



NBP FUNDS

Managing Your Savings

Islamic Savings

اعتماد
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اسلامک سیوننگ

NAFA ISLAMIC ASSET ALLOCATION FUND

**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.

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NAFA ISLAMIC ASSET ALLOCATION FUND

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 Shahra-e-Faisal, Karachi.

Bankers to the Fund

Al-Baraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
United Bank Limited
Bank Al-Habib Limited
Dubai Islamic Bank Pakistan Limited
Silk Bank Limited
Summit Bank Limited
Sindh Bank Limited
JS Bank Limited

NAFA ISLAMIC ASSET ALLOCATION FUND

Auditors

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court,
A-35, Block 7 & 8,
KCHSU, Sharae Faisal
Karachi-75350 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.nbpifunds.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 ASSET ALLOCATION FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the condensed unaudited financial statements of **NAFA Islamic Asset Allocation Fund (NIAAF)** for the quarter ended September 30, 2018.

Fund's Performance

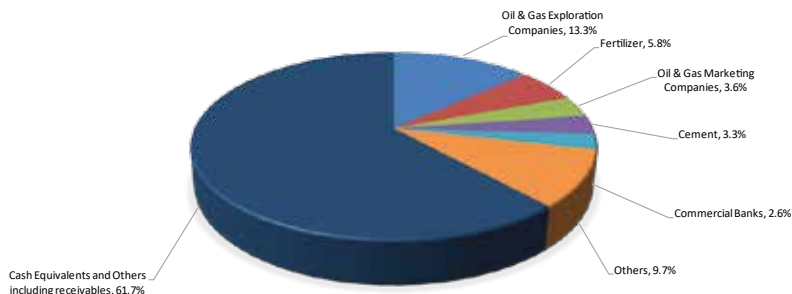
The size of NAFA Islamic Asset Allocation Fund has decreased from Rs. 11,502 million to Rs. 11,366 million during the period, i.e. a decrease of 1%. During the period, the unit price of NAFA Islamic Asset Allocation Fund has decreased from Rs. 15.5128 on June 30, 2018 to Rs. 15.4226 on September 30, 2018, thus showing a decrease of 0.58%. The Benchmark decrease during the same period was 0.66%. Thus, the Fund has outperformed its Benchmark by 0.08% during the period under review. Since inception the NAV of the Fund has increased from Rs.3.8230 (Ex-Div) on October 26, 2007 to Rs. 15.4226 on September 30, 2018, thus showing an increase of 303.42%. During the said period, the Benchmark increased by 172.23%, translating into outperformance of 131.19%. This performance is net of management fee and all other expenses.

Amid amplified volatility, the stock market struggled during 1QFY2019 as the benchmark KMI-30 Index witnessed a decline of 2.6%. Lackluster performance of the stock market is primarily attributable to continued concerns on the twin deficits issue (Current Account Deficit & Fiscal Deficit) facing 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. However, initially, the market celebrated the outcome of elections with a decent recovery of 6.4% 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 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 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 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 deficit 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 hikes 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 bps, 77 bps, and 102 bps, respectively.

