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

## NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

# ANNUAL REPORT 2016



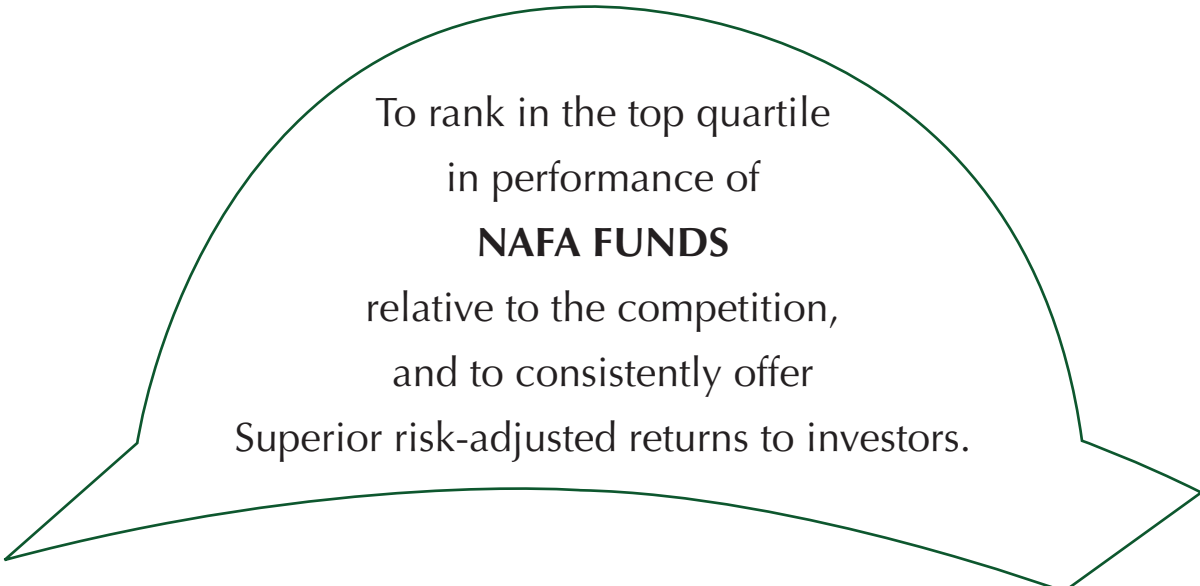
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**FULLERTON FUND  
MANAGEMENT**

*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 ACTIVE ALLOCATION EQUITY 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 & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### 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

Bank Islami Pakistan Limited  
Burj Bank Limited  
Habib Bank Limited  
National Bank of Pakistan  
United Bank Limited  
Dubai Islamic Bank Limited  
Silk Bank Limited

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## **Auditors**

A.F. Ferguson & Co. Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road,  
P.O.Box 4716  
Karachi.

## **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: 111-111NFA (111-111-632),  
(Toll Free): 0800-20001,  
Fax: (021) 35825329  
Website: [www.nafafunds.com](http://www.nafafunds.com)

## **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:**

Opposite Gul Haji Plaza, 2nd Floor  
National Bank Building  
University Road Peshawar,  
UAN: 091-111 111 632 (nfa)  
Fax: 091-5703202

## **Multan Office:**

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

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# 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. Sajjad Anwar, CFA  
Chief Investment Officer



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



Mr. Khalid Mehmood  
Chief Financial Officer



Mr. Samiuddin Ahmed  
Country Head Corporate  
Marketing



Mr. Ozair Khan  
Chief Technology Officer



Syed Suleman Akhtar CFA  
Head of Research



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



Mr. Asim Wahab Khan, CFA  
Head of Equity



Mr. Salman Ahmed  
Head of Risk Management



Mr. Raheel Rehman ACA, CICA  
Senior Manager Compliance

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## DIRECTORS' REPORT

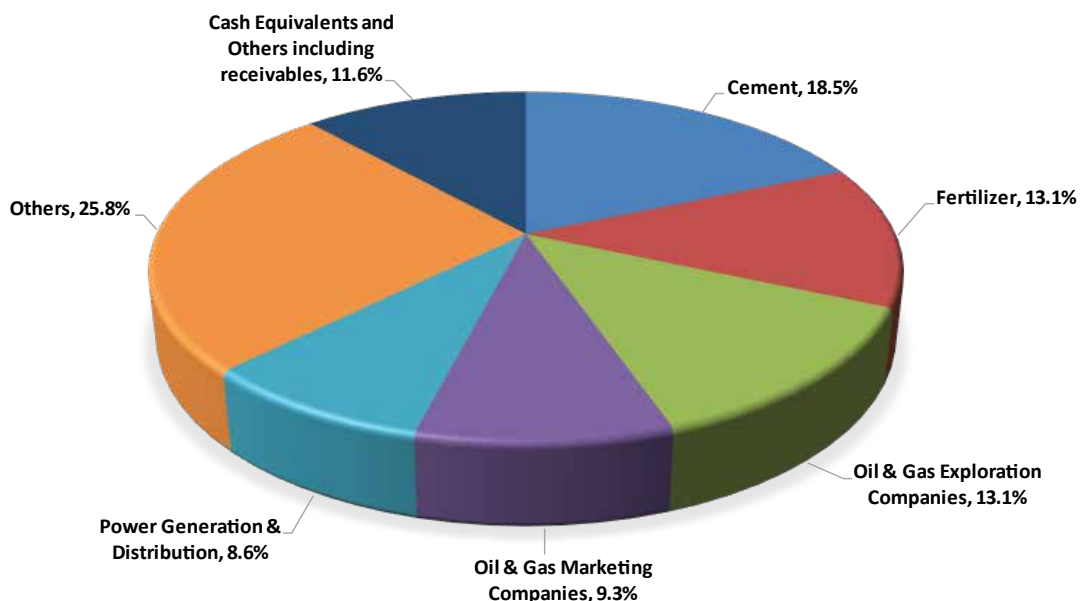
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the First Annual Report of **NAFA Islamic Active Allocation Equity Fund** for the period from January 18, 2016 to June 30, 2016.

### Fund's Performance

Since launch on January 18, 2016, the Fund has gradually built its position in equities and its key holdings belong to Cement, Fertilizer, Oil & Gas Exploration Companies, Oil & Gas Marketing Companies, Power Generation & Distribution, and Textile Composite sectors. Since launch of the fund, the unit price of NAFA Islamic Active Allocation Equity Fund (NIAAEF) has increased from Rs.9.8254 (Ex-Div) on January 18, 2016 to Rs.11.6690 on June 30, 2016, thus showing an increase of 18.76%. The Benchmark KMI-30 return during the same period was 26.68%. Thus, the Fund has underperformed its Benchmark by 7.92% during the period under review. This performance is net of management fee and all other expenses.

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with a 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the large cap energy stocks, and news of Pakistan's re-entry in the MSCI EM Index from next year. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger returns this fiscal year due to inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects.

