



# NBP FUNDS

*Managing Your Savings*

**AM1**  
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## NBP FINANCIAL SECTOR 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. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource Committee

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

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

### Trustee

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

### Bankers to the Fund

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



## **Auditors**

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

## **Legal Advisor**

Akhund Forbes  
D-21, Block 4, Scheme 5,  
Clifton, Karachi 75600, Pakistan.

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

The Board of Directors of NBP Fund Management Limited is pleased to present the Third Annual Report for the period ended June 30, 2020, since launch of **NBP Financial Sector Fund** on February 14, 2018.

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

### Fund's Performance

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KSE-100 Index rose by a meagre 1.5% 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 28,765 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 KSE-100 Index surged by a massive 50% from August 16th, 2019 to its recent peak on January 13th, 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 37% 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 1.5% 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.

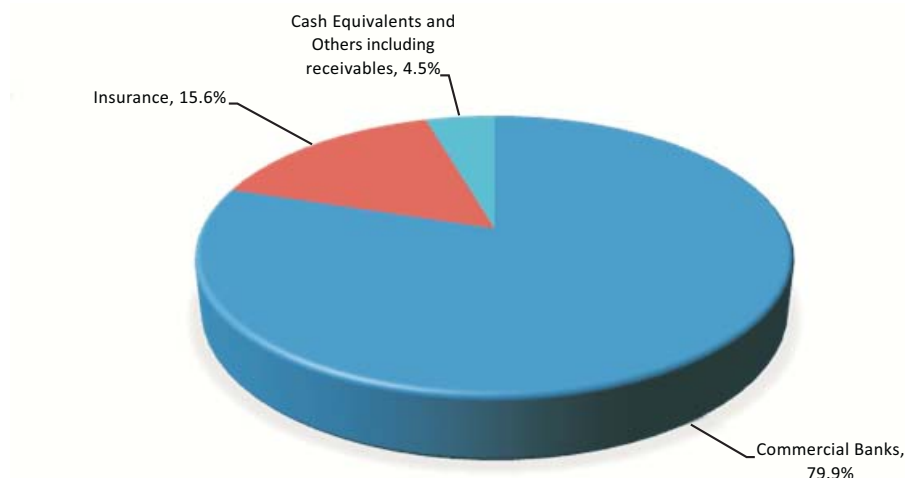
During the fiscal year, NBP Financial Sector Fund decreased by 15.6% return as against the KSE-30 Index decreased by 0.5%, underperforming the benchmark by 15.1% during the year. The Fund underperformed as the fund was overweight in select Commercial Banks and Insurance sector stocks which underperformed the market. Since inception (February 14, 2018), NBP Financial Sector Fund has decreased by 23.5%, whereas the KSE-30 index has decreased by 20.8%, thus to date underperformance is 2.7%. This outperformance is net of management fee and all other expenses. The Fund size is 578 million as of June 30, 2020.





NBP Financial Sector Fund has earned a total loss of Rs. 80.924 million during the year. After incurring total expenses of Rs. 29.562 million, the net loss is Rs. 110.486 million. During the year, the unit price of NBP Financial Sector Fund has decreased from Rs. 9.0609 on June 30, 2019 to Rs. 7.6489 on June 30, 2020. The resultant per unit loss is Rs. 1.412 (-15.58%).

The asset allocation of NBP Financial Sector Fund as on June 30, 2020 is as follows:



## Income Distribution

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

## Taxation

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

## Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retired and, being eligible, offer themselves for re-appointment for the year ending June 30, 2021.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of



- all directors is disclosed in the note 28 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> <li>1. Mr. Khalid Mansoor</li> <li>2. Mr. Saad Amanullah Khan</li> <li>3. Mr. Humayun Bashir</li> </ol>
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> <li>1. Mr. Shaikh Muhammad Abdul Wahid Sethi (Chairman)</li> <li>2. Mr. Saad ur Rahman Khan</li> <li>3. Syed Hasan Irtiza Kazmi</li> <li>4. Mr. Ali Saigol</li> <li>5. Mr. Imran Zaffar</li> </ol>