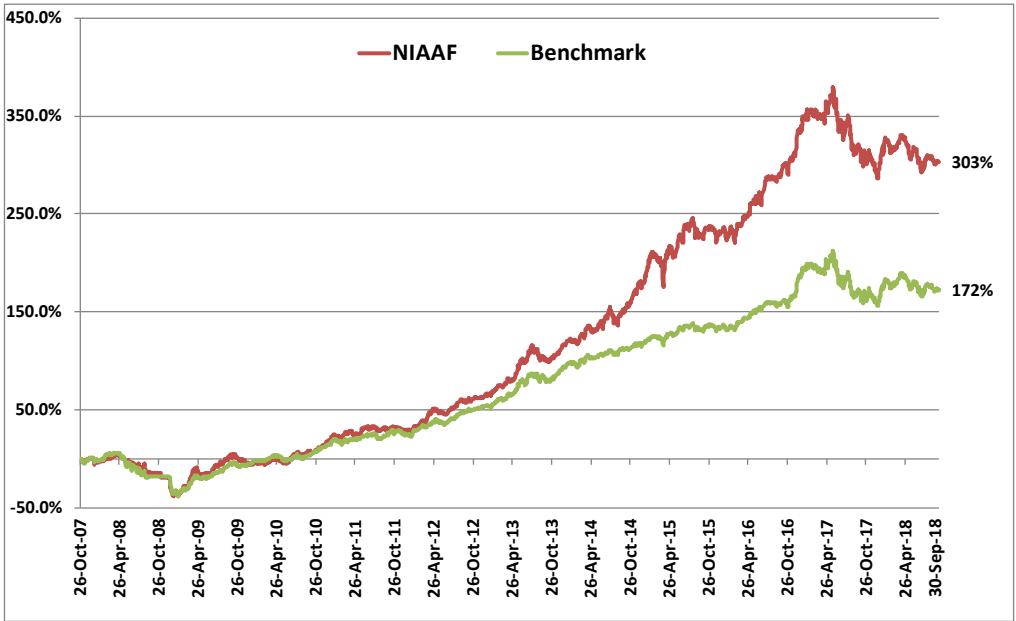
During the period, trading activity in corporate TFCs/Sukuks increased albeit from a low level with a cumulative trade value of around Rs. 3.8 billion as compared to Rs. 2.4 billion in the same period last year with Corporate Sukuk sector making up the lion's share.

NAFA Islamic Asset Allocation Fund has earned a total income of Rs.16.96 million during the period. After incurring total expenses of Rs.88.43 million, the net loss is Rs.71.47 million. The asset allocation of the Fund as on September 30, 2018 is as follows:



NAFA ISLAMIC ASSET ALLOCATION FUND

NAFAF Performance versus Benchmark (Since Inception)



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.

NAFA ISLAMIC ASSET ALLOCATION FUND

ڈائریکٹرز رپورٹ

این بی پی فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFSA اسلامک ایسٹٹ ایلیکشن فنڈ (NIAAF) کی 30 ستمبر 2018 کو ختم ہونے والی سہ ماہی کے لیے کنڈینسڈ غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

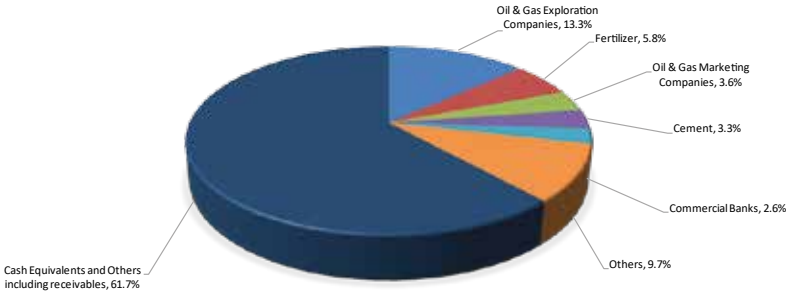
NAFA اسلامک ایسٹٹ ایلیکشن فنڈ (NIAAF) کا ساڑھے ساڑھے مدت کے دوران 11,502 ملین روپے سے کم ہو کر 11,366 ملین روپے ہو گیا ہے، یعنی 1% کمی کی۔ اس مدت کے دوران NAFA اسلامک ایسٹٹ ایلیکشن فنڈ (NIAAF) کے یونٹ کی قیمت 30 جون 2018 کو 15.5122 روپے سے کم ہو کر 30 ستمبر 2018 کو 15.4226 روپے ہو چکی ہے، لہذا 0.58% کمی کی آئی۔ اسی مدت کے لیے بیچ مارک کم ہو کر 0.66% ہو گیا۔ لہذا زبرد جائزہ مدت کے دوران فنڈ نے اپنے بیچ مارک سے 0.08% کی بہتر کارکردگی دکھائی۔ اپنے آغاز سے اب تک فنڈ کی NAV 26 اکتوبر 2007 کو 3.8230 روپے (Ex-Div) سے بڑھ کر 30 ستمبر 2018 کو 15.4226 روپے ہو چکی ہے، یعنی 303.42% کا اضافہ دیکھنے میں آیا۔ مذکورہ مدت کے دوران بیچ مارک بڑھ کر 172.23% ہو گیا، جس سے 131.19% کی بہتر کارکردگی نظر آئی۔ یہ کارکردگی منجھت فیس اور دیگر تمام اخراجات کے بعد حاصل ہے۔

