

AM2+
rated by FACA



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

NAFA INCOME OPPORTUNITY FUND

QUARTERLY REPORT SEPTEMBER 30 2015



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.

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Trustee

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

Bankers to the Fund

Allied Bank Limited
Askari 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
The Bank of Punjab
Summit Bank Limited
United Bank Limited
Samba Bank Limited
Burj Bank Limited
Al Baraka Bank Limited
Meezan Bank Limited
Sindh Bank Limited
Dubai Islamic Bank Pakistan Limited
Khushhali Bank Limited

NAFA INCOME OPPORTUNITY FUND

Auditors

M. Yousuf Adil Saleem & Co.
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

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 INCOME OPPORTUNITY FUND

DIRECTORS' REPORT

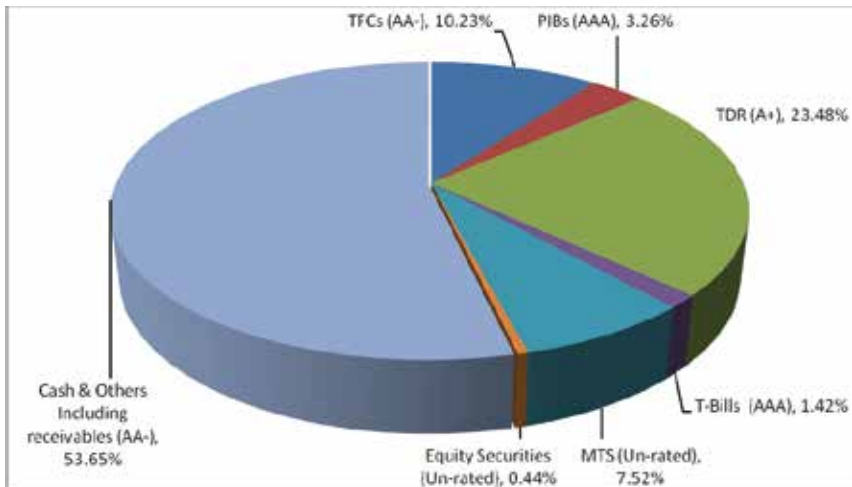
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Opportunity Fund** for the quarter ended September 30, 2015.

Fund's Performance

The size of NAFA Income Opportunity fund increased from Rs. 5,243 million to Rs. 8,306 million during the period, i.e. an increase of 58.4%. During the said period, the unit price of the Fund increased from Rs. 10.6960 (Ex - Div) on June 30, 2015 to Rs. 10.9465 on September 30, 2015, thus showing a return of 9.29% as compared to its Benchmark (6-Month KIBOR) return of 6.97%. The performance of the Fund is net of management fee and all other expenses.

NIOF is categorized as an Income Scheme and has been awarded stability rating of A-(f) by PACRA. On the corporate debt sphere, trading activity in TFCs remains skewed towards the high quality issues. Dearth of primary issuance versus elevated demand further depressed the yield on the high credit quality corporate bonds. During the quarter under review, the State Bank of Pakistan reduced the discount rate by 50 bps to 6.5%. SBP alluded to following factors in arriving at its decision i) benign inflation readings and expectation ii) high real lending rates; and iii) comfortable external account position and (iv) improving law and order situation and macroeconomic stability. Sovereign securities responded to the loose monetary policy period with yields on the PIBs and T-bills declining. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

The Fund has earned total income of Rs.54.78 million during the period. After deducting expenses of Rs.41.72 million, the net income is Rs.13.06 million. The chart below presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIOF.



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: October 21, 2015
Place: Karachi.

NAFA INCOME OPPORTUNITY FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2015

	Note	Un-audited September 30, 2015	Audited June 30, 2015
------(Rupees in '000)-----			
Assets			
Balances with banks		5,888,237	2,218,579
Investments	4	1,275,301	1,225,444
Loans and receivables		500,000	-
Receivable against Margin Trading System		624,520	645,319
Profit receivable	5	94,406	78,541
Advances, deposits, prepayments and other receivables		465,231	465,269
Receivable against issuance/conversion of units		999	1,216,046
Total assets		8,848,694	5,849,198
Liabilities			
Payable to Management Company		36,892	32,572
Payable to Central Depository Company of Pakistan Limited - Trustee		689	562
Payable to Securities and Exchange Commission of Pakistan		1,358	4,288
Payable against redemption of units		443,671	487,387
Payable against Conversion of units		-	3,211
Dividend payable		-	1,166
Accrued expenses and other liabilities	6	59,745	77,475
Total liabilities		542,355	606,661
Net Assets		8,306,339	5,242,537
Unit Holders' Funds (As per statement attached)		8,306,339	5,242,537
Contingencies and Commitments	7	-----Number of units-----	
Number of units in issue		758,813,158	453,547,333
Net asset value per unit		10.9465	11.5590