## 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 میجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز نے آغاز (14 فروری 2018) سے NBP فنانشل سیکٹرز فنڈ کی تیسری سالانہ رپورٹ برائے تختہ سال 30 جون 2020 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

NBP فنانشل سیکٹرز فنڈ کا مقصد سرمایہ کاروں کو مالیاتی شعبے سے وابستہ اسٹاک ایکویٹیز کے فعال طور پر انتظام کردہ پورٹ فولیو سے طویل مدتی سرمایہ کی نمو فراہم کرنا ہے۔

### فنانس کی کارکردگی

مالی سال 2019-20، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KSE-100 انڈیکس میں سالانہ بنیادوں پر 1.5% کا معمولی اضافہ ہوا۔ IMF کے ساتھ 6 بلین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 بلین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 بلین امریکی ڈالر کی آمد جیسی مثبت خبروں کے باوجود مارکیٹ کا آغاز منفی خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آرٹیکل 370 کی منسوختی 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 28,765 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 بنیادوں پر 78 فیصد کم ہوا۔ اسی طرح، کثیر الجہتی اینجینیئریوں سے سرمائے کی آمد اور سرکاری سیکورٹیز میں پورٹ فولیو کی آمد نے بھی سرمایہ کاروں میں اعتماد پیدا کیا۔ اس کے نتیجے میں، KSE-100 انڈیکس میں 16 اگست، 2019 سے 50 فیصد اضافے کے ساتھ سے 13 جنوری 2020 کی بلند ترین سطح پر پہنچا۔

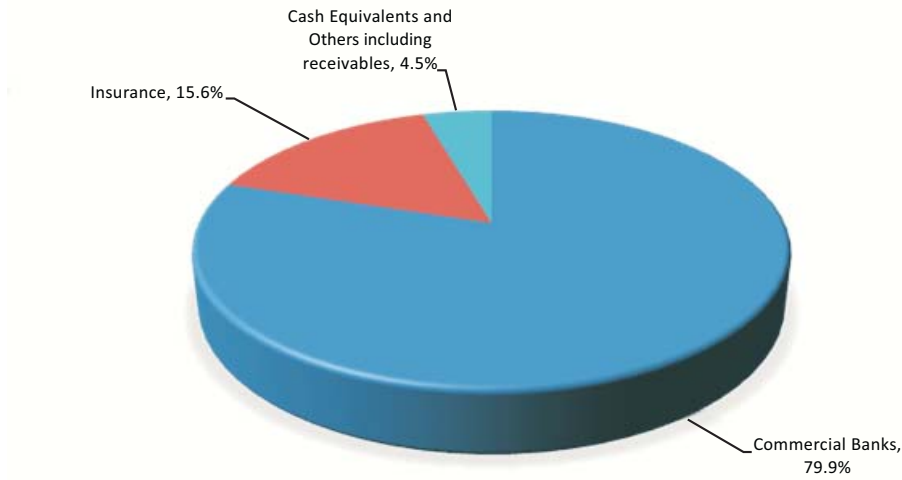
اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے منہمی بجٹ کے اندیشہ، اور T-Bills سے ہاٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن / شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 37 فیصد گر گئی۔ معیشت کو کورونا وائرس وبائی 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 کارپوریٹس / تجارتی بینکوں کے انضباطی ضوابط میں ترمیم کی گئی۔ حکومت نے 1.2 ٹریلین روپے کا امدادی پیکیج دینے کا اعلان کیا، جو بی 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 فنڈنگ انسٹرومنٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا پانچ ماہی قرض ملا اور G20 ملک 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 یابی 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 دیکھی اور تقریباً تمام نقصان والے شعبوں کا احاطہ کیا اور سالانہ بنیاد پر 1.5 فیصد کی معمولی اضافے 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، کیمیکلز، کھاد، دواسازی، کاغذ اور بورڈ، ہیکٹا لوجی اور گلاس اینڈ سٹریٹس کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمرشل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوٹن، اور نیٹ ورکس کمپوزٹ کے شعبے مارکیٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 ملین امریکی ڈالر کے خالص ان فلو کے ساتھ بڑے خریدار رہے، جبکہ انشورنس کمپنیوں نے 128 ملین امریکی ڈالر کے ساتھ پوزیشن مستحکم کی دوسری جانب غیر ملکی سرمایہ کار 285 ملین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک / DFIs اور میچل فنڈز بھی بالترتیب 55 ملین امریکی ڈالر اور 50 ملین امریکی ڈالر کے خالص آؤٹ فلو کے ساتھ نمایاں فروخت کنندہ رہے۔

