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

NAFA ISLAMIC ASSET ALLOCATION FUND

ANNUAL REPORT 2015



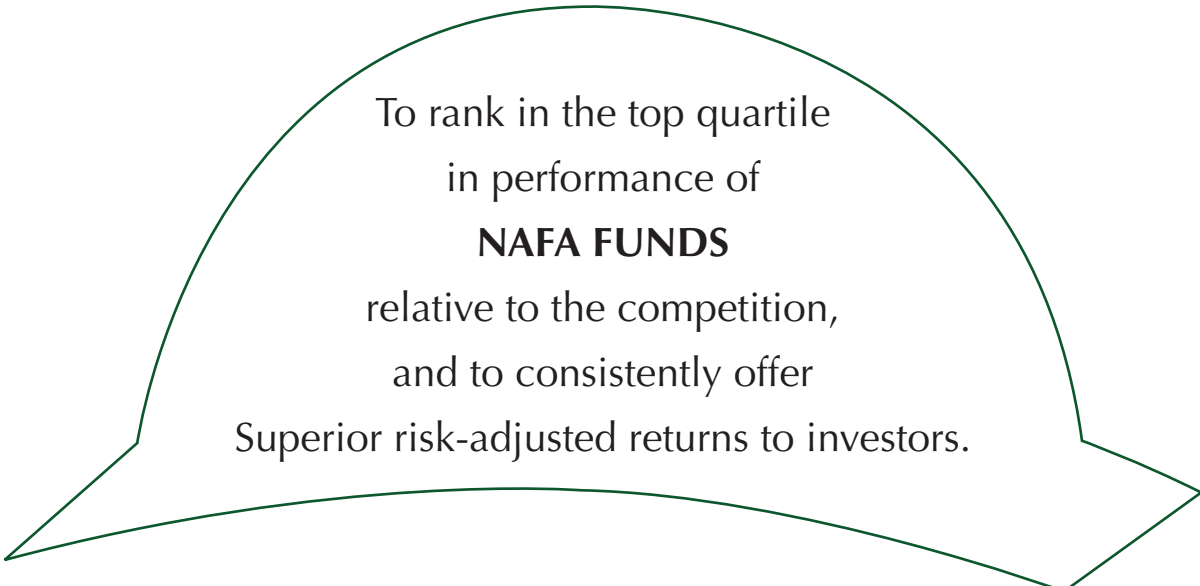
Your investments & "NAFA" grow together



**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.

NAFA ISLAMIC ASSET ALLOCATION FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource 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 Shakra-e-Faisal, Karachi.

Bankers to the Fund

Al-Baraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Burj Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
Bank Al-Habib Limited
Dubai Islamic Bank Limited
Silk Bank Limited
Summit Bank Limited

NAFA ISLAMIC ASSET ALLOCATION FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA ISLAMIC ASSET ALLOCATION FUND

Contents

DIRECTORS' REPORT	05
TRUSTEE REPORT TO THE UNIT HOLDERS	08
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	09
FUND MANAGER REPORT	12
STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	15
REPORT OF THE SHARIAH ADVISOR	16
INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	18
REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE	19
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	20
STATEMENT OF ASSETS AND LIABILITIES	21
INCOME STATEMENT	22
STATEMENT OF COMPREHENSIVE INCOME	23
DISTRIBUTION STATEMENT	24
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	25
CASH FLOW STATEMENT	26
NOTES TO THE FINANCIAL STATEMENTS	27
PERFORMANCE TABLE	49

Board of Directors



Mr. Nausherwan Adil
Chairman



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Kamal Amir Chinoy
Director



Mr. Koh Boon San
Director



Mr. Aamir Sattar
Director



Mr. Shehryar Faruque
Director



Mr. Nigel Poh Cheng
Director



Mr. Abdul Hadi Palekar
Director

Senior Management*



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. Zeeshan
Chief - Strategy &
Business Development



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Muhammad Ali, CFA, FRM
Head of Fixed Income



Syed Suleman Akhtar CFA
Head of Research



Mr. Tahir Lateef
Head of Internal Audit



Mr. Ahmad Nouman CFA, PRM
Head of Risk Management



Mr. Asim Wahab Khan, CFA
Head of Equity

NAFA ISLAMIC ASSET ALLOCATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Eighth Annual Report of **NAFA Islamic Asset Allocation Fund** for the year ended June 30, 2015.

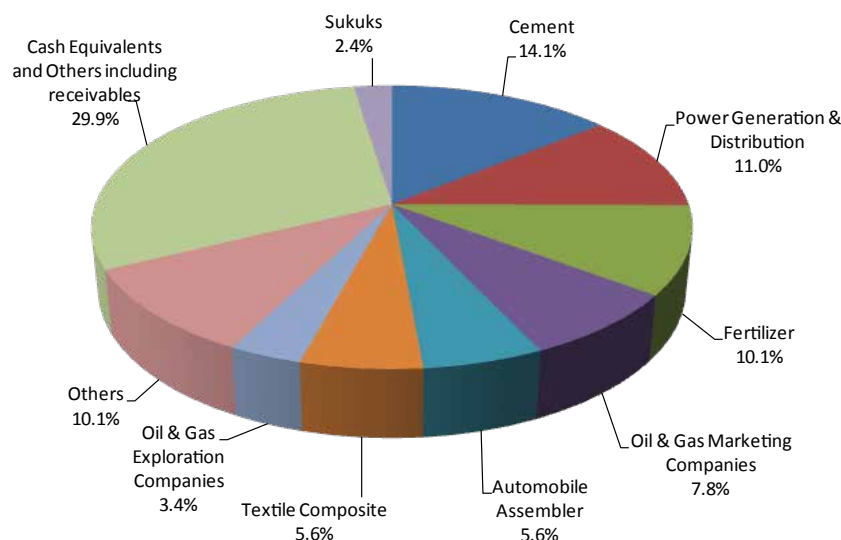
Fund's Performance

During FY2014-15, the benchmark KMI-30 Index soared by 20.10%. Despite a challenging political environment which led to heightened volatility in the market, FY15 was the 6th consecutive year of double digit returns. The KSE-100 Index witnessed bullish momentum driven by strengthening foreign exchange reserves amid successful ongoing IMF and Privatization programs; issuance of international sukuk bonds; steep fall in oil prices and inflation and resultant 300bps cut in SBP discount rate to 7.0%; and rating upgrades by international rating agencies. Mutual Funds and foreigners remained net buyers in the market on the back of strong macroeconomic outlook, attractive valuations, and improving security situation.

Trading activity in Sukuks remained 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 period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange reserves as the key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the short term and long term sovereign bonds declining sharply. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

During the fiscal year, the return on NAFA Islamic Asset Allocation Fund was 33.77% as against the benchmark (Average of (i) average 3-month Islamic banks deposit rate (ii) 6-month KIBOR or its Shariah Compliant equivalent (iii) KMI 30 Index) return of 12.08% translating into an out-performance of 21.69% during the year. NIAAF out-performed on the back of timely asset allocation, sector rotation, and strong performance of some of its key equity holdings. This outperformance is net of management fee and all other expenses.

The size of NAFA Islamic Asset Allocation Fund as on June 30, 2015 is Rs.2,563 million. The Fund has earned total income of Rs.497.34 million during the year. After deducting total expenses of Rs.51.26 million, the net income is Rs.446.08 million. During the year, the unit price of NAFA Islamic Multi Asset Fund has increased from Rs.11.3515 (Ex-Div) on June 30, 2014 to Rs.15.1854 (Ex-Div) on June 30, 2015. The resultant per unit gain is Rs.3.8339 (33.77%). The asset allocation of NAFA Islamic Asset Allocation Fund as on June 30, 2015 is as follows:



NAFA ISLAMIC ASSET ALLOCATION FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 17.04% of opening ex-NAV (22.16% of the par value) for the year.

Taxation

As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2016.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held six meetings during the current financial year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.

NAFA ISLAMIC ASSET ALLOCATION 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: September 30, 2015
Place: Karachi.

NAFA ISLAMIC ASSET ALLOCATION FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Asset Allocation Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 20, 2015

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015 NAFA ISLAMIC ASSET ALLOCATION FUND

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Islamic Asset Allocation Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Lahore Stock Exchange.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2015, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Nigel Poh Cheng 5. Mr. Koh Boon San

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred on the board on February 17, 2015 which was filled up on the same date.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

NAFA ISLAMIC ASSET ALLOCATION FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities the Code requires every listed company to conduct formal orientation for directors. As per the Code, by June 30, 2015 a minimum of three directors should have attended director training program. As at year end, three of the directors have attended the director's training program offered by Pakistan Institute of Corporate Governance. Other directors are also conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. There was no new appointment of the Chief Financial Officer (CFO), Company Secretary, or Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 20 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors including an independent director and the chairman of the committee is a non-independent director.

