



NBP FUNDS

Managing Your Savings

AM1

Rated by PACRA

NBP FINANCIAL SECTOR INCOME FUND



QUARTERLY REPORT
MARCH 31, 2020



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 Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	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 Alfalah Limited
Bank Al Habib Limited
Askari Bank Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
Sindh Bank Limited
National Bank of Pakistan

Samba Bank Limited
Zarai Taraqati Bank Limited
MCB Islamic Bank Limited
Faysal Bank Limited
The Bank of Punjab
Albaraka Bank of Pakistan
Bank Islami Pakistan Limited
U Microfinance Bank Limited
Telenor Microfinance Bank Limited
Khushali Microfinance Bank Limited
The First Microfinance Bank Limited

Auditors

KPMG Taseer Hadi & Co.
Sheikh Sultan Trust Buildings,
Ground No. 2 Shaheed Chaudary Aslam Rd,
Civil Lines, Karachi, 75530

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

Opposite Gul Haji Plaza, 2nd Floor
National Bank Building
University Road Peshawar,
UAN: 091-111 111 632
Fax: 091-5703202

Multan Office:

NBP City Branch, Hussain-e-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

DIRECTORS' REPORT

The Board of Directors of **NBP Fund Management Limited** is pleased to present the unaudited financial statements of **NBP Financial Sector Income Fund (NFSIF)** (Formerly: NAFA Financial Sector Income Fund) (NFSIF) for the period ended March 31, 2020.

Fund's Performance

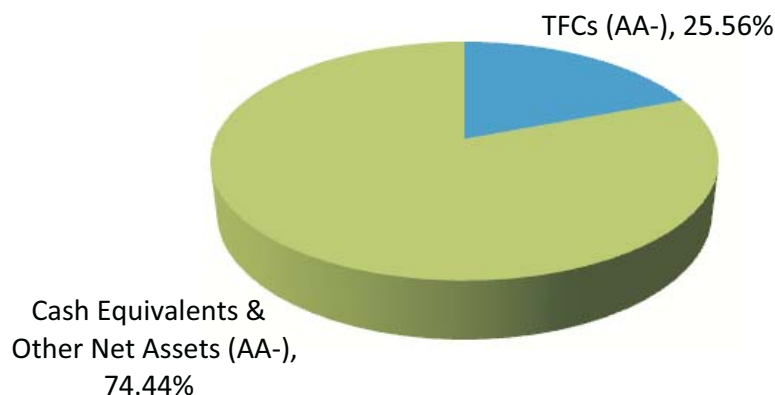
The size of NBP Financial Sector Income Fund has increased from Rs. 4,179 million to Rs. 10,655 million during the period (i.e. an outstanding growth of 155%). During the period, the unit price of the Fund has increased from Rs. 10.5124 on June 30, 2019 to Rs. 11.5846 on March 31, 2020, thus showing a return of 13.5% in line with the same return for benchmark i.e 13.5% during the same period. The performance of the Fund is net of management fee and other expenses.

The Fund is unique as it invests a minimum 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity/instrument rating of debt securities is 'AA-'. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund. The Fund has been assigned 'A+ (f)' fund stability rating by PACRA.

The trading activity in corporate debt securities witnessed a surge during the period. The cumulative traded value stood at Rs. 20.4 billion versus Rs. 11.4 billion in the same period last year. During 9MFY20, the State Bank of Pakistan (SBP) held six Monetary Policy Committee (MPC) meetings. In its first meeting in July 2019, the Policy Rate was increased by 100bps to 13.25% with the objective to curtail inflationary pressure. Thenceforth the central bank maintained tight monetary policy stance and left the key benchmark rate unchanged in the subsequent three MPC meetings. In its meeting on March 17th, 2020 and again on March 24th, 2020 the SBP slashed the Policy Rate by a cumulative 225bps to 11%; owing to improved inflation outlook, sharp fall in the global oil prices, and economic fallout from the Coronavirus pandemic.

Sovereign yields responded to these policy actions and inflation and interest rate outlook. SBP held twenty (20) T-Bill auctions during the period, realizing a total of Rs. 12,443 billion. The yields on T-Bills for 3-month, 6-month and 12-month tenures decreased by 175 basis points, 193 basis points and 264 basis points, respectively. Similarly, expecting protracted period of monetary easing, PIB yields decline by 456 bps, 470 bps, and 457 bps for 3-year, 5-year, and 10-year tenures, respectively. During this period, nine (9) PIB auctions were also held where an amount of Rs. 1,671 billion was realized.