مالی سال کے دوران، NBP فنانشل سیکٹرز فنڈ KSE-30 انڈیکس میں 0.5% کمی کے مقابلے میں 15.6% تک کم ہوا، سال کے دوران 15.1% کٹیف مارک ایتر کارکردگی دیکھائی۔ فنڈ کی ایتر کارکردگی زیادہ کمرشل بینکس اور انشورنس سیکٹرز اسٹاکس کے میں تھی جس نے مارکیٹ میں ایتر کارکردگی دکھائی۔ اپنے آغاز (14 فروری 2018) سے، NBP فنانشل سیکٹرز فنڈ میں 23.5 فیصد کمی ہوئی، جبکہ KSE-30 انڈیکس 20.8 فیصد کم ہوا، چنانچہ آج تک ایتر کارکردگی 2.7% ہے۔ یہ بہتر کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے بعد حاصل ہے۔ فنڈ کا ساؤنڈ 30 جون 2020 کو 578 ملین ہے۔

NBP فنانشل سیکٹرز فنڈ نے سال کے دوران 80.924 ملین روپے کا مجموعی خسارہ ہوا۔ 29.562 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد، خالص نقصان 110.486 ملین روپے ہے۔ سال کے دوران NBP فنانشل سیکٹرز فنڈ کی پونٹ پرائس 30 جون 2019 کو 9.0609 روپے سے کم ہو کر 30 جون 2020 کو 7.6489 روپے ہو گئی۔ جس کے نتیجے میں فی پونٹ نقصان 1.412 روپے (-15.58%) ہے۔

30 جون 2020 کے مطابق NBP فنانشل سیکٹرز فنڈ کی ایسٹ ایلوکیشن حسب ذیل ہے:



## آمدنی کی تقسیم

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

## میکسیشن

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

## آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2021 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

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

1. مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل 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. کارپوریشن گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

8. پرفارمنس ٹیمپل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔



- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 28 میں کی گئی ہے۔
- 11 پونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، سی ای او، ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13 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
•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
•1 شیخ محمد عبدالواحد سیٹھی (چیئر مین) •2 جناب سعد الرحمان خان •3 جناب سید حسن ارتضیٰ کاظمی •4 جناب علی سیگل •5 جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

## اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے بینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر پونٹ 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 اسٹاک اور ڈیٹی کی طرف سے سخت محنت لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

**NBP فنڈ بینجمنٹ لمیٹڈ**

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Financial Sector Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

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

**Abdul Samad**

Chief Operating Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2020





## FUND MANAGER REPORT

### NBP Financial Sector Fund

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

### Investment Objective of the Fund

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

### Benchmark

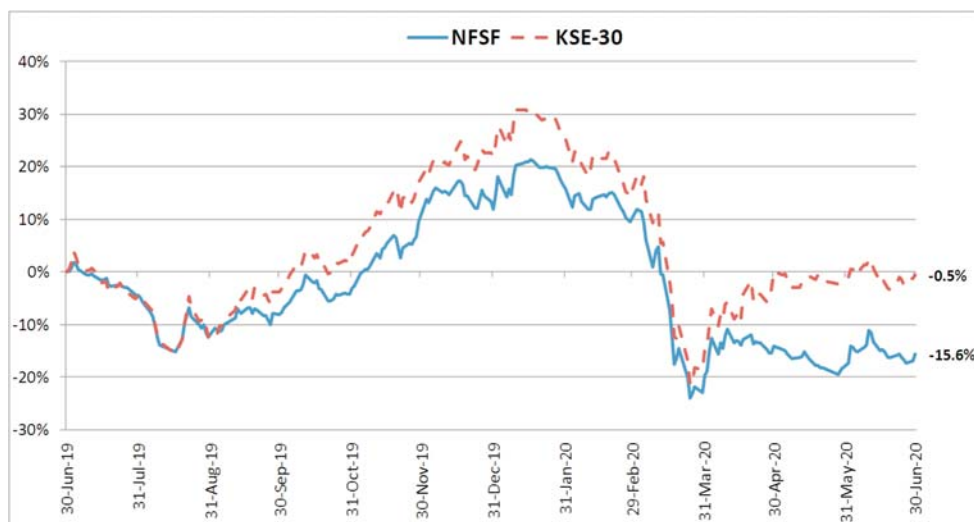
The Benchmark of the Fund is KSE-30 Index. (Total Return Index)

