



NBP FUNDS

Managing Your Savings

Islamic Savings

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اسلامک سیوننگ

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

**QUARTERLY
REPORT
SEPTEMBER
30, 2018**



MISSION STATEMENT

To rank in the top quartile
in performance of
NBP FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.

Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	09
CONDENSED INTERIM INCOME STATEMENT	10
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	11
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	12
CONDENSED INTERIM CASH FLOW STATEMENT	13
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	14

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Mr. Wajahat Rasul Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Humayun Bashir	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tariq Jamali	Member
Mr. Shehryar Faruque	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	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 Alfalah Limited
Habib Bank Limited
United Bank Limited
Meezan Bank Limited
Sindh Bank Limited
Bank Al Habib Limited
Soneri Bank Limited
Allied Bank Limited
JS Bank Limited

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02
Beaumont Road,
Karachi - 75530, Pakistan.

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbpfunds.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
Fax: 091-5703202

Multan Office:

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

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the condensed unaudited financial statements of **NAFA Islamic Principal Protected Fund – II (NIPPF – II)** for the quarter ended September 30, 2018.

Fund's Performance

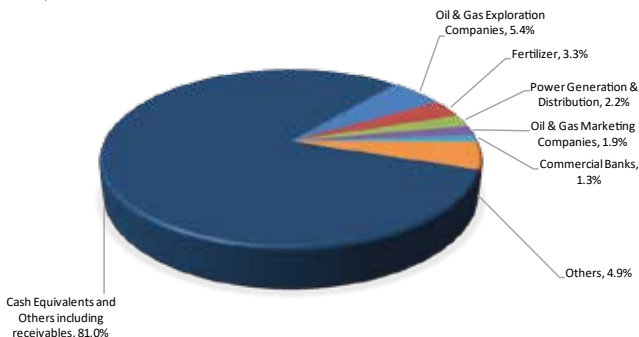
The size of NAFA Islamic Principal Protected Fund-II stood at Rs. 123 million at September 30, 2018. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has increased from Rs. 101.5691(Ex-Div) on June 30, 2018 to Rs. 102.1078 on September 30, 2018, thus showing an increase of 0.53%. The Benchmark during the same period decrease by 0.18%. Thus, the Fund has outperformed its Benchmark by 0.71% during the period under review. Since inception (June 27, 2014), the unit price of the Fund has shown a growth of 59.66% as compared to 44.28% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 15.38%. This performance is net of management fee and all other expenses.

Amid amplified volatility, the stock market struggled during 1QFY2019 as the benchmark KSE-100 Index witnessed a decline of 2.2%. Lackluster performance of the stock market is primarily attributable to continued concerns on the twin deficits issue (Current Account Deficit & Fiscal Deficit) facing the economy. The market started the quarter under review on a negative note on the expectation of hung parliament in the general elections and associated policy dysfunction in the wake of difficult economic backdrop. Initially, the market celebrated the outcome of elections with a decent recovery of 5.4% in the three trading sessions as Imran Khan's Pakistan Tehreek-e-Insaf emerged as the largest party at the center with majority in Punjab and KPK provinces, and significant gains in Sindh and Baluchistan provinces that put to rest the uncertainty in the domestic politics. However, the rally at the local bourse proved short lived as the entire focus of investors shifted to the multifaceted challenges confronting the economy. Corporate announcements with mixed showing also failed to provide a catalyst to the market. Moreover, driven by upside risks to inflation and to rein in demand pressures to address ballooning current account deficit coupled with the dwindling FX reserves, the SBP hiked the discount rate by 200 bps to 9%. Foreigners remained net sellers on the local bourse during the quarter with net outflow of USD 189 million which was absorbed mainly by Insurance companies and Individuals. Sell-offs were witnessed in the Emerging Markets such as Turkey and Argentina with high foreign debt and large current account deficits in the wake of rising US interest rates and strengthening US dollar.

Average CPI inflation increased to 5.6% in Jul-Sep FY19 compared to 3.4% during the same period last year owing to increased international oil prices & its pass-through impact, higher regulatory duty on imports, depreciating Pak rupee, and excessive reliance of the government on the banking system for fiscal financing amid shrinking Net Foreign Assets (NFA). Given potential upside risks to inflation and interest rates, investors' preference remained tilted towards short-term government securities as indicated by heavy participation in 3-month T-bills. The sovereign securities responded to the hike in the policy rates, as the yield curve witnessed an upward shift with yield on short-term T-Bills increasing by 136-142 basis points, whereas 3-year, 5-year, and 10-year PIBs yields moved up by 98 basis points, 77 basis points, and 102 basis points, respectively.