NAFA ISLAMIC ASSET ALLOCATION FUND

18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with. While the Code of Corporate Governance requires that a mechanism shall be put in place for the annual evaluation of the Board's own performance by April 2014, the Management Company has prepared a framework for this purpose and eventual approval by the Board of Directors of the Management Company will be obtained in forthcoming Board of Directors meeting, subsequent to year end.

For and behalf of the board

Karachi
September 30, 2015

Dr. Amjad Waheed
Chief Executive Officer

NAFA ISLAMIC ASSET ALLOCATION FUND

FUND MANAGER REPORT

NAFA Islamic Asset Allocation Fund

NAFA Islamic Asset Allocation Fund (NIAAF) is an open-ended Shariah Compliant asset allocation fund

Investment Objective of the Fund

Objective of NIAAF is to provide investors with a combination of capital growth and income by investing in a variety of asset classes such as Shariah Compliant stocks, bonds, money market instruments etc. The risk profile of the fund is moderate.

Benchmark

The Benchmark of the Fund is Average of (i) average 3-month Islamic banks deposit rate (ii) 6-month KIBOR or its Shariah Compliant equivalent (iii) KMI 30 Index.

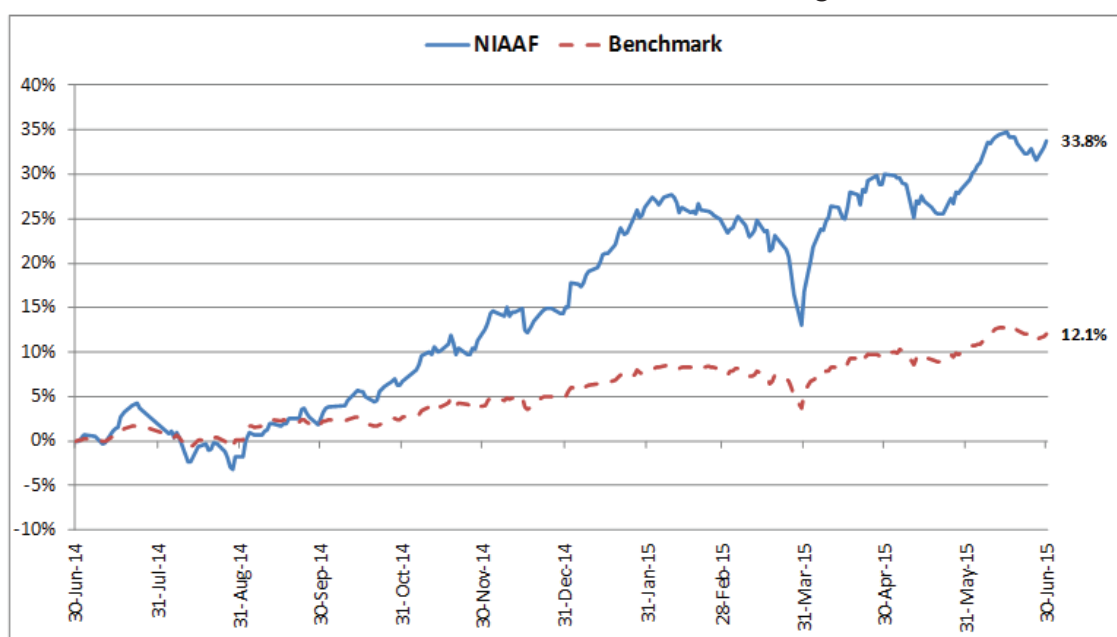
The fund category was changed to Islamic Asset Allocation from Islamic Balanced with effect from April 22, 2014. Consequently, allowed equity range is now 0% to 90% which previously was 30% to 70%. Previous benchmark was 50% KSE-30 Index & 50% 3-month KIBOR.

Fund performance review

This is the eight annual report of the Fund. During the year under review, dividend adjusted Net Asset Value (NAV) of NAFA Islamic Asset Allocation Fund (NIAAF) increased by 33.77%, whereas the benchmark increased by 12.08%, thus an outperformance of 21.69% was recorded. This outperformance is net of management fee and all other expenses. Thus, NIAAF has met its investment objective. During the year, the fund size of NIAAF increased by 365% to Rs 2,592mn.

NIAAF out-performed during the year on the back of timely asset allocation and better than market performance of its key holdings in Cement, Auto Assembler, Chemicals, Power Generation & Distribution companies and Textile Composite sectors. Moreover, contribution to the Fund's performance also came from its under-weight position in the selected companies of Oil and Gas Exploration companies, Oil and Gas Marketing companies and Banks sectors that lagged the market, thereby contributing to the outperformance. The chart below shows the performance of NIAAF against the benchmark for the year.

NIAAF Performance vs. Benchmark during FY15



NAFA ISLAMIC ASSET ALLOCATION FUND

NIAAF was around 63% invested in equities at the beginning of the year. During the year, we adjusted the allocation of the Fund based on our view on different asset classes. Towards the end of the year, allocation in equities was increased to around 68%.

During FY2014-15, the benchmark KMI-30 Index soared by 20.10%. Despite a challenging political environment which led to heightened volatility in the market, FY15 was the 6th consecutive year of double digit returns. The Market witnessed bullish momentum due to strengthening FX reserves, successful ongoing IMF and Privatization programs, issuance of international sukuk bonds, steep fall in inflation and resultant 300bps cut in SBP discount rate to 7.0% and rating upgrades by international rating agencies. Mutual Funds and foreigners remained net buyers in the market on the back of strong macroeconomic outlook and improvement in political and security situation.

Trading activity in Sukuks remains skewed towards the high quality issues. Dearth of primary issuance versus elevated demand kept the yield on the high credit quality corporate bonds depressed. During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange as key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the short term and long term sovereign bonds declining sharply. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-15	30-Jun-14
Equities / Stocks	67.71%	62.79%
Sukuks	2.43%	13.47%
Cash Equivalents	52.83%	23.06%
Other Net (Liabilities) / Assets	-22.97%	0.68%
Total	100.00%	100.00%

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets	Yield to Maturity per annum
Eden Housing (Sukuk II)	SUKUK	4,921,875	4,921,875	-	-	-	-
Total		4,921,875	4,921,875	-	0.0%	0.0%	-

Distribution for the Financial Year 2015

Interim / Final	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Interim	13.794%	17.1195	15.7401
Final	8.365%	15.9909	15.1544

NAFA ISLAMIC ASSET ALLOCATION FUND

Unit Holding Pattern of NAFA ISLAMIC ASSET ALLOCATION FUND as on June 30, 2015

Size of Unit Holding (Units)		No. of Unit Holders
1	1000	273
1001	5000	273
5001	10000	875
10001	50000	324
50001	100000	212
100001	500000	18
500001	1000000	14
1000001	5000000	1
5000001	10000000	1
		<u>2123</u>

During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of 15.790 million. If the same were not made, the NAV per unit/last one year return of scheme would have been higher by Rs. 0.0985/0.82%. For details, investors are advised to read the Note 13.2 of the Financial Statements of the Scheme for the year ended June 30, 2015.

NAFA ISLAMIC ASSET ALLOCATION FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Asset Allocation Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2015. This has been duly confirmed by the Shariah Advisor of the Fund.

Dated : September 30, 2015
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC ASSET ALLOCATION FUND

Report of the *Shariah Advisor* NAFA Islamic Asset Allocation Fund

Sep 01, 2015/Ziqad 16, 1436

Alhamdulillah, the period from July 1, 2014 to June 30, 2015 was the eight year of operations of NAFA Islamic Asset Allocation Fund (NIAAF). This report is being issued in accordance with clause 5.D.3 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance in line with the Shari'ah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of equity investments of NIAAF in light of Shari'ah requirements. Following is a list of top investments of NIAAF as on June 30, 2015 and their evaluation according to the screening criteria established by us. (December 31, 2014 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii)*** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation Ltd	Fertilizer	31.09	13.35	1.45	71	(-165.63)	221.51
DG Khan Cement Co Ltd****	Cement	9.73	12	5.13	85	(8.5)	110.53
Kot Addu Power Co Ltd****	Power Generation and Distribution	24.44	0.00	5.37	20.96	73.18	78.94
Hub Power Co Ltd	Power Generation and Distribution	20.94	0.04	0.06	30	5.42	78.36
Lucky Cement Ltd	Cement	13.24	0	0.85	82	(55.52)	500.28

NAFA ISLAMIC ASSET ALLOCATION FUND

	(i)	(ii)***	(iii)	(iv)	(v)	(vi)	
Kohinoor Textile Mills Ltd	Textile	31.03	2.74	0.13	86.32	(61.57)	35.05
Pakistan State Oil Co Ltd	Oil and Gas Marketing Companies	34.69	13.01	0.87	21.30	18.90	357.91
Indus Motor Company Ltd	Automobile Assembler	0.00	12.54	2.09	33.00	82.63	880.32
Maple Leaf Cement Ltd	Cement	16.70	0.03	0.04	93.00	(24.97)	44.25

* ii, iii, iv & v are in percentages while vi & vii are in Rs.

