



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

QUARTERLY REPORT SEPTEMBER 30

2014



Your investments & "NAFA" grow together




NBP

National Bank of Pakistan

**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

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NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET 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. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

Trustee

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

Bankers to the Fund

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
The Bank of Khyber.
Standard Chartered Bank (Pakistan) Limited
Silk Bank Limited
Summit Bank Limited

NAFA ISLAMIC ASSET ALLOCATION FUND

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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

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Islamic Asset Allocation Fund (formerly: NAFA Islamic Multi Asset Fund)** (NIAAF) for the quarter ended September 30, 2014.

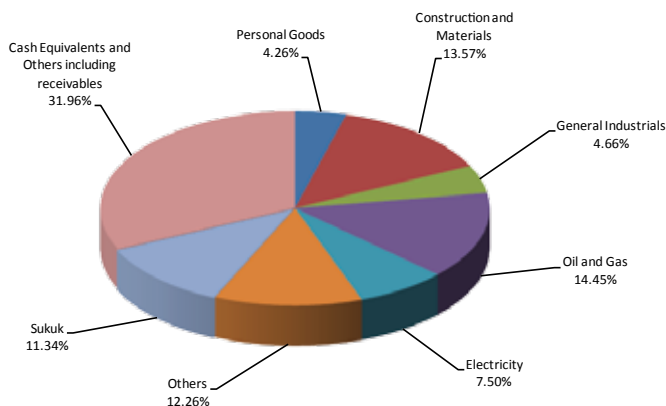
Fund's Performance

During the first quarter, the unit price of NAFA Islamic Asset Allocation Fund has increased from Rs. 13.0012 on June 30, 2014 to Rs. 13.3345 on September 30, 2014, thus showing an increase of 2.56%. 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 during the same period was 1.94%. Thus, the Fund has outperformed its Benchmark by 0.62% during the period under review. This performance is net of management fee and all other expenses. The size of NAFA Islamic Asset Allocation Fund (Formerly: NAFA Islamic Multi Asset Fund) has increased from Rs.557 million to Rs.673 million during the period, i.e. an increase of 20.82%.

During 1QFY15, the stock market remained volatile and sideways as political uncertainty took its toll on investor sentiments. Positives like improvement in sovereign debt rating outlook, healthy foreign portfolio flows, controlled inflation, and stable interest rate were offset by the noise in the domestic politics. The benchmark KMI-30 Index inched up by 1.45% during the period to settle at 48,379 points. Automobile and Parts, Pharma and Biotech, Electricity, and General Industrials sectors performed better than the market. On the other hand, Oil & Gas and Fixed Line Telecommunication sectors lagged the market.

During the quarter under review, The State Bank of Pakistan kept the Policy Rate unchanged despite let-up in inflation expectation and improved external account position. All Sukuks in the Fund are floating rate linked to KIBOR. Therefore, they carry a relatively low interest rate risk as any increase in interest rates will increase the coupon income of the Sukuk portfolio.

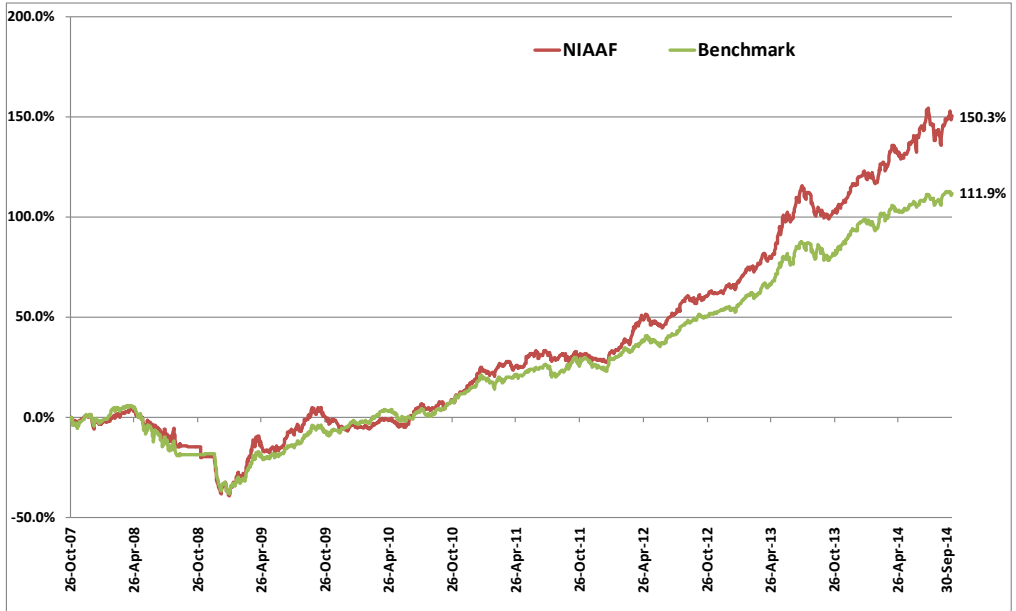
The Fund has earned total income of Rs.16.90 million during the period. After deducting expenses of Rs.5.20 million, the net loss is Rs.11.70 million. The asset allocation of the Fund as on September 30, 2014 is as follows:



NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

NIAAF Performance versus Benchmark (Since Inception)



Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: October 30, 2014
Place: Karachi.

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2014

	Note	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
(Rupees in '000)			
Assets			
Balances with banks		199,990	129,884
Receivable against sale of investments		18,440	1,176
Investments	4	457,859	424,774
Dividend and profit receivable	5	7,957	6,205
Advances, Deposits, prepayments and other receivable		2,665	6,034
Total assets		<u>686,911</u>	<u>568,073</u>
Liabilities			
Payable to Management Company		4,359	2,322
Payable to Trustee		109	93
Payable to Securities and Exchange Commission of Pakistan		128	388
Payable against redemption of units		490	-
Accrued expenses and other liabilities	6	8,897	8,306
Total liabilities		<u>13,983</u>	<u>11,109</u>
Net Assets		<u>672,928</u>	<u>556,964</u>
Unit Holders' Funds (as per statement attached)		<u>672,928</u>	<u>556,964</u>
Commitments	12	-	-
------(Number of units)-----			
Number of units in issue		<u>50,465,307</u>	<u>42,839,414</u>
		Rupees	Rupees
Net asset value per unit		<u>13.3345</u>	<u>13.0012</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Note	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
(Rupees in '000)			
INCOME			
(Loss) on sale of investments - net		(1,239)	(2,215)
Income from Sukuk bonds		3,133	1,785
Profit on bank deposits		2,896	4,383
Dividend income		4,912	4,638
Unrealised gain / (loss) on investments at fair value through profit or loss - net		7,198	(5,412)
Total Income		16,900	3,179
EXPENSES			
Remuneration of the Management Company		3,020	2,451
Sindh Sales Tax on Management Fee		561	392
Federal Excise Duty on Management Fee		483	392
Remuneration of the Trustee		302	245
Annual fee - Securities and Exchange Commission of Pakistan		128	104
Securities transaction cost		233	559
Settlement and bank charges		83	113
Annual listing fee		8	8
Auditors' remuneration		98	102
Impairment loss/(gain) on investments classified as 'available for sale'		-	2,464
Rating fee		37	34
Legal and Professional charges		13	-
Total Expenses		4,966	6,864
Net income / (loss) income from operating activities		11,934	(3,685)
Provision for workers' welfare fund	8	(239)	-
Net income / (loss) for the period before taxation		11,695	(3,685)
Taxation	11	-	-
Net income / (loss) for the period after taxation		11,695	(3,685)
Earning per unit	10		

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For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	(Rupees in '000)	
Net income / (loss) for the period after taxation	11,695	(3,685)
Other comprehensive income		
Net unrealised appreciation / (diminution) during the period in the market value of investments classified as 'available for sale'	2,589	509
Total comprehensive income / (loss) for the period	<u>14,284</u>	<u>(3,176)</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	(Rupees in '000)	
Undistributed income brought forward		
- Realised income	89,603	87,228
- Unrealised gain / (loss)	29,913	30,454
	<u>119,516</u>	<u>117,682</u>
Distribution:		
Final distribution for the period ended June 30, 2014: Nil% (June 30, 2013: 17.269%)		
- Bonus units	-	(43,542)
- Cash Distribution	-	(13,133)
Net income / (loss) for the period	11,695	(3,685)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	2,497	8,015
Undistributed income carried forward	<u>253,224</u>	<u>183,019</u>
Undistributed income comprising:		
- Realised income	246,026	188,431
- Unrealised gain / (loss)	7,198	(5,412)
	<u>253,224</u>	<u>183,019</u>