During the period, trading activity in corporate TFCs/Sukus increased albeit from a low level with a cumulative trade value of around Rs. 3.8 billion as compared to Rs. 2.4 billion in the same period last year with Corporate Sukuk sector making up the lion's share.

NAFA Islamic Principal Protected Fund-II has incurred a total income of Rs. 1.43 million during the period. After accounting for expenses of Rs. 0.77 million, the net income is Rs. 0.66 million. The asset allocation of NAFA Islamic Principal Protected Fund-II as on September 30, 2018 is as follows:



NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

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 Fund Management Limited

Chief Executive

Director

Date: October 30, 2018
Place: Karachi.

ڈائریکٹرز رپورٹ

این پی پی فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II-(NIPPF-II) کی 30 ستمبر 2018 کو ختم ہونے والی سہ ماہی کے لیے کنڈیشنڈ غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II-(NIPPF-II) کا ساٹھ ماہ 30 ستمبر 2018 کو 123.23 ملین روپے تھا۔ اس مدت کے دوران NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II-(NIPPF-II) کے اینٹ کی قیمت 30 جون 2018 کو 101.5691 روپے (Ex-Div) سے بڑھ کر 30 ستمبر 2018 کو 102.1078 روپے ہو چکی ہے، لہذا %0.53 کا اضافہ ہوا۔ اسی مدت میں بیچ مارک %0.18 سے کم ہو گیا۔ لہذا ہر جائزہ مدت کے دوران فنڈ نے اپنے بیچ مارک منافع سے %0.71 کی بہتر کارکردگی دکھائی۔ اپنے قیام (27 جون 2014) سے اب تک NIPPF-II نے اپنے بیچ مارک میں %44.28 اضافہ کے مقابلے میں %59.66 نمو دکھائی۔ لہذا فنڈ نے اپنے بیچ مارک کے مقابلے میں %15.38 کی بہتر کارکردگی دکھائی۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

بڑھتی ہوئی آثار چڑھاؤ کی بنا پر مالی سال 2019 کی پہلی سہ ماہی میں مارکیٹ دباؤ کا شکار رہی اور 30 اگست مقررہ حد سے %2.6 نیچے گر گیا۔ اسٹاک مارکیٹ کی متزلزل کارکردگی کی بڑی وجہ معیشت کے باب میں دوسرے خساروں کے مسائل (کرنٹ اکاؤنٹ کا خسارہ اور مالیاتی خسارہ) تھے۔ زیر جائزہ سہ ماہی کا آغاز مارکیٹ میں منفی اثر سے ہوا جو عام انتخابات کے نتیجے میں ایک مطلق پارلیمنٹ کی توقع اور اس سے وابستہ ایک مشکل معاشی پس منظر میں ناقص پالیسی کے باعث تھا۔ ابتدائی طور پر ایکشن کے نتائج سے مارکیٹ میں کچھ خوشی کی لہر دوڑ گئی اور تین تجارتی اجلاسوں میں %6.4 کی بحالی آئی۔ انتخابات کے نتائج سے عمران خان کی پاکستان تحریک انصاف مرکز میں سب سے بڑی پارٹی بن کر ابھری جب کہ پنجاب اور کے پی کے میں بھی اکثریت کے ساتھ کامیاب ہوئی۔ اس کے علاوہ سندھ اور بلوچستان کے صوبوں میں بھی اسے نمایاں مقام حاصل ہوا جس کی وجہ سے ملکی سیاست میں غیر یقینی کی کیفیت ختم ہوئی۔ تاہم مقامی سطح پر سرمایہ کار کا جوش وقتی ثابت ہوا کیونکہ سرمایہ کاروں کی پوری توجہ معیشت کو درپیش ہمہ جہت چیلنجز کی طرف ہو گئی۔ کارپوریٹ اعلانات بھی مارکیٹ کو غیر متزلزل کرنے میں ناکام ہو گئی۔ اس کے علاوہ بڑھتے ہوئے اکاؤنٹ کے خسارے کی روک تھام کے لئے افراط زر میں خدشات کے پیش نظر اور زرمبادلہ کے ذخائر میں کمی کے باعث اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح 200 بیس پوائنٹ اضافے کے ساتھ %9 کر دی۔ اس سہ ماہی کے دوران غیر ملکی سرمایہ کار خالص فروخت کنندہ رہے اور 189 ملین امریکی ڈالر کا سرمایہ ملک سے باہر گیا جس کا بڑا حصہ انشورنس کمپنیز اور انفرادی سرمایہ کار کے حصے میں آیا۔ ابھرتی ہوئی مارکیٹس جیسے ترکی اور جارجیا میں حصص کی فروخت کے رجحان دیکھنے میں آیا جس کی وجہ بلند غیر ملکی قرضہ جات اور امریکی شرح سود میں اضافے کے باعث کرنٹ اکاؤنٹ میں خسارہ رہا۔