** These ratios are for the calculation of non-Shari'ah Compliant Element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

*** All interest based debts.

**** On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and not meeting the minimum criteria of 'Illiquid Assets to Total Assets Ratio'.

- ii. On the basis of information provided by the management, the provisions of the Scheme and investments in equities made on account of NIAAF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NIAAF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIAAF for the period ended June 30, 2015 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 862,558/- was created and an amount of Rupees 327,298/- was available for disbursement into charity as of June 30, 2015. However, the rest of the provisional amount will be adjusted after the availability of their respective annual financial statements.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and on behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Bilal Ahmed Qazi
Shari'ah Advisor

NAFA ISLAMIC ASSET ALLOCATION FUND

Independent Assurance Report to the Unit holders' on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of NBP Fullerton Asset Management Limited, Management Company of **NAFA Islamic Asset Allocation Fund** ("the Fund"), to report on Fund's Compliance with the shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2015 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 5.D.3 of the Trust Deed of the Fund.

Management Company's Responsibilities

The Management Company of the Fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the shariah principles and to ensure that Fund's investments and placements are made in compliance with shariah principles.

Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.
2. Check that the Shariah Advisor has certified that investments made by the Fund during the year ended 30 June 2015 are in compliance with the shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended 30 June 2015.

Date: 30 September 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

NAFA ISLAMIC ASSET ALLOCATION FUND

REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Islamic Asset Allocation Fund** (“the Fund”) for the year ended 30 June 2015 to comply with the requirements of the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors (“the Board”) of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Management Company’s personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board’s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company’s corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm’s length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2015.

Further, we highlight the below instances of non-compliances with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

- i) Paragraph 21 As per the Code, there should be announcement of ‘close period’ prior to the announcement of interim / final results, however there was no such ‘close period’ announced during the year ended 30 June 2015.
- ii) Paragraph 23 As per the Code, a mechanism was required to to be put in place for an annual evaluation of the Board’s own performance which has been approved subsequent to the year end.

Date: 30 September 2015

Place: Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

NAFA ISLAMIC ASSET ALLOCATION FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **NAFA Islamic Asset Allocation Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015 and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund, cash flow statement, for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: September 30, 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA ISLAMIC ASSET ALLOCATION FUND

Statement of Assets and Liabilities As at 30 June 2015

	Note	2015 (Rupees in '000)	2014
Assets			
Bank balances	5	977,085	129,884
Investments	6	1,818,155	424,774
Dividend and profit receivables	7	10,280	6,205
Receivable against sale of investments		-	1,176
Receivable against conversion of units	8	79,915	-
Deposits and advances	9	2,633	6,034
Total assets		<u>2,888,068</u>	<u>568,073</u>
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	31,548	2,322
Payable to Central Depository Company of Pakistan Limited - Trustee	11	300	93
Payable to Securities and Exchange Commission of Pakistan	12	1,192	388
Payable against redemption of units		134,876	-
Payable against conversion of units	8	112,433	-
Dividend payable		11,618	-
Accrued expenses and other liabilities	13	32,655	8,306
Total liabilities		<u>324,622</u>	<u>11,109</u>
Net assets		<u>2,563,446</u>	<u>556,964</u>
Unit holders' fund (as per statement attached)		<u>2,563,446</u>	<u>556,964</u>
Contingency and commitment	14		
		(Number of units)	
Number of units in issue	15	<u>160,306,772</u>	<u>42,839,414</u>
		(Rupees)	
Net assets value per unit		<u>15.9909</u>	<u>13.0012</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Income Statement For the year ended 30 June 2015

	Note	2015 (Rupees in '000)	2014
Income			
Income from sukuk bonds		13,743	17,585
Profit on bank deposits		29,971	14,629
Dividend income		44,656	12,670
Gain on sale of investments - net		89,798	16,293
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.4	228,591	29,913
Total income		<u>406,759</u>	<u>91,090</u>
Expenses			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	28,043	9,139
Sindh Sales Tax on remuneration of Management Company	10.1	4,880	1,707
Federal Excise Duty on remuneration of Management Company	10.2	4,487	1,462
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11	2,272	914
Annual fee - Securities and Exchange Commission of Pakistan		1,192	388
Brokerage and other expenses		2,398	1,648
Settlement and bank charges		743	353
Annual listing fee		40	30
Auditors' remuneration	16	513	464
Reversal of provision against non-performing sukuks classified as 'available for sale' - net	6.6	(3,571)	(19,435)
Fund rating fee		170	133
Legal and professional fees		100	158
Charity		812	195
Printing charges		77	100
Total expenses		<u>42,156</u>	<u>(2,744)</u>
Net income from operating activities		<u>364,603</u>	<u>93,834</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		90,576	-
Provision for Workers' Welfare Fund	13.2	(9,104)	(1,877)
Net income before taxation		<u>446,075</u>	<u>91,957</u>
Taxation	17	-	-
Net income for the year		<u><u>446,075</u></u>	<u><u>91,957</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Statement of Comprehensive Income For the year ended 30 June 2015

	Note	2015 (Rupees in '000)	2014
Net income for the year		446,075	91,957
Other comprehensive income for the year			
<i>Items to be reclassified to income statement in subsequent periods:</i>			
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	6.5	6,495	(8,028)
Total comprehensive income for the year		<u>452,570</u>	<u>83,929</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Distribution Statement For the year ended 30 June 2015

	2015	2014
	(Rupees in '000)	
Undistributed income brought forward comprising:		
- Realised income	89,603	87,228
- Unrealised income	29,913	30,454
	119,516	117,682
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 - net	175,933	24,716
Net income for the year	446,075	91,957
Final distribution:		
Distribution declared: Nil (11 July 2013: 17.269%)		
- Issue of bonus units	-	(43,542)
- Cash distribution	-	(13,133)
Interim distributions:		
Distribution declared: Nil (13 February 2014: 2.372%)		
- Issue of bonus units	-	(7,469)
- Cash distribution	-	(28)
Distribution declared: Nil (30 April 2014: 2.372%)		
- Issue of bonus units	-	(8,587)
- Cash distribution	-	(30)
Distribution declared on 29 June 2015: 13.794% (26 June 2014: 10.675%)		
- Issue of bonus units	-	(41,909)
- Cash distribution	(149,276)	(141)
Total distributions	(149,276)	(114,839)
Undistributed income carried forward	592,248	119,516
Undistributed income carried forward comprising:		
- Realised income	344,721	89,603
- Unrealised income	247,527	29,913
	592,248	119,516

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Statement of Movement in Unit Holders' Fund For the year ended 30 June 2015

	2015	2014
	(Rupees in '000)	
Net assets at beginning of the year	556,964	433,002
Issue of 310,242,559 units (2014: 38,963,316 units)	4,890,060	509,362
Issue of Nil bonus units (2014: 7,966,508 units)	-	101,507
Redemption of 192,775,201 units (2014: 35,956,564 units)	(3,096,296)	(455,997)
	1,793,764	154,872
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
- amount representing (income) transferred to income statement	(90,576)	-
- amount representing (income) transferred to distribution statement	(175,933)	(24,716)
	(266,509)	(24,716)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	6,495	(8,028)
Gain on sale of investments - net	89,798	16,293
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	228,591	29,913
Other net income for the year	127,686	45,751
Total comprehensive income for the year	452,570	83,929
Final distribution:		
Distribution declared: Nil (11 July 2013: 17.269%)		
- Issue of bonus units	-	(43,542)
- Cash distribution	-	(13,133)
Interim distributions:		
Distribution declared: Nil (13 February 2014: 2.372%)		
- Issue of bonus units	-	(7,469)
- Cash distribution	-	(28)
Distribution declared: Nil (30 April 2014: 2.372%)		
- Issue of bonus units	-	(8,587)
- Cash distribution	-	(30)
Distribution declared on 29 June 2015: 13.794% (26 June 2014: 10.675%)		
- Issue of bonus units	-	(41,909)
- Cash distribution	(149,276)	(141)
Total distributions	(149,276)	(114,839)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund - net	175,933	24,716
Net assets at end of the year	2,563,446	556,964
	(Rupees)	
Net assets value per unit at beginning of the year	13.0012	13.5881
Net assets value per unit at end of the year	15.9909	13.0012

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Cash Flow Statement For the year ended 30 June 2015

	Note	2015 (Rupees in '000)	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before taxation		446,075	91,957
Adjustments:			
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(228,591)	(29,913)
Reversal of provision against non-performing sukus classified as available for sale - net		(3,571)	(19,435)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(90,576)	-
		<u>123,337</u>	<u>42,609</u>
(Increase) / decrease in assets			
Investments		(1,154,724)	(208,652)
Dividend and profit receivables		(4,075)	(659)
Deposits and advances		3,401	(3,402)
Receivable against sale of investments		1,176	(1,176)
		<u>(1,154,222)</u>	<u>(213,889)</u>
Increase / (decrease) in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		29,226	1,091
Payable to Central Depository Company of Pakistan Limited - Trustee		207	(33)
Payable to Securities and Exchange Commission of Pakistan		804	101
Accrued expenses and other liabilities		24,349	2,048
		<u>54,586</u>	<u>3,207</u>
Net cash (used in) operating activities		<u>(976,299)</u>	<u>(168,073)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received against issuance of units		4,810,145	509,362
Payments against redemption of units		(2,848,987)	(455,997)
Distributions paid		(137,658)	(13,332)
Net cash from financing activities		<u>1,823,500</u>	<u>40,033</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>847,201</u>	<u>(128,040)</u>
Cash and cash equivalents at beginning of the year		129,884	257,924
Cash and cash equivalents at end of the year	5	<u><u>977,085</u></u>	<u><u>129,884</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

Notes to and forming part of the Financial Statements For the year ended 30 June 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Asset Allocation Fund (Formerly; NAFA Islamic Multi Asset 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 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.

