

NAFA ISLAMIC PENSION FUND



ANNUAL REPORT
JUNE 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. Saad Amanullah Khan	Director
Mr. Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murataz 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 Shahra-e-Faisal, Karachi.

Bankers to the Fund

Allied Bank Limited
Bank Islami Pakistan Limited
Bank Al Habib Limited
Faysal Bank Limited
Soneri Bank Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
JS Bank Limited
United Bank Limited



Auditor

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court,
A-35, Block 7 & 8,
KCHSU, Sharae Faisal
Karachi-75350 Pakistan.

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

Khan Center, 1st Floor, Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2 & 4

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
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. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource

DIRECTORS' REPORT

This is the Seventh Annual Report for the year ended June 30, 2020, since launch of **NAFA Islamic Pension Fund (NIPF)** on July 02, 2013.

Fund's Performance

	Fund Size (Rs. in mln)	NAV Per Unit (Rs.) June 30, 2019	NAV Per Unit (Rs.) June 30, 2020	Performance Since Launch July 02, 2013
NIPF-Equity Sub-fund	1,123.2	241.5312	260.2000	14.5%
NIPF-Debt Sub-fund	576.9	135.6539	148.4727	5.7%
NIPF-Money Market Sub-fund	821.9	138.3973	152.0531	6.0%
Annualized Return	[Net of management fee & all other expenses]			

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meagre 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 42% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.6% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.



Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY2020 compared to Rs. 12 billion in FY2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

The equity sub-fund increased by 7.7% during FY20 compared with 1.6% increased in the benchmark KMI-30 Index during the same period.

The debt sub-fund yielded a return of 9.4% during FY20.

During FY20, the money market sub-fund posted a return of 9.8%. These returns are net of management fee and all other expenses.

The asset allocation of the Fund as on June 30, 2020 is as follows:

Asset Allocation (% of Net Assets)	
Equity Sub-fund	
Equity	95.5%
Cash Equivalents	5.3%
Others	(0.8%)
Total	100.0%
Debt Sub-fund	
Sukuks	33.4%
Bank Placement	38.5%
Cash Equivalents	28.4%
Others	(0.3%)
Total	100.0%
Money Market Sub-fund	
Bank Placement	38.3%
Sukuk	12.0%
Cash Equivalents	49.8%
Others	(0.1%)
Total	100.0%

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. 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 20 to these financial statements.
11. The Management Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Mr. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 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: September 17, 2020
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 02 جولائی 2013 کو قائم ہونے والے NAFA اسلامک پنشن فنڈ (NIPF) کی ساتویں سالانہ رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

2 جولائی 2013 کو آغاز سے اب تک کارکردگی	NAV پونٹ (روپے) 30 جون 2020	NAV پونٹ (روپے) 30 جون 2019	فنڈ کا حجم (ملین روپے)	
14.5%	260.2000	241.5312	1,123.2	NIPF ایکویٹی سب فنڈ
5.7%	148.4727	135.6539	576.9	NIPF ڈیٹ سب فنڈ
6.0%	152.0531	138.3973	821.9	NIPF مٹی مارکیٹ سب فنڈ
(متجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص)				سالانہ منافع

مالی سال 2019-20، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KMI-30 انڈیکس میں سالانہ بنیاد پر 1.6% کا معمولی اضافہ ہوا۔ IMF کے ساتھ 6 ملین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 ملین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 ملین امریکی ڈالر کی آمد جیسی مثبت خبروں کے باوجود مارکیٹ کا آغاز منفی خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آریٹل 370 کی منسوخی پر پاک بھارت تعلقات میں کشیدگی پیدا ہونے سے مارکیٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم ترین سطح پر 44,929 پر لے آیا جس نے مارکیٹ کے وسیع حصے میں حصص کی مالیت کو واضح کر دیا۔ پرکشش مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مانیٹری میں آسانی کی توقع کی بنا پر اسٹاک مارکیٹ میں تیزی سے بہتری واقع ہوئی۔ کرنٹ اکاؤنٹ بیلنس اکتوبر 2019 میں سرپلس میں تبدیل ہوا اور مالی سال 20 کے لئے کرنٹ اکاؤنٹ خسارہ (CAD) 3 ارب ڈالر رہ گیا، جو سالانہ بنیاد پر 78 فیصد کم ہوا۔ اسی طرح، کثیرالجہتی ایکسیویوں سے سرمائے کی آمد اور سرکاری سیکورٹیز میں پورٹ فولیو کی آمد نے بھی سرمایہ کاروں میں اعتماد پیدا کیا۔ اس کے نتیجے میں، KMI-30 انڈیکس میں 16 اگست، 2019 سے 58 فیصد اضافے کے ساتھ سے 13 جنوری 2020 کی بلند ترین سطح پر پہنچا۔

اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے منمنی بجٹ کے اندیشہ، اور T-Bills سے ہاٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن / شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 42 فیصد گر گئی۔ معیشت کو کورونا وائرس و ہائی مرض کے اثرات سے نجات دلانے کے لئے، پالیسی سازوں نے غیر معمولی مالی اور مالیاتی پالیسی اقدامات اٹھائے۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو مجموعی طور پر 6.25 فیصد تک کم کیا اور کاروباری اداروں کی مدد اور قرضہ جاری رکھنے کے لئے، قرضوں کی ادائیگی سے متعلق کارپوریشن / تجارتی بینکوں کے انضباطی ضوابط میں ترمیم کی گئی۔ حکومت نے 1.2 ٹریلین روپے کا امدادی پیکیج دینے کا اعلان کیا، جو جی ڈی پی کے 2.8 فیصد کے برابر ہے، جس میں معاشرے کے تمام طبقوں کے لئے ریلیف شامل ہے جن میں غیر مراعات یافتہ افراد، کاروبار اور صنعتیں شامل ہیں۔ ریپڈ فنانسنگ انسٹرومنٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 ملین امریکی ڈالر کا پانچ ماہی قرض ملا اور G20 ممالک نے قرضوں کی ادائیگی میں ریلیف کا اعلان کیا۔ صحت کی دیکھ بھال کے ناقص اور نا کافی انفراسٹرکچر کے باوجود نسبتاً کم اموات کی شرح اور صحت کی پالیسی کی اعلیٰ شرحوں نے امیدوں کو بڑھایا کہ پاکستان کو بدترین خطرہ سے بچایا جاسکتا ہے جس کا پہلے خدشہ تھا۔ نتیجتاً مارکیٹ نے واضح بہتری دیکھائی اور تقریباً تمام نقصان والے شیعوں کا احاطہ کیا اور سالانہ بنیاد پر 1.6 فیصد کی معمولی اضافہ کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

زیر جائزہ مالی سال کے دوران شعبہ دار کارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسریز، سینٹ، کمپیکٹ، انجینئرنگ، کھاد، دواسازی، کاغذ اور بورڈ، میکینا لوجی اور گلاس اینڈ سٹریٹس کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمزور بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوٹن، اور ٹیکسٹائل کمپوزٹ کے شعبے مارکیٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 ملین امریکی ڈالر کے خالص انفلو کے ساتھ بڑے خریدار رہے، جبکہ انشورنس کمپنیوں نے 128 ملین امریکی ڈالر کے ساتھ پوزیشن منظم کی دوسری جانب غیر ملکی سرمایہ کار 285 ملین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک / DFIs اور میوچل فنڈز بھی بالترتیب 55 ملین امریکی ڈالر اور 50 ملین امریکی ڈالر کے خالص آؤٹ فلوز کے ساتھ نمایاں فروخت کنندہ رہے۔

کارپوریٹ سکوک میں تجارتی سرگرمی مالی سال 2019 میں 12 ملین روپے کے مقابلے مالی سال 2020 میں تقریباً 27 ملین روپے کے مجموعی تجارتی قیمت کے ساتھ قابل ذکر 127% زیادہ رہی۔ نئے

اجارہ سلوک کے ساتھ بجلی کے شعبہ کو حکومت کے گارنٹی شدہ سلوک اور شریعہ کمپلیٹ کمرشل پیپرز کے اجراء نے طویل مدتی اور قلیل مدتی شریعہ کمپلیٹ ڈیٹ آلات کے زیر اثر مارکیٹ کی مدد کی۔ اقتصادی استحکام کی جاری پالیسیوں کی تعمیر اور (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لینی قیمتوں میں اضافہ اور (iii) وفاقی بجٹ مالی سال 20 میں کئے گئے دیگر اقدامات سے افراط زر کے بڑے اثرات کا مقابلہ کرتے ہوئے، اسٹیٹ بینک پاکستان نے جولائی 2019 میں پالیسی شرح 100bps بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک نے 17 مارچ، 2020 کو منعقدہ اپنے ایم پی سی اجلاس میں پالیسی شرح 25bps کم کر دی۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک نے جارحانہ مانیٹری میں آسانی پیدا کی اور مختصر مدت میں پالیسی شرح 7 فیصد تک کمی کر کے مجموعی طور پر 625bps کر دی۔ پالیسی شرح میں اس کمی کے اثرات سورجین، بیلڈ پر پڑے کیونکہ 3 ماہ، 6 ماہ اور 12 ماہ کی ٹی بلز پیداوار بالترتیب 566 پیسز پوائنٹس، 580 پیسز پوائنٹس اور 608 پیسز پوائنٹس تک کم ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹائپس (27) ٹی بلز نیلامیاں منعقد کیں اور کل 14,317 بلین روپے جمع کئے۔

مالی سال 2020 کے دوران ایکویٹی سب فنڈ میں 7.7% کا اضافہ ہوا، جبکہ اسی مدت کے دوران بیچ مارک KMI-30 انڈیکس میں 1.6% کا اضافہ ہوا۔
مالی سال 20 کے دوران ڈیٹ سب فنڈ کو 9.4% کا منافع حاصل ہوا۔
مالی سال 20 کے دوران، منی مارکیٹ سب فنڈ نے 9.8% کا منافع درج کیا۔ یہ منافع منجھت فیس اور تمام دیگر اخراجات منہا کرنے کے بعد حاصل ہے۔
30 جون 2020 کو فنڈ کی ایسٹ ایلوکیشن درج ذیل ہے:

ایسٹ ایلوکیشن	(نیٹ ایسٹس کا %)
ایکویٹی سب فنڈ	
ایکویٹی	95.5%
کیش کے مساوی	5.3%
دیگر	(0.8%)
کل	100.00%
ڈیٹ سب فنڈ	
سلوک	33.4%
بینک پلیسمنٹ	38.5%
کیش کے مساوی	28.4%
دیگر	(0.3%)
کل	100.00%
منی مارکیٹ سب فنڈ	
بینک پلیسمنٹ	38.3%
سلوک	12.0%
کیش کے مساوی	49.8%
دیگر	(0.1%)
کل	100.00%

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

- منجھت 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۔
- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی 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 پیروی 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 ڈائریکٹرز، سی ای او، سی ایف او، کینیڈی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔
- 11 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

نام	کیٹگری
<ul style="list-style-type: none"> •1 جناب خالد منصور •2 جناب سعد امان اللہ خان •3 جناب ہمایوں بشیر 	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
<ul style="list-style-type: none"> •1 شیخ محمد عبدالواحد سیٹھی (چیئرمین) •2 جناب سعد الرحمان خان •3 سید حسن ارتضیٰ کاظمی •4 جناب علی سیگل •5 جناب عمران ظفر 	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے میٹجمنٹ 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 رٹرنی کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

مخائب بورڈ آف ڈائریکٹرز

NBP فنڈ میٹجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Pension Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

Abdul Samad
Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NAFA Islamic Pension Fund is an open-ended Shari'ah Compliant Voluntary Pension Scheme.

Investment Objective of the Fund

To provide a secure source of savings and regular income after retirement to the Participants.

Fund performance review

	Fund Size (Rs. in mln)	NAV Per Unit (Rs.) June 30, 2019	NAV Per Unit (Rs.) June 30, 2020	Performance Since Launch July 02, 2013
NIPF-Equity Sub-fund	1,123.2	241.5312	260.2000	14.5%
NIPF-Debt Sub-fund	576.9	135.6539	148.4727	5.7%
NIPF-Money Market Sub-fund	821.9	138.3973	152.0531	6.0%
Annualized Return	[Net of management fee & all other expenses]			

This is the seventh annual report of the Fund. Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meagre 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 42% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporate / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.6% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

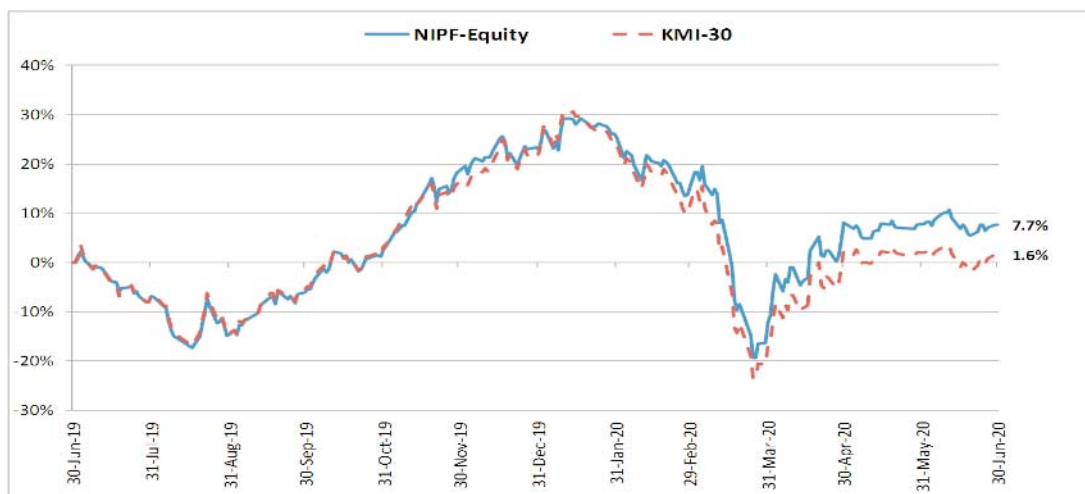
Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY2020 compared to Rs. 12 billion in FY2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

The equity sub-fund increased by 7.7% during FY20 compared with 1.6% increased in the benchmark KMI-30 Index during the same period.

