



NBP FUNDS

Managing Your Savings

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NAFA FINANCIAL SECTOR FUND

**QUARTERLY
REPORT**
March 31, 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 FINANCIAL SECTOR FUND

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NAFA FINANCIAL SECTOR FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Formerly: NBP Fullerton Asset Management Limited (NAFA)

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

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 Shahr-e-Faisal, Karachi.

Bankers to the Fund

MCB Bank Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited
Bankislami Pakistan Limited

NAFA FINANCIAL SECTOR FUND

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 FINANCIAL SECTOR FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited (Formerly: NBP Fullerton Asset Management Limited) is pleased to present the first quarter end report for the period ended March 31, 2018, since launch of **NAFA Financial Sector Fund (NFSF)** on February 14, 2018.

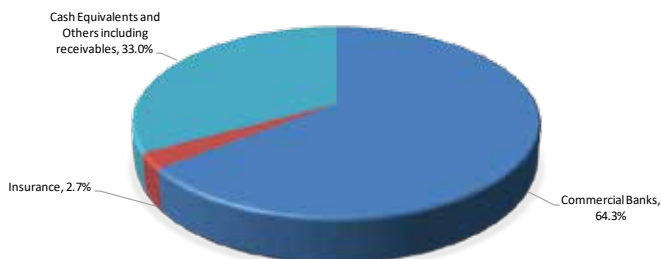
Fund's Performance

Since inception, the unit price of NAFA Financial Sector Fund has increased from Rs.10.00 on February 14, 2018 to Rs.10.7019 on March 31, 2018, thus showing an increase of 7.02%. The Benchmark for the same period increased by 6.54%. Thus, the Fund has outperformed its Benchmark by 0.47% during the period under review. This performance is net of management fee and all other expenses. The size of the Fund is Rs.947 million.

After a sizeable decline of 13.1% during the 1HFY2018 mainly driven by plethora of negative news on the political front and concerns on the widening current account deficit, the stock market (100 Index) staged a strong recovery of 12.6% in the 3QFY2018. Overall, during 9MFY2018, the market witnessed a meager decline of 2.2%. The rebound in the 3QFY2018 is attributable to anticipation of a Foreign Assets Declaration Scheme (FADR) with the associated expectation of significant inflows to the tune of USD3-5bn, PKR devaluation of around 9%, and 25 basis points increase in policy rate to address the galloping current account deficit. Adding to the investors' optimism were expectations of some tax relief for the capital market and listed sectors of the economy in the upcoming federal budget. The PKR devaluation is generally positive for the stock market as it usually improves the profitability of the select heavy-weight sectors such as Oil & Gas Exploration, Banks, Textile Composite, and Technology & Communication while, profit margins of the other sectors such as Automobile Assemblers, Cement, and Fertilizer, etc remain intact on account of pass-through of the rising input cost. It is worthwhile to mention that post the first round of devaluation on December 8, 2017 through March-end, the KSE-100 Index is up by 17%. Similarly, positive impact of currency devaluation has started reflecting as exports are up by a handsome 12% on a year-on-year basis in March 2018.

