



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

HALF YEARLY REPORT DECEMBER 31

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)

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
Standard Chartered Bank (Pakistan) Limited
Silk Bank Limited
Summit Bank Limited

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET 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

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

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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 reviewed financial statements of **NAFA Islamic Asset Allocation Fund** (formerly: NAFA Islamic Multi Asset Fund) (NIAAF) for the half year ended December 31, 2014.

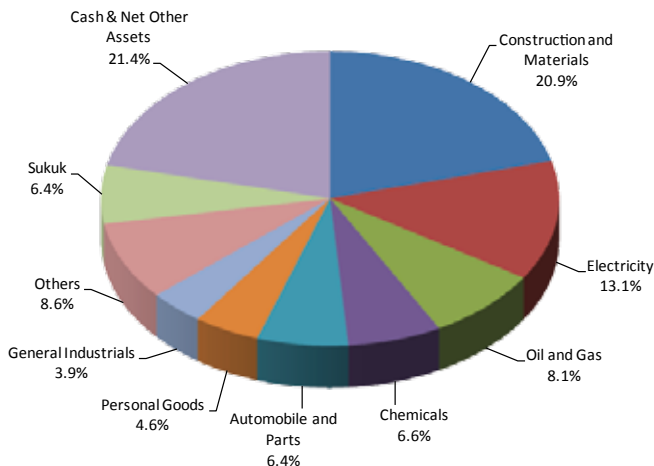
Fund's Performance

During the first half, the unit price of NAFA Islamic Asset Allocation Fund (Formerly: NAFA Islamic Multi Asset Fund) has increased from Rs. 13.0012 on June 30, 2014 to Rs. 14.9597 on December 31, 2014, thus showing an increase of 15.06%. 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 5.03%. Thus, the Fund has outperformed its Benchmark by 10.03% 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.1,102 million during the period, i.e. an increase of 97.8%.

The stock market extended its bull-run in 1HFY15, despite initial hiccups caused by protests of PTI and PAT, as the market participants focused on improving macros driven primarily by the steep fall in global oil and commodity prices. The tragic incident at the Army Public School in Peshawar united the nation in its fight against terrorism and also resulted in end of the PTI protests, further consolidating Pakistan's re-rating theme. The combination of sovereign debt rating upgrade by Moodys, falling inflation amid declining oil prices, 50bps cut in discount rate, improving external account position, easy liquidity conditions, and healthy foreign investment activity perked up investors' sentiments. The index heavy Oil & Gas and Banking sectors underperformed the market whereas almost all the other sectors outperformed during the period under review.

On the corporate debt sphere, trading activity in Sukuks remained skewed towards high quality issues, especially those belonging to the financial sector. Hunt for yields and limited primary issuance kept the yield on the high credit quality corporate bonds depressed. Furthermore, we have seen recoveries from many non-performing corporate bonds with pick-up in economic activity and declining interest rate environment. During the period under review, the State Bank of Pakistan reduced the policy rate by 50bps to 9.5% due to sharp decline in inflation and improved external account position. Sovereign securities responded to the beginning of loose monetary policy period with yields on the PIBs and T-bills declining sharply. All Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