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 7th floor, Clifton Diamond Building, Block No. 4, Scheme No.5, Clifton, Karachi. The Management Company is also the member of MUFAP (Mutual Fund Association of Pakistan).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Board of Directors had approved that the Fund should be categorized as "Shariah Compliant (Islamic) Scheme" and Balanced Fund as per the categories defined by the Securities and Exchange Commission of Pakistan. With effect from 22 April 2014 the Fund shall be categorized as Shariah compliant Asset Allocation scheme. Accordingly, name of the fund shall be NAFA Islamic Asset Allocation Fund.

The objective of the Scheme is to generate capital appreciation by investing in Shariah Compliant equity and equity related securities and income by investing in Shariah Compliant bank deposits, debt & money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2+ to the Management Company. Based on the performance of the Fund, it has assigned performance ranking of Four Star (short term) to the Fund.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These 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 Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Accounting convention

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NAFA ISLAMIC ASSET ALLOCATION FUND

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally related to:

- Classification, valuation of investments and impairment thereagainst, if any (refer note 4.1 and note 6); and
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (refer note 4.9).

3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

3.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2014 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not stated in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Fund's financial statements. IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Fund's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Fund's financial statements.

NAFA ISLAMIC ASSET ALLOCATION FUND

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

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

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements.

4.1 Financial Assets

4.1.1 Classification

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

a) Loans and receivables

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

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

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

c) Available for sale

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

4.1.2 Regular way contracts

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

4.1.3 Initial recognition and measurement

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

4.1.4 Subsequent measurement

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

NAFA ISLAMIC ASSET ALLOCATION FUND

a) Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular 33 of 2012 dated 24 October 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities. In addition, unquoted debt securities are stated at cost.

b) Basis of valuation of equity securities

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

c) Basis of valuation of government securities

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

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

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

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

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

4.1.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. In case of investments classified as available-for-sale, if any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in unit holders fund through comprehensive income is reclassified from unit holders fund through other comprehensive income to income statement. Impairment losses recognised on debt instruments in the income statement are reversed subsequently from income statement to unit holders fund through comprehensive income. However, impairment losses recognised on equity securities in the income statement are not reversed subsequently, through income statement.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular 33 of 2012 dated 24 October 2012 issued by SECP. Impairment losses recognised on debt securities can be reversed through the income statement.

As allowed under circular no. 13 of 2009 dated 4 May 2009 and circular 33 of 2012 dated 24 October 2012 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

b) Loans and receivables

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

c) Equity Securities

For equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

NAFA ISLAMIC ASSET ALLOCATION FUND

4.1.6 Derecognition

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

4.1.7 Offsetting of financial assets and financial liabilities

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

4.2 Cash and cash equivalents

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

4.3 Financial liabilities

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

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

4.4 Derivatives

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

4.5 Provisions

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

4.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund has distributed more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.7 Proposed distribution

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

4.8 Issue and redemption of units

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

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

NAFA ISLAMIC ASSET ALLOCATION FUND

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the income statement and unrealized appreciation / (diminution) arising during the year on available for sale securities is included in the distribution statement.

4.9.1 Change in accounting estimate

From 1 April 2015, the Fund has revised its methodology for recognition of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed. As per the revised methodology, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed is now apportioned between the distribution statement and the income statement in proportion of the relative change in net assets for the period of available for sale investments and other net assets. Previously, full amount of the element was taken directly to the distribution statement. The management considers that revised methodology reflects a more appropriate manner for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate. Had there been no change in estimate, the net profit for the year would have been lower by Rs. 88.764 million (net of WWF).

4.10 Earnings per unit

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

4.11 Net assets value per unit

The net assets value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

4.12 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as Financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- Profit on bank deposits, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

	Note	2015	2014
		(Rupees in '000)	
5 BALANCES WITH BANKS			
In current accounts		104,317	18,463
In savings accounts	5.1 & 5.2	872,768	111,421
		<u>977,085</u>	<u>129,884</u>

5.1 These accounts carry profit at rates ranging from 4.50% to 10.25% (2014: 6.00% to 10.00%) per annum.

5.2 These have been adjusted with cheques of Rs. 5.662 million issued on account of redemption of units and cheques of Rs. 114.780 million received on account of issuance of units at close of financial year which have cleared subsequent to year end.

NAFA ISLAMIC ASSET ALLOCATION FUND

	Note	2015	2014
		(Rupees in '000)	
6 INVESTMENTS			
At fair value through profit or loss - held for trading			
Listed equity securities	6.1	1,755,054	349,726
Investment in sukuk bonds	6.2	45,073	46,328
Available for sale			
Investment in sukuk bonds	6.3	18,028	28,720
		<u>1,818,155</u>	<u>424,774</u>