بڑھتی ہوئی اتار چڑھاؤ کی بنا پر مالی سال 2019 کی پہلی سہ ماہی میں مارکیٹ دباؤ کا شکار رہی اور KMI انڈیکس مقررہ حد سے 2.6% نیچے گر گیا۔ اسٹاک مارکیٹ کی متزلزل کارکردگی کی بڑی وجہ معیشت کے باب میں دھڑے خشاروں کے مسائل (کرنٹ اکاؤنٹ کا خسارہ اور مالیاتی خسارہ) تھے۔ زبرد جائزہ سہ ماہی کا آغاز مارکیٹ میں منفی اثر سے ہوا جو عام انتخابات کے نتیجے میں ایک معلق 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 اسی نمایاں مقام حاصل ہوا جس کی وجہ سے ملکی سیاست میں غیر یقینی کی کیفیت ختم ہوئی۔ تاہم مقامی سطح پر سرمایہ کار کا رجحان مثبت و قوی 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 افزائش میں خدشات کے پیش نظر اور زبرد سہ ماہی کے خزانہ 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 ارجنٹائن 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 افزائش 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۔ افزائش کے خدشات اور شرح سود میں اضافے کے پیش نظر سرمایہ کاروں نے حکومت کی قلیل المدت سیکورٹیز کو ترجیح دی جس کا اندازہ 3-month ٹی بلز میں ان کی بھاری تعداد میں شرکت سے ہوتا ہے۔ پالیسی کی شرح میں اضافے سے بڑی سیکورٹیز پر نمائش اور قلیل المدت ٹی بلز کے نتائج میں 142-136 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۔

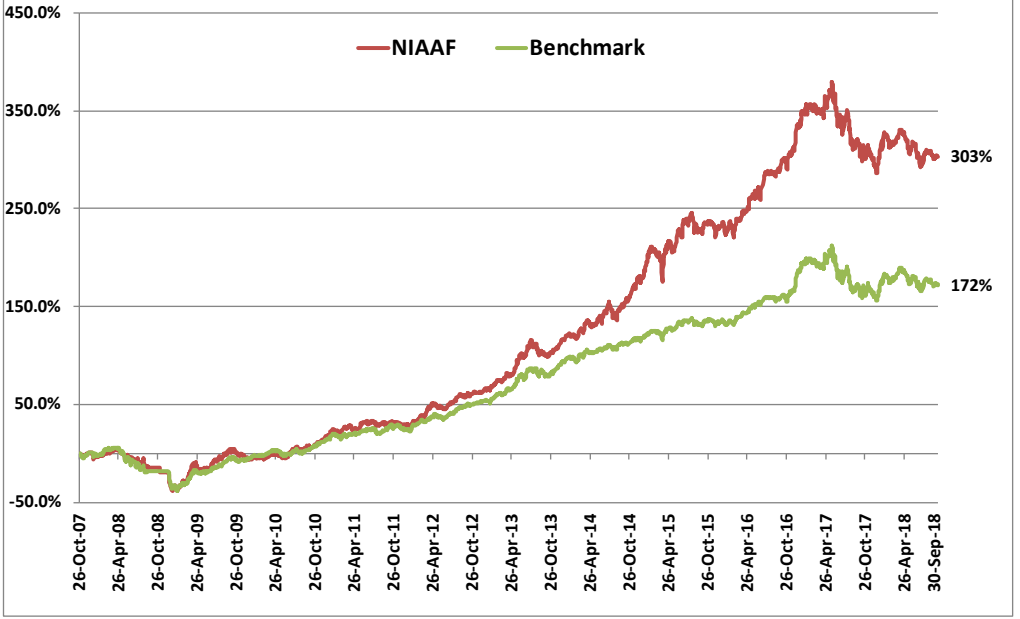
اس مدت میں کارپوریٹ بیس TFCs اسٹاک میں تجارتی سرگرمیوں کی چٹائی میں اضافہ ہوا اور مجموعی تجارتی قیمت اس سال تقریباً 3.8 بلین روپے ہو گئی جبکہ گزشتہ سال یہ 2.4 بلین روپے تھی جو کہ کارپوریٹ اسٹاک کے شعبہ میں سب سے بڑا حصہ ہے۔