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For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	(Rupees in '000)	
Net assets at the beginning of the period	556,964	433,002
Issue of 14,576,656 units (September 30, 2013: 10,364,786 units)	192,288	131,652
Redemption of 6,950,763 units (September 30, 2013: 6,418,158 units)	(90,608)	(79,225)
Element of income and capital gains included in prices of units issued less those in units redeemed	101,680	52,427
- amount representing (income) / losses and capital gains / (losses) that form part of the unit holders' fund - transferred to Distribution Statement	(2,497)	(8,015)
	(2,497)	(8,015)
Net unrealised appreciation during the period in the market value of investments classified as 'available for sale'	2,589	509
Unrealised gain/(loss) on investments at fair value through profit or loss - net	7,198	(5,412)
Gain / (loss) on sale of investments - net	(1,239)	(2,215)
Other income (net of expenses)	5,736	3,942
	14,284	(3,176)
Less: Distribution:		
Final distribution for the period ended June 30, 2014: Nil% (June 30, 2013: 17.269%)		
- Bonus units	-	(43,542)
- Cash Distribution	-	(13,133)
	-	(56,675)
Add: bonus distribution; Nil units (2013: 3,468,647 bonus units)	-	43,542
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	2,497	8,015
Net assets as at the end of the period	672,928	469,120

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income / (loss) for the period	11,695	(3,685)
Adjustments		
Unrealised (gain) / loss on investments at fair value through profit or loss - net	(7,198)	5,412
(Gain) / loss on sales of investments	1,239	2,215
Impairment (gain) / loss on investments classified as 'available for sale'	-	2,464
	5,736	6,406
(Increase) / decrease in assets		
Investments	(24,537)	(10,546)
Dividend and profit receivable	(1,752)	(4,401)
Advances, Deposits, prepayments and other receivable	3,369	(523)
	(40,184)	(15,470)
Increase / (decrease) in liabilities		
Payable to Management Company	2,037	2,072
Payable to Trustee	16	2
Payable to Securities and Exchange Commission of Pakistan	(260)	(183)
Accrued expenses and other liabilities	591	(14)
	2,384	1,878
Net cash (outflow) on operating activities	(32,064)	(7,186)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	192,288	131,652
Payments on redemption of units	(90,118)	(78,410)
Distribution paid	-	(13,133)
Net cash inflow from financing activities	102,170	40,109
Net increase / (decrease) in cash and cash equivalents during the period	70,106	32,923
Cash and cash equivalents at the beginning of the period	129,884	257,924
Cash and cash equivalents at the end of the period	199,990	290,847

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

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.

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 re-categorized as shariah compliant Asset Allocation scheme. Accordingly name of the fund was renamed as 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 to the Fund.

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 condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP shall prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

The directors of the Asset Management Company declare that these condensed interim financial statements give a true and fair view of the Fund.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2014 are same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2014.

	Note	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
(Rupees in '000)			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Investment in shares of listed companies	4.1	381,526	349,726
Investment in Sukuk bonds		46,273	46,328
Available for sale			
Sukuk bonds	4.2	30,060	28,720
		<u>457,859</u>	<u>424,774</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