The Fund has earned a total income of Rs 878.93 million during the period. After deducting total expenses of Rs 126.68 million, the net income is Rs. 752.26 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NFSIF.



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: April 27, 2020
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 مارچ 2020ء کو ختم ہونے والی نو ماہی کے لئے NBP فنڈ نیشنل سیکٹور انکم فنڈ (سابقہ: NAFA) فنڈ نیشنل سیکٹور انکم فنڈ (NFSIF) کے غیر جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران NBP فنڈ نیشنل سیکٹور انکم فنڈ کا فنڈ سائز اس مدت کے دوران 4,179 ملین روپے سے بڑھ کر 10,655 ملین روپے ہو گیا یعنی 155% کا خاطر خواہ اضافہ۔ اس مدت کے دوران، فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 10.5124 روپے سے بڑھ کر 31 مارچ 2020ء کو 11.5846 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لئے اپنا پنچ مارک منافع 13.5% کے مساوی یعنی 13.5% کا منافع درج کرایا۔ یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

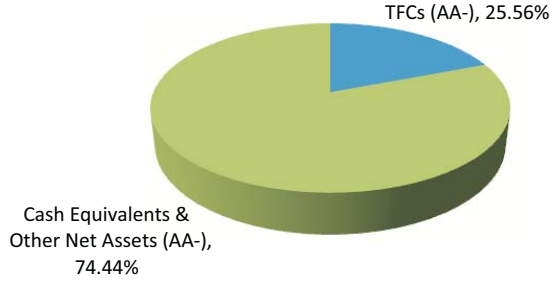
فنڈ اس حوالے سے منفرد ہے کہ یہ اپنے اثاثوں کا کم از کم 70% فنڈ نیشنل سیکٹور انکم فنڈ (بنیادی طور پر پینکس) Debt سیکورٹیز، انسٹرومنٹ یا ڈپازٹس میں سرمایہ کاری کرتا ہے۔ Debt سیکورٹیز کی کم از کم ایٹمیٹی / انسٹرومنٹ ریٹنگ "AA-" ہیں۔ اس سے کریڈٹ رسک میں کمی اور اس کے ساتھ ساتھ فنڈ کی لیکویڈیٹی میں اضافہ ہوتا ہے۔ فنڈ کی میعاد ایک سال سے زائد نہیں ہو سکتی۔ یہ شرح سود یا پرائسنگ رسک کو کم کرتا ہے۔ فنڈ اپنے اثاثوں کا 25% فیصد، 90 دن سے کم مدت کے T-Bills بلز میں یا بینکوں کے ساتھ سیونگ اکاؤنٹس میں سرمایہ کاری کرتا ہے جس سے فنڈ کے لیکویڈیٹی پروفائل میں مزید اضافہ ہو جاتا ہے۔ فنڈ کو PACRA کی طرف سے (F) 'A+' کی مستحکم ریٹنگ دی گئی ہے۔

مدت کے دوران کارپوریٹ ڈیبٹ سیکورٹیز میں تجارتی سرگرمی میں کمی ہوئی۔ گزشتہ سال کی اسی مدت میں مجموعی تجارتی قدر 11.4 بلین روپے کے برعکس 20.4 بلین روپے پر قائم رہی۔ مالی سال 2020 کی نو ماہی میں اسٹیٹ بینک آف پاکستان نے چھ ماہانہ معاشی پالیسی کمیٹی (MPC) کے اجلاس طلب کئے۔ افراط زر کو قابو کرنے کے لئے SBP نے جولائی 2019ء میں منفقہ مانیٹری پالیسی کے اپنے پہلے اجلاس میں پالیسی ریٹ کو بحساب 13.25، 100bps فی صد تک بڑھا دیا۔ اس کے بعد مرکزی بینک نے سخت معاشی پالیسی کا موقف برقرار رکھا اور اس کے بعد ہونے والی تین MPC اجلاسوں میں کلیدی معیار تبدیل نہیں کیا۔ 17 مارچ، 2020 کو اور پھر 24 مارچ، 2020 کو اپنے اجلاس میں اسٹیٹ بینک نے افراط زر کی صورتحال میں بہتری، تیل کی عالمی قیمتوں میں تیزی سے کمی اور کوورونا وائرس وبائی مرض سے معاشی خرابی کی وجہ سے پالیسی ریٹ کو بحساب 225bps، مجموعی طور پر 11 فیصد کر دیا۔