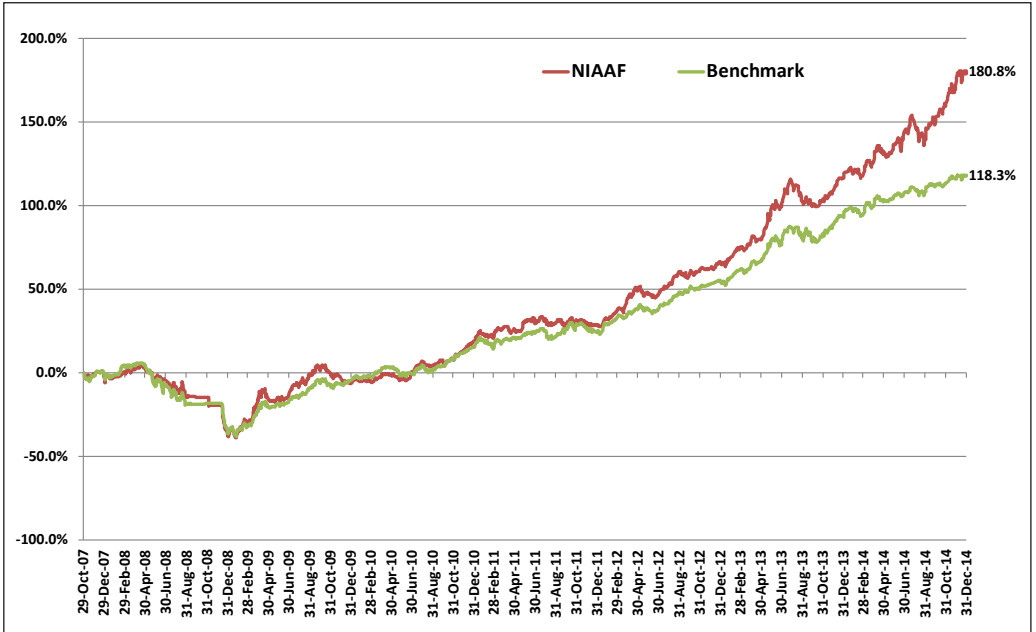
The Fund has earned total income of Rs.125.26 million during the period. After deducting expenses of Rs.14.87 million, the net income is Rs.110.39 million. The asset allocation of the Fund as on December 31, 2014 is as follows:



NAFA ISLAMIC ASSET ALLOCATION FUND

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NAAAF 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: February 17, 2015
Place: Karachi.

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

TRUSTEE REPORT TO THE UNIT HOLDERS

NAFA ISLAMIC ASSET ALLOCATION FUND

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Report of the Trustee pursuant to Regulation 41(h) 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 [formerly NAFA Islamic Multi Asset 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 six months period ended December 31, 2014 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: February 27, 2015

NAFA ISLAMIC ASSET ALLOCATION FUND

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Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Asset Allocation Fund (Formerly; NAFA Islamic Multi Asset Fund)** ("the Fund") as at 31 December 2014 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matter

The figures for the three months period ended 31 December 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 17, 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

Condensed Interim Statement of Assets and Liabilities As at 31 December 2014

	Note	31 December 2014 (Unaudited)	30 June 2014 (Audited)
(Rupees in '000)			
Assets			
Bank balances	6	263,976	129,884
Investments	7	866,247	424,774
Dividend and profit receivable	8	1,844	6,205
Advance, deposit, prepayment and other receivable		3,561	6,034
Receivable against sale of investments		5,825	1,176
Total assets		<u>1,141,453</u>	<u>568,073</u>
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	11,975	2,322
Payable to the Central Depository Company of Pakistan Limited - Trustee		177	93
Payable to Securities and Exchange Commission of Pakistan		321	388
Payable against redemption of units		1,391	-
Payable against purchase of investments		15,027	-
Accrued expenses and other liabilities	10	10,733	8,306
Total liabilities		<u>39,624</u>	<u>11,109</u>
Net assets		<u>1,101,829</u>	<u>556,964</u>
Unit holders' funds (as per statement attached)		<u>1,101,829</u>	<u>556,964</u>
Contingencies and commitments	11	(Number of units)	
Number of units in issue		<u>73,653,142</u>	<u>42,839,414</u>
Net assets value per unit		<u>14.9597</u>	<u>13.0012</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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Condensed Interim Income Statement (Unaudited) For the six and three months period ended 31 December 2014

