



**NBP FUNDS**

*Managing Your Savings*

**AM1**

Rated by PACRA

## **NAFA INCOME OPPORTUNITY 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.

# NAFA INCOME OPPORTUNITY FUND

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# NAFA INCOME OPPORTUNITY 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 Shakra-e-Faisal, Karachi.

#### **Bankers to the Fund**

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
SILK Bank Limited  
Soneri Bank Limited  
The Bank of Panjab  
Summit Bank Limited  
Telenor Microfinance Bank Limited  
U Microfinance Bank Limited

# NAFA INCOME OPPORTUNITY FUND

## Bankers to the Fund

United Bank Limited  
Samba Bank Limited  
Al Baraka Bank Limited  
Meezan Bank Limited  
Sindh Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Khushhali Bank Limited  
Bankislami Pakistan Limited  
Zarai Taraqati Bank Limited  
Summit Bank Limited  
NRSP Microfinance Bank Limited

## 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.nbpffunds.com](http://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 INCOME OPPORTUNITY FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the unaudited Condensed Interim financial statements of **NAFA Income Opportunity Fund (NIOF)** for the quarter ended September 30, 2018.

### Fund's Performance

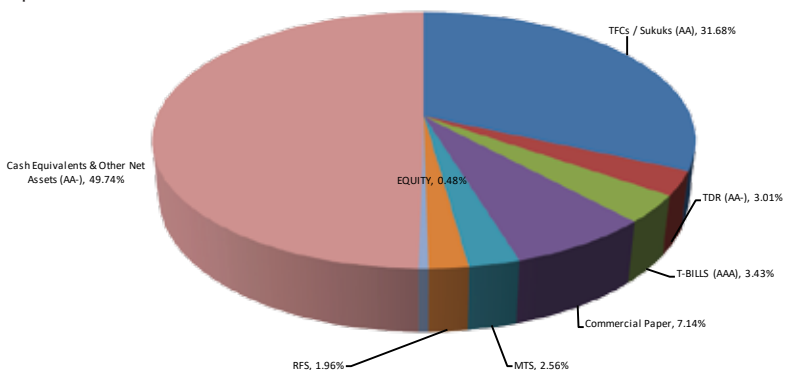
The size of NAFA Income Opportunity Fund has decreased from Rs. 6,351 million to Rs. 5,823 million during the quarter, i.e. a decline of around 8%. During the period under review, the unit price of the Fund has increased from Rs. 10.6964 (Ex-Div) on June 30, 2018 to Rs. 10.8945 on September 30, 2018; thus posting a return of 7.3% as compared to its Benchmark return of 7.9%. The performance of the Fund is net of management fee and all other expenses.

NIOF is categorized as an Income Scheme and has been awarded stability rating of A (f) by PACRA.

During the period under review, the SBP hiked the discount rate by 200 basis points to 9% driven by upside risks to inflation and to rein in demand pressures to address ballooning current account deficit coupled with dwindling FX reserves. 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.

The Fund has earned a total income of Rs.129.241 million during the year. After accounting for total expenses of Rs. 25.403 million, the net income is Rs. 103.838 million. The asset allocation of NAFA Income Opportunity Fund as on September 30, 2018 is as follows:



# NAFA INCOME OPPORTUNITY FUND

## Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of  
**NBP Fund Management Limited**

Chief Executive

Director

Date: October 30, 2018

Place: Karachi.

# NAFA INCOME OPPORTUNITY FUND

## ڈائریکٹرز رپورٹ

این بی پی فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA انکم آپرٹونٹی فنڈ (NIOF) کی 30 ستمبر 2018 کو ختم ہونے والی سہ ماہی کے لیے کنڈینیشنڈ غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