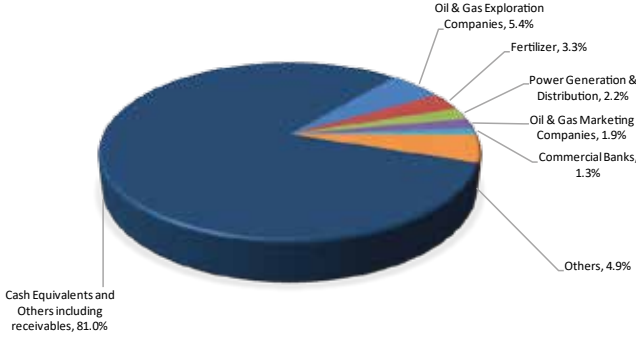
جولائی - ستمبر مالی سال 19 میں اوسط CPI افراط زر میں %5.6 کا اضافہ ہوا جب کہ اس کے مقابلے میں گزشتہ سال اسی مدت میں %3.4 کا اضافہ ہوا تھا اس کی وجہ بین الاقوامی تیل کی قیمتوں میں اضافہ اور اس کے اثرات، درآمدات پر ریگولیٹری ڈیوٹی میں اضافہ، پاکستانی روپے کی قدر میں کمی اور خالص غیر ملکی اثاثہ جات میں کمی کے ساتھ ساتھ مالی فنانسنگ کے لئے حکومت کا بینکنگ کے شعبہ پر بہت زیادہ انحصار کرنا تھا۔ افراط زر کے خدشات اور شرح سود میں اضافے کے پیش نظر سرمایہ کاروں نے حکومت کی قلیل المدت سیکورٹیز کو ترجیح دی جس کا انداز 3-month ٹی بلز میں ان کی بھاری تعداد میں شرکت سے ہوتا ہے۔ پالیسی کی شرح میں اضافے سے بڑی سیکورٹیز پر نمایاں اثر پڑا اور قلیل المدت ٹی بلز کے نتائج میں %136-142 بیس پوائنٹ کا اضافہ ہوا جبکہ %3 سال، %5 سال اور %10 سال کے PIBs میں بالترتیب %98 بیس پوائنٹ، %77 بیس پوائنٹ اور %102 بیس پوائنٹ کا اضافہ ہوا۔

اس مدت میں کارپوریٹ ٹی سی ٹی ایف سی / اسٹاک میں تجارتی سرگرمیوں کی چلی سطح میں اضافہ ہوا اور مجموعی تجارتی قیمت اس سال تقریباً %3.8 بلین روپے ہو گئی جبکہ گزشتہ سال یہ %2.4 بلین روپے تھی جو کہ کارپوریٹ اسٹاک کے شعبہ میں سب سے بڑا حصہ ہے۔

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ (NIPPF-II) نے اس مدت کے دوران 1.43 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 0.77 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 0.66 ملین روپے رہی۔

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ (NIPPF-II) کی البسیٹ ایلوکیشن 30 ستمبر 2018 کو بطابق ذیل ہے:



اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجھٹ کمیٹی پر اعتماد، 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 رٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز
NBP فنڈ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