6.1 At 'fair value through profit or loss' (held for trading) listed equity securities

Name of the investee company	As at July 1, 2014	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2015	Market value at June 30, 2015	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid-up capital of the investee company held	
----- Number of shares -----										
						Rupees in '000	----- % -----			
Oil and Gas										
Oil and Gas Development Company Limited	58,040	31,500	-	89,540	-	-	-	-	-	
Pakistan Oil Fields Limited	54,360	88,700	-	38,400	104,660	42,264	1.65	2.32	0.04	
Pakistan Petroleum Limited	110,420	339,950	-	165,300	285,070	46,826	1.83	2.58	0.01	
Pakistan State Oil Company Limited	56,696	230,600	-	57,500	229,796	88,653	3.46	4.88	0.08	
Attock Petroleum Limited	-	76,700	-	-	76,700	43,506	1.70	2.39	0.09	
Shell (Pakistan) Limited	-	106,100	-	-	106,100	26,839	1.05	1.48	0.10	
National Refinery Limited	-	70,400	-	-	70,400	16,337	0.64	0.90	0.09	
Attock Refinery Limited	-	68,100	-	-	68,100	15,557	0.61	0.86	0.08	
Hascol Petroleum Limited	-	475,000	41,470	314,500	201,970	23,128	0.90	1.27	0.20	
	279,516	1,487,050	41,470	665,240	1,142,796	303,110				
Chemicals										
Fauji Fertilizer Company Limited	68	288,500	-	127,500	161,068	24,067	0.94	1.32	0.01	
Dyneen Pakistan Limited	-	21,500	-	-	21,500	1,053	0.04	0.06	0.23	
Engro Fertilizers Limited	-	958,500	-	373,000	585,500	51,928	2.03	2.86	0.04	
Engro Corporation Limited	-	686,100	-	65,000	621,100	184,342	7.19	10.14	0.12	
Fatima Fertilizer Limited	-	381,500	-	379,000	2,500	98	-	0.01	0.00	
Fauji Fertilizer Bin Qasim Limited	-	290,000	-	290,000	-	-	-	-	-	
Ittehad Chemicals Limited	-	357,500	-	-	357,500	16,727	0.65	0.92	0.72	
	68	2,983,600	-	1,234,500	1,749,168	278,215				
Construction and Materials										
Attock Cement Pakistan Limited	87	-	-	87	-	-	-	-	-	
D.G. Khan Cement Company Limited	135,000	1,833,000	-	1,002,500	965,500	137,844	5.38	7.58	0.22	
Lucky Cement Company Limited	73,300	208,900	-	72,200	210,000	109,120	4.26	6.00	0.03	
Akzo Nobel Pakistan Limited	57,700	-	-	27,800	29,900	9,543	0.37	0.52	0.06	
Fauji Cement Company Limited	1,000	-	-	1,000	-	-	-	-	-	
Maple Leaf Cement Factory Limited	669,500	883,000	-	881,500	671,000	52,714	2.06	2.90	0.13	
Pioneer Cement Limited	576,000	398,000	-	619,500	354,500	30,235	1.18	1.66	0.16	
Kohat Cement Limited	-	129,800	-	47,800	82,000	16,388	0.64	0.90	0.05	
Fecto Cement Limited	-	290,500	-	-	290,500	20,198	0.79	1.11	0.58	
	1,512,587	3,743,200	-	2,652,387	2,603,400	376,042				
General Industrials										
Ghani Glass Limited	192,000	-	-	192,000	-	-	-	-	-	
Thal Limited	87,196	23,000	-	-	110,196	31,454	1.23	1.73	0.14	
	279,196	23,000	-	192,000	110,196	31,454				
Personal Goods										
Nishat Mills Limited	130,200	326,000	-	82,000	374,200	42,745	1.67	2.35	0.11	
Kohinoor Textile Limited	-	1,898,000	-	332,500	1,565,500	101,695	3.97	5.59	0.64	
	130,200	2,224,000	-	414,500	1,939,700	144,440				
Fixed Line Telecommunication										
Pakistan Telecommunication Company Ltd	654,000	-	-	654,000	-	-	-	-	-	
	654,000	-	-	654,000	-	-				
Electricity										
The Hub Power Company Limited	252,260	1,193,000	-	227,500	1,217,760	113,946	4.45	6.27	0.11	
Kot Addu Power Company Limited	356,000	1,351,500	-	230,000	1,477,500	127,124	4.96	6.99	0.17	
K-Electric Limited	655,000	-	-	-	655,000	5,515	0.22	0.30	0.00	
Lalpir Power Limited	-	1,154,000	-	230,000	924,000	28,182	1.10	1.55	0.24	
Pakgen Power Limited	-	437,000	-	133,000	304,000	9,123	0.36	0.50	0.08	
	1,263,260	4,135,500	-	820,500	4,578,260	283,890				
Banks										
Meezan Bank Limited	262,781	201,500	-	140,500	323,781	13,275	0.52	0.73	0.03	
Bank Islami Pakistan Limited	1,080,500	-	572,213	1,652,713	-	-	-	-	-	
	1,343,281	201,500	572,213	1,793,213	323,781	13,275				
AutoMobile and Parts										
Ghandhara Nissan Limited	85,000	171,500	-	126,000	130,500	12,905	0.50	0.71	0.29	
Honda Atlas Cars (Pakistan) Limited	162,500	293,100	-	249,800	205,800	45,004	1.76	2.48	0.14	
Pak Suzuki Motor Company Limited	13,000	61,400	-	35,200	39,200	17,088	0.67	0.94	0.05	
Sazgar Engineering Works Limited	156,500	15,000	-	-	171,500	6,603	0.26	0.36	0.95	
Baluchistan Wheels Limited	-	227,000	-	-	227,000	13,200	0.51	0.73	1.70	
Indus Motor Company Limited	-	51,000	-	-	51,000	63,699	2.48	3.50	0.06	
	417,000	819,000	-	411,000	825,000	158,499				

NAFA ISLAMIC ASSET ALLOCATION FUND

Name of the investee company	As at July 1, 2014	Purchases during the year	Bonus / right Issue	Sales during the year	As at June 30, 2015	Market value at June 30, 2015	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid-up capital of the investee company held
	----- Number of shares -----				Rupees in '000		----- % -----		
Industrial Transportation									
Pakistan National Shipping Corporation Limited	100,000	-	-	36,500	63,500	6,747	0.26	0.37	0.05
	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>36,500</u>	<u>63,500</u>	<u>6,747</u>			
Pharma and Bio Tech									
Abbott Laboratories (Pakistan) Limited	-	30,500	-	-	30,500	20,353	0.79	1.12	0.03
Ferozsons Laboratories Limited	-	22,600	-	14,000	8,600	5,500	0.21	0.30	0.03
The Searle Company Limited	-	65,100	-	-	65,100	20,877	0.81	1.15	0.08
	<u>-</u>	<u>118,200</u>	<u>-</u>	<u>14,000</u>	<u>104,200</u>	<u>46,730</u>			
Industrial Metal and Mining									
Crescent Steel & Allied Products Limited	-	263,000	-	-	263,000	13,668	0.53	0.75	0.42
	<u>-</u>	<u>263,000</u>	<u>-</u>	<u>-</u>	<u>263,000</u>	<u>13,668</u>			
Multiutilities (Gas and Water)									
Sui Northern Gas Pipeline Limited	-	957,000	-	210,500	746,500	19,887	0.78	1.09	0.12
	<u>-</u>	<u>957,000</u>	<u>-</u>	<u>210,500</u>	<u>746,500</u>	<u>19,887</u>			
Technology Hardware and Equipment									
Avanceon Limited	-	450,000	-	-	450,000	15,043	0.59	0.83	0.43
	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>15,043</u>			
Engineering									
Mughal Iron & Steel Limited	-	446,000	-	-	446,000	25,083	0.98	1.38	0.41
	<u>-</u>	<u>446,000</u>	<u>-</u>	<u>-</u>	<u>446,000</u>	<u>25,083</u>			
Household Goods									
Pak Elektron Limited	-	886,000	-	415,000	471,000	38,971	1.52	2.14	0.12
	<u>-</u>	<u>886,000</u>	<u>-</u>	<u>415,000</u>	<u>471,000</u>	<u>38,971</u>			
	<u>5,979,108</u>	<u>18,737,050</u>	<u>613,683</u>	<u>9,513,340</u>	<u>15,816,501</u>	<u>1,755,054</u>			
Carrying value as at 30 June 2015						<u>1,525,209</u>			

6.1.1 All shares have a nominal face value of Rs 10 each except for the shares of Thal Limited and K-Electric Limited which have a face value of Rs.5 each and Rs. 3.5 respectively.

6.1.2 The above investments include securities with market value aggregating to Rs. 81.635 million (30 June 2014: Rs. 17.605 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated 23 October 2007 issued by SECP.

6.2 Sukuk bonds - held for trading

Name of the investee company	Number of bonds				Market value / carrying value as at 30 June 2015	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of issue size of sukuk held
	As at July 1, 2014	Purchases during the year	Sales / Matured during the year	As at June 30, 2015				
	-----Number of bonds-----				(Rupees in '000)	----- % -----		
K-Electric AZM Sukuk	9,000	-	-	9,000	45,073	1.76	2.48	1.20
	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>45,073</u>			
Carrying value as at 30 June 2015					<u>46,327</u>			

6.3 Sukuk bonds - available for sale

Name of the investee company	Number of bonds				Market value / carrying value as at 30 June 2015	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of issue size of sukuk held
	As at July 1, 2014	Purchases during the year	Sales / Matured during the year	As at June 30, 2015				
	-----Number of bonds-----				(Rupees in '000)	----- % -----		
Eden Housing Limited (Note 6.3.3.1)	5,000	-	-	5,000	-	-	-	3.42
Kohat Cement Company Limited	10,000	-	-	10,000	-	-	-	2.00
Maple Leaf Cement Factory Limited (1st Issue)	10,000	-	-	10,000	18,028	0.70	0.99	0.63
Pakistan Electron Limited (Note 6.3.3.2)	10,000	-	-	10,000	-	-	-	4.17
	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>18,028</u>			
Carrying value as at 30 June 2015					<u>34,312</u>			
Provision for Impairment loss as at 30 June 2015					<u>22,779</u>			

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

NAFA ISLAMIC ASSET ALLOCATION FUND

6.3.1 Significant terms and conditions of sukuk bonds outstanding as at 30 June 2015 are as follows:

Name of security	Remaining principal (per SUKUK)	Mark-up rate (per annum)	Issue date	Maturity date
Sukuk bonds				
Eden Housing Limited	984	2.5% + 6 Month KIBOR	31 March 2008	31 March 2014
Kohat Cement Company Limited	-	2.5% + 6 Month KIBOR	20 December 2007	20 December 2015
Maple Leaf Cement Factory Limited (1st Issue)	2,146	1.7% + 3 Month KIBOR	03 December 2007	03 December 2018
Pakistan Electron Limited	1,786	1.75% + 3 Month KIBOR	28 September 2007	28 September 2016
K-Electric AZM Sukuk	5,000	2.25% + 3 month KIBOR	19 March 2014	19 March 2017

6.3.2 All sukuk bonds have a face value of Rs 5,000 each.

6.3.3 Fair value of all performing sukuk certificates, classified as available for sale is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP). Sukuk certificates of Maple Leaf Cement Factory Limited are valued at discretionary rates within the limits specified by SECP circular no. 33 of 2012.

6.3.3.1 This represents investment in privately placed sukuk bonds issue with a term of five years. On 6 May 2011, these Sukuks have been classified as non performing by MUFAP. The investment has been fully provided. The income suspended on these sukuk bonds up to 30 June 2015 amounted to Rs. 0.939 million (30 June 2014: Rs. 0.269 million).