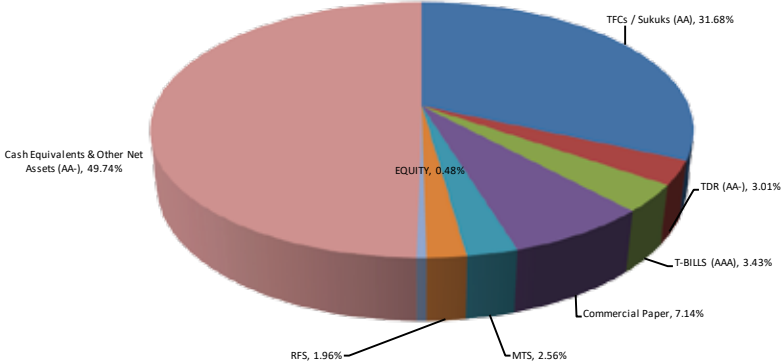
### فنڈ کی کارکردگی

NAFA انکم آپرٹونٹی فنڈ (NIOF) کا ساؤز اس سہ ماہی کے دوران 6,351 ملین روپے سے کم ہو کر 5,823 ملین روپے ہو گیا ہے، یعنی تقریباً 8% کی کمی۔ زیر جائزہ مدت کے دوران NAFA انکم آپرٹونٹی فنڈ (NIOF) کے اینٹ کی قیمت 30 جون 2018 کو 10.6964 روپے (Ex-Div) سے بڑھ کر 30 ستمبر 2018 کو 10.8945 روپے ہو چکی ہے، اور اس طرح فنڈ نے اپنے بیچ مارک منافع 7.9% کے مقابلے میں 7.3% کا اضافہ دکھایا ہے۔ فنڈ کی یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIOF کی درجہ بندی بطور ایک انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے (f) A کی مستحکم ریٹنگ دی گئی ہے۔ زیر جائزہ مدت کے دوران 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۔ 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 ریگولیشن ڈیولٹی 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 اضافہ 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 اضافہ 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 اسٹاک میں تجارتی سرگرمیوں کی چٹلی 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۔

فنڈ نے اس سال کے دوران 129,241 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 25,403 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 103,838 ملین روپے ہے۔ NAFA انکم آپرٹونٹی فنڈ کی ایسٹیمٹ ایلیکیشن 30 ستمبر 2018 کو بمطابق ذیل ہے:



# NAFA INCOME OPPORTUNITY FUND

## 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 آئی سی کی 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 آرٹسٹ 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 INCOME OPPORTUNITY FUND

## Condensed Interim Statement of Assets and Liabilities As at 30 September 2018

	(Unaudited) Note 30 September 2018	(Audited) 30 June 2018
	(Rupees in '000)	
<b>Assets</b>		
Balances with banks	2,889,181	3,641,276
Investments	4 2,777,408	2,426,121
Receivable against margin trading system	147,835	316,768
Income and profit receivable	50,424	36,800
Receivable against sale of investments	147,862	60,711
Deposit, prepayments and other receivables	14,141	9,991
<b>Total assets</b>	<b>6,026,851</b>	<b>6,491,667</b>
<b>Liabilities</b>		
Payable to Management Company	10,857	13,367
Payable to Central Depository Company of Pakistan Limited - Trustee	715	619
Payable to Securities and Exchange Commission of Pakistan - annual fee	1,172	6,233
Payable against purchase of investments	111,982	23,200
Accrued expenses and other liabilities	79,371	97,092
<b>Total liabilities</b>	<b>204,097</b>	<b>140,511</b>
<b>Net assets</b>	<b>5,822,754</b>	<b>6,351,156</b>
<b>Unit holders' fund</b>	<b>5,822,754</b>	<b>6,351,156</b>
<b>Contingencies and commitments</b>		
	(Number of units)	
<b>Number of units in issue</b>	<b>534,468,819</b>	<b>563,703,522</b>
	(Rupees)	
<b>Net assets value per unit</b>	<b>10.8945</b>	<b>11.2668</b>

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 INCOME OPPORTUNITY FUND

## Condensed Interim Income Statement (Unaudited) For the quarter ended 30 September 2018

	September 30 2018	September 30 2017
Note	(Rupees in '000)	
<b>Income</b>		
Return / mark-up on:		
- bank balances and term deposits	79,618	112,680
- term finance certificates and sukus	39,036	15,663
- government securities	3,899	11,225
- commercial paper	3,337	3,809
- margin trading system	2,847	4,025
- clean placement	-	1,989
Net income on spread transactions	79	(817)
Dividend income on spread transactions	2,151	3,715
Net loss on sale of investments	(126)	(13)
Net unrealised loss on re-measurement of investments	(11,693)	(7,563)
Reversal of provision in respect of non-performing investments	10,093	1,948
<b>Total income</b>	<b>129,241</b>	<b>146,661</b>
<b>Expenses</b>		
Remuneration of Management Company	14,432	21,806
Sales tax on remuneration of Management Company	1,876	2,835
Accounting and operational charges	1,562	2,181
Selling and marketing expense	1,364	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,497	1,930
Sindh Sales tax on remuneration of trustee	195	251
Annual fee - Securities and Exchange Commission of Pakistan	1,172	1,635
Settlement and bank charges	547	2,451
Security and transaction cost	450	715
Rating Fee	91	110
Listing Fee	7	7
Auditors' remuneration	91	126
Legal and professional charges	-	6
Printing and related charges	-	-
<b>Total expenses</b>	<b>23,284</b>	<b>34,053</b>
	<b>105,957</b>	<b>112,608</b>
Provision for Sindh workers' welfare fund	7 (2,119)	(2,252)
<b>Net income for the period before taxation</b>	<b>103,838</b>	<b>110,356</b>
Taxation	8 -	-
<b>Net income for the period after taxation</b>	<b>103,838</b>	<b>110,356</b>
<b>Earnings per unit</b>	9	
<b>Allocation of Net income for the period:</b>		
Income already paid on units redeemed	(12,874)	(9,847)
Accounting income available for distribution carried to distribution account:		
-Relating to capital gains	-	(6,900)
-Excluding capital gains	90,964	107,409
Accounting Income available for Distribution	<b>90,964</b>	<b>100,509</b>

