013					<u>174,176</u>	

4.3.2 Fair value of performing listed term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at 31 March 2013.

4.3.3 This represents investment in privately placed term finance certificates. On 18 July 2009, the scheduled redemption date, principal redemption of Rs. 5 thousands and profit redemption of Rs. 2.291 million were not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.3.4 This represents investment in listed term finance certificates with a term of five years. On 15 August 2011, the scheduled profit payment date, principal redemption of Rs. 30 thousands and profit redemption of Rs. 11.806 million were not received by the Fund. As at 31 March 2013, the Fund has maintained total provision amounted to Rs. 149.82 million as required by SECP circular no. 33 of 2012.

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4.4 Equity Securities - available for sale

Equity securities - listed

Name of the investee company	Number of certificates				Market value / Carrying value as at 31 March 2013 (Rupees in '000)	Investment as a %age of		
	As at 1 July 2012	Purchases during the period	Sales during the period	As at 31 March 2012		Market value of net assets	Market value of total investment	Paid up capital of investee company
Fully paid ordinary shares of Rs 10 each								
Chemicals								
Agritech Limited (note 4.4.1)	-	4,040,090	-	4,040,090	45,734	2.62%	3.84%	1.03%
					45,734			
Carrying value as at 31 March 2013					49,693			

4.4.1 This represents shares received in partial settlement against TFC of Azgard Nine limited as explained in note 4.5.3. These shares have been marked to market at prevailing market price as of 31 March 2013 after obtaining approval from Securities and Exchange Commission of Pakistan.

4.5 Term finance certificates and sukuk bonds - Available for sale

Name of the investee company	Number of certificates				Market value / Carrying value as at 31 March 2013 (Rupees in '000)	Investment as a %age of	
	As at 1 July 2012	Purchases during the period	Sales during the period	As at 31 March 2013		Market value of net assets	Market value of total investment
Term finance certificate - listed							
Pakistan Mobile Communications (Private) Limited	34,000	-	3,400	30,600	152,988	8.75%	12.83%
Worldcall Telecom Limited (note 4.5.2)	45,000	-	-	45,000	14,456	0.83%	1.21%
Allied Bank Limited	13,400	-	-	13,400	64,636	3.70%	5.42%
				89,000	232,080		
Term finance certificate - unlisted							
Avani Hotels International	35,040	-	-	35,040	146,618	8.38%	12.30%
Azgard Nine Limited III (note 4.5.3)	50,000	-	-	50,000	-	-	-
Azgard Nine Limited V (note 4.5.3.1)	-	16,436	-	16,436	-	-	-
Dewan Cement Limited (note 4.5.4)	30,000	-	-	30,000	-	-	-
Engro Chemical Pakistan Limited	35,800	-	4,000	31,800	141,590	8.10%	11.88%
Orix Leasing Pakistan Limited	3,900	-	3,900	-	-	-	-
Agritech Ltd. I (note 4.5.5)	30,000	-	-	30,000	-	-	-
Agritech Ltd. V (note 4.5.6)	6,464	-	-	6,464	-	-	-
New Allied Electronics Industries (Private) Limited (note 4.5.7)	15,000	-	-	15,000	-	-	-
				214,740	288,208		
Sukuk bonds							
BRR Guardian Modaraba	10,000	-	-	10,000	34,687	1.98%	2.91%
Eden Builders Limited	7,956	-	-	7,956	9,969	0.57%	0.84%
Eden Housing Limited (note 4.5.8)	9,200	-	-	9,200	12,922	0.74%	1.08%
Kohat Cement Company Limited	50,000	-	-	50,000	35,859	2.05%	3.01%
Maple Leaf Cement Factory Limited (note 4.5.9)	80,000	-	-	80,000	147,660	8.44%	12.38%
Maple Leaf Cement Factory Limited-II (note 4.5.9)	3,000	-	3,000	-	-	-	-
New Allied Electronics Industries (Private) Limited (note 4.5.7)	9,000	-	-	9,000	-	-	-
Pak Elektron Limited (note 4.5.10)	24,000	-	-	24,000	21,090	1.21%	1.77%
				190,156	262,187		
Carrying value as at 31 March 2013					782,475		
Provision for impairment losses as at 31 Marh 2013					939,252		