Note	Six months period ended		Three months period ended	
	December 31 2014	December 31 2013	December 31 2014	December 31 2013
----- (Rupees in '000) -----				
Income				
	7,278	(1,029)	8,517	1,186
Capital gain / (loss) on sale of investments - net				
Profit on bank deposits	8,164	9,037	5,268	4,654
Income from sukuk bonds	6,139	5,972	3,006	4,187
Dividend income	12,677	7,285	7,765	2,647
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7.4	91,227	18,834	84,029
Total income	125,485	40,099	108,585	36,920
Expenses				
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	7,561	4,575	4,541
Sindh Sales Tax on remuneration of Management Company	9.1	1,316	860	755
Federal Excise Duty on remuneration of Management Company	9.2	1,210	732	727
Remuneration of Central Depository Company of Pakistan Limited - Trustee		752	458	450
Annual fee - Securities and Exchange Commission of Pakistan		321	194	193
Securities transaction cost		760	849	527
Settlement and bank charges		244	158	161
Annual listing fee		15	15	7
Auditors' remuneration		328	276	230
Provision against non-performing sukuk bonds classified as 'available for sale' - net	7.6	-	3,367	-
Mutual Fund Rating Fee		86	67	49
Legal and professional charges		25	90	12
Charity		224	-	224
Other expenses		-	9	-
Total expenses		12,842	11,650	7,876
Net income from operating activities		112,643	28,449	100,709
Provision for Workers' Welfare Fund	10.1	(2,253)	(569)	(2,014)
Net income for the period before taxation		110,390	27,880	98,695
Taxation	12	-	-	-
Net income for the period after taxation		110,390	27,880	98,695

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

Condensed Interim Statement of Comprehensive Income (Unaudited) For the six and three months period ended 31 December 2014

	Note	Six months period ended		Three months period ended	
		December 31 2014	December 31 2013	December 31 2014	December 31 2013
----- (Rupees in '000) -----					
Net income for the period after taxation		110,390	27,880	98,695	31,565
Other comprehensive income for the period					
<i>Items to be reclassified to income statement in subsequent periods:</i>					
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	7.5	3,461	1,044	872	535
Total comprehensive income for the period		<u>113,851</u>	<u>28,924</u>	<u>99,567</u>	<u>32,100</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

Condensed Interim Distribution Statement (Unaudited) For the six and three months period ended 31 December 2014

	Six months period ended		Three months period ended	
	December 31 2014	December 31 2013	December 31 2014	December 31 2013
	----- (Rupees in '000) -----			
Undistributed income brought forward comprising:				
Realised income	89,603	87,228	126,510	70,749
Unrealised income / (loss)	29,913	30,454	7,198	(5,412)
	<u>119,516</u>	<u>117,682</u>	<u>133,708</u>	<u>65,337</u>
Final distribution for the year ended 30 June 2014:				
Nil (11 July, 2013: 17.269%)				
- Bonus units: Nil (2013: 3,468,648 bonus units)	-	(43,542)	-	-
- Cash distribution	-	(13,133)	-	-
Net income for the period before taxation	110,390	27,880	98,695	31,565
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	30,360	4,595	27,863	(3,420)
Undistributed income carried forward	<u>260,266</u>	<u>93,482</u>	<u>260,266</u>	<u>93,482</u>
Undistributed income comprising of:				
Realised income	169,039	74,648	176,237	69,236
Unrealised income	91,227	18,834	84,029	24,246
	<u>260,266</u>	<u>93,482</u>	<u>260,266</u>	<u>93,482</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited) For the six and three months period ended 31 December 2014

Note	Six months period ended		Three months period ended	
	December 31 2014	December 31 2013	December 31 2014	December 31 2013
----- (Rupees in '000) -----				
Net assets at beginning of the period [Rs. 13.0012 per unit (2013: Rs. 13.5881)]	556,964	433,002	672,928	469,120
Issue of 58,304,842 units (2013: 15,464,792 units)	815,606	195,325	623,318	63,673
Redemption of 27,484,430 units (2013: 21,285,873 units)	(384,592)	(262,172)	(293,984)	(182,947)
Issue of bonus units: Nil (2013: 3,468,648 bonus units)	-	43,542	-	-
	431,014	(23,305)	329,334	(119,274)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(30,360)	(4,595)	(27,863)	3,420
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	3,461	1,044	872	535
Capital gain / (loss) on sale of investments - net	7,278	(1,029)	8,517	1,186
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	91,227	18,834	84,029	24,246
Other net income for the period	11,885	10,075	6,149	6,133
Total comprehensive income for the period	113,851	28,924	99,567	32,100
Final distribution for the year ended 30 June 2014: Nil (11 July, 2013: 17.269%)	-	(43,542)	-	-
- Bonus units: Nil (2013: 3,468,648 bonus units)	-	(13,133)	-	-
- Cash distribution	-	(56,675)	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	30,360	4,595	27,863	(3,420)
Net assets at end of the period [Rs. 14.9597 per unit (2013: Rs. 12.9412)]	1,101,829	381,946	1,101,829	381,946