ان پالیسی اقدامات اور افراط زر اور شرح سود کے نقطہ نظر باعث سورجین پیداوار میں بھی اضافہ ہوا۔ اس مدت میں SBP نے بیس (20) ٹی بل نیلامیوں سے مجموعی 12,443 بلین روپے حاصل کئے۔ سہ ماہی، ششماہی اور سالانہ مدتوں کے دوران ٹی بلز پیداوار بالترتیب 175 پیس، پوائنٹس، 193 پیس، پوائنٹس اور 264 پیس پوائنٹس تک کم ہوئی۔ اسی طرح، مانیٹری آسانی کے متوقع آغاز کے باعث 3 سال، 5 سال اور 10 سال کی مدتوں کے دوران PIB پیداوار بالترتیب 456bps، 470bps اور 457bps کی کمی ہوئی۔ اس مدت کے دوران، نو (9) پی آئی بی نیلامیاں بھی کی گئیں جہاں سے 1,671 بلین روپے حاصل کئے۔

فنڈ نے موجودہ مدت کے دوران 878.93 بلین روپے کی مجموعی آمدنی کمائی ہے۔ 126.68 بلین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 752.26 بلین روپے ہے۔

درج ذیل چارٹ NFSIF کی ایسٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:



اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ 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 فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 27 اپریل 2020ء

مقام: کراچی

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

As at 31 March 2020

	Note	31 March 2020 Unaudited (Rupees in '000)	30 June 2019 Audited
Assets			
Bank balances		6,538,735	3,303,901
Investments	4	3,982,300	889,708
Profit receivables		232,971	60,850
Receivable against conversion of units		10,822	-
Advances, deposits and prepayment		369	570
Total assets		<u>10,765,197</u>	<u>4,255,029</u>
Liabilities			
Payable to NBP Fund Management Limited - Management Company		33,114	17,699
Payable to Central Depository Company of Pakistan Limited - Trustee		777	460
Payable to Securities and Exchange Commission of Pakistan		1,162	2,722
Payable against redemption of units		21,551	80
Accrued expenses and other liabilities		53,449	55,135
Total liabilities		<u>110,053</u>	<u>76,096</u>
Net assets		<u>10,655,144</u>	<u>4,178,933</u>
Unit holders' fund (as per statement attached)		<u>10,655,144</u>	<u>4,178,933</u>
Contingency and commitment			
(Number of units)			
Number of units in issue		<u>919,766,356</u>	<u>397,524,703</u>
(Rupees)			
Net assets value per unit		<u>11.5846</u>	<u>10.5124</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE NINE AND THREE MONTHS PERIOD ENDED 31 MARCH 2020

Note	Nine months period ended		Three months period ended	
	2020	2019	2020	2019
	----- (Rupees in '000) -----			
Income				
Gain on sale of investments - net	188	-	697	-
Income from term deposit receipts	-	33,879	-	13,101
Income from term finance certificates and commercial paper	197,221	47,674	85,181	19,071
Income from Treasury bill	22,305	-	12,214	-
Income from PIB	1,747	-	1,747	-
Profit on bank deposits	636,452	174,459	246,609	75,752
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	21,018	(2,306)	21,258	1,133
Total income	878,931	253,706	367,706	109,057
Expenses				
Remuneration to NBP Fund Management Limited - Management Company	50,178	18,011	21,124	7,156
Sindh Sales Tax on remuneration of the Management Company	6,523	2,341	2,746	930
Selling and marketing expenses	40,257	8,048	16,445	3,674
Remuneration of Central Depository Company of Pakistan Limited - Trustee	4,357	2,756	1,762	990
Sindh Sales Tax on remuneration of the Trustee	566	358	229	128
Annual fee - Securities and Exchange Commission of Pakistan	1,162	1,869	470	689
Allocation of expenses related to registrar services, accounting, operation and valuation services	5,809	2,492	2,349	918
Securities transaction costs	137	50	37	-
Settlement and bank charges	1,244	464	251	152
Annual listing fee	21	21	7	7
Auditors' remuneration	692	534	229	151
Legal and Professional charges	52	37	9	14
Mutual fund rating fee	290	285	89	98
Printing charges	36	31	15	13
Total expenses	111,324	37,297	45,762	14,920
Net income from operating activities	767,607	216,409	321,944	94,137
Provision for Sindh Workers' Welfare Fund	(15,352)	(4,328)	(6,439)	(1,883)
Net income for the period before taxation	752,255	212,081	315,505	92,254
Taxation	-	-	-	-
Net income for the period after taxation	752,255	212,081	315,505	92,254
Allocation of net income for the period				
Net income for the period	752,255	212,081	315,505	92,254
Income already paid on units redeemed	(201,183)	(37,449)	(201,183)	(7,380)
	551,072	174,632	114,322	84,874
Accounting income available for distribution:				
-Relating to capital gains	19,581	-	19,581	-
-Excluding capital gains	531,491	174,632	94,741	84,874
	551,072	174,632	114,322	84,874

