



NBP FUNDS

Managing Your Savings

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NAFA FINANCIAL SECTOR 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.**



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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 Shakra-e-Faisal, Karachi.

Bankers to the Fund

MCB Bank Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited
Habib Bank Limited
United Bank Limited
Bank Al Habib Limited
Allied Bank Limited
Bankislami Pakistan Limited

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 4, 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
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

The Board of Directors of NBP Fund Management Limited is pleased to present the Second Annual Report for the period ended June 30, 2019, since launch of **NAFA Financial Sector Fund** on February 14, 2018.

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

Fund's Performance

After challenging FY2017-18, amid thin trading volumes, the stock market depicted dismal performance during FY2018-19 as the benchmark KSE-100 Index fell sharply by 19.1% 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).

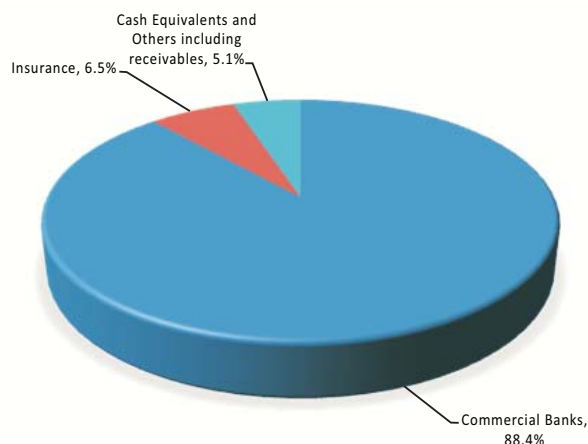
Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding 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, NAFA Financial Sector Fund decreased by 9.4% return as against the KSE-30 index decreased by 18.2%, outperforming the benchmark by 8.8% during the year. The Fund outperformed as the fund was overweight in select Commercial Banks sector stocks which outperformed the market. Since inception (February 14, 2018), NAFA Financial Sector Fund has decreased by 9.1%, whereas the KSE-30 index has decreased by 20.4%, thus to date outperformance is 11.3%. This outperformance is net of management fee and all other expenses. The Fund size is 1,121 million as of June 30, 2019.

NAFA Financial Sector Fund has incurred a total loss of Rs. 93.17 million during the year. After incurring total expenses of Rs. 39.41 million, the net loss is Rs. 132.58 million. During the year, the unit price of NAFA Financial Sector Fund has decreased from Rs.10.0006 on June 30, 2018 to Rs.9.0609 on June 30, 2019. The resultant per unit loss is Rs.0.9397 (9.4%).

The asset allocation of NAFA Financial Sector 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:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 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 مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز اپنے آغاز (14 فروری 2018) NAFA فنانشل سیکٹرز فنڈ کی دوسری سالانہ رپورٹ برائے مختتمہ سال 30 جون 2019 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

بعد از مشکل مالی سال 2017-18، 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 سے سرمایہ کاروں کا خراب معیشت کی طرف متوجہ ہونا تھا۔ یہ صورت حال دو ہرے خسارے، خاص طور پر بڑھتے ہوئے کرنٹ اکاؤنٹ خسارہ (CAD) سے صاف ظاہر ہو رہی تھی۔

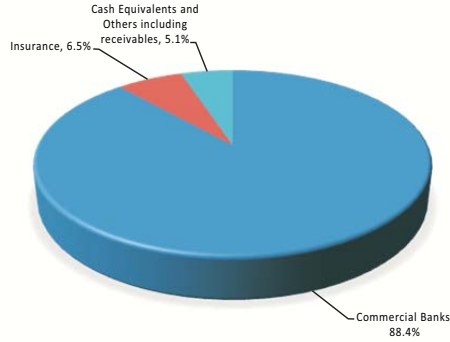
مہنگائی پر قابو پانے اور بیرونی اکاؤنٹ کے عدم توازن کو کم کرنے کے مقاصد کے ساتھ مشکل اقتصادی حالات سے دوچار موجودہ حکومت نے امریکی ڈالر کے برعکس روپیہ کی قدر میں خاطر خواہ کمی، پالیسی شرح میں تیز ترین اضافہ، غیر ضروری پریشانی پر تیش درآمدی اشیاء کی ڈیوٹی میں اضافہ اور عوامی اخراجات میں کمی جیسی سخت پالیسیوں کا آغاز کیا۔ سخت پالیسیوں کی وجہ سے معاشی سرگرمیوں میں واضح کمی واقع ہوئی جس کا اظہار بڑے پیمانے کے پیداواری شعبے میں کمی سے ہوا جبکہ جی 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 لاگتوں کے باعث ہوا جس کے نتیجے میں سرمایہ کاروں کے جذبات مزید مدہم پڑھ گئے۔