The debt sub-fund yielded a return of 9.4% during FY20.

During FY20, the money market sub-fund posted a return of 9.8%. These returns are net of management fee and all other expenses.

NIPF-Equity Performance vs. KMI-30 during FY20





Asset Allocation of the Fund (% of NAV)

Asset Allocation (% of Net Assets)	
Equity Sub-fund	
Equity	95.5%
Cash Equivalents	5.3%
Others	(0.8%)
Total	100.0%
Debt Sub-fund	
Sukuks	33.4%
Bank Placement	38.5%
Cash Equivalents	28.4%
Others	(0.3%)
Total	100.0%
Money Market Sub-fund	
Bank Placement	38.3%
Sukuk	12.0%
Cash Equivalents	49.8%
Others	(0.1%)
Total	100.0%

During the period under question

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

Sindh Workers' Welfare Fund (SWWF)

During the year, the provision for Workers' Welfare Fund held by the fund till June 30, 2015 has been reversed on January 12, 2017. Further, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from May 21, 2015. For further details, refer note 12.1 to the financial statements.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NAFA Islamic Pension Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 17, 2020**
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

REPORT OF THE SHARIAH SUPERVISORY BOARD

August 31, 2020/ Muharram 11, 1442

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Seventh year of operations of NAFA Islamic Pension Fund (NIPF). This report is being issued in accordance with clause 5.13.7 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

- i) We have reviewed and approved the modes of equity investments of NIPF in light of Shari'ah requirements. Following is a list of top investments of NIPF as on June 30, 2020 and their evaluation according to the screening criteria established by us. (December 31, 2019 accounts of the Investee companies have been used)

Company Name	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Mari Petroleum Company Limited	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Oil & Gas Development Company Ltd. **	Oil and Gas Exploration Companies	0.00%	7.95%	7.74%	33.64%	90.21	142.32
Engro Corporation Limited.	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
Pakistan Petroleum Limited	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137
Lucky Cement Limited	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
Hub Power Company Limited *	Power Generation & Distribution	32.34%	0.00%	7.32%	53.77%	(43.08)	
Engro Fertilizer Limited	Fertilizer	26.23%	4.34%	1.34%	69.88%	(34.07)	



* Debt is considered excluding circular Debt.

** OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.

ii) On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIPF are Shari'ah Compliant and in accordance with the criteria established by us.

iii) There are investments made by NIPF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIPF for the year ended June 30, 2020 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 1,051,828/- was created and an amount of Rupees 794,880/- is available for disbursement into charity as of June 30, 2020, which is inclusive of Rupees 122,450/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2020 will be adjusted after the availability of the respective annual financial statements.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board



INDEPENDENT REASONABLE ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of **NAFA Islamic Pension Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2020. Our engagement was carried out as per the Shariah Principles specified in the Trust Deed, Offering Document, and the guidelines issued by the Shariah Advisor.

Management Company's responsibility

Management Company of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed, Offering Document, and the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

Responsibility of an independent assurance provider

Our responsibility is to express our opinion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed, Offering Document and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the Shariah Principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the Shariah Principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- checking, on a test basis, compliance of specified guidelines issued by Shariah Advisor relating to charity, maintaining of bank accounts and for making investments of the Fund; and
- checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2020 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed, Offering Document and the guidelines issued by the Shariah Advisor for the year ended June 30, 2020.

Deloitte Yousuf Adil
Chartered Accountants

Dated: September 30, 2020

Place: Karachi



INDEPENDENT AUDITOR'S REPORT

We have audited the annexed financial statements comprising:

- i. Statement of Asset and Liabilities;
- ii. Income Statement;
- iii. Statement of Comprehensive Income;
- iv. Cash Flow Statement; and
- v. Statement of movement in Participants' Fund;

of **NAFA Islamic Pension Fund** ("the Fund") as at June 30, 2020 together with the notes forming part thereof, for the year then ended.

It is the responsibility of NBP Fund Management Limited (the Pension Fund Manager) to establish and maintain a system of internal controls; and prepare and present the financial statements of the Fund in conformity with the accounting and reporting standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- a) the financial statements prepared for the year ended June 30, 2020 have been properly drawn in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2020 and of the transactions of the Fund for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- e) the financial statements prepared are in agreement with the Fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 30, 2020
Place: Karachi

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2020

	Note	2020					2019				
		Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total
(Rupees)											
ASSETS											
Bank balances	5	60,027,509	163,872,703	408,876,645	8,382,745	641,159,602	117,230,295	270,023,306	442,337,850	2,985,769	832,577,220
Investments	6	1,072,298,585	414,466,180	413,635,000	-	1,900,399,765	823,325,371	231,656,608	108,000,000	-	1,162,981,979
Dividend receivable		-	-	-	-	-	532,714	-	-	-	532,714
Mark-up receivables	7	1,425,565	3,595,798	6,343,986	-	11,365,349	993,147	7,602,349	5,557,462	-	14,152,958
Deposits and other receivable	8	3,037,588	100,000	110,897	-	3,248,485	3,036,108	100,000	100,000	-	3,236,108
Total assets		1,136,789,247	582,034,681	828,966,528	8,382,745	2,556,173,201	945,117,635	509,382,263	555,995,312	2,985,769	2,013,480,979
LIABILITIES											
Payable to NBP Fund Management Limited - Pension Fund Manager	9	1,605,091	855,983	1,173,196	6,393,869	10,028,139	1,353,120	766,823	806,343	834,173	3,760,459
Payable to Central Depository Company of Pakistan Limited - Trustee	10	122,791	62,675	85,200	-	270,666	107,179	58,017	61,327	-	226,523
Payable to Securities and Exchange Commission of Pakistan	11	291,553	153,864	202,661	-	648,078	357,182	135,899	156,454	-	649,535
Payable against redemption of units		5,534	889,615	2,344,447	-	3,239,596	-	-	-	-	-
Accrued expenses and other liabilities	12	11,570,308	3,192,844	3,280,570	1,988,876	20,032,598	9,812,873	2,241,418	1,921,057	2,151,596	16,126,944
Total liabilities		13,595,277	5,154,981	7,086,074	8,382,745	34,219,077	11,630,354	3,202,157	2,945,181	2,985,769	20,763,461
NET ASSETS		1,123,193,970	576,879,700	821,880,454	-	2,521,954,124	933,487,281	506,180,106	553,050,131	-	1,992,717,518
PARTICIPANTS' SUB-FUNDS (as per statement attached)		1,123,193,970	576,879,700	821,880,454	-	2,521,954,124	933,487,281	506,180,106	553,050,131	-	1,992,717,518
Contingencies and commitments	14	----- (Number of units) -----					----- (Number of units) -----				
Number of units in issue	15	<u>4,316,657</u>	<u>3,885,426</u>	<u>5,405,221</u>			<u>3,864,888</u>	<u>3,731,409</u>	<u>3,996,104</u>		
		----- (Rupees) -----					----- (Rupees) -----				
Net assets value per unit		<u>260.2000</u>	<u>148.4727</u>	<u>152.0531</u>			<u>241.5302</u>	<u>135.6539</u>	<u>138.3973</u>		

The annexed notes from 1 to 25 form an integral part of these financial statements.

For NBP Fund Management Limited
(Pension Fund Manager)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2020				2019			
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
INCOME								
Mark-up on bank deposits	6,595,812	29,601,480	58,481,890	94,679,182	7,148,754	23,684,500	41,768,130	72,601,384
Mark-up on term deposits	-	11,850,641	19,110,636	30,961,277	-	2,935,551	3,271,957	6,207,508
Mark-up / return on government securities	-	7,347,484	909,006	8,256,490	-	4,873,200	-	4,873,200
Mark-up / return on sukus	-	5,635,477	-	5,635,477	-	2,415,766	-	2,415,766
Income from commercial papers	-	2,069,339	2,200,321	4,269,660	-	1,649,009	-	1,649,009
Dividend income	40,643,392	-	-	40,643,392	52,032,047	-	-	52,032,047
Gain / (loss) on sale of investments - net	19,276,685	2,407,655	-	21,684,340	(59,821,856)	(154,500)	-	(59,976,356)
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	15,221,896	(533,820)	(1,365,000)	13,323,076	(180,738,434)	(2,144,655)	-	(182,883,089)
Total income	81,737,785	58,378,256	79,336,853	219,452,894	(181,379,489)	33,258,871	45,040,087	(103,080,531)
EXPENSES								
Remuneration to NBP Fund Management Limited - Pension Fund Manager	15,070,611	7,887,424	10,466,073	33,424,108	16,235,524	6,177,226	7,111,525	29,524,275
Sindh Sales Tax on remuneration to Pension Fund Manager	1,959,179	1,025,365	1,360,590	4,345,134	2,110,618	803,040	924,498	3,838,156
Remuneration to Central Depository Company of Pakistan Limited - Trustee	1,229,546	645,080	855,335	2,729,961	1,357,084	516,545	594,648	2,468,277
Sindh Sales Tax on remuneration of the Trustee	159,842	83,858	108,266	351,966	176,420	67,149	77,306	320,875
Annual fee to the Securities and Exchange Commission of Pakistan	291,553	153,864	202,662	648,079	357,182	135,899	156,454	649,535
Auditors' remuneration	148,648	148,647	148,646	445,941	121,616	121,616	121,616	364,848
Charity expense	-	-	-	-	848,041	-	-	848,041
Securities transaction costs	2,487,802	5,000	-	2,492,802	1,316,815	4,375	-	1,321,190
Printing expenses	28,463	28,420	28,420	85,303	14,965	14,965	14,965	44,895
Legal and professional charges	-	13,939	13,939	27,878	15,000	29,930	29,930	74,860
Settlement and bank charges	550,756	237,790	212,003	1,000,549	465,128	249,378	253,193	967,699
Total expenses	21,926,400	10,229,387	13,395,934	45,551,721	23,018,393	8,120,123	9,284,135	40,422,651
Net income / (loss) from operating activities	59,811,385	48,148,869	65,940,919	173,901,173	(204,397,882)	25,138,748	35,755,952	(143,503,182)
Provision for Sindh Workers' Welfare Fund	(1,196,228)	(962,977)	(1,318,818)	(3,478,023)	-	(502,775)	(715,119)	(1,217,894)
Net income / (loss) before taxation	58,615,157	47,185,892	64,622,101	170,423,150	(204,397,882)	24,635,973	35,040,833	(144,721,076)
Taxation	-	-	-	-	-	-	-	-
Net income / (loss) for the year	58,615,157	47,185,892	64,622,101	170,423,150	(204,397,882)	24,635,973	35,040,833	(144,721,076)

The annexed notes from 1 to 25 form an integral part of these financial statements.

For NBP Fund Management Limited
(Pension Fund Manager)

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	2020				2019			
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
	----- (Rupees) -----							
Net income / (loss) for the year	58,615,157	47,185,892	64,622,101	170,423,150	(204,397,882)	24,635,973	35,040,833	(144,721,076)
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	58,615,157	47,185,892	64,622,101	170,423,150	(204,397,882)	24,635,973	35,040,833	(144,721,076)

The annexed notes from 1 to 25 form an integral part of these financial statements.

For NBP Fund Management Limited
(Pension Fund Manager)

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2020

	2020				2019			
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
Note	----- (Rupees) -----							
Net assets at beginning of the year	933,487,281	506,180,106	553,050,131	1,992,717,518	1,110,197,234	372,899,418	418,888,452	1,901,985,104
Amount received / receivable on issuance of units	279,161,664	184,156,673	332,639,256	795,957,593	225,080,221	200,279,263	283,414,771	708,774,255
Amount paid / payable on redemption of units	(126,708,660)	(112,748,279)	(197,687,198)	(437,144,137)	(168,326,691)	(95,998,583)	(208,995,490)	(473,320,764)
Reallocation among sub-funds	(21,361,472)	(47,894,692)	69,256,164	-	(29,065,601)	4,364,036	24,701,565	-
	131,091,532	23,513,702	204,208,222	358,813,456	27,687,929	108,644,716	99,120,846	235,453,491
Gain / (loss) on sale of investments - net	19,276,685	2,407,655	-	21,684,340	(59,821,856)	(154,500)	-	(59,976,356)
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	15,221,896	(533,820)	(1,365,000)	13,323,076	(180,738,426)	(2,144,655)	-	(182,883,081)
Other net income for the year	24,116,576	45,312,057	65,987,101	135,415,734	36,162,408	26,933,734	35,040,833	98,136,975
Total comprehensive income / (loss) for the year	58,615,157	47,185,892	64,622,101	170,423,150	(204,397,882)	24,635,972	35,040,833	(144,721,077)
Net assets at end of the year	1,123,193,970	576,879,700	821,880,454	2,521,954,124	933,487,281	506,180,106	553,050,131	1,992,717,518
Net assets value per unit at beginning of the year	241.5302	135.6539	138.3973		295.2652	127.8059	128.6895	
Net assets value per unit at end of the year	260.2000	148.4727	152.0531		241.5302	135.6539	138.3973	

The annexed notes from 1 to 25 form an integral part of these financial statements.