NAFA اسلامک ایسٹٹ ایلیکشن فنڈ (NIAAF) نے اس مدت کے دوران 16.96 بلین روپے کی مجموعی آمدنی کمائی 88.43 بلین روپے کے اخراجات منہا کرنے کے بعد فنڈ کو خالص نقصان 71.47 بلین روپے ہوا۔ فنڈ کی ایسٹٹ ایلیکشن 30 ستمبر 2018 کو برعکس ذیل ہے:



NAFA ISLAMIC ASSET ALLOCATION FUND

بچہ مارک کے مقابلے میں NIAAF کی کارکردگی (اپنے قیام سے اب تک)



اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجھٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ اینڈ اسٹیٹس 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 فنڈ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

30 اکتوبر 2018ء

مقام: کراچی

NAFA ISLAMIC ASSET ALLOCATION FUND

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

	Un-Audited September 30, 2018	Audited June 30, 2018
Note	(Rupees in '000)	
Assets		
Balances with banks	7,147,144	6,412,181
Investments	4,349,468	5,230,962
Dividend and profit receivable	107,260	40,908
Advances, Deposits, prepayments and other receivable	5,443	5,314
Total assets	11,609,315	11,689,365
Liabilities		
Payable to Management Company	86,274	78,944
Payable to Trustee	1,145	1,178
Payable to Securities and Exchange Commission of Pakistan	2,743	12,375
Payable against purchase of Investments	57,796	-
Accrued expenses and other liabilities	95,595	94,519
Total liabilities	243,553	187,016
Net Assets	11,365,762	11,502,349
Unit Holders' Funds (as per statement attached)	11,365,762	11,502,349
Commitments	14 -	-
-----Number of units-----		
Number of units in issue	736,955,286	741,473,825
-----Rupees-----		
Net asset value per unit	15.4226	15.5128

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Note	Quarter Ended September 30, 2018	Quarter Ended September 30, 2017
(Rupees in '000)			
INCOME			
(Loss) on sale of investments - net		(55,389)	(127,490)
Profit on bank deposits		126,176	86,490
Dividend income		61,267	57,331
Unrealised (loss) on investments at fair value through profit or loss - net		(115,090)	(908,546)
Total Income / (loss)		16,964	(892,215)
EXPENSES			
Remuneration of the Management Company		57,743	72,453
Sindh Sales Tax on Management Fee		7,507	9,419
Reimbursement of operational expenses to the Management Company		2,887	3,623
Selling and marketing expenses charged by the Management Company		11,549	14,491
Remuneration of the Trustee		3,139	3,875
Sindh Sales Tax on Trustee Fee		408	504
Annual fee - Securities and Exchange Commission of Pakistan		2,743	3,442
Securities transaction cost		2,012	2,141
Settlement and bank charges		80	539
Annual listing fee		14	14
Auditors' remuneration		180	180
Rating fee		45	45
Other expenses		105	123
Legal and Professional charges		18	105
Total Expenses		88,430	110,954
Net (loss) from operating activities		(71,466)	(1,003,169)
Provision for sindh workers' welfare fund	7	-	-
Net (loss) for the period before taxation		(71,466)	(1,003,169)
Taxation	10	-	-
Net (loss) for the period after taxation		(71,466)	(1,003,169)
Earning per unit	9		
Allocation of Net income for the period:			
Net income for the period after taxation		-	-
Income already paid on units redeemed		-	-
Accounting income available for distribution:			
- Relating to Capital Gains		-	-
- Excluding Capital Gains		-	-
Accounting Income available for Distribution		-	-