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 INCOME OPPORTUNITY FUND

## Condensed Interim statement of Comprehensive Income (Unaudited) For the quarter ended 30 September 2018

	September 30	September 30
	2018	2017
	----- (Rupees in '000) -----	
<b>Accounting Income available for Distribution</b>	103,838	110,356
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to income statement</i>		
Net unrealised appreciation / (diminution) on re-measurement of investments classified at fair value through other comprehensive income	9,544	(606)
<b>Total comprehensive income for the period</b>	<b>113,382</b>	<b>109,750</b>

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 INCOME OPPORTUNITY FUND

## Condensed Interim Statement of Movement in reserves or Unit Holders' Fund (Unaudited) For the quarter ended 30 September 2018

	2018				2017			
	(Rupees in '000)							
	Capital Value	Undistributed Income	Unrealised appreciation / (diminution) 'through comprehensive income'	Total	Capital Value	Undistributed Income	Unrealised appreciation / (diminution) 'through comprehensive income'	Total
Net assets at beginning of the period	5,590,674	760,482	-	6,351,156	7,717,151	477,411	4,566	8,199,128
Issuance of 114,261,814 units including additional units 3,582,607 (2017: 233,669,302 units)								
- Capital value	1,287,369	-	-	1,287,369	2,499,420	-	-	2,499,420
- Refund of Capital	38,321	-	-	38,321	-	-	-	-
- Element of income	(89,598)	-	-	(89,598)	15,872	-	-	15,872
Total proceeds on issuance of units	1,236,092	-	-	1,236,092	2,515,292	-	-	2,515,292
Redemption of 143,496,517 units (2017: 202,633,930 units)								
- Capital value	(1,616,752)	-	-	(1,616,752)	(2,167,454)	-	-	(2,167,454)
- Element of loss	73,285	(12,874)	-	60,411	(16,806)	-	-	(16,806)
Total payments on redemption of units	(1,543,467)	(12,874)	-	(1,556,341)	(2,184,260)	-	-	(2,184,260)
Total comprehensive income for the period	-	103,838	9,544	113,382	-	110,356	(606)	109,750
<b>Final Distribution @ Rs 0.5704 declared on July 04, 2018</b>								
- Cash Distribution	-	(283,215)	-	(283,215)	-	-	-	-
- Refund of Capital	(38,321)	-	-	(38,321)	-	-	-	-
				(321,536)				
<b>Net assets at end of the period</b>	<b>5,283,299</b>	<b>568,231</b>	<b>9,544</b>	<b>5,822,754</b>	<b>8,048,183</b>	<b>587,767</b>	<b>3,960</b>	<b>8,639,910</b>
Undistributed income brought forward								
- Realised		779,623				474,475		
- Unrealised		(19,141)				2,936		
		760,482				477,411		
Accounting income available for distribution								
- Relating to capital gain								
- Excluding capital gains		90,964						
		90,964				110,356		
Final distribution for the year ended June 30, 2018 : 0.5704 per Unit(30 June 2017: nil unit)		(283,215)				-		
<b>Undistributed income carried forward</b>		<b>568,231</b>				<b>587,767</b>		
Undistributed income carried forward								
- Realised		587,372				584,831		
- Unrealised		(19,141)				2,936		
		568,231				587,767		
				(Rupees)				(Rupees)
Net assets value per unit at beginning of the period				11.2668				10.6964
Net assets value per unit at end of the period				10.8945				10.8329