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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 (Unaudited)

For the six and three months period ended 31 December 2014

Note	Six months period ended		Three months period ended	
	December 31 2014	December 31 2013	December 31 2014	December 31 2013
----- (Rupees in '000) -----				
CASH FLOW FROM OPERATING ACTIVITIES				
	110,390	27,880	98,695	31,565
Net income for the period before taxation				
Adjustments:				
	(91,227)	(18,834)	(84,029)	(24,246)
	(7,278)	1,029	(8,517)	(1,186)
	-	3,367	-	903
	11,885	13,442	6,149	7,036
(Increase) / decrease in assets				
	(339,507)	(7,414)	(314,970)	3,132
	4,361	(449)	6,113	3,952
	2,473	(138)	(896)	385
	(4,649)	-	12,615	-
	(337,322)	(8,001)	(297,138)	7,469
Increase / (decrease) in liabilities				
	9,653	592	7,616	(1,480)
	84	(24)	68	(26)
	(67)	(93)	193	90
	15,027	-	15,027	-
	2,427	435	1,836	449
	27,124	910	24,740	(968)
	(298,313)	6,351	(266,249)	13,537
Net cash (used in) / flows from operating activities				
CASH FLOW FROM FINANCING ACTIVITIES				
	815,606	195,325	623,318	63,673
	(383,201)	(261,376)	(293,083)	(182,966)
	-	(13,133)	-	-
	432,405	(79,184)	330,235	(119,293)
	134,092	(72,833)	63,986	(105,756)
	129,884	257,924	199,990	290,847
	263,976	185,091	263,976	185,091
	6			

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

Notes to and forming part of the Condensed Interim Financial information (Unaudited) For the six and three months period ended 31 December 2014

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

This condensed interim financial information for the six months period ended 31 December 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2014.

2.3 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest of rupees.

NAFA ISLAMIC ASSET ALLOCATION FUND

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3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of this interim financial information are the same as those applied in preparing the annual financial statements as at and for the year ended 30 June 2014.

4 ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2014.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements as at and for the year ended 30 June 2014.

	Note	31 December 2014 (Unaudited)	30 June 2014 (Audited)
(Rupees in '000)			
6 BANK BALANCES			
In Current accounts		69,804	18,463
In Savings accounts	6.1	<u>194,172</u>	<u>111,421</u>
		<u>263,976</u>	<u>129,884</u>
6.1 These accounts carry profit at rates ranging from 6.5% to 10% (30 June 2014: 6% to 10%).			
7 INVESTMENTS			
At fair value through profit or loss - held for trading			
Investment in shares of listed company	7.1	795,694	349,726
Investment in sukuk bonds	7.2	46,575	46,328
Available for sale			
Sukuk bonds	7.3	<u>23,978</u>	<u>28,720</u>
		<u>866,247</u>	<u>424,774</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

