



NBP FUNDS

Managing Your Savings

Islamic Savings

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اسلامک سیونگز

NAFA ISLAMIC ACTIVE ALLOCATION FUND-III

**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 ACTIVE ALLOCATION FUND-III

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

Allied Bank Limited
United Bank Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Meezan Bank Limited

NAFA ISLAMIC ACTIVE ALLOCATION FUND-III

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: 021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbpffunds.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 ACTIVE ALLOCATION FUND-III

DIRECTORS' REPORT

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

Fund's Performance

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income/Money Market Funds.

NAFA Islamic Active Allocation Fund-III has been constituted in the form of a Trust Scheme that shall invest in following Collective Investment Schemes through five (5) Allocation Plans including NAFA Islamic Capital Preservation Plan-III (NICPP-III) & NAFA Islamic Capital Preservation Plan-IV (NICPP-IV).

Islamic Income Fund:	NAFA Active Allocation Riba Free Savings Fund
Islamic Money Market:	NAFA Islamic Money Market Fund
Islamic Equity Fund:	NAFA Islamic Active Allocation Equity Fund

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 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 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 Balochistan 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.

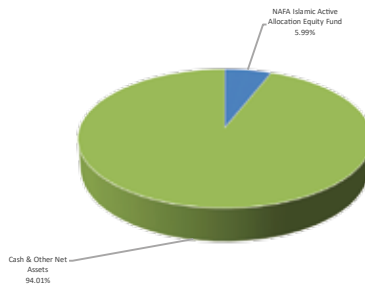
During the period, trading activity in corporate TFCs/Sukuks increased albeit from a low level with a cumulative trade value of around Rs. 3.8 billion as compared to Rs. 2.4 billion in the same period last year with Corporate Sukuk sector making up the lion's share.

NAFA Islamic Capital Preservation Plan-III (NICPP-III)

Plan's Performance

During the period, the unit price of NAFA Islamic Capital Preservation Plan-III (NICPP-III) has increased from Rs. 100.0005 (Ex-Div) on June 30, 2018 to Rs. 101.0252 on September 30, 2018, thus showing an increase of 1.02%. The Benchmark increased by 0.29%. Thus, the Fund has outperformed its Benchmark by 0.73%. Since inception, the unit price of NAFA Islamic Capital Preservation Plan-III (NICPP-III) has increased from Rs.99.9044 on June 22, 2018 to Rs.101.0252 on September 30, 2018, thus showing an increase of 1.12%. The Benchmark increased during the same period was 0.33%. Thus, the Fund has outperformed its Benchmark by 0.79%. This performance is net of management fee and all other expenses. The size of the Plan is Rs.820 million.

NICPP-III has earned Income of Rs.12.90 million during the period. After accounting for expenses of Rs.4.06 million, the net Income is Rs.8.84 million. The asset allocation of the Plan as on September 30, 2018 is as follows:



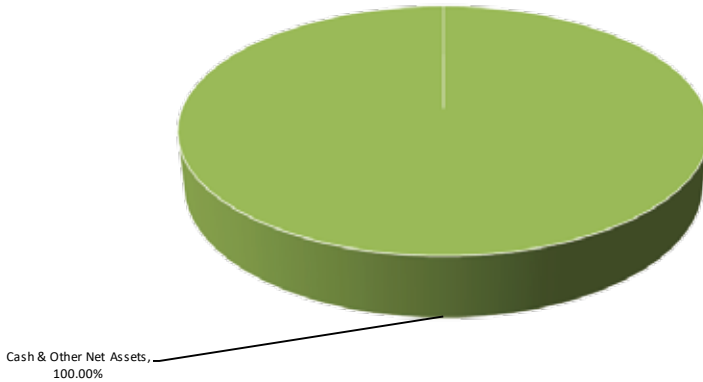
NAFA ISLAMIC ACTIVE ALLOCATION FUND-III

NAFA Islamic Capital Preservation Plan-IV (NICPP-IV)

Plan's Performance

Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-IV (NICPP-IV) has increased from Rs. 100.00 on September 14, 2018 to Rs. 100.2561 on September 30, 2018, thus showing an increase of 0.26%. The Benchmark return during the same period was increased by 0.12%. Thus, the Fund has outperformed its Benchmark by 0.14%. This performance is net of management fee and all other expenses. The size of the Plan is Rs. 611 million.