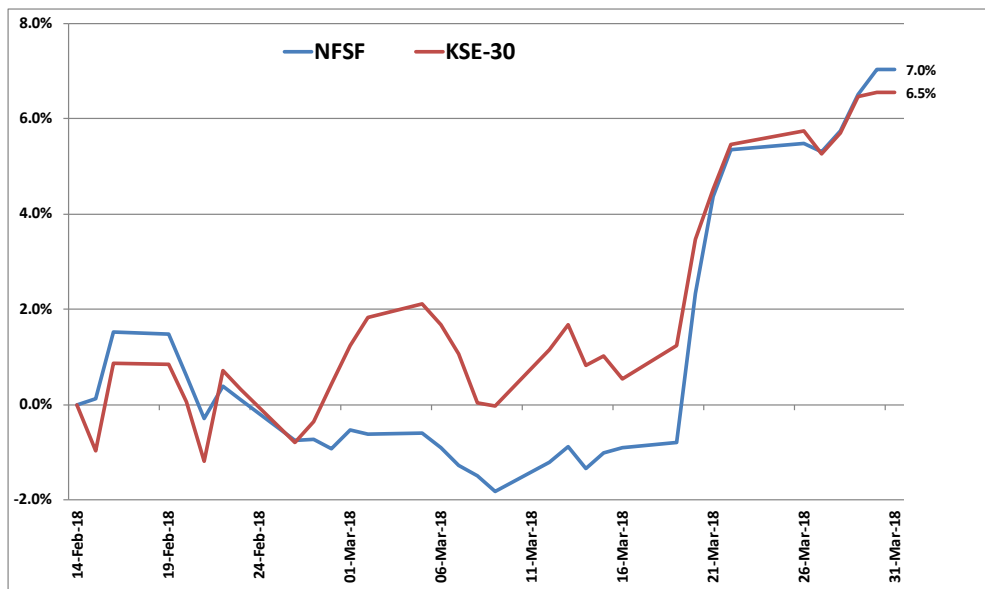
During 9MFY2018, Oil & Gas Exploration, Food & Personal Care, Fertilizer, and Commercial Banks sectors delivered better returns than the market, while Refineries, Cements and Engineering sectors considerably under-performed the market. Foreign investors remained net sellers with outflows of USD124 million during the aforesaid period. On the local side, Insurance and Companies remained major net buyers, taking fresh equity exposure worth USD105 million and USD94 million, respectively. Mutual Funds, on the other hand, remained net sellers, off-loading shares worth USD77 million during the aforementioned period.

The Fund has earned total income of Rs. 52.07 million during the period. After accounting for expenses of Rs.4.40 million, the net income is Rs. 47.67 million. The asset allocation of the Fund as on March 31, 2018 is as follows:



NAFA FINANCIAL SECTOR FUND

NFSF Performance versus Benchmark (Since Inception)



Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited
(Formerly: NBP Fullerton Asset Management Limited)

Chief Executive Officer

Director

Date: April 30, 2018

Place: Karachi.

ڈائریکٹر رپورٹ

NBP فنڈ منیجمنٹ لمیٹڈ (سابقہ: NBP فلٹرن ایسیٹ منیجمنٹ لمیٹڈ) کے بورڈ آف ڈائریکٹرز (صدر مسرت NAFA فنانس شل سیکرٹریٹ (NFSF) کے اپنے قیام 14 فروری 2018 سے لے کر 31 مارچ 2018 کو ختم ہونے والی پہلی سہ ماہی کے لئے اختتامی رپورٹ پیش کرتے ہیں۔

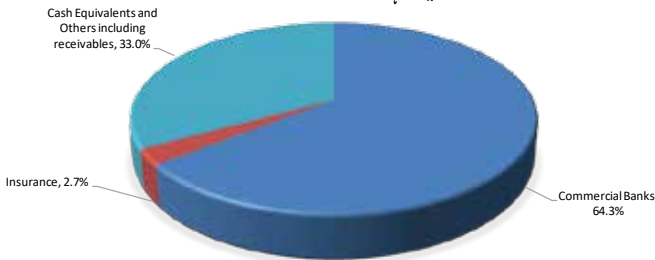
فنڈ کی کارکردگی

اپنے قیام کے وقت سے NAFA فنانس شل سیکرٹریٹ (NFSF) کے یونٹ کی قیمت 14 فروری 2018 کو 10.00 روپے سے بڑھ کر 31 مارچ 2018 کو 10.7019 روپے ہو چکی ہے اور اس طرح 7.02% کا اضافہ ہوا۔ فنڈ کا بیج مارک اسی مدت میں بڑھ کر 6.54% ہو گیا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران اپنے بیج مارک 0.47% سے بہتر کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ اس فنڈ کا سائز 947 ملین روپے ہے۔