30 اکتوبر 2018ء

مقام: کراچی

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2018

	(Un-Audited) As at September 30, 2018	(Audited) As at June 30, 2018
	Note	
-----Rupees in '000-----		
ASSETS		
Bank balances	112,306	108,910
Investments	4 23,311	30,891
Dividend and profit receivable	5 1,360	965
Advances, deposits and prepayments	2,617	2,600
Total assets	139,594	143,366
LIABILITIES		
Payable to NBP Fund Management Limited - Management Company	11,230	11,234
Payable to Central Depository Company of Pakistan Limited -Trustee	15	16
Payable to the Securities and Exchange Commission of Pakistan	24	100
Accrued expenses and other liabilities	6 5,408	5,311
Total liabilities	16,677	16,661
NET ASSETS	<u>122,917</u>	<u>126,705</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	<u>122,917</u>	<u>126,705</u>
CONTINGENCIES AND COMMITMENTS	8	
-----Number of units-----		
NUMBER OF UNITS IN ISSUE	<u>1,203,792</u>	<u>1,237,623</u>
-----Rupees-----		
NET ASSET VALUE PER UNIT	<u>102.1078</u>	<u>102.3781</u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM INCOME STATEMENT (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Note	Quarter ended September 30, 2018	Quarter ended September 30, 2017
-----Rupees in '000-----			
INCOME			
Capital (loss) on sale of investments - net		(626)	(94)
Profit on bank deposits		1,985	2,017
Dividend income		344	23
Unrealised (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		(270)	(1,737)
Total Income		1,433	209
EXPENSES			
Remuneration of NBP Fund Management Limited - Management Company		290	260
Sindh sales tax on Management Company's remuneration		38	34
Accounting and operational charges to the Management Company		31	35
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		41	46
Sindh sales tax on Trustee remuneration		5	6
Annual fee - Securities and Exchange Commission of Pakistan		24	27
Auditors' remuneration		40	26
Annual listing fee		6	6
Printing charges		-	21
Legal and professional charges		-	27
Settlement and bank charges		116	5
Selling and marketing expenses	12	34	-
Securities transaction cost		8	1
Shariah advisor fee		124	124
Total Expenses		757	618
Net income/ (loss) from operating activities		676	(409)
Provision for Sindh Workers' Welfare Fund	7	(13)	-
Net income/ (loss) for the period before taxation		663	(409)
Taxation	9	-	-
Net income/ (loss) for the period after taxation		663	(409)
Allocation of Net Income for the period:			
Net income/ (loss) for the period after taxation		663	(409)
Income already paid on units redeemed		(13)	-
		650	(409)
Accounting income available for distribution			
-Relating to capital gains		-	-
-Excluding capital gains		650	(409)
		650	(409)
Earnings per unit	10		

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

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Quarter ended September 30, 2018	Quarter ended September 30, 2017
	-----Rupees in '000-----	
Net income/ (loss) for the period after taxation	663	(409)
Other comprehensive income for the period	-	-
Total comprehensive income/ (loss) for the period	<u>663</u>	<u>(409)</u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Quarter ended September 30, 2018			Quarter ended September 30, 2017		
	Rupees in '000					
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
Net assets at beginning of the period	1,034	125,671	126,705	17,335	124,698	142,033
Issue of additional 4,332 units (September 30, 2017: Nil units)						
- Capital value (at net asset value per unit at the beginning of the period)	440	-	440			
- Refund of Capital	-	-	-			
- Element of income	(1)	-	(1)			
Total proceeds on issuance of units / Issue of bonus units - net of tax	439	-	439	-	-	-
Redemption of 38,163 units (September 30, 2017: 24,969 units)						
- Capital value (at net asset value per unit at the beginning of the period)	(3,876)	-	(3,876)	(2,536)	-	(2,536)
- Element of income	-	(13)	(13)	1	-	1
Total payments on redemption of units	(3,876)	(13)	(3,889)	(2,535)	-	(2,535)
Total comprehensive income for the period	-	663	663	-	(409)	(409)
Final Distribution @ Rs.0.8090 declared on July 04, 2018						
- Cash Distribution	-	(1,001)	(1,001)	-	-	-
- Refund of Capital	-	-	-	-	-	-
	-	(1,001)	(1,001)			
Net assets at end of the period	(2,403)	125,320	122,917	14,800	124,289	139,089
Undistributed income brought forward						
- Realised		127,620			122,351	
- Unrealised		(1,949)			2,347	
		125,671			124,698	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		650			(409)	
		650			(409)	
Distribution for the period		(1,001)			-	
Undistributed income carried forward		125,320			124,289	
Undistributed income carried forward						
- Realised		125,590			126,026	
- Unrealised (loss) / income		(270)			(1,737)	
		125,320			124,289	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period			102.3781			101.5691
Net assets value per unit at end of the period			102.1078			101.2717