For NBP Fund Management Limited
(Pension Fund Manager)

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

Note	2020					2019				
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total
	(Rupees)									
CASH FLOWS FROM OPERATING ACTIVITIES										
Net income / (loss) for the year	58,615,157	47,185,892	64,622,101	-	170,423,150	(204,397,882)	24,635,973	35,040,833	-	(144,721,076)
Adjustments:										
(Gain) / loss on sale of investments - net	(19,276,685)	(2,407,655)	-	-	(21,684,340)	59,821,856	154,500	-	-	59,976,356
Net unrealised (gain) / loss on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(15,221,896)	533,820	1,365,000	-	(13,323,076)	180,738,434	2,144,655	-	-	182,883,089
	24,116,576	45,312,057	65,987,101	-	135,415,734	36,162,408	26,935,128	35,040,833	-	98,138,369
(Increase) / decrease in assets										
Investments	(214,474,633)	(180,935,737)	(307,000,000)	-	(702,410,370)	(45,909,227)	(120,181,264)	(108,000,000)	-	(274,090,491)
Dividend receivable	532,714	-	-	-	532,714	1,317,574	-	-	-	1,317,574
Mark-up receivables	(432,418)	4,006,551	(786,524)	-	2,787,609	(318,533)	(3,942,375)	(3,014,225)	-	(7,275,133)
Deposits and other receivable	-	-	-	-	-	(9,177)	-	-	-	(9,177)
	(214,374,337)	(176,929,186)	(307,786,524)	-	(699,090,047)	(44,919,363)	(124,123,639)	(111,014,225)	-	(280,057,227)
Increase / (decrease) in liabilities										
Payable to NBP Fund Management Limited - Pension Fund Manager	251,971	89,160	366,853	5,559,696	6,267,680	(187,230)	160,695	202,585	(276,372)	(100,322)
Payable to Central Depository Company of Pakistan Limited - Trustee	15,612	4,658	23,873	-	44,143	(17,224)	13,626	17,259	-	13,661
Annual fee payable to Securities and Exchange Commission of Pakistan	(65,629)	17,965	46,207	-	(1,457)	50,049	15,337	59,377	-	124,763
Payable against purchase of investments	-	-	-	-	-	(16,417,313)	-	-	-	(16,417,313)
Accrued expenses and other liabilities	1,757,435	951,426	1,359,513	(162,720)	3,905,654	116,989	429,188	708,362	(132,736)	1,121,803
	1,959,389	1,063,209	1,796,446	5,396,976	10,216,020	(16,454,729)	618,846	987,583	(409,108)	(15,257,408)
Net cash (used in) / generated from operating activities	(188,298,372)	(130,553,920)	(240,002,977)	5,396,976	(553,458,293)	(25,211,684)	(96,569,665)	(74,985,809)	(409,108)	(197,176,266)
CASH FLOWS FROM FINANCING ACTIVITIES										
Amount received / receivable on issuance of units	279,160,184	184,156,673	332,628,359	-	795,945,216	225,080,221	200,279,263	283,414,771	-	708,774,255
Amount paid / payable on redemption of units	(126,703,126)	(111,858,664)	(195,342,751)	-	(433,904,541)	(168,326,691)	(95,998,583)	(208,995,490)	-	(473,320,764)
Reallocation among sub-funds	(21,361,472)	(47,894,692)	69,256,164	-	-	(29,065,601)	4,364,036	24,701,565	-	-
Net cash generated from financing activities	131,095,586	24,403,317	206,541,772	-	362,040,675	27,687,929	108,644,716	99,120,846	-	235,453,491
Net (decrease) / increase in cash and cash equivalents	(57,202,786)	(106,150,603)	(33,461,205)	5,396,976	(191,417,618)	2,476,245	12,075,051	24,135,037	(409,108)	38,277,225
Cash and cash equivalents at beginning of the year	117,230,295	270,023,306	442,337,850	2,985,769	832,577,220	114,754,050	257,948,255	418,202,813	3,394,877	794,299,995
Cash and cash equivalents at end of the year	60,027,509	163,872,703	408,876,645	8,382,745	641,159,602	117,230,295	270,023,306	442,337,850	2,985,769	832,577,220

The annexed notes from 1 to 25 form an integral part of these financial statements.

For NBP Fund Management Limited
(Pension Fund Manager)

Chief Financial Officer

Chief Executive Officer

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA Islamic Pension Fund (“the Fund”) was established under a Trust Deed, dated 12 October 2012, between NBP Fund Management Limited as the Pension Fund Manager and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) as a pension fund on November 16, 2012.
- 1.2 The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by SECP. The registered office of the Pension Fund Manager is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.
- 1.3 The Fund is an unlisted open end pension scheme and offers units for public subscription on a continuous basis. The units are non-transferable except in the circumstances mentioned in VPS Rules and can be redeemed by surrendering to the Fund. Further, as per the Offering document, distribution of income or dividend is not allowed from any of the Sub-Funds.
- 1.4 The objective of the Fund is to provide individuals with a portable, individualized, funded (based on defined contribution), flexible pension scheme, assisting and facilitating them to plan and provide for their retirement.
- 1.5 The Fund has been formed to enable the participants to contribute in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Pension Fund Manager has appointed Mufti Bilal Ahmed Qazi as Shariah Advisor to the Pension Fund to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.6 The Fund consists of three Sub-Funds namely, NAFA Islamic Pension Fund Equity Sub-fund (Equity Sub-fund), NAFA Islamic Pension Fund Debt Sub-fund (Debt Sub-fund) and NAFA Islamic Pension Fund Money Market Sub-fund (Money Market Sub-fund) (collectively the Sub-funds). The investment policy for each of the sub-funds are as follows:
- The Equity Sub-fund consists of a minimum 90% of net assets invested in Shariah compliant listed equity securities. Investment in single company is restricted to lower of 10% of Net Assets Value (NAV) of Equity Sub-fund or paid-up capital of the investee company. Investment in a single stock exchange sector is restricted to the higher of 30% of NAV or index weight, subject to a maximum of 35% of NAV of Equity Sub-fund. (Remaining assets of the Equity Sub-fund may be invested in any government treasury bills or government securities having less than one year time maturity, or be deposited with scheduled Islamic commercial banks having at least 'A' rating or Islamic windows of commercial banks having rating not less than 'AA' by a rating).
 - The Debt Sub-Fund consists of Shariah compliant tradable debt securities with weighted average time to maturity of the investment portfolio of the Sub-Fund not exceeding five years. At least twenty five percent (25%) of the net assets of Debt Sub-Fund shall be invested in debt securities issued by the Federal Government. Upto twenty five percent (25%) may be deposited with scheduled Islamic banks having not less than 'A+' rating or Islamic windows of commercial banks having not less than 'AA' rating. Investment in securities issued by companies of a single sector shall not exceed 20% except for banking sector for which the exposure limit shall be up to 30% of net assets of Debt Sub-Fund. Composition of the remaining portion of the investments shall be as defined in the offering document.
 - The Money Market Sub-Fund consists of Shariah compliant short-term money market securities with weighted average time to maturity not exceeding one year. There is no restriction on the amount of investment in securities issued by the Federal Government and Islamic windows of commercial banks having 'A+' rating provided that deposit with any one bank shall not exceed 20% of net assets of Money Market Sub-Fund. Investment in securities issued by provincial government, city government, government corporation with 'A' or higher rating or a corporate entity with 'A+' or higher rating shall be in proportion as defined in offering document.

- 1.7 The Fund offers six types of allocation schemes, as prescribed by the SECP under VPS Rules, to the contributors of the Fund namely High Volatility, Medium Volatility, Low Volatility, Lower Volatility, Customized Allocation & Life Cycle Allocation. The participants of the Fund voluntarily determine the contribution amount, subject to the minimum limit fixed by the Pension Fund Manager. The Participant has the option to select any one from the Allocation Schemes or products being offered by the Pension Fund Manager at the date of opening his / her Individual Pension Account. The Participant may change the Allocation Scheme not more than twice a year thereafter. The contribution amount may be paid by the contributor on a periodic basis such as annual, semi annual, quarterly or monthly basis or with any other frequency.
- 1.8 Under the provisions of the Offering Document of the Fund, contributions received from or on behalf of any Participant by Trustee in cleared funds on any business day shall be credited to the Individual Pension Account of the Participant after deducting the front-end fees, bank charges, any premia payable in respect of any schemes selected by the Participant. The net contribution received in the Individual Pension Account shall be used to allocate such number of units of the relevant Sub-Funds in accordance with the Allocation Policy selected by the Participant as is determined in accordance with the Trust Deed and the units shall be allocated at Net Assets Value notified by the Pension Fund Manager at the close of that business day.
- 1.9 Pakistan Credit Rating Agency (PACRA) has assigned management quality rating of 'AM1' to the Pension Fund Manager while the Fund is currently not rated.
- 1.10 Title to the assets of the Fund are held in the name of CDC as the trustee of the Fund.

1.11 Impact of COVID-19

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown.

General economic activities in Pakistan also slowed down together with fluctuating trend in Pakistan Stock Exchange during lock down period i.e. from March 22, 2020 to May 9, 2020. However, to deal with such situation, regulators / governments across the country have introduced measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time. These mainly include:

- Time period to regularize the exposure limits breach has been extended;
- Time period to compliance with minimum size has been increased;
- Time for the announcement of daily NAV has been relaxed; and
- Reduction in the interest rate by the State Bank of Pakistan.

The management is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff including remote working. Further, the Management has not identified any material adverse impact on the financial performance of the Funds due to COVID-19 pandemic situation.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standard (IFRS Standard) issued by the International Accounting Standard Board (IASB) as notified under Companies Act, 2017;

- Provisions of the Voluntary Pension System Rules, 2005 (the VPS Rules); and
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984.

Where provisions of the VPS Rules or provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the requirements of the VPS Rules or provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Accounting convention

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees, except otherwise stated.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan. It requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- a) classification and valuation of financial assets (Note 4.2.2.1 and 6)
- b) impairment of financial assets (Note 4.2.3)
- c) provisions (Note 4.6)

3 ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS:

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, interpretations and the amendments are either not relevant to the fund operations or are not expected to have significant impact on the fund financial statements other than certain additional disclosures.

**Effective from accounting period
beginning on or after**

IFRS 16 - Leases: This standard superseded IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IFRS 9 - Financial Instruments: Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 - Employee Benefits: Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments: Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'	January 01, 2019
Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund	

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the fund operations or are not expected to have significant impact on the fund financial statements other than certain additional disclosures.

**Effective from accounting period
beginning on or after**

Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material	January 01, 2020
Amendments to IFRS 3 - Business Combinations: Amendments regarding the definition of business	January 01, 2020
Certain annual improvements have also been made to a number of IFRSs	
Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022

**Effective from accounting period
beginning on or after**

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract January 01, 2022

Certain annual improvements have also been made to a number of IFRSs

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange C

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 - Insurance Contracts

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

4.1 Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.2. Financial assets and liabilities

4.2.1 Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative contract.

4.2.2 Classification and measurement

4.2.2.1 Financial assets

There are three principal classification categories for financial assets:

- Measured at amortized cost (“AC”);
- Fair value through other comprehensive income (“FVTOCI”) and
- Fair value through profit or loss (“FVTPL”).

Financial asset at amortised cost

"A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Asset at FVTOCI

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVTOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI)."

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss.

Business Model Assessment

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

4.2.2.2 Financial liabilities

The fund classifies its financial liabilities in the following categories

- Measured at amortized cost (AC) ;or
- Measured at Fair value through profit or loss (FVTPL) ;or

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL.

Classification and measurement of financial liabilities

'With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

4.2.3 Impairment of financial assets

The SECP / Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of Financial Instruments (IFRS 9) for debt securities on mutual funds. Therefore, the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

4.2.4 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds Association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Basis of valuation of government securities

"The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKIRSV rates) which are based on the remaining tenor of the securities. "

Basis of valuation of equity securities

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

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

Basis of valuation of instruments (other than debt and government securities) at amortised cost

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

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

4.2.5 Regular way contracts

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

4.2.6 Derecognition

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

4.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.3 Impairment of non financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. 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 its recoverable amount. Impairment losses are recognised in the income statement. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed through the Income Statement.

4.4 Participants' fund

Participants' fund representing the units issued by the Fund, are carried at the net asset value representing the investors' right to a residual interest in the Fund's net assets.

4.5 Issuance, allocation, reallocation and redemption of units

Contribution received in the individual pension account after deduction of takaful premia (for optional Takaful covers), if any, followed by deduction of applicable front end fee, is used to purchase the units of Sub-Funds of the Fund according to the Allocation Scheme selected by the participant. The units are allotted at the net assets value notified by the Pension Fund

Manager at the close of the business day for each Sub-Fund. The front end fee is if applicable, payable to the distributors and the Pension Fund Manager.

The Pension Fund Manager makes reallocation of the Sub-Fund units between the Sub-Funds at least once a year to ensure that the allocation of the Sub-Fund units of all the participants are according to the allocation schemes selected by the Participants. In case of withdrawal before retirement, units are redeemed at the net assets value of each of the Sub-Funds as of the close of the business day on which such request is received by the distributor before the cut off time. Redemption of units is recorded on acceptance of application for redemption.

In case of retirement of the participant, units are redeemed at the net assets value of each of the Sub-Fund as of the close of the business day on which retirement age is reached.

In case of change of Pension Fund Manager, units are redeemed at the net assets value of each of the Sub-Fund as of the close of the business day corresponding to the date of change specified by the participant.

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

4.7 Net assets value per unit of each Sub-Fund

The Net Assets Value (NAV) per unit is calculated by dividing the net assets of each of the Sub-Fund by the number of units in circulation of that Sub-Fund at the year end.

4.8 Taxation

The income of the Fund is exempt from Income Tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A(i) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.9 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss ' are included in the income statement in the period in which they arise.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'available for sale' investments are included in the statement of comprehensive income in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Markup / return on government securities, ijarah sukuks, bank balances and term deposit receipts are recognised on a time proportion basis using the effective interest method.

4.10 Expenses

All expenses, including remuneration of the Pension Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement as and when incurred.

4.11 Earnings per unit

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

4.12 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.13 Distribution

Distribution of dividend or bonus units is not allowed under the VPS Rules 2005.

5 BANK BALANCES

	Note	2020				2019					
		Equity sub fund	Debt sub fund	Money Market sub fund	Others (note 5.2)	Total	Equity sub fund	Debt sub fund	Money Market sub fund	Others	Total
Saving accounts	5.1	60,027,509	163,872,703	408,876,645	8,382,745	641,159,602	117,230,295	270,023,306	442,337,850	2,985,769	832,577,220

5.1 These accounts carry mark-up rates ranging from 2.4% to 7.7% per annum (June 30, 2019: 2.40% to 13.85% per annum).

5.2 These represent collection accounts maintained by the Fund. The balances in these accounts represent front-end fee along with Government levies and withholding tax payable to the Pension Fund Manager and the tax authorities respectively.