The size of the Fund is Rs.1,636 million as on June 30, 2016. The Fund has earned a total income of Rs.271.51 million during the year. After deducting total expenses of Rs.16.72 million, the net income is Rs.254.79 million. The asset allocation of NAFA Islamic Active Allocation Equity Fund as on June 30, 2016 is as follows:





# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## Income Distribution

The Board of Directors of the Management Company has approved an interim cash dividend of 2.02% of the par value for the year. Further, The Board has also approved final cash dividend of 3.21% of the par value, subsequent to year end.

## 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, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ended June 30, 2017.

## 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 three meetings during the period. The attendance of all directors is disclosed in the note 20 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 19 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 16 to these financial statements.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY 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 23, 2016  
Place: Karachi.

## ڈائریکٹرز رپورٹ

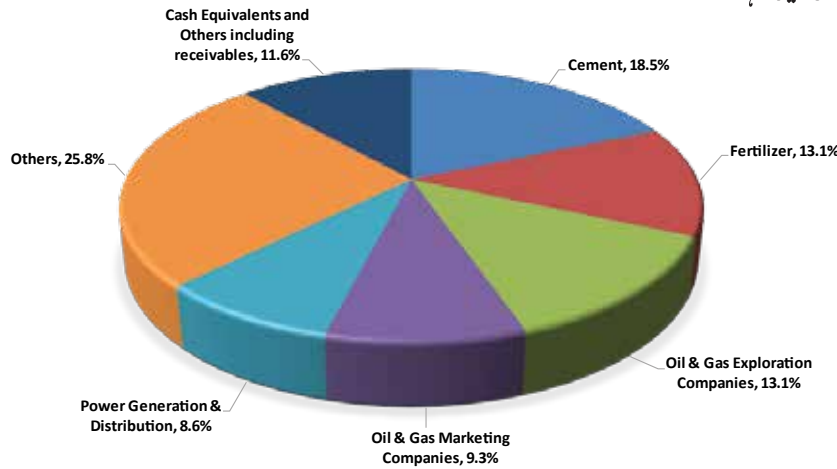
NBP فلٹن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 18 جنوری 2016 سے 30 جون 2016ء کی مدت کے لیے NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ کی پہلی سالانہ رپورٹ پیش کرتا ہے۔

### فنڈ کی پرفارمنس

18 جنوری 2016ء میں اپنے لائچ ہونے سے فنڈ نے ایکویٹیز میں اپنی پوزیشن رفتہ رفتہ مستحکم بنالی ہے اور اس کی اہم ہولڈنگز سیمنٹ، فریٹلائزر، آئل اینڈ گیس ایکسپلوریشن کمپنیز، آئل اینڈ گیس مارکیٹنگ کمپنیز، پاور جنریشن اینڈ ڈسٹری بیوشن کمپنیز اور ٹیکسٹائل سے متعلق شعبوں سے تعلق رکھتی ہیں۔ NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ، جو 18 جنوری 2016 کو اپنے قیام کے وقت 9.8254 روپے (Ex-Div) کا تھا، جب کہ 30 جون 2016 تک بڑھ کر 11.6690 روپے ہو چکا ہے اور اس طرح 18.76% اضافے کا مظاہرہ کیا ہے۔ جب کہ اسی مدت کے دوران KMI-30 کا بیچ مارک منافع 26.68% تھا، لہذا تاحال فنڈ کی زیر جائزہ مدت کے دوران اپنے بیچ مارک سے انڈر پرفارمنس 7.92% ہے۔ یہ انڈر پرفارمنس منجمنٹ فیس اور دیگر اخراجات کا خالص نتیجہ ہے۔

اسٹاک مارکیٹ نے کموڈیٹیز میں زبردست مندی اور چین کی زیر قیادت عالمی نمو پر خدشات کے زیر اثر علاقائی اور عالمی مارکیٹس کے مطابق غیر متاثر کارکردگی سے مالی سال 2015-16 کا آغاز کیا۔ لیکن سال کے دوسرے نصف میں ایک زبردست بحالی کے نتیجے میں مقامی اسٹاک آپیکھنج سال کے آخر میں 9.8 فی صد منافع کے ساتھ بند ہوئے۔ سال کے پہلے نصف کے دوران مارکیٹ آئل اینڈ گیس سیکٹر میں خام تیل کی قیمتوں میں تیزی سے کمی اور غیر ملکی سرمایہ کاروں کی طرف سے بلا روک ٹوک حصص کی فروخت کے نتیجے میں پروڈاؤ میں رہی۔ تاہم مارکیٹ نے دوسرے نصف میں خساروں سے کہیں زیادہ ازالہ کر لیا، جیسا کہ خام تیل کی قیمتوں کی بحالی کا نتیجہ بھاری سرمائے والے انرجی اسٹاکس کی طرف سے زبردست منافع جات کی صورت میں برآمد ہوا اور پاکستان کی آئندہ سال سے MSCI EM میں دوبارہ شمولیت کی خبر سامنے آئی۔ NBFCs، انفرادی اور میوچل فنڈز خالصتاً خریدار رہے اور انہوں نے غیر ملکی سرمایہ کاروں کی طرف سے حصص کی فروخت کے بڑے حصے کو جذب کر لیا۔ اتار چڑھاؤ سے بھرپور مالی سال 2015-16 کے بعد MSCI ایمرجنگ مارکیٹس میں شمولیت، قیمتوں کے معقول تعین اور حکومت کی طرف سے سی پیک پروڈیکٹس کے نفاذ کے ساتھ انفراسٹرکچر پر توجہ مرکوز کرنے کی وجہ سے پاکستانی ایکویٹیز زبردست منافع جات پیش کرنے کے لیے عمدہ پوزیشن میں ہیں۔

فنڈ کا حجم، 30 جون 2016 کے مطابق 1,636 ملین روپے ہے۔ فنڈ نے سال کے دوران 271.51 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 16.72 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 254.79 ملین روپے ہے۔ NAFA اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ کی ایسیٹ ایلوکیشن 30 جون 2016 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے لیے ویلیو کے مساوی 2.02% کمیشن ڈیویڈنڈ منظور کیا ہے۔ مزید برآں سال کے اختتام کے بعد بورڈ آف ڈائریکٹرز نے 3.21% حتمی کمیشن ڈیویڈنڈ کی منظوری دی ہے۔

### ٹیکسیشن

جیسا کہ مندرجہ بالا کمیشن ڈیویڈنڈ، انویسٹمنٹس کے تصرف شدہ اور غیر تصرف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس

## آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور بنائے اہلیت، خود کو مختتمہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

## کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8- پرفارمنس ٹیبیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیویڈنڈز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے تین اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CFO، CEO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 17 میں ظاہر کی گئی ہے۔

## اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد و اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔ بورڈ اپنے اسٹاف اور ٹرسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

23 ستمبر 2016

مقام: کراچی

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC ACTIVE ALLOCATION EQUITY 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 Active Allocation Equity 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 period from January 18, 2016 to June 30, 2016 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, September 30, 2016

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA Islamic Active Allocation Equity Fund** (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited 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.