بیرونی اکاؤنٹ کے غلاء 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 پلامو حملے کے بعد پاکستان اور بھارت کے درمیان کشیدگی بڑھ گئی جس سے سرمایہ کاروں کے جذبات بھی معدوم ہوئے۔ فنانشل ایکشن ٹاسک فورس (ایف اے ٹی ایف) کی جاری کارروائی سے متعلق منفی خبروں نے آپریشنل اصلاحات کی عدم فراہمی پر خدشات کے اظہار نے سال بھر سرمایہ کاروں کو پریشان کئے رکھا۔ دستاویزی معیشت کے لئے جاری مہم کے ساتھ ٹیکسوں سے بھرپور وفاقی بجٹ 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 معدوم جذبات کی شکل میں ظاہر ہوئی۔

مالی سال کے دوران، NAFA فنانشل سیکٹرز فنڈ KSE-30 انڈیکس میں 18.2% کمی کے مقابلے میں 9.4% تک کم ہوا، سال کے دوران 8.8% کٹیف مارک بہتر کارکردگی دیکھائی۔ فنڈ کی بہتر کارکردگی کمرشل بینکس سیکٹرز اسٹاکس کے انتخاب میں تھی جس نے مارکیٹ میں بہتر کارکردگی دکھائی۔ اپنے آغاز (14 فروری 2018) سے، NAFA فنانشل سیکٹرز فنڈ میں 9.1 فیصد کمی ہوئی، جبکہ KSE-30 انڈیکس 20.4 فیصد کم ہوا، چنانچہ آج تک بہتر کارکردگی 11.3% ہے۔ یہ بہتر کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 30 جون 2019 کو 1,121 ملین ہے۔

NAFA فنانشل سیکٹرز فنڈ نے سال کے دوران 93.17 ملین روپے کا مجموعی خسارہ ہوا۔ 39.41 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد، خالص نقصان 132.58 ملین روپے ہے۔ سال کے دوران NAFA فنانشل سیکٹرز فنڈ کی پونٹ پرائس 30 جون 2018 کو 10.0006 روپے سے کم ہو کر 30 جون 2019 کو 9.0609 روپے ہو گئی۔ جس کے نتیجے میں نی پونٹ نقصان 0.9397 روپے (9.4%) ہے۔

30 جون 2019 کے مطابق NAFA فنانشل سیکٹرز 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۔

تعمیرات

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

آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2020 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

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 پونٹ 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۔ شماریاتی 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 ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد 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. پونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونٹس 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 جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔

30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کیٹگری
01 جناب کمال عامر چنائے 02 جناب شہریار فاروق 03 جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
01 شیخ محمد عبدالواحد سیٹھی (چیئرمین) 02 جناب ناصر حسین 03 جناب عبدالہادی پالیکر 04 جناب علی سیدگل 05 جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمیٹی 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 اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP نیشنل بینجمنٹ 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 NAFA Financial Sector 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

NAFA Financial Sector Fund

NAFA Financial Sector Fund is an Open-ended Equity Fund.

Investment Objective of the Fund

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

Benchmark

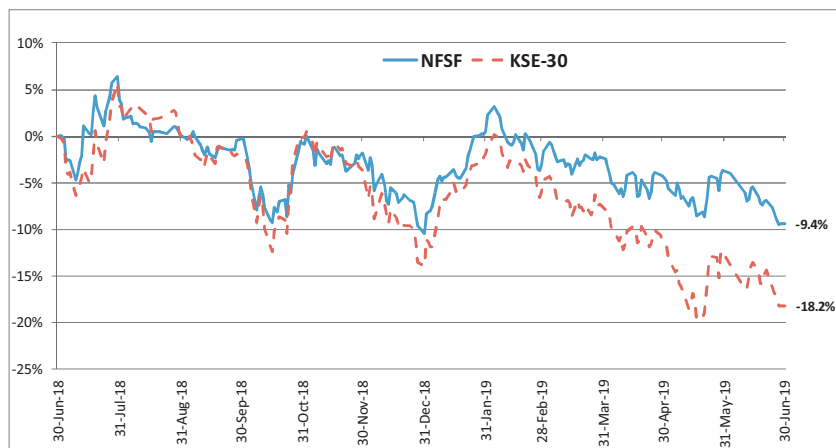
The Benchmark of the Fund is KSE-30 Index. (Total Return Index)

Fund performance review

This is the second annual report. During the fiscal year, NAFA Financial Sector Fund decreased by 9.4% return as against the KSE-30 index decreased by 18.2%, outperforming the benchmark by 8.8% during the year. Since inception (February 14, 2018), NAFA Financial Sector Fund has decreased by 9.4%, whereas the KSE-30 index has decreased by 20.4%, thus to date outperformance is 11.0%. This outperformance is net of management fee and all other expenses. The size of NAFA Financial Sector Fund is Rs.1,121 million as of June 30, 2019.