2018 کے نو ماہ میں مارکیٹ میں 2.2% کی معمولی کمی ہوئی۔ اس کے علاوہ بیرونی اثاثہ جات ظاہر کرنے کی اسکیم (Foreign assets Declaration Scheme (FADR) اور اس کے نتیجے میں 3-5 بلین امریکی ڈالر کے اندرونی بھاؤ کے امکانات، پاکستانی روپے کی قدر میں 9% کی کمی اور کرنٹ اکاؤنٹ خسارے میں تیزی پر قابو پانے کیلئے پالیسی میں 25 پیس پوائنٹس کا اضافہ کا بھی اس بحالی میں کردار ادا کر رہا ہے۔ آنے والے وفاقی بجٹ میں کیپٹل مارکیٹ اور درج شدہ شعبوں کیلئے ٹیکس ریلیف کی توقعات سے سرمایہ کاروں کی مثبت سوچ میں اضافہ ہوا ہے۔ پاکستانی روپے کی قدر میں کمی عام طور پر اسٹاک مارکیٹ کیلئے مثبت ہوتی ہے کیونکہ اس سے عموماً بڑے شعبہ جات جیسے آئل اینڈ گیس ایکسپلوریشن، بینکنگ، ٹیکسٹائل، کمپیوٹرز اور ٹیکنالوجی اور کیونٹیکیشن کی منفعت میں بہتری آتی ہے جب کہ دوسرے شعبہ جات جیسے آٹوموبائل اسمبلر، سیمنٹ اور فریٹلائزرو وغیرہ لاگت کے اخراجات کے لحاظ سے غیر متاثر رہتے ہیں۔ یہاں یہ کہنا بجا ہوگا کہ 8 دسمبر 2017 سے مارچ کے اختتام تک روپے کی قدر میں کمی کے پہلے راؤنڈ میں 100 KSE انڈیکس میں 17% اضافہ ہوا۔ اسی طرح روپے کی قدر میں کمی سے برآمدات کا گراف بھی سال بہ سال کے لحاظ سے مارچ 2018 میں 12% تک بڑھ گیا۔

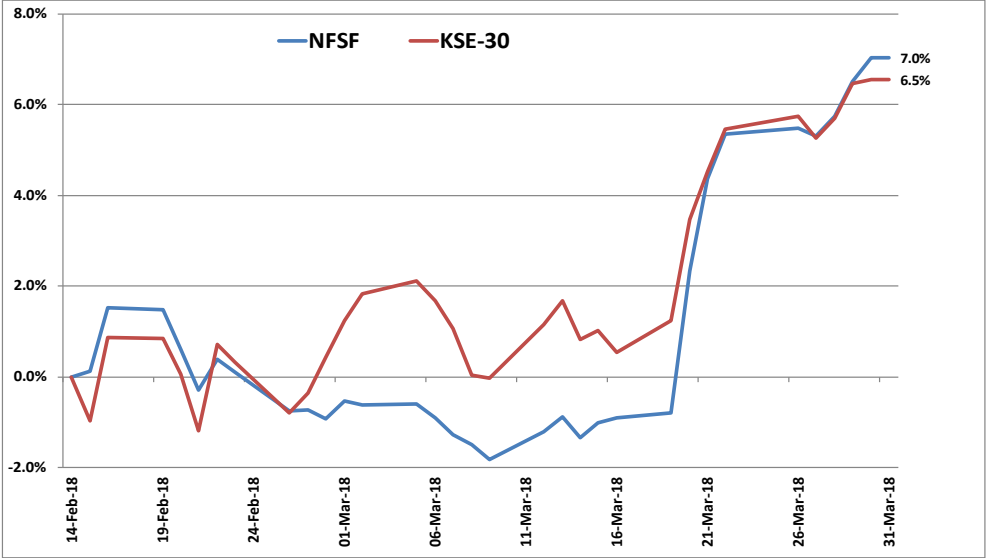
مالی سال 2018 کے نو ماہ کے دوران میں آئل اینڈ گیس ایکسپلوریشن، فوڈ اینڈ پراسسنگ، فریٹلائزرو اور کمرشل بینکنگ کے شعبہ جات نے مارکیٹ سے زیادہ بہتر نتائج پیش کئے جب کہ ری فائنانس، سیمنٹ اور انجینئرنگ کے شعبہ جات نے مارکیٹ سے کافی حد تک کم کارکردگی کا مظاہرہ کیا۔ بیرونی سرمایہ کار خالص فروخت کنندہ رہے جس سے مذکورہ مدت میں بیرونی سمت کو 124 ملین امریکی ڈالر کا بہاؤ ریکارڈ کیا گیا۔ مقامی سطح پر انشورنس اور کمپنیاں بڑی خالص خریدار رہیں جنہوں نے بالترتیب 105 ملین امریکی ڈالر اور 94 ملین امریکی ڈالر کی تازہ ایکویٹی حاصل کی۔ دوسری طرف میوچل فنڈز بھی خالص فروخت کنندہ رہے جنہوں نے مذکورہ عرصہ میں 77 ملین امریکی ڈالر کے مساوی شیئرز فروخت کئے۔