NICPP-IV has earned Income of Rs.1.80 million during the period. After accounting for expenses of Rs.0.45 million, the net Income is Rs.1.35 million. The asset allocation of the Plan as on September 30, 2018 is as follow:



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
Date: October 30, 2018
Place: Karachi

Director

ڈائریکٹرز رپورٹ

این بی پی فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک ایکٹیو ایلوکیشن فنڈ-III (NIAAF-III) 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

اس فنڈ کا مقصد سرمایہ کاروں کو عمدہ نظم و نسق والے شریعہ کیپلائٹ ایکٹیو فنڈ اور انکم منی مارکیٹ فنڈز سے پرکشش منافع کمانے کا موقع فراہم کرنا ہے۔
NAFA اسلامک ایکٹیو ایلوکیشن فنڈ-III کو ایک ٹرسٹ اسکیم کی شکل میں تیار کیا گیا ہے جو پانچ (5) ایلوکیشن پلانز کے ذریعے مشترکہ سرمایہ کاری کی اسکیموں میں سرمایہ کاری کرے گا۔ جس میں NAFA اسلامک کیپیٹل پریزیوشن پلان III-(NICPP-III) اور NAFA اسلامک کیپیٹل پریزیوشن پلان IV (NICPP-IV) شامل ہیں۔

☆ اسلامک انکم فنڈ NAFA ایکٹیو ایلوکیشن ریٹرن سیویٹگز فنڈ

☆ اسلامک منی مارکیٹ فنڈ NAFA اسلامک منی مارکیٹ فنڈ

☆ اسلامک ایکٹیو فنڈ NAFA اسلامک ایکٹیو ایلوکیشن ایکٹیو فنڈ

برصغیر ہونی اتار چڑھاؤ کی بنا پر مالی سال 2019 کی پہلی سہ ماہی میں مارکیٹ دباؤ کا شکار رہی اور KMI 30 انڈیکس مقررہ حد سے %2.6 نیچے گر گیا۔ اسٹاک مارکیٹ کی متزلزل کارکردگی کی بڑی وجہ معیشت کے باب میں دوہرے خساروں کے مسائل (کرنٹ اکاؤنٹ کا خسارہ اور مالیاتی خسارہ) تھے۔ زبرد جاڑہ سہ ماہی کا آغاز مارکیٹ میں منفی اثر سے ہوا جو اعتماد خرابی 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 الیکشن کے نتائج سے مارکیٹ میں کچھ خوشی کی لہر دوڑ گئی اور تین تجارتی اجلاسوں میں %6.4 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 نمائیاں مقام حاصل ہوا جس کی وجہ سے ملکی سیاست میں غیر یقینی کی کیفیت ختم ہوئی۔ تاہم مقامی سطح پر سرمایہ کار کا رجحان 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 افراط زر میں خدشات کے پیش نظر اور مزید مبادلہ 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 انٹرنیشنل کمپنیز اور انفرادی سرمایہ کار کے حصے میں آیا۔ ابھرتی ہوئی مارکیٹ جیسے ترقی اور رجحانات 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 ریگولٹری 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 شعبے پر بہت زیادہ انحصار رکھنا 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 اندازہ 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 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۔

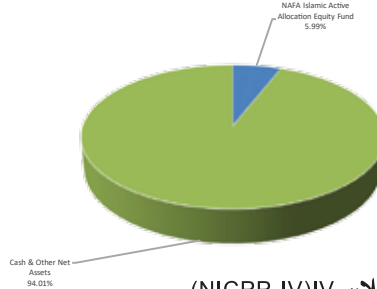
اس مدت میں کارپوریٹ TFCs / سکوک میں تجارتی سرگرمیوں کی چٹائی سطح میں اضافہ ہوا اور مجموعی تجارتی قیمت اس سال تقریباً 3.8 بلین روپے ہو گئی جبکہ گزشتہ سال یہ 2.4 بلین روپے تھی جو کہ کارپوریٹ سکوک کے شعبے میں سب سے بڑا حصہ ہے۔