NFSF outperformed during the year as the Fund was overweight in select Commercial Banks and Insurance sectors stocks which outperformed the market. The chart below shows the performance of NFSF against the Benchmark for the year.

NFSF Performance vs. Benchmark during FY19



After challenging FY2017-18, amid thin trading volumes, the stock market depicted dismal performance during FY2018-19 as the benchmark KSE-100 Index fell sharply by 19.1% 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

NAFA FINANCIAL SECTOR FUND



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	94.9%	86.8%
Cash Equivalents	5.7%	14.4%
Other Net Liabilities	(0.6%)	(1.2%)
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

Size of Unit Holding (Units)	# of Unit Holders
1-1000	63
1001-5000	33
5001-10000	28
10001-50000	61
50001-100000	35
100001-500000	60
500001-1000000	3
1000001-5000000	17
5000001-10000000	5
10000001-100000000	1
Total	306

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)

Due to net loss for the year, no provision in respect of Sindh Worker's Welfare Fund has been made.

INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of NAFA Financial Sector Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NAFA Financial Sector 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)</p> <p>(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 1,063.204 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	2018
		----- (Rupees in '000) -----	
Assets			
Bank balances	4	63,745	142,327
Investments	5	1,063,204	899,524
Profit receivable	6	889	486
Deposits and other receivables	7	2,948	2,948
Preliminary expenses and floatation costs	8	2,426	3,095
Total assets		1,133,212	1,048,380
Liabilities			
Payable to NBP Fund Management Limited - the Management Company	10	6,430	11,200
Payable to the Central Depository Company of Pakistan Limited - the Trustee	11	204	197
Payable to the Securities and Exchange Commission of Pakistan	12	1,103	333
Accrued expenses and other liabilities	13	4,847	760
Total liabilities		12,584	12,490
NET ASSETS		1,120,628	1,035,890
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,120,628	1,035,890
CONTINGENCIES AND COMMITMENTS	14		
		----- Number of units -----	
NUMBER OF UNITS IN ISSUE	9	123,677,243	103,582,997
		----- Rupees -----	
NET ASSET VALUE PER UNIT		9.0609	10.0006

The annexed notes from 1 to 30 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	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018
------(Rupees in '000)-----		
Income		
Profit on bank deposits	11,915	3,018
Dividend income	56,828	18,913
Loss on sale of investments - net	(32,706)	(5,845)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.2 (129,206)	(32,725)
	<u>(161,912)</u>	<u>(38,570)</u>
Total loss	(93,169)	(16,639)
Expenses		
Remuneration of NBP Fund Management Limited - the Management Company	10.1 23,228	7,005
Sindh sales tax on remuneration of the Management Company	10.2 3,020	911
Allocated expenses	10.3 1,161	350
Selling and marketing expenses	10.4 4,646	1,401
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	11.1 2,160	674
Sindh sales tax on remuneration of the Trustee	11.2 281	88
Annual fees to the Securities and Exchange Commission of Pakistan	12.1 1,103	333
Securities transaction cost	2,291	1,483
Auditors' remuneration	15 446	314
Amortisation of preliminary expenses and floatation costs	8 669	249
Annual listing fee	28	25
Printing charges	25	68
Legal and professional charges	58	47
Settlement and bank charges	301	323
Total operating expenses	39,415	13,271
Net loss from operating activities	(132,584)	(29,910)
Net loss for the year / period before taxation	(132,584)	(29,910)
Taxation	17 -	-
Net loss for the year / period after taxation	(132,584)	(29,910)
(Loss) / earnings per unit	18	
Allocation of net income for the year / period:		
Net income for the period after taxation	-	-
Income already paid on units redeemed	-	-
Accounting income available for distribution	-	-
- Relating to capital gains	-	-
- Excluding capital gains	-	-

The annexed notes from 1 to 30 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

	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018
	------(Rupees in '000)-----	
Net loss for the year / period after taxation	(132,584)	(29,910)
Other comprehensive income for the year / period	-	-
Total comprehensive loss for the year / period	<u>(132,584)</u>	<u>(29,910)</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