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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

	Quarter Ended September 30, 2018	Quarter Ended September 30, 2017
	(Rupees in '000)	
Net (loss) for the period after taxation	(71,466)	(1,003,169)
Other comprehensive income	-	-
Total comprehensive (loss) for the period	<u>(71,466)</u>	<u>(1,003,169)</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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

	Quarter Ended September 30, 2018	Quarter Ended September 30, 2017
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) for the period	(71,466)	(1,003,169)
Adjustments		
Unrealised loss on investments at fair value through profit or loss - net	115,090	908,546
loss on sales of investments	55,389	127,490
	<u>99,013</u>	<u>32,867</u>
(Increase) / Decrease in assets		
Receivable against sale of investments	-	(14,370)
Investments	711,015	62,674
Dividend and profit receivable	(66,352)	(27,756)
Advances, Deposits, prepayments and other receivable	(129)	(1,400)
	<u>644,534</u>	<u>19,148</u>
Increase / (decrease) in liabilities		
Payable to Management Company	7,330	(12,595)
Payable against sale of investments	57,796	(2,027)
Payable to Trustee	(33)	(175)
Payable to Securities and Exchange Commission of Pakistan	(9,632)	(6,839)
Accrued expenses and other liabilities	1,076	9,109
	<u>56,537</u>	<u>(12,527)</u>
Net cash generated from operating activities	<u>800,084</u>	<u>39,488</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	843,835	3,050,058
Payments on redemption of units	(908,956)	(2,831,307)
Distribution paid	-	(13,192)
Net cash (outflow) / inflow from financing activities	<u>(65,121)</u>	<u>205,559</u>
Net increase in cash and cash equivalents during the period	<u>734,963</u>	<u>245,047</u>
Cash and cash equivalents at the beginning of the period	6,412,181	6,044,017
Cash and cash equivalents at the end of the period	<u>7,147,144</u>	<u>6,289,064</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ASSET ALLOCATION FUND

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 Asset Allocation Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through supplemental trust deed executed on October 07, 2013 for the change of name and categorization of the Fund as a shariah compliant asset allocation scheme.

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 SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The investment objective of the Fund is to generate income by investing in shariah compliant equity and equity related securities and income by investing in shariah compliant bank deposits, debt and money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and has assigned performance ranking of 3-star to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

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 VIIIA 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 VIIIA 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 VIIIA 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.