فنڈ کو اس مدت کے دوران 52.07 ملین روپے کی آمدنی ہوئی۔ 4.40 ملین روپے کے اخراجات منہا کرنے کے بعد کل آمدنی 47.67 ملین روپے ہے۔ 31 مارچ 2018 کو فنڈ کی ایسیٹ ایلوکیشن درج ذیل ہے:



NAFA FINANCIAL SECTOR FUND

بچ مارک کے مقابلے میں NFSF کی کارکردگی (اپنے قیام سے اب تک)



اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور ہمنائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

بورڈ اپنے اسٹاف اور رٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

(سابقہ: NBP فلٹرن ایسیٹ مینجمنٹ لمیٹڈ)

ڈائریکٹر

چیف ایگزیکٹو آفیسر

بتاریخ

30 اپریل 2018

بمقام: کراچی

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT MARCH 31, 2018

	Note	Un-Audited March 31, 2018 (Rupees in '000)
ASSETS		
Balances with banks		313,652
Investments	4	634,657
Profit and Dividend receivable	5	11,756
Advances, deposits and other receivables	6	2,615
Preliminary expenses and floatation costs		3,260
Total assets		965,940
LIABILITIES		
Payable to the Management Company	7	8,407
Payable to Central Depository Company of Pakistan Limited - Trustee	8	127
Payable to Securities and Exchange Commission of Pakistan	9	71
Payable against purchase of investments		8,087
Accrued expenses and other liabilities	10	1,860
Total liabilities		18,552
NET ASSETS		<u>947,388</u>
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		<u>947,388</u>
Number of units in issue		<u>88,525,103</u>
NET ASSET VALUE PER UNIT		<u>10.7019</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE PERIOD FROM FEBRUARY 14, 2018 TO MARCH 31, 2018

		For the period from February 14, 2018 to March 31, 2018 (Rupees in '000)
INCOME	Note	
Net gain on sale of investments		1,729
Dividend Income		11,118
Profit on bank deposits		1,148
Net unrealised appreciation on re-measurement as 'financial assets at fair value through profit or loss'		38,076
Total income		52,071
EXPENSES		
Remuneration of Management Company		1,512
Sindh sales tax on remuneration of the Management Company		197
Accounting and operational expenses	7.3	76
Selling and marketing expense	7.4	302
Remuneration to the Trustee		151
Sindh Sales Tax on remuneration of the Trustee		20
Annual fee - Securities and Exchange Commission of Pakistan		72
Amortisation of preliminary expenses and floatation costs		84
Securities transaction cost		797
Printing Expense		25
Listing Fee		10
Audit Fee		61
Settlement and bank charges		109
Legal & Professional charges		12
Total Expenses		3,428
Net income from operating activities		48,643
Provision for Sindh Workers' Welfare Fund	12	(973)
Net income for the period before taxation		47,670
Taxation	13	-
Net income for the period after taxation		47,670
Allocation of net income for the period:		
Net income for the period after taxation		47,670
Income already paid on units redeemed		(4,408)
		43,262
Accounting income available for distribution:		
-Relating to capital gains		36,556
-Excluding capital gains		6,706
		43,262

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD FROM FEBRUARY 14, 2018 TO MARCH 31, 2018

	For the period from February 14, 2018 to March 31, 2018 (Rupees in '000)
Net income for the period after taxation	47,670
Other Comprehensive Income	-
Total comprehensive income for the period	<u>47,670</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE PERIOD FROM FEBRUARY 14, 2018 TO MARCH 31, 2018

For the nine months period ended
March 31, 2018

Rupees in '000		
Capital Value	Undistrib- uted income / (loss)	Total

Issue of 101,694,395 units

- Capital value (at net asset value per unit at the beginning of the period)
- Element of income

