

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND



ANNUAL REPORT
JUNE 2019



MISSION STATEMENT

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



Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	07
TRUSTEE REPORT TO THE UNIT HOLDERS	13
FUND MANAGER REPORT	14
STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES	16
REPORT OF THE SHARI'AH ADVISOR	17
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	19
STATEMENT OF ASSETS AND LIABILITIES	22
INCOME STATEMENT	23
STATEMENT OF COMPREHENSIVE INCOME	24
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	25
CASH FLOW STATEMENT	26
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	27
PERFORMANCE TABLE	53
PROXY ISSUED BY THE FUND	54



FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nasir Husain	Director
Mr. Abdul Hadi Palekar	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	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. Humayun Bashir	Member
Mr. Nasir Husain	Member
Mr. Imran Zaffar	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Nasir Husain	Member
Mr. Humayun Bashir	Member
Mr. Ali Saigol	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Shehryar Faruque	Member
Mr. Abdul Hadi Palekar	Member
Mr. Ali Saigol	Member

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shahra-e-Faisal, Karachi.

Bankers to the Fund

Bank Islami Pakistan Limited
Habib Bank Limited
United Bank Limited
Dubai Islamic Bank Limited
Silk Bank Limited
Al Baraka Bank Limited

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND

(FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



NBP FUNDS
Managing Your Savings

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

Akhund Forbes
D-21, Block, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town, Lahore.
UAN: 042-111-111-632
Fax: 92-42-35861095

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
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-e-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Nasir Husain
Director



Mr. Ali Saigol
Director



Mr. Shehryar Faruque
Director



Mr. Imran Zaffar
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Muhammad Ali, CFA, FRM
Head Of Fixed Income



Mr. Taha Khan Javed, CFA
Head Of Equity



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Salman Ahmed, CFA
Head Of Risk Management



Mr. Zaheer Iqbal, ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head Of Compliance



Mr. Shahbaz Umer
Head Of Human Resource

DIRECTORS' REPORT

This is the Fourth Annual Report for the period ended June 30, 2019, since launch of **NBP Islamic Active Allocation Equity Fund (Formerly NAFA Islamic Active Allocation Equity Fund) (NIAAEF)** on January 18, 2016.

NBP Funds launched its second open-end Islamic Equity Fund namely NBP Islamic Active Allocation Equity Fund (Formerly NAFA Islamic Active Allocation Equity Fund) (NIAAEF) in January 2016. The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved Shari'ah compliant equities.

Fund's Performance

After challenging FY2017-18, amid thin trading volumes, the stock market depicted dismal performance during FY2018-19 as the benchmark KMI-30 Index fell sharply by 23.8% on a year-on-year basis. Though the market started off the year on a positive note as investors cheered the peaceful transition between two democratically elected governments, the rebound turned out to be short-lived as investors' attention shifted to the deteriorating economic fundamentals emanating from the intractable twin deficits, especially the heightened Current Account Deficit (CAD).

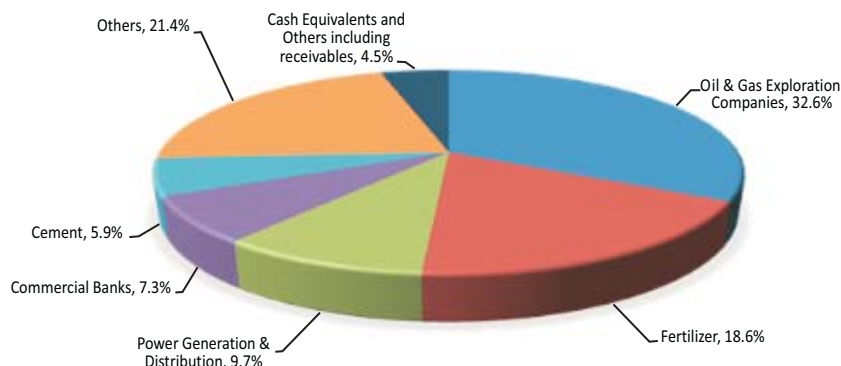
Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding the scope of duties on non-essential imported luxury goods, and deep cut in public spending. The tightening policies led to a sharp decline in the economic activity as manifested by contraction in the Large Scale Manufacturing sector while the GDP growth rate slowed to 3.3% for FY2019 compared with 5.5% in the previous year. This in turn weighed on the corporate profitability, especially of cyclical sectors due to demand slowdown and cost pressures that in turn further dampened market sentiment.

To bridge the gap on external account, though the government was able to secure a sizable financial assistance from friendly countries such as China, KSA and UAE, the delay in the IMF program irked the market participants, as despite the government's efforts, CAD for the year clocked in at unsustainably high level of USD 13.6 billion albeit down from USD 19.9 billion in the previous year. The unfortunate Pulwama Attack led to escalation of tension between Pakistan and India, which also weighed on the market sentiment. Negative headlines pertaining to the ongoing proceedings of Financial Action Task Force (FATF), which expressed its concerns on lack of operational reforms, also perturbed investors throughout the year. Tax laden Federal Budget FY2019-20 along with ongoing drive for the documentation of economy are causing short-term pain with its negative implications for the economic growth, corporate profitability, consumer confidence, and market sentiment.

During the fiscal year, NBP Islamic Active Allocation Equity Fund decreased by 19.9% as against the KMI-30 index decreased by 23.8%, outperforming the benchmark by 3.9% during the year. The Fund was overweight in key stocks in Commercial Banks, Chemical, and Technology & Communication sectors that outperformed the market and underweight in key stocks in Refinery, Oil & Gas Marketing Companies, Pharmaceutical, and Automobile Assembler sectors that underperformed the market, which contributed to the outperformance. Since its inception on January 18, 2016, the return of NBP Islamic Active Allocation Equity Fund was 6.2%, while the benchmark increased by 3.6%. Thus, the Fund outperformed by 2.6% during the period. The performance of the Fund is net of management fee and all other expenses. The Fund size is 1,182 million as of June 30, 2019.

NBP Islamic Active Allocation Equity Fund has incurred a total loss of Rs. 405.73 million during the period. After deducting total expenses of Rs. 64.872 million, the net loss is Rs. 470.602 million. During the year, the unit price of NBP Islamic Active Allocation Equity Fund has decreased from Rs. 11.3425 (Ex-Div) on June 30, 2018 to Rs. 9.0822 on June 30, 2019. The resultant per unit loss is Rs. 2.2603 (19.93%).

The asset allocation of the Fund as on June 30, 2019 is as follows:



Income Distribution

Due to net loss for the year, no distribution has been made.

Taxation

On account of net loss, no provision for taxation was made in the financial statements of the Fund.

Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2020.

Directors' Statement in Compliance with best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 28 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND

(FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Nasir Husain 3. Mr. Abdul Hadi Palekar 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

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: August 30, 2019

Place: Karachi.



ڈائریکٹرز رپورٹ

NBP فنڈ منجمنٹ لیڈ کے بورڈ آف ڈائریکٹرز NBP اسلامک ایکٹو ایلوکییشن ایکویٹی فنڈ (سابقہ: NAFA اسلامک ایکٹو ایلوکییشن ایکویٹی فنڈ) (NIAAEF) کی چوتھی سالانہ رپورٹ برائے مختتمہ سال 30 جون 2019 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

این بی پی فنڈ نے اپنے دوسرے اوپن انڈ اسلامک ایکویٹی فنڈ نامی این بی پی اسلامک ایکٹو ایلوکییشن ایکویٹی فنڈ (سابقہ NAFA اسلامک ایکٹو ایلوکییشن ایکویٹی فنڈ) (NIAAEF) کا آغاز جنوری 2016 میں کیا۔ فنڈ کا مقصد منظور شدہ شریعہ کمپلیٹ اسلامک ایکویٹی میں طویل مدت پر پونٹ ہولڈرز کی سرمایہ کاری کے لئے نمونہ بنانا ہے۔

فنڈ کی کارکردگی

بعد از مشکل مالی سال 2017-2018، مالی سال 2019 بھی تجارتی حجم میں کمی کے باعث اسٹاک مارکیٹ نے مایوس کن کارکردگی کا مظاہرہ کیا جیسا کہ KSE-100 انڈیکس میں سالانہ بنیادوں پر 19.1% کی کمی واقع ہوئی اگرچہ اس سال مارکیٹ کا آغاز مثبت انداز سے ہوا جیسا کہ سرمایہ کاروں نے دو منتخب جمہوری حکومتوں کے پُر امن انتقال اقتدار کو سراہا۔ تاہم مقامی سرمایہ کاروں کا جوش وقتی ثابت ہوا جس کی وجہ سرمایہ کاروں کا خراب معیشت کی طرف متوجہ ہونا تھا۔ یہ صورتحال دوہرے خسارے، خاص طور پر بڑھتے ہوئے کرنٹ اکاؤنٹ خسارہ (CAD) سے صاف ظاہر ہو رہی تھی۔