4.1 Investment in shares of listed companies at fair value through profit or loss

Name of the investee company	As at July 1, 2014	Purchases during the period	Bonus / Right Issue	Sale during the period	As at September 30, 2014	Market value at September 30, 2014	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 -----
Oil and Gas										
Oil and Gas Development Company Limited	58,040	31,500	-	24,300	65,240	16,118	2.40	3.52	0.00	
Pakistan Oil Fields Limited	54,360	23,700	-	21,700	56,360	29,952	4.45	6.54	0.02	
Pakistan Petroleum Limited	110,420	99,250	-	46,000	163,670	36,998	5.50	8.08	0.01	
Pakistan State Oil Company Limited	56,696	14,900	-	32,200	39,396	14,200	2.11	3.10	0.01	
Chemicals										
Fauji Fertilizer Company Limited	68	145,000	-	40,500	104,568	11,862	1.76	2.59	0.01	
Dynea Pakistan	-	21,500	-	-	21,500	984	0.15	0.21	0.11	
Construction and Materials										
Attock Cement Pakistan Limited	87	-	-	87	-	-	-	-	-	
D.G. Khan Cement Company Limited	135,000	76,000	-	152,000	59,000	4,702	0.70	1.03	0.01	
Lucky Cement Company Limited	73,300	24,600	-	31,500	66,400	26,666	3.96	5.82	0.02	
Kohat Cement Limited	-	49,000	-	19,500	29,500	3,566	0.53	0.78	0.02	
Akzo Nobel Pakistan Limited	57,700	-	-	-	57,700	11,043	1.64	2.41	0.12	
Fauji Cement Company Limited	1,000	-	-	1,000	-	-	-	-	-	
Maple Leaf Cement Factory Limited	669,500	480,000	-	325,000	824,500	22,418	3.33	4.90	0.16	
Pioneer Cement Limited	576,000	89,000	-	231,000	434,000	22,928	3.41	5.01	0.19	
General Industrials										
Ghani Glass Limited	192,000	-	-	-	192,000	10,368	1.54	2.26	0.16	
Thal Limited	87,196	-	-	-	87,196	21,014	3.12	4.59	0.11	
Personal Goods										
Nishat Mills Limited	130,200	123,500	-	13,000	240,700	28,643	4.26	6.26	0.07	
Fixed Line Telecommunication										
Pakistan Telecommunication Company Limited	654,000	-	-	180,000	474,000	11,049	1.64	2.41	0.01	
Electricity										
The Hub Power Company Limited	252,260	115,500	-	27,000	340,760	21,802	3.24	4.76	0.03	
Kot Addu Power Company Limited	356,000	11,500	-	-	367,500	23,626	3.51	5.16	0.04	
K-Electric Limited	655,000	-	-	-	655,000	5,057	0.75	1.10	0.00	
Banks										
Meezan Bank Limited	262,781	34,000	-	-	296,781	12,168	1.81	2.66	0.03	
Bank Islami Pakistan Limited	1,080,500	-	98,037	-	1,178,537	10,871	1.62	2.37	0.20	
AutoMobile and Parts										
Ghandhara Nissan Limited	85,000	-	-	8,000	77,000	3,925	0.58	0.86	0.17	
Honda Atlas Cars (Pakistan) Limited	162,500	-	-	120,000	42,500	5,973	0.89	1.30	0.03	
Pak Suzuki Motor Company Limited	13,000	15,900	-	-	28,900	8,216	1.22	1.79	0.04	
Sazgar Engineering Works Limited	156,500	-	-	-	156,500	5,540	0.82	1.21	0.87	
Baluchistan Wheels Limited	-	106,000	-	-	106,000	5,406	0.80	1.18	0.79	
Industrial Transportation										
Pakistan National Shipping Corporation	100,000	-	-	21,000	79,000	6,431	0.96	1.40	0.06	
						6,244,208	381,526	56.70	83.33	
Carrying value as at September 30, 2014						<u>374,273</u>				

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

4.1.2 The above investments include securities with market value aggregating to Rs.16.905 million (2013: 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 October 23, 2007 issued by SECP.

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

4.2 Sukuk bonds - At fair value through profit or loss - held for trading

Name of the investee company	Number of bonds				Market value as at September 30, 2014	Investment as a percentage of		
	As at July 1, 2014	Purchases during the period	Sales/Matured during the period	As at September 30, 2014		Market value of Net assets	Market value of total investments	Issue size
K-Electric AZM Sukuk	9,000	-	-	9,000	46,273	6.88	10.11	1.20
					<u>46,273</u>	<u>6.88</u>	<u>10.11</u>	
Carrying value as at September 30, 2014					<u>46,328</u>			

4.3 Sukuk bonds - available for sale

Name of the investee company	Number of bonds				Market value as at September 30, 2014	Investment as a percentage of		
	As at July 1, 2014	Purchases during the period	Sales/Matured during the period	As at September 30, 2014		Market value of Net assets	Market value of total investments	Issue size
Eden Housing Limited (Note 4.2.2.1)	5,000	-	-	5,000	-	0.00	0.00	3.42%
Kohat Cement Company Limited	10,000	-	10,000	-	-	0.00	0.00	2.00%
Maple Leaf Cement Factory Limited	10,000	-	-	10,000	30,060	4.47	6.57	0.63%
Pakistan Electron Limited (Note 4.2.2.2)	10,000	-	-	10,000	-	0.00	0.00	4.17%
				<u>25,000</u>	<u>30,060</u>	<u>4.47</u>		
Carrying value as at September 30, 2014					<u>53,821</u>			
Provision for impairment loss as at September 30, 2014					<u>26,350</u>			

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

4.2.2 As at September 30, 2014, the Fund had not received redemption of principal and / or profit amounts on some of its investments, the details of which are as follows:

4.2.2.1 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.

4.2.2.2 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.