6 INVESTMENTS

	Note	2020				2019				
		Equity sub fund	Debt sub fund	Money Market sub fund	Total	Equity sub fund	Debt sub fund	Money Market sub fund	Total	
Investments by category										
At fair value through profit and loss										
Listed equity securities	6.1	1,072,298,585	-	-	1,072,298,585	823,325,371	-	-	823,325,371	
Government of Pakistan - Ijarah Sukuks	6.2	-	133,715,500	98,635,000	232,350,500	-	110,515,000	-	110,515,000	
Sukuk certificates	6.3	-	58,750,680	-	58,750,680	-	4,377,345	-	4,377,345	
Commercial papers		-	-	-	-	-	19,764,263	-	19,764,263	
Term deposits receipts	6.4	-	222,000,000	315,000,000	537,000,000	-	97,000,000	108,000,000	205,000,000	
		1,072,298,585	414,466,180	413,635,000	1,900,399,765	823,325,371	231,656,608	108,000,000	1,162,981,979	

6.1 Listed equity securities

6.1.1 Held by Equity sub fund

All Shares have a nominal face value of Rs. 10 each except for shares of Al-Ghazi Tractors Limited, Agriautos Industries Limited, Shabbir Tiles & Ceramics Limited, Thal Limited and Dynea Limited which have a face value of Rs. 5

NAFA ISLAMIC PENSION FUND



Name of the investee company	As at July 01, 2019	Purchases during the year	Bonus shares issued during the year	Right shares purchased / subscribed during the year	Sales during the year	As at June 30, 2020	Market value as at June 30, 2020	Market value / carrying value as a percentage of net assets of sub fund	Market value / carrying value as a percentage of investments of sub fund	Percentage of paid-up capital of the investee company held
	----- (Number of shares) -----					(Rupees)		----- (%) -----		
Commercial Bank										
Meezan Bank Limited	707,389	194,500	-	-	90,500	811,389	55,864,140	4.97	5.21	0.08
Cement										
D.G.Khan Cement	23,000	305,000	-	-	282,500	45,500	3,882,515	0.35	0.36	0.01
Fauji Cement Company Limited	126,500	1,096,500	-	-	706,000	517,000	8,726,960	0.78	0.81	0.04
Fecto Cement Limited	19,600	-	-	-	-	19,600	408,072	0.04	0.04	0.04
Kohat Cement Limited	179,960	255,500	-	-	104,500	330,960	45,490,452	4.05	4.24	0.21
Lucky Cement Limited	101,950	116,401	-	-	55,900	162,451	74,984,133	6.68	6.99	0.05
Maple Leaf Cement Factory Limited	272,500	886,000	-	204,000	802,500	560,000	14,548,800	1.30	1.36	0.11
Pioneer Cement Limited	56,000	186,000	-	-	242,000	-	-	-	-	-
	779,510	2,845,401	-	204,000	2,193,400	1,635,511	148,040,932	13.20	13.80	
Power Generation & Distribution										
Hub Power Company Limited (note 6.1.2)	1,083,222	-	-	-	109,500	973,722	70,594,867	6.29	6.58	0.08
Nishat Power Limited	189,000	-	-	-	89,000	100,000	2,265,000	0.20	0.21	0.02
Lalpir Power Limited	390,500	-	-	-	-	390,500	4,557,135	0.41	0.42	0.03
	1,662,722	-	-	-	198,500	1,464,222	77,417,002	6.90	7.21	
Oil & Gas Exploration Companies										
Mari Petroleum Company Limited	46,944	41,675	-	-	4,000	84,619	104,643,344	9.32	9.76	0.08
Oil & Gas Development Company (note 6.1.2)	714,900	565,000	-	-	535,300	744,600	81,161,400	7.23	7.57	0.02
Pakistan Oilfields Limited (note 6.1.2)	95,320	106,400	-	-	87,700	114,020	39,978,833	3.56	3.73	0.05
Pakistan Petroleum Limited (note 6.1.2 and 6.1.3)	577,757	651,500	108,871	-	463,700	874,428	75,882,876	6.76	7.08	0.04
	1,434,921	1,364,575	108,871	-	1,090,700	1,817,667	301,666,453	26.87	28.14	
Oil & Gas Marketing Companies										
Hi Tech Lubricants Limited	-	163,000	-	-	-	163,000	4,935,640	0.44	0.46	0.20
Hascol Petroleum Limited (note 6.1.3)	5,811	-	-	-	5,415	396	5,386	0.00	0.00	0.00
Pakistan State Oil Company Limited (note 6.1.3)	146,157	403,700	21,771	-	385,009	186,619	29,515,686	2.63	2.75	0.07
Sui Northern Gas Pipelines Limited	275,500	293,000	-	-	252,500	316,000	17,253,600	1.54	1.61	0.27
	427,468	859,700	21,771	-	642,924	666,015	51,710,312	4.61	4.82	
Refinery										
Attock Refinery Limited	375	-	-	-	375	-	-	-	-	-
	375	-	-	-	375	-	-	-	-	-
Textile Composite										
Kohinoor Textile Mills Limited (note 6.1.3)	133,992	-	-	-	133,073	919	32,634	-	-	-
Interloop Limited	143,319	-	-	-	59,500	83,819	3,681,330	0.33	0.34	0.06
Nishat Mills Limited (note 6.1.2)	394,300	303,700	-	-	288,900	409,100	31,913,891	2.84	2.98	0.12
	671,611	303,700	-	-	481,473	493,838	35,627,855	3.17	3.32	

NAFA ISLAMIC PENSION FUND



Name of the investee company	As at July 01, 2019	Purchases during the year	Bonus shares issued during the year	Right shares purchased / subscribed during the year	Sales during the year	As at June 30, 2020	Market value as at June 30, 2020	Market value / carrying value as a percentage of net assets of sub fund	Market value / carrying value as a percentage of investments of sub fund	Percentage of paid-up capital of the investee company held
	----- (Number of shares) -----				----- (Rupees) -----		----- (%) -----			
Chemical										
Akzo Nobel Pakistan Limited	53,000	46,500	-	-	99,500	-	-	-	-	-
Dynea Pakistan Limited	-	103,500	-	-	-	103,500	11,159,370	0.99	1.04	0.55
Engro Polymer and Chemicals Limited	506,778	1,124,500	-	-	1,068,000	563,278	14,070,684	1.25	1.31	0.01
Lotte Chemical Pakistan Limited	-	400,000	-	-	-	400,000	3,980,000	0.35	0.37	0.01
ICI Pakiatan Limited	-	12,600	-	-	-	12,600	8,753,346	0.78	0.82	1.23
Ittehad Chemical Limited	201,700	-	-	-	201,700	-	-	-	-	-
	761,478	1,687,100	-	-	1,369,200	1,079,378	37,963,400	3.37	3.54	
Fertilizer										
Dawood Hercules Corporation Limited	6,900	-	-	-	6,900	-	-	-	-	-
Engro Corporation Limited	331,100	124,000	-	-	178,200	276,900	81,109,548	7.22	7.56	0.05
Engro Fertilizers Limited	846,000	926,500	-	-	1,001,000	771,500	46,506,020	4.14	4.34	0.06
	1,184,000	1,050,500	-	-	1,186,100	1,048,400	127,615,568	11.36	11.90	
Automobile Parts & Accessories										
Agriaautos Industries Limited	-	20,500	-	-	-	20,500	3,731,000	0.33	0.35	0.07
Baluchistan Wheels Limited	82,800	-	-	-	-	82,800	5,028,444	0.45	0.47	0.62
Thal Limited	-	29,300	-	-	-	29,300	9,520,742	0.85	0.89	0.04
	82,800	49,800	-	-	-	132,600	18,280,186	1.63	1.71	
Automobile Assembler										
Honda Atlas Cars (Pakistan)	29,100	71,100	-	-	41,700	58,500	11,330,280	1.01	1.06	0.04
Millat Tractors Limited	-	14,800	-	-	1,500	13,300	9,391,928	0.84	0.88	0.03
Pak Suzuki Motor Company Limited	800	-	-	-	800	-	-	-	-	-
Indus Motor company Limited	-	3,000	-	-	-	3,000	2,984,970	0.27	0.28	0.04
	29,900	88,900	-	-	44,000	74,800	23,707,178	2.12	2.22	
Paper & Board										
Packages Limited	6,600	34,500	-	-	6,000	35,100	12,187,071	1.09	1.14	0.04
Roshan Packages Limited	-	456,000	-	-	-	456,000	10,223,520	0.91	0.95	0.54
	6,600	490,500	-	-	6,000	491,100	22,410,591	1.09	1.14	
Vanaspatti & Allied Industries										
Unity Foods Limited	-	409,000	-	-	409,000	-	-	-	-	-
	-	409,000	-	-	409,000	-	-	-	-	-
Sugar & Allied Industries										
Faran Sugar Mills Limited	43,000	56,000	-	-	-	99,000	3,910,500	0.35	0.36	0.40
Habib Sugar Mills Limited	-	115,000	-	-	-	115,000	3,392,500	0.30	0.32	0.67
	43,000	171,000	-	-	-	214,000	7,303,000	0.65	0.68	
Engineering										
Amreli Steels Limited	-	508,500	-	-	58,000	450,500	14,704,320	1.31	1.37	0.15
Ittefaq Iron Industries Limited	-	975,000	-	-	948,000	27,000	186,570	0.02	0.02	0.34
Mughal Iron and Steel Industries Limited (note 6.1.3)	161,750	800,500	-	-	567,000	395,250	15,762,570	1.40	1.47	0.16
	161,750	2,284,000	-	-	1,573,000	872,750	30,653,460	2.73	2.86	
Transport										
Pakistan National Shipping Corporation Limited	-	67,500	-	-	-	67,500	5,100,300	0.45	0.48	0.05
	-	67,500	-	-	-	67,500	5,100,300	0.45	0.48	
Cable & Electrical Goods										
Pak Elektron Limited	-	110,000	-	-	110,000	-	-	-	-	-
	-	110,000	-	-	110,000	-	-	-	-	-

Name of the investee company	As at 01, July 2019	Purchases during the year	Bonus shares issued during the year	Right shares purchased / subscribed during the year	Sales during the year	As at 30 June 2020	Market value / carrying value as at 30 June 2020	Market value / carrying value as a percentage of net assets of sub fund	Market value / carrying value as a percentage of investments of sub fund	Percentage of paid-up capital of the investee company held
	----- (Number of shares) -----				---		---(Rupees)---		----- (%) -----	
Technology and Communication										
Avanceon Limited (note 6.1.3)	40,075	130,000	267	-	167,405	2,937	103,852	0.01	0.01	0.02
Systems Limited	145,150	15,000	-	-	24,800	135,350	24,861,088	2.21	2.32	0.05
NetSol Technologies Limited	199,500	-	-	-	134,500	65,000	3,231,150	0.29	0.30	0.36
	384,725	145,000	267	-	326,705	203,287	28,196,090	2.51	2.63	
Miscellaneous										
Synthetic Products Enterprises Limited (note 6.1.3)	173,200	-	-	43	172,115	1,128	46,919	0.00	0.00	0.00
	173,200	-	-	43	172,115	1,128	46,919	-	-	
Food and Personal Care Products										
At-Tahir Limited	96,997	250,000	3,499	-	62,000	288,496	4,970,798	0.44	0.46	0.02
Al-Shaheer Corporation Limited (note 6.1.3)	309,535	373,000	-	76,058	492,500	266,093	3,044,096	0.27	0.28	0.19
	406,532	623,000	3,499	76,058	554,500	554,589	8,014,894	0.71	0.74	
Glass & Ceramics										
Ghani Glass Limited	79,534	51,000	-	-	-	130,534	5,371,474	0.48	1.50	0.06
Ghani Value Glass Limited	204,000	48,000	-	138,600	-	390,600	14,456,106	1.29	1.35	0.12
Ghani Global Glass limited	-	1,258,000	-	-	500	1,257,500	15,039,700	1.34	1.40	0.03
Shabbir Tiles & Ceramics Limited	298,500	-	-	-	298,500	-	-	-	-	-
Tariq Glass Industries Limited	153,500	88,000	82,500	-	76,500	247,500	15,968,710	1.42	1.49	0.07
	735,534	1,445,000	82,500	138,600	375,500	2,026,134	50,835,990	4.53	5.74	0.28
Pharmaceuticals										
AGP Limited	-	98,500	-	-	-	98,500	10,809,390	0.96	1.01	0.16
Hinoon Laboratories limited	-	1,800	180	-	-	1,980	992,534	0.09	0.09	0.01
GlaxoSmithKline (Pakistan) Limited	-	41,000	-	-	-	41,000	7,137,280	0.64	0.67	0.01
GlaxoSmithKline Consumer Healthcare (Pakistan) Limited	3,444	-	-	-	-	3,444	935,666	0.08	0.09	0.09
The Searle Company Limited (note 6.1.3)	15,172	112,600	-	-	17,500	110,272	21,969,445	1.96	2.05	0.07
	18,616	253,900	180	-	17,500	255,196	41,844,315	3.73	3.91	
Total as at June 30, 2020	9,672,131	14,443,076	217,088	418,701	10,841,492	13,909,504	1,072,298,585	95	100	
Carrying value before fair value adjustment as at June 30, 2020							1,057,076,689			

6.1.2 Investments include shares with market value of Rs.50.52 million (June 30, 2019: Rs.17.029 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

6.1.3 "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 High Court of Sindh (HCS) in favour of CISs.

During the year ended June 30, 2018, the 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 as a result of which the HCS issued an order dated July 15, 2019 whereby the previous stay has been restored. The matter is still pending adjudication and no provision has been recorded or contingent liability has been disclosed in the financial statements as the management is confident that the case will be decided in favor of the CISs.