مہنگائی پر قابو پانے اور بیرونی اکاؤنٹ کے عدم توازن کو کم کرنے کے مقاصد کے ساتھ مشکل اقتصادی حالات سے دوچار موجودہ حکومت نے امریکی ڈالر کے برعکس روپیہ کی قدر میں خاطر خواہ کمی، پالیسی شرح میں تیز ترین اضافہ، غیر ضروری پر تیش درآمدی اشیاء کی ڈیوٹی میں اضافہ اور عوامی اخراجات میں کمی جیسی سخت پالیسیوں کا آغاز کیا۔ سخت پالیسیوں کی وجہ سے معاشی سرگرمیوں میں واضح کمی واقع ہوئی جس کا اظہار بڑے پیمانے سے پیداواری شعبے میں کمی سے ہوا جبکہ ڈی پی نمو کی شرح گزشتہ سال 5.5% کے مقابلے میں مالی سال 2019 میں 3.3% کی شرح سے سست رفتاری کا شکار رہی۔ جس کا اثر کاروباری منافع خاص طور پر گردش شعبوں کے منافع پر طلب کی کمی اور لاگت دباؤ کے باعث ہوا جس کے نتیجے میں سرمایہ کاروں کے جذبات مزید مدہم پڑ گئے۔

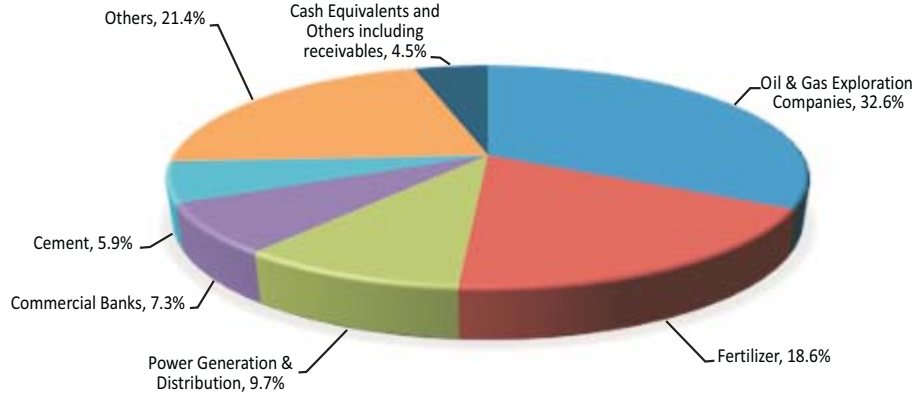
بیرونی اکاؤنٹ کے خلا کو پورا کرنے کے لئے اگرچہ حکومت، چین، سعودی عرب اور متحدہ عرب امارات جیسے دوست ممالک سے قابل ذکر مالی امداد حاصل کرنے میں کامیاب ہو گئی تھی تاہم IMF پروگرام میں تاخیر نے مارکیٹ کے شرکاء کو پریشان کیا۔ حکومتی کوششوں کے باعث کرنٹ اکاؤنٹ خسارہ گزشتہ سال میں 19.9 امریکی ڈالر سے کم ہو کر رواں سال 13.6 امریکی ڈالر کی غیر مستحکم اعلیٰ سطح پر پہنچ گیا۔ بد قسمتی سے پلوائہ حملے کے بعد پاکستان اور بھارت کے درمیان کشیدگی بڑھ گئی جس سے سرمایہ کاروں کے جذبات بھی مدہم ہوئے۔ فنانشل ایکشن ٹاسک فورس (ایف ایس ای ایف) کی جاری کارروائی سے متعلق منفی خبروں نے آپریشنل اصلاحات کی عدم فراہمی پر خدشات کے اظہار میں سال بھر سرمایہ کاروں کو پریشان کئے رکھا۔ دستاویزی معیشت کے لئے جاری مہم کے ساتھ ٹیکسوں سمیٹھ پور فنانسی جٹ مالی سال 2019-2020 قلیل مدت پریشانی کا حامل رہا جس کے منفی اثرات اقتصادی ترقی، کاروباری منافع، صارفین کے اعتماد اور سرمایہ کاروں کے مدہم جذبات کی شکل میں ظاہر ہوئی۔

مالی سال کے دوران، این بی پی اسلامک ایکٹو ایلوکییشن ایکویٹی فنڈ میں 19.9 فیصد کمی واقع ہوئی ہے جبکہ ایم آئی 30 انڈیکس کے مقابلہ میں 23.8 فیصد کمی واقع ہوئی ہے، جو سال کے دوران بیچ مارک کی 3.9 فیصد کمی بہتر کار کردہ ہے۔ فنڈ کرسٹل ٹیکنوں، کی بیٹیل، اور نیکیٹا لوجی اور مواصلات کے شعبوں کو زیادہ اہمیت دی جس نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا اور ریفاہی سٹری، آئل اینڈ گیس مارکیٹنگ کمپنیوں، دواسازی اور آٹوموبائل اسمبلر کمپنیوں میں اہم اسٹاک کو اہمیت نہیں دی گئی جنہوں نے مارکیٹ سے اتر کارکردگی دکھائی، جس نے بہتر کارکردگی میں حصہ لیا۔ اپنے آغاز (18 جنوری 2016) سے این بی پی اسلامک ایکٹو ایلوکییشن ایکویٹی فنڈ کا منافع 6.2% تھا، جبکہ بیچ مارک میں 3.6% کا اضافہ ہوا، لہذا فنڈ نے مدت کے دوران 2.6% کی بہتر کارکردگی دکھائی۔ فنڈ کی یہ کارکردگی منجمنٹ فیس اور تمام اخراجات کے بعد خالص ہے۔ 30 جون 2019 کو فنڈ کا سائز 1.182 ملین روپے ہے۔

این بی پی اسلامک ایکٹو ایلوکییشن ایکویٹی فنڈ نے مدت کے دوران 405.73 ملین روپے کا مجموعی نقصان اٹھایا ہے۔ 64.872 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص نقصان 470.602 ملین روپے ہے۔ سال کے دوران، فنڈ کے پونٹ کی قیمت 30 جون 2018 کو 11.324 روپے (Ex-Div) سے کم ہو کر 30 جون 2019 کو 9.0822 روپے ہو گئی۔ نتیجتاً پونٹ نقصان 2.2603 روپے (19.93%) ہے۔



30 جون 2019 کے مطابق فنڈ کی ایسٹ ایلوکیشن حسب ذیل ہے:



آمدنی کی تقسیم

مذکورہ مالی سال میں فنڈ میں خالص نقصان کے سبب کوئی رقم تقسیم نہیں کی گئی۔

تیسرے

خالص نقصان کے سبب فنڈ کے مالیاتی گوشوارے میں ٹیکس کا کوئی پروویژن نہیں رکھا گیا۔

آڈیٹرز

موجودہ آڈیٹرز، مینسٹرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائرڈ گونگے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2020 کو ختم ہونے والے سال میں دوبارہ تقرر کے لئے پیش کیا ہے۔

لسٹڈ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی بیرونی میں ڈائریکٹرز اسٹیٹمنٹ

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے۔ شہادتاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی بیرونی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیبیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈز، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔



- 10 اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 28 میں کی گئی ہے۔
- 11 بونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز ہی ای او بی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13 مینجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

کیٹگری	نام
غیر جانبدار ڈائریکٹرز	•1 جناب کمال عامر چٹائے
	•2 جناب شہریار فاروق
	•3 جناب ہمایوں بشیر
ایگزیکٹو ڈائریکٹر	ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)
نان ایگزیکٹو ڈائریکٹرز	•1 شیخ محمد عبدالواحد سیٹھی (چیئر مین)
	•2 جناب ناصر حسین
	•3 جناب عبدالہادی پالیکر
	•4 جناب علی سیگل
	•5 جناب عمران ظفر

اظہار تکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر بونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور انسٹیٹیوٹ آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے تخلص رویہ کا بھی اعتراف کرتا ہے۔

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

مضائب بورڈ آف ڈائریکٹرز

NBP ڈائریکٹرز مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 30 اگست 2019

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Active Allocation Equity Fund (Formerly; NAFA Islamic Active Allocation Equity Fund) (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

FUND MANAGER REPORT

NBP Islamic Active Allocation Equity Fund (Formerly NAFA Islamic Active Allocation Equity Fund) (NIAAEF) is an Open-Ended Equity Fund.

Investment Objective of the Fund

The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of Shari'ah Compliant listed equities.