	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
5 DIVIDEND AND PROFIT RECEIVABLE		
		(Rupees in '000)
Dividend receivable on equity securities	3,566	1,350
Profit on savings deposits	1,259	284
Income accrued on sukuk bonds-net	3,132	4,571
	<u>7,957</u>	<u>6,205</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	430	332
Brokerage payable	319	229
Bank charges payable	19	22
Payable against printing charges	125	125
Accrued NCCS charges	25	15
Charity payable	537	485
Rating fee payable	37	-
Others	94	87
Withholding tax	384	323
Capital gain tax	3	2
Provision for Workers' Welfare Fund	6,924	6,686
	<u>8,897</u>	<u>8,306</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

7 NON-COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 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 (Formerly; NAFA Islamic Multi Asset 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 Re-categorized as shariah compliant Asset Allocation scheme. Accordingly name of the fund was renamed as NAFA Islamic Asset Allocation Fund. As at 30 September 2014, 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-----		-----%-----		
i) Investment in debt securities	a) Eden Housing Limited - Sukuk *	4,922	4,922	-	-	-
	b) Pak Electron Limited *	21,428	21,428	-	-	-
	c) Maple Leaf Cement Sukuk **	37,394	-	30,060	4.47	4.38

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

** Performing but below investment grade

8 PROVISION FOR WORKERS' WELFARE FUND

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

During the year ended June 30, 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 December 14, 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 the Court.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgment, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 6.924 million (including Rs. 0.239 million for the current year) (2014: Rs 6.686 million for the last year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at September 30, 2014 would have been higher by Rs 0.1372 per unit.

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

9 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include NBP Fullerton Asset Management Limited (NAFA) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

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

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

Quarter Ended September 30, 2014	Quarter Ended September 30, 2013
----- Rupees in '000 -----	

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

NBP Fullerton Asset Management Limited - Management Company

Management fee expense for the period	3,020	2,451
Sindh Sales Tax for the period on Management Fee	561	392
FED for the period on Management Fee	483	392
Front end load for the period	2,265	1,823

National Bank of Pakistan - Sponsor

Cash Dividend	-	12,952
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Taurus Securities (Private) Limited

Brokerage	44	59
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Central Depository Company of Pakistan Limited - Trustee

Trustee fee for the period	302	245
CDS charges	-	20

Alexandra Fund Management Pte. Limited

Bonus units issued (Nil units; September 30, 2013: 1,278,646 units)	-	-
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Employees of the Management Company

Bonus units issued (Nil units; September 30, 2013; 1,994 units)	-	-
Units Issued (424,847 units; September 2013; 75,165 units)	5,533	957
Units Redeemed (98,194 units; September 2013; 82,145 units)	1,273	1,034

Quarter Ended September 30, 2014	(Audited) June 30, 2014
----- Rupees in '000 -----	

9.2 Amounts outstanding as at quarter end

NBP Fullerton Asset Management Limited - Management Company

Management Fee payable	1,044	150
Sindh Sales Tax on Management Fee	205	28
FED Payable on Management Fee	1,819	1,336
Front End Load Payable	642	462
Sindh Sales tax payable on front end load	119	86
Federal Excise Duty Payable on front end load	530	260

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

	(Un-audited) Quarter Ended September 30, 2014	(Audited) June 30, 2014
	----- Rupees in '000 -----	
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund (8,422,448 units; June 30, 2014: 8,422,448 units)	112,309	109,502
Balance in current account	881	67
Taurus Securities (Private) Limited		
Brokerage Payable	41	3
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	109	93
CDS charges payable	-	0
Security deposit	100	100
Employees of the Management Company		
Units held in the Fund (371,596 units; June 30, 2014: 44,943 units)	4,955	584
Thal Limited		
Shares held by the Fund: 87,196 share (June 30, 2014: 87,196 shares)	21,014	18,084
Summit Bank Limited		
Balance held by the Fund	1149	500
Dawood Hercules Fertilizers Limited - Management Staff Gratuity Fund		
Units held in the Fund: Nil units (June 30, 2014: 4,672,183 units)	-	60,744
Overseas Pakistanis Foundation Girls College - Welfare Fund		
Units held in the Fund: 5,631,297 units (June 30, 2014: 5,631,297)	75,091	73,214

10 EARNING PER UNIT

Earning per unit (EPU) for the quarter ended September 30, 2014 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

11 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

12 COMMITMENTS

There were no commitments as on September 30, 2014 and June 30, 2014.

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 30, 2014.

14 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



NBP Fullerton
Asset Management Ltd.

A Subsidiary of

National Bank of Pakistan

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