	For the year ended June 30, 2019			For the period from February 14, 2018 to June 30, 2018		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
	Rupees in '000			Rupees in '000		
Net assets at beginning of the year / period	1,065,800	(29,910)	1,035,890			
Issue of 138,094,532 units (2018: 144,300,888 units)						
- Capital value (at net asset value per unit at the beginning of the year / period)	1,381,029	-	1,381,029	1,443,009	-	1,443,009
- Element of (loss) / income	(10,400)	-	(10,400)	40,549	-	40,549
Total proceeds on issuance of units	1,370,629	-	1,370,629	1,483,558	-	1,483,558
Redemption of 118,000,286 units (2018: 40,717,891 units)						
- Capital value (at net asset value per unit at the beginning of the year / period)	(1,180,074)	-	(1,180,074)	(407,179)	-	(407,179)
- Element of income / (loss)	26,767	-	26,767	(10,579)	-	(10,579)
Total payments on redemption of units	(1,153,307)	-	(1,153,307)	(417,758)	-	(417,758)
Total comprehensive loss for the year / period	-	(132,584)	(132,584)	-	(29,910)	(29,910)
Net assets at end of the year / period	1,283,122	(162,494)	1,120,628	1,065,800	(29,910)	1,035,890
Accumulated loss brought forward		2,815				
- Realised income		(32,725)				
- Unrealised loss		(29,910)				
Accounting income available for distribution						
- Relating to capital gains	-			-		
- Excluding capital gains	-			-		
Net loss for the year / period after taxation		(132,584)			(29,910)	
Undistributed loss carried forward		(162,494)			(29,910)	
Undistributed loss carried forward						
- Realised (loss) / income		(33,288)			2,815	
- Unrealised loss		(129,206)			(32,725)	
		(162,494)			(29,910)	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year		10.0006				
Net assets value per unit at end of the year / period		9.0609				10.0006

The annexed notes from 1 to 30 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	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018
------(Rupees in '000)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year / period before taxation	(132,584)	(29,910)
Adjustments for:		
Profit on bank deposits	(11,915)	(3,018)
Amortisation of preliminary expenses and floatation costs	669	249
Dividend income	(56,828)	(18,913)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	129,206	32,725
	61,132	11,043
Increase in assets		
Investments	(292,886)	(932,249)
Deposits and other receivables	-	(2,948)
	(292,886)	(935,197)
Increase / (decrease) in liabilities		
Payable to NBP Fund Management Limited - the Management Company	(4,770)	11,200
Payable to the Central Depository Company of Pakistan Limited - the Trustee	7	197
Payable to the Securities and Exchange Commission of Pakistan	770	333
Accrued expenses and other liabilities	4,087	760
	94	12,490
	(364,244)	(941,574)
Floatation cost paid during the period	-	(3,344)
Dividend received	56,828	18,913
Interest received	11,512	2,532
Net cash used in operating activities	(295,904)	(923,473)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issuance of units	1,370,629	1,483,558
Net payments against redemption of units	(1,153,307)	(417,758)
Net cash generated from financing activities	217,322	1,065,800
Net (decrease) / increase in cash and cash equivalents	(78,582)	142,327
Cash and cash equivalents at the beginning of the year / period	142,327	-
Cash and cash equivalents at the end of the year / period	63,745	142,327

The annexed notes from 1 to 30 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

NAFA Financial Sector Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on January 10, 2018 between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee.

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

The Fund has been categorised as an open ended equity scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription under pre - IPO at a par value of Rs 10 per unit. Thereafter, the units are being offered for public subscription on a continuous basis from February 7, 2018 and are transferable and redeemable by surrendering them to the Fund.

The objective of NAFA Financial Sector Fund is to provide investors with long term capital growth from an actively managed portfolio of listed equities belonging to the financial sector. 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. The Fund has not yet been rated.

The title to the assets of the Fund is held in the name of the CDC as the trustee of the Fund.

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

2 BASIS OF PRESENTATION

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
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the 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 the 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 the 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:

Standards, amendments and interpretations	Effective date (accounting periods 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 judgements

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) 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 presentation of these 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 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 application 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 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 including management fee and trustee fee 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.

4	BANK BALANCES	Note	2019	2018
			----- Rupees in '000 -----	
	Balances with banks in:			
	Savings accounts	4.1	62,567	141,475
	Current accounts	4.2	1,178	852
			<u>63,745</u>	<u>142,327</u>

4.1 These include a balance of Rs 41.331 million (2018: Rs. 131.746 million) maintained with BankIslami Pakistan Limited (a related party) that carry profit at the rate of 13% per annum (2018: 6.5% per annum). Other profit and loss sharing accounts of the Fund carry profit rates ranging from 9.5% to 13% per annum (2018: 2.75% to 6.60% per annum).

4.2 These include a balance of Rs 1.178 million (2018: 0.852 million) maintained with Summit Bank Limited (a related party).

5	INVESTMENTS	Note	2019	2018
			----- Rupees in '000 -----	
	Financial asset at fair value through profit or loss			
	Quoted equity securities	5.1	<u>1,063,204</u>	<u>899,524</u>

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 otherwise.