6.3.3.2 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 0.8 million was not received by the Fund. The investment has been fully provided. The income suspended on these sukuk bonds up to 30 June 2015 amounted to Rs. 0.0123 million (30 June 2014: Rs. 0.664 million).

6.3.3.3 The sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the user.

	Note	2015	2014
(Rupees in '000)			
6.4 Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'			
Market value of investments	6.1 & 6.2	1,800,127	396,054
Less: Carrying value of investments		1,571,536	366,141
		<u>228,591</u>	<u>29,913</u>
6.5 Net unrealised appreciation / (diminution) on re-measurement investments classified as 'available for sale'			
Market value of investments	6.3	18,028	28,720
Less:			
Carrying value of investments		34,312	64,993
Provision against non-performing sukuks	6.6	(22,779)	(26,350)
		11,533	38,643
Reversal of appreciation on maturity of investment classified as 'available for sale' - net		-	1,895
		<u>6,495</u>	<u>(8,028)</u>
6.6 Movement in provision against non-performing sukuks			
Balance as at 1 July 2014		26,350	45,785
Provision made during the year		-	7,501
Reversal of provision due to redemption of principal		(3,571)	-
Reversal of provision due to change in classification		-	(26,936)
		<u>(3,571)</u>	<u>(19,435)</u>
Balance as at 30 June 2015		<u>22,779</u>	<u>26,350</u>
7 DIVIDEND AND PROFIT RECEIVABLES			
Dividend receivable on equity securities		5,664	1,350
Profit receivable on savings deposits		4,186	284
Income accrued on sukuk bonds - net		430	4,571
		<u>10,280</u>	<u>6,205</u>
8 RECEIVABLE / (PAYABLE) AGAINST CONVERSION OF UNITS			

At year end, units of Rs. 1,035.717 million have been issued and units of Rs. 1,068.235 million have been redeemed (conversion / switching of units) as per the instructions of units holders of the respective funds between funds managed by the Management Company. However, receivable and payable have been stated based on net settlement basis "among funds made subsequent to year end (refer note 20.6).

NAFA ISLAMIC ASSET ALLOCATION FUND

	Note	2015	2014
(Rupees in '000)			
9	DEPOSITS AND ADVANCES		
	Security deposits with:		
	- National Clearing Company of Pakistan Limited	2,500	2,500
	- Central Depository Company of Pakistan Limited	100	100
	Advance tax	33	32
	Advance against special public offer subscription	-	3,402
		2,633	6,034
10	PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY		
	Management remuneration	10.1 4,270	150
	Sindh Sales Tax	10.1 743	28
	Federal Excise Duty	10.2 5,823	1,336
	Sindh Sales Tax and Federal Excise Duty on front end load	7,932	346
	Front end load and others	12,780	462
		31,548	2,322

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Currently, Management remuneration is being charged at the rate of two percent per annum of the annual net assets of the Fund. The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 upto 30 June 2014. However, the rate has been changed to 15% effective from 01 July 2014.

10.2 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. The High Court of Sindh in its order dated 09 September 2013 granted stay to the various funds for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 6.019 million out of which Rs. 0.196 million have been paid to the Management Company. Had the provision not been made, the net assets value (NAV) per unit of the fund as at 30 June 2015 would have been higher by Rs. 0.0375 per unit.

11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2015 is as follows:

Net Asset	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective scheme categorized as an Islamic scheme is required to pay an annual fee to SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

NAFA ISLAMIC ASSET ALLOCATION FUND

	Note	2015	2014
		(Rupees in '000)	
13 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		369	332
Brokerage		496	229
Bank charges		41	22
Printing charges		124	125
National Clearing Company of Pakistan		36	15
Charity	13.1	1,119	485
Provision for Workers' Welfare Fund	13.2	15,790	6,686
Withholding tax		9,950	323
Capital gain tax		4,576	2
Others		154	87
		<u>32,655</u>	<u>8,306</u>
13.1	In accordance with the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby the portion of the investment of the investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the year, Rs. 0.190 million (30 June 2014: Rs. 0.039 million) has been given out to charitable institutions.		
13.2	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 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.		
	During the year ended 30 June 2012, the Honorable 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 Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 15.790 million (including Rs. 9.104 million for the current year). Had the same not been made the net assets value per unit of the Fund as at 30 June 2015 would have been higher by Rs 0.0985 per unit.		
14 CONTINGENCY AND COMMITMENT			
	There is no contingency and commitment outstanding as at 30 June 2015.		
		Note	2015
			2014
			(Number of units)
15 NUMBER OF UNITS IN ISSUE			
Total units in issue at beginning of the year		42,839,414	31,866,154
Add: Units issued	15.1	310,242,559	38,963,316
Add: Bonus units issued		-	7,966,508
Less: Units redeemed		(192,775,201)	(35,956,564)
Total units in issue at end of the year		<u>160,306,772</u>	<u>42,839,414</u>
	This includes 6,248,791 units issued against Dividend Reinvestment Plan amounting to Rs. 99.325 million net of taxation.		
16 AUDITORS' REMUNERATION		2015	2014
		(Rupees in '000)	
Statutory audit fee		275	302
Half yearly review fee and others		110	116
Out of pocket expenses and others including government levy		128	46
		<u>513</u>	<u>464</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

17 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Board of Directors of the Management Company in their meeting held on 29 June 2015 has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2015.

18 NON-COMPLIANCE WITH THE CIRCULAR AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 06 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 Management Company had classified NAFA Islamic Asset Allocation Fund (the Fund) as 'Shariah Compliant (Islamic) Scheme' and 'Balanced Scheme' in accordance with the said circular. With effect from 22 April 2014 the Fund shall be categorized as Shariah compliant Asset Allocation scheme. As at 30 June 2015, the Fund is compliant with all the requirements of the said circular except for clause 2(iv) which requires that rating of any debt security in the portfolio shall not be lower than A- (A minus). Non compliance of the said circular are as follows:

Name of non-compliant investment	Type of 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	a) Eden Housing Limited - Sukuk*	4,922	4,922	-	-	-
	b) Pak Electron Limited - Sukuk *	17,857	17,857	-	-	-

* At the time of purchase, the said Sukuks were in compliance of the said circular (i.e. investment grade) and were subsequently downgraded due to default in payments of due principal and mark-up.

19 FINANCIAL INSTRUMENTS BY CATEGORY

-----as at June 30, 2015-----

Loans and receivables	At fair value through profit or loss	Available for sale	Total
----- Rupees in '000' -----			
Assets			
Bank balances	977,085	-	977,085
Investments	-	1,800,127	1,818,155
Dividend and profit receivables	10,280	-	10,280
Deposits	2,600	-	2,600
Receivable against conversion of units	79,915	-	79,915
	<u>1,069,880</u>	<u>1,800,127</u>	<u>2,888,035</u>

----- As at 30 June 2015 -----

Liabilities

	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000' -----			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	31,548	31,548
Payable to Central Depository Company of Pakistan Limited - Trustee	-	300	300
Payable against redemption of units	-	134,876	134,876
Payable against conversion of units	-	112,433	112,433
Dividend payable	-	11,618	11,618
Accrued expenses and other liabilities	-	2,339	2,339
	-	<u>293,114</u>	<u>293,114</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

-----as at June 30, 2014-----

	Loans and receivables	At fair value through profit or loss	Available for sale	Total
----- Rupees in '000 -----				
Assets				
Bank balances	129,884	-	-	129,884
Investments	-	396,054	28,720	424,774
Dividend and profit receivables	6,205	-	-	6,205
Deposits and advance	6,002	-	-	6,002
Receivable against sale of investments	1,176	-	-	1,176
	<u>143,267</u>	<u>396,054</u>	<u>28,720</u>	<u>568,041</u>

----- As at 30 June 2014 -----

	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	-	2,322	2,322
Payable to Central Depository Company of Pakistan Limited - Trustee	-	93	93
Accrued expenses and other liabilities	-	1,295	1,295
	<u>-</u>	<u>3,710</u>	<u>3,710</u>

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

20.1 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 (NBP) and its connected persons and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and officers of the Management Company and unit holders holding 10 percent or more units of the Fund.