Further, Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 therefore, bonus shares, subsequent to this amendment, issued to the Fund were not withheld by the investee companies.

6.2 Government securities - Ijarah sukuk

6.2.1 Held by Debt-Sub fund

Name of the security	Issue date	Maturity date	Profit rate per annum	Face value				Market value as at June 30, 2020	Market value as a percentage of net assets of sub fund	Market value as a percentage of total investments of sub fund
				As at 1 July 2019	Purchases during the year	Matured / sold during the year	As at June 30, 2020			
				(Rupees)					(%)	
GoP - Ijarah Sukuk	April 30, 2020	April 30, 2025	6.63%	-	100,000,000	50,000,000	50,000,000	48,500,000	8.41	11.70
GoP - Ijarah Sukuk	May 29, 2020	May 29, 2025	7.65%	-	50,000,000	-	50,000,000	50,135,000	8.69	12.10
GoP - Ijarah Sukuk	June 24, 2020	June 24, 2025	7.38%	-	35,000,000	-	35,000,000	35,080,500	6.08	8.46
GoP - Ijarah Sukuk	June 30, 2017	June 30, 2020	5.24%	115,000,000	-	115,000,000	-	-	-	-
				115,000,000	185,000,000	165,000,000	135,000,000	133,715,500	23.18	32.26

Carrying value before fair value adjustment as at June 30, 2020

135,000,000

6.2.2 Held by Money Market sub fund

Name of the security	Issue date	Maturity date	Profit rate per annum	Face value			Market value as at June 30, 2020	Market value as a percentage of net assets of sub fund	Market value as a percentage of total investments of sub fund	
				As at 1 July 2019	Purchases during the year	Matured / sold during the year				As at June 30, 2020
				----- (Rupees) -----				----- (%) -----		
GoP - Ijarah Sukuk	April 30,2020	April 30,2025	6.63%	-	50,000,000	-	50,000,000	48,500,000	6	11.73
GoP - Ijarah Sukuk	May 29,2020	May 29,2025	7.65%	-	50,000,000	-	50,000,000	50,135,000	6	12.12
				-	100,000,000	-	100,000,000	98,635,000	12	23.85
Carrying value before fair value adjustment as at June 30, 2020							100,000,000			

6.3 Sukuk certificates

6.3.1 Held by Debt sub fund

Name of the company	Issue date	Maturity date	Profit rate per annum	Face value			Market value as at June 30, 2020	Market value as a percentage of net assets of sub fund	Market value as a percentage of total investments of sub fund	
				As at July 01, 2019	Purchases during the year	Matured / sold during the year				As at June 30, 2020
				----- (Rupees) -----				----- (%) -----		
Pak Energy Limited	May 21,2020	May 20,2030	8.02%	-	13,000,000	-	13,000,000	13,000,000	2.25	3.14
K- Electric Limited	Dec 27,2019	Dec 27,2026	8.95%	-	10,000,000	-	10,000,000	10,000,000	1.73	2.41
Hub Power Compnay Private Limited	Aug 9,2019	Aug 22,2023	10.04%	-	35,000,000	-	35,000,000	35,750,680	6.20	8.63
Engro Fertilizers Limited	July 9,2014	July 09,2020	13.00%	4,375,000	-	4,375,000	-	-	-	-
				4,375,000	58,000,000	4,375,000	58,000,000	58,750,680	10.18	14.18
Carrying value before fair value adjustment as at June 30, 2020							58,000,000			

6.4 Term deposit Receipts

6.4.1 Held by Debt sub fund

This represents one month term deposit receipt of 112 million and 110 million having profit of 7% and 7.35% with counter party Bank Islami Pakistan Limited (related party) and UBL Ameen being matured on July 30, 2020 and July 06, 2020 respectively.

6.4.2 Held by Money Market sub fund

This represents one month term deposit receipt of 160 million and 155 million having profit of 7% and 7.35% with counter party Bank Islami Pakistan Limited (related party) and UBL Ameen being matured on July 30, 2020 and July 06, 2020 respectively.

6.5 Net unrealised gain / (loss) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

Note	2020				2019			
	Equity sub fund	Debt sub fund	Money Market sub fund	Total	Equity sub fund	Debt sub fund	Money Market sub fund	Total
	----- (Rupees) -----							
Market value / carrying value of investments	1,072,298,585	414,466,180	413,635,000	1,900,399,765	823,325,371	231,656,608	108,000,000	1,162,981,979
Less: carrying cost of investments	(1,057,076,689)	(415,000,000)	(415,000,000)	(1,887,076,689)	(1,004,063,805)	(233,801,263)	(108,000,000)	(1,345,865,068)
	<u>15,221,896</u>	<u>(533,820)</u>	<u>(1,365,000)</u>	<u>13,323,076</u>	<u>(180,738,434)</u>	<u>(2,144,655)</u>	<u>-</u>	<u>(182,883,089)</u>

7 MARK-UP RECEIVABLES

	2020				2019			
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
	----- (Rupees) -----							
Mark-up on GoP Ijara sukuks	-	1,574,036	909,006	2,483,042	-	3,463,550	-	3,463,550
Mark-up on term deposits	-	585,289	996,866	1,582,155	-	1,133,906	253,628	1,387,534
Mark-up on bank deposits	1,425,565	1,436,473	4,438,114	7,300,152	993,147	3,004,893	5,303,834	9,301,874
	<u>1,425,565</u>	<u>3,595,798</u>	<u>6,343,986</u>	<u>11,365,349</u>	<u>993,147</u>	<u>7,602,349</u>	<u>5,557,462</u>	<u>14,152,958</u>

8 ADVANCE, DEPOSITS AND OTHER RECEIVABLE

	2020				2019			
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
----- (Rupees) -----								
Advance tax	436,108	-	-	436,108	436,108	-	-	436,108
Security deposit with the Central Depository Company of Pakistan Limited	100,000	100,000	100,000	300,000	100,000	100,000	100,000	300,000
Security deposit with the National Clearing Company of Pakistan Limited	2,500,000	-	-	2,500,000	2,500,000	-	-	2,500,000
Receivable against sale / reallocation of units	1,480	-	10,897	12,377	-	-	-	-
	3,037,588	100,000	110,897	3,248,485	3,036,108	100,000	100,000	3,236,108

9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - PENSION FUND MANAGER

		2020					2019				
		Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total
----- (Rupees) -----											
Remuneration to Pension Fund Manager	9.1	1,354,063	691,137	971,860	-	3,017,060	1,131,080	612,233	647,211	-	2,390,524
Sindh Sales Tax on management remuneration	9.2	176,028	89,846	126,336	-	392,210	147,040	79,590	84,132	-	310,762
Preliminary expenses and floatation cost		75,000	75,000	75,000	-	225,000	75,000	75,000	75,000	-	225,000
Sindh Sales Tax on sales load	9.2	-	-	-	784,877	784,877	-	-	-	140,643	140,643
Sales load		-	-	-	5,608,992	5,608,992	-	-	-	693,530	693,530
		1,605,091	855,983	1,173,196	6,393,869	10,028,139	1,353,120	766,823	806,343	834,173	3,760,459

9.1 As per rule 11 of the Voluntary Pension System Rules, 2005, the Pension Fund Manager has charged its remuneration at the rate of 1.5 percent per annum of the average annual net assets of each of the Sub-Funds for the current year. The remuneration is paid on a monthly basis in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax on the remuneration of the Pension Fund Manager and sales load through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on management remuneration and sales load.

10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	2020				2019			
		Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
		----- (Rupees) -----							
Trustee remuneration	10.1	108,665	55,465	77,990	242,120	94,849	51,342	54,272	200,463
Sindh Sales Tax on Trustee remuneration	10.2	14,126	7,210	7,210	28,546	12,330	6,675	7,055	26,060
		122,791	62,675	85,200	270,666	107,179	58,017	61,327	226,523

- 10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2020 is as follows:

Net assets

Up to Rs. 1,000 million
 Exceeding Rs. 1,000 million up to Rs. 3,000 million
 Exceeding Rs. 3,000 million up to Rs. 6,000 million
 Exceeding Rs. 6,000 million

Tariff

Rs. 0.3 million or 0.15% p.a of net assets value, whichever is higher
 Rs. 1.5 million plus 0.10% p.a of net assets value, exceeding Rs. 1,000 million
 Rs. 3.5 million plus 0.08% p.a of net assets value, exceeding Rs. 3,000 million
 Rs. 5.9 million plus 0.06% p.a of net assets value, exceeding Rs. 6,000 million

The remuneration is paid to the Trustee monthly in arrears.

- 10.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from July 01, 2015. During the year, Sindh Sales Tax at the rate of 13% (June 30, 2019:13%) was charged on trustee remuneration.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 36 of the Voluntary Pension System Rules, 2005 whereby the Fund is required to pay SECP an amount equal to one thirtieth of 1% of the average annual net assets value of each of the Sub-Fund.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020					2019				
		Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total
----- (Rupees) -----											
Provision for Sindh Workers' Welfare Fund	12.1	8,023,706	2,185,513	2,574,583	-	12,783,802	6,827,479	1,222,536	1,255,765	-	9,305,780
Federal Excise Duty on management remuneration	12.2	1,103,629	725,198	420,894	-	2,249,721	1,103,629	725,198	420,894	-	2,249,721
Federal Excise Duty on Sales load		-	-	-	1,988,876	1,988,876	-	-	-	1,988,876	1,988,876
Auditors' remuneration		143,990	143,990	143,991	-	431,971	115,924	115,925	115,927	-	347,776
Bank charges		60,272	28,601	37,382	-	126,255	91,956	91,768	38,676	-	222,400
Printing charges		30,932	30,894	30,888	-	92,714	30,134	30,140	30,134	-	90,408
Legal and professional fees		115,338	41,971	45,571	-	202,880	126,138	38,833	42,432	-	207,403
Brokerage fees		78,941	5,000	-	-	83,941	30,382	-	-	-	30,382
Withholding tax		20,418	19,294	7,602	-	47,314	18,040	-	-	162,720	180,760
Charity payable settlement charges	12.3	1,938,189	-	-	-	1,938,189	1,386,366	-	-	-	1,386,366
		54,893	12,383	19,659	-	86,935	82,825	17,018	17,229	-	117,072
		<u>11,570,308</u>	<u>3,192,844</u>	<u>3,280,570</u>	<u>1,988,876</u>	<u>20,032,598</u>	<u>9,812,873</u>	<u>2,241,418</u>	<u>1,921,057</u>	<u>2,151,596</u>	<u>16,126,944</u>

12.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 1.3419 million, Rs.0.1827 million and Rs. 0.1376 million for Equity, Debt and Money sub fund respectively and started recognising provision for SWWF.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from 21 May 2015 to 30 June 2020, the net asset value of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at 30 June 2020 would have been higher by Re.1.859, Re 0.5625 and Re 0.4763 per unit respectively (2019: Re. 1.7665, Re. 0.3276 and Re. 0.3142).

- 12.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have effect in the manner prescribed in the judgment. The Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

Since the appeal is pending in the Supreme Court of Pakistan, the Pension Fund Manager as a matter of abundant caution has retained a provision on FED for management fee aggregating to Rs. 1.104 million, Rs. 0.725 million and Rs. 0.421 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not been made, the (NAV) per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at 30 June 2020 would have been higher by Re. 0.2557, Re. 0.1866 and Re. 0.0779 (2019: Re.0.2856, Re. 0.1943 and Re. 0.1053) per unit respectively.

Federal Excise Duty on management remuneration and Federal Excise Duty on sales load has been reclassified from payable to NBP fund management limited - Management Company to accrued expenses and other liabilities in order to give better presentation and accordingly, comparatives have been rearranged.

- 12.3** In accordance with the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby the portion of the investment of the investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the year, Rs. 0.5 million (June 30, 2019 Rs.0.581) has been given out to charitable institutions.

13 TAXATION

The income of the Fund is exempt from income tax under clause 57(3) (viii) of part I of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision has been made for current and deferred taxation in these financial statements.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001. Accordingly, Supertax and any other taxes introduced in Finance Act, 2015 is also not applicable on fund.