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
COMMERCIAL BANKS									
Allied Bank Limited	731,000	727,600	-	432,600	1,026,000	107,751	10.13	9.62	0.09
Askari Bank Limited	2,042,500	721,500	-	1,212,000	1,552,000	29,348	2.76	2.62	0.12
Bank Alfalah Limited	2,231,500	1,663,500	225,850	1,597,000	2,523,850	110,015	10.35	9.82	0.14
Bank Al Habib Limited	1,200,000	1,267,000	-	564,000	1,903,000	149,157	14.03	13.31	0.17
Bank of Punjab	2,646,000	9,052,000	-	8,435,500	3,262,500	29,852	2.81	2.66	0.12
Faysal Bank Limited (Note 5.1.2)	2,274,875	829,500	-	1,436,500	1,667,875	35,893	3.38	3.20	0.11
Habib Bank Limited	845,200	1,795,500	-	1,245,000	1,395,700	158,077	14.87	14.11	0.10
Habib Metropolitan Bank Limited	1,670,000	-	-	1,513,500	156,500	5,647	0.53	0.50	0.01
MCB Bank Limited	422,300	667,000	-	221,000	868,300	151,475	14.25	13.52	0.07
Meezan Bank Limited	-	490,500	49,050	-	539,550	47,027	4.42	4.20	0.04
National Bank of Pakistan	1,058,000	911,000	-	1,577,000	392,000	13,195	1.24	1.18	0.02
United Bank Limited	485,800	1,224,100	-	669,000	1,040,900	153,408	14.43	13.69	0.09
						990,843	93	88	
INSURANCE									
Adamjee Insurance Company Limited	991,000	1,546,500	-	473,000	2,064,500	72,361	7	6	0.59
						72,361	7	6	
Total as at June 30, 2019						<u>1,063,204</u>	100	95	
Carrying value as at June 30, 2019						<u>1,192,410</u>			
Total as at June 30, 2018						<u>899,524</u>			
Carrying value as at June 30, 2018						<u>932,249</u>			

- 5.1.1** Investments include shares with market value of Rs 132.778 (2018: 206.996) 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 were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to 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 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 (HCS) in favour of CISs.

During the year ended June 30, 2018, the Honourable Supreme Court of Pakistan 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 Court 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 Faysal Bank Limited 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
Faysal Bank Limited	14,494	312	14,494	377
		<u>312</u>		<u>377</u>

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	1,063,204	899,524
Carrying value of investments	5.1	<u>(1,192,410)</u>	<u>(932,249)</u>
		<u>(129,206)</u>	<u>(32,725)</u>

	Note	2019	2018
----- Rupees in '000 -----			
6	PROFIT RECEIVABLE		
	Profit accrued on bank balances	889	486
7	DEPOSITS AND OTHER RECEIVABLES		
	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	348	348
		<u>2,948</u>	<u>2,948</u>

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 and profit on bank deposits paid to the Fund has been deducted by various withholding agents based on the interpretation issued by the FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417R 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 withholders. The tax so withheld on dividends and profit on bank deposits as at June 30, 2019 amounts to Rs 0.348 million (2018: Rs. 0.348 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 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 Honourable Supreme Court of Pakistan (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 deducted on profit received by the Fund on dividends and profit on debt 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	2018
----- Rupees in '000 -----			
8	PRELIMINARY EXPENSES AND FLOATATION COSTS		
	Preliminary expenses and floatation costs incurred	3,095	3,344
	Less: amortisation during the year / period	669	249
	At the end of the year / period	<u>2,426</u>	<u>3,095</u>

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

	2019	2018
-----Number of units-----		
9	NUMBER OF UNITS IN ISSUE	
	Total units in issue at the beginning of the year	103,582,997
	Units issued during the year / period	138,094,532
	Less: units redeemed during the year / period	40,717,891
	Total units in issue at the end of the year / period	<u>123,677,243</u>
		<u>103,582,997</u>

10	PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY	Note	2019	2018
			----- Rupees in '000 -----	
	Management fee payable	10.1	1,973	1,843
	Sindh sales tax payable on remuneration of the Management Company	10.2	256	240
	Allocated expenses payable	10.3	599	350
	Selling and marketing expenses payable	10.4	2,396	1,401
	Sales load and transfer load payable		1,067	1,210
	Sindh sales tax payable on sales load and transfer load		139	157
	Other payable		-	5,999
			6,430	11,200

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 equity schemes. 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 period ended June 30, 2019. The remuneration is payable to the Management Company monthly in arrears.

10.2 During the year, an amount of Rs. 3.020 million (period ended June 30, 2018: Rs. 0.911 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011.

10.3 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, the 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 the period from June 20, 2019 to June 30, 2019, being lower than actual expenses.

10.4 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.

11	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE	Note	2019	2018
			----- Rupees in '000 -----	
	Trustee fee payable	11.1	181	174
	Sindh sales tax payable on trustee fee	11.2	24	23
			204	197

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 0.2% per annum of net assets, whichever is higher.
- over Rs 1,000 million Rs 2 million plus 0.1% per annum of net assets exceeding Rs 1,000 million.

11.2 During the year, an amount of Rs 0.281 million (period ended June 30, 2018: Rs. 0.088 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011.

	Note	2019	2018
		----- Rupees in '000 -----	
12	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
	Annual fee payable	1,103	333

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% of the average annual net assets of the Fund as annual fee.