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

20.3 Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

20.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at year end are as follows:

20.5 Details of transactions with connected persons are as follows:	2015	2014
	(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management company	28,043	9,139
Sindh Sales Tax on Management company Remuneration	4,880	1,707
Federal Excise Duty	4,487	1,462
Sindh Sales Tax on Front end load	5,953	414
Federal Excise Duty on front end load	5,450	261
Front end load	34,064	5,121
National Bank of Pakistan - Sponsor		
Cash dividend	-	12,952
Bonus units issued: Nil (2014: 922,448 units)	-	-
Redemption of 8,422,448 units (2014: Nil)	134,683	-
Taurus Securities (Private) Limited		
Brokerage	144	147
Alexandra Fund Management Pvt. Limited		
Bonus units issued: Nil (2014: 1,278,646 units)	-	-
Units redeemed: Nil (2014: 10,573,174 units)	-	129,277

NAFA ISLAMIC ASSET ALLOCATION FUND

	2015	2014
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	2,272	914
CDS charges	151	66
Aamir Sattar - Director		
Issue of 63,489 units (2014: Nil units)	1,073	-
Employees of the Management Company		
Issue of 2,595,978 units (2014: 252,228 units)	38,923	3,285
Redemption of 1,909,613 units (2014: 226,268 units)	29,774	2,928
Bonus units issued: Nil (2014: 6,515 units)	-	-
Thal Limited		
Purchase of equity shares: Nil (2014: 74,200)	-	11,442
Sale of equity shares: Nil (2014: 11,500)	-	1,820
Cherat Cement Company Limited		
Purchase of equity shares: Nil (2014: 17,000 units)	-	1,083
Sale of equity shares: Nil (2014: 312,000 units)	-	17,792
Dawood Hercules Fertilizers Limited - Management Staff Gratuity Fund		
Units issued: Nil (2014: 4,855,279 units)	-	64,523
Units redeemed: Nil (2014: 1,739,835 units)	-	22,921
Bonus units issued: Nil (2014: 445,306 units)	-	-
CDC Trustee NAFA Islamic Principal Preservation Fund		
Issue of 42,050,354 units (2014: Nil units)	671,748	-
Redemption of 19,408,465 units (2014: Nil units)	306,538	-
	2015	2014
	(Rupees in '000)	
20.6 Balances at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management remuneration payable	4,270	150
Sindh Sales tax payable	743	28
Federal Excise Duty Payable	5,823	1,336
Front end load payable	12,780	462
Sindh Sales tax payable on front end load	2,221	86
Federal Excise Duty Payable on front end load	5,711	260
National Bank of Pakistan		
Investment held by the Sponsor in the Fund: Nil (2014: 8,422,448 units)	-	109,502
Cash dividend payable	11,618	-
Balance in current account	1,667	67
Taurus Securities (Private) Limited		
Brokerage Payable	24	3
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	300	93
Security deposit	100	100
Employees of the Management Company		
Units held: 731,308 (2014: 44,943)	11,694	584
Thal Limited		
Shares held: Nil (2014: 87,197)	-	18,084
Summit Bank Limited		
Balance held in current account	2,160	500
Dawood Hercules Fertilizers Limited - Management Staff Gratuity Fund		
Units held: Nil (2014: 4,672,183)	-	60,744

NAFA ISLAMIC ASSET ALLOCATION FUND

	2015	2014
	(Rupees in '000)	
Overseas Pakistanis Foundation Girls College - Welfare Fund Units held: Nil (2014: 5,631,297)	-	73,214
CDC Trustee NAFA Islamic Principal Preservation Fund Units held: 22,641,889 (2014: Nil)	362,064	-
NAFA Financial Sector Income Fund Net receivable against conversion of units	4,079	-
NAFA Islamic Aggressive Income Fund Net receivable against conversion of units	2,097	-
NAFA Asset Allocation Fund Net receivable against conversion of units	42,255	-
NAFA Savings Plus Fund Net receivable against conversion of units	6,567	-
NAFA Money Market Fund Net receivable against conversion of units	14,574	-
NAFA Islamic Stock Fund Net payable against conversion of units	93,671	-
NAFA Riba Free Savings Fund Net payable against conversion of units	18,762	-
NAFA Government Securities Savings Fund Receivable against conversion of units	251	-
NAFA Islamic Principle Protected Fund - I Receivable against conversion of units	1,757	-
NAFA Islamic Principle Protected Fund - II Receivable against conversion of units	1,736	-
NAFA Government Securities Liquid Fund Receivable against conversion of units	6,378	-
NAFA Income Fund Receivable against conversion of units	221	-

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	27
2	Sajjad Anwar	CFA / MBA Finance	15
3	Syed Suleman Akhtar	CFA	15
4	Muhammad Ali Bhabha	MBA / MS (CS) / CFA / FRM	21
5	Asim Wahab Khan*	CFA	9
6	Muhammad Imran	CFA, ACCA	9

21.1 *Asim Wahab Khan is the Fund Manager of the Fund. He is also managing NAFA Multi Asset Fund and NAFA Stock Fund.

NAFA ISLAMIC ASSET ALLOCATION FUND

22	TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID/ PAYABLE	2015 (%)
	Elixir Securities Pakistan (Private) Limited	7.94
	J.S. Global Capital Limited	7.19
	Taurus Securities Limited	6.07
	Foundation Securities Limited	4.49
	Topline Securities (Private) Limited	4.32
	BMA Capital Management Limited	4.21
	Arif Habib Securities Limited	4.13
	Optimus Capital Management Limited	4.13
	Habib Metropolitan Financial Services Limited	3.65
	Aqeel Karim Dehdi Securities (Private) Limited	3.6
		2014 (%)
	Taurus Securities Limited	9.04
	KASB Securites Limited	7.37
	Summit Capital (Private) Limited	7.12
	Aqeel Karim Dehdi Securities (Private) Limited	5.95
	Foundation Securities Limited	5.38
	Arif Habib Securities Limited	5.2
	Topline Securities (Private) Limited	4.47
	Elixir Securities Pakistan (Private) Limited	4.34
	Optimus Capital Management Limited	4.01
	Habib Metropolitan Financial Services Limited	3.89

23 PATTERN OF UNIT HOLDING

30 June 2015

Category	Number of unit holders	Investment amount	Percentage of investment
		(Rupees in '000)	%
Individuals	2,064	1,580,386	61.65
Retirement Funds	31	211,370	8.25
Insurance Companies	3	16,578	0.65
Associated Companies / Directors	-	-	-
Others	25	755,112	29.45
	<u>2,123</u>	<u>2,563,446</u>	<u>100.00</u>

30 June 2014

Category	Number of unit holders	Investment amount	Percentage of investment
		(Rupees in '000)	%
Individuals	505	228,076	40.95
Retirement Fund	10	115,879	20.81
Insurance Companies	2	4,400	0.79
Associated Companies / Directors	1	109,502	19.66
Others	5	99,107	17.79
	<u>523</u>	<u>556,964</u>	<u>100.00</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 48th, 49th, 50th, 51st, 52nd and 53rd Board meetings were held on 16 September 2014, 30 October 2014, 17 February 2015, 21 April 2015, 29 June 2015 and 30 June 2015 respectively. Information in respect of attendance by directors in the meetings is given below.

Name of Director	Number of Meetings			Meetings not attended
	Held during tenure of director	Attended	Leave granted	
Mr. Wah Geok Sum*	3	-	3	48th, 49th & 50th
Mr. Koh Boon San	6	4	2	52nd & 53rd
Mr. Kamal Amir Chinoy	6	4	2	50th & 51st
Mr. Shehryar Faruque	6	5	1	52nd
Dr. Amjad Waheed	6	6	-	-
Mr. Nigel Poh Cheng**	2	2	-	-
Mr. Aamir Sattar	6	5	1	51st
Mr. Abdul Hadi Palekar	6	5	1	49th
Mr. Nausherwan Adil	6	3	3	50th, 52nd & 53rd

*Mr. Wah Geok Sum retried from Board with effect from 17 February 2015.

**Mr. Nigel Poh Cheng was co-opted on the Board with effect from 17 February 2015.

25 FINANCIAL RISK MANAGEMENT

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

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

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

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, investment-grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e. market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

25.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio by exposures and by following the internal guidelines established by the investment committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

25.1.1 Currency risk

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

25.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing sukuk bonds exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2015, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.625 million (2014: Rs 0.416 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Further, in case of variable instruments, the sensitivity analysis has been performed from the last repricing date. Accordingly, the sensitivity analysis prepared as of 30 June 2015 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

NAFA ISLAMIC ASSET ALLOCATION FUND

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds no fixed rate instruments.

The composition of the Fund's investment portfolio and rates announced by MUFAP is expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2015 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on the settlement date.