7.1 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 December 31, 2014	Market value As at December 31, 2014	Market value as a percentage of net assets	Market value as a percentage of total investment	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	34,700	-	38,400	50,660	19,218	1.74%	2.22%	0.02%
Pakistan Petroleum Limited	110,420	214,750	-	100,800	224,370	39,606	3.59%	4.57%	0.01%
Pakistan State Oil Company Limited	56,696	27,300	-	45,700	38,296	13,706	1.24%	1.58%	0.01%
Attock Petroleum Limited	-	7,500	-	-	7,500	4,047	0.37%	0.47%	0.01%
Shell (Pakistan)	-	17,200	-	-	17,200	4,453	0.40%	0.51%	0.02%
Chemicals									
Fauji Fertilizer Company Limited	68	213,000	-	127,500	85,568	10,021	0.91%	1.16%	0.01%
Dyneea Pakistan	-	21,500	-	-	21,500	1,237	0.11%	0.14%	0.23%
Engro Fertilizers Limited	-	299,000	-	-	299,000	23,352	2.12%	2.70%	0.02%
Engro Corporation Limited	-	111,000	-	-	111,000	24,587	2.23%	2.84%	0.02%
Fatima Fertilizer Limited	-	381,500	-	-	381,500	13,646	1.24%	1.58%	0.02%
Construction and Materials									
Attock Cement Pakistan Limited	87	-	-	87	-	-	-	-	-
D.G. Khan Cement Company Limited	135,000	737,500	-	179,000	693,500	76,652	6.96%	8.85%	0.16%
Lucky Cement Company Limited	73,300	54,800	-	46,300	81,800	40,923	3.71%	4.72%	0.03%
Alko Nobel Pakistan Limited	57,700	-	-	27,800	29,900	10,690	0.97%	1.23%	0.06%
Fauji Cement Company Limited	1,000	-	-	1,000	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory Limited	669,500	803,000	-	395,500	1,077,000	47,657	4.33%	5.50%	0.20%
Pioneer Cement Limited	576,000	246,000	-	415,500	406,500	34,800	3.16%	4.02%	0.18%
Hascol Petroleum Limited	-	110,000	-	-	110,000	8,151	0.74%	0.94%	0.12%
Kohat Cement Limited	-	123,500	-	19,500	104,000	19,850	1.80%	2.29%	0.07%
General Industrials									
Ghani Glass Limited	192,000	-	-	-	192,000	13,050	1.18%	1.51%	0.16%
Thal Limited	87,196	23,000	-	-	110,196	29,656	2.69%	3.42%	0.27%
Personal Goods									
Nishat Mills Limited	130,200	225,000	-	38,000	317,200	38,378	3.48%	4.43%	0.09%
Kohinoor Textile Limited	-	651,000	-	293,500	357,500	12,530	1.14%	1.45%	0.15%
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	654,000	-	-	330,000	324,000	7,462	0.68%	0.86%	0.01%
Electricity									
The Hub Power Company Limited	252,260	486,000	-	27,000	711,260	55,734	5.06%	6.43%	0.06%
Kot Addu Power Company Limited	356,000	246,500	-	-	602,500	47,561	4.32%	5.49%	0.07%
K-Electric Limited	655,000	-	-	-	655,000	6,039	0.55%	0.70%	0.01%
Lalpir Power Limited	-	871,000	-	-	871,000	26,043	2.36%	3.01%	0.23%
Pakgen Power	-	342,000	-	-	342,000	9,244	0.84%	1.07%	0.09%
Banks									
Meezan Bank Limited	262,781	201,500	-	-	464,281	21,821	1.98%	2.52%	0.05%
Bank Islami Pakistan Limited	1,080,500	-	98,037	-	1,178,537	10,676	0.97%	1.23%	0.20%
AutoMobile and Parts									
Ghandhara Nissan Limited	85,000	30,000	-	8,000	107,000	5,613	0.51%	0.65%	0.24%
Honda Atlas Cars (Pakistan) Limited	162,500	-	-	129,500	33,000	6,540	0.59%	0.75%	0.02%
Pak Suzuki Motor Company Limited	13,000	40,900	-	2,500	51,400	19,075	1.73%	2.20%	0.06%
Sazgar Engineering Works Limited	156,500	-	-	-	156,500	5,324	0.48%	0.61%	0.87%
Baluchistan Wheels Limited	-	209,000	-	-	209,000	11,950	1.08%	1.38%	1.57%
Indus Motor Company	-	31,450	-	-	31,450	27,686	2.51%	3.20%	0.04%
Industrial Transportation									
Pakistan National Shipping Corporation	100,000	-	-	23,000	77,000	12,347	1.12%	1.43%	0.06%
Pharma and Bio Tech									
Abbott Lab (Pakistan)	-	22,500	-	-	22,500	15,990	1.45%	1.85%	0.02%
Ferozsons Laboratories Limited	-	22,600	-	14,000	8,600	4,913	0.45%	0.57%	0.03%
Industrial Metal and Mining									
Crescent Steel & Allied Products Limited	-	90,000	-	-	90,000	4,559	0.41%	0.53%	0.14%
Multiutilities (Gas and Water)									
Sui Northern Gas Pakistan Limited	-	380,000	-	-	380,000	10,907	0.99%	1.26%	0.06%
					<u>11,031,218</u>	<u>795,694</u>			
Carrying value as at 31 December 2014						<u>704,714</u>			

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

7.1.2 The above investments include securities with market value aggregating to Rs. 17.113 million (June 2014: 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.