Total proceeds on issuance of units

1,016,944	-	1,016,944
19,039	-	19,039
1,035,983	-	1,035,983

Redemption of 13,169,292 units

- Capital value (at net asset value per unit at the beginning of the period)
- Element of loss

Total payments on redemption of units

(131,693)	-	(131,693)
(164)	(4,408)	(4,572)
(131,857)	(4,408)	(136,265)

Total comprehensive income for the period

- 47,670 47,670

Net assets at end of the period

904,126	43,262	947,388
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Accounting income available for distribution

- Relating to capital gains
- Excluding capital gains

-
-
-

Net income for the period after taxation

47,670

Undistributed income carried forward

47,670

Undistributed income carried forward

- Realised income
- Unrealised income

9,594
38,076
47,670

(Rupees)

Net assets value per unit at beginning of the period

10.0000

Net assets value per unit at end of the period

10.7019

The annexed notes 1 to 17 form an integral part of these condensed interim financial information.

For NBP Fund Management Limited
(Formerly; NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE PERIOD FROM FEBRUARY 14, 2018 TO MARCH 31, 2018

For the period
from February 14, 2018 to
March 31, 2018
(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

Net income for the period before taxation	47,670
Adjustments	
Net unrealised appreciation on re-measurement as 'financial assets at fair value through profit or loss'	(38,076)
	9,594
(Increase) / decrease in assets	
Investments	(596,581)
Profit and Dividend receivable	(11,756)
Advances, deposits and other receivables	(2,615)
Preliminary expenses and floatation costs	(3,260)
	(614,212)
Increase / (decrease) in liabilities	
Payable to the Management Company	8,407
Payable to the Trustee	127
Payable to the Securities and Exchange Commission of Pakistan	71
Payable against purchase of investments	8,087
Accrued expenses and other liabilities	1,860
	18,552
Net cash (used in) operating activities	(586,066)
Net receipts from issue of units	1,035,983
Net payments on redemption of units	(136,265)
Net cash generated from financing activities	899,718
Cash and cash equivalents at the end of the period	313,652

The annexed notes 1 to 17 form an integral part of these condensed interim financial information.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS (Un-Audited) FOR THE PERIOD FROM FEBRUARY 14, 2018 TO MARCH 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Financial Sector Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited (Formerly: NBP Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on January 09, 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 26, 2018, under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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 the SECP. The principal office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 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. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange.

The Fund is categorized as an Open-End "Financial Sector Equity Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The objective of NAFI Financial Sector Fund is to provide with long term capital growth from an actively managed portfolio of listed equities belonging to the Financial Sector

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

The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund.

2.1 BASIS OF PREPARATION

Statement of Compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and"
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declared that this interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2018.

NAFA FINANCIAL SECTOR FUND

2.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are effective in the current period:

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this interim financial statement.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from July 1, 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this interim financial statement.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been carried at fair value.

2.6 Functional and presentation currency

Items included in these interim financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these interim financial statements.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

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a) Financial assets 'at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. This includes held for trading instruments and such other instruments that upon initial recognition are designated under this category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the assets.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed out in the income statement.

3.2.4 Subsequent measurement

a) Financial assets at 'fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial assets classified as "at fair value through profit or loss" and "available for sale" are valued as follows:

- Basis of valuation of equity securities

Investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising from changes in the fair value and on sale of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in the fair value of available for sale financial assets are taken to 'other comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in 'other comprehensive income' is shown as part of net income for the year.

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment of financial asset

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the income statement. Impairment loss in the income statement on equity securities are only reversed when the equity securities are derecognized.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where the Fund has transferred substantially all risks and rewards of ownership.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.5 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Taxation

The income of the Fund is exempt from income tax under 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 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.

3.7 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the period in which such distributions are declared.

3.8 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

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Units redeemed are recorded at the redemption price, as per the constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents daily Net Asset Value (NAV) announced as of the close of the dealing day less any back end load, provisions for transaction costs and any provision for duties and charges, if applicable.