Benchmark

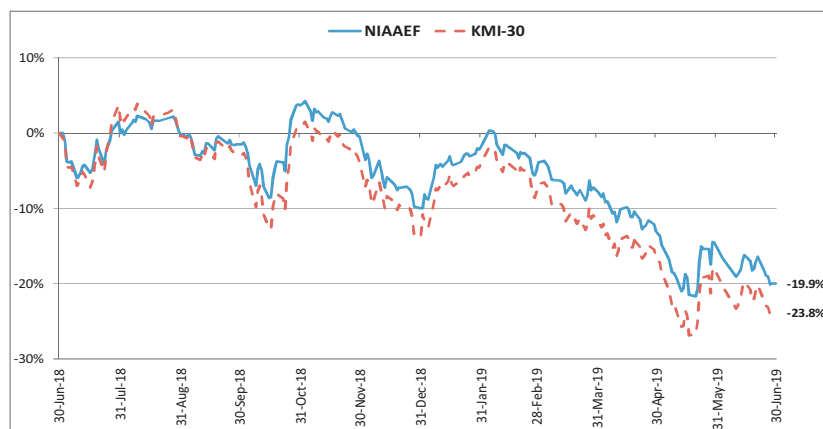
KMI-30 Index.

Fund Performance Review

This is the fourth annual report of the Fund. During the fiscal year, NBP Islamic Active Allocation Equity Fund decreased by 19.9% as against the KMI-30 index decreased by 23.8%, outperforming the benchmark by 3.9% during the year. Since its inception on January 18, 2016, the return of NBP Islamic Active Allocation Equity Fund was 6.2%, while the benchmark increased by 3.6%. Thus, the Fund outperformed by 2.6% during the period. The performance of the Fund is net of management fee and all other expenses. The fund size of NBP Islamic Active Allocation Equity Fund is Rs.1,182million as of June 30, 2019.

NIAAEF outperformed during the year as Fund was overweight in key stocks in Commercial Banks, Chemical, and Technology & Communication sectors that outperformed the market and underweight in key stocks in Refinery, Oil & Gas Marketing Companies, Pharmaceutical, and Automobile Assembler sectors that underperformed the market, which contributed to the outperformance. The chart below shows the performance of NIAAEF against the Benchmark for the year.

NIAAEF Performance vs. Benchmark during FY19



Since inception of the Fund, we altered the allocation of the Fund based on our view on the relative performance of different asset classes. At the end of the year, the allocation in equities was around 95.5%.

After challenging FY2017-18, amid thin trading volumes, the stock market depicted dismal performance during FY2018-19 as the benchmark KMI-30 Index fell sharply by 23.8% on a year-on-year basis. Though the market started off the year on a positive note as investors cheered the peaceful transition between two democratically elected governments, the rebound turned out to be short-lived as investors' attention shifted to the deteriorating economic fundamentals emanating from the intractable twin deficits, especially the heightened Current Account Deficit (CAD).

Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding the scope of duties on non-essential imported luxury goods, and deep cut in public spending. The tightening policies led to a sharp decline in the economic activity as manifested by contraction in the Large Scale Manufacturing sector while the GDP growth rate slowed to 3.3% for FY2019 compared with 5.5% in the previous year. This in turn weighed on the corporate profitability, especially of cyclical sectors due to demand slowdown and cost pressures that in turn further dampened market sentiment.

To bridge the gap on external account, though the government was able to secure a sizable financial assistance from friendly countries such as China, KSA and UAE, the delay in the IMF program irked the market participants, as despite the government's efforts, CAD for the year clocked in at unsustainably high level of USD 13.6 billion albeit down from USD 19.9 billion in the previous year. The unfortunate Pulwama Attack led to escalation of tension between Pakistan and India, which also weighed on the market sentiment. Negative headlines pertaining to the ongoing proceedings of Financial Action Task Force (FATF), which expressed its concerns on lack of operational reforms, also perturbed investors throughout the year. Tax laden Federal Budget FY2019-20 along with ongoing drive for the documentation of economy are causing short-term pain with its negative implications for the economic growth, corporate profitability, consumer confidence, and market sentiment.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-19	30-Jun-18
Equities / Stocks	95.5%	85.9%
Cash Equivalents	1.9%	12.4%
Other Net Assets	2.6%	1.7%
Total	100.0%	100.0%

Distribution for the Financial Year 2019

Due to net loss for the year, no distribution has been made.

Unit Holding Pattern of NBP Islamic Active Allocation Equity as on June 30, 2019

Size of Unit Holding (Units)	# of Unit Holders
5000001 - 10000000	7
10000000 - 100000000	4
	11

During the period under question

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

During the year, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from launch date of the fund, based on recommendation by MUFAP to all its members. For further details, refer note 13.2 to the financial statements.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Islamic Active Allocation Equity Fund (Formerly; NAFA Islamic Active Allocation Equity Fund) (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: August 30, 2019
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

SHARI'AH ADVISOR REPORT

Report of the Shari'ah Supervisory Board - NBP Islamic Active Allocation Equity Fund. (Formerly; NAFA Islamic Active Allocation Equity Fund)

August 26, 2019/ Dhu Al-Hijjah 24, 1440

Alhamdulillah, the period from July 1, 2018 to June 30, 2019 was the Fourth year of operations of NBP Islamic Active Allocation Equity Fund (NIAAEF). This report is being issued in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance in line with the Shari'ah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i) We have reviewed and approved the modes of equity investments of NIAAEF in light of Shari'ah requirements. Following is a list of top investments of NIAAEF as on June 30, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii) Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66
Oil & Gas Development Company Limited	Oil & Gas Exploration Companies	0.00%	12.32%	4.26%	36%	77.75	128
Engro Corporation Limited.	Fertilizer	33.98%	20.80%	3.52%	66%	(144.42)	
Engro Fertilizer Limited	Fertilizer	25.93%	6.57%	0.43%	76%	(32.97)	
The Hub Power Co. Limited. *	Power Generation & Distribution	31.38%	0.00%	0.43%	41%	(29.26)	
Mari Petroleum Company Limited.	Oil & Gas Exploration Companies	11.14%	15.09%	1.04%	33%	(597.55)	
Pakistan Oilfields Limited.	Oil & Gas Exploration Companies	0.00%	0.01%	3.20%	52%	(9.27)	

*Debt is considered excluding circular debt

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND (FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



NBP FUNDS
Managing Your Savings

- ii) On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIAAEF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii) There are investments made by NIAAEF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIAAEF for the year ended June 30, 2019 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 1,348,704 /- was created and an amount of Rupees 1,042,993/- was available for disbursement into charity as of June 30, 2019, which is inclusive of Rupees 732,354/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2019 will be adjusted after the availability of the respective annual financial statements.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and On Behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of NBP Islamic Active Allocation Equity Fund (Formerly: NAFA Islamic Active Allocation Equity Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NBP Islamic Active Allocation Equity Fund (Formerly: NAFA Islamic Active Allocation Equity Fund) (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Net Asset Value (NAV) (Refer note 5 to the financial statements)</p> <p>The investments constitute the most significant component of the NAV. The investments of the Fund as at June 30, 2019 amounted to Rs 1,128.167 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • tested the design and operating effectiveness of the key controls for valuation of investments; • obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and • re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: September 27, 2019

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019

	Note	2019 -----Rupees in '000-----	2018
Assets			
Bank balances	4	22,721	233,226
Investments	5	1,128,167	1,621,412
Receivable against sale of investments		61,167	67,368
Dividend and profit receivable	6	1,832	4,710
Deposits, prepayments and other receivables	7	12,018	11,609
Preliminary expenses and floatation costs	8	310	510
Total assets		1,226,215	1,938,835
Liabilities			
Payable to NBP Fund Management Limited - the Management Company	10	9,021	13,235
Payable to the Central Depository Company of Pakistan Limited - the Trustee	11	215	324
Payable to the Securities and Exchange Commission of Pakistan	12	1,730	2,975
Accrued expenses and other liabilities	13	33,549	35,100
Total liabilities		44,515	51,634
NET ASSETS		1,181,700	1,887,201
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,181,700	1,887,201
CONTINGENCIES AND COMMITMENTS	14		
		-----Number of units-----	
NUMBER OF UNITS IN ISSUE	9	130,111,302	166,383,050
		-----Rupees-----	
NET ASSET VALUE PER UNIT		9.0822	11.3425

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
-----Rupees in '000-----			
Income			
Profit on bank deposits		20,300	20,760
Dividend income		76,227	131,161
Loss on sale of investments - net		(265,112)	(547,685)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.2	(237,145)	(134,188)
		<u>(502,257)</u>	<u>(681,873)</u>
Total loss		(405,730)	(529,952)
Expenses			
Remuneration of NBP Fund Management Limited - the Management Company	10.1	36,417	62,626
Sindh sales tax on remuneration of the Management Company	10.2	4,734	8,142
Allocated expenses	10.4	1,821	3,131
Selling and marketing expenses	10.5	7,283	12,525
Remuneration of the Central Depository Company of Pakistan Limited - the Trustee	11.1	2,821	4,131
Sindh sales tax on remuneration of the Trustee	11.2	367	537
Annual fees to the Securities and Exchange Commission of Pakistan	12.1	1,730	2,975
Auditors' remuneration	15	549	238
Amortisation of preliminary expenses and floatation costs	8	200	200
Shari'ah advisor fee		313	490
Securities transaction cost		7,460	7,755
Settlement and bank charges		934	564
Legal and professional charges		22	49
Mutual fund rating fee		221	179
Total operating expenses		64,872	103,542
		<u>(470,602)</u>	<u>(633,494)</u>
Net loss from operating activities			
Provision against Sindh Workers' Welfare Fund	13.2	-	-
Net loss for the year before taxation		(470,602)	(633,494)
Taxation	17	-	-
Net loss for the year after taxation		(470,602)	(633,494)
(Loss) / earnings per unit	18		
Allocation of net income for the year			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
		<u>-</u>	<u>-</u>
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<u>-</u>	<u>-</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	----- Rupees in '000 -----	
Net loss for the year after taxation	(470,602)	(633,494)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(470,602)	(633,494)