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

NAFA INCOME OPPORTUNITY FUND

- 4.5.1.1 Fair value of all performing listed term finance certificates classified as available for sale is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at 31 March 2013.
- 4.5.2 The Issuer of the TFCs requested an extension in payment date for payment due on 7 October 2012. An extension of 30 days was granted. However, on expiry of the extension period, the Issuer was not able to make the payment. MUFAP, on 8 November 2012 classified the TFCs as non-performing. In accordance with the requirements of circular 33 of 2012 issued by the SECP, the security has been classified as non-performing and no further mark-up is being accrued after the said date.
- Subsequently, on 26 December 2012 a restructuring agreement was approved by the TFCs holders. In accordance with the terms of restructuring, repayment period has been extended by two years and the principle amount is to be settled in three equal installments starting from October 7, 2014. Payment of accrued markup as at 7 October 2012 along with regular markup payments is to be made in eleven installments starting from 7 January 2013 with major payments due on 7 July 2014 and afterwards. Currently, a provision of Rs. 81.915 million is held against the outstanding exposure.
- 4.5.3 On 12 April 2012, a share transfer and debt swap agreement was entered into between the Financial Institutions and Azgard Nine Limited (the issuer), whereby the issuer agreed to transfer its entire holding in Agritech Limited to the existing lenders / creditors, including the Term Finance Certificate (TFC) holders at the agreed settlement price, in partial settlement of the outstanding principal / redemption obligations. As part of the above arrangement, the Fund settled its investment in TFC of Azgard Nine Limited amounted to Rs. 141,403,150 in consideration of 4,040,090 ordinary shares of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at settlement date i.e. 31 October 2012.
- 4.5.3.1 These zero coupon privately placed term finance certificates (PPTFCs) were issued against the interest receivable on TFCs of Azgard Nine Limited (disclosed in note 6.5.3) under an agreement dated 28 June 2012 between the Management Company of the Company and Azgard Nine Limited. These PPTFCs are issued against the non performing securities, therefore the management, as a matter of prudence has recognised the above PPTFCs at nil value. The principal outstanding against these PPTFCs is to be redeemed in seven equal semi-annual instalments starting from 31 March 2014 and will mature on 31 March 2017. These PPTFCs have been classified as Non Performing Asset by MUFAP on 07 December 2012.
- 4.5.4 The Fund had advanced an amount of Rs 150 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was 09 January 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 4.5.5 Agritech Limited defaulted in payment of principal and mark-up due on 30 May 2010. No mark-up is being accrued on the security and a provision of 100% i.e. Rs. 149.860 million has been made in respect of the amount outstanding against this exposure.
- 4.5.6 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 4.5.7 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.
- 4.5.8 This represents investment in privately placed sukuk bonds issue with a term of five years. On 31 March 2011 and 29 June 2011 i.e. the scheduled redemption date, principal redemption of Rs.1.725 million were not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

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4.5.9 The sukuk of Maple Leaf Cement Factory Limited were restructured on 30 March 2010. In accordance with the terms of restructuring, the amount of markup due on 03 December 2009 was partially off-set through issuance of new sukuk, "Maple Leaf Cement Factory Limited Sukuk II". The Sukuk II have been recognised at NIL value on a prudent basis and in accordance with the guidance specified by the SECP which require overdue mark-up to be recognised on cash basis.

The Issuer defaulted again in the payment of principal and mark-up due on 03 September 2011. In accordance with the requirements of circular 33 of 2012 issued by the SECP, the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular while considering date of default as 03 September 2011. The income suspended on Maple Leaf Cement Factory Limited -Sukuk and Maple Leaf

4.5.10 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 1.93 million was not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.6 Loans and receivable

This represents Letter of Placement (LOP) of Pak Libya Holding Company Limited carrying mark up rate of 10% and will mature on 27th May 2013.

5 CONTINGENCY AND COMMITMENT

There were no contingencies and commitments outstanding as at 31 March 2013.

6 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In the light of this, Mutual Fund Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the grounds that MUFAP is not an aggrieved party.

Subsequently, clarifications were 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. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF.

Further, a Constitutional Petition was filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The matter is still pending with the Honorable Court.

The Management Company is hopeful that the decision of the court will be in favour of the Fund. The Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF as at March 31, 2013 amounting to Rs.14.075 million (including Rs.1.845 million for the current period) (June 30, 2012: Rs 12.230 million) in this condensed interim financial information. Had the same not been made the net asset value per unit would have been higher by Rs 0.0827.