### Fund performance review

This is the third annual report. During the fiscal year, NBP Financial Sector Fund decreased by 15.6% return as against the KSE-30 index decreased by 0.5%, underperforming the benchmark by 15.1% during the year. Since inception (February 14, 2018), NBP Financial Sector Fund has decreased by 23.5%, whereas the KSE-30 index has decreased by 20.8%, thus to date underperformance is 2.7%. This outperformance is net of management fee and all other expenses. The Fund size is 578 mln as of June 30, 2020.

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

**NFSF Performance vs. Benchmark during FY20**



Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KSE-100 Index rose by a meager 1.5% 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 28,765 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 KSE-100 Index surged by a massive 50% from August 16th, 2019 to its recent peak on January 13th, 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 Corona virus 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 37% from its previous peak. To cushion the economy from the impact of the Corona virus 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 1.5% 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.

#### Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	95.5%	94.9%
Cash Equivalents	3.9%	8.3%
Other Net Liabilities	0.6%	(3.2%)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### Distribution for the Financial Year 2020

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

#### Unit Holding Pattern

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	4
1-1000	53
1001-5000	26
5001-10000	22
10001-50000	29
50001-100000	23
100001-500000	32
500001-1000000	2
1000001-5000000	8
5000001-10000000	-
10000001-100000000	2
<b>Total</b>	<b>201</b>



## **Sindh Workers' Welfare Fund (SWWF)**

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

### **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.



## INDEPENDENT AUDITORS' REPORT

To the Unit holders of NBP Financial Sector Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **NBP Financial Sector Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p><b>Net Asset Value</b> (Refer note 5 to the annexed financial statements)</p> <p>Investments constitute the most significant component of the net asset value (NAV). Investments of the Fund as at June 30, 2020 amounted to Rs. 552.118 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• tested the design and operating effectiveness of the key controls for valuation of investments.</li> <li>• obtained independent confirmation for verifying the existence of the investment portfolio as at June 30, 2020 and traced balances in this confirmation with the books and records of the Fund.</li> <li>• re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li> </ul>



## Other Information

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

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

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

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

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

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

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

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

A.F. Ferguson & Co.  
**Chartered Accountants**

**Karachi**

**Date:** September 29, 2020.





## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020	2019
----- (Rupees in '000) -----			
<b>Assets</b>			
Bank balances	4	22,750	63,745
Investments	5	552,118	1,063,204
Profit receivable	6	98	889
Deposits and other receivables	7	2,948	2,948
Receivable against sale of investments		4,078	-
Preliminary expenses and floatation costs	8	1,755	2,426
<b>Total assets</b>		<b>583,747</b>	<b>1,133,212</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company	10	4,442	6,430
Payable to Central Depository Company of Pakistan Limited - the Trustee	11	107	204
Payable to the Securities and Exchange Commission of Pakistan	12	152	1,103
Accrued expenses and other liabilities	13	649	4,847
<b>Total liabilities</b>		<b>5,350</b>	<b>12,584</b>
<b>NET ASSETS</b>		<b>578,397</b>	<b>1,120,628</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>578,397</b>	<b>1,120,628</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		
----- Number of units -----			
<b>NUMBER OF UNITS IN ISSUE</b>	9	<b>75,618,518</b>	<b>123,677,243</b>
----- Rupees -----			
<b>NET ASSET VALUE PER UNIT</b>		<b>7.6489</b>	<b>9.0609</b>