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND (FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2019

	2019			2018		
	Capital value	Undistributed income / (accumulated loss)	Total	Capital value	Undistributed income	Total
	----- Rupees in '000 -----					
Net assets at beginning of the year	1,663,439	223,762	1,887,201	3,849,854	908,247	4,758,101
Issue of 290,228,888 units (2018: 177,630,920 units)						
- Capital value (at net asset value per unit at the beginning of the year)	3,291,921	-	3,291,921	2,351,484	-	2,351,484
- Element of loss	(99,212)	-	(99,212)	(272,132)	-	(272,132)
Total proceeds on issuance of units	<u>3,192,709</u>	<u>-</u>	<u>3,192,709</u>	<u>2,079,352</u>	<u>-</u>	<u>2,079,352</u>
Redemption of 326,500,636 units (2018: 365,834,078 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(3,703,333)	-	(3,703,333)	(4,857,265)	-	(4,857,265)
- Element of income	275,725	-	275,725	591,498	-	591,498
Total payments on redemption of units	<u>(3,427,608)</u>	<u>-</u>	<u>(3,427,608)</u>	<u>(4,265,767)</u>	<u>-</u>	<u>(4,265,767)</u>
Total comprehensive loss for the year	-	(470,602)	(470,602)	-	(633,494)	(633,494)
Final cash distribution for the year ended June 30, 2017 @ Re 0.1833 per unit (date of declaration: September 15, 2017)	-	-	-	(50,991)	(50,991)	(50,991)
Net assets at end of the year	<u>1,428,540</u>	<u>(246,840)</u>	<u>1,181,700</u>	<u>1,663,439</u>	<u>223,762</u>	<u>1,887,201</u>
Undistributed income brought forward						
- Realised		357,950			417,241	
- Unrealised		(134,188)			491,006	
		<u>223,762</u>			<u>908,247</u>	
Accounting (loss) / income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
Net loss for the year after taxation		(470,602)			(633,494)	
Distribution during the year						
Final cash distribution for the year ended June 30, 2017 @ Re 0.1833 per unit (date of declaration: September 15, 2017)		-		(50,991)	(50,991)	
(Accumulated loss) / undistributed income carried forward		<u>(246,840)</u>			<u>223,762</u>	
(Accumulated loss) / undistributed income carried forward						
- Realised (loss) / income		(9,695)			357,950	
- Unrealised loss		(237,145)			(134,188)	
		<u>(246,840)</u>			<u>223,762</u>	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year		<u>11.3425</u>			<u>13.4187</u>	
Net assets value per unit at end of the year		<u>9.0822</u>			<u>11.3425</u>	

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
-----Rupees in '000-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year before taxation		(470,602)	(633,494)
Adjustments for:			
Profit on bank deposits		(20,300)	(20,760)
Provision against Sindh Workers' Welfare Fund		-	-
Amortisation of preliminary expenses and floatation costs	8	200	200
Dividend income		(76,227)	(131,161)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		237,145	134,188
		140,818	(17,533)
(Increase) / decrease in assets			
Investments		256,100	2,555,178
Receivable against sale of investments		6,201	(67,368)
Deposits, prepayments and other receivables		(409)	90
		261,892	2,487,900
Increase / (decrease) in liabilities			
Payable to NBP Fund Management Limited - the Management Company		(4,214)	(10,510)
Payable to the Central Depository Company of Pakistan Limited - the Trustee		(109)	(219)
Payable to the Securities and Exchange Commission of Pakistan		(1,245)	(415)
Payable against purchase of investments		-	(19,878)
Accrued expenses and other liabilities		(1,551)	1,794
		(7,119)	(29,228)
		(75,011)	1,807,645
Dividend received		79,064	141,126
Profit received on bank deposit		20,341	21,291
Net cash generated from operating activities		24,394	1,970,062
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issuance of units		3,192,709	2,172,157
Net payments against redemption of units		(3,427,608)	(4,265,767)
Dividend paid		-	(50,991)
Net cash used in financing activities		(234,899)	(2,144,601)
Net decrease in cash and cash equivalents		(210,505)	(174,539)
Cash and cash equivalents at the beginning of the year		233,226	407,765
Cash and cash equivalents at the end of the year	4	22,721	233,226

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Islamic Active Allocation Equity Fund (Formerly: NAFA Islamic Active Allocation Equity Fund) (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on November 3, 2015 between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block 4, Scheme No.5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open ended 'Shari'ah compliant equity scheme' by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009.

The objective of the Fund is to provide higher risk adjusted returns to investors by investing in diversified portfolio of equity instruments. The investment objectives and policies are explained in the Fund's offering document.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 as at June 30, 2019 (2018: AM1) to the Management Company and performance ranking "4 Star" to the Fund was assigned on Feb 28, 2019 (May 24, 2018: "4 Star")

The title to the assets of the Fund is held in the name of the CDC as the 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 Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, 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.

2.2 Standards, interpretations and amendments to the published accounting and reporting standards that are effective in the current year

- 2.2.1** Effective from July 1, 2018, the Fund has adopted IFRS 9: 'Financial instruments' which has replaced IAS 39: 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected

credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has impact on all the assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of the ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

All equity investments are required to be measured in the statement of assets and liabilities at fair value, with gains and losses recognised in the income statement, except where an irrevocable election has been made at the time of initial recognition to measure the investment at fair value through other comprehensive income (FVOCI). The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognised as fair value through profit or loss (FVPL). The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio in equity securities continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost.

The adoption of IFRS 9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption.

2.2.2 There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2018 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

2.3.1 The following amendments to the published accounting and reporting standards would be effective from the dates mentioned below against the respective amendments:

	Effective date (accounting period beginning on or after)
- IFRS 9 - 'Financial instruments' (amendments)	January 1, 2019
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 1, 2020

The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

2.3.2 There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2019 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is 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.

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5), provision for Federal Excise Duty (note 10.3) and provision for taxation (notes 3.13 and 17).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistan Rupee, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the presented financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in note 2.2.1 above to these financial statements.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the statement of assets and liabilities at fair value, with gains and losses recognised in the income statement, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVPL is recognised in the income statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the income statement.

3.3.2 Impairment

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

3.3.3 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

3.3.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 recognised in the income statement.

3.3.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the income statement.

3.3.6 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the income statement.

3.5 Offsetting of financial assets and financial 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 to realise the assets and settle the liabilities simultaneously.

3.6 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption application during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

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 element of income is a transaction of capital nature and the receipt and payment of element of income is 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.

3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Profit on bank balances is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.

3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and the Trustee and annual fee of the SECP are recognised in the income statement on an accrual basis.

3.13 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 year, as reduced by capital gains, whether realised or unrealised, is distributed as cash dividend to the unit holders.

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.

3.14 Earnings / (loss) per unit

Earnings / (loss) per unit (EPU) has not been disclosed in these financial statements as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

	Note	2019	2018
4 BANK BALANCES		Rupees in '000	
Balances with banks in:			
Savings accounts	4.1	22,721	233,226

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND (FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



- 4.1 These includes a balance of Rs 16.574 million (2018: Rs 232.632 million) maintained with BankIslami Pakistan Limited (a related party) that carries profit at the rate of 13.5% per annum (2018: 6.5% per annum). Other profit and loss sharing accounts of the Fund carry profit rates ranging from 11.2% to 13% per annum (2018: 2.75% to 6.50% per annum).