----- 30 June 2015 -----

Yield / interest rate (%)	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk	Total
	Upto three months	Over three months and upto one year	Over one year		

----- (Rupees in '000) -----

On-balance sheet

financial instruments

Financial Assets

Bank balances	4.50-10.25	872,768	-	-	104,317	977,085
Investments	8.43 - 12.45	-	-	63,101	1,755,054	1,818,155
Dividend and profit receivables		-	-	-	10,280	10,280
Deposits		-	-	-	2,600	2,600
Receivable against conversion of units		-	-	-	79,915	79,915
Sub-total		<u>872,768</u>	<u>-</u>	<u>63,101</u>	<u>1,952,166</u>	<u>2,888,035</u>

Financial Liabilities

Payable to NBP Fullerton Asset

Management Limited - Management Company	-	-	-	31,548	31,548
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	300	300
Payable against redemption of units	-	-	-	134,876	134,876
Payable against conversion of units	-	-	-	112,433	112,433
Dividend payable	-	-	-	11,618	11,618
Accrued expenses and other liabilities	-	-	-	2,339	2,339
Sub-total	-	-	-	<u>293,114</u>	<u>293,114</u>

On-balance sheet gap

<u>872,768</u>	<u>-</u>	<u>63,101</u>	<u>1,659,052</u>	<u>2,594,921</u>
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Off-balance sheet

financial instruments

-	-	-	-	-
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Off-balance sheet gap

<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Total interest rate sensitivity gap

<u>872,768</u>	<u>-</u>	<u>63,101</u>	<u>1,659,052</u>	<u>2,594,921</u>
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Cumulative interest rate sensitivity gap

<u>872,768</u>	<u>872,768</u>	<u>935,869</u>
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NAFA ISLAMIC ASSET ALLOCATION FUND

----- 30 June 2014 -----

Yield / interest rate (%)	Exposed to yield/interest rate risk			Not exposed to Yield / Interest risk	Total
	Upto three months	Over three months and upto one year	Over one year		

----- (Rupees in '000) -----

On-balance sheet financial instruments

Financial Assets

Bank balances	6.00 - 10.00	111,421	-	-	18,463	129,884
Investments	11.85 - 16.15	-	-	75,048	349,726	424,774
Dividend and profit receivables		-	-	-	6,205	6,205
Deposits		-	-	-	6,002	6,002
Receivable against conversion of units		-	-	-	1,176	1,176
Sub-total		<u>111,421</u>	<u>-</u>	<u>75,048</u>	<u>381,572</u>	<u>568,041</u>

Financial Liabilities

Payable to the NBP Fullerton Asset Management Limited - Management Company		-	-	-	2,322	2,322
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	93	93
Accrued expenses and other liabilities		-	-	-	1,295	1,295
Sub-total		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,710</u>	<u>3,710</u>

On-balance sheet gap

	<u>111,421</u>	<u>-</u>	<u>75,048</u>	<u>377,862</u>	<u>564,331</u>
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Off-balance sheet financial instruments

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Off-balance sheet gap

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Total interest rate sensitivity gap

	<u>111,421</u>	<u>-</u>	<u>75,048</u>	<u>377,862</u>	<u>564,331</u>
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Cumulative interest rate sensitivity gap

	<u>111,421</u>	<u>111,421</u>	<u>186,469</u>		
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25.1.3 Price risk

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

The fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities 'at fair value through profit and loss'.

In case of 5% increase / decrease in KSE 100 index on 30 June 2015, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 87.753 million (2014: Rs 0.353 million) as a result of gains / (losses) on equity securities classified 'at fair value through profit and loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2015 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 index.

25.2 Credit risk

Credit risk arising from the inability of the counterparties to fulfill their obligations in respect of financial instrument contracts, is generally limited to the principal amount and accrued income thereon.

Management of credit risk

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. The IC closely monitors the credit worthiness of the Fund's counterparties (e.g., issuer of the instruments, brokers, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks.

NAFA ISLAMIC ASSET ALLOCATION FUND

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The analysis below summarises the credit quality of the Fund's financial assets as at 30 June 2015.

	2015	2014
	(Rupees in '000)	
Balances with banks		
AAA+, AAA-, AAA	44,635	3,067
AA+, AA-, AA	111,739	19,267
A+, A-, A	820,711	107,550
	<u>977,085</u>	<u>129,884</u>
Investments - Sukuk bonds		
AA	45,073	46,328
A-	18,028	28,720
	<u>63,101</u>	<u>75,048</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2015 is the carrying amount of the financial assets.

25.3 Liquidity risk

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

Management of liquidity risk

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

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, during the current year, no borrowing was obtained by the Fund.

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

Maturity analysis for financial liabilities

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

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

NAFA ISLAMIC ASSET ALLOCATION FUND

	June 30, 2015			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
Financial Liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	31,548	31,548	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	300	300	-	-
Payable against redemption of units	134,876	134,876	-	-
Payable against conversion of units	112,433	112,433	-	-
Dividend payable	11,618	11,618	-	-
Accrued expenses and other liabilities	2,339	2,339	-	-
	<u>293,114</u>	<u>293,114</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>2,563,446</u>	<u>2,563,446</u>	<u>-</u>	<u>-</u>
	----- June 30, 2014 -----			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
Financial Liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	2,322	2,322	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	93	93	-	-
Accrued expenses and other liabilities	1,295	1,295	-	-
	<u>3,710</u>	<u>3,710</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>556,964</u>	<u>556,964</u>	<u>-</u>	<u>-</u>

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair value of financial assets (e.g. Treasury bills and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular No. 33 of 2012 dated 24 October 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 33 of 2012 dated 24 October 2012 issued by the SECP.

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

International Financial Reporting Standard (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 (i.e, as prices) or indirectly (i.e, derived from prices) (level 2).
- inputs for the asset or liability that are not based on observable market data (i.e, unobservable inputs) (level 3).

NAFA ISLAMIC ASSET ALLOCATION FUND

-----As at June 30, 2015-----			
Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----			

ASSETS

Investment in listed equity securities - 'held for trading'	<u>1,755,054</u>	<u>45,073</u>	<u>-</u>	<u>1,800,127</u>
Investment in securities - 'available for sale'	<u>-</u>	<u>18,028</u>	<u>-</u>	<u>18,028</u>

-----As at June 30, 2014-----			
Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----			

ASSETS

Investment in listed equity securities - 'held for trading'	<u>349,726</u>	<u>46,328</u>	<u>-</u>	<u>396,054</u>
Investment in securities - 'available for sale'	<u>-</u>	<u>28,720</u>	<u>-</u>	<u>28,720</u>

The reconciliation of provision in respect of level 3 is stated in note 6.5 to the financial statements.

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

In accordance with the risk management policies stated in note 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

28 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of directors of the Management Company in their meeting on 14 July 2015 have proposed a final distribution at the rate of 8.365%. The financial statements of the fund for the year ended 30 June 2015 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ended 30 June 2016.

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 30, 2015.

30 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2015	For the year ended June 30, 2014	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011	For the year ended June 30, 2010
Net assets at the year / period ended (Rs '000)	2,563,446	556,964	433,002	268,191	288,582	387,112
Net income for the year / period ended (Rs '000)	446,075	91,957	105,069	1,380	74,783	54,422
Net Asset Value per unit at the year / period ended (Rs)	15.9909	13.0012	13.5881	10.3099	10.8072	10.0702
Offer price per unit	16.6309	13.5260	13.9957	10.6192	11.1314	10.3723
Redemption price per unit	15.9909	13.0012	13.5881	10.3099	10.8072	10.0702
Highest offer price per unit (Rs)	15.7930	13.5260	14.2075	10.9870	11.4558	10.8081
Lowest offer price per unit (Rs)	11.4213	12.3956	10.3630	9.2356	8.6488	8.9580
Highest redemption price per unit (Rs)	15.1854	13.0012	13.7937	10.6670	11.1221	10.4933
Lowest redemption price per unit (Rs)	11.3515	11.9146	10.0612	8.9666	8.3969	8.6971
Opening Nav of Fiscal Year	11.3515	10.6366	9.9687	9.1039	8.4141	8.5736
Total return of the fund	33.77%	22.23%	36.31%	13.25%	28.44%	17.46%
- capital growth	14.25%	7.73%	14.85%	13.25%	1.89%	3.21%
- income distribution as a % of ex nav	19.52%	14.50%	21.46%	0.00%	26.55%	14.25%
- income distribution as a % of par value	22.16%	15.42%	21.39%	0.00%	22.34%	12.22%
Distribution						
Interim distribution per unit (Rs)	1.3794	1.5419	0.4124	-	0.5310	-
Final distribution per unit (Rs)	0.8365	-	1.7269	-	1.7033	1.2217
Distribution Dates						
Interim	-	13-Feb-14	26-Feb-13	-	18-Feb-11	-
	-	30-Apr-14	26-Apr-13	-	19-Apr-11	-
	29-Jun-15	26-Jun-14	-	-	-	-
Final	14-Jul-15	-	11-Jul-13	-	4-Jul-11	5-Jul-10
Average annual return of the fund (launch date October 29, 2007)						
(Since inception to June 30, 2015)	16.70%					
(Since inception to June 30, 2014)		14.29%				
(Since inception to June 30, 2013)			12.95%			
(Since inception to June 30, 2012)				8.50%		
(Since inception to June 30, 2011)					7.25%	
(Since inception to June 30, 2010)						0.26%
Portfolio Composition (Please see Fund Manager Report)						








Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up



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