

NAFA Financial Sector Income Fund (NFSIF)



MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (30/07/2016): Rs. 10.5219

July 2016

Performance %

| Performance Period | July 2016 | Trailing 12 months Aug 15 - Jul 16 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | Since Launch October 28, 2011* |
|-----------------------------------|-----------|------------------------------------|---------|---------|---------|---------|--------------------------------|
| NAFA Financial Sector Income Fund | 5.8% | 6.2% | 6.4% | 10.9% | 7.9% | 9.3% | 9.1% |
| Benchmark | 5.5% | 5.9% | 5.9% | 8.3% | 8.9% | 9.0% | 8.4% |

* Annualized Return Based on Morning Star Methodology
All other returns are Annualized Simple Return

The performance reported is net of management fee & all other expenses and based on dividend reinvestment gross of with-holding tax where applicable.

General Information

| | |
|------------------------|--|
| Launch Date: | October 28, 2011 |
| Fund Size: | Rs. 1,128 Million |
| Type: | Open-end – Income Fund |
| Dealing Days: | Daily – Monday to Saturday |
| Dealing Time: | (Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M (Saturday) 9:00 A.M to 1:00 P.M |
| Settlement: | 2-3 business days |
| Pricing Mechanism: | Forward Pricing |
| Load: | Front end: 1% (Nil on investment above Rs. 16 million) Back end: 0% |
| Management Fee: | 10% of Net Income (Min 0.5% p.a., Max 1.5% p.a.) |
| Total Expense Ratio: | 1.25% p.a. (including 0.18% representing government levies) |
| Risk Profile: | Low |
| Fund stability rating: | 'A+(f)' by PACRA |
| Listing: | Pakistan Stock Exchange |
| Custodian & Trustee: | Central Depository Company (CDC) |
| Auditors: | A. F. Ferguson & Co. Chartered Accountants |
| Benchmark: | 70% 6-Month KIBOR & 30% average 3-Month deposit rates (A & above rated banks) |
| Fund Manager: | Muhammad Ali Bhabha, CFA, FRM |
| Minimum Subscription: | Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/- |
| Asset Manager Rating: | AM2++ by PACRA (High Investment Management Standards) |

Investment Objective

To provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs/Sukuks, Bank deposits and short-term money market instruments.

Fund Manager Commentary

The Fund generated an annualized return of 5.8% for the month of July 2016 versus the Benchmark return of 5.5%. Since its launch in October 2011, the Fund offered an annualized return of 9.1% against the Benchmark return of 8.4%, hence an outperformance of 0.7% p.a. This outperformance is net of management fee and all other expenses.

The Fund is unique as it invests a minimum 70% of its assets in Financial Sector (mainly banks) debt securities, instruments or deposits. Minimum entity rating of issuers of debt securities is "AA-". This minimizes credit risk and at the same time enhances liquidity of the Fund. Duration of the overall portfolio cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its net assets in less than 90 days T-Bills or saving accounts with banks, which further enhances liquidity profile of the Fund.

Exposure in TFCs was 31.9% of net assets at the end of the month with average time to maturity of 1.7 years. The TFC portfolio of the Fund is predominantly floating rate linked to KIBOR. The weighted average time to maturity of the Fund is 0.6 year.

We will rebalance the allocation of the portfolio proactively based on the capital market outlook.

Asset Allocation (% of Total Assets) 30-July-16 30-June-16

| Asset Allocation (% of Total Assets) | 30-July-16 | 30-June-16 |
|--------------------------------------|------------|------------|
| TFCs | 30.6% | 14.9% |
| Bank Placements | 12.8% | 6.2% |
| Bank Deposits | 55.5% | 15.1% |
| Other including receivables | 1.1% | 63.8% |
| Total | 100.0% | 100.0% |
| Leverage | Nil | Nil |

Top TFC (as at July 30, 2016)

| Name of TFC | % of Total Assets |
|---|-------------------|
| Bank Alfalah Limited IV - FT | 14.7% |
| Faysal Bank Limited III | 9.0% |
| Askari Bank Limited IV | 3.8% |
| Jahangir Siddiqui & Co Ltd 16-MAY-16 | 1.7% |
| Standard Chartered Bank (Pakistan) Limited IV | 1.4% |
| Total | 30.6% |

WORKERS' WELFARE FUND (WWF)

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs. 17,975,588/- If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs. 0.1677/1.69%. For details investors are advised to read note 6 of the Financial Statements of the Scheme for the period ended March 31, 2016. From July 01, 2015 Workers Welfare Fund (WWF) is not being charged.

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Muhammad Ali Bhabha, CFA, FRM
Syed Suleman Akhtar, CFA

Notes: 1) The calculation of performance does not include cost of front end load.
2) Taxes apply. Further, tax credit also available as per section 62 of the Income Tax Ordinance, 2001.

Credit Quality of the Portfolio as of July 30th, 2016 (% of Total Assets)

| | |
|------------------------------|--------|
| AAA | 1.8% |
| AA+ | 46.8% |
| AA | 4.2% |
| AA- | 24.0% |
| A+ | 21.8% |
| A | 0.1% |
| A- | 0.2% |
| Others including receivables | 1.1% |
| Total | 100.0% |

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