	2019	2018	
		----- Rupees in '000 -----	
13	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration payable	399	260
	Printing charges payable	50	71
	Brokerage payable	87	147
	Legal and professional charges payable	10	40
	Withholding tax payable	41	17
	Capital gain tax payable	2	63
	Bank charges payable	111	50
	Settlement charges payable	97	112
	Other payables	4,050	-
		<u>4,847</u>	<u>760</u>

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018	
		-----Rupees in '000-----	
15	AUDITORS' REMUNERATION		
	Annual audit fee	222	108
	Half yearly review fee	116	129
	Other certification	68	-
	Out of pocket expenses	40	77
		<u>446</u>	<u>314</u>

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 3.39% (2018: 1.41%) which includes 0.38% (2018: 0.14%) representing government levies on the Fund such as provision for 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 an 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 period 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 and 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 NBFC Regulations, 2008 and the Trust Deed.

19.5 Details of the transactions with related parties / connected persons during the year / period are as follows:

	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018
	----- Rupees in '000 -----	
NBP Fund Management Limited - the Management Company		
Remuneration of the Management Company	23,228	7,005
Sindh sales tax on remuneration of the Management Company	3,020	911
Units issued during the year / period 4,814,847 (2018: 5,082,172)	50,000	54,385
Units redeemed during the year / period 9,194,271 (2018: 702,748)	91,484	7,000
Expense paid by the Management Company on behalf of the Fund		
- Preliminary expenses and floatation costs	-	3,344
- Initial deposit on opening of bank accounts	-	30
- Listing fee	-	25
- Security deposit paid to National Clearing Company of Pakistan Limited	-	2,500
- Security deposit paid to the Central Depository Company of Pakistan Limited	-	100
- Preliminary expenses and floatation costs - amortisation	669	249
Selling and marketing expense	4,646	1,401
Accounting and operational charges	1,161	350

	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018
	----- Rupees in '000 -----	
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration for the year / period	2,160	674
Sindh sales tax on remuneration	281	88
Employees of the Management Company		
Units issued during the year / period 1,125,604 (2018: 898,487)	11,152	9,072
Units redeemed during the year / period 1,522,904 (2018: 259,566)	14,732	2,683
Humayun Bashir - director		
Units issued during the year / period 503,591 (2018: 2,647,103)	5,000	26,659
Units redeemed during the year / period 1,015,514 (2018: 2,135,180)	9,949	21,500
National Bank of Pakistan Limited - parent company		
Shares purchased - 911,000 (2018: 1,279,500)	44,609	64,853
Shares sold - 1,577,000 (2018: 221,500)	74,311	10,446
Summit Bank Limited - common directorship		
Units issued during the year Nil (2018: 1,997,483)	-	20,000
Units redeemed during the year Nil (2018: 1,997,483)	-	20,052
Portfolio managed by the Management Company		
Units issued during the year 9,011,856 (2018: 2,567,790)	85,616	25,811
Units redeemed during the year 3,052,932 (2018: 1,164,905)	30,030	11,651
Taurus Securities Limited - subsidiary of Parent Company		
Brokerage expense	133	86
BankIslami Pakistan Limited - common directorship		
Profit income	5,212	2,784
Askari Bank Limited - common directorship		
Shares purchased - 721,500 (2018: Nil)	16,939	-
Shares sold - 1,212,000 (2018: Nil)	26,827	-
Dividend Income	1,847	-
United Bank Limited - unit holder with more than 10% holding*		
Units issued during the year 24,926,964 (2018: Nil)	250,000	-

	2019	2018
	----- Rupees in '000 -----	
19.6 Amounts / balances outstanding as at year / period end		
NBP Fund Management Limited - the Management Company		
Remuneration payable to the Management Company	1,973	1,843
Sindh sales tax on remuneration of the Management Company	256	240
Sales load payable	1,067	1,210
Sindh sales tax payable on sales load and transfer load	139	157
Selling and marketing expenses payable	2,396	1,401
Other payable		
- Preliminary expenses and floatation costs	-	3,344
- Initial deposit on opening of bank accounts	-	30
- Listing fee	-	25
- Security deposit paid to National Clearing Company of Pakistan Limited	-	2,500
- Security deposit paid to Central Depository Company of Pakistan Limited	-	100
Accounting and operational charges payable	599	350
Units held - Nil (2018: 4,379,424)	-	43,797
Central Depository Company of Pakistan Limited - the Trustee		
Trustee fee payable	181	174
Sindh sales tax payable on trustee fee	24	23
Security deposit	100	100
Employees of the Management Company		
Units held 241,621 (2018: 638,921)	2,189	6,390
Humayun Bashir - director		
Units held - Nil (2018: 511,923)	-	5,120
National Bank of Pakistan Limited - parent company		
Shares held - 392,000 (2018: 1,058,000)	13,195	50,117
BankIslami Pakistan Limited - common directorship		
Bank balances	41,331	131,746
Profit receivable	449	459