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Note	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
------(Rupees in '000)-----			
INCOME			
Gain on sale of investments - net		12,501	1,791
Income from term finance certificates		31,178	43,056
Income from commercial paper		-	1,390
Income from Pakistan Investment Bonds		7,696	46,960
Income from Margin Trading System (MTS)		19,227	-
Income from Treasury Bills		25,842	-
Profit on bank deposits and term deposits		70,425	33,436
Unrealised gain on remeasurement of investments at fair value through profit or loss - net		7,090	6,550
Total income		173,959	133,183
EXPENSES			
Remuneration of Management Company		27,167	16,228
Sind sales tax on management fee		4,412	3,012
FED on management fee		4,347	2,596
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,668	1,134
Sale Tax on Remuneration of Central Depository Company of Pakistan Limited		234	-
Annual fee - Securities and Exchange Commission of Pakistan		1,358	811
Securities transaction cost		97	159
Settlement and bank charges		2,143	222
Annual listing fee		10	10
Auditors' remuneration		214	194
Fund rating fee		68	107
(Reversal)/Provision against non-performing term finance certificates		(10,623)	34,063
Total expenses		31,095	58,536
Net income from operating activities		142,864	74,647
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(129,801)	-
Provision for Workers' Welfare Fund	8	-	(1,493)
Net income for the period before taxation		13,063	73,154
Taxation	9	-	-
Net income for the period after taxation		13,063	73,154
Earning per unit	10		

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
	------(Rupees in '000)-----	
Net income for the period after taxation	13,063	73,154
Other comprehensive income		
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	12,419	26,537
Total comprehensive income for the period	<u>25,482</u>	<u>99,691</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
	------(Rupees in '000)-----	
Undistributed income brought forward		
- Realized income	743,075	321,620
- Unrealized income	1,075	7,705
	<u>744,150</u>	<u>329,325</u>
Final distribution for the year ended June 30, 2015: 0.8675 (2014: Nil)		
- Cash Dividend	(237,655)	-
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' funds	12,133	(10,699)
Net income for the period	13,063	73,154
Undistributed income carried forward	<u>531,691</u>	<u>391,780</u>
Undistributed income carried forward comprising:		
- Realized income	524,601	385,230
- Unrealized income	7,090	6,550
	<u>531,691</u>	<u>391,780</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
	------(Rupees in '000)-----	
Net assets at the beginning of the period	5,242,537	4,352,570
Issue of 732,536,270 units (2014: 55,257,319 units)	8,014,302	585,099
Redemption of 427,270,445 units (2014: 108,451,116 units)	(4,868,128) 3,146,174	(1,152,581) (567,482)
- amount representing losses / (income) and capital losses / (gains) - transferred to Income Statement	129,801	-
- amount representing income that form part of the unit holders' funds - transferred to Distribution Statement	(12,133) 117,668	10,699 10,699
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	12,419	26,537
Unrealised (loss) / gain on investments at fair value through profit or loss - net	7,090	6,550
Gain on sale of investments - net	12,501	1,791
Other income (net of expenses)	(6,528)	64,813
Final distribution		
Final distribution for the year ended June 30, 2015: 0.8675 (2014: Nil)		
- Cash Dividend	(237,655)	-
	(224,592)	73,154
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	12,133	(10,699)
Net assets at the end of the period	<u>8,306,339</u>	<u>3,884,779</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
------(Rupees in '000)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	13,063	73,154
Adjustments		
Unrealised loss / (gain) on investments at fair value through profit or loss - net	(7,090)	(6,550)
Gain on sale of investments	(12,501)	(1,791)
Reversal/Provision against non-performing term finance certificates	10,623	34,063
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	129,801	-
	<u>133,896</u>	<u>98,876</u>
(Increase) / decrease in assets		
Investments	(28,470)	23,983
Loans and receivables	(500,000)	-
Receivable against Margin Trading System	20,799	-
Profit receivable	(15,865)	50,835
Advances, deposits, prepayments and other receivables	38	78
	<u>(523,498)</u>	<u>74,896</u>
Increase / (decrease) in liabilities		
Payable to Management Company	4,320	7,553
Payable to Central Depository Company of Pakistan Limited - Trustee	127	(8)
Payable to Securities and Exchange Commission of Pakistan	(2,930)	(1,006)
Accrued expenses and other liabilities	(17,730)	2,590
	<u>(16,213)</u>	<u>9,129</u>
Net cash inflow / (outflow) from operating activities	(405,815)	182,901
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	9,229,349	584,585
Payments on redemption of units	(4,915,055)	(1,147,947)
Distributions paid	(238,821)	-
Net cash (outflow on) / inflow from financing activities	4,075,473	(563,362)
Net (decrease) / increase in cash and cash equivalents during the period	3,669,658	(380,461)
Cash and cash equivalents at the beginning of the period	2,218,579	1,407,789
Cash and cash equivalents at the end of the period	<u>5,888,237</u>	<u>1,027,328</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