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

For NBP Fund Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		------(Rupees in '000)-----	
<b>Income</b>			
Profit on bank deposits		5,125	11,915
Dividend income		45,607	56,828
Gain / (loss) on sale of investments - net		16,393	(32,706)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2	(148,049)	(129,206)
		<u>(131,656)</u>	<u>(161,912)</u>
<b>Total loss</b>		<b>(80,924)</b>	<b>(93,169)</b>
<b>Expenses</b>			
Remuneration of NBP Fund Management Limited - the Management Company	10.1	11,572	23,228
Sindh sales tax on remuneration of the Management Company	10.2	1,504	3,020
Allocated expenses	10.3	760	1,161
Selling and marketing expenses	10.4	9,338	4,646
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	11.1	1,513	2,160
Sindh sales tax on remuneration of the Trustee	11.2	197	281
Annual fees to the Securities and Exchange Commission of Pakistan	12.1	152	1,103
Securities transaction cost		2,655	2,291
Auditors' remuneration	15	563	446
Amortisation of preliminary expenses and floatation costs	8	671	669
Annual listing fee		28	28
Printing charges		44	25
Legal and professional charges		98	58
Settlement and bank charges		467	299
<b>Total operating expenses</b>		<b>29,562</b>	<b>39,415</b>
<b>Net loss from operating activities</b>		<b>(110,486)</b>	<b>(132,584)</b>
<b>Net loss for the year before taxation</b>		<b>(110,486)</b>	<b>(132,584)</b>
Taxation	17	-	-
<b>Net loss for the year after taxation</b>		<b>(110,486)</b>	<b>(132,584)</b>
<b>(Loss) / earnings per unit</b>	18		
<b>Allocation of net income for the year:</b>			
Net income for the period after taxation		-	-
Income already paid on units redeemed		-	-
		<u>-</u>	<u>-</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<u>-</u>	<u>-</u>

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

For NBP Fund Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- (Rupees in '000) -----	
<b>Net loss for the year after taxation</b>	(110,486)	(132,584)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<u>(110,486)</u>	<u>(132,584)</u>

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

For NBP Fund Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



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

	2020			2019		
	Capital value	Accumulated losses	Total	Capital value	Accumulated losses	Total
	Rupees in '000			Rupees in '000		
<b>Net assets at beginning of the year</b>	1,283,122	(162,494)	1,120,628	1,065,800	(29,910)	1,035,890
Issue of 71,390,449 units (2019: 138,094,532 units)						
- Capital value (at ex - net asset value per unit)	646,861	-	646,861	1,381,029	-	1,381,029
- Element of income / (loss)	60,785	-	60,785	(10,400)	-	(10,400)
Total proceeds on issuance of units	707,646	-	707,646	1,370,629	-	1,370,629
Redemption of 119,449,174 units (2019: 118,000,286 units)						
- Capital value (at ex - net asset value per unit)	(1,082,317)	-	(1,082,317)	(1,180,074)	-	(1,180,074)
- Element of (loss) / income	(57,074)	-	(57,074)	26,767	-	26,767
Total payments on redemption of units	(1,139,391)	-	(1,139,391)	(1,153,307)	-	(1,153,307)
Total comprehensive loss for the year	-	(110,486)	(110,486)	-	(132,584)	(132,584)
<b>Net assets at end of the year</b>	<b>851,377</b>	<b>(272,980)</b>	<b>578,397</b>	<b>1,283,122</b>	<b>(162,494)</b>	<b>1,120,628</b>
Accumulated loss brought forward						
- Realised (loss) / income		(33,288)			2,815	
- Unrealised loss		(129,206)			(32,725)	
		(162,494)			(29,910)	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
		-			-	
Net loss for the year after taxation		(110,486)			(132,584)	
Accumulated loss carried forward		(272,980)			(162,494)	
Accumulated loss carried forward						
- Realised loss		(124,931)			(33,288)	
- Unrealised loss		(148,049)			(129,206)	
		(272,980)			(162,494)	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the year			9.0609			10.0006
Net assets value per unit at end of the year			7.6489			9.0609