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE AND THREE MONTHS PERIOD ENDED 31 MARCH 2020

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	----- (Rupees in '000) -----			
Net income for the period	752,255	212,081	315,505	92,254
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>752,255</u>	<u>212,081</u>	<u>315,505</u>	<u>92,254</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2020

	2020			2019		
	Value	Undistributed income	Total	Value	Undistributed income	Total
(Rupees in '000)						
Net assets at beginning of the period	4,069,622	109,311	4,178,933	2,175,702	179,207	2,354,909
Issue of 1,568,302,663 units (2019: 519,628,592 units)						
- Capital value	16,486,633	-	16,486,633	5,452,619	-	5,452,619
- Element of income	683,859	-	683,859	83,990	-	83,990
Total proceeds on issuance of units	17,170,492	-	17,170,492	5,536,609	-	5,536,609
Redemption of 1,046,061,011 units (2019: 330,245,083 units)						
- Capital value	(10,996,608)	-	(10,996,608)	(3,465,361)	-	(3,465,361)
- Element of loss	(248,745)	(201,183)	(449,928)	(29,677)	(37,449)	(67,126)
Total payments on redemption of units	(11,245,352)	(201,183)	(11,446,536)	(3,495,038)	(37,449)	(3,532,487)
Final Distribution for the year ended 30 June 2019 (Date of distribution: 04 July 2018 : 6.31%)						
- Cash distribution	-	-	-	-	(77,157)	(77,157)
- Refund of capital	-	-	-	(56,392)	-	(56,392)
Nil Interim Distribution during the period (Date of distribution: 21 December 2018 : 3.73%)						
- Capital value	-	-	-	-	(81,568)	(81,568)
- Refund of capital	-	-	-	(29,920)	-	(29,920)
	-	-	-	(29,920)	(81,568)	(111,488)
Total comprehensive income for the period	-	752,255	752,255	-	212,081	212,081
Net assets at end of the period	9,994,761	660,383	10,655,144	4,130,961	195,114	4,326,075
Undistributed income brought forward						
- Realised		111,674			175,373	
- Unrealised		(2,363)			3,834	
		109,311			179,207	
Accounting income available for distribution:						
- Relating to capital gains		19,581			-	
- Excluding capital gains		531,491			174,632	
		551,072			174,632	
Final Distribution for the year ended 30 June 2019 (Date of distribution: 04 July 2018)						
- Cash distribution		-			(77,157)	
Nil Interim Distribution during the period (Date of distribution: 21 December 2018)						
- Cash distribution		-			(81,568)	
Undistributed income carried forward		660,383			195,114	
Undistributed income carried forward						
- Realised		639,365			197,420	
- Unrealised		21,018			(2,306)	
		660,383			195,114	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the period		10.5124				11.1248
Net assets value per unit at end of the period		11.5846				10.7865