3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the amended regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

3.11 Earnings per unit

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

3.12 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed on the statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in issue as at the year end.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income on equity securities is recognised when the right to receive the dividend is established.
- Unrealised appreciation / (diminution) in the value of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

3.14 Expenses

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

4 Investments in shares of listed companies at fair value through profit or loss

Investment in shares of listed companies at fair value through profit or loss						Investment as a percentage of			
Name of the investee company	As at July 1, 2017	Purchases during the period	Bonus / right shares	Sales during the period	As at March 31, 2018	Market Value as at March 31, 2018	Market value as a percentage of net assets	Market value as a percentage of total investment	Paid up capital of investee company held
-----Number of shares-----						(Rupees in '000)	-----%		
COMMERCIAL BANKS									
Allied Bank Limited	-	282,500	-	-	282,500	27,818	2.94	4.38	0.02
Askari Bank Limited	-	1,584,000	-	-	1,584,000	36,305	3.83	5.72	0.13
Bank Al-Falah Limited	-	1,617,000	-	186,500	1,430,500	75,573	7.98	11.91	0.09
Bank Al-Habib Limited	-	1,160,000	-	124,000	1,036,000	80,290	8.47	12.65	0.09
Bank Of Punjab Limited	-	2,176,000	-	-	2,176,000	21,499	2.27	3.39	0.08
Faysal Bank Limited	-	2,001,500	289,875	125,000	2,166,375	57,149	6.03	9.00	0.14
Habib Bank Limited	-	398,800	-	29,800	369,000	78,283	8.26	12.33	0.03
Habib Metropolitan Bank Limited	-	1,560,500	-	75,000	1,485,500	63,743	6.73	10.04	0.14
MCB Bank Limited	-	438,900	-	70,000	368,900	81,206	8.57	12.80	0.03
National Bank Of Pakistan	-	470,500	-	-	470,500	23,553	2.49	3.71	0.02
United Bank Limited	-	379,500	-	73,500	306,000	63,920	6.75	10.07	0.02
INSURANCE									
Adamjee Insurance Company Limited	-	436,500	-	-	436,500	25,317	2.67	3.99	0.12
						12,111,275	634.657	66.99	100.00
Carrying value as at March 31, 2018						596,581			

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		As at
		2018
		(Rupees in '000)
5	PROFIT RECEIVABLE	
	Income accrued on savings deposits	638
	Dividend	11,118
		<u>11,756</u>
6	Advances and Prepayments	
	CDC Security Deposit	100
	NCSS Security Deposit	2500
	Listing Fee	15
		<u>2615</u>
7	Payable to the Management Company	
	Management remuneration payable	7.1 1130
	Sindh sales tax payable on management remuneration	7.2 147
	Sales load and transfer load payable to management company	680
	Sindh sales tax payable on sale load and transfer load	88
	Selling and Marketing Expense	7.4 302
	Accounting and operational charges to the Management Company	7.3 76
	Other Payable	5984
		<u>8407</u>
7.1	As per amendment in Regulation 61 of the NBFC Regulations, 2008, relating to the chargeability of remuneration of Asset Management Companies, an Asset Management Company shall be entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of equity schemes. Accordingly the Management Company is charging remuneration at the rate of 2% per annum based on the daily net assets of the Fund.	
7.2	The Provincial Government of Sindh has levied Sindh sales tax at the rate of 13% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.	
7.3	In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated November 25, 2015, the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to Collective Investment Schemes upto a maximum of 0.1% of the average annual net assets of the Scheme or actual whichever is less. The Management Company has charged operating expenses to the Fund at the rate of 0.1% per annum of the average annual net assets of the Fund.	
7.4	SECP vide a circular no.40 SCD/PRDD/ Circular/361/2016 dated December 30, 2016 (later amended vide circular no. 05 of 2017 dated February 13, 2017), allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from January 1, 2017 till December 31, 2019). Maximum cap of selling and marketing expense shall be 0.4% per annum of net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged at the rate of 0.4% of net assets of the Fund, being lower than the actual expenses incurred.	
8	Payable to Central Depository Company of Pakistan Limited - Trustee	
	Trustee remuneration	8.1 113
	Sindh Sales Tax on trustee remuneration	8.2 15
		<u>128</u>
8.1	The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears. There is no change in the tariff structure during the year. Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:	
	Net Assets	Tariff per annum
	Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a of Net Assets, whichever is higher
	On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a. of Net Assets, on amount exc
8.2	Sindh sales tax at 13 % is charged on Trustee Fee.	
9	Payable to Securities and Exchange Commission of Pakistan	
	Annual fee	9.1 <u>71</u>
9.1	Under the provisions of the NBFC Regulations, a collective investment scheme categorised as equity scheme is required to pay to the SECP an amount equal to 0.095% per annum of the average annual net assets of the Fund. There has been no change in this percentage in the current year.	