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

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

Chief Financial Officer

Chief Executive Officer

Director



## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(110,486)	(132,584)
<b>Adjustments for:</b>			
Profit on bank deposits		(5,125)	(11,915)
Amortisation of preliminary expenses and floatation costs	8	671	669
Dividend income		(45,607)	(56,828)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		148,049	129,206
		97,988	61,132
<b>Decrease / (increase) in assets</b>			
Investments		363,037	(292,886)
Receivable against sale of investments		(4,078)	-
		358,959	(292,886)
<b>(Decrease) / increase in liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company		(1,988)	(4,770)
Payable to Central Depository Company of Pakistan Limited - the Trustee		(97)	7
Payable to the Securities and Exchange Commission of Pakistan		(951)	770
Accrued expenses and other liabilities		(4,198)	4,087
		(7,234)	94
		339,227	(364,244)
Dividend received		45,607	56,828
Interest received		5,916	11,512
<b>Net cash generated from / (used in) operating activities</b>		390,750	(295,904)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipts from issuance of units		707,646	1,370,629
Net payments against redemption of units		(1,139,391)	(1,153,307)
<b>Net cash (used in) / generated from financing activities</b>		(431,745)	217,322
<b>Net decrease in cash and cash equivalents</b>		(40,995)	(78,582)
Cash and cash equivalents at the beginning of the year		63,745	142,327
<b>Cash and cash equivalents at the end of the year</b>	4	22,750	63,745

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

For NBP Fund Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



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

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

The objective of NBP Financial Sector Fund is to provide investors with long term capital growth from an actively managed portfolio of listed equities belonging to the financial sector. The investment objectives and policies are explained in the Fund's offering document.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 as at June 24, 2020 (2019: AM1) to the Management Company. The Fund has not yet been rated.

The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the trustee of the Fund.

### 2 BASIS OF PRESENTATION

#### 2.1 Statement of compliance

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

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





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

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations, and therefore have not been detailed in these financial statements.

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

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

Standards, amendments and interpretations	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 1, 2020

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

### 2.3.2 There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

## 2.4 Critical accounting estimates and judgments

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

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.3 and 5), provision for taxation (notes 3.14 and 17).



## 2.5 Accounting convention

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

## 2.6 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

### 3.2 Cash and cash equivalents

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

### 3.3 Financial assets

#### 3.3.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at 'fair value through profit or loss'. Financial assets carried at 'fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

#### 3.3.2 Classification and subsequent measurement

##### 3.3.2.1 Equity instruments

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

All equity investments are required to be measured in the statement of assets and liabilities at fair value, with gains and losses recognised in the Income Statement, except where an irrevocable election has been made at the time of initial recognition to measure the investment at 'fair value through other comprehensive income' (FVOCI). Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVTPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVTPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.



### 3.3.3 Impairment

The Fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### 3.3.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

### 3.3.5 Derecognition

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

### 3.4 Financial liabilities

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

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

### 3.5 Offsetting of financial assets and financial liabilities

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

### 3.6 Provisions

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

### 3.7 Net asset value per unit

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



### 3.8 Issue and redemption of units

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

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

### 3.9 Distributions to unit holders

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

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

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

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

### 3.11 Revenue recognition

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

### 3.12 Expenses

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



### 3.13 Preliminary expenses and floatation costs

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

### 3.14 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed as cash dividend to the unit holders.

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

### 3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 18.

### 3.16 Foreign currency translation

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

4	<b>BANK BALANCES</b>	Note	2020	2019
----- Rupees in '000 -----				
	Balances with banks in:			
	Savings accounts	4.1	21,895	62,567
	Current accounts		855	1,178
			<u>22,750</u>	<u>63,745</u>

4.1 These include a balance of Rs 7.636 million (2019: Rs. 41.331 million) maintained with BankIslami Pakistan Limited (a related party) that carry profit at the rate of 7.25% per annum (2019: 13% per annum). Other savings accounts of the Fund carry profit rates ranging from 4.5% to 8.3% per annum (2019: 9.5% to 13% per annum).