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7.2 Sukuk bonds - at fair value through profit or loss

Name of investee company	Number of certificates				Market value at 31 December 2014 (Rupees in '000)	Investment as a percentage of	
	As at 01 July 2014	Purchases during the period	Sales during the period	As at 31 December 2014		Market value of net assets	Market value of total investments
K-Electric AZM Sukuk	9,000	-	-	9,000	46,575	4.23%	5.38%
					<u>46,575</u>		
Carrying value of investment before fair value adjustment					<u>46,328</u>		

7.3 Sukuk bonds - available for sale

Name of investee company	Number of certificates				Market value at 31 December 2014 (Rupees in '000)	Investment as a percentage of	
	As at 01 July 2014	Purchases during the period	Sales during the period	As at 31 December 2014		Market value of net assets	Market value of total investments
Eden Housing Limited (Note 7.3.3)	5,000	-	-	5,000	-	-	-
Kohat Cement Company Limited	10,000	-	-	10,000	-	-	-
Maple Leaf Cement Factory Limited - 1st Issue	10,000	-	-	10,000	23,978	2.18%	2.77%
Pak Elektron Limited (Note 7.3.4)	10,000	-	-	10,000	-	-	-
					<u>23,978</u>		
Carrying value of investment before fair value adjustment					<u>46,867</u>		
Provision for impairment loss as at 31 December 2014					<u>26,350</u>		

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

7.3.1 Significant terms and conditions of sukuk bonds outstanding as at 31 December 2014 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Sukuk bonds				
Eden Housing Limited	984	2.5% + 6 Month KIBOR	29 Mar 2008	29 Sep 2014
Kohat Cement Company Limited	-	2.5% + 6 Month KIBOR	20 Dec 2007	20 Dec 2015
Maple Leaf Cement Factory Limited (1st Issue)	3044	1% + 3 Month KIBOR	03 Dec 2007	03 Dec 2018
Pakistan Elektron Limited	2143	1.75% + 3 Month KIBOR	28 Sep 2007	28 Sep 2014

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

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

7.3.3 This represents investment in privately placed sukuk bonds issued 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 31 December 2014 amounted to Rs. 0.322 million (30 June 2014: 0.269 million).

7.3.4 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 31 December 2014 amounted to Rs. 0.028 million (30 June 2014: Rs. 0.664 million).

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		31 December 2014	31 December 2013
(Rupees in '000)			
7.4 Net unrealised appreciation on remeasurement of investments classified as financial assets at fair value through 'profit or loss'			
Market value of investments	7.1	842,269	173,510
Less: Carrying value of investments		<u>(751,042)</u>	<u>(154,676)</u>
		<u>91,227</u>	<u>18,834</u>
7.5 Unrealised appreciation on remeasurement investments classified as 'available for sale' - net			
Market value of investments	7.3	23,978	24,188
Less: Carrying value of investments		<u>(46,867)</u>	<u>(72,296)</u>
		<u>(22,889)</u>	<u>(48,108)</u>
Provision against non-performing sukus			
Balance as at 1 July	7.6	26,350	45,785
Provision made during the period		-	5,357
Reversal of provision due to redemption of principal		-	(1,990)
Balance as at 31 December		<u>26,350</u>	<u>49,152</u>
		<u>3,461</u>	<u>1,044</u>
7.6 Movement in provision against non-performing sukus			
Balance as at 1 July		26,350	45,785
Provision made during the period		-	5,357
Reversal of provision due to redemption of principal		-	(1,990)
		-	3,367
Balance as at 31 December		<u>26,350</u>	<u>49,152</u>
	Note	31 December 2014 (Unaudited)	30 June 2014 (Audited)
(Rupees in '000)			
8 DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable on equity securities		51	1,350
Profit on savings deposits		165	284
Income accrued on sukuk bonds - net		<u>1,628</u>	<u>4,571</u>
		<u>1,844</u>	<u>6,205</u>
9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee	9.1	1,768	150
Sindh Sales Tax	9.1	308	28
Federal Excise Duty	9.2	2,546	1,336
Sindh Sales Tax and Federal Excise Duty on front end load		2,172	346
Front end load and others		<u>5,181</u>	<u>462</u>
		<u>11,975</u>	<u>2,322</u>

NAFA ISLAMIC ASSET ALLOCATION FUND

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- 9.1 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 fee 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, effective from 1 July 2011; however the rate has been changed to 15% effective from 1 July 2014.
- 9.2 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. 2.742 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 31 December 2014 would have been higher by Rs. 0.0372 per unit.