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10 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	9
Bank charges	10
Legal fee	12
Printing charges	25
Settlement Charges	21
Provision for Sindh Workers' Welfare Fund	973
Withholding tax and capital gain tax	543
Brokerage payable	267
	<u>1,860</u>

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at March 31, 2018.

12 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, is 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 has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at March 31, 2018 would have been higher by Re 0.011 per unit.

13 TAXATION

The income of the Fund is exempt from income tax under 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 period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial statement.

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.

14 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 2.13 % per annum including 0.61 % representing government levies on collective investment scheme such as sales tax, Sindh worker's welfare fund and SECP fee for the period.

15 TRANSACTIONS WITH CONNECTED PERSONS

- 15.1 Related parties / connected persons include NBP Fund Management Limited (Formerly: NBP Fullerton Asset 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, entities having common directorship with the Management Company, retirement funds of group companies, directors and key management personnel of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 15.2 The transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 15.3 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.
- 15.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA FINANCIAL SECTOR FUND

(Un-audited)
For the period
from February 09, 2018
to March 31, 2018
(Rupees in '000)

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

NBP Fund Management Limited (Formerly: NBP Fullerton Asset Management Limited) - Management Company	
Remuneration of the Management Company	1,512
Sindh sales tax on remuneration of the Management Company	197
Accounting and operational expenses	76
Selling and marketing expense	302
Employees of the Management Company	
Units issued / transferred In (561,007)	5,631
Units redeemed / transferred out (20,970)	211
Humayun Bashir (Director)	
Units issued / transferred In (2,647,103)	26,659
Units redeemed / transferred out (999,111)	10,000
Summit Bank Limited (Common Directorship)	
Units issued / transferred In (1,997,483)	20,000
Units redeemed / transferred out (1,997,483)	20,052
Taurus Securities Limited (Subsidiary of Parent)	
Brokerage	39
Bank Islami Pakistan Limited (Common Directorship)	
Profit on bank deposits	980
Rehan Bashir (More than 10% unit holding in the Fund)	
Units issued / transferred In (20,277,561)	222,154
Units redeemed / transferred out (30,397,888)	330,000
National Bank of Pakistan (Parent Company)	
Shares purchased: 470,500	23,184
Askari Bank Limited (Common Directorship)	
Shares purchased: 1,584,000	33,714

(Un-audited)
As at
March 31,
2018
(Rupees in '000)

15.6 Amounts outstanding as at period end

NBP Fund Management Limited (Formerly: NBP Fullerton Asset Management Limited) - Management Company	
Management remuneration payable	1,130
Sindh sales tax payable on management remuneration	147
Sales load and transfer load payable to management company	680
Sindh sales tax payable on sale load and transfer load	88
Selling and Marketing Expense	302
Accounting and operational charges to the Management Company	76
Other Payable	5,984

NAFA FINANCIAL SECTOR FUND

	(Un-audited) As at March 31, 2018 (Rupees in '000)
Employees of the Management Company Units held: 540,038	5,779
Central Depository Company of Pakistan Limited - Trustee Remuneration payable Sindh sales tax on remuneration of trustee Security deposit	113 15 100
Bank Islami Pakistan Limited (Common Directorship) Bank balances Profit receivable	1,500 632
Humayun Bashir (Director) Units held: 1,647,992	17,637
Taurus Securities Limited (Subsidiary of Parent) Brokerage payable	6,613
National Bank of Pakistan (Parent Company) Shares held: 470,500	23,553
Rehan Bashir (More than 10% unit holding in the Fund) Units held: 9,740,647	104,243
Summit Bank Limited (Common Directorship) Bank balances	482
Askari Bank Limited (Common Directorship) Shares held: 1,584,000	36,305

16 DATE OF AUTHORISATION FOR ISSUE

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

17 GENERAL

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

**For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

Head Office

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