NAFA ISLAMIC ACTIVE ALLOCATION FUND-III

NAFA اسلامک کیپیٹل پریزرویشن پلان III (NICPP-III) فنڈ کی کارکردگی

اس مدت کے دوران NAFA اسلامک کیپیٹل پریزرویشن پلان III (NICPP-III) کے یونٹ کی قیمت 30 جون 2018 کو 100.0005 روپے (Ex-Div) سے بڑھ کر 30 ستمبر 2018 کو 101.0252 روپے ہو گئی ہے، لہذا 1.02% کا اضافہ ظاہر ہوا ہے۔ سچ مارک 0.29% سے بڑھ گیا۔ لہذا فنڈ نے اپنے سچ مارک کے مقابلے میں 0.73% کی بہتر کارکردگی کا مظاہرہ کیا۔ 22 جون 2018 کو اپنے قیام کے وقت NAFA اسلامک کیپیٹل پریزرویشن پلان III (NICPP-III) کے یونٹ کی قیمت 99.9044 روپے (Ex-Div) سے 30 ستمبر 2018 کو 101.0252 روپے تک بڑھ چکی ہے، لہذا 1.12% کا اضافہ دکھایا۔ اسی مدت کے دوران سچ مارک بڑھ کر 0.33% تھا۔ لہذا فنڈ نے اپنے سچ مارک سے 0.79% کی بہتر کارکردگی کا مظاہرہ کیا ہے۔ یہ کارکردگی منجنت فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 820 ملین روپے ہے۔

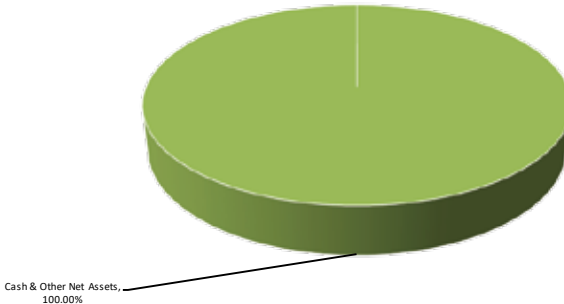
NAFA اسلامک کیپیٹل پریزرویشن پلان III (NICPP-III) نے اس مدت کے دوران 12.90 ملین روپے کی مجموعی آمدنی کمائی۔ 4.06 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 8.84 ملین روپے رہی۔ فنڈ کی ایسیٹ ایلوکیشن 30 ستمبر 2018 کو بمطابق ذیل ہے:



NAFA اسلامک کیپیٹل پریزرویشن پلان IV (NICPP-IV) فنڈ کی کارکردگی

اپنے آغاز سے اب تک، NAFA اسلامک کیپیٹل پریزرویشن پلان IV (NICPP-IV) کے یونٹ کی قیمت 14 ستمبر 2018 کو 100.00 روپے سے بڑھ کر 30 ستمبر 2018 کو 100.2562 روپے ہو گئی ہے، لہذا 0.26% کا اضافہ ظاہر ہوا ہے۔ اسی مدت کے لیے سچ مارک منافع 0.12% سے بڑھ گیا۔ لہذا فنڈ نے اپنے سچ مارک کے مقابلے میں 0.14% کی بہتر کارکردگی کا مظاہرہ کیا۔ یہ کارکردگی منجنت فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 611 ملین روپے ہے۔

NAFA اسلامک کیپیٹل پریزرویشن پلان IV (NICPP-IV) نے اس مدت کے دوران 1.80 ملین روپے کی مجموعی آمدنی کمائی۔ 0.45 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 1.35 ملین روپے رہی۔ فنڈ کی ایسیٹ ایلوکیشن 30 ستمبر 2018 کو بمطابق ذیل ہے:



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 شکر یہ 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 رٹرنس 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 ACTIVE ALLOCATION FUND-III

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

	-----Un-Audited----- -----SEPTEMBER 30,2018-----			-----Audited----- ----JUNE 30,2018----
	NICPP-III	NICPP-IV	Total	NICPP-III
Note	------(Rupees in 000)-----			-----(Rupees in 000)---
ASSETS				
Balances with banks	769,852	623,420	1,393,272	978,453
Investments	49,085	-	49,085	-
Profit receivable	4,779	1,797	6,576	1,291
Advance and other receivable	220	-	220	104
Preliminary and floatation costs	2,039	1,330	3,369	3,878
Total assets	825,975	626,547	1,452,522	983,726
LIABILITIES				
Payable to NBP Fund Management Limited - Management Company	3,527	15,768	19,295	28,913
Payable to Central Depository Company of Pakistan Limited - Trustee	77	26	103	20
Payable to Securities and Exchange Commission of Pakistan	208	22	230	18
Accrued expenses and other liabilities	2,397	62	2,459	165
Total liabilities	6,209	15,878	22,087	29,116
NET ASSETS	819,766	610,669	1,430,435	954,610
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)	819,766	610,669	1,430,435	954,610
CONTINGENCIES AND COMMITMENTS				
Number of units in issue	8,114,473	6,091,095		9,536,930
	-----Rupees-----			-----Rupees-----
NET ASSET VALUE PER UNIT	101.0252	100.2561		100.0962