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2020

	Note	Nine months period ended	
		2020	2019
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		752,255	212,081
Adjustments for:			
Net unrealised (<i>appreciation</i>) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(21,018)	2,306
		<u>731,237</u>	<u>214,387</u>
(Increase) / decrease in assets			
Investments - net		(3,071,574)	(177,994)
Advance, prepayments and other receivables		201	(7)
Profit receivables		(172,121)	(23,737)
		<u>(3,243,494)</u>	<u>(201,738)</u>
Decrease in liabilities			
Payable to NBP Fund Management Limited - Management Company		15,415	6,001
Payable to Central Depository Company of Pakistan Limited - Trustee		317	142
Payable to Securities and Exchange Commission of Pakistan		(1,560)	375
Payable against purchase of investments		-	(223,657)
Accrued expenses and other liabilities		(1,686)	2,328
		<u>12,486</u>	<u>(214,811)</u>
Net cash (used in) operating activities		<u>(2,499,771)</u>	<u>(202,162)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received on issuance of units		17,159,670	5,450,296
Payments against redemption of units		(11,425,065)	(3,531,762)
Distributions paid		-	(158,725)
Net cash from financing activities		<u>5,734,605</u>	<u>1,759,809</u>
Net increase in cash and cash equivalents during the period		<u>3,234,834</u>	<u>1,557,647</u>
Cash and cash equivalents at beginning of the period		3,303,901	1,601,764
Cash and cash equivalents at end of the period	4	<u><u>6,538,735</u></u>	<u><u>3,159,411</u></u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2020**

1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The effective date of change of name of the Fund is 29 May 2019.

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

The Fund is an open-ended mutual fund classified as an "income scheme" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments.

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

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- 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 with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These condensed interim financial statements do not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2019.

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declared that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2020.

These financial statements are presented in Pakistan Rupee, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2019.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on July 1, 2019 that have a material effect on the financial statements of the Fund.

4 INVESTMENTS

Investments by category	Note	31 March 2020 Unaudited	30 June 2019 Audited
Financial assets 'at fair value through profit or loss'		(Rupees in '000)	
Term finance certificates - listed	4.1	361,158	100,804
Term finance certificates - unlisted	4.2	2,362,180	441,272
Commercial Paper	4.3	-	347,632
Investments in Tbill	4.4	1,034,070	-
Investments in PIB	4.5	224,891	-
		3,982,300	889,708

4.1 Term finance certificates - listed

Name of the investee company	As at 01 July 2019	Purchases during the period	Sales / matured during the period	As at 31 March 2020	Market value/ carrying value as at 31 March 2020	Market value / carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
	----- Number of certificates -----				(Rupees in '000)	-----(%)------	
Bank Al Falah V	501	32,550	-	33,051	162,177	1.52	4.07
Habib Bank Limited	1,000	1,000	-	2,000	198,981	1.87	5.00
	1,501	33,550	-	35,051	361,158	3.39	9.07
					362,547		

Carrying value before fair value adjustments as at 31 March 2020.

NBP FINANCIAL SECTOR INCOME FUND (FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



4.2 Term finance certificates - unlisted

	As at 01 July 2019	Purchases during the period	Sales / matured during the period	As at 31 March 2020	Market value/ carrying value as at 31 March 2020	Market value / carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
	Number of certificates				(Rupees in '000)	----- (%) -----	
JS Bank Limited	23,400	-	-	23,400	112,302	1.05	2.82
JS Bank Limited	-	1,150	-	1,150	106,692	1.00	2.68
Jahangir Siddiqui and Company Limited	4,000	8,000	-	12,000	22,500	0.21	0.57
Jahangir Siddiqui and Company Limited	23,340	4,660	-	28,000	87,238	0.82	2.19
Jahangir Siddiqui and Company Limited	32,800	-	-	32,800	162,688	1.53	4.09
Bank of Punjab	500	-	-	500	44,418	0.42	1.12
Askari Commercial Bank Limited	-	7,400	-	7,400	36,087	0.34	0.91
HUBCO Sukuk	-	8,150	-	8,150	823,356	7.73	20.68
K-Electric	-	98,460	-	98,460	492,300	4.62	12.36
Askari Commercial Bank Limited II	-	233	-	233	233,000	2.19	5.85
Hub Power Company Limited	-	2,416	-	2,416	241,600	2.27	6.07
	84,040	130,469	-	214,509	2,362,180	22.18	59.34

Carrying value before fair value adjustments as at 31 March 2020.