The Company, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Pakistan Stock Exchange Limited.

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. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2016, 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 meets the criteria of independence under clause 5.19.1(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. No casual vacancy occurred during the year.
5. The 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 ACTIVE ALLOCATION EQUITY 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 Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (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. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and 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 17 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 non-executive director.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY 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 enshrined in the CCG have been complied with except the following:
  - As per the Code, the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.

For and behalf of the Board

Karachi  
September 23, 2016

Dr. Amjad Waheed  
Chief Executive Officer

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## FUND MANAGER REPORT

### NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

NAFA Islamic Active Allocation Equity Fund (NIAAEF) is an Open-Ended Asset Allocation Fund.

#### Investment Objective of the Fund

The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of Shari'ah Compliant listed equities.

#### Benchmark

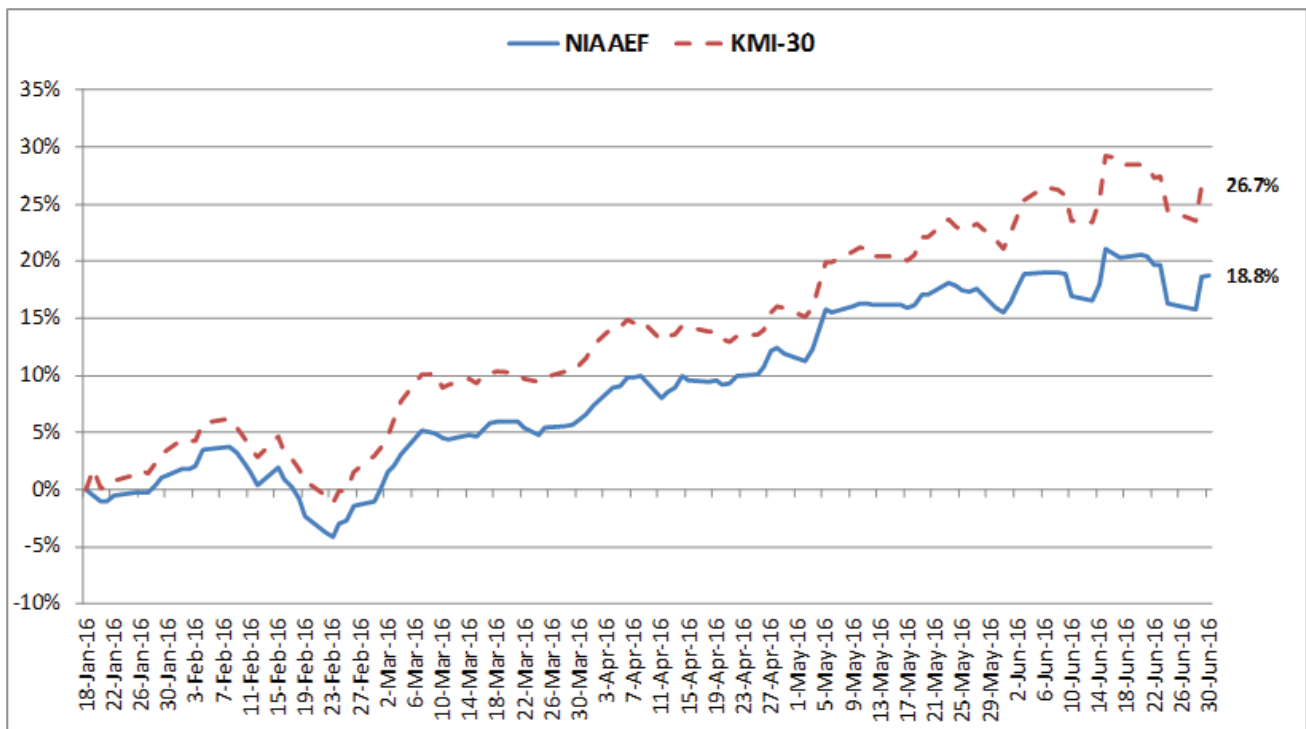
KMI-30 Index

#### Fund performance review

This is the first annual report of the Fund. Since its inception on January 18, 2016, the return on NAFA Islamic Active Allocation Equity Fund was 18.76% as against its benchmark return of 26.68%. Thus the Fund depicted an underperformance of 7.92% during the year. The performance of the Fund is net of management fee and all other expenses. The fund size of NIAAEF is Rs.1,636 mn as of June 30, 2016.

NIAAEF underperformed as the Fund gradually build position in a rising market. The chart below shows the performance of NIAAEF against the Benchmark for the year.

NIAAF Performance vs. Benchmark during FY16



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Since inception of the Fund, we altered the allocation of the Fund based on our view on the relative performance of different asset classes. At the end of the year, the allocation in equities was around 88.4%.

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the heavy eight energy stocks and Pakistan's re-entry in MSCI EM Index from next year boosted general investor sentiment. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger return this year as inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects will keep local & foreign investors' interest strong in the market.

## Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-16
Equities / Stocks	88.40%
Cash Equivalents	31.74%
Other Net Liabilities	-20.14%
<b>Total</b>	<b>100.00%</b>

## Distribution for the Financial Year 2016

Interim / Final	Dividend as a % of Par Value (Rs. 100)	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Interim	2.02%	11.5831	11.3809
Final	3.21%	12.7760	12.4548

## Unit Holding Pattern of NAFA Islamic Active Allocation Equity Fund as on June 30, 2016

Size of Unit Holding (Units)		No. of Unit Holders
100,000,01	100,000,000	3
<b>Total</b>		<b>3</b>

## 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.

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Active Allocation Equity Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made for the period from January 18, 2016 to June 30, 2016. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 23, 2016  
Karachi.

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## Report of the Shari'ah Supervisory Board NAFA Islamic Active Allocation Equity Fund

Sep 20, 2016/Dhu al-Hijjah 17, 1437

**Alhamdulillah**, the period from January 18, 2016 to June 30, 2016 was the first year of operations of NAFA Islamic Active Allocation Equity Fund (NIAAEF). This report is being issued in accordance with clause 3.7.1 of the Offering Document 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 NIAAEF in light of Shari'ah requirements. Following is a list of top investments of NIAAEF as on June 30, 2016 and their evaluation according to the screening criteria established by us. (December 31, 2015 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	27.72	7.17	1.05	79	(131.58)	279.39
DGKC	Cement	10.68	6.81	4.67	80	-5.47	147.59
Attock Cement Pakistan Ltd.	Cement	0.08	27.36	0.44	64	8.36	167.75
Nishat Mills Ltd	Textile	18.72	10.30	1.77	75	-18.02	94.87
Mari Petroleum	Oil & Gas Exploration	21.28	0.00	0.45	43.99	(110.95)	697.14
Hub Power Co Ltd	Power Generation and Distribution	28.91	0.00	0.15	43	(25.00)	102.6



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
Engro Fertilizer Ltd	Fertilizer	28.27	11.01	1.24	83	-34.58	84.13
Kohinoor Textile Mills Ltd	Textile	19.55	2.31	0.15	91	(54.78)	71.50
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0.00	0.23	1.50	73.89	(40.38)	268.02

- ii. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIAAEF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii) There are investments made by NIAAEF 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 NIAAEF for the period from January 18, 2016 to June 30, 2016 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 217,423/- was created and an amount of Rupees 101,313/- (51,998+49,315), inclusive of NCCPL interest income, was available for disbursement into charity as of June 30, 2016. However, the provisional amount will be adjusted after the availability of the 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.