Note **2019** **2018**
Rupees in '000

5 INVESTMENTS

At fair value through profit or loss

Quoted equity securities 5.1 1,128,167 1,621,412

5.1 Investments in equity securities - listed

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

Name of the investee company	As at July 01, 2018	Acquired during the year	Bonus / Right shares received during the year	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments	Market value as a percentage of net assets	Holding as a percentage of Paid up capital of the investee company
AUTOMOBILE ASSEMBLER									
Indus Motor Company Limited	3,290	-	-	3,290	-	-	-	-	-
Millat Tractors Limited	17,400	24,200	-	41,600	-	-	-	-	-
AUTOMOBILE PARTS & ACCESSORIES									
Agriauto Industries Limited*	3,600	-	-	-	3,600	720	0.06	0.06	0.50
Thal Limited*	7,050	-	-	7,050	-	-	-	-	-
						720	0.06	0.06	
CABLE & ELECTRICAL GOODS									
Pak Elektron Limited	-	1,333,000	-	1,333,000	-	-	-	-	-
CEMENT									
Attock Cement Pakistan Limited	277,100	-	-	277,100	-	-	-	-	-
Cherat Cement Company Limited**	289,100	131,000	-	420,100	-	-	-	-	-
D. G. Khan Cement Co. Limited	246,500	767,400	-	956,900	57,000	3,223	0.29	0.27	0.07
Fauji Cement Company Limited	-	208,000	-	-	208,000	3,272	0.29	0.28	-
Kohat Cement Co. Limited	106,900	112,500	17,430	78,800	158,030	8,301	0.74	0.70	0.41
Lucky Cement Limited	77,600	395,500	-	359,500	113,600	43,221	3.83	3.66	1.34
Maple Leaf Cement Factory Limited	66,250	3,491,000	-	3,069,250	488,000	11,658	1.03	0.99	0.18
Pioneer Cement Limited	101,000	1,214,000	-	1,315,000	-	-	-	-	-
						69,676	6.18	5.90	
CHEMICAL									
Engro Polymer & Chemicals Limited	1,046,416	3,634,500	-	4,167,000	513,916	13,855	1.23	1.17	0.15
Lotte Chemical Pakistan Limited	2,488,000	3,219,000	-	4,926,500	780,500	11,903	1.06	1.01	0.08
Sitara Peroxide Limited	-	861,000	-	861,000	-	-	-	-	-
						25,758	2.29	2.18	
COMMERCIAL BANKS									
Meezan Bank Limited	460,854	1,244,500	151,229	865,000	991,583	86,426	7.66	7.31	0.67
						86,426	7.66	7.31	
ENGINEERING									
Amreli Steels Limited	52,300	-	-	52,300	-	-	-	-	-
International Industries Limited**	36,900	52,000	-	38,000	50,900	3,923	0.35	0.33	0.33
International Steels Limited**	355,500	1,301,100	-	1,536,000	120,600	4,789	0.42	0.41	0.11
Ittefaq Iron Industries Limited	192,000	1,239,000	-	1,431,000	-	-	-	-	-
Mughal Iron and Steel Industries Limited	87,400	332,000	-	287,400	132,000	3,321	0.29	0.28	0.13
						12,033	1.06	1.02	

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND

(FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



NBP FUNDS
Managing Your Savings

Name of the investee company	As at July 01, 2018	Acquired during the year	Bonus / Right shares received during the year	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments	Market value as a percentage of net assets	Holding as a percentage of Paid up capital of the investee company
	----- Number of shares held-----					Rupees in '000	----- Percentage -----		
FERTILIZER									
Dawood Hercules Corporation Limited	66,800	-	-	66,800	-	-	-	-	-
Engro Fertilizers Limited	1,548,500	3,360,500	-	3,381,500	1,527,500	97,714	8.66	8.27	0.73
Engro Corporation Limited	455,600	818,100	41,390	856,800	458,290	121,722	10.79	10.30	2.11
Fatima Fertilizer Company Limited	12,500	387,000	-	395,000	4,500	134	0.01	0.01	-
						219,570	19.46	18.58	
FOOD & PERSONAL CARE PRODUCTS									
Al Shaheer Corporation Limited [note 5.1.2]	439,305	179,000	-	395,500	222,805	2,807	0.25	0.24	0.20
Unity Foods Limited	-	925,500	-	925,500	-	-	-	-	-
Unity Foods Limited - Right	-	-	1,669,271	1,669,271	-	-	-	-	-
						2,807	0.25	0.24	
GLASS & CERAMICS									
Shabbir Tiles & Ceramics Limited*	87,000	-	-	87,000	-	-	-	-	-
Tariq Glass Industries Limited	323,000	261,000	-	340,000	244,000	18,698	1.66	1.58	2.55
						18,698	1.66	1.58	
OIL AND GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	67,750	55,520	4,811	63,140	64,941	65,547	5.81	5.55	5.40
Oil & Gas Development Co. Limited	897,900	2,022,000	-	1,882,800	1,037,100	136,368	12.09	11.54	0.32
Pakistan Oilfields Limited	152,850	509,900	18,970	524,800	156,920	63,692	5.65	5.39	2.24
Pakistan Petroleum Limited	745,800	1,638,800	79,050	1,634,700	828,950	119,725	10.61	10.13	0.53
						385,333	34.16	32.61	
OIL & GAS MARKETING COMPANIES									
Attock Petroleum Limited	37,600	63,150	2,700	66,600	36,850	10,632	0.94	0.90	1.07
Hascol Petroleum Limited	62,900	146,700	16,495	216,350	9,745	669	0.06	0.06	0.03
Pakistan State Oil Co. Limited [note 5.1.2]	175,940	466,600	15,908	489,300	169,148	28,693	2.54	2.43	0.73
Shell Pakistan Limited	53,050	-	-	53,050	-	-	-	-	-
Sui Northern Gas Pipelines Limited	388,000	1,030,500	-	1,137,500	281,000	19,527	1.73	1.65	0.31
						59,520	5.27	5.04	
PAPER & BOARD									
Cherat Packaging Limited**	52,210	161,900	10,097	95,000	129,207	10,419	0.92	0.88	2.70
						10,419	0.92	0.88	-
PHARMACEUTICALS									
Abbott Laboratories (Pakistan) Limited	11,300	-	-	11,150	150	71	0.01	0.01	0.01
AGP Limited	103,875	118,000	-	221,875	-	-	-	-	-
Ferozsons Laboratories Limited	26,650	-	-	26,650	-	-	-	-	-
Glaxosmithkline Pakistan Limited	31,400	-	-	29,000	2,400	229	0.02	0.02	0.01
Glaxosmithkline Consumer Healthcare Pakistan Limited	14,200	-	-	2,500	11,700	2,258	0.20	0.19	0.19
The Searle Company Limited [note 5.1.2]	25,968	160,801	13,946	199,361	1,354	198	0.02	0.02	0.01
						2,756	0.25	0.24	
POWER GENERATION & DISTRIBUTION									
Hub Power Co. Limited	911,000	2,544,000	190,212	2,302,000	1,343,212	105,778	9.38	8.95	0.82
Kot Addu Power Co. Limited	81,600	-	-	81,600	-	-	-	-	-
Lalpir Power Limited	-	405,000	-	-	405,000	5,265	0.47	0.45	0.14
K-Electric Limited*	1,831,000	12,990,500	-	14,151,000	670,500	2,943	0.26	0.25	0.00
						113,986	10.11	9.65	
REFINERY									
National Refinery Limited	-	24,000	-	24,000	-	-	-	-	-
Attock Refinery Limited	-	72,500	-	72,500	-	-	-	-	-

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND (FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



NBP FUNDS
Managing Your Savings

Name of the investee company	As at July 01, 2018	Acquired during the year	Bonus / Right shares received during the year	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments	Market value as a percentage of net assets	Holding as a percentage of Paid up capital of the investee company
	----- Number of shares held -----					Rupees in '000	----- Percentage -----		

TECHNOLOGY & COMMUNICATION

Netsol Technologies Limited	276,500	431,400	-	492,000	215,900	14,226	1.26	1.20	1.59
Avanceon Limited	-	75,000	30,000	55,000	50,000	2,452	0.22	0.21	0.13
Pakistan Telecommunication Company Limited	-	3,565,000	-	2,750,000	815,000	6,740	0.60	0.57	0.02
Interloop Limited	-	416,129	-	130,000	286,129	12,667	1.12	1.07	0.15
Systems Limited	247,000	9,500	16,550	91,000	182,050	17,471	1.55	1.48	1.42
						53,556	4.75	4.53	

TEXTILE COMPOSITE

Kohinoor Textile Mills Limited [note 5.1.2]	512,657	26,500	-	253,500	285,657	7,156	0.63	0.61	0.24
Nishat Mills Limited	450,300	1,474,000	-	1,446,200	478,100	44,626	3.96	3.78	1.27
						51,782	4.59	4.39	

TRANSPORT

Pakistan National Shipping Corporation	1,500	130,000	-	21,000	110,500	7,055	0.63	0.60	0.53
						7,055	0.63	0.60	

MISCELLANEOUS

Synthetic Products Limited [note 5.1.2]	407,750	8,000	-	52,000	363,750	8,072	0.72	0.66	0.95
						8,072	0.72	0.66	

Total

						1,128,167	100	95.47	
Carrying value as June 30, 2019						1,365,312			
Market value as at June 30, 2018						1,621,412			
Carrying value as June 30, 2018						1,755,600			

* All shares have a nominal face value of Rs 10 each except for shares of Thal Limited, Agriauto Industries Limited, Shabbir Tiles & Ceraamics Limited which have a face value of Rs 5.

** These represent transactions in shares of related parties.

5.1.1 Investments include shares with market value of Rs 88.533 million (2018: Rs 143.527 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

5.1.2 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the Honourable High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Honourable High Court of Sindh in favour of CISs.