	2019	2018
	----- Rupees in '000 -----	
Summit Bank Limited - common directorship		
Bank balances	1,178	852
Portfolio Managed by the Management Company		
Units held 8,199,644 (2018: 1,402,885)	74,296	14,030
Taurus Securities Limited - subsidiary of Parent Company		
Brokerage payable	-	28
Askari Bank Limited - common directorship		
Shares held: 1,552,000 (2018: 2,042,500)	29,348	44,669
United Bank Limited - unit holder with more than 10% holding*		
Units held 24,926,964 (2018: Nil)	225,861	-

*Prior year comparative has not been shown as the company was not a related party / connected person as at June 30, 2018.

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

20 FINANCIAL INSTRUMENTS BY CATEGORY

	----- June 30, 2019 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees in '000 -----		
Financial assets			
Bank balances	63,745	-	63,745
Investments	-	1,063,204	1,063,204
Profit receivable	889	-	889
Deposits and other receivables	2,600	-	2,600
	<u>67,234</u>	<u>1,063,204</u>	<u>1,130,438</u>

	----- June 30, 2019 -----		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
Financial liabilities			
Payable to NBP Fund Management Limited - the Management Company	-	6,430	6,430
Payable to the Central Depository Company of Pakistan Limited - the Trustee	-	204	204
Accrued expenses and other liabilities	-	754	754
	<u>-</u>	<u>7,388</u>	<u>7,388</u>

Financial assets

Bank balances	142,327	-	142,327
Investments	-	899,524	899,524
Profit receivable	486	-	486
Deposits and other receivables	2,600	-	2,600
	<u>145,413</u>	<u>899,524</u>	<u>1,044,937</u>

June 30, 2018		
At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----		
142,327	-	142,327
-	899,524	899,524
486	-	486
2,600	-	2,600
<u>145,413</u>	<u>899,524</u>	<u>1,044,937</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	-	11,200	11,200
Payable to the Central Depository Company of Pakistan Limited - the Trustee	-	197	197
Accrued expenses and other liabilities	-	680	680
	<u>-</u>	<u>12,077</u>	<u>12,077</u>

June 30, 2018		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		
-	11,200	11,200
-	197	197
-	680	680
<u>-</u>	<u>12,077</u>	<u>12,077</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 / interest rate risk

Yield / interest 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 interest rates. As at June 30, 2019, the Fund is exposed to such risk on its balances held with banks. 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 interest 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. 0.009 million (2018 : Rs. 0.005 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2019 and June 30, 2018, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value interest 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 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

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

----- June 30, 2019 -----						
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest 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	9.5% - 13%	62,567	-	-	1,178	63,745
Investments		-	-	-	1,063,204	1,063,204
Profit receivable		-	-	-	889	889
Deposits and other receivables		-	-	-	2,600	2,600
		62,567	-	-	1,067,871	1,130,438
Financial liabilities						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	6,430	6,430
Payable to the Central Depository Company of Pakistan Limited - the Trustee		-	-	-	204	204
Accrued expenses and other liabilities		-	-	-	754	754
		-	-	-	7,388	7,388
On-balance sheet gap		<u>62,567</u>	<u>-</u>	<u>-</u>	<u>1,060,483</u>	<u>1,123,050</u>
Total interest rate sensitivity gap		<u>62,567</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap		<u>62,567</u>	<u>62,567</u>	<u>62,567</u>		

June 30, 2018					
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest 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% - 6.60%	141,475	-	-	852	142,327
Investments		-	-	-	899,524	899,524
Profit receivable		-	-	-	486	486
Deposits and other receivables		-	-	-	2,600	2,600
		141,475	-	-	903,462	1,044,937

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	11,200	11,200
Payable to the Central Depository Company of Pakistan Limited - the Trustee		-	-	-	197	197
Accrued expenses and other liabilities		-	-	-	680	680
		-	-	-	12,077	12,077

On-balance sheet gap

141,475	-	-	891,385	1,032,860
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Total interest rate sensitivity gap

141,475	-	-
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Cumulative interest rate sensitivity gap

141,475	141,475	141,475
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(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 interest 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 is exposed to equity price risk on investments held by the Fund and classified as at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 20% of net assets. There is no sector exposure limit on sector specific fund under NBFC Regulations.