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**For and On Behalf of Meezan Bank Limited**  
Shari'ah Technical Services and Support Provider

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**Mufti Muhammad Naveed Alam**  
Member  
Shariah Supervisory Board

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**Mufti Ehsan Waquar**  
Shariah Advisor & Member  
Shariah Supervisory Board

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**Dr. Imran Ashraf Usmani**  
Chairman  
Shariah Supervisory Board

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY 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 Active Allocation Equity Fund** (the Fund) for the period ended June 30, 2016 to comply with clause 5.19 of the Pakistan Stock Exchange Limited Regulations where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company (**NBP Fullerton Asset Management Limited**) 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 requirements 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 the 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 of Directors for their review and approval of the Fund's 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 prices 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 of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken 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 Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period ended June 30, 2016.

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

Paragraph reference	Description
21	No closed period was determined prior to the announcement of interim / final results.
23	A mechanism for an evaluation of the Board's own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board.

**A.F. FERGUSON & CO.**  
Chartered Accountants  
Dated: September 30, 2016  
Karachi

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Islamic Active Allocation Equity Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2016, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from January 18, 2016 to June 30, 2016, and a summary of significant accounting policies and other explanatory notes.

#### Management Company's responsibility for the financial statements

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

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing 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 the auditors' 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, the auditor considers internal control relevant to the entity'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 entity'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 financial position of the Fund as at June 30, 2016 and of its financial performance, its cash flows and transactions for the period from January 18, 2016 to June 30, 2016 in accordance with the approved accounting standards as applicable in Pakistan.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F. FERGUSON & CO.  
Chartered Accountants  
Engagement Partner: **Salman Hussain**  
Dated: September 30, 2016  
Karachi

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

	Note	June 30, 2016 Rupees in '000
<b>ASSETS</b>		
Balances with banks	4	206,160
Investments	5	1,445,817
Dividend and profit receivable	6	2,393
Preliminary expenses and floatation costs	7	910
Receivable against sale of units	8	410,000
Other receivables	9	4,098
<b>Total assets</b>		<b>2,069,378</b>
<b>LIABILITIES</b>		
Payable to NBP Fullerton Asset Management Limited - Management Company	10	8,028
Payable to Central Depository Company of Pakistan Limited - Trustee	11	222
Payable to Securities and Exchange Commission of Pakistan	12	422
Payable against purchase of investments		424,397
Accrued expenses and other liabilities	13	785
<b>Total liabilities</b>		<b>433,854</b>
<b>NET ASSETS</b>		<b>1,635,524</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,635,524</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	<b>Number of units</b>
<b>NUMBER OF UNITS IN ISSUE</b>	15	<b>140,159,977</b>
		<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>	3.10	<b>11.6690</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## INCOME STATEMENT FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

	Note	For the period from January 18, 2016 to June 30, 2016 (Rupees in '000)
<b>INCOME</b>		
Capital gain on sale of investments - net		70,532
Dividend income		17,136
Profit on bank deposits		3,241
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.1.2	101,654
<b>Total income</b>		<b>192,563</b>
<b>EXPENSES</b>		
Remuneration of NBP Fullerton Asset Management Limited Management Company	10.1	8,876
Sindh sales tax on remuneration of the Management Company	10.2	1,441
Federal Excise Duty on remuneration of Management Company	10.3	1,420
Remuneration of Central Depository Company of Pakistan Limited - Trustee		824
Sindh Sales Tax on remuneration of the Trustee		115
Accounting and operational charges	10.4	444
Annual fee of the Securities and Exchange Commission of Pakistan	12	422
Securities transaction cost		2,439
Settlement and bank charges		240
Auditors' remuneration		150
Legal charges		65
Shariah advisor fee		195
Amortization of formation cost	7	90
<b>Total expenses</b>		<b>16,721</b>
<b>Net Income from operating activities</b>		<b>175,842</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		78,947
<b>Net income for the period before taxation</b>		<b>254,789</b>
Taxation	16	-
<b>Net income for the period after taxation</b>		<b>254,789</b>
<b>Earnings per unit</b>	3.12	

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

	For the period from January 18, 2016 to June 30, 2016 (Rupees in '000)
Net Income for the period after taxation	254,789
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<u><u>254,789</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## DISTRIBUTION STATEMENT FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

	For the period from January 18, 2016 to June 30, 2016 (Rupees in '000)
Net Income for the period after taxation	254,789
<b>Cash Distribution made during the period</b> - Rs. 0.2022 per unit declared on June 29, 2016	(20,864)
Undistributed income carried forward	<u>233,925</u>
<b>Undistributed income carried forward comprising of:</b>	
Realised income	132,271
Unrealised income	101,654
	<u>233,925</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

	For the period from January 18, 2016 to June 30, 2016 (Rupees in '000)
Net assets at the beginning of the period	-
Issue of 179,391,201 units	1,931,566
Redemption of 39,231,224 units	(451,020)
	1,480,546
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed transferred to income statement	(78,947)
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	101,654
Capital gain on sale of investments - net	70,532
Other net income for the period	82,603
	254,789
<b>Less: Distribution made during the period</b>	
Cash distribution at Rs. 0.2022 per unit declared on June 29, 2016	(20,864)
<b>Net assets at the end of the period</b>	<u>1,635,524</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

For the period  
from January 18,  
2016 to June  
30, 2016  
(Rupees in '000)

### CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation	254,789
<b>Adjustments for :</b>	
Amortisation of formation cost	90
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(101,654)
Element of (income) / loss and capital (gain) / losses included in prices of units issued less those in units redeemed - net	(78,947)
	<hr/> 74,278
(Increase) in assets	
Investments - net	(1,344,163)
Dividend and profit receivable	(2,393)
Other receivables	(4,098)
	<hr/> (1,350,654)
Increase in liabilities	
Payable to NBP Fullerton Asset Management Limited - Management Company	7,028
Payable to the Central Depository Company of Pakistan Limited -Trustee	222
Payable to the Securities and Exchange Commission of Pakistan	422
Payable against purchase of investments	424,397
Accrued expenses and other liabilities	785
	<hr/> 432,854
<b>Net cash used in operating activities</b>	<hr/> (843,522)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Receipts from issue of units	1,500,702
Payments on redemption of units	(451,020)
<b>Net cash generated from financing activities</b>	<hr/> 1,049,682
<b>Cash and cash equivalents at the end of the period</b>	<hr/> <hr/> 206,160

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 18, 2016 TO JUNE 30, 2016

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Active Allocation Equity 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 the Trustee. The Trust Deed was executed on November 03, 2015 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations)

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 the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. Due to a fire incident in the month of June 2016 at the registered office of the Management Company, its office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund's pre-IPO investment was received on January 18, 2016. The Fund has been categorised as an open-end equity scheme as per the criteria laid down by the SECP for categorisation of Collected Investment Schemes (CISs).