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 STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity 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 February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Trust Deed amended through first supplemental trust deed 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 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 SECP. The registered office of the Management Company is situated at 9th Floor Adamjee House, I.I.Chundrigar Road, Karachi. From 4 February 2013, the principal office of the Management Company is shifted to 7th floor, Clifton Diamond Building, Block No.4, Scheme No.5, Clifton, Karachi. The Management Company is also the member of MUFAP.

NIOF is an open ended mutual fund and is listed on the Lahore Stock Exchange. The Fund offers units 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 A-(f) 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 Fund.

2 STATEMENT OF COMPLIANCE

These condensed 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 as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulation or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.1 The directors of the asset management company declare that condensed interim financial statements give a true and fair view of the Fund.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2015 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2015.

NAFA INCOME OPPORTUNITY FUND

	Note	(Un-Audited) September 30, 2015	(Audited) June 30, 2015
(Rupees in '000)			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Equity Securities - Listed	4.1	-	-
Government Securities - Market Treasury Bills	4.2.1	117,872	120,620
Pakistan Investment Bonds	4.2	270,795	147,343
Term finance certificates - listed	4.3	481,727	480,843
		870,394	748,806
Available for sale			
Equity Securities - Listed	4.4	36,765	31,109
Term finance certificates - listed	4.5	-	65,400
Term finance certificates - unlisted	4.5	237,878	235,907
Sukuk bonds	4.5	130,264	144,222
		404,907	476,638
		<u>1,275,301</u>	<u>1,225,444</u>

4.1 Equity securities - listed - At fair value through profit or loss - held for trading

Name of the investee company	Number of shares				Market value /Carrying value as at 30 September 2015	Investment as a percentage of	
	As at July 1, 2015	Purchases during the period	Sales during the period	As at 30 September 2015		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	-	-	-
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Cost of investments as at September 30, 2015

13

Impairment losses

13

4.2 Pakistan Investment Bonds - At fair value through profit or loss - held for trading

Issue Date	Tenor	Face Value				Market value as at September 30, 2015	Investment as a percentage of	
		As at July 1, 2015	Purchases during the period	Sales during the period	As at 30 September 2015		Net assets	Market value of total investments

(Rupees in '000)

22 July 2010	10 years	100,000	-	-	100,000	114,999	1.38	9.02
19 July 2012	03 years	35,000	-	35,000	-	-	-	-
26-Mar-18	03 years	-	400,000	250,000	150,000	155,796	1.88	12.22

270,795

Carrying cost of investments as at September 30, 2015

264,920

NAFA INCOME OPPORTUNITY FUND

4.2.1 Market Treasury Bills - At fair value through profit or loss - held for trading

Issue Date	Tenor	Face Value				Market value as at September 30, 2015	Investment as a percentage of	
		As at July 1, 2015	Purchases during the period	Sales during the period	As at 30 September 2015		Net assets	Market value of total investments

(Rupees in '000)

8-Jan-15	12 Months	125,000	-	125,000	-	-	-	-
5-Mar-15	6 Months	-	50,000	50,000	-	-	-	-
16-Apr-15	6 Months	-	1,000,000	1,000,000	-	-	-	-
28-May-15	3 Months	-	168,000	168,000	-	-	-	-
6-Aug-15	3 Months	-	150,000	150,000	-	-	-	-
6-Aug-15	6 Months	-	100,000	100,000	-	-	-	-
6-Aug-15	12 Months	-	750,000	750,000	-	-	-	-
14-May-15	6 Months	-	100,000	100,000	-	-	-	-
20-Aug-15	12 Months	-	1,550,000	1,550,000	-	-	-	-
3-Sep-15	12 Months	-	500,000	375,000	125,000	117,872	1.42	9.24