14 CONTINGENCY AND COMMITMENT

There were no contingencies and commitments outstanding as at June 30, 2020 (June 30, 2019: Nil)

15 NUMBER OF UNITS IN ISSUE

	2020				2019			
	Equity sub-Fund	Debt sub-Fund	Money Market sub-Fund	Total	Equity sub-Fund	Debt sub-Fund	Money Market sub-Fund	Total
	----- (Number of units) -----							
Total units in issue at beginning of the year	3,864,888	3,731,409	3,996,104	11,592,401	3,760,000	2,917,702	3,255,032	9,932,734
Add: Units issued during the year	1,066,628	1,280,545	2,270,352	4,617,525	823,711	1,510,571	2,117,498	4,451,780
Less: Units redeemed during the year	(485,203)	(795,535)	(1,359,796)	(2,640,534)	(605,394)	(730,772)	(1,554,648)	(2,890,814)
Reallocation during the year	(129,656)	(330,993)	498,561	37,912	(113,429)	33,908	178,222	98,701
Total units in issue at end of the year	4,316,657	3,885,426	5,405,221	13,607,304	3,864,888	3,731,409	3,996,104	11,592,401

16 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Received / receivable against sale of units	Paid / payable against redemption and reallocation of units	Total
	----- (Rupees) -----		
	Equity Sub-Fund		
Opening balance as at July 1, 2019	-	-	-
Received / receivable against issuance of units	279,161,664	-	(279,161,664)
Paid / payable against redemption and reallocation of units	-	(148,070,132)	(148,070,132)
	279,161,664	(148,070,132)	(427,231,796)
Amount received on issuance of units	(279,161,664)	-	279,161,664
Paid / payable against redemption and reallocation of units	-	148,070,132	148,070,132
	(279,161,664)	148,070,132	427,231,796
Closing balance as at June 30, 2020	-	-	-

	Received / receivable against sale of units	Paid / payable against redemption and reallocation of units	Total
	----- (Rupees) -----		
Debt - Sub-Fund			
Opening balance as at July 1, 2019	-	-	-
Received / receivable against issuance of units	184,156,673	-	(184,156,673)
Paid / payable against redemption and reallocation of units	-	(160,642,971)	(160,642,971)
	184,156,673	(160,642,971)	(344,799,644)
Amount received on issuance of units	(184,156,673)	-	184,156,673
Paid / payable against redemption and reallocation of units	-	160,642,971	160,642,971
	(184,156,673)	160,642,971	344,799,644
Closing balance as at June 30, 2020	-	-	-
Money Market - Sub-Fund			
	Received / receivable against sale of units	Paid / payable against redemption and reallocation of units	Total
	----- (Rupees) -----		
Opening balance as at July 1, 2019	-	-	-
Received / receivable against issuance of units	401,895,420	-	(401,895,420)
Paid / payable against redemption and reallocation of units	-	(197,687,198)	(197,687,198)
	401,895,420	(197,687,198)	(599,582,618)
Amount received on issuance of units	(401,895,420)	-	401,895,420
Paid / payable against redemption and reallocation of units	-	197,687,198	197,687,198
	(401,895,420)	197,687,198	599,582,618
Closing balance as at June 30, 2020	-	-	-

17 CONTRIBUTION TABLE

Contributions received during the year are as follows:

From:	2020							
	Equity sub-fund		Debt sub-fund		Money Market sub-fund		Total	
	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)
Individuals	<u>1,066,628</u>	<u>279,161,664</u>	<u>1,280,545</u>	<u>184,156,673</u>	<u>2,270,352</u>	<u>332,639,256</u>	<u>4,617,525</u>	<u>795,957,593</u>
	2019							
	Equity sub-fund		Debt sub-fund		Money Market sub-fund		Total	
	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)
Individuals	<u>823,711</u>	<u>225,080,221</u>	<u>1,510,571</u>	<u>200,279,263</u>	<u>2,117,498</u>	<u>283,414,771</u>	<u>4,451,780</u>	<u>708,774,255</u>

18 AUDITORS' REMUNERATION

	2020				2019			
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
	(Rupees)							
Annual audit fee	<u>73,500</u>	<u>73,500</u>	<u>73,500</u>	<u>367,500</u>	70,000	70,000	70,000	210,000
Interim review fee	<u>31,500</u>	<u>31,500</u>	<u>31,500</u>	<u>94,500</u>	30,000	30,000	30,000	90,000
Out of pocket expenses and sales tax	<u>43,648</u>	<u>43,647</u>	<u>43,646</u>	<u>130,941</u>	21,616	21,616	21,616	64,848
	<u>148,648</u>	<u>148,647</u>	<u>148,646</u>	<u>445,941</u>	121,616	121,616	121,616	364,848

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2020										
	Equity sub-fund			Debt sub-fund			Money Market sub-fund			Others	Total
	At amortised Cost	At fair value through profit and loss	Total	At amortised Cost	At fair value through profit and loss	Total	At amortised Cost	At fair value through profit and loss	Total	At amortised Cost	
	(Rupees)										
Financial assets											
Bank balances	60,027,509	-	60,027,509	163,872,703	-	163,872,703	408,876,645	-	408,876,645	8,382,745	641,159,602
Investments	-	1,072,298,585	1,072,298,585	-	414,466,180	414,466,180	-	413,635,000	413,635,000	-	1,900,399,765
Mark-up receivables	1,425,565	-	1,425,565	3,595,798	-	3,595,798	6,343,986	-	6,343,986	-	11,365,349
Deposits and other receivable	2,601,480	-	2,601,480	100,000	-	100,000	110,897	-	110,897	-	2,812,377
	<u>64,054,554</u>	<u>1,072,298,585</u>	<u>1,136,353,139</u>	<u>167,568,501</u>	<u>414,466,180</u>	<u>582,034,681</u>	<u>415,331,528</u>	<u>413,635,000</u>	<u>828,966,528</u>	<u>8,382,745</u>	<u>2,555,737,093</u>

As at June 30, 2020

Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	Total	
Other financial liabilities	Other financial liabilities	Other financial liabilities	Other financial liabilities		
----- (Rupees) -----					
Payable to NBP Fund Management Limited - Pension Fund Manager	1,605,091	855,983	1,173,196	6,393,869	10,028,139
Payable to Central Depository Company of Pakistan Limited - Trustee	122,791	62,675	85,200	-	270,666
Payable against redemption of units	5,534	889,615	2,344,447	-	3,239,596
Accrued expenses and other liabilities	2,307,217	220,868	231,920	-	2,760,005
	4,040,633	2,029,141	3,834,763	6,393,869	16,298,406

Financial liabilities

Payable to NBP Fund Management Limited - Pension Fund Manager
 Payable to Central Depository Company of Pakistan Limited - Trustee
 Payable against redemption of units
 Accrued expenses and other liabilities

As at June 30, 2019

	Equity sub-fund			Debt sub-fund			Money Market sub-fund			Others	
	At amortised Cost	At fair value through profit and loss	Total	At amortised Cost	At fair value through profit and loss	Total	At amortised Cost	At fair value through profit and loss	Total	At amortised Cost	Total
----- (Rupees) -----											
Bank balances	117,230,295	-	117,230,295	270,023,306	-	270,023,306	442,337,850	-	442,337,850	2,985,769	832,577,220
Investments	-	823,325,371	823,325,371	-	231,656,608	231,656,608	-	108,000,000	108,000,000	-	1,162,981,979
Dividend receivable	532,714	-	532,714	-	-	-	-	-	-	-	532,714
Mark-up receivables	993,147	-	993,147	7,602,349	-	7,602,349	5,557,462	-	5,557,462	-	14,152,958
Deposit and other receivable	2,600,000	-	2,600,000	100,000	-	100,000	100,000	-	100,000	-	2,800,000
	121,356,156	823,325,371	944,681,527	277,725,655	231,656,608	509,382,263	447,995,312	108,000,000	555,995,312	2,985,769	2,013,044,871

Financial assets

Bank balances
 Investments
 Dividend receivable
 Mark-up receivables
 Deposit and other receivable

	As at June 30, 2019				Total
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Others	
	Other financial liabilities	Other financial liabilities	Other financial liabilities	Other financial liabilities	
----- (Rupees) -----					
Financial liabilities					
Payable to NBP Fund Management Limited - Pension Fund Manager	1,353,120	766,823	806,343	834,173	3,760,459
Payable to Central Depository Company of Pakistan Limited - Trustee	107,179	58,017	61,327	-	226,523
Payable against purchase of investment	-	-	-	-	-
Accrued expenses and other liabilities	1,580,988	1,018,882	665,292	-	3,265,162
	<u>3,041,287</u>	<u>1,843,722</u>	<u>1,532,962</u>	<u>834,173</u>	<u>7,252,144</u>

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 20.1** 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 sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 20.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 20.3** Remuneration payable to Pension Fund Manager and the Trustee is determined in accordance with the provisions of the Voluntary Pension System Rules, 2005 and the Trust Deed respectively.

The details of significant transactions carried out by the Fund with connected persons and balances with them for the year and at year end are as follows:

20.4 Transactions during the year

	2020				2019				
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	
(Rupees)									
NBP Fund Management Limited - Pension Fund Manager									
Remuneration to Pension Fund Manager	15,070,611	7,887,424	10,466,073	33,424,108	16,235,524	6,177,226	7,111,525	29,524,275	
Sindh Sales Tax on remuneration to Pension Fund Manager	1,959,179	1,025,365	1,360,590	4,345,134	2,110,618	803,040	924,498	3,838,156	
Sales Load charged during the period				4,895,572	-	-	-	1,541,555	
Number of units issued	Units	-	-	-	13,649	-	-	13,649	
Amount of units issued	-	-	-	-	3,830,000	-	-	3,830,000	
Number of units redeemed	Units	-	-	-	127,120	-	29,284	156,404	
Amount of units redeemed	-	-	-	-	35,767,000	-	3,830,000	39,597,000	
Central Depository Company of Pakistan Limited - Trustee									
Remuneration to the Trustee	1,229,546	645,080	855,335	2,729,961	1,357,084	516,545	594,648	2,468,277	
Sindh Sales Tax on remuneration to Trustee	159,842	83,858	108,266	351,966	176,420	67,149	77,306	320,875	
Settlement charges	71,441	7,711	9,774	88,926	39,420	12,012	12,012	63,444	
Taurus Securities Limited (Common directorship with the management company)									
Brokerage charges	168,558	-	-	168,558	70,596	-	-	70,596	
Amjad Waheed - Chief Executive - CEO of management company*									
Amount of units issued	2,345,000	2,285,000	2,369,000	6,999,000	-	-	-	-	
Number of units issued	Units	10,328	16,832	17,041	44,201	-	-	-	
Amount of units redeemed	4,571,000	2,344,000	-	6,915,000	-	-	-	-	
Number of units redeemed	Units	18,693	16,832	3	35,528	-	-	-	
Khalid Mahmood - CFO of management company*									
Amount of units issued	747,000	502,000	215,000	1,464,000	-	-	-	-	
Number of units issued	Units	2,688	3,576	1,502	7,766	-	-	-	
Amount of units redeemed	-	523,000	224,000	747,000	-	-	-	-	
Number of units redeemed	Units	-	3,576	1,502	5,078	-	-	-	
National clearing company of Pakistan limited (Common directorship with the management company)*									
NCCPL Charges	436,248	127,500	-	563,748	185,747	-	-	185,747	
The Hub Power Company Private Limited (Common directorship with the management company)*									
Purchase of Sukuks	-	35,000,000	-	35,000,000	-	-	-	-	
Profit income o sukuks	-	4,814,245	-	4,814,245	-	-	-	-	
Shares sold 109,500 (2019: Nil shares)	7,659,470	-	-	7,659,470	-	-	-	-	
Employees of NBP Fund Management Limited									
Number of units issued	Units	2,345,000	10,323,000	54,786,000	67,454,000	109,075	4,949	166,806	280,830
Amount of units issued	10,328	70,630	380,657	461,615	30,918,000	646,000	22,308,000	53,872,000	
Number of units redeemed	Units	4,654,000	4,360,000	50,593,000	59,607,000	127,483	9,067	165,448	301,998
Amount of units redeemed	19,015	30,715	351,678	401,408	34,743,000	1,177,000	21,719,000	57,639,000	
BankIslami Pakistan Limited (Common directorship with the Management Company)									
Markup Income on Bank Balances	2,848,918	1,829,626	3,551,108	8,229,652	4,554,286	7,339,907	8,563,129	20,457,322	
Markup Income on TDR Placement	-	9,228,860	11,524,782	20,753,642	-	2,162,203	2,351,825	4,514,028	
Placement of TDR	-	830,500,000	1,080,500,000	1,911,000,000	-	344,000,000	379,000,000	723,000,000	
Purchase of GOP Ijara	-	100,000,000	50,000,000	150,000,000	-	-	-	-	
Purchase of Commercial paper	-	-	-	-	-	9,426,880	-	9,426,880	

*Prior period balances with these parties have not been disclosed as they were not connected persons and related parties during prior periods.

20.5 Amount outstanding as at year end

	2020					2019				
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Other	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Other	Total
(Rupees)										
NBP Fund Management										
Limited - Pension Fund Manager										
Remuneration payable	1,354,063	691,137	971,860	-	3,017,060	1,131,080	612,233	647,211	-	2,390,524
Sindh Sales Tax payable	176,028	89,846	126,336	-	392,210	147,040	79,590	84,132	-	310,762
Preliminary expenses and floatation cost payable	75,000	75,000	75,000	-	225,000	75,000	75,000	75,000	-	225,000
Sales load inclusive of Sinds Sales Tax	-	-	-	6,393,869	6,393,869	-	-	-	834,173	834,173
Employees of NBP Fund Management Limited										
Number of units held	Units 321,529	53,587	215,106	-	590,222	121,453	3,154	132,729	-	257,336
Amount of units held	Units 83,662,000	7,956,000	32,708,000	-	124,326,000	29,335,000	428,000	18,369,000	-	48,132,000
Central Depository Company of Pakistan Limited - Trustee										
Remuneration payable	108,665	55,465	77,990	-	242,120	94,849	51,342	54,272	-	200,463
Sindh Sales Tax payable	14,126	7,210	7,210	-	28,546	12,330	6,675	7,055	-	26,060
Security Deposit	100,000	100,000	100,000	-	300,000	100,000	100,000	100,000	-	300,000
Settlement charges payable	10,050	2,340	19,659	-	32,049	17,220	17,018	17,229	-	51,467
Khalid Mahmood - CFO of management company*										
Number of units held	Units 2,688	-	-	-	2,688	-	-	-	-	-
Amount of units held	700,000	-	-	-	700,000	-	-	-	-	-
Director of the Company*										
Number of units held	Units 13,158	21,527	9,120	-	43,805	-	-	-	-	-
Amount of units held	3,424,000	3,196,000	1,333,000	-	7,953,000	-	-	-	-	-
Bank Islami Pakistan Limited (Common directorship with the Management Company)										
Bank Balances	8,043,812	10,448,434	557,791	-	19,050,037	53,058,608	48,854	1,979,534	-	55,086,996
Profit Receivable on Bank Balances	42,173	91,375	216,874	-	350,422	324,343	128,776	209,320	-	662,439
Term deposit receipt placement	-	112,000,000	160,000,000	-	272,000,000	-	97,000,000	108,000,000	-	205,000,000
Profit Receivable on term deposit receipt	-	21,453	31,590	-	53,043	-	1,133,906	253,628	-	1,387,534
National clearing company of Pakistan limited (Common directorship with the management company)										
Security Deposit	2,500,000	-	-	-	2,500,000	2,500,000	-	-	-	2,500,000
NCCPL Charges Payable	44,843	10,044	-	-	54,887	65,605	-	-	-	65,605
Taurus Securities Limited (Common directorship with the management company)										
Brokerage payable	18,458	-	-	-	18,458	-	-	-	-	-
The Hub Power Company Private Limited (Common directorship with the management company)										
Shares held 973,722 (June 2019: 1,083,222 shares)	70,594,867	-	-	-	70,594,867	-	-	-	-	-
Profit Receivable on Sukuk	-	385,096	-	-	385,096	-	-	-	-	-
Sukuks	-	35,315,000	-	-	35,315,000	-	-	-	-	-
Dr. Amjad Waheed - Chief Executive Officer										
Number of units held	Units 10,006	-	17,038	-	27,044	18,693	-	-	-	18,693
Amount of units held	2,604,000	-	2,591,000	-	5,195,000	4,515,000	-	-	-	4,515,000

* Prior period balances with these parties have not been disclosed as they were not connected persons and related parties during prior periods.