The annexed notes 1 to 14 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 ACTIVE ALLOCATION FUND-III

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

	QUARTER ENDED SEPTEMBER 30, 2018		
	NICPP-III	NICPP-IV	Total
Note	(Rupees in 000)		
INCOME			
Profit on bank deposits	14,817	1,797	16,614
Net unrealised (diminution) on re-measurement as 'financial assets at fair value through profit or loss'	(1,915)	-	(1,915)
Total Profit	12,902	1,797	14,699
EXPENSES			
Remuneration of NBP Fund Management Limited Management Company	2,119	233	2,352
Sindh sales tax on remuneration of the Management Company	276	30	306
Remuneration of Central Depository Company Of Pakistan Limited - Trustee	219	23	242
Sindh Sales Tax on Remuneration Of the Trustee	29	3	32
Annual fee - Securities and Exchange Commission of Pakistan	208	22	230
Settlement and bank charges	86	26	112
Auditors' remuneration	90	16	106
Annual Listing Fee	1	-	1
Accounting and operational charges to the Management Company	219	23	242
Legal & Professional charges	23	1	24
Shariah Advisor Fee	121	16	137
Amortisation of Formation Cost	480	31	511
Printing charges	8	-	8
Total Expenses	3,879	424	4,303
Net Income from operating activities	9,023	1,373	10,396
Provision for Sindh Workers' Welfare Fund	7 (180)	(27)	(207)
Net Profit for the period before taxation	8,843	1,346	10,189
Taxation	9 -	-	-
Net Profit for the period after taxation	8,843	1,346	10,189
Earnings per unit	10		
Allocation of Net income for the period:			
Net income for the period after taxation	8,843	1,346	10,189
Income already paid on units redeemed	(543)	(9)	(552)
	8,300	1,337	9,637
Accounting income available for distribution			
-Relating to capital gains	-	-	-
-Excluding capital gains	8,300	1,337	9,637
	8,300	1,337	9,637

The annexed notes 1 to 14 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 ACTIVE ALLOCATION FUND-III

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

	QUARTER ENDED SEPTEMBER 30, 2018		
	NICPP-III	NICPP-IV	Total
	----- (Rupees in 000) -----		
Net Profit for the period after taxation	8,843	1,346	10,189
Other Comprehensive Income	-	-	-
Total comprehensive Income for the period	<u>8,843</u>	<u>1,346</u>	<u>10,189</u>

The annexed notes 1 to 14 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 ACTIVE ALLOCATION FUND-III

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	For the period ended September 30, 2018			For the period from September 14, 2018 to September 30, 2018		
	NICPP-III			NICPP-IV		
	Rupees in '000			Rupees in '000		
	Capital Value	Undistributed income / (loss)	Total	Capital Value	Undistributed income / (loss)	Total
Net assets at beginning of the period	953,819	791	954,610	-	-	-
Issuance of 7,480 units including 1,255 additional units (NICPP-III), 6,187,246 units (NICPP-IV)						
- Capital value	628	-	628	618,724	-	618,724
- Refund of Capital	126	-	126	-	-	-
- Element of income	-	-	-	223	-	223
Total proceeds on issuance of units	754	-	754	618,947	-	618,947
Redemption of 1,429,937 units (NICPP-III), 96,151 units (NICPP-IV)						
- Capital value	(143,005)	-	(143,005)	(9,615)	-	(9,615)
- Element of loss	-	(543)	(543)	-	(9)	(9)
Total payments on redemption of units	(143,005)	(543)	(143,548)	(9,615)	(9)	(9,624)
Total comprehensive income for the period	-	8,843	8,843	-	1,346	1,346
Final Distribution @ Rs.0.0957 declared on July 04, 2018						
- Cash Distribution		(767)	(767)	-	-	-
- Refund of Capital	(126)	-	(126)	-	-	-
	(126)	(767)	(893)	-	-	-
Net assets at end of the period	811,442	8,324	819,766	609,332	1,337	610,669
Net assets at end of the period						
- Realised income		791				
- Unrealised income		-				
		<u>791</u>				
Accounting income available for distribution						
- Relating to capital gains		-				
- Excluding capital gains		8,300			1,337	
		8,300			1,337	
Distribution for the period		(767)			-	
Undistributed income carried forward		<u>8,324</u>			<u>1,337</u>	
- Realised income		10,239			1,337	
- Unrealised income		(1,915)			-	
		<u>8,324</u>			<u>1,337</u>	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the period				<u>100.0962</u>		<u>100.0000</u>
Net assets value per unit at end of the period				<u>101.0252</u>		<u>100.2561</u>