The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of Shari'ah Compliant listed equities.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2++ to the Management Company. The Fund has not yet been rated.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

Comparative information is not available as the Fund was launched in the current period.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The 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 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 the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on these financial statement except certain additional disclosures as given in note 23.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are, therefore, not detailed in these financial statements.

#### 2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain amendments to the existing published approved accounting standards, new interpretations and certain new standards that are mandatory for accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or will not have any significant effect on the Fund's financial statements and are, therefore, not disclosed in these financial statements.

## 2.3 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise the judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements relate to classification, impairment, and valuation of investments (note 3.2 & 5).

## 2.4 Accounting Convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value.

## 2.5 Functional and Presentation Currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below

### 3.1 Cash and cash equivalents

Cash and cash equivalent comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an insignificant risk of significant changes of values and have original maturities of three months or less.

### 3.2 Financial assets

#### 3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

#### a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

#### b) Loans and receivables

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

#### 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.

## 3.2.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the assets.

## 3.2.3 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 out in the income statement.

## 3.2.4 Subsequent measurement

### a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial assets at fair value through profit or loss and available for sale are revalued at their fair value

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

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

#### Basis of valuation of equity securities

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

### b) Loans and receivables

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

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

## 3.2.5 Impairment of financial assets

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets is impaired. The carrying value of the Fund's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such 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.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and shown as part of income before taxation.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

## 3.2.6 Derecognition

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

## 3.3 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.

## 3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 3.5 Provisions

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

## 3.6 Taxation

### Current

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 period, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. The Fund is 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.

### Deferred

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 if any to the extent that it is 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 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 as cash dividend.

## 3.7 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the period in which such distributions are declared.

## 3.8 Issue and redemption of units

Units issued are recorded at the offer price as per the constitutive documents. The offer price is determined by the Management Company after realisation of subscription money. 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, as per constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the previous day net asset value per unit as of the close of the business day less any back-end load, provision for transaction costs and any provision for duties and charges, if applicable.

## 3.9 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' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element is determined based on the income / (loss) incurred during the year including income / (loss) arising as a result of unrealised appreciation / (diminution) on available for sale securities.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting year which pertains to element arising as a result of unrealised appreciation / (diminution) on available for sale investments in the distribution statement. The remaining portion of the element is recognised in the income statement.

## 3.10 Net Asset Value Per Unit

The Net Asset Value 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 period end.



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 3.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation 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.
- Profit on bank deposits on an accrual basis.

## 3.12 Earnings per unit

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

	Note	As at June 30 2016 (Rupees in '000)
<b>4 BALANCES WITH BANKS</b>		
Profit and loss sharing accounts	4.1	<u>206,160</u>

4.1 These carry profits at the rates ranging from 5.75% to 7% per annum.

## 5 INVESTMENTS

### Investment at fair value through profit or loss - net

- Listed equity securities	5.1	<u>1,445,817</u>
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## 5.1 INVESTMENTS IN SHARES

Investments in shares of companies at fair value through profit or loss

Name of the investee company	Number of shares				Market value as at June 30, 2016 (Rupees in '000)	Market value as a percentage of		Paid up capital as a % of investee company held
	Purchases during the year	Bonus / Right shares issued during the year	Sales during the year	As at June 30, 2016		Net assets	Total investments	
-----Number of shares ----- (Rupees in '000) ----- % -----								
<b>REFINERY</b>								
Attock Refinery Limited	114,800	-	40,800	74,000	20,730	1.27	1.43	0.09
National Refinery Limited	79,600	-	54,400	25,200	11,980	0.73	0.83	0.03
<b>OIL AND GAS EXPLORATION COMPANIES</b>								
Mari Petroleum Limited	107,500	-	39,700	67,800	61,577	3.76	4.26	0.06
Oil and Gas Development Company Limited	422,700	-	126,000	296,700	40,965	2.50	2.83	0.01
Pakistan Oilfields Limited	347,700	-	162,200	185,500	64,458	3.94	4.46	0.08
Pakistan Petroleum Limited	592,100	-	291,200	300,900	46,655	2.85	3.23	0.02
<b>OIL AND GAS MARKETING COMPANIES</b>								
Attock Petroleum Limited	35,100	-	-	35,100	15,357	0.94	1.06	0.04
Pakistan State Oil Company Limited	412,800	-	151,600	261,200	98,070	6.00	6.78	0.10
Shell Pakistan Limited	134,100	-	-	134,100	38,917	2.38	2.69	0.13
<b>FERTILIZER</b>								
Dawood Hercules Corporation Limited	284,900	-	-	284,900	42,413	2.59	2.93	0.06
Engro Fertilizers Limited	1,247,000	-	574,500	672,500	43,363	2.65	3.00	0.05
Engro Corporation Limited	502,800	-	142,200	360,600	120,069	7.34	8.30	0.07
Fatima Fertilizer Company Limited	13,500	-	13,500	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	160,000	-	-	160,000	8,481	0.52	0.59	0.02