21 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity, debt and money market investments such as shares of listed companies, investment-grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e. market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity 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 because of changes in market prices.

The Pension Fund Manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

Market risk comprises three types of risk; currency risk, interest rate risk and price risk.

21.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

21.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

The debt sub fund holds balance in savings accounts and KIBOR based sukuk certificates that expose the Fund to cash flow interest rate risk as at June 30, 2020. In case of 100 basis points increase in KIBOR on June 30, 2020, with all other variables held constant, the net assets of the Fund for the year would have been higher by Rs. 6.99 million (2019: 13.016 million) and net income for the year would have been higher by Rs. 1.003 million (2019: 9.065 million). In case of 100 basis points decrease in KIBOR on June 30, 2020, with all other variables held constant, the net assets of the Fund for the year would have been lower by Rs. 6.99 million (2019: 13.016 million) and net income for the year would have been lower by Rs. 1.003 million (2019: 9.065 million).

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds interest bearing government securities-Ijarah sukuks and Commercial Papers that expose the Fund to fair value interest rate risk as at June 30, 2020. In case of 100 basis points increase in KIBOR on June 30, 2020, with all other variables held constant, the net assets of the Fund for the year would have been higher by Rs.14.105 million (June 30, 2019: Rs.9.580) and net income for the year would have been higher by Rs.1.3817 million (30 June 2019: Rs.8,976 million). In case of 100 basis points decrease in KIBOR on 30 June 2020, with all other variables held constant, the net assets of the Fund for the year would have been lower by Rs. 14.105 million (June 30, 2019: Rs.9.580) and net income for the year would have been lower by Rs.1.3817 million (30 June 2019: Rs.8,976 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

As at June 30, 2020																								
Effective yield / interest rate	Equity sub-fund				Total	Debt sub-fund				Total	Money Market sub-fund				Total	Others				Total				
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk		Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk		Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk		Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk					
	Up to three months	More than three months upto one year	More than one year			Up to three months	More than three months upto one year	More than one year			Up to three months	More than three months upto one year	More than one year			Up to three months	More than three months upto one year	More than one year			Up to three months	More than three months upto one year	More than one year	
%	(Rupees)			%	(Rupees)			%	(Rupees)			%	(Rupees)			(Rupees)								
On-balance sheet financial instruments																								
Financial assets																								
Bank balances	2-7.7	60,027,509	-	-	60,027,509	2-7.7	163,872,703	-	-	163,872,703	2-7.7	408,876,645	-	-	408,876,645	2-7.7	8,382,745	-	-	8,382,745	641,159,602			
Investments	5.24 - 13	-	-	-	1,072,298,585	5.24 - 13	280,750,680	-	133,715,500	222,000,000	636,466,180	6.63-7.65	315,000,000	-	98,635,000	315,000,000	728,635,000	-	-	-	2,437,399,765			
Mark-up receivables	-	-	-	-	1,425,565	-	-	-	-	3,595,798	3,595,798	-	-	-	6,343,986	6,343,986	-	-	-	-	11,365,349			
Deposits and other receivable	-	-	-	-	2,601,480	-	-	-	-	100,000	100,000	-	-	-	110,887	110,887	-	-	-	-	2,812,377			
		60,027,509	-	-	1,076,325,630		444,623,383	-	133,715,500	225,695,798	804,034,681		723,876,645	-	98,635,000	321,454,883	1,143,966,528			8,382,745	3,092,737,093			
Financial liabilities																								
Payable to NBP Fund Management Limited - Pension Fund Manager	-	-	-	-	1,605,091	1,605,091	-	-	-	855,983	855,983	-	-	-	1,173,196	1,173,196	6,393,869	-	-	6,393,869	12,787,738	16,422,008		
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	122,791	122,791	-	-	-	62,675	62,675	-	-	-	85,200	85,200	-	-	-	-	270,666			
Net Assets attributable to redeemable Participants	-	-	-	-	1,123,193,970	1,123,193,970	-	-	-	576,879,700	576,879,700	-	-	-	821,880,454	821,880,454	-	-	-	-	2,521,954,124			
Payable against redemption of units	-	-	-	-	5,534	5,534	-	-	-	889,615	889,615	-	-	-	2,344,447	2,344,447	-	-	-	-	3,239,596			
Accrued expenses and other liabilities	-	-	-	-	2,307,217	2,307,217	-	-	-	220,868	220,868	-	-	-	231,920	231,920	1,988,876	-	-	1,988,876	4,748,881			
	-	-	-	-	1,127,234,603	1,127,234,603	-	-	-	578,968,841	578,968,841	-	-	-	825,715,217	825,715,217	6,393,869	-	-	8,382,745	14,776,614	2,546,635,275		
On-balance sheet gap		60,027,509	-	-	(50,908,973)	9,118,536		444,623,383	-	133,715,500	(353,213,043)	225,125,840		723,876,645	-	98,635,000	(504,260,334)	318,251,311		1,988,876	-	(8,382,745)	(6,393,869)	546,101,810
Off-balance sheet financial instruments																								
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap																								
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total interest rate sensitivity gap		60,027,509	-	-	(50,908,973)	9,118,536		444,623,383	-	133,715,500	(353,213,043)	225,125,840		723,876,645	-	98,635,000	(504,260,334)	318,251,311		1,988,876	-	(8,382,745)	(6,393,869)	546,101,810
Cumulative interest rate sensitivity gap		60,027,509	60,027,509	60,027,509				444,623,383	444,623,383	578,338,883				723,876,645	723,876,645	822,511,645				1,988,876	1,988,876	1,988,876		

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

As at June 30, 2019																2017									
Effective yield / Interest rate	Equity sub-fund				Total	Effective yield / interest rate	Debt sub-fund				Total	Effective yield / interest rate	Money Market sub-fund				Total	Effective yield / interest rate	Others				Total		
	Exposed to yield / interest rate risk	Up to three months	More than three months upto one year	More than one year			Not exposed to yield / interest rate risk	Up to three months	More than three months upto one year	More than one year			Not exposed to yield / interest rate risk	Up to three months	More than three months upto one year	More than one year			Not exposed to yield / interest rate risk	Up to three months	More than three months upto one year	More than one year		Not exposed to yield / interest rate risk	
%	(Rupees)				%	(Rupees)				%	(Rupees)				%	(Rupees)									
On-balance sheet financial instruments																									
Financial assets																									
Bank balances	2.40 - 13.85	117,230,295	-	-	117,230,295	2.40 - 13.85	270,023,306	-	-	270,023,306	2.40 - 13.85	442,337,850	-	-	442,337,850	2.40 - 13.85	2,985,769	-	-	2,985,769	832,577,220				
Investments	-	-	-	823,325,371	823,325,371	5.24 - 6.33	121,141,608	-	110,515,000	97,000,000	328,656,608	-	108,000,000	-	-	108,000,000	-	-	-	-	1,259,961,979				
Dividend receivable	-	-	-	532,714	532,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	532,714				
Mark-up receivables	-	-	-	993,147	993,147	-	-	-	7,602,349	7,602,349	-	-	-	-	5,557,462	5,557,462	-	-	-	-	14,152,958				
Deposits and other receivable	-	-	-	2,600,000	2,600,000	-	-	-	100,000	100,000	-	-	-	-	100,000	100,000	-	-	-	-	2,800,000				
		117,230,295	-	-	827,451,232	944,681,527		391,164,914	-	110,515,000	104,702,349	606,382,263		550,337,850	-	-	5,657,462	555,995,312		2,985,769	-	-	2,985,769	2,110,044,871	
Financial liabilities																									
Payable to NBP Fund Management Limited - Pension Fund Manager	-	-	-	1,353,120	1,353,120	-	-	-	766,823	766,823	-	-	-	806,343	806,343	-	-	-	-	834,173	-	-	834,173	1,668,346	4,594,632
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	107,179	107,179	-	-	-	58,017	58,017	-	-	-	61,327	61,327	-	-	-	-	-	-	-	-	-	226,523
Net Assets attributable to redeemable Participants	-	-	-	933,487,281	933,487,281	-	-	-	506,180,106	506,180,106	-	-	-	553,050,131	553,050,131	-	-	-	-	-	-	-	-	-	1,992,717,518
Accrued expenses and other liabilities	-	-	-	1,580,988	1,580,988	-	-	-	1,016,882	1,016,882	-	-	-	665,292	665,292	-	-	-	-	-	-	-	-	-	5,416,758
		-	-	-	936,526,568	936,526,568		-	-	-	508,023,826	508,023,826		-	-	-	554,583,093	554,583,093		834,173	-	-	2,985,769	3,819,942	2,002,955,431
On-balance sheet gap		117,230,295	-	-	(109,077,336)	8,152,959		391,164,914	-	110,515,000	(403,321,479)	98,358,435		550,337,850	-	-	(548,925,631)	1,412,219		2,151,596	-	-	(2,985,769)	(834,173)	107,089,440
Off-balance sheet financial instruments																									
Off-balance sheet gap																									
		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-
Total interest rate sensitivity gap		117,230,295	-	-	(109,077,336)	8,152,959		391,164,914	-	110,515,000	(403,321,479)	98,358,435		550,337,850	-	-	(548,925,631)	1,412,219		2,151,596	-	-	(2,985,769)	(834,173)	107,089,440
Cumulative interest rate sensitivity gap		117,230,295	117,230,295	117,230,295				391,164,914	391,164,914	501,679,914				550,337,850	550,337,850	550,337,850				2,151,596	2,151,596	2,151,596			

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

21.1.3 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry environment and / or the economy in general.

The pension fund manager's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the participants from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the pension fund manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities, and by complying with the internal risk management policies and regulations laid down in VPS Rules and directives issued by the SECP.

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the Pension Fund Manager.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 6 to these financial statements. At 30 June 2017 the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the Karachi Meezan Index - 30 (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by approximately Rs. 10.154 million (2019: Rs. 8.759 million) if the prices of equity vary due to increase / decrease in the KMI. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with the KMI and that the KMI increases / decreases by 1% on KMI index with all other factors held constant.

The Pension Fund Manager uses the KMI as a reference point in making investment decisions. However, the Pension Fund Manager does not manage the Fund's investment strategy to track the KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2020 and the historical correlation of the securities comprising the portfolio of the KMI. The composition of the Fund's investment portfolio and the correlation thereof to the KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of the KMI.

21.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted.

Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities, dividends receivable on equity securities and other deposits.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through the assignment of credit limits and by following strict credit evaluation criteria laid down by the Pension Fund Manager.

Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities, dividends receivable on equity securities, receivable against sale of investments and other deposits.

Rating Agency	2020				2019				
	Debt sub-fund		Money market sub-fund		Debt sub-fund		Money market sub-fund		
		(%)		(%)		(%)		(%)	
- Government									
- AAA	VIC	58,750,680	21%	-	0%	4,377,345	4%	-	0%
- A1	PACRA	222,000,000	79%	315,000,000	100%	97,000,000	96%	108,000,000	100%
		280,750,680	100%	315,000,000	100%	101,377,345	100%	108,000,000	100%

Ratings	Rating agency	2020		2019	
		(Rs. in '000)	(%)	(Rs. in '000)	(%)
AAA	VIS, PACRA	191,374,119	29.85	227,343,989	27.31
AA+	VIS, PACRA	108,198,458	16.88	185,178,612	22.24
AA	VIS, PACRA	90,736,458	14.15	104,781,782	12.59
AA-	VIS, PACRA	161,160,954	25.14	111,196,265	13.36
A+	VIS, PACRA	89,689,613	13.99	204,076,572	24.51
		641,159,602		832,577,220	

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentration of credit risk.

The maximum exposure to credit risk as at June 30, 2019 along with comparative is tabulated below:

Financial assets exposed to credit risk	2020					2019
	Equity sub-fund	Debt sub-fund	Money sub-fund	Others	Total	Total
Bank balances	60,027,509	163,872,703	408,876,645	8,382,745	641,159,602	832,577,220
Investments	-	280,750,680	315,000,000	-	595,750,680	24,141,608
Dividend receivable	-	-	-	-	-	532,714
Markup receivable	1,425,565	7,602,349	5,557,462	-	14,585,376	14,152,958
Deposits and other receivables	2,601,480	100,000	110,897	-	2,812,377	2,800,000
	64,054,554	452,325,732	729,545,004	8,382,745	1,254,308,035	874,204,500

21.3 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 cash redemptions of its units on a regular basis. Units are redeemable at the participant's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP). 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, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and cannot be readily disposed and are considered readily realisable.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 10% of the total net assets value at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the period.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

	As at June 30, 2020												2020	
	Equity sub-fund				Debt sub-fund				Money Market sub-fund				Others	Total
	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Upto three months	
(Rupees)														
Financial Liabilities (excluding participants' funds)														
Payable to NBP Fund Management Limited - Pension Fund Manager	1,605,091	1,605,091	-	-	855,983	855,983	-	-	1,173,196	1,173,196	-	-	6,393,869	10,028,139
Payable to Central Depository Company of Pakistan Limited - Trustee	122,791	122,791	-	-	62,675	62,675	-	-	85,200	85,200	-	-	-	270,666
Payable against redemption of units	5,534	5,534	-	-	889,615	889,615	-	-	2,344,447	2,344,447	-	-	-	3,239,596
Net Assets attributable to redeemable Participants	1,123,193,970	1,123,193,970	-	-	576,879,700	576,879,700	-	-	821,880,454	821,880,454	-	-	-	2,521,954,124
Accrued expenses and other liabilities	220,868	220,868	-	-	2,760,005	2,760,005	-	-	231,920	231,920	-	-	1,988,876	5,201,669
	1,125,148,254	1,125,148,254	-	-	581,447,978	581,447,978	-	-	825,715,217	825,715,217	-	-	8,382,745	2,540,694,194
(Rupees)														
	As at June 30, 2019												2019	
	Equity sub-fund				Debt sub-fund				Money Market sub-fund				Others	Total
	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Upto three months	
(Rupees)														
Financial Liabilities (excluding participants' funds)														
Payable to NBP Fund Management Limited - Pension Fund Manager	1,353,120	1,353,120	-	-	766,823	766,823	-	-	806,343	806,343	-	-	834,173	3,760,459
Payable to Central Depository Company of Pakistan Limited - Trustee	107,179	107,179	-	-	58,017	58,017	-	-	61,327	61,327	-	-	-	226,523
Payable against purchase of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	1,580,988	1,580,988	-	-	1,018,882	1,018,882	-	-	665,292	665,292	-	-	2,151,596	5,416,758
	3,041,287	3,041,287	-	-	1,843,722	1,843,722	-	-	1,532,962	1,532,962	-	-	2,985,769	9,403,740
(Rupees)														
Participants' funds	933,487,281	933,487,281	-	-	506,180,106	506,180,106	-	-	553,050,131	553,050,131	-	-	-	1,992,717,518

The above mentioned financial liabilities do not carry any mark-up.