The annexed notes 1 to 14 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 ACTIVE ALLOCATION FUND-III

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

	-----Un-Audited----- QUARTER ENDED SEPTEMBER 30, 2018		
	NICCP-III	NICCP-IV	Total
	----- (Rupees in 000) -----		
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit for the period before taxation	8,843	1,346	10,189
Adjustments			
Net unrealised diminution on re-measurement of investments as 'financial assets at fair value through profit or loss'	1,915	-	1,915
Amortisation of Formation Cost	480	31	511
	11,238	1,377	12,615
(Increase) in assets			
Investments	(51,000)	-	(51,000)
Profit receivable	(3,488)	(1,797)	(5,285)
Preliminary and floatation costs	1,359	(1,361)	(2)
Other Receivable	(116)	-	(116)
	(53,245)	(3,158)	(56,403)
(Decrease) / Increase in liabilities			
Payable to NBP Fund Management Company Limited	(25,386)	15,768	(9,618)
Payable to Central Depository Company of Pakistan Limited - Trustee	57	26	83
Payable to Securities and Exchange Commission of Pakistan	190	22	212
Accrued expenses and other liabilities	2,232	62	2,294
	(22,907)	15,878	(7,029)
Net cash (used in) / generated from operating activities	(64,914)	14,096	(50,818)
CASH FLOW FROM FINANCING ACTIVITIES			
Net receipts from issue of units	628	618,947	619,575
Net payments on redemption of units	(143,548)	(9,624)	(153,172)
Distributions Paid	(767)	-	(767)
Net cash (used in) / generated from financing activities	(143,687)	609,323	465,636
Net (decrease) / increase in cash and cash equivalents during the period	(208,601)	623,420	414,819
Cash and cash equivalents at the beginning of the period	978,453	-	978,453
Cash and cash equivalents at the end of the period	769,852	623,420	1,393,272

The annexed notes 1 to 14 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 ACTIVE ALLOCATION FUND-III

NOTES TO AND FORMING PART OF THESE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Active Allocation Fund-III (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on March 30, 2018 between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee.

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 is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. During the period, the Fund has offered two plans namely NAFA Islamic Capital Preservation Plan – III (NICPP - III), NAFA Islamic Capital Preservation Plan – IV (NICPP - IV) . The units of the plans are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an Open-End "Shariah Compliant Fund of Funds" as per the criteria laid down by the SECP for categorization of Collective Investment Schemes (CIS).

The objective of NAFA Islamic Active Allocation Fund-III is to earn a potentially high return through dynamic asset allocation between Shariah Compliant Dedicated Equity and Money Market based Collective Investment Schemes, while providing Capital Preservation of the Initial Investment Value including sales load at completion of twenty four months and beyond. The investment objectives and policies are explained in the Fund's offering document. NICPP-III and NICPP-IV has an initial maturity of two years.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company as at 21 April 2017. 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 a Trustee of the Fund. The Fund property of different types of allocations plans shall be accounted for and maintained separately in books of accounts which shall collectively constitute the Fund property of the Scheme.

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 SUMMARY OF 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.