2,360,475

4.3 Investment in Commercial Paper

Name of Issuer	Maturity Date	Face value			Market value/ carrying value as at 31 March 2020	Market value as percentage of net assets	Market value as percentage of total investments
		As at 1 July 2019	Purchases during the period	Sales/ matured during the period (Rupees in '000)			
The HUB Power Company Ltd.	22 July 2019	339,852	-	339,852	-	-	-
K Electric Limited	28 February 2020	-	500,000	500,000	-	-	-
Total		339,852	500,000	839,852	-	-	-

4.4 Market Treasury Bills

Issue date	Tenor	Face value			Market value/ carrying value as at 31 March 2020	Market value as percentage of net assets	Market value as percentage of total investments
		As at 1 July 2019	Purchases during the period	Sales / matured during the period (Rupees in '000)			
10 October 2019	1 Year	-	500,000	500,000	-	-	-
07 November 2019	1 Year	-	500,000	500,000	-	-	-
05 December 2019	3 Months	-	950,000	950,000	-	-	-
27 February 2020	3 Months	-	250,000	250,000	-	-	-
27 February 2020	1 Year	-	250,000	-	250,000	2.14	5.73
12 March 2020	6 Months	-	250,000	-	250,000	2.24	5.99
12 March 2020	1 Year	-	250,000	-	250,000	2.13	5.71
26 March 2020	1 Year	-	375,000	-	375,000	3.19	8.54
Total		-	3,325,000	2,200,000	1,125,000	9.70	25.97

Carrying value before fair value adjustments as at 31 March 2020.

1,024,758

4.5 Pakistan Investment Bond

Issue date	Tenor	Face value			Market value/ carrying value as at 31 March 2020	Market value as percentage of net assets	Market value as percentage of total investments
		As at 1 July 2019	Purchases during the period	Sales / matured during the period (Rupees in '000)			
19 September 2019	3 Years	-	100,000	-	100,000	0.93	2.48
19 September 2019	5 Years	-	125,000	-	125,000	1.19	3.17
Total		-	225,000	-	225,000	2.12	5.65

Carrying value before fair value adjustments as at 31 March 2020.

213,501

5 PROVISION FOR SINDH WORKERS' WELFARE FUND

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is same as that disclosed in note 14.1 to the annual audited financial statements of the Fund for the year ended June 30, 2019.

The Fund, being prudent, recognised provision for SWWF amounting to Rs.26.4141 million for the period ended March 31, 2020 in this condensed interim financial information. Had the provision not been made, net assets value per unit at March 31, 2020 would have been higher by Rs. 0.0287 per unit (30 June 2019: Rs. 0.0278).

6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at March 31, 2020 and June 30, 2019.

7 SELLING AND MARKETING EXPENSES

The SECP vide circular 11 of 2019 dated July 05, 2019 has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) and prescribed revised conditions for charging of selling and marketing expenses to CIS. The said circular also supersedes circular No. 40 of 2016, circular No. 05 of 2017 and circular No. 5 of 2018. These expenses shall be counted in the total expense ratio cap of the fund. Accordingly, the Management Company has charged selling and marketing expenses at the rate of 0.7% per annum of the net assets of the Fund.

8 TAXATION

The Fund's income is exempt from income tax as per clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute 90 percent of the net accounting income other than capital gains to the unit holders. Since the management intends to distribute the required minimum percentage of income earned by the Fund for the year ending June 30, 2020 to the unit holders in the manner as explained above, no provision for taxation has been made in these condensed interim financial statements.

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

9 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at March 31, 2020 is 2.17% (2019: 1.74%) which includes 0.40% (2019: 0.37%) representing government levies on the Fund such as sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% (as amended by S.R.O 639 dated June 20, 2019) prescribed under the NBFC Regulations for a collective investment scheme categorised as 'Open-end - Income Fund'.

10 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 10.1** Connected persons include NBP Fund Management Limited being the Management Company (NBP Funds), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 10.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 10.3** Remuneration and sales load payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 10.4** The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:

NBP FINANCIAL SECTOR INCOME FUND (FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