117,872

Carrying cost of investments as at September 30, 2015

117,500

4.3 Term finance certificates - listed - At fair value through profit or loss - held for trading

Name of the investee company	Number of certificates				Market value / Carrying value as at 30, September 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at 30 September 2015		Net assets	Market value of total investments	Issue size

(Rupees in '000)

Bank Alfalah Limited - V	32,550	-	-	32,550	161,652	1.95	12.68	0.40
Jahangir Siddiqui and Company Limited II	18,400	-	-	18,400	33,825	0.41	2.65	10.00
Jahangir Siddiqui and Company Limited III	15,000	-	-	15,000	69,815	0.84	5.47	9.20
Pace (Pakistan) Limited (note 4.5.4)	30,000	-	-	30,000	-	-	-	10.00
Saudi Pak Leasing Company Limited (note 4.5.14)	15,000	-	-	15,000	-	-	-	10.00

Islamic sukuk bond

K-Electric Limited - AZM Sukuk	43,120	-	-	43,120	216,435	2.61	16.97	3.59
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154,070 481,727 5.80 37.77

Carrying value of investments as at September 30, 2015

671,951

Impairment losses

191,141

4.3.1 Fair value of 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.

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

NAFA INCOME OPPORTUNITY FUND

4.4 Equity Securities - available for sale

Name of the investee company	Number of shares				Market value / Carrying value as at 30 September 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales during the period	As at 30 September 2015		Net assets	Market value of net assets	Paid-up capital of investee company

(Rupees in '000)

Fully paid ordinary shares of Rs 10 each

Chemicals								
Agritech Limited (note 4.5.6)	4,040,090	-	-	4,040,090	36,765	0.44%	2.88%	1.03%
					<u>36,765</u>			
Carrying value as at 30 September 2015					<u><u>49,693</u></u>			
Provision for impairment losses as at 30 September 2015					<u><u>18,584</u></u>			

4.4.1 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 at the value of Rs.35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transaction date i.e. 31 October 2012. Accordingly, the same have been classified as available for sale investment and are recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.

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 30, September 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at 30 September 2015		Net assets	Market value of net assets	Market value of total investments

(Rupees in '000)

Term finance certificate - listed								
World Telecom Limited (note 4.5.5)	45,000	-	-	45,000	-	-	-	5.63
Allied Bank Limited	13,400	-	13,400	-	-	-	-	2.23
				<u>45,000</u>				
Term finance certificate - Un-listed								
Azgard Nine Limited III (note 4.5.6)	50,000	-	-	50,000	-	-	-	10.00
Azgard Nine Limited V (note 4.5.7)	16,436	-	-	16,436	-	-	-	-
Dewan Cement Limited (note 4.5.8)	30,000	-	-	30,000	-	-	-	-
Engro Fertilizer Limited-PRP-I	46,370	-	-	46,370	237,878	2.86	18.65	7.50
New Allied Electronics Industries (Private) Limited (note 4.5.9)	15,000	-	-	15,000	-	-	-	8.33
Agritech Ltd. I (note 4.5.10)	30,000	-	-	30,000	-	-	-	10.00
Agritech Ltd. V (note 4.5.11)	6,464	-	-	6,464	-	-	-	10.00
				<u>194,270</u>	<u>237,878</u>	<u>2.86</u>	<u>18.65</u>	
Sukuk bonds								
BRR Guardian Modaraba	10,000	-	-	10,000	-	-	-	6.25
Eden Housing Limited (note 4.5.12)	9,200	-	-	9,200	-	-	-	-
Kohat Cement Company Limited	50,000	-	-	50,000	-	-	-	-
Maple Leaf Cement Factory Limited - I	80,000	-	-	80,000	130,264	1.57	10.21	5.00
New Allied Electronics Industries (Private) Limited (note 4.5.9)	9,000	-	-	9,000	-	-	-	6.00
Pak Elektron Limited (note 4.5.13)	24,000	-	-	24,000	-	-	-	10.00
				<u>182,200</u>	<u>130,264</u>	<u>1.57</u>	<u>10.21</u>	
				<u><u>421,470</u></u>	<u><u>368,142</u></u>	<u><u>4.43</u></u>	<u><u>28.87</u></u>	