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Quarter ended September 30, 2018	Quarter ended September 30, 2017
-----Rupees in '000-----		
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income/(loss) for the period before taxation	663	(409)
Adjustments		
Unrealised diminution on re-measurement of investments classified as 'financial assets 'at fair value through profit or loss' - net	270	1,737
	<u>933</u>	<u>1,328</u>
Decrease in assets		
Investments	7,310	1,130
Dividend and profit receivable	(395)	(65)
Advances, deposits and prepayments	(17)	(16)
	<u>6,898</u>	<u>1,049</u>
Increase / (decrease) in liabilities		
Payable to NBP Fund Management Limited - Management Company	(4)	36
Payable to Central Depository Company of Pakistan Limited -Trustee	(1)	-
Payable to the Securities and Exchange Commission of Pakistan	(76)	(431)
Accrued expenses and other liabilities	97	151
	<u>16</u>	<u>(244)</u>
Net cash generated from operating activities	<u>7,847</u>	<u>2,133</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on redemption of units	(3,450)	(2,536)
Cash dividend	(1,001)	-
Net cash (used in) from financing activities	(4,451)	(2,536)
Net increase/ (decrease) in cash and cash equivalents during the period	<u>3,396</u>	<u>(403)</u>
Cash and cash equivalents at the beginning of the period	108,910	144,702
Cash and cash equivalents at the end of the period	<u>112,306</u>	<u>144,300</u>

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

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

NOTES TO AND FORMING PART OF THIS CONDENSED INTERIM FINANCIAL INFORMATION (Un-Audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Principal Protected Fund-II (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on May 07, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 15, 2014 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 Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an Open-End "Shariah Compliant Capital Protected Fund Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited.

The objective of NAFA Islamic Principal Protected Fund-II is to earn a potentially high return through dynamic asset allocation between shariah compliant equities and Money Market investment avenues, while providing principal protection. Principal protection means that the net realisable value of the Fund shall not fall below the initial investment value (adjusted for distributions / redemptions during the life of the Fund), provided that the units are held till the completion of the initial maturity of the Fund.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 as at September 30, 2018 (2017: AM1) to the Management Company. The Fund has not yet been rated.

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

The Fund commenced its operations from June 28, 2014. As per the offering document, the nature of the Fund is perpetual and the initial maturity of the fund is two years from the date of commencement. Principal protection will not be available if units are encashed before the expiry of initial maturity term.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

3 Accounting Policies

Except as described below, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Fund's annual audited financial statements for the year ended June 30, 2018.

Effective July 1, 2018, the Fund adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition, and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Impairment of financial assets is based on an expected credit loss ("ECL") model under IFRS 9, rather than the incurred loss model under IAS 39. However, SECP vide its letter to MUFAP dated November 21, 2017 relaxed the applicability of IFRS 9 impairment requirements for debt securities on mutual funds and deferred it till further instructions. The standard also adds guidance on the classification and measurement of financial liabilities.

There was no material impact of transition to IFRS 9 on the Fund's financial position at July 1, 2018.

4 INVESTMENTS

Financial assets classified as 'at fair value through profit or loss'

Listed equity securities

Note	(Un-Audited) September 30, 2018	(Audited) June 30, 2018
	------(Rupees in '000)-----	
4.1	23,311	30,891

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

4.1 Investments in equity securities - listed

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each unless stated otherwise.