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

	Unaudited	
	Nine months period ended	
	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Issue / transfer in of 17,367,912 units (2019: Nil units)	188,467	-
Redemption / transfer out of 24,177,674 units (2019: Nil units)	263,527	-
Management remuneration	50,178	18,011
Sindh Sales Tax on remuneration of Management Company	6,523	2,341
Sales load	5,715	-
Transfer load	423	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	5,809	2,492
Selling and marketing expenses	40,257	8,048
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	4,357	2,756
Sindh Sales Tax on remuneration of Trustee	566	358
CDC charges	229	-
Employees of the Management Company		
Units Issued / Trasferred In 12,505,811 (2019: 3,128,343 Units)	138,796	33,065
Units Redeemed / Transferred Out 9,621,872 (2019: 2,093,144 Units)	106,612	22,389
Dividend Reinvest Unit Issued Nil (2019: 9,988 Units)	-	105
Askari Commercial Bank*		
Markup on bank balance	68	37
National Bank of Pakistan - Sponsor		
Markup on bank balance	656	411
Bank Islami Pakistan Limited		
Markup on bank balance	90	6
Muhammad Murtaza Ali - Company Secretary/COO		
Units Issued / Trasferred In 838 (2019: Nil units)	9	-
Units Redeemed / Transferred Out 193,103 (2019: Nil units)	2,079	-
Fauji Fertilizer Company Limited		
Units Issued / Trasferred In 441,993,497 (2019: Nil units)	4,843,055	-
Units Redeemed / Transferred Out 237,902,553 (2019: Nil units)	2,556,143	-
CDC Trustee NAFA Government Securities Saving Fund		
Treasury bill Sell	179,430	-
CDC Trustee NBP Savings Fund		
Term Finance Certificate Buy	75,485	-
NBP ISLAMIC MONEY MARKET FUND		
Commercial Paper Sell	305,515	-
CDC T NBP ISLAMIC MAHANA AMDANI FUND		
Commercial Paper Sell	96,989	-
CDC Trustee NBP Islamic Savings Fund		
Commercial Paper Sell	82,440	-
Hub Power Company Limited		
Term Finance Certificate Buy	241,600	-
Pak American Fertilizers Ltd. Provident Fund Trust		
Issue / transfer in of 591,375 units (2019: Nil units)	6,241	-
Redemption / transfer out of 649,005 units (2019: Nil units)	6,997	-
Potential Engineers Staff Provident Fund Trust		
Redemption / transfer out of 1,557,627 units (2019: Nil units)	16,688	-
Portfolios Managed by Management Company		
Issue / transfer in of 349 units (2019: 1,858,811 units)	4	20,023

NBP FINANCIAL SECTOR INCOME FUND

(FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



10.6 Amounts outstanding as at period / year end:

	31 March 2020 Unaudited (Rupees in '000)	30 June 2019 Audited
NBP Fund Management Limited - Management Company		
1,203,886 units held (2019: 6,809,762 units)	13,492	71,587
Sales load and transfer load payable to Management Company	3,773	2,954
Other Payable	169	169
Management remuneration payable	8,750	3,465
Sindh sales tax payable on management remuneration	1,138	450
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,349	2,055
Sindh sales tax on sales load and transfer load	490	384
Selling and marketing expenses payable	16,445	8,222
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration payable	688	460
Sindh sales tax payable on trustee remuneration	89	60
Security deposit	100	100
CDC Charges	85	23
Employees of the Management Company		
4,659,373 units held (2019: 1,775,434 units)	53,977	18,664
National Bank of Pakistan - Sponsor		
Balance in current account	325	325
Balance in savings account	10,949	10,760
Profit receivable on bank deposit	1	85
Fauji Fertilizer Company Limited		
204,090,944 units held (2019: Nil units)	2,364,312	-
Askari Commercial Bank Limited*		
Balance in savings account	1,820	179
Profit receivable on bank deposit	93	109
The Hub Power Company Limited		
Investment in Sukuk ; 8,150 units	823,356	-
Summit Bank Limited*		
Balance in current account	10,491	2,446
Pak American Fertilizers Ltd. Provident Fund Trust		
Nil units held (2019: 57,630 units)	-	606
Muhammad Murtaza Ali - Company Secretary/COO		
Nil units held (2019: 192,265 units)	-	2,021
National Clearing Company of Pakistan		
4,807,740 units held (2019: 4,807,740 units)	55,696	50,541
Bank Islami Pakistan Limited		
Bank balance	3,514	105
Profit receivable on bank deposit	72	350
Portfolios Managed by Management Company		
197,678 units held (2019: Nil units)	2,290	-

* Current balance with this party has not been disclosed as it did not remain connected person and related party as at the period end.

11 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 27, 2020 by the Board of Directors of the Management Company.

12 GENERAL

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

12.2 Corresponding figures have been rearranged and reclassified , wherever necessary, for the purpose of better presentation.

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

Chief Financial Officer

Chief Executive Officer

Director

Head Office

7th Floor, Clifton Diamond Building, Block No.4,
Scheme No.5, Clifton, Karachi.

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: INVEST to 9995

Fax: 021-35825335

Email: info@nbpfunds.com

Website: www.nbpfunds.com

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