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

Name of the investee company	Number of shares				Market value as at June 30, 2016	Market value as a percentage of		Paid up capital as a % of investee company held
	Purchases during the year	Bonus / Right shares issued during the year	Sales during the year	As at June 30, 2016		Net assets	Total investments	
-----Number of shares -----					(Rupees in '000)	----- % -----		
AUTOMOBILE ASSEMBLER								
Honda Atlas Cars (Pakistan) Limited	101,500	-	23,900	77,600	27,865	1.70	1.93	0.05
Indus Motor Company Limited	39,750	-	-	39,750	37,347	2.28	2.58	0.05
Pak Suzuki Motor Company Limited	33,100	-	33,100	-	-	-	-	-
Sazgar Engineering Works Limited	176,500	-	-	176,500	5,516	0.34	0.38	0.98
ENGINEERING								
Amreli Steels Limited	143,500	-	-	143,500	6,747	0.41	0.47	0.05
Crescent Steel and Allied Products Limited	177,000	-	38,500	138,500	15,874	0.97	1.10	0.18
Mughal Iron and Steel Industries Limited	275,500	-	55,000	220,500	14,815	0.91	1.02	0.18
CEMENT								
Attock Cement Pakistan Limited	282,900	-	17,500	265,400	63,354	3.87	4.38	0.23
D.G. Khan Cement Company Limited	515,400	-	173,300	342,100	65,166	3.98	4.51	0.08
Fauji Cement Company Limited	1,927,500	-	397,000	1,530,500	54,792	3.35	3.79	0.11
Lucky Cement Limited	175,500	-	65,000	110,500	71,660	4.38	4.96	0.03
Maple Leaf Cement Limited	383,000	-	118,000	265,000	27,960	1.71	1.93	0.05
Pioneer Cement Limited	316,000	-	132,000	184,000	19,762	1.21	1.37	0.08
AUTOMOBILE PARTS AND ACCESSORIES								
Thal Limited *	54,600	-	11,000	43,600	12,340	0.75	0.85	0.05
TEXTILE COMPOSITE								
Kohinoor Textile Mills Limited	539,500	10,425	-	549,925	44,011	2.69	3.04	0.19
Nishat Mills Limited	739,500	-	95,000	644,500	69,542	4.25	4.81	0.18
POWER GENERATION & DISTRIBUTION								
Kot Addu Power Company Limited	628,500	-	125,500	503,000	44,893	2.74	3.11	0.06
K-Electric Limited *	5,724,500	-	1,132,000	4,592,500	37,016	2.26	2.56	0.20
The Hub Power Company Limited	699,000	-	215,000	484,000	58,109	3.55	4.02	0.04
COMMERCIAL BANKS								
Meezan Bank Limited	180,000	-	-	180,000	7,650	0.47	0.53	0.02
PHARMACEUTICALS								
Abbot Laboratories (Pakistan) Limited	13,600	-	-	13,600	10,254	0.63	0.71	0.01
Ferozsons Laboratories Limited	18,350	-	18,350	-	-	-	-	-
GlaxoSmithKline (Pakistan) Limited	72,400	-	-	72,400	14,995	0.92	1.04	0.02
GlaxoSmithKline Health care **	-	16,500	-	16,500	1,023	0.06	0.07	0.01
The Searle Company Limited	39,100	3,310	13,100	29,310	15,715	0.96	1.09	0.02
TECHNOLOGY & COMMUNICATION								
Avanceon Limited	135,500	-	-	135,500	3,898	0.24	0.27	0.13
NetSol Technologies Limited	262,500	-	-	262,500	13,151	0.80	0.91	0.29
Pakistan Telecommunication Company Limited	1,015,000	-	1,015,000	-	-	-	-	-
CABLE AND ELECTRICAL GOODS								
Pak Elektron Limited	488,500	38,250	245,000	281,750	18,215	1.11	1.26	0.06
FOOD & PERSONAL CARE PRODUCTS								
Al-Shaheer Corporation Limited	390,000	-	-	390,000	20,362	1.24	1.41	0.32
GLASS & CERAMICS								
Tariq Glass Industries Limited	410,000	-	-	410,000	30,320	1.85	2.10	0.56
PAPER & BOARD								
Cherat Packaging Limited.	24,000	-	24,000	-	-	-	-	-
Packages Limited	19,000	-	12,800	6,200	3,945	0.24	0.27	0.01
MISCELLANEOUS								
Synthetic Products Limited	351,500	-	-	351,500	16,485	1.01	1.14	0.45
Total as at June 30, 2016				<b>15,319,135</b>	<b>1,445,817</b>	<b>88</b>	<b>100</b>	
Carrying value as at June 30, 2016					<b>1,344,163</b>			

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

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

5.1.1 Investments include shares with market value of Rs 143.38 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the SECP.

Name of the Company	June 30 2016	
	Number of shares pledged	Market value of pledged shares Rupees in '000
D.G. Khan Cement Company Limited	100,000	19,049
Engro Fertilizers Limited	100,000	6,448
Engro Corporation Limited	100,000	33,297
The Hub Power Company Limited	200,000	24,012
Kot Addu Power Company Limited	100,000	8,925
Pakistan Oilfields Limited	50,000	17,374
Pakistan Petroleum Limited	100,000	15,505
Pakistan State Oil Company Limited	50,000	18,773
	<u>800,000</u>	<u>143,383</u>

5.1.2 Unrealized appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss'

	Note	June 30, 2016 Rupees in '000
Market value of investments	5.1	1,445,817
Carrying value of investments	5.1	<u>(1,344,163)</u>
		<u>101,654</u>

5.1.3 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001. As a result of these amendments, companies are liable to withhold bonus shares at the rate of 5 percent. In accordance with the requirement of the Ordinance these shares shall only be released if the fund deposit tax equivalent to 5% of the value of the bonus shares issued. The value of tax is computed on the basis of day-end price on the first day of book closure.

In this regard, a constitution petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

As at June 30, 2016, the following bonus shares of the Fund were withheld by certain companies at the time of bonus declaration. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Name of the Company	June 30, 2016	
	Bonus shares	
	Number of shares	Market value Rupees in '000
Al-Shaheer Corporation Limited	1,000	52
Kohinoor Textile Mills Limited	522	42
The Searle Company Limited	166	89
		<u>183</u>

June 30, 2016  
Rupees in '000

## 6 DIVIDEND AND PROFIT RECEIVABLE

Profit receivable on balances with banks	657
Dividend receivable	<u>1,736</u>
	<u>2,393</u>

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

	Note	As at June 30 2016 (Rupees in '000)
<b>7</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>	
	Preliminary expenses and floatation costs incurred	1,000
	Less: amortisation during the period	(90)
	Closing balance	<u>910</u>
	<p>Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of five years commencing from January 19, 2016 as per the requirements set out in the Trust Deed of the Fund.</p>	
<b>8</b>	<b>RECEIVABLE AGAINST SALE OF UNITS</b>	
	This represents receivable against 35,179,157 units issued to NAFA Islamic Active Allocation Fund (Plan III).	410,000
<b>9</b>	<b>OTHER RECEIVABLES</b>	
	Advance tax	1,598
	Security deposit - National Clearing Company of Pakistan Limited	2,500
		<u>4,098</u>
<b>10</b>	<b>PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>	
	Remuneration of the Management Company	2,270
	Sindh Sales Tax on remuneration of the Management Company	369
	Federal Excise Duty on remuneration of the Management Company	1,420
	Accounting and operational charges	444
	Preliminary expenses and floatation costs payable	1,000
	Other payable	2,525
		<u>8,028</u>
<b>10.1</b>	The Management company has charged remuneration at the rate of 2% per annum based on the daily net assets of the Fund. The fee is payable to the Management Company monthly in arrears.	
<b>10.2</b>	The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 14% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.	
<b>10.3</b>	As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the 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 collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a Constitutional Petition filed in the Honourable Sindh High Court (SHC) during September 2013 challenging the levy of FED. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending.	
<b>10.4</b>	During the current period, the SECP vide S.R.O No 1160(I) / 2015 dated November 25, 2015 introduced amendments in the NBFC regulations. As a result of these amendments, the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme upto a maximum of 0.1% of the average annual net assets of the Scheme or actual whichever is less. Based on these requirements, the Management Company has charged operating expenses to the fund for the period from January 18, 2015 to June 30, 2016.	
	<b>Note</b>	<b>As at June 30 2016 (Rupees in '000)</b>
<b>11</b>	<b>PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE</b>	
	Trustee remuneration	195
	Sindh Sales Tax on the remuneration of trustee	27
		<u>222</u>

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

11.1 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 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 during the period ended June 30, 2016 is as follows

Net Assets	Tariff per annum
Upto Rs 1,000 million	Rs. 0.7 million or 0.20% p.a. of Net Assets, whichever is higher
On an amount exceeding Rs 1,000 million	Rs. 2.0 million plus 0.10% p.a. of Net Assets, on amount exceeding Rs.1 billion.