Carrying value of investments as at September 30, 2015

1,119,270

Impairment losses

757,890

NAFA INCOME OPPORTUNITY FUND

- 4.5.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000.
- 4.5.2 Term finance certificates are valued as per the requirements of SECP circular No. 01/2009 dated January 06, 2009.
- 4.5.3 During the period from July 01, 2008 to September 30, 2015, the Fund did not receive redemption of principal and / or profit amounts on some of its investments, the details of which are as follows:
- 4.5.4 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 thousand and profit redemption of Rs.11.806 million were not received by the Fund. The investment has been fully provided.
- 4.5.5 This represents investment in listed term finance certificates of Worldcall Telecom Ltd. 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.
- 4.5.6 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 at the value of Rs.35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transaction date i.e. 31 October 2012. Accordingly, the same have been classified as available for sale investment and are recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.
- 4.5.7 These zero coupon privately placed term finance certificates (PPTFCs) were issued against the interest receivable on TFCs of Azgard Nine Limited 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.
- 4.5.8 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 9 January 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. These investments have been fully provided.
- 4.5.9 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.
- 4.5.10 Agritech Limited defaulted in payment of principal and mark-up due on 30 May 2010. The investment has been fully provided
- 4.5.11 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The MUFAP 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. The investment has been fully provided.
- 4.5.12 This represents investment in privately placed sukuks with a term of five years. The issuer defaulted on payment of principal and profit to certain sukuk holders due to which it was rated as 'Defaulter' by the MUFAP. The management of the Fund as a matter of abundant caution has classified the investment as "Non-Performing". The amount of provision required as per SECP circular no. 01 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 4.5.13 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 investment has been fully provided.
- 4.5.14 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 terms on December 26, 2011 with new maturity in March 2017. During the year, the investee company again defaulted on its obligation on account of principal and profit payment. 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.

NAFA INCOME OPPORTUNITY FUND

	(Un-Audited) September 30, 2015	(Audited) June 30, 2015
5 PROFIT RECEIVABLE	(Rupees in '000)	
Profit on savings and term deposits	48,954	44,540
Profit on Margin Trading System	2,465	2,426
Profit on Pakistan Investment Bonds	17,034	7,019
Income accrued on term finance certificates and sukuk bonds - net	25,953	24,556
	<u>94,406</u>	<u>78,541</u>

6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	609	395
Settlement charges payable	100	274
Payable to brokers	122	74
Printing charges	150	150
Workers' Welfare Fund	31,128	31,218
Contingent load	23,161	23,161
Withholding tax	2,001	3,014
Capital gain tax	1,264	18,720
Legal Fee	25	125
Others	1,185	344
	<u>59,745</u>	<u>77,475</u>

7 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2015 and as at September 30, 2015.

8 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015. Accordingly no further provision for WWF has recorded subsequent to June 30, 2015.

However, without prejudice to the above and owing to the fact that the decision of Sindh High Court on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to record and retain provision of WWF in financial statements for the quarter ended September 30, 2015 which aggregates to Rs. 31.128 million. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs.0.0410/- per unit respectively.

9 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 a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

10 EARNINGS PER UNIT

Earnings per unit (EPU) for the Quarter ended September 30, 2015 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

NAFA INCOME OPPORTUNITY FUND

11 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 Fund'.

In accordance with clause 9 (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest at least 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 September 30, 2013, 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
Investment in Debt securities and Sukuks**	Agritech Limited	149,860	149,860	-	-	-
	Agritech Limited V	32,320	32,320	-	-	-
	Azgard Nine Limited III	108,377	108,377	-	-	-
	Azgard Nine Limited V	82,180	82,180	-	-	-
	BRR Guardian Modaraba - Sukuk	27,500	27,500	-	-	-
	Dewan Cement Limited	150,000	150,000	-	-	-
	Eden Housing Limited - Sukuk II	9,056	9,056	-	-	-
	New Allied Electronics Industries (Private) Limited - PPTFC	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk II	44,149	44,149	-	-	-
	PACE Pakistan Limited	149,820	149,820	-	-	-
	Pak Elektron Limited (Sukuk)	34,286	34,286	-	-	-
	Saudi Pak Leasing Company Limited	41,321	41,321	-	-	-
	World Call Telecom Limited	88,456	88,456	-	-	-
	Equity Exposure	Azgard Nine Limited (Non-Voting)	13	13	-	-
Agritech Limited *		49,693	18,584	31,109	0.37%	0.35%

* These shares are received in partial settlement against TFCs of Azgard Nine Limited as fully explained in note 4.4.1.