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 INCOME OPPORTUNITY FUND

## Condensed Interim Cash Flow Statement (Unaudited) For the quarter ended 30 September 2018

	September 30	September 30
	2018	2017
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	103,838	110,356
<b>Adjustments for non-cash charges and other items:</b>		
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	11,693	7,563
Reversal of provision in respect of non-performing investments	(10,093)	(1,948)
Provision for Sindh workers' welfare fund	2,119	2,252
Net income on spread transactions	(79)	817
	<b>107,478</b>	<b>119,040</b>
<b>Decrease / (increase) in assets</b>		
Investments	(343,264)	(1,874,053)
Income and profit receivable	(13,624)	(11,864)
Receivable against margin trading system	168,933	(39,766)
Receivable against sale of investment	(87,151)	2,907,888
Deposit, prepayments and other receivables	(4,150)	607,058
	<b>(279,256)</b>	<b>1,589,263</b>
<b>Decrease / (increase) in liabilities</b>		
Payable to Management Company	(2,510)	1,076
Payable to the Central Depository Company of Pakistan Limited - Trustee	96	3,154
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(5,061)	(7,771)
Payable against purchase of investments	88,782	-
Accrued expenses and other liabilities	(19,840)	(33,853)
	<b>61,467</b>	<b>(37,394)</b>
<b>Net cash (used in) from operating activities</b>	<b>(110,311)</b>	<b>1,670,909</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	1,197,771	2,515,297
Payments on redemption of units	(1,556,341)	(2,188,533)
Distribution	(283,215)	-
<b>Net cash generated from financing activities</b>	<b>(641,785)</b>	<b>326,764</b>
Net increase / decrease in cash and cash equivalents during the period	<b>(752,095)</b>	<b>1,997,673</b>
Cash and cash equivalents at beginning of the period	<b>3,641,276</b>	<b>2,174,206</b>
<b>Cash and cash equivalents at end of the period</b>	<b>2,889,181</b>	<b>4,171,879</b>

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 INCOME OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (Un-audited)

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity Fund ("the Fund") was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as an income scheme as per the criteria for categorization of open end collective investment scheme as specified by SECP and other allied matters.

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 classified as an "income scheme" by the Management Company and is listed on the Pakistan Stock Exchange (formerly Lahore 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 core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return. The principal activity of the Fund is to make investments in money market and debt securities having a good credit rating and liquidity subject to the guidelines prescribed by SECP. Other avenues of investments include ready future arbitrage in listed securities and transactions under margin trading system.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of 'AM1' to the Management Company and a stability rating of A(+) to the Fund.

Title to the assets of the Fund is held in the name of CDC as a 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 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

# NAFA INCOME OPPORTUNITY FUND

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

(Un-audited)      (Audited)  
September 30,      June 30,  
2018                      2018  
(Rupees in '000)

### At fair value through profit or loss

Equity securities - listed	5.1	-	-
Equity securities - listed (spread transactions)	5.2	114,197	22,849
Government securities	5.3	199,528	197,785
Term finance certificates - listed	5.4	443,318	163,338
Term finance certificates - unlisted	5.5	917,393	1,209,538
Sukuks	5.6	484,051	483,966
		<b>2,158,487</b>	<b>2,077,476</b>

### At fair value through other comprehensive income

Equity securities - listed	5.7	28,190	18,645
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### At fair value through profit or loss (Reclassified)

Term finance certificates - listed	5.8	-	-
Term finance certificates - unlisted	5.9	-	-
Sukuks	5.10	-	-

### At Amortised cost (Reclassified)

Term deposits	5.13	175,000	330,000
Commercial Paper	5.14'	415,731	-

**2,777,408      2,426,121**

## 5.1 Equity securities - listed - at fair value through profit or loss

Name of the investee company	Number of shares			Market Value as at September 30, 2018	Investment as a percentage of			
	Purchased during the period	Sold during the period	As at September 30, 2018		Net assets	Market value of total investment	Paid-up capital of investee company	Paid-up capital of investee company
				(Rupees in '000)				% -----

All shares have a nominal face value of Rs 10 each.

### Textile composite

Azgard Nine Limited (Non-voting)	-	-	308	-	-	-	-
<b>Carrying value before mark to market as at September 30, 2018</b>			<b>13</b>				
<b>Accumulated impairment</b>			<b>13</b>				

# NAFA INCOME OPPORTUNITY FUND

## 5.2 Equity securities - listed (spread transactions) - at fair value through profit or loss

The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready market and sells them in future market on the same day, resulting in spread income due to difference in ready and future stock prices. This way the Fund has no open exposure to the stock market.