11.2 The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of service and has levied Sindh Sales Tax on custodianship services. Accordingly Sindh Sales Tax of 14% is charged on Trustee fee under section 2(79A) of the Sindh Finance Bill, 2010 with effect from July 01, 2015.

	As at June 30 2016 (Rupees in '000)
<b>12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	
Annual fee	<u>422</u>

Under the provision of the NBFC Regulations, a collective investment scheme categorized as equity scheme is required to pay to the SECP an amount equal to 0.095% per annum of the average daily net assets of the Fund.

	Note	As at June 30 2016 (Rupees in '000)
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration		150
Settlement charges		69
Shariah advisory fee		195
Haram portion of dividend	13.1	262
Others		109
		<u>785</u>

13.1 This amount represents haram portion excluded from dividend income. The dividend income is recorded net of haram portion.

## 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2016.

	As at June 30 2016 (Number of units)
<b>15 NUMBER OF UNITS IN ISSUE</b>	
Total units in issue at the beginning of the period	-
Add: units issued during the period	179,391,201
Less: units redeemed during the period	39,231,224
Total units in issue at the end of the period	<u>140,159,977</u>

## 16 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 as cash dividend.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 17 TRANSACTIONS WITH CONNECTED PERSONS

- 17.1 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 and Alexandra Fund Management Pte. Limited being the sponsors, employee benefit and contribution plans of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company. These also include any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 17.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 17.3 Remuneration payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 17.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC regulation and the Trust Deed.

	For the period from January 18, 2016 to June 30, 2016 (Rupees in '000)
17.5	Details of the transactions with connected persons are as follows:
	NBP Fullerton Asset Management Limited - Management Company
	Remuneration 8,876
	Sindh sales tax on remuneration 1,441
	Federal Excise Duty on remuneration 1,420
	Accounting and operational charges 444
	NAFA Islamic Active Allocation Fund (Plan I)
	Units issued 90,818,629 942,572
	Units redeemed 31,810,985 361,733
	Cash distribution 11,727
	NAFA Islamic Active Allocation Fund (Plan II)
	Units issued 53,393,415 578,994
	Units redeemed 7,420,240 89,287
	Cash distribution 9,137
	NAFA Islamic Active Allocation Fund (Plan III)
	Units issued 35,179,156 410,000
	Central Depository Company of Pakistan Limited - Trustee
	Remuneration 824
	CDS charges 188
	Sindh sales tax on remuneration of the Trustee 115
	<b>June 30, 2016</b>
	<b>(Rupees in '000)</b>
17.6	Amounts outstanding as at period end
	NBP Fullerton Asset Management Limited - Management Company
	Management remuneration payable 2,270
	Sindh sales tax on remuneration 369
	Federal excise duty on remuneration 1,420
	Preliminary expenses and floatation cost payable 1,000
	Other payable 2,525
	Allocation of operational expenses payable 444
	NAFA Islamic Active Allocation Fund (Plan I)
	Units held 59,007,644 688,559
	NAFA Islamic Active Allocation Fund (Plan II)
	Units held 45,973,176 536,460
	NAFA Islamic Active Allocation Fund (Plan III)
	Units held 35,179,156 410,505
	Receivable against sale of units 410,000
	Central Depository Company Of Pakistan Limited - Trustee
	Remuneration payable 195
	Sindh sales tax on remuneration 27

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 18 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2016-----			
S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	28
2	Mr. Sajjad Anwar*	CFA / MBA Finance	16
3	Mr. Syed Suleman Akhtar	CFA / MBA Finance	16
4	Mr. Asim Wahab Khan	CFA	10
5	Mr. Muhammad Imran	CFA / ACCA	10

18.1 \*Mr. Sajjad Anwar is the manager of the Fund. He is also the Fund manager of NAFA Islamic Principal Protected Fund - I, NAFA Islamic Principal Protected Fund - II, NAFA Islamic Principal Preservation Fund, NAFA Pension Fund, NAFA Islamic Pension Fund, and NAFA Islamic Stock Fund.

June 30,  
2016

## 19 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

1	Standard Capital Securities Private Limited	7.32%
2	Optimus Capital Management Limited	6.61%
3	Fortune Securities	5.93%
4	Foundation Securities	5.52%
5	Topline Securities (Pvt) Limited	5.47%
6	Taurus Securities Limited	5.33%
7	Concordaia Securities (Pvt) Limited	4.66%
8	IGI Finex Securities Limited	4.55%
9	BMA Capital Management Limited	4.30%
10	Alfalsh Securities (Pvt) Limited	4.23%

## 20 PATTERN OF UNIT HOLDING

-----June 30, 2016-----

Category	Number of unit holders	Investment amount	Percentage of investment
----------	------------------------	-------------------	--------------------------

(Rupees in '000)

Associated companies / undertakings*	1	1,635,524	100.00%
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\*This represents investment made by NAFA Islamic Active Allocation Fund (Plan I, Plan II, Plan III).

## 21 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 respectively. Information in respect of attendance by directors in the meetings is given below:

Category	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	5	1	54th meeting
Mr. Aamir Sattar	6	4	2	56th & 57th meeting
Mr. Abdul Hadi Palekar	6	5	1	58th meeting
Mr. Koh Boon San	6	4	2	54th & 57th meeting
Mr. Nigel Poh Cheng	6	3	3	56th, 58th & 59th meeting
Mr. Kamal Amir Chinoy	6	5	1	57th meeting
Mr. Shehryar Faruque	6	4	2	54th & 59th meeting
Dr. Amjad Waheed	6	6	-	-



# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30, 2016-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

-----Rupees in '000-----

### Financial assets

Balances with banks	206,160	-	206,160
Investments	-	1,445,817	1,445,817
Dividend and profit receivable	2,393	-	2,393
Receivable against sale of units	410,000	-	410,000
Other receivables	4,098	-	4,098
	<u>622,651</u>	<u>1,445,817</u>	<u>2,068,468</u>

-----June 30, 2016-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

-----Rupees in '000-----

### Financial assets

Payable to NBP Fullerton Asset Management Limited - Management Company	-	8,028	8,028
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	222	222
Payable against purchase of investments	-	424,397	424,397
Accrued expenses and other liabilities	-	785	785
	<u>-</u>	<u>433,432</u>	<u>433,432</u>

## 23 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 23.1 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 by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the SECP.