During the year ended June 30, 2018, the Honourable Supreme Court of Pakistan (HSC) passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued

/ entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the current year. Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2019, the following bonus shares of the Fund have been withheld by certain companies at the time of declaration of bonus shares. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Name of the company	2019		2018	
	Bonus Shares			
	Number of shares withheld	Market value as at June 30, 2019	Number of shares withheld	Market value as at June 30, 2018
	Rupees in '000		Rupees in '000	
Al Shaheer Corporation Limited	9,289	117	9,289	21
Kohinoor Textile Mills Limited	522	13	522	438
Pakistan State Oil Company Limited	2,751	467	2,292	730
The Searle Company Limited	1,354	198	1,177	400
Synthetic Products Limited	4,163	92	4,163	213
		<u>887</u>		<u>1,802</u>

6.1 This includes amount of Rs. 1.334 million (2018: Rs. 1.509 Million) as profit receivable from BankIslami Pakistan Limited (a related party).

5.2 Unrealised diminution on re-measurement of investments classified as Financial assets at fair value through profit or loss - net	Note	2019	2018
		Rupees in '000	
Market value of investments	5.1	1,128,167	1,621,412
Carrying value of investments	5.1	(1,365,312)	(1,755,600)
		<u>(237,145)</u>	<u>(134,188)</u>

6 DIVIDEND AND PROFIT RECEIVABLE	2019	2018
	Rupees in '000	
Profit accrued on bank balances	1,474	1,515
Dividend receivable	358	3,195
	<u>1,832</u>	<u>4,710</u>

6.1 This includes amount of Rs. 1.334 million (2018: Rs. 1.509 Million) as profit receivable from BankIslami Pakistan Limited (a related party).

	Note	2019 Rupees in '000	2018
7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE			
Security deposit with the Central Depository Company of Pakistan Limited		100	100
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Advance tax	7.1	9,009	9,009
Prepaid mutual fund rating fee		111	-
Other Receivable		298	-
		12,018	11,609

7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withhold on dividends amounts to Rs 9.009 million (2018: 9.009 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable High Court of Sindh (HCS) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by HCS in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court (HSC) through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the HSC by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the HSC granted the petitioners leave to appeal from the initial judgement of HCS. Pending resolution of the matter, the amount of withholding tax so deducted has been shown as other receivables as at June 30, 2019 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	2019 Rupees in '000	2018
8 PRELIMINARY EXPENSES AND FLOATATION COSTS			
At the beginning of the year	8.1	510	710
Less: amortisation during the year		(200)	(200)
At the end of the year		310	510

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed.

	2019 Number of Units	2018
9 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	166,383,050	354,586,208
Units issued during the year	290,228,888	177,630,920
Less: units redeemed during the year	326,500,636	365,834,078
Total units in issue at the end of the year	130,111,302	166,383,050

	Note	2019	2018
Rupees in '000			
10 PAYABLE TO NBP FUND MANAGEMENT LIMITED THE MANAGEMENT COMPANY			
Management fee payable	10.1	2,168	4,102
Sindh sales tax payable on remuneration of the Management Company	10.2	282	533
Federal Excise Duty payable on remuneration of the Management Company	10.3	1,420	1,420
Allocated expenses payable	10.4	1,030	1,436
Selling and marketing expenses payable	10.5	4,121	5,744
		9,021	13,235

10.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of an Equity Scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% per annum (2018: 2% per annum) of the average net assets of the Fund during the year June 30, 2019. The remuneration is payable to the Management Company monthly in arrears.

10.2 During the year, an amount of Rs. 4.734 million (2018: Rs 8.142 million) was charged on account of sales tax on management fee levied through the Sindh sales tax on services Act, 2011.

10.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration and sale load were already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Honourable High Court of Sindh (HCS) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, HCS passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Honourable Supreme Court of Pakistan (HSC) which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from January 18, 2016 till June 30, 2016 amounting to Rs 1.42 million (2018: 1.42 million) is being retained in these financial statements of the Fund as the matter is pending before the HSC. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2019 would have been higher by Re 0.0109 (2018: Re 0.0085) per unit.

10.4 Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the Management Company continued to charge expenses at the rate 0.1% of the average annual net assets of the Fund for both the periods i.e from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

10.5 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

		2019	2018
		Rupees in '000	
11	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY LIMITED - THE TRUSTEE		
	Trustee fee payable	190	287
	Sindh sales tax payable on trustee fee	25	37
		<u>215</u>	<u>324</u>
11.1	The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:		
	On net assets:		
	- up to 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 exceeding Rs 1,000 million	
11.2	During the year, an amount of Rs. 0.367 million (2018: Rs. 0.537 million) was charged on account of sales tax on remuneration of the trustee levied through the Sindh sales tax on Services Act, 2011.		
12	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
	Annual fee payable	1,730	2,975
12.1	In accordance with NBFC Regulations, 2008, a collective investment scheme classified as an equity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% (June 30, 2018: 0.095%) of the average annual net assets of the Fund as annual fee.		
13	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration payable	414	205
	Brokerage payable	1,196	1,114
	Settlement charges	116	26
	Charity payable	2,378	3,943
	Legal and professional charges payable	20	86
	Mutual fund rating fee		89
	Shari'ah advisor fee payable	311	494
	Withholding tax payable	30	30
	Provision against Sindh Workers' Welfare Fund	29,057	29,057
	Bank charges	27	56
		<u>33,549</u>	<u>35,100</u>
13.1	According to the instructions of the Shari'ah advisors, income earned by the Fund from prohibited sources should be donated to charitable purposes.		
	During the current period, non Shari'ah compliant income amounting to Rs 1.348 million (June 30, 2018: Rs 2.170 million) was charged in the books of the Fund. This will be distributed as charity after the approval of the Shari'ah advisor. The dividend income is recorded net of charity portion.		
13.2	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, the 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, 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).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from January 18, 2016 to June 30, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.2233 (2018: Re 0.1746) per unit.

	2019	2018
	Rupees in '000	
15 AUDITORS' REMUNERATION		
Annual audit fee	313	160
Other certification	67	-
Half yearly review fee	125	53
Out of pocket expenses	44	25
	549	238

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 3.56% (2018: 3.31%) which includes 0.37% (2018: 0.37%) representing government levies on the Fund such as sales taxes, federal excise duties, annual fee to SECP, etc. This ratio is within the maximum limit of 4% (4.5% w.e.f. June 20, 2019 as amended by S.R.O 639 dated June 20, 2019) prescribed under the NBFC Regulations for a collective investment scheme categorised as 'Shari'ah compliant equity scheme'.

17 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 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year.

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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on Funds as per Section 4B of the Income Tax Ordinance, 2001.

18 (Loss) / earnings per unit

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

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

- 19.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 19.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 19.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 19.5** Details of transactions with related parties / connected persons are as follows:

	2019	2018
	Rupees in '000	
NBP Fund Management Limited - the Management Company		
Remuneration for the year	36,417	62,626
Sindh sales tax on remuneration of the Management Company	4,734	8,142
Accounting and operational charges	1,821	3,131
Selling and marketing charges	7,283	12,525
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration of the Trustee	2,821	4,131
Sindh sales tax on remuneration of the Trustee	367	537
NAFA Islamic Active Allocation Fund I (Plan I)		
Units issued - 15,236,946 (2018: 22,149,388)	164,759	256,978
Units redeemed - 21,725,541 (2018: 54,035,498)	225,066	621,582
Cash distribution	-	6,762
NAFA Islamic Active Allocation Fund I (Plan II)		
Units issued - 10,681,564 (2018: 9,191,741)	117,678	104,477
Units redeemed - 26,961,515 (2018: 39,301,064)	285,692	454,985
Cash distribution	-	6,216
NAFA Islamic Active Allocation Fund I (Plan III)		
Units issued - 32,293,205 (2018: 9,224,498)	353,284	107,467
Units redeemed - 14,927,985 (2018: 70,085,344)	158,632	822,853
Cash distribution	-	8,831
NAFA Islamic Active Allocation Fund I (Plan IV)		
Units issued - 26,772,644 (2018: 5,930,685)	292,753	69,289
Units redeemed - 29,661,177 (2018: 36,976,584)	311,555	437,722
Cash distribution	-	6,488
NAFA Islamic Active Allocation Fund I (Plan V)		
Units issued - 27,518,352 (2018: 28,089,569)	298,457	324,424
Units redeemed - 41,442,012 (2018: 89,878,213)	442,863	1,051,458
Cash distribution	-	14,119