Name of the investee company	Number of shares			Rs in '000	Investment as a percentage of		
	Purchased during the year	Sold during the year	As at September 30, 2018	Market value as at September 30, 2018	Net assets	Market value of total investment	Paid-up capital of investee company
<b>Oil and Gas</b>							
Oil & Gas Development Company Limited	2,500	500	2,000	306	0.00	0.00	-
Pakistan Petroleum Limited	500	500	-	-	-	-	-
Pakistan State Oil Company Limited	11,000	11,000	-	-	-	-	-
Attock Refinery Limited	312,000	245,500	66,500	10,066	0.00	0.00	0.08
<b>Commercial banks</b>							
Habib Bank	7,000	7,000	-	-	-	-	-
<b>Chemical</b>							
Engro Polymer and Chemicals Limited	1,546,000	1,507,500	38,500	1,118	0.00	0.00	-
<b>Fertilizer</b>							
Engro Fertilizers Limited	102,500	102,500	-	-	-	-	-
Fauji Fertilizer	111,000	111,000	-	-	-	-	-
Engro Corporation Limited	66,000	66,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim	4,000	3,000	1,000	37	0.00	0.00	-
<b>Construction and Materials</b>							
D.G. Khan Cement Company Limited	313,000	158,000	155,000	15,874	0.00	0.00	0.04
Pioneer Cement Limited	13,000	-	13,000	565	0.00	0.00	0.01
Fauji Cement Company Limited	1,019,000	1,019,000	-	-	-	-	-
Maple Leaf Cement Factory Limited	539,500	93,000	446,500	21,030	0.00	0.00	0.08
<b>Engineering</b>							
Mughal Iron and Steel Industries Limited	40,000	-	40,000	1,957	0.00	0.00	0.02
<b>Personal Goods</b>							
Nishat Mills Limited	23,000	23,000	-	-	-	-	-
Nishat chunian Limited	40,000	38,000	2,000	102	0.00	0.00	-
<b>Household Goods</b>							
Pak Elektron Limited (Note 6.1.1)	243,000	160,500	82,500	2,536	0.00	0.00	0.02
<b>Food Producers</b>							
Engro Foods	3,500	3,500	-	-	-	-	-
<b>Pharmaceutical</b>							
The Searle Company Limited	279,500	170,000	109,500	34,594	0.01	0.00	0.06
<b>Oil and Gas Marketing Company</b>							
Sui Northern Gas Pipelines Limited	410,000	119,000	291,000	25,935	0.00	0.00	-
Sui Southern Gas Pipelines Limited	81,500	79,500	2,000	56	0.00	0.00	-
<b>Technology &amp; Communication</b>							
Pakistan telecommunication	26,000	26,000	-	-	-	-	-
<b>Power Generation</b>							
K Electric	143,500	139,500	4,000	21	0.00	0.00	-
Hub Power	4,000	4,000	-	-	-	-	-
	<b>5,341,000</b>	<b>4,087,500</b>	<b>1,253,500</b>	<b>114,197</b>			

Carrying value before mark to market as at September 30, 2018

114,765

# NAFA INCOME OPPORTUNITY FUND

## 5.3 Government securities - at fair value through profit or loss

Issue Date	Tenor	Face Value				Market value as at September 30, 2018	Investment as a percentage of	
		As at July 1, 2018	Purchases during the period	Sales / Matured during the period	As at September 30, 2018		Net assets	Market value of total investments

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

### Market Treasury Bills

Jul 19, 2018	3 Months	-	200,000	-	200,000	199,528	0.03	0.07
June 07, 2018	3 Months	200,000	-	200,000	-			

199,528

### Carrying value as at September 30, 2018

199,583

## 5.4 Term finance certificates - listed - at fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at September 30, 2018	Investment as a percentage of		
	As at July 01, 2018	Purchases during the period	Sales during the period	As at September 30, 2018		Net assets	Market value of total investment	Issue size

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

All term finance certificates have a face value of Rs 5,000 each unless stated otherwise.

Bank Alfalah Limited - V	32,550	-	-	32,550	162,180	1.38	6.51	3.26
Habib bank Limited (Feb 19, 2016)	2,000	-	-	2,000	192,996	1.64	7.74	2.00
Silk Bank Limited (Aug 10, 2016)	20,000	-	-	20,000	88,142	0.75	3.54	5.00
Pace (Pakistan) Limited (note 5.4.1)	30,000	-	-	30,000	-	-	-	10.00
Saudi Pak Leasing Company Limited (note 5.4)	15,000	-	-	15,000	-	-	-	10.00

443,318

### Carrying value before mark to market as at September 30, 2018

640,181

### Accumulated impairment

191,141

5.4.1 This represents investment in listed term finance certificates with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as a non performing asset by Mutual Funds Association of Pakistan (MUFAP) since September 5, 2011. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.4.2 This represents investment in term finance certificates with original term of nine years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its term on December 26, 2011 with a new maturity in March 2017. The said term finance certificates complied with repayment terms since it was rescheduled and had been reclassified as performing as per criteria defined in circular no. 1 of 2009. However, the investee company again defaulted on its obligation on account of principal and profit payment for the month of April 2014 and was therefore declared as non performing asset by MUFAP since April 30, 2014. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