In case of 5% increase / decrease in KSE 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. 53.16 million (2018: Rs. 44.98 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 KSE 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 KSE 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 KSE 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, 2008, 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:

June 30, 2019						
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						
Bank balances	63,745	-	-	-	-	63,745
Investments	-	-	-	-	1,063,204	1,063,204
Profit receivable	889	-	-	-	-	889
Deposits and other receivables	2,600	-	-	-	-	2,600
	67,234	-	-	-	1,063,204	1,130,438
Financial liabilities						
Payable to NBP Fund Management Limited - the Management Company	6,430	-	-	-	-	6,430
Payable to the Central Depository Company of Pakistan - the Trustee	204	-	-	-	-	204
Accrued expenses and other liabilities	754	-	-	-	-	754
	7,388	-	-	-	-	7,388
Net assets	59,845	-	-	-	1,063,204	1,123,049

June 30, 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

Bank balances	142,327	-	-	-	-	142,327
Investments	-	-	-	-	899,524	899,524
Profit receivable	486	-	-	-	-	486
Deposits and other receivables	2,600	-	-	-	-	2,600
	145,413	-	-	-	899,524	1,044,937

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	11,200	-	-	-	-	11,200
Payable to the Central Depository Company of Pakistan - the Trustee	197	-	-	-	-	197
Accrued expenses and other liabilities	680	-	-	-	-	680
	12,077	-	-	-	-	12,077

Net assets

	133,336	-	-	-	899,524	1,032,860
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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 mark up accrued thereon. The credit rating profile of balances with banks are as follows:

Rating	% of financial assets exposed to credit risk	
	2019	2018
AAA	0.289	0.26
AA+	0.226	0.32
AA-	0.305	0.35
A+	3.656	12.61
A-	0.064	0.08
	<u>4.541</u>	<u>14.00</u>

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:

June 30, 2019		
Level 1	Level 2	Level 3

Financial assets

At fair value through profit or loss

1,063,204	-	-
-----------	---	---

June 30, 2018		
Level 1	Level 2	Level 3

Financial assets

At fair value through profit or loss

899,524	-	-
---------	---	---

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	----- June 30, 2019 -----			----- June 30, 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
Associated companies	-	-	-	1	43,797	4.23
Directors	-	-	-	1	5,120	0.49
Individuals	284	391,612	34.95	234	458,465	44.26
Retirement funds	9	215,247	19.21	7	112,226	10.83
Others	13	513,768	45.85	18	416,282	40.19
	306	1,120,628	100	261	1,035,890	100

25 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Name of broker	2019	Name of broker	2018
	% of commission paid		% of commission paid
Taurus Securities Limited	6.88	Taurus Securities Limited	7.11
EFG Hermes Pakistan Limited (Formerly: Invest & Finance Securities Limited)	4.48	Arif Habib Securities Limited	6.08
Arif Habib Securities Limited	4.44	Topline Securities (Private) Limited	4.72
Next Capital Limited	4.34	BIPL Securities Limited	4.14
Alfalah Securities (Private) Limited	4.22	EFG Hermes Securities (Private) Limited	4.11
Topline Securities (Private) Limited	4.15	Alfalah Securities (Private) Limited	4.03
Optimus Capital Management Limited	4.12	Optimus Capital Management Limited	3.79
J.S. Global Capital Limited	4.08	Elixir Securities Pakistan (Private) Limited	3.61
BMA Capital Management Limited	4.01	Next Capital Limited	3.58
Insight Securities (Private) Limited (Formerly Pardesi Securities (Private) Limited)	3.93	J.S. Global Capital Limited	3.47

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 Bhaba	Head of Fixed Income	CFA / MBA / FRM / MS	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

28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 68th, 69th, 70th and 71st Board meetings were held on September 15, 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 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.

30 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 period from February 14, 2018 to June 30, 2018
Net assets at the year / period ended (Rs '000)	1,120,628	1,035,890
Net loss for the year / period ended (Rs '000)	(132,584)	(29,910)
Net Asset Value per unit at the year / period ended (Rs)	9.0609	10.0006
Offer Price per unit	9.3685	10.3397
Redemption Price per unit	9.0609	10.0006
Ex - Highest offer price per unit (Rs.)	11.0033	11.2451
Ex - Lowest offer price per unit (Rs.)	9.2630	10.0000
Ex - Highest redemption price per unit (Rs.)	10.6425	10.8764
Ex - Lowest redemption price per unit (Rs.)	8.9593	9.6907
Opening Nav of Fiscal Year	10.0006	10.0000
Total return of the fund	-9.40%	0.01%
Capital growth	-9.40%	0.01%
Income distribution as a % of e x nav	-	
Income distribution as a % of par value	-	
Distribution		
Interim distribution per unit		-
Final distribution per unit		-
Distribution Dates		
Interim		
Final		
Average annual return of the fund (launch date February 14, 2018)		
(Since inception to June 30, 2019)	-6.93%	
(Since inception to June 30, 2018)		0.02%
Portfolio Composition (Please see Fund Manager Report)		
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up		

PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Financial Sector 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:

NAFA FINANCIAL SECTOR FUND				
Resolutions	For	Against	Abstain*	
Number	4	4	Nil	N/A
(%)	100%	100%	-	-

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-  Financial calculator
-  Subscription to Alerts (event
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regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



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