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND

(FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



	2019	2018
	Rupees in '000	
NAFA Islamic Active Allocation Fund II (Plan VI)		
Units issued - 17,180,644 (2018: 17,220,221)	187,021	205,263
Units redeemed - 21,964,002 (2018: 34,743,170)	233,531	402,497
Cash distribution	-	6,725
NAFA Islamic Active Allocation Fund II (Plan VII)		
Units issued - 5,952,215 (2018: 8,300,700)	64,958	99,992
Units redeemed - 9,407,714 (2018: 6,759,106)	100,418	77,887
Cash distribution	-	1,850
NAFA Islamic Active Allocation Fund II (Plan VIII)		
Units issued - 23,186,473 (2018: 34,570,389)	254,316	395,794
Units redeemed - 48,505,242 (2018: 9,251,621)	500,267	105,638
NAFA Islamic Capital Preservation Plan I		
Units issued - 39,309,967 (2018: 38,817,610)	441,491	466,825
Units redeemed - 45,258,988 (2018: 24,803,477)	477,044	291,144
NAFA Islamic Capital Preservation Plan II		
Units issued - 26,688,487 (2018: 4,136,118)	292,644	48,843
Units redeemed - 22,935,279 (2018: Nil)	234,880	-
NAFA Islamic Capital Preservation Plan III		
Units issued - 31,180,552 (2018: Nil)	349,607	-
Units redeemed - 21,788,695 (2018: Nil)	229,010	-
NAFA Islamic Capital Preservation Plan IV		
Units issued - 23,278,586 (2018: Nil)	259,416	-
Units redeemed - 16,090,065 (2018: Nil)	169,073	-
NBP Islamic Capital Preservation Plan V		
Units issued - 10,949,253 (2018: Nil)	116,325	-
Units redeemed - 5,832,423 (2018: Nil)	59,578	-
BankIslami Pakistan Limited - common directorship		
Profit income	19,534	20,726
Taurus Securities Limited - subsidiary of parent company		
Brokerage expense	424	463
Atlas Battery Limited - common directorship		
Shares sold - Nil (2018: 5,300)	-	2,216
Dividend income	-	184

	2019	2018
	Rupees in '000	
Cherat Packaging Limited - common directorship		
Shares purchased - 161,900 (2018: 41,000)	27,042	8,269
Shares sold - 95,000 (2018: Nil)	14,271	-
Right shares issue - Nil (2018: 6210)	-	776
Bonus issue - 10,097 (2018: Nil)	-	-
Dividend income	751	426
Cherat Cement Limited - common directorship		
Shares purchased - 131,000 (2018: 164,500)	8,891	26,426
Shares sold - 420,100 (2018: 484,300)	27,790	63,272
Dividend income	372	3,028
Fatima Fertilizer Company Limited - common directorship		
Shares purchased - 387,000 (2018: 66,500)	14,096	2,029
Shares sold - 395,000 (2018: 1,372,000)	13,157	39,540
Dividend income	8	-
International Industries Limited - common directorship		
Shares purchased - 52,000 (2018: Nil)	8,409	-
Shares sold - 38,000 (2018: 84,300)	5,995	19,814
Dividend income	331	484
International Steels Limited - common directorship		
Shares purchased - 1,301,000 (2018: 901,500)	106,842	106,722
Shares sold - 1,536,000 (2018: 927,500)	107,889	98,911
Dividend income	1,600	1,269
19.6 Amounts / balances outstanding as at year end		
NBP Fund Management Limited - the Management Company		
Remuneration payable to the Management Company	2,168	4,102
Sindh sales tax on remuneration of the Management Company	282	533
Federal Excise Duty on remuneration of the Management Company	1,420	1,420
Selling and marketing expense	4,121	5,744
Accounting and operational charges payable to the Management Company	1,030	1,436
NAFA Islamic Active Allocation Fund I (Plan I)		
Units held - 9,631,132 (2018: 16,119,727)	87,472	182,838
NAFA Islamic Active Allocation Fund I (Plan II)		
Units held - Nil (2018: 16,279,951)	-	184,655

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND

(FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



	2019	2018
	Rupees in '000	
NAFA Islamic Active Allocation Fund I (Plan III) Units held - 24,843,409 (2018: 7,478,189)	225,633	84,821
NAFA Islamic Active Allocation Fund I (Plan IV) Units held - 14,407,357 (2018: 17,295,890)	130,850	196,179
NAFA Islamic Active Allocation Fund I (Plan V) Units held - 23,944,140 (2018: 37,867,800)	217,465	429,516
NAFA Islamic Active Allocation Fund II (Plan VI) Units held - 14,631,427 (2018: 19,414,785)	132,886	220,212
NAFA Islamic Active Allocation Fund II (Plan VII) Units held - 5,002,190 (2018: 8,457,689)	45,431	95,931
NAFA Islamic Active Allocation Fund II (Plan VIII) Units held - Nil (2018: 25,318,768)	-	287,178
NAFA Islamic Capital Preservation Plan I Units held - 8,065,113 (2018: 14,014,133)	73,249	158,955
NAFA Islamic Capital Preservation Plan II Units held - 7,889,326 (2018: 4,136,118)	71,652	46,914
NAFA Islamic Capital Preservation Plan III Units held - 9,391,856 (2018: Nil)	85,299	-
NAFA Islamic Capital Preservation Plan IV Units held - 7,188,521 (2018: Nil)	65,288	-
NBP Islamic Capital Preservation Plan V Units held - 5,116,830 (2018: Nil)	46,472	-
Central Depository Company of Pakistan Limited - the trustee		
Trustee fee	190	287
Sindh sales tax on the remuneration of the Trustee	25	37
Security deposit	100	100
BankIslami Pakistan Limited (common directorship)		
Bank balances	16,574	232,632
Profit receivable	1,334	1,509
Taurus Securities Limited - subsidiary of parent company		
Brokerage payable	95	97

	2019	2018
	Rupees in '000	
Cherat Packaging Limited - common directorship		
Shares held - 129,207 (2018: 52,210)	10,419	7,502
Cherat Cement Company Limited - common directorship		
Shares held - Nil (2018: 289,100)	-	28,109
Fatima Fertilizer Company Limited - common directorship*		
Shares held - 12,500 (2018: 12,500)	-	405
International Industries Limited - common directorship		
Shares held - 50,900 (2018: 36,900)	3,923	8,572
International Steels Limited - common directorship		
Shares held - 120,600 (2018: 355,500)	4,789	36,154

* Balance outstanding have not been presented as the person has ceased to be a related party / connected person of the Fund as at June 30, 2019.

19.7 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	----- 2019 -----		
	At amortised cost	At fair value through profit	Total
	-----Rupees in '000-----		
Financial assets			
Bank balances	22,721	-	22,721
Investments	-	1,128,167	1,128,167
Receivable against sale of investments	61,167	-	61,167
Dividend and profit receivable	1,832	-	1,832
Deposits and other receivables	2,895	-	2,895
	88,615	1,128,167	1,216,782

	----- 2019 -----		
	At fair value through profit	At amortised cost	Total
	----- Rupees in '000 -----		
Financial liabilities			
Payable to NBP Fund Management Limited - the Management Company	-	9,021	9,021
Payable to the Central Depository Company of Pakistan - the Trustee	-	215	215
Accrued expenses and other liabilities	-	4,462	4,462
	-	13,698	13,698

	----- 2018 -----		
	At amortised cost	At fair value through profit	Total
	-----Rupees in '000-----		
Financial assets			
Bank balances	233,226	-	233,226
Investments	-	1,621,412	1,621,412
Dividend and profit receivable	67,368	-	67,368
Receivable against sale of units	4,710	-	4,710
Deposits and other receivables	2,600	-	2,600
	<u>307,904</u>	<u>1,621,412</u>	<u>1,929,316</u>

	----- 2018 -----		
	At fair value through profit	At amortised cost	Total
	----- Rupees in '000 -----		
Financial liabilities			
Payable to NBP Fund Management Limited - the Management company	-	13,235	13,235
Payable to the Central Depository Company of Pakistan - the Trustee	-	324	324
Accrued expenses and other liabilities	-	6,013	6,013
	<u>-</u>	<u>19,572</u>	<u>19,572</u>

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

21.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

(i) Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The Fund is exposed to such risk on its balance held with bank. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net loss for the year and net assets of the Fund would have been lower / higher by Rs 0.01893 million (2018: Rs 0.1943 million)

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2019 and June 30, 2018, the Fund did not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 and June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Yield / profit rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2019 can be determined as follows:

----- 2019 -----						
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in '000-----						
Financial assets						
Bank balances	11.25% -13.5%	22,721	-	-	-	22,721
Investments		-	-	-	1,128,167	1,128,167
Receivable against sale of investments		-	-	-	61,167	61,167
Dividend and profit receivable		-	-	-	1,832	1,832
Deposits and other receivables		-	-	-	2,895	2,895
		22,721	-	-	1,194,061	1,216,782
Financial liabilities						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	9,021	9,021
Payable to the Central Depository Company of Pakistan - the Trustee		-	-	-	215	215
Accrued expenses and other liabilities		-	-	-	4,462	4,462
		-	-	-	13,698	13,698
On-balance sheet gap		22,721	-	-	1,180,363	1,203,084
Total profit rate sensitivity gap		22,721	-	-		
Cumulative profit rate sensitivity gap		22,721	22,721	22,721		



----- 2018 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
Financial assets					
Bank balances	2.75% - 6.50%	233,226	-	-	233,226
Investments		-	-	1,621,412	1,621,412
Dividend and profit receivable		-	-	67,368	67,368
Receivable against sale of units		-	-	4,710	4,710
Deposits and other receivables		-	-	2,600	2,600
		233,226	-	1,696,090	1,929,316
Financial liabilities					
Payable to NBP Fund Management Limited - the Management Company		-	-	13,235	13,235
Payable to the Central Depository Company of Pakistan - the Trustee		-	-	324	324
Accrued expenses and other liabilities		-	-	6,013	6,013
		-	-	19,572	19,572
On-balance sheet gap		233,226	-	1,676,518	1,909,744
Total profit rate sensitivity gap		233,226	-	-	-
Cumulative profit rate sensitivity gap		233,226	233,226	233,226	233,226

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to equity price risk arising from the Fund's investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, the NBFC Regulations and circulars issued by SECP from time to time.