NAFA ISLAMIC ASSET ALLOCATION FUND

Name of the investee company	As at 01 July 2018	Purchases during the period	Bonus / right issue	Sales during the period	As at 30 Sep 2018	Market value at 30 Sep 2018	Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of paid up capital of the investee company
						(Number of shares)	(Rupees in '000)	%	%
CEMENT									
D.G. Khan Cement Company Limited	686,900	378,000	-	-	1,064,900	109,056	0.96	2.51	0.02
Lucky Cement Company Limited	189,200	68,750	-	24,000	233,950	120,002	1.06	2.76	0.04
Maple Leaf Cement Factory Limited	475,000	-	-	273,500	201,500	9,491	0.08	0.22	0.00
Attock Cement Pakistan Limited	914,300	-	-	869,900	44,400	6,570	0.06	0.15	0.01
Pioneer Cement Limited	1,065,200	-	-	166,500	898,700	39,058	0.34	0.90	0.02
Fecto Cement Limited	239,200	-	-	-	239,200	10,046	0.09	0.23	0.01
Kohat Cement Company Limited	574,600	-	-	270,900	303,700	38,005	0.33	0.87	0.02
Cherat Cement Company Limited	829,200	-	-	232,500	596,700	48,064	0.42	1.11	0.03
Industrial Transportation									
Pakistan National Shipping Corporation	169,200	-	-	17,000	152,200	9,884	0.09	0.23	0.01
TEXTILE COMPOSITE									
Nishat Mills Limited	1,951,800	284,100	-	810,600	1,425,300	200,383	1.76	4.61	0.06
Kohinoor Textile Limited	2,409,780	-	-	844,500	1,565,280	84,901	0.75	1.95	0.03
FERTILIZER									
Engro Corporation Limited	1,355,700	-	-	245,000	1,110,700	346,127	3.05	7.96	0.02
Engro Fertilizers Limited	4,227,000	290,000	-	362,000	4,155,000	313,661	2.76	7.21	0.06
Dawood Hercules Corporation Limited	267,200	-	-	267,200	-	-	-	-	-
POWER GENERATION AND DISTRIBUTION									
The Hub Power Company Limited	3,477,460	279,000	-	858,500	2,897,960	253,485	2.23	5.83	0.02
Laljir Power Limited	407,000	-	-	-	407,000	5,523	0.05	0.13	0.00
Kot Addu Power Company Limited	1,784,000	-	-	1,711,000	73,000	4,130	0.04	0.09	0.00
K-Electric Limited	14,505,000	-	-	12,415,000	2,090,000	11,182	0.10	0.26	0.00
COMMERCIAL BANKS									
Meezan Bank Limited	1,084,227	1,892,500	285,173	-	3,261,900	290,896	2.56	6.69	0.03
AUTOMOBILE ASSEMBLER									
Millat Tractors Limited	48,120	-	-	9,800	38,320	38,862	0.34	0.89	0.29
Honda Atlas Cars (Pakistan) Limited	56,900	-	-	56,900	-	-	-	-	-
Indus Motor Company Limited	22,040	-	-	22,040	-	-	-	-	-
AUTOMOBILE PARTS AND ACCESSORIES									
Baluchistan Wheels Limited	227,000	-	-	-	227,000	20,537	0.18	0.47	0.15
Thal Limited	62,397	-	-	62,396	1	0	0.00	0.00	0.00
PHARMACEUTICALS									
Abbott Laboratories (Pakistan) Limited	98,900	-	-	46,450	52,450	32,364	0.28	0.74	0.03
Ferozsons Laboratories Limited	51,200	-	-	-	51,200	8,645	0.08	0.20	0.03
The Searle Company Limited	79,767	-	-	75,000	4,767	1,506	0.01	0.03	0.00
Glaxosmithkline Pakistan Limited	97,100	-	-	-	97,100	14,353	0.13	0.33	0.00
TECHNOLOGY AND COMMUNICATION									
Avanceon Limited	634,000	-	-	-	634,000	52,597	0.46	1.21	0.05
Systems Limited	-	16,000	-	-	16,000	1,926	0.02	0.04	0.00
CABLE AND ELECTRIC GOODS									
Pak Elektron Limited	-	830,000	-	-	830,000	25,514	0.22	0.59	0.01
GLASS AND CERAMICS									
Tariq Glass Industries Limited	1,147,200	-	-	264,900	882,300	83,616	0.74	1.92	0.11
Shabbir Tiles and Ceramics Limited	1,430,500	-	-	-	1,430,500	26,965	0.24	0.62	0.04
MISCELLANEOUS									
Synthetic Products Limited	370,500	2,000	-	-	372,500	14,155	0.12	0.33	0.02
Total - 30 September 2018	52,118,059	5,419,350	427,475	21,973,626	35,991,258	4,349,468	38.27	100	

Carrying value of investment before fair value adjustment

4,464,558

4.1.1 All shares have a nominal face value of Rs 10 each except for the shares of Thal Limited and K-electric which have a face value of Rs 5 & Rs. 3.5 respectively.

