

NAFA Islamic Income Fund (NIIF)

(Formerly; NAFA Islamic Aggressive Income Fund)



MONTHLY REPORT (MUFAP's Recommended Format)
Unit Price (31/10/2017): Rs. 9.6573

October 2017

Performance %

| Performance Period | Oct 2017 | FYTD 2018 | Rolling 12 months | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | Last 3 years* | Last 5 years* | Last 10 years* | Since Launch October 26, 2007* |
|---|----------|-----------|-------------------|---------|---------|---------|---------|---------|---------------|---------------|----------------|--------------------------------|
| NAFA Islamic Income Fund (Formerly; NAFA Islamic Aggressive Income Fund) | 5.4% | 4.8% | 5.2% | 5.4% | 7.4% | 9.2% | 13.6% | 6.8% | 6.8% | 8.9% | 6.6% | 6.6% |
| Benchmark** | 2.5% | 2.4% | 3.2% | 3.9% | 4.8% | 6.6% | 6.5% | 7.0% | 4.6% | 5.4% | 6.1% | 6.1% |

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

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

General Information

| | |
|------------------------|---|
| Launch Date: | October 26, 2007 |
| Fund Size: | Rs. 4,688 million |
| Type: | Open-end – Shariah Compliant Income Fund |
| Dealing Days: | Daily – Monday to Friday (Mon - Thr) 9:00 A.M to 5:00 P.M (Friday) 9:00 A.M to 5:30 P.M |
| Dealing Time: | |
| Settlement: | 2-3 business days |
| Pricing Mechanism: | Forward Pricing |
| Load:*** | Front End Load (Individual): without life Takaful 1%, with life Takaful 3% (Nil on investment above Rs. 26 million) Front End Load (Other): 1% (Nil on investment above Rs. 16 million) Back End Load: NIL 10% of Net Income (Min 0.5% p.a., Max 1.0% p.a.) |
| Management Fee: | |
| Total Expense Ratio: | 1.05% p.a. (including 0.25% government levies) |
| Risk Profile: | Low to Medium |
| Fund Stability Rating: | "A-(f)" by PACRA |
| Listing: | Pakistan Stock Exchange |
| Custodian & Trustee: | Central Depository Company (CDC) |
| Auditors: | Deloitte Yousuf Adil Chartered Accountants |
| Benchmark:** | 6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP |
| Fund Manager: | Muhammad Ali Bhabha, CFA, FRM |
| Minimum Subscription: | Growth Unit: Rs. 10,000/- Income Unit: Rs. 100,000/- |
| Asset Manager Rating: | AM1 by PACRA (Very High Quality) |

** effective from March 14, 2017; Previously 1-year average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP

*** effective from January 02, 2017

Investment Objective

To earn a reasonable rate of return in a Shariah compliant manner by investing in Shariah compliant debt securities, money market instruments and bank deposits.

Fund Manager Commentary

During the month under review, the Fund posted an annualized return of 5.4% p.a. as compared to the Benchmark return of 2.5% thus registering an outperformance of 2.9% p.a. This outperformance is net of management fee and all other expenses.

The allocation in corporate Sukuks stood at around 3.4% of the net assets. Around 84% of net assets of the portfolio are allocated in bank deposits. The higher allocation in bank deposits is due to better yields as compared to other authorized alternative investment avenues.

The weighted average Yield-to-Maturity (YTM) of the Sukuk portfolio is 5.5% p.a. and weighted average time to maturity is around 4.0 years. The weighted average time to maturity of the Fund is 174 days.

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

SECP has approved the change in category of NAFA Islamic Aggressive Income Fund from Shariah Compliant Aggressive Income Fund to Shariah Compliant Income Fund w.e.f. March 14, 2017. Consequently, name of NAFA Islamic Aggressive Income Fund has been changed to NAFA Islamic Income Fund from March 14, 2017.

Asset Allocation (% of Total Assets) 31-Oct-17 29-Sep-17

| | 31-Oct-17 | 29-Sep-17 |
|----------------------------------|---------------|---------------|
| Sukuks | 3.3% | 3.6% |
| GOP Ijarah Sukuks - Govt. Backed | 8.5% | 9.1% |
| Certificate of Musharakah (COM) | 3.6% | 3.9% |
| Bank Deposits | 83.4% | 82.6% |
| Others including receivables | 1.2% | 0.8% |
| Total | 100.0% | 100.0% |
| Leverage | Nil | Nil |

Top Sukuk Holdings (as at October 31, 2017)

| Name of Sukuk | % of Total Assets |
|--|-------------------|
| Dubai Islamic Bank - Sukuk 14-JUL-17 14-JUL-27 | 2.8% |
| K-Electric AZM Sukuk Limited - 5 Years 19-MAR-14 19-MAR-19 | 0.5% |
| Total | 3.3% |

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 3,914,084/-. If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs. 0.0081/0.09%. For details investors are advised to read note 7 of the financial statements of the Scheme for the period ended September 30, 2017.

Name of the Members of Investment Committee

Dr. Amjad Waheed, CFA
Sajjad Anwar, CFA
Muhammad Ali Bhabha, CFA, FRM
Hassan Raza, CFA

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

Details of Non-Compliant Investments

| Particulars | Type of Investment | Value of Investments before Provision | Provision held | Value of Investments after Provision | % of Net Assets | % of Gross Assets |
|-----------------------------------|--------------------|---------------------------------------|--------------------|--------------------------------------|-----------------|-------------------|
| New Allied Electronics (Sukuk I) | SUKUK | 110,000,000 | 110,000,000 | - | - | - |
| New Allied Electronics (Sukuk II) | SUKUK | 4,905,437 | 4,905,437 | - | - | - |
| Total | | 114,905,437 | 114,905,437 | - | 0.0% | 0.0% |

Credit Quality of the Portfolio as of October 31, 2017 (% of Total Assets)

| | |
|------------------------------|---------------|
| GOP Ijarah Sukuk (AAA rated) | 8.5% |
| AAA | 17.8% |
| AA+ | 3.7% |
| AA | 0.7% |
| AA- | 12.8% |
| A+ | 5.8% |
| A- | 49.5% |
| Others including receivables | 1.2% |
| Total | 100.0% |

Disclaimer: This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds are subject to market risks. Past performance is not necessarily indicative of future results. Please read the Offering Document to understand investment policies and the risks involved. The scheme holds certain non-compliant investments. Before making any investment decision, investors should review the latest monthly Fund Manager Report and Financial Statements. The reported returns may include provisioning and reversal of provisioning against some debt securities.