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

#### 23.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pak Rupees.

#### 23.1.2 Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The Fund is mainly exposed to profit rate risk on balances held with banks.

##### a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument except for balances in profit and loss sharing accounts which carry profit at rates ranging from 5.75% to 7% per annum.

##### b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that exposes the Fund to any material profit rate risk.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

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

Particulars	Yield / profit rate	Total	As at June 30, 2016			Not exposed to yield/ Interest rate risk
			Exposed to Yield/Interest rate risk			
			Upto three months	More than three months and upto one year	More than one year	

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

## On-balance sheet financial instruments

### Financial Assets

Balances with banks	5.75 - 7	206,160	206,160	-	-	-
Investments		1,445,817	-	-	-	1,445,817
Dividend and profit receivable		2,393	-	-	-	2,393
Receivable against sale of units		410,000	-	-	-	410,000
Other receivables		4,098	-	-	-	4,098
		2,068,468	206,160	-	-	1,862,308

### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company		8,028	-	-	-	8,028
Payable to the Central Depository Company of Pakistan Limited - Trustee		222	-	-	-	222
Payable against purchase of investments		424,397	-	-	-	424,397
Accrued expenses and other liabilities		785	-	-	-	785
		433,432	-	-	-	433,432

## On-balance sheet gap (a)

1,635,036	206,160	-	-	1,428,876
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## Off-balance sheet financial instruments

-	-	-	-	-
---	---	---	---	---

## Off-balance sheet gap (b)

-	-	-	-	-
---	---	---	---	---

## Total yield / profit rate sensitivity gap (a+b)

1,635,036	206,160	-	-	1,428,876
-----------	---------	---	---	-----------

## Cumulative yield / profit rate sensitivity gap

206,160	206,160	206,160
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### 23.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit 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 instruments traded in the market.

The Fund's equity securities are exposed to price risk because of investments held and classified by the Fund on the Statement of Assets and Liabilities 'at fair value through profit or loss'. To manage the risk, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / NBFC Regulations also limit exposure to individual equity securities based on the net assets, or issued capital of the investee company and sector exposure limit.

In case of 5% increase / decrease in KMI 30 index on June 30, 2016, net income for the period would increase / decrease by Rs 26.613 million and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss. The sensitivity analysis is based on the Fund's equity securities as at Statement of Assets and Liabilities date with all other variables held constant.

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 KMI 30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 Index, is expected to change over time. Accordingly, the aforementioned sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

### 23.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to balances with banks, investments, dividend and profit receivable. The credit risk on balances with banks is limited because the counterparties are financial institutions with reasonably high credit ratings. Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's financial assets:

## 23.2.1 Credit quality of balances held by the Fund's bank accounts

-----June 30, 2016-----			
Name of the Bank	Rating Agency	Latest available published rating	Percentage
BankIslami Pakistan Limited	PACRA	A+	99.75%
Dubai Islamic Bank Limited	JCR-VIS	A+	0.24%

## 23.2.2 Concentration of credit risk

The 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 mainly deals in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial instruments comprise of bank balances.

The Fund's major asset balances represent amounts of 205.632 million held in a bank account with BankIslami Pakistan Limited and Rs 410 million receivable against issuance of units to a related party. The management believes that these amounts are held with creditworthy counterparties and that the fund is not exposed to any significant credit risk.

## 23.2.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on the terms that are materially disadvantageous to the Fund.

The Fund is exposed to the daily settlement of equity securities and to daily cash redemptions, if any 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 damage to the Fund's reputation. The Fund's policy is, therefore, to invest the majority of its assets in investments that can be readily realised. The Fund's listed securities are considered readily realisable as they are listed on the Stock Exchanges.

In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of 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. The Fund did not withhold any redemptions during the period.

The table below indicates the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

-----June 30, 2016-----				
Particulars	Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----				
<b>Financial liabilities</b>				
Payable to NBP Fullerton Asset Management Limited - Management Company	8,028	8,028	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	222	222	-	-
Payable against purchase of investments	424,397	424,397	-	-
Accrued expenses and other liabilities	785	785	-	-
	<u>433,432</u>	<u>433,432</u>	<u>-</u>	<u>-</u>

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## 24 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit 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. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current period.

The Fund's objectives when managing unit holders' fund 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 21, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

## 25 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 the 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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Investments of the Fund in equity securities are revalued on the basis of closed quoted market prices available at the stock exchange. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from carrying values as the items are either short term in nature or periodically repriced.

### 25.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets 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:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- Fair value measurements using 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).
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2016, the Fund held the following financial instruments measured at fair value:

ASSETS	-----As at June 30, 2016-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Investment in equity securities at fair value through profit or loss	<u>1,445,817</u>	<u>-</u>	<u>-</u>	<u>1,445,817</u>

## 26 NON-ADJUSTING EVENT AFTER JUNE 30, 2016

The Board of Directors of the Management Company in their meeting held on September 23, 2016 approved a distribution of Rs 0.3212 per unit for the year ended June 30, 2016. The financial statements of the Fund for the year ended June 30, 2016 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2017.

## 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 23, 2016.

## 28 GENERAL

### 28.1 Figures have been rounded off to the nearest thousand rupees.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## PERFORMANCE TABLE

Particulars	For the period from January 18, 2016 to June 30, 2016
Net assets at the year / period ended (Rs '000)	1,635,524
Net income for the year / period ended (Rs '000)	254,789
Net Asset Value per unit at the year / period ended (Rs)	11.3756
Offer Price per unit	-
Redemption Price per unit	11.3756
Highest offer price per unit (Rs)	-
Lowest offer price per unit (Rs)	-
Highest redemption price per unit (Rs)	11.5964
Lowest redemption price per unit (Rs)	9.1825
Opening Nav (Since Inception - January 18, 2016)	9.5784
Total return of the fund	18.76%
Capital growth	13.30%
Income distribution as % of Ex nav	5.46%
Income distribution as % of Par nav	5.23%
<b>Distribution</b>	
Interim distribution per unit	0.2022
Final distribution per unit	0.3212
<b>Distribution Dates</b>	
Interim	29-Jun-16
Final	23-Sep-16
<b>Average annual return of the fund (launch date January 18, 2016)</b>	
(Since inception to June 30, 2016)	18.76%
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>	

# NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND

## PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Islamic Active Allocation Equity Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fullerton Asset Management Limited i.e. [www.nafafunds.com](http://www.nafafunds.com). A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Number</b>	1	1	-	-
<b>(%ages)</b>	100%	100%	-	-












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NBP Fullerton  
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A Subsidiary of  
National Bank of Pakistan

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