NAFA ISLAMIC ASSET ALLOCATION FUND

4.2 Sukuk bonds - at fair value through profit or loss (Reclassified)

Name of investee company	Note	Number of certificates				Market value as at September 30, 2018	Investment as a percentage of Net assets
		As at July 1, 2018	Purchased during the year	Sold / Matured during the year	As at September 30, 2018		
Eden Housing Limited (Note 4.2.3)	4.2.3	5,000	-	-	5,000	-	-
Carrying value as at September 30, 2018					4,922		

4.2.1 All sukuk bonds have a face value of Rs 5,000 each.

4.2.2 Fair value of all performing listed term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

4.2.3 This represents investment in privately placed sukuk bonds issued with a term of five years. On 6 May 2011, these Sukuks have been classified as non performing by MUFAP.

5 DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable on equity securities
Profit receivable on savings deposits

Un-Audited September 30, 2018	Audited June 30, 2018
61,371	7,765
45,889	33,143
<u>107,260</u>	<u>40,908</u>

(Rupees in '000)

6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration
Federal Excise Duty on remuneration of the Management Company
Brokerage payable
Bank charges payable
Settlement charges
Charity payable
Printing charges
Others
Withholding tax
Capital gain tax
Provision for Sindh Workers' Welfare Fund

225	435
18,406	18,406
517	545
100	136
22	141
11,477	10,848
39	43
1,040	1,020
946	101
1,961	1,982
<u>60,862</u>	<u>60,862</u>
<u>95,595</u>	<u>94,519</u>

7 Sindh Workers' Welfare Fund (SWWF)

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. 60.862 million (September 30, 2017: Rs. 60.862 million). Had the provision not being made, the net asset value per unit as at September 30, 2018 would have been higher by Rs.0.0826 per unit (September 30, 2017: Rs. 0.0696) per unit.

8 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include NBP Fund Management Limited (NAFA) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

NAFA ISLAMIC ASSET ALLOCATION FUND

Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

	Un-Audited Quarter Ended September 30, 2018	Un-Audited Quarter Ended September 30, 2017
8.1 Details of the transactions with connected persons are as follows:	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Management fee expense for the period	57,743	72,453
Sindh Sales Tax for the period on Management Fee	7,507	9,419
Front end load for the period	13,397	35,093
Accounting and operational charges to the Management Company	2,887	3,623
International Industries Limited (Common directorship with the Management Company)		
Shares purchased Nil (2017: 12,000)	-	3,910
Dividend income	-	276
International Steel Limited (Common directorship with the Management Company)		
Shares purchased Nil (2017: 167,000)	-	20,743
Shares sold Nil (2017: 110,000)	-	13,373
Dividend income	-	1,032
Cherat Cement Company Limited (Common directorship with the Management Company)		
Shares purchased Nil (2017: 955,100)	-	152,289
Bank Islami Pakistan Limited (Common directorship with the Management Company)		
Profit on bank deposits	40,719	28,227
Taurus Securities (Private) Limited		
Brokerage	111	67
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee for the period	3,139	3,875
Sindh Sales Tax on Trustee Fee	408	504
CDS charges	19	46
Employees of the Management Company		
Dividend Re-invest Nil (2017: 2,508 units)	-	40
Units Issued 76,141 (2017: 166,132 units)	1,158	2,793
Units Redeemed 85,243 (2017: 178,546 units)	1,288	2,953
NAFA Islamic Principal Preservation Fund		
Units Issued Nil (2017: 13,735 units)	-	220
Units Redeemed Nil (2017: 167,674 units)	-	2,893
Telenor Pakistan (Private) Limited Employees Provident Fund (Islamic) (Portfolio managed by Management Company)		
Units Issued Nil (2017: 339,879)	-	5,779
National Fullerton Asset Management Limited Employees Provident Fund (Provident Fund of Management Company)		
Units Redeemed 303,304 (2017: Nil)	4,593	-

