

NAFA Financial Sector Income Fund (NFSIF)



MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (30/09/2016): Rs. 10.6384

September 2016

Performance %

Performance Period	Sep 2016	FYTD 2017	Trailing 12 months Oct 15 - Sep 16	FY 2016	FY 2015	FY 2014	FY 2013	Since Launch October 28, 2011*
NAFA Financial Sector Income Fund	6.4%	6.3%	6.2%	6.4%	10.9%	7.9%	9.3%	9.0%
Benchmark**	6.0%	5.7%	5.8%	5.9%	8.3%	8.9%	9.0%	8.3%

* 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. 1,144 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:	1.30% p.a. (including 0.19% government levies)
Risk Profile:	Low
Fund stability rating:	'A+(f)' by PACRA
Listing:	Pakistan Stock Exchange
Custodian & Trustee:	Central Depository Company (CDC)
Auditors:	KPMG Taseer Hadi & Co. Chartered Accountants
Benchmark:**	6-Month KIBOR
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)

**effective from September 01, 2016; Previously 70% 6-Month KIBOR & 30% average 3-Month deposit rates (A & above rated banks)

Asset Allocation (% of Total Assets) 30-Sep-16 31-Aug-16

	30-Sep-16	31-Aug-16
TFCs	30.2%	33.3%
Bank Placements	18.2%	18.5%
Bank Deposits	49.7%	46.7%
Other including receivables	1.9%	1.5%
Total	100.0%	100.0%
Leverage	Nil	Nil

Top TFC (as at Sep 30, 2016)

Name of TFC	% of Total Assets
Bank Alfalah Ltd. IV - FT	14.5%
Faysal Bank Ltd. III	8.9%
Askari Bank Ltd. IV	3.7%
Jahangir Siddiqui and Co. Ltd. PPTFC 9	1.7%
Standard Chartered Bank Ltd. IV	1.4%
Total	30.2%

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. 0.1672/1.66%. For details investors are advised to read note 17 of the Financial Statements of the Scheme for the year ended June 30, 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.

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 6.4% for the month of September 2016 versus the Benchmark return of 6.0%. Since its launch in October 2011, the Fund offered an annualized return of 9.0% against the Benchmark return of 8.3%, 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 31.5% of net assets at the end of the month with average time to maturity of 1.5 years. The TFC portfolio of the Fund is predominantly floating rate linked to KIBOR. The weighted average time-to-maturity of the Fund is 0.5 year.

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

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

AAA	1.9%
AA+	40.3%
AA	4.0%
AA-	24.5%
A+	27.3%
A & below	0.1%
Other including receivables	1.9%
Total	100.0%

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