# NAFA INCOME OPPORTUNITY FUND

## 5.5 Term finance certificates - unlisted - at fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at September 30, 2018	Investment as a percentage of		
	As at July 01, 2018	Purchases during the period	Sales during the period	As at September 30, 2018		Net assets	Market value of total investment	Issue size
(Rupees in '000)						----- % -----		
All term finance certificates have a face value of Rs 5,000 each unless stated otherwise.								
JS Bank Limited (December 14, 2016)	60,000	-	-	60,000	301,120	2.55	12.08	10.00
JS Bank Limited (December 26, 2017)	1,000	-	-	1,000	99,030	0.84	3.97	5.00
Bank of Punjab (April 16, 2018)	1,500	-	-	1,500	149,891	1.27	6.01	3.49
Jahangir Siddiqui and Company Limited (April)	15,000	-	-	15,000	26,329	0.22	1.06	10.00
Jahangir Siddiqui and Company Limited (March)	30,000	-	-	30,000	150,363	1.28	6.03	10.00
Jahangir Siddiqui and Company Limited (June)	20,000	-	-	20,000	74,251	0.63	2.98	10.00
Jahangir Siddiqui and Company Limited (July)	23,340	-	-	23,340	116,409	0.99	4.67	7.78
					<b>917,393</b>			
Carrying value before mark to market as at September 30, 2018					<b>923,726</b>			

## 5.6 Sukuk - at fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at September 30, 2018	Investment as a percentage of		
	As at July 01, 2018	Purchases during the period	Sales during the period	As at September 30, 2018		Net assets	Market value of total investment	Issue size
All term finance certificates have a face value of Rs 100,000 each unless stated otherwise.								
Dawood Hercules Corporation Limited (Nov 16, 2017)	4,830	-	-	4,830	484,051	4.11	19.42	9.29
Carrying value before mark to market as at September 30, 2018					<b>483,996</b>			

## 5.7 Equity securities - listed - at fair value through other comprehensive income

Name of the investee company	Number of shares				Market value as at September 30, 2018	Investment as a percentage of		
	As at July 01, 2018	Purchased during the year	Sold / matured during the period	As at September 30, 2018		Net assets	Market value of total investments	Paid-up capital of investee company
Rs in '000						----- % -----		
All shares have a nominal face value of Rs 10 each.								
<b>CHEMICALS</b>								
Agritech Limited (note 5.7.1)	4,027,090	-	-	4,027,090	<b>28,190</b>	0.48	1.01	1.03
Carrying cost as at September 30, 2018					<b>18,645</b>			
Accumulated impairment					<b>18,584</b>			

- 5.7.1 On April 12, 2012, a share transfer and debt swap agreement was entered into between the Financial Institutions and Azgard Nine Limited (the issuer), whereby the issuer agreed to transfer its entire holding in Agritech Limited to the existing lenders / creditors, including the Term Finance Certificate (TFC) holders at the agreed settlement price, in partial settlement of the outstanding principal / redemption obligations. As part of the above arrangement, the Fund settled its investment in TFC of Azgard Nine Limited amounted to Rs. 141,403,150 in consideration of 4,040,090 ordinary shares at the value of Rs. 35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transaction date i.e. October 31, 2012. Accordingly, the same have been recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.

# NAFA INCOME OPPORTUNITY FUND

As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited shares shall be held by the respective trustees for the TFC issuer in their name for and on behalf of the TFC holders who shall be the beneficial owners of the subject shares in proportion to their holdings. Accordingly, the trustees for the TFC issue pursuant to shareholders investors agreement hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. During the lock in period of five years, shares can be sold to an outside buyer subject to a prior written approval of the investors, however, no such approval is required for inter financier sale.

During the year in January, 2018 Agritech Limited shares previously held by trustees for the TFC issuer were released to the Fund, as the five year lock in period expired and subsequent to the release of shares management has also sold the 13,000 shares.

## 5.8 Term finance certificate - listed - at fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at September 30, 2018	Investment as a percentage of		
	As at July 1, 2018	Purchased during the period	Sold / matured during the period	As at June 30, 2018		Net assets	Market value of total investments	Issue size
					Rs in '000	%		
Worldcall Telecom Limited (note 5.8.1)	45,000	-	-	45,000	-	-	-	0.00%
<b>Carrying value before mark to market as at September 30, 2018</b>					<b>-</b>			
<b>Accumulated impairment</b>					<b>79,667</b>			

5.8.1 This represents investment in listed term finance certificates with a term of 5 years. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as a non performing asset by MUFAP since November 8, 2012. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in term of said circular.