Name of the Investee Company	As at July 01, 2018	Acquired during the period	Bonus / Right shares during the period	Sold during the period	As at September 30, 2018	Market value as at September 30, 2018	Market value as a percentage of net assets	Market value as a percentage of Total investments	Paid-up value of shares held as a percentage of total paid-up capital of the Investee Company
	----- Number of shares -----					Rupees in '000	----- Percentage -----		
AUTOMOBILE ASSEMBLER									
Millat Tractors Limited	300	-	-	-	300	304	0.25	1.31	0.00*
						304	0.25	1.31	
CEMENT									
D.G. Khan Cement Company Limited	3,400	-	-	-	3,400	348	0.28	1.49	0.00*
Kohat Cement Company Limited	4,100	-	-	-	4,100	513	0.42	2.20	0.00*
Fauji Cement Company Limited	20,600	-	-	20,600	-	-	-	-	-
Lucky Cement Limited	1,400	-	-	-	1,400	718	0.58	3.08	0.00*
Pioneer Cement Limited	9,200	-	-	9,200	-	-	-	-	-
						1,579	1.28	6.77	
CHEMICAL									
Engro Polymer & Chemicals Limited	26,029	-	-	-	26,029	756	0.61	3.24	0.00*
						756	0.61	3.24	
COMMERCIAL BANKS									
Meezan Bank Limited	16,106	-	1,611	-	17,717	1,580	1.29	6.78	0.00*
						1,580	1.29	6.78	
ENGINEERING									
International Steels Limited	7,500	-	-	-	7,500	682	0.55	2.93	0.00*
Ittefaq Iron Industries Limited	5,500	-	-	5,500	-	-	-	-	0.00*
Mughal Iron And Steel Industries Limited	4,226	-	-	-	4,226	207	0.17	0.89	0.00*
						889	0.72	3.82	
FERTILIZER									
Engro Fertilizers Limited	35,000	-	-	12,500	22,500	1,699	1.38	7.29	0.00*
Engro Corporation Limited	10,400	-	-	3,000	7,400	2,306	1.88	9.89	0.00*
						4,005	3.26	17.18	
OIL & GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	1,200	-	-	-	1,200	1,870	1.52	8.02	0.00*
Oil & Gas Development Company Limited	13,700	-	-	-	13,700	2,096	1.71	8.99	0.00*
Pakistan Oilfields Limited	2,000	-	-	500	1,500	989	0.80	4.24	0.00*
Pakistan Petroleum Limited	9,100	-	-	1,500	7,600	1,622	1.32	6.96	0.00*
						6,576	5.35	28.21	
OIL & GAS MARKETING COMPANIES									
Hascol Petroleum Limited	3,188	-	-	-	3,188	868	0.71	3.73	0.00*
Pakistan State Oil Company Limited	6,200	-	-	3,200	3,000	957	0.78	4.10	0.00*
Sui Northern Gas Pipelines Limited	5,500	-	-	-	5,500	490	0.40	2.10	0.00*
						2,315	1.89	9.93	
PHARMACEUTICALS									
Abbott Laboratories (Pakistan) Limited	900	-	-	500	400	247	0.20	1.06	0.00*
The Searle Company Limited	2,101	-	-	1,100	1,001	316	0.26	1.36	0.00*
						563	0.46	2.42	
POWER GENERATION & DISTRIBUTION									
The Hub Power Company Limited	27,500	-	-	-	27,500	2,405	1.96	10.32	0.00*
Kot Addu Power Company Limited	9,900	-	-	9,900	-	-	-	-	-
K-Electric Limited	95,500	-	-	48,000	47,500	254	0.21	1.09	0.00*
						2,659	2.17	11.41	
TECHNOLOGY & COMMUNICATION									
Systems Limited	7,000	-	-	-	7,000	843	0.69	3.62	0.01
						843	0.69	3.62	
TEXTILE COMPOSITE									
Kohinoor Textile Mills Limited	4,737	-	-	-	4,737	257	0.21	1.10	0.00*
Nishat Mills Limited	17,000	-	-	10,000	7,000	984	0.80	4.22	0.00*
						1,241	1.01	5.32	
Total as at September 30, 2018						23,311	19.00	100.00	
Carrying value as at September 30, 2018						23,581			

*Nil value due to rounding off difference.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

- 4.1.1 Investments include shares with market value of Rs 6.027 million (June 30, 2018: Rs 5.778 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.