NAFA ISLAMIC ASSET ALLOCATION FUND

	Un-Audited As at September 30, 2018	Audited As at June 30, 2018
	(Rupees in '000)	
8.2 Amounts outstanding as at quarter end		
NBP Fund Management Limited - Management Company		
Management Fee payable	18,737	19,328
Sindh Sales Tax on remuneration of the Management Company	2,433	2,510
Operational expenses	2,887	6,152
Sales load	5,947	6,199
Sindh Sales Tax and Federal Excise Duty on sales load	20,114	20,147
Selling and Marketing Expenses	36,156	24,608
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	1,017	1,046
Sindh Sales Tax on remuneration of the Trustee	128	132
CDS charges	16	66
Security deposit	100	100
National Bank of Pakistan (Parent of the Management Company)		
Bank balances in current accounts	6,147	6,579
International Industries Limited (Common directorship with the Management Company)		
Ordinary shares held 137,900 (30 June 2018: 137,900 shares)	29,676	32,033
Dividend receivable	896	-
International Steel Limited (Common directorship with the Management Company)		
Ordinary shares held 1,025,300 (30 June 2018: 965,3000 shares)	93,272	98,171
Dividend receivable	3,076	-
Cherat Cement Company Limited (Common directorship with the Management Company)		
Ordinary shares held 596,700 (30 June 2018: 829,200 shares)	48,064	80,623
Bank Islami Pakistan Limited (Common directorship with the Management Company)		
Bank balances in saving accounts	2,599,202	1,141,367
Mark-up accrued	16,694	13,138
Askari Bank Limited (Common directorship with the Management Company)		
Bank balance in savings account	1,940	1,277
Summit Bank Limited (Common directorship with the Management Company)		
Bank balances in current accounts	12,492	12,559
Employees of the Management Company		
Investment held in the Fund 132,193 units (30 June 2018 141,295 units)	2,039	2,192
National Fullerton Asset Management Limited Employees Provident Fund (Provident Fund of Management Company)		
Investment held in the Fund 130,592 units (30 June 2018:433,896 units)	2,014	6,731

NAFA ISLAMIC ASSET ALLOCATION FUND

9 EARNING PER UNIT

Earning per unit (EPU) for the quarter ended September 30, 2018 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

10 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

11 DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

The Securities and Exchange Commission of Pakistan vide its circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets
Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular no. 7 of 2009	Sukuks (11.1)	4,922	-	(4,922)	-

11.1 At the time of purchase, these sukuks were in compliance with the aforementioned circular. However, they were subsequently defaulted or were downgraded to non investment grade.

12 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 3.06 % per annum 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.

13 SELLING AND MARKETING EXPENSES

In pursuance to Regulation 60(3)(V), selling and marketing expense is being charged to the fund having compliance with the conditions laid down by the regulator.

NAFA ISLAMIC ASSET ALLOCATION FUND

14 COMMITMENTS

There were no commitments as on September 30, 2018 and June 30, 2018.

15 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.

16 GENERAL

16.1 Figures have been rounded off to the nearest thousand rupees.

16.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purposes of better presentation. Except mentioned in Note 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

7th Floor, Clifton Diamond Building, Block No.4,
Scheme No.5, Clifton, Karachi.

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: INVEST to 9995

Fax: 021-35825335

Email: info@nbpffunds.com

Website: www.nbpffunds.com

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