## 5.9 Term finance certificate - unlisted - at fair value through profit or loss

Name of the investee company	Number of certificates				Carrying value as at September 30, 2018	Investment as a percentage of		
	As at July 01, 2018	Purchased during the period	Sold / matured during the period	As at September 30, 2018		Net assets	Market value of total investments	Issue size
					Rs in '000	%		
Azgard Nine Limited III (note 5.9.1)	50,000	-	-	50,000	-	-	-	0.00%
Azgard Nine Limited V (note 5.9.1)	16,436	-	-	16,436	-	-	-	0.00%
Dewan Cement Limited (note 5.9.2)	30,000	-	-	30,000	-	-	-	0.00%
New Allied Electronics Industries (Private) Limited (note 5.9.3)	15,000	-	-	15,000	-	-	-	0.00%
Agritech Limited I (note 5.9.4)	30,000	-	-	30,000	-	-	-	0.00%
Agritech Limited V (note 5.9.5)	6,464	-	-	6,464	-	-	-	0.00%
<b>Carrying value as at September 30, 2018</b>					<b>554,444</b>			
<b>Accumulated impairment</b>					<b>554,444</b>			

5.9.1 These zero coupon privately placed term finance certificates were issued against the interest receivable on TFCs of Azgard Nine Limited (disclosed in note 5.7.1) under an agreement dated June 28, 2012 between the Management Company of the Fund and Azgard Nine Limited. These privately placed term finance certificates were issued against non performing securities, therefore the management, as a matter of prudence has recognized these at nil value. MUFAP classified these as non-performing since June 21, 2010 and December 7, 2012 respectively. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.9.2 The Fund had advanced an amount of Rs 150 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was 09 January 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.9.3 These represent investments in privately placed term finance certificates (term: 4 years) and sukus (term: 5 years) of the investee company. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.9.4 This represents investment in listed term finance certificates with a term of seven years. On May 30, 2010, Agritech Limited defaulted in payment of principal and mark-up due and accordingly has been classified as non performing asset by MUFAP since June 14, 2010. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

# NAFA INCOME OPPORTUNITY FUND

5.9.5 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. MUFAP classified these as non-performing on January 17, 2012. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

## 5.10 Sukuks - at fair value through profit or loss

Name of the investee company	Number of certificates			As at September 30, 2018	Market value as at September 30, 2018	Investment as a percentage of		
	As at July 1, 2018	Purchased during the period	Sold / matured during the period			Net assets	Market value of total investments	Issue size
					Rs in '000	----- % -----		
New Allied Electronics Industries (Private) Limited (note 5.9.3)	9,000	-	-	9,000	-	0.00%	0.00%	0.00%
Eden Housing Limited (note 5.10.1)	9,200	-	-	9,200	-	0.00%	0.00%	0.00%
BRR Guardian Modaraba (note 5.10.2)	10,000	-	-	10,000	-	0.00%	0.00%	0.00%
					-			
<b>Carrying value as at September 30, 2018</b>					<b>58,307</b>			
<b>Accumulated impairment</b>					<b>58,307</b>			

5.10.1 This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.10.2 This represents investment in privately placed sukuks. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 26, 2015. The investment has been fully provided.

5.11 The term finance certificates and sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the investee company.

5.13 These represents short term deposits having original maturity period of three months. These carry mark-up rate of 9.40% per annum.

5.14 These represents commercial paper having original maturity period of six months. These carry mark-up rate of 8.25% per annum.

## 6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at September 30, 2018 and as at June 30, 2018, other than those disclosed elsewhere in these financial statements.

## 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).

# NAFA INCOME OPPORTUNITY FUND

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. 21.4541 million (September 30, 2017: Rs. 12.7212 million). Had the provision not being made, the net asset value per unit as at September 30, 2018 would have been higher by Rs.0.0401 per unit (September 30, 2017: Rs. 0.0160) per unit.

## 8 Taxation

The income of the Fund is exempt from income tax as per clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. The management intends to distribute 90 percent of the Fund's net accounting income earned by the year end as cash dividend to the unit holders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information.

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

## 9 EARNINGS PER UNIT

Earnings per unit (EPU) for the Quarter ended September 30, 2017 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 10 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.63 % per annum including 0.34 % representing government levies on collective investment scheme such as sales tax, Sindh worker's welfare fund and SECP fee for the period

## 11 SELLING AND MARKETING

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 09 September 2018.

## 12 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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 categorization of the Fund as 'Income Fund'.

In accordance with clause 9 (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest at least 25% of the net assets in cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills not exceeding 90 days maturity. Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at September 30, 2013, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

# NAFA INCOME OPPORTUNITY FUND

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in Debt securities & Sukuks**	Agritech Limited	149,860	149,860	-	-	-
	Agritech Limited V	32,320	32,320	-	-	-
	Azgard Nine Limited III	108,377	108,377	-	-	-
	Azgard Nine Limited V	82,180	82,180	-	-	-
	BRR Guardian Modaraba - Sukuk	5,101	5,101	-	-	-
	Dewan Cement Limited	150,000	150,000	-	-	-
	Eden Housing Limited - Sukuk II	9,056	9,056	-	-	-
	New Allied Electronics Industries (Private) Limited - PPTFC	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk II	44,149	44,149	-	-	-
	PACE Pakistan Limited	149,820	149,820	-	-	-
	Saudi Pak Leasing Company Limited ***	41,321	41,321	-	-	-
	World Call Telecom Limited	79,667	79,667	-	-	-
Investment in Equity	Azgard Nine Limited (Non-Voting)	13	13	-	-	-
	Agritech Limited *	49,576	21,386	28,190	0.00%	0.47

\* These shares are received in partial settlement against TFCs of Azgard Nine Limited as fully explained in note 4.4.1.