	(Un-Audited) September 30, 2018	(Audited) June 30, 2018
	------(Rupees in '000)-----	
5 DIVIDEND AND PROFIT RECEIVABLE		
Profit accrued on saving deposits	1,025	864
Dividend receivable	335	101
	<u>1,360</u>	<u>965</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration payable	157	214
Printing charges payable	154	152
Brokerage payable	-	7
Settlement and bank charges	47	35
Charity payable	556	553
Legal and professional charges payable	237	237
Shariah advisor fee payable	613	488
Withholding tax and capital gain tax payable	19	13
Provision for Sindh Workers' Welfare Fund	3,625	3,612
	<u>5,408</u>	<u>5,311</u>
7 PROVISION FOR SINDH WORKERS' WELFARE FUND		

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

As at September 30, 2018, the provision in relation to SWWF amounted to Rs. 3.625 million (September 30, 2017: Rs. 3.592 million). Had the provision not being made, the net asset value per unit as at September 30, 2018 would have been higher by Rs. 3.0115 per unit (September 30, 2017: Rs. 2.6155) per unit.

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at the September 30, 2018 and June 30, 2018.

9 TAXATION

The Fund's income is exempt from income tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). The Fund intends to distribute such accounting income for the year ended June 30, 2019 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second schedule to the Income Tax Ordinance, 2001.

10 EARNINGS PER UNIT

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

11 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 2.79% p.a. including 0.36% representing government levies on collective investment scheme such as Sales tax, Sindh Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.

12 SELLING AND MARKETING EXPENSE

The SECP through its Circular No. SCD/PRDD/Circular/394/2018 (Circular No. 5 of 2018) dated 04 June 2018 allowed charging selling and marketing expenses to all categories of mutual funds (except fund of funds and money market funds) through amendments in condition numbers 1, 3(a) & 3(b) of Circular No. SCD/PRDD/Circular/361/2016 (Circular No. 40 of 2016) for charging of selling and marketing expenses to Collective Investment Scheme managed by Asset Management Companies (AMC).

Based on the requirements to fulfil for charging selling and marketing expense, the Management Company has started accruing the expense to the Fund at the rate of 0.4% per annum of the average annual net assets of the Fund w.e.f 06 September 2018.

13 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 13.1 Connected persons include NBP Fund Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee and National Bank of Pakistan (NBP) being the sponsors, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

13.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

13.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

13.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

------(Un-Audited)-----
Quarter ended **Quarter ended**
September 30, **September 30,**
2018 **2017**
------(Rupees in '000)-----

13.5 Details of the transactions with connected persons are as follows:

NBP Fullerton Asset Management Limited - Management Company

Remuneration for the period	290	260
Sindh Sales Tax on remuneration of management company	38	34
Accounting and operational charges to the Management Company	31	35
Selling and marketing expenses	34	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the period	41	46
Sindh Sales Tax on remuneration of Trustee	5	6
Settlement Charges	92	-

Taurus Securities Limited

Brokerage expense	1	-
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Employees of the Management Company

Issue of 16 units (2017: Nil units)	2	-
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(Un-Audited) **(Audited)**
September **June**
30, 2018 **30, 2018**
------(Rupees in '000)-----

13.6 Amounts/ balances outstanding as at period end

NBP Fund Management Limited - Management Company

Management fee payable	101	106
Sindh Sales Tax payable on remuneration of the Management Company	13	14
Federal Excise Duty payable on remuneration of the Management Company	8,151	8,151
Federal Excise Duty payable on sales load	2,899	2,899
Accounting and operational charges payable to the Management Company	32	64
Selling and marketing expenses	34	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	13	14
Sindh Sales Tax payable on remuneration of Trustee	2	2
Settlement Charges	27	31
Security deposit	100	100

Employees of the Management Company

Units held: 2,303 units (June 30, 2018: 2,287 Units)	235	234
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Persons holding directly or indirectly 10% or more of the units in issue / net assets of the Fund

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II

	(Un-Audited) September 30, 2018	(Audited) June 30, 2018
--	---------------------------------------	-------------------------------

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

City School Provident Fund Trust

Units held: 458,218 units (June 30, 2018: 458,218 units)

46,788

46,911

Mehreen Dawood

Units held: 209,748 units (June 30, 2018: 208,293)

21,417

21,325

14 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 30, 2018.

15 GENERAL

15.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

15.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purposes of better presentation. Except mentioned in Note no. 3, no significant rearrangement or reclassification was made in these condensed interim financial statements during the current period.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

Head Office

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