		31 December 2014 (Unaudited)	30 June 2014 (Audited)
		(Rupees in '000)	
10 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for workers' welfare fund	10.1	8,939	6,686
Auditors' remuneration		312	332
Brokerage		377	229
Bank charges		56	22
Payable against printing charges		48	125
NCCS charges		48	15
Charity		710	485
Withholding tax		14	323
Capital gain tax		105	2
Others		124	87
		<u>10,733</u>	<u>8,306</u>

- 10.1 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. 8.939 million (including Rs. 2.253 million for the current period). Had the same not been made the net assets value per unit of the Fund would have been higher by Rs 0.1214 per unit.

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 December 2014.

12 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. 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 unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2015 as reduced by capital gains (whether realised or unrealised) to its unit holders.

13 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 shall be categorized as shariah compliant Asset Allocation scheme. Accordingly name of the fund shall be NAFA Islamic Asset Allocation Fund. As at 31 December 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:

Category of non-compliant investment	Name of non-compliant investment	Value of investment / non equity assets before provision	Provision held, if any	Value of investment / non equity assets 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 Elektron Limited*	21,429	21,429	-	-	-

*Performing but below investment grade

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

The management is taking steps to ensure compliance with the above requirement.

14 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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.

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

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

NAFA ISLAMIC ASSET ALLOCATION FUND

(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

14.1 Transactions during the period

	Six months period ended		Three months period ended	
	December 31 2014	December 31 2013	December 31 2014	December 31 2013
------(Rupees in '000)-----				
NBP Fullerton Asset Management Company Limited - Management Company				
Management remuneration	7,561	4,575	4,541	2,124
Sindh Sales Tax on management fee	1,316	860	755	468
Federal Excise Duty on Management Fee	1,210	732	727	340
Front end load for the period	8,328	2,488	6,063	665
National Bank of Pakistan - Sponsor				
Cash dividend paid	-	12,952	-	-
Alexandra Fund Management Pte. Limited				
Units redeemed: Nil units (2013: 10,573,174 units)	-	129,277	-	-
Bonus units issued: Nil Units (2013: 1,278,646)	-	-	-	-
Taurus Securities (Private) Limited				
Brokerage	90	87	46	28
Central Depository Company of Pakistan Limited - Trustee				
Trustee fee for the period	752	458	450	213
CDS charges	-	33	-	13
Employee of the Management Company				
Units issued: 1,315,762 units (2013: 114,427 units)	18,238	1,449	12,705	492
Units redeemed: 544,966 units (2013: 103,013 units)	7,605	1,292	6,332	258

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(Formerly; NAFA ISLAMIC MULTI ASSET FUND)

	31 December 2014 (Unaudited)	30 June 2014 (Audited)
	(Rupees in '000)	
14.2 Balances outstanding as at period / year end		
NBP Fullerton Asset Management Company Limited - Management Company		
Management fee payable	1,768	150
Sindh Sales Tax on management fee	308	28
Federal Excise Duty payable	2,545	1,336
Front end load payable	5,182	462
Sales tax on sales load	915	86
Federal Excise Duty payable on front end load	1,257	260
National Bank of Pakistan		
Investment held by the Sponsor in the Fund: 8,422,448 units (30 June 2014: 8,422,448 units)	125,997	109,502
Balance in current account	347	67
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	177	93
CDS charges payable	-	-
Security deposit	100	100
Taurus Securities (Private) Limited		
Brokerage payable	1	3
Employees of the Management Company		
Units held in the fund: 815,738 units (30 June 2014: 44,943 units)	12,203	584

15 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on February 17, 2015.

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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