\*\* At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

\*\*\* Performing but below investment grade

## 13 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 13.1** Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, entities under common management or directorships and unit holders holding 10 percent or more units of the Fund.
- 13.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 13.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 13.4** Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

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

#### NBP Fund Management Limited - Management Company

	Quarter Ended September 30,2018	Quarter Ended September 30,2017
Remuneration of the Management Company	14,432	21,806
Sindh sales tax on remuneration of the Management Company	1,876	2,835
Accounting and operational charges to the Management Company	1,562	2,181
Selling and marketing expense	1,364	-

(Rupees in '000)

# NAFA INCOME OPPORTUNITY FUND

Quarter Ended  
September  
30, 2018

Quarter  
Ended  
September  
30, 2017

(Rupees in '000)

## Central Depository Company of Pakistan Ltd. - Trustee

Remuneration of the Trustee	1,497	1,930
Sindh Sales Tax on remuneration of the Trustee	195	251
CDS charges	184	1,380

## Employees of NAFA

Units Issued / transferred in 171,391 units (2017: 2,403,952 units)	1,672	25,813
Units redeemed / transferred out 679,212 units (2017: 2,047,430 units)	7,321	22,032
Dividend Re-invest 236,64 Units (2017 : nil units)	253	-

## TELENOR EMPLOYEES GRATUITY FUND

Units Issued / transferred in 573,219 units (2017: nil units)	2	-
Units redeemed / transferred out 9,246,888 units (2017: 292,975 units)	99,343	3,148

## PAKISTAN CENTRE FOR PHILANTHROPY

Units Issued / transferred in 800,20 units (2017: 800,20 units)	-	862
Units redeemed / transferred out 137,644 units (2017: 137,644 units)	-	1,485

## NBP Employees Pension Fund

Dividend Re-invest 3,364,549 Units (2017 : nil units)	35,998	-
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## NBP Employees Benevolent Fund Trust

Dividend Re-invest 114 Units (2017 : nil units)	1	-
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## Kashif Riaz

Units Issued / transferred in 232,537 units (2017: nil units)	2,508	-
Units redeemed / transferred out 101,285 units (2017: nil units)	1,100	-

(Un-audited) (Audited)

As at As at

September 30, June 30,

2018 2018

(Rupees in '000)

### 13.6 Amounts outstanding as at period end

#### NBP Fund Management Limited (Management Company)

Remuneration of the Management Company	3,759	5,941
Sindh Sales Tax on remuneration of the Management Company	489	772
Operational expenses	1,562	3,917
Selling and marketing expense	1,363	-
Sales tax and FED payable on sales load	1,803	1,694
Sales load	1,881	1,043

#### Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the trustee	478	547
Sindh sales tax on remuneration of the trustee	62	72
CDS charges	174	106
Security deposit	100	100

# NAFA INCOME OPPORTUNITY FUND

(Un-audited) (Audited)  
As at As at June 30,  
September 30, 2018  
2018

(Rupees in '000)

## National Bank of Pakistan (Parent of the Management Company)

Bank balance	7,549	12,302
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## Summit Bank Limited (Common Directorship with the Management Company)

Investment held in the Fund: nil units (June 30, 2017: nil units)	-	-
Bank balance	13,472	15,412
Accued markup on bank balances	-	8

## Bank Islami Limited (Common Directorship with the Management Company)

Bank balance	580	512
Accued markup on bank balances	16	12

## Askari Bank Limited (Common Directorship with the Management Company)

Bank balance	2,616	2,327
Accued markup on bank balances	1	11

## Telenor Employees Gratuity Fund (Portfolio managed by the Management Company)

Investment held in the Fund: 2,076,554 units (June 30, 2018: 10,750,223 units)	22,623	121,121
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## NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)

Investment held in the Fund: 87,510,532 units (June 30, 2018: 84,145,983 units)	953,384	984,056
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## NBP Employees Benevolent Fund Trust (Benevolent Fund of the parent of the Management Company)

Investment held in the Fund: 2,970 units (June 30, 2018: 2,856 units)	33	32
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## Employees of the Management Company

Investment held in the Fund: 326,526 units (June 30, 2018: 810,682 units)	3,557	9,134
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## 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.

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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