** 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.

12 TRANSACTIONS WITH CONNECTED PERSONS

- 12.1 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.
- 12.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 12.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 12.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA INCOME OPPORTUNITY FUND

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

	Quarter Ended September 30,2015	Quarter Ended September 30,2014
	----- Rupees in '000 -----	
NBP Fullerton Asset Management Limited - Management Company		
Management fee expense for the quarter	27,167	16,228
Sindh Sales Tax on Management Company's remuneration	4,412	3,012
FED on Management Company's remuneration	4,347	2,596
Front-end load	1,540	318
National Bank of Pakistan - Sponsor		
Purchased PIB	-	73,502
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration	1,668	1,134
Sindh Sales Tax on remuneration of CDC Trustee	234	
CDS charges	258	2
NBP Employees Pension Fund		
Dividend Re-invest 5,485,295 units (2014: Nil)	59,127	-
Employees of NAFA		
Units Issued / transferred in 3,697,336 units (2014:761,856 units)	40,215	8,085
Units redeemed / transferred out 4,199,856 units (2014: 596,395 units)	47,884	6,338
Dividend Re-invest 22,582 units (2014:Nil)	243	
NBP Employees Benevolent Fund Trust		
Dividend Re-invest 189 units (2014: Nil)	2	-
CDC Trustee NAFA Financial Sector Income Fund		
Purchased T-Bill	46,880	-
Purchased PIB	-	207,600
International Steel Limited Employees Gratuity Fund		
Purchased PIB	-	1,619
International Steel Limited Employees Provident Fund		
Purchased PIB	-	2,573
International Industries Limited Employees Provident Fund		
Sale of PIB	-	3,969
International Industries Limited Employees Gratuity Fund		
Sale of PIB	-	3,969
Cherat Cement Company Limited		
Units Issued / transferred in 14,550,860 units (2014:Nil units)	164,672	-
Units redeemed / transferred out 14,550,860 units (2014: Nil units)	165,230	-

NAFA INCOME OPPORTUNITY FUND

12.6 Amounts outstanding as at year end

	(Un-audited) As at September 30, 2015	(Audited) As at June 30, 2015
	----- Rupees in '000 -----	
NBP Fullerton Asset Management Limited - Management Company		
Management remuneration payable	10,173	9,304
Sindh Sales Tax payable	1,652	1,619
Federal Excise Duty payable	23,524	19,178
Sale load payable	542	1,470
Sindh Sales tax on sale load	8	256
Federal Excise Duty on tax sale load	993	745
National Bank of Pakistan - Sponsor		
Balances in current account	3,184	6,326
Cash dividend payable	-	1,166
Payable against redemption of units	-	46,478
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration payable	604	562
Sale tax on Remuneration payable	85	-
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund 73,642,693 units (June 30, 2015: 68,157,398 units)	806,130	787,831
Cash dividend payable	-	19,282
NBP Employees Benevolent Fund Trust		
Investment held in the Fund 2,537 units (June 30, 2015: 2,348 units)	28	27
Cash dividend payable	-	1
Employees of Management Company --NAFA		
Investment held in the Fund 2,605,862 units (June 30, 2015: 3,085,300 units)	28,525	35,669
Summit Bank Limited		
Balance in account	9,117	7,196
Cash dividend payable	-	297
NAFA Asset Allocation fund		
Net receivable against conversion of units	-	3,404
NAFA Financial Sector Income Fund		
Net receivable against conversion of units	-	297,013
NAFA Government Securities Liquid Fund		
Net payable against conversion of units	-	1,531
NAFA Islamic Aggressive Income Fund		
Payable against conversion of units	-	544
NAFA Islamic Stock Fund		
Net receivable against conversion of units	-	733
NAFA Multi Asset Fund		
Payable against conversion of units	-	1,136

NAFA INCOME OPPORTUNITY FUND

	(Un-audited) As at September 30, 2015	(Audited) As at June 30, 2015
	----- Rupees in '000 -----	
NAFA Money Market Fund Net receivable against conversion of units	-	824,969
NAFA Riba Free Savings Fund Receivable against conversion of units	-	1,794
NAFA Income Fund Receivable against conversion of units	-	30,000
NAFA Savings Plus Fund Net receivable against conversion of units	-	58,133

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 21, 2015.

14 GENERAL

Figures have been rounded off to the nearest thousand rupees.

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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