Units of the Fund are redeemable on demand at the participants' option. However, participants typically retain them from medium to long term.

22 PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

The participants' fund is represented by redeemable units. These units are entitled to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the Fund.

The Fund's objectives when managing participants' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to participants and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the participants of the Fund have invested with a long term objective, the possibility of a significant redemption pressure is limited, such liquidity being augmented by borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

All units, including the core units, and fractions thereof represent an undivided share in the pertinent sub-funds of the fund and rank parri passu as their rights in the net assets and earning of the sub-fund are not tradable or transferable. Each participant has a beneficial interest in the sub-fund proportionate to the units held by such participant in such sub-fund.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- 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 or indirectly.
- Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the assets that are measured at fair value

June 30, 2020																														
Equity Fund				Debt Fund				Money Market Fund				Others			Total															
Fair Value				Fair value				Fair value																						
At fair value Note through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3		Total	At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	Amortised cost	Other financial liabilities	Total			
On-balance sheet financial instruments																														
Financial assets measured at fair value																														
Investments																														
- Listed equity securities	1,072,298,585	-	-	1,072,298,585	1,072,298,585	-	-	1,072,298,585	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,072,298,585		
- Government of Pakistan - Ijarah Sukuk	-	-	-	-	-	-	-	133,715,500	-	-	133,715,500	133,715,500	-	133,715,500	98,635,000	-	-	98,635,000	-	-	-	-	-	-	-	-	-	232,350,500		
Sukuk certificates	-	-	-	-	-	-	-	58,750,680	-	-	58,750,680	58,750,680	-	58,750,680	-	-	-	-	-	-	-	-	-	-	-	-	-	58,750,680		
Term deposit receipts**	-	-	-	-	-	-	-	222,000,000	-	-	222,000,000	222,000,000	-	222,000,000	315,000,000	-	-	315,000,000	-	-	-	-	-	-	-	-	-	537,000,000		
	<u>1,072,298,585</u>	<u>-</u>	<u>-</u>	<u>1,072,298,585</u>	<u>1,072,298,585</u>	<u>-</u>	<u>-</u>	<u>414,466,180</u>	<u>-</u>	<u>-</u>	<u>414,466,180</u>	<u>414,466,180</u>	<u>-</u>	<u>414,466,180</u>	<u>413,635,000</u>	<u>-</u>	<u>-</u>	<u>413,635,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,900,399,765</u>		
Financial assets not measured at fair value																														
23.1																														
Bank balances	-	60,027,509	-	60,027,509	-	-	-	163,872,703	-	-	163,872,703	-	-	-	-	-	408,876,645	-	-	408,876,645	-	-	-	-	-	8,382,745	-	8,382,745	641,159,602	
Mark-up receivables	-	1,425,565	-	1,425,565	-	-	-	3,595,798	-	-	3,595,798	-	-	-	-	-	6,343,986	-	-	6,343,986	-	-	-	-	-	-	-	11,365,349		
Deposits and other receivable	-	2,601,480	-	2,601,480	-	-	-	100,000	-	-	100,000	-	-	-	-	-	110,897	-	-	110,897	-	-	-	-	-	-	-	2,812,377		
	<u>-</u>	<u>64,054,554</u>	<u>-</u>	<u>64,054,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,568,501</u>	<u>-</u>	<u>-</u>	<u>167,568,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,331,528</u>	<u>-</u>	<u>-</u>	<u>415,331,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,382,745</u>	<u>655,337,328</u>	
Financial liabilities not measured at fair value																														
23.1																														
Payable to NBP Fund Management Limited - Pension Fund Manager	-	-	1,605,091	1,605,091	-	-	-	-	-	855,983	855,983	-	-	-	-	-	1,173,196	1,173,196	-	-	-	-	-	-	-	6,393,869	6,393,869	10,028,139		
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	122,791	122,791	-	-	-	-	-	62,675	62,675	-	-	-	-	-	85,200	85,200	-	-	-	-	-	-	-	-	-	270,666		
Net Assets attributable to redeemable Participants	-	-	1,123,193,970	1,123,193,970	-	-	-	-	-	576,879,700	576,879,700	-	-	-	-	-	821,880,454	821,880,454	-	-	-	-	-	-	-	-	-	2,521,954,124		
Payable against redemption of units	-	-	5,534	5,534	-	-	-	-	-	889,615	889,615	-	-	-	-	-	2,344,447	2,344,447	-	-	-	-	-	-	-	-	-	3,239,596		
Accrued expenses and other liabilities	-	-	220,868	220,868	-	-	-	-	-	2,760,005	2,760,005	-	-	-	-	-	231,920	231,920	-	-	-	-	-	-	-	1,988,876	1,988,876	5,201,669		
	<u>-</u>	<u>-</u>	<u>1,125,148,254</u>	<u>1,125,148,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>581,447,978</u>	<u>581,447,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>825,715,217</u>	<u>825,715,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,382,745</u>	<u>8,382,745</u>	<u>2,540,694,194</u>

June 30, 2019

	Equity Fund				Debt Fund				Money Market Fund				Others		Total					
	Fair Value				Fair Value				Fair Value											
	At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2		Level 3	Total	Amortised cost	Other financial liabilities	Total
On-balance sheet financial instruments																				
Financial assets measured at fair value																				
Investments																				
- Listed equity securities	823,325,371	-	-	823,325,371	823,111,843	-	213,528	823,325,371	-	-	-	-	-	-	-	-	-	-	-	823,325,371
- Government of Pakistan - Ijarah sukuk	-	-	-	-	-	-	-	110,515,000	-	-	110,515,000	-	110,515,000	-	110,515,000	-	-	-	-	110,515,000
Sukuk certificates	-	-	-	-	-	-	-	4,377,345	-	-	4,377,345	-	4,377,345	-	4,377,345	-	-	-	-	4,377,345
Commercial Papers*	-	-	-	-	-	-	-	19,764,263	-	-	19,764,263	-	19,764,263	-	19,764,263	-	-	-	-	19,764,263
Term deposit receipts**	-	-	-	-	-	-	-	97,000,000	-	-	97,000,000	-	97,000,000	-	97,000,000	-	-	-	-	231,656,608
	823,325,371	-	-	823,325,371	823,111,843	-	213,528	823,325,371	231,656,608	-	231,656,608	108,000,000	108,000,000	-	108,000,000	-	108,000,000	-	-	1,162,981,979
Financial assets not measured at fair value																				
Bank balances	-	117,230,295	-	117,230,295	-	-	-	-	270,023,306	-	270,023,306	-	-	-	-	-	442,337,850	-	2,985,769	832,577,220
Dividend receivable	-	532,714	-	532,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	532,714
Mark-up receivables	-	993,147	-	993,147	-	-	-	7,602,349	-	7,602,349	-	-	-	-	-	-	5,557,462	-	-	14,152,958
Deposits and other receivable	-	2,600,000	-	2,600,000	-	-	-	100,000	-	100,000	-	-	-	-	-	-	100,000	-	-	2,800,000
	-	121,356,156	-	121,356,156	-	-	-	277,725,655	-	277,725,655	-	-	-	-	-	-	447,995,312	-	2,985,769	850,062,892
Financial liabilities not measured at fair value																				
Payable to NBP Fund Management																				
Limited - Pension Fund Manager	-	-	1,353,120	1,353,120	-	-	-	-	766,823	766,823	-	-	-	-	-	-	806,343	806,343	-	3,760,459
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	107,179	107,179	-	-	-	-	58,017	58,017	-	-	-	-	-	-	61,327	61,327	-	226,523
Payable against purchase of investment	-	-	1,580,988	1,580,988	-	-	-	-	1,018,882	-	-	-	-	-	-	-	665,292	665,292	-	4,387,876
Accrued expenses and other liabilities	-	-	933,487,281	933,487,281	-	-	-	-	506,180,106	506,180,106	-	-	-	-	-	-	553,050,131	553,050,131	-	1,992,717,518
	-	-	936,528,568	936,528,568	-	-	-	-	508,023,828	507,004,946	-	-	-	-	-	-	554,583,093	554,583,093	-	2,001,102,376

23.1 There were no transfers between above levels during the year.

23.2 Underlying the definition of fair values 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.

23.3 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

24 FINANCIAL PERFORMANCE

24.1 Equity sub fund	Equity sub fund					
	2020 ----- (Rupees) -----	2019	% Change	2018	2017	2016
Net (loss) / income for the year	58,615,157	(204,397,874)	(1.29)	(103,883,989)	254,046,643	62,465,968
Gain / (loss) on sale of investments - net	19,276,685	(59,821,856)	(1.32)	(57,190,923)	55,005,154	5,445,863
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	15,221,896	(180,738,426)	(1.08)	(74,949,057)	113,480,973	38,840,657
Dividend income	40,643,392	52,032,047	(0.22)	43,908,175	28,889,732	14,696,771
Mark-up on bank deposits	6,595,812	7,148,754	(0.08)	4,267,879	2,172,866	1,599,504
NAV per unit	260.2000	241.5302	0.08	295.2652	330.0453	243.0699
Transactions in securities						
Purchases	850,831,554	715,394,666	0.19	736,430,683	541,531,325	315,525,028
Sales	640,951,498	686,068,645	(0.07)	466,729,537	229,964,004	163,386,816
Total contribution received	279,161,664	225,080,221	0.24	357,809,281	429,615,993	233,501,357

24.2 Debt sub fund	Debt sub fund					
	2020 ----- (Rupees) -----	2019	% Change	2018	2017	2016
Net income for the year	47,185,892	24,634,579	0.92	10,035,767	13,858,359	10,181,651
Gain / (loss) on sale of investments - net	2,407,655	(154,500)	(16.58)	(695,000)	260,000	(803,480)
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	(533,820)	(2,144,655)	(0.75)	(2,571,000)	1,589,500	(59,000)
Mark-up on bank deposits	29,601,480	23,684,500	0.25	12,699,995	10,723,637	6,199,090
Mark-up on term deposit receipt	11,850,641	2,935,551	3.04	-	-	-
Return on government securities	7,347,484	4,873,200	0.51	7,698,987	5,918,734	6,080,038
Return on sukuk	5,635,477	2,415,766	1.33	-	-	-
Income from commercial paper	2,069,339	1,649,009	0.25	322,776	-	-
NAV per unit	148.4727	135.6539	0.09	127.8059	124.3591	119.6465
Transactions in securities						
Purchases	1,418,500,000	517,250,000	1.74	9,000,000	75,000,000	127,877,588
Sales	47,925,000	395,875,000	1.00	50,000,000	-	-
Total contribution received	184,156,673	200,279,263	(0.08)	150,699,964	185,579,482	156,738,807

24.3 Money market sub fund

	Money Market sub fund					
	2020	2019	% Change	2018	2017	2016
	----- (Rupees) -----			----- (Rupees) -----		
Net income for the year	64,622,101	35,040,833	0.84	10,474,898	9,304,715	5,762,625
Gain / (loss) on sale of investments - net	-	-	1.00	(208,500)	-	(366,750)
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	(1,365,000)	-	1.00	-	180,000	118,500
Mark-up on bank deposits	58,481,890	41,768,130	0.40	16,304,439	9,663,787	4,606,485
Mark-up on term deposit receipt	19,110,636	3,271,957	4.84	-	-	-
Return on government securities	909,006	-	1.00	-	817,976	2,220,871
Income from commercial paper	2,200,321	-	1.00	-	-	-
NAV per unit	152.0531	138.3973	0.10	128.6895	124.2692	119.7025
Transactions in securities						
Purchases	100,000,000	471,500,000	(0.79)	-	-	15,000,000
Sales	-	353,500,000	1.00	15,000,000	-	-
Total contribution received	332,639,256	283,414,771	0.17	291,215,138	137,604,144	75,950,614

24.4 Highest and lowest issue price of units during the period

	Equity sub fund		Debt sub fund		Money Market sub fund	
	2020	2019	2020	2019	2020	2019
	----- (Rupees) -----					
Highest issue price	312.3119	308.0447	148.4727	135.7898	152.0531	138.3973
Lowest issue price	194.7976	234.8687	135.6901	127.7666	138.4429	128.7064

25 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Pension Fund Manager in their meeting held on September 17, 2020.

For NBP Fund Management Limited
(Pension Fund Manager)

Chief Financial Officer

Chief Executive Officer

Director

PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Islamic Pension 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 Islamic Pension Fund				
	Resolutions	For	Against	Abstain*
Number	4	4	Nil	N/A
(%)	100%	100%	-	-

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