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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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company, on behalf of the Scheme, intends to distribute at least 90 percent of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

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 6 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest atleast 25% of the net assets in cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills not exceeding 90 days maturity. Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at 31 December 2012, the Fund is in non-compliance with the above-mentioned requirement 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 Debtsecurities and Sukuks**	Azgard Nine Limited III	108,377	108,377	-	-	-
	Azgard Nine Limited V	82,180	82,180	-	-	-
	Agritech Limited I	149,860	149,860	-	-	-
	Agritech Limited V	32,320	32,320	-	-	-
	Saudi Pak Leasing Company Limited** *	46,726	-	24,064	1.38	1.08
	Maple Leaf Cement Factory Limited Sukuk	369,150	221,490	147,660	8.44	6.62
	New Allied Electronics Industries (Private) Limited - TFC	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk	44,149	44,149	-	-	-
	Dewan Cement Limited - TFC	150,000	150,000	-	-	-
	Gharibwal Cement Limited - TFC	24,356	24,356	-	-	-
	Pace Pakistan Limited	149,820	149,820	-	-	-
	Eden Housing - Sukuk II	19,838	6,916	12,922	0.74	0.58
	Kohat Cement Company Limited - Sukuk ***	47,812	-	35,859	2.05	1.61
	Escort Investment Bank Limited ***	7,494	-	5,526	0.32	0.25
	BRR Guardian Modaraba - Sukuk ***	46,250	-	34,687	1.98	1.56
	Pak Elektron Limited	51,428	30,338	21,090	1.21	0.95
Worldcall Telecom Limited	96,371	81,915	14,456	0.83	0.65	
Equity Exposure	Azgard Nine Ltd. (Non-voting Ord.Sahres)	13	13	-	-	-
	Agritech Limited	49,693	-	45,734	2.62	2.05

** At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

*** Performing but below investment grade.

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9 TRANSACTIONS WITH CONNECTED PERSONS

- 9.1 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, 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 to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 9.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

9.5 Transactions during the period

	(Un-audited)			
	Nine months period ended		Quarter ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
----- (Rupees in '000) -----				
NBP Fullerton Asset Management Ltd. (Management Company)				
Remuneration expense for the period	18,168	24,250	6,342	7,062
National Bank of Pakistan - Sponsor				
Cash dividend	-	1,066	-	-
Alexandra Fund Management Pte. Limited - Sponsor				
Bonus units issued: Nil units (2012: 23,727 units)	-	-	-	-
Units redeemed / transferred out: Nil units (2012: 802,116 units)	-	7,685	-	-
Central Depository Company of Pakistan Limited				
Remuneration expense for the period	1,668	2,013	569	612
CDS Charges	5	5	2	2
Mr. Shahid Anwar Khan - Director				
Bonus units issued: Nil units (2012: 2,891 units)	-	-	-	-
Units redeemed / transferred out: 343 units	4	-	4	-
NBP Employees Pension Fund				
Bonus units issued: Nil units (2012: 1,656,399 units)	-	16,090	-	-
NBP Endowment Fund Student Loan Scheme				
Bonus units issued: Nil units (2012: 535,045 units)	-	5,197	-	-
Units redeemed / transferred out: Nil units (2012: 18,087,807 units)	-	169,970	-	129,970
NBP Employees Benevolent Fund Trust				
Bonus units issued: Nil units (2012: 57 units)	-	-	-	-

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	31 March 2013 (Un-audited)	30 June 2012 (Audited)
10.6 Balances outstanding as at period / year end	(Rupees in '000)	
NBP Fullerton Asset Management Limited.		
Remuneration payable to management company	2,235	1,888
Sind sales tax on management fee	357	302
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund:		
3,601,691 units (30 June 2012: 3,601,691 units)	36,998	34,799
Balances in current account	882	801
Executives of the Management Company		
Investment held in the Fund: 4 units (30 June 2012: 4 units)	-	-
Central Depository Company of Pakistan Limited		
Remuneration payable	199	177
Security deposit	100	100
Mr. Shahid Anwar Khan - Director		
Investment held in the Fund: 97,399 units (30 June 2012: 97,742 units)	1,001	944
NBP Employees Pension Fund		
Investment held in the Fund: 55,996,457 units (30 June 2012: 55,996,457 units)	575,218	541,027
NBP Employees Benevolent Fund Trust		
Investment held in the Fund: 1,929 units (30 June 2012: 1,929 units)	20	19

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

During the nine months period ended, Saudi Pak Leasing Company Limited has been reclassified from level 3 to level 2 due to change of its classification as performing as at 31 March 2013.

11 DATE OF AUTHORISATION FOR ISSUE

- 11.1 These condensed interim financial statements were authorised for issue on April 26, 2013 by the Board of directors of the Management Company.
- 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

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