IFRS 9: Financial Instruments ("IFRS 9"):

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.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-III

4 INVESTMENT

*Financial assets at fair value through profit or loss
-Units of mutual funds

NICPP-III	NICPP-IV	Total
-----September 30,2018-----		
49,085	-	49,085

4.1 Investment in Funds NICPP III

Name of the investee company	Number Of Units					Balances as at SEPTEMBER 30, 2018		Market value as a percentage of net assets	Market value as a percentage of total investment	
	As at July 1, 2018	Purchases during the period	Bonus / right shares	Sales during the period	As at SEPTEMBER 30, 2018	Carrying Value	Market Value			
(Rs in '000')										
NAFA Islamic Active Allocation Equity Fund	-	4,393,728	-	-	4,393,728	51,000	49,085	5.99	100.00	
						4,393,728	51,000	49,085	5.99	100

Carrying value as at September 30, 2018

51,000

5 PROFIT RECEIVABLE

Profit receivable on balances with banks

-----Un-Audited-----			Audited
-----September 30,2018-----			June 30,2018
NICPP-III	NICPP-IV	TOTAL	NICPP-III
4,779	1,797	6,576	1,291
4,779	1,797	6,576	1,291

6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration
Bank charges
Legal Fee
Printing charges
With-Holding Tax payable
Shariah Advisor fee
WWF
Annual Listing Fee
CGT Payable

-----Un-Audited-----			Audited
-----September 30,2018-----			June 30,2018
NICPP-III	NICPP-IV	TOTAL	NICPP-III
46	16	62	76
44	-	44	21
33	1	34	15
16	-	16	35
1924	-	1,924	1290
132	16	148	37
197	27	224	-
1	-	1	-
4	-	4	-
2,397	62	2,459	1,474

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. 0.197 million and 0.027 million of NICPP III and NICPP IV respectively. Had the provision not being made, the net asset value per unit as at September 30, 2018 would have been higher by Rs.0.0242 and 0.0045 per unit respectively.

NAFA ISLAMIC ACTIVE ALLOCATION FUND-III

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at 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 1.86% and 0.33% p.a. including 0.32% and 0.06% representing government levies on collective Investment scheme of NICPP III and NICPP IV respectively, such as Sales tax, Sindh Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.

12 TRANSACTIONS WITH CONNECTED PERSONS

12.1 Connected persons include NBP Fund 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, NAFA provident Trust Fund being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

12.3 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.

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

-----Un-audited-----

QUARTER ENDED SEPTEMBER 30, 2018

	NICCP-III	NICCP-IV	Total
--	-----------	----------	-------

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

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

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	2,119	233	2,352
Sindh sales tax on remuneration of the Management Company	275	30	305
Accounting and operational charges to the Management Company	219	23	242
Preliminary expenses and floatation costs	479	30	509

Central Depository Company of Pakistan Limited - Trustee

Remuneration	219	23	242
Sindh sales tax on remuneration of Trustee	28	3	31

Investment in NAFA Islamic Active Allocation Equity Fund

Units purchased: 4,393,728 units (NICPP - III)	49,085	-	49,085
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NAFA ISLAMIC ACTIVE ALLOCATION FUND-III

	-----Un-Audited----- -----SEPTEMBER 30,2018-----			Audited JUNE 30,2018
	NICPP-III	NICPP-IV	Total	NICPP-III
	----(Rupees in 000)----			(Rupees in 000)
12.6 Amounts outstanding as at period end				
NBP Fund Management Limited - Management Company				
Management remuneration payable	644	233	877	184
Sindh sales tax payable on remuneration of the Management Company	84	30	114	24
Accounting and operational charges payable to the Management Company	219	23	242	18
Sales load payable to the Management Company	-	12,232	12,232	21,904
Sindh Sales Tax on sales load	-	1,360	1,360	2,847
Other payable to the Management Company	2,580	1,360	3,940	3,936
Preliminary expenses and floatation costs	2,565	1,320	3,885	3,921
Initial deposit on opening of bank accounts	-	10	10	15
Employees of the Management Company				
Units held: 2,017 units (NICPP-III) (June 30, 2018 2,105 units)	204	-	204	202
Central Depository Company of Pakistan Limited - Trustee				
Remuneration payable	68	23	91	18
Sales tax payable	9	3	12	2
NAFA Islamic Active Allocation Equity Fund				
Investment of: 4,393,728 units (NICPP - III),	49,085	-	49,085	-

13 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.

14 GENERAL

- 14.1 Figures have been rounded off to the nearest thousand rupees.
- 14.2 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

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

 /nbpffunds