In case of 5% increase / decrease in KMI 30 index on June 30, 2019, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 56.408 million (2018: 81.071 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 Index

having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 Index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

21.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

		2019					
	Within one month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than five years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----							
Financial assets							
Balances with banks	22,721	-	-	-	-	-	22,721
Investments	-	-	-	-	-	1,128,167	1,128,167
Dividend and profit receivable	1,832	-	-	-	-	-	1,832
Deposits and other receivables	2,895	-	-	-	-	-	2,895
Receivable against sale of investments	61,167	-	-	-	-	-	61,167
	88,615	-	-	-	-	1,128,167	1,216,782
Financial liabilities							
Payable to NBP Fund Management Limited - the Management Company	9,021	-	-	-	-	-	9,021
Payable to the Central Depository Company of Pakistan Limited - the Trustee	215	-	-	-	-	-	215
Accrued expenses and other liabilities	4,462	-	-	-	-	-	4,462
	13,698	-	-	-	-	-	13,698
Net assets	74,917	-	-	-	-	1,128,167	1,203,084

----- 2018 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
Financial assets						
Balances with banks	233,226	-	-	-	-	233,226
Investments	-	-	-	-	1,621,412	1,621,412
Dividend and profit receivable	4,710	-	-	-	-	4,710
Deposits and other receivables	2,600	-	-	-	-	2,600
Receivable against sale of units	67,368	-	-	-	-	67,368
	307,904	-	-	-	-	1,929,316
Financial liabilities						
Payable to NBP Fund Management Limited - the Management Company	13,235	-	-	-	-	13,235
Payable to the Central Depository Company of Pakistan Limited - the Trustee	324	-	-	-	-	324
Accrued expenses and other liabilities	6,013	-	-	-	-	6,013
	19,572	-	-	-	-	19,572
Net assets	288,332	-	-	-	-	1,909,744

21.3 Credit risk

21.3.1 There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

21.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, is as follows:

Name of Bank	% of financial assets exposed to credit risk	
	2019	2018
AAA	0.035	0.001
AA	0.435	-
AA-	-	0.029
A+	1.472	12.058
A-	0.047	-
	1.988	12.089

22 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair value measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at reporting date, the Fund held the following financial instruments measured at fair values:

	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Rupees in '000			Rupees in '000		
Financial assets						
At fair value through profit or loss	<u>1,128,167</u>	-	-	<u>1,621,412</u>	-	-

23 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' Fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the 'statement of movement in unit holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

24 UNIT HOLDING PATTERN OF THE FUND

Category	2019			2018		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
NBFCs	11	1,181,700	100.00	10	1,887,201	100.00

25 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

2019		2018	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Taurus Securities Ltd.	6.80	Taurus Securities Limited	6.98
Arif Habib Securities Limited	5.23	Arif Habib Securities Limited	5.88
Alfalah Securities (Private) Limited	4.32	Topline Securities (Private) Limited	4.58
Topline Securities (Private) Limited	4.30	Alfalah Securities (Private) Limited	4.29
Foundation Securities	3.78	Optimus Capital Management Limited	3.76
Next Capital Limited	3.69	Next Capital Limited	3.60
Bma Capital Management Limited	3.61	Elixir Securities Pakistan (Private) Limited	3.58
Optimus Capital Management Limited	3.61	JS Global Capital Limited	3.55
Efg Hermes Pakistan Ltd	3.50	BMA Capital Management Limited	3.39
Aqeel Karim Dehdi Securities (Private) Limited	3.41	EFG Hermes Pakistan Limited	3.17

(Formerly: Invest & Finance Securities Limited)

26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	31
Sajjad Anwar	Chief Investment Officer	CFA / MBA	19
Muhammad Ali Bhabha	Head of Fixed Income	CFA / MBA / FRM / MS (CS)	24
Hassan Raza	Head of Research	ACCA / BSC / CFA	8
Taha Khan Javed	Fund Manager	MBA / CFA	13

27 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Taha Khan Javed	Fund Manager	MBA / CFA	NSIF, NBF, NISIF, NSF, NIEF, NARPF, NIAAEF, NFEF

28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 68th, 69th, 70th and 71th Board meetings were held on September 5, 2018, October 30, 2018, February 25, 2019 and April 26, 2019, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held / Applicable	Attended	Leave granted	
Mudassir Husain Khan [note 28.1]	2	1	1	69th
Tariq Jamali [note 28.2]	2	-	2	68th and 69th
Abdul Hadi Palekar	4	3	1	70th
Foo Chiah Chiung (Kelvin Foo) [note 28.3]	2	1	1	69th
Kamal Amir Chinoy	4	3	1	70th
Shehryar Faruque	4	3	1	68th
Hamayun Bashir	4	4	-	-
Wajahat Rasul Khan [note 28.4]	2	2	-	-
Amjad Waheed	4	4	-	-
Shaikh Muhammad Abdul Wahid Sethi [note 28.5]	2	2	-	-
Nasir Husain [note 28.5]	2	2	-	-
Ali Saigol [note 28.5]	2	2	-	-
Imran Zaffar [note 28.5]	2	2	-	-

28.1 Mr. Mudassir Husain Khan resigned from the Board with effect from October 12, 2018

28.2 Mr. Tariq Jamali resigned from the Board with effect from October 12, 2018

28.3 Mr. Foo Chiah Chiung (Dr. Kelvin Foo) resigned from the Board with effect from October 08, 2018

28.4 Mr. Wajahat Rasul Khan resigned from the Board with effect from October 08, 2018

28.5 Mr. Shaikh Muhammad Abdul Wahid Sethi, Mr. Nasir Husain, Mr. Ali Saigol and Mr. Imran Zaffar were appointed as directors on Board with effect from December 17, 2018

29 CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 30, 2019.

31 GENERAL

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

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

Chief Financial Officer

Chief Executive Officer

Director

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017	For the period ended June 30, 2016
Net assets at the year / period ended (Rs '000)	1,181,700	1,887,201	4,758,101	1,635,524
Net income for the year / period ended (Rs '000)	(470,602)	(633,494)	1,174,089	254,789
Net Asset Value per unit at the year / period ended (Rs)	9.0822	11.3425	13.4187	11.3756
Offer Price per unit	N/A	N/A	N/A	N/A
Redemption Price per unit	9.0822	11.3425	13.4187	11.3756
Ex - Highest offer price per unit (Rs.)	N/A	N/A	N/A	N/A
Ex - Lowest offer price per unit (Rs.)	N/A	N/A	N/A	N/A
Ex - Highest redemption price per unit (Rs.)	11.8248	13.4325	14.7670	11.5964
Ex - Lowest redemption price per unit (Rs.)	8.8814	10.5169	10.5149	9.1825
Opening Nav of Fiscal Year	11.3425	13.2099	10.3144	9.5784
Total return of the fund	-19.9%	-14.14%	30.10%	18.76%
Capital growth	-19.9%	-14.14%	16.57%	13.30%
Income distribution as % of Ex nav	-	-	13.53%	5.46%
Income distribution as % of Par nav	-	-	13.96%	5.23%
Distribution				
Interim distribution per unit	-	-	1.3955	0.2022
Final distribution per unit	-	-	0.1883	0.3212
Distribution Dates				
Interim	-	-	19-Jun-17	29-Jun-16
Final	-	-	15-Sep-17	23-Sep-16
Average annual return of the fund (launch date January 18, 2016)				
(Since inception to June 30, 2019)	1.77%			
(Since inception to June 30, 2018)		12.23%		
(Since inception to June 30, 2017)			35.01%	
(Since inception to June 30, 2016)				18.76%
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>				

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND (FORMERLY; NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND)



PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Islamic Active Allocation Equity Fund** (Formerly; NAFA Islamic Active Allocation Equity Fund), duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. www.nbpfunds.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND				
	Resolutions	For	Against	Abstain*
Number	6	6	Nil	N/A
(%)	100%	100%	-	-

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