5	<b>INVESTMENTS</b>	Note	2020	2019
----- Rupees in '000 -----				
	<b>Financial asset at fair value through profit or loss</b>			
	Quoted equity securities	5.1	<u>552,118</u>	<u>1,063,204</u>



## 5.1 Investments in equity securities - listed

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

Name of the investee company	As at July 01, 2019	Acquired during the year	Sold during the year	As at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments	Market value as a percentage of net assets	Holding as a percentage of Paid up capital of the investee company
	----- Number of shares held -----				Rupees in '000	----- Percentage -----		

### COMMERCIAL BANKS

Allied Bank Limited	1,026,000	-	593,500	432,500	33,122	6.00%	5.73%	0.04%
Askari Bank Limited (Note 5.1.1)	1,552,000	-	1,552,000	-	-	-	-	-
Bank Alfalah Limited (Note 5.1.1)	2,523,850	2,244,000	2,373,500	2,394,350	80,378	14.56%	13.90%	0.13%
Bank Al Habib Limited	1,903,000	744,000	1,296,000	1,351,000	70,657	12.80%	12.22%	0.12%
Bank of Punjab Limited (Note 5.1.1)	3,262,500	2,855,000	3,097,500	3,020,000	25,368	4.59%	4.39%	0.11%
Faysal Bank Limited (Note 5.1.2)	1,667,875	-	671,000	996,875	13,886	2.52%	2.40%	0.07%
Habib Bank Limited (Note 5.1.1)	1,395,700	1,084,800	1,631,500	849,000	82,243	14.90%	14.22%	0.06%
Habib Metropolitan Bank Limited	156,500	-	156,500	-	-	-	-	-
MCB Bank Limited (Note 5.1.1)	868,300	446,000	987,100	327,200	53,029	9.60%	9.17%	0.03%
Meezan Bank Limited	539,550	86,000	366,500	259,050	17,836	3.23%	3.08%	0.02%
National Bank of Pakistan Limited (Note 5.1.1)	392,000	588,500	340,500	640,000	17,696	3.21%	3.06%	0.03%
United Bank Limited (Note 5.1.1)	1,040,900	777,000	1,161,600	656,300	67,835	12.29%	11.73%	0.05%
					462,050	84%	80%	0.66%

### INSURANCE

Adamjee Insurance Company Limited	2,064,500	967,000	978,000	2,053,500	67,991	12.31%	11.76%	0.59%
IGI Holdings Limited	-	146,300	24,300	122,000	22,077	4.00%	3.82%	0.09%
					90,068	16.31%	15.57%	0.67%

**Total as at June 30, 2020**

**552,118      100%      95%**

**Carrying value as at June 30, 2020**

**700,167**

**Total as at June 30, 2019**

**1,063,204**

**Carrying value as at June 30, 2019**

**1,192,410**

**5.1.1** Investments include shares with market value of Rs 102.055 (2019: 132.778) million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

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



In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance, 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Honourable Sindh High Court (SHC) 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, 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 year ended June 30, 2019. During the current year, CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019 in the Honourable High Court of Sindh. In this regard, on July 15, 2019, the Honourable High Court of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of CISs.

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

As at June 30, 2020, the following bonus shares of the Fund have been withheld by Faysal Bank Limited at the time of declaration of bonus shares.

Name of the company	2020		2019	
	-----Bonus shares-----			
	Number of shares withheld	Market value as at June 30, 2020	Number of shares withheld	Market value as at June 30, 2019
	Rupees in '000		Rupees in '000	
Faysal Bank Limited	14,494	<u>202</u>	14,494	<u>312</u>
		<u>202</u>		<u>312</u>

	Note	2020	2019
		----- Rupees in '000 -----	
<b>5.2 Net unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss'</b>			
Market value of investments	5.1	<b>552,118</b>	1,063,204
Carrying value of investments	5.1	<u>(700,167)</u>	<u>(1,192,410)</u>
		<u><b>(148,049)</b></u>	<u>(129,206)</u>
<b>6 PROFIT RECEIVABLE</b>			
Profit receivable on bank balances		<u><b>98</b></u>	<u>889</u>



	2020	2019
7 DEPOSITS AND OTHER RECEIVABLES	Note	Rupees in '000
Security deposit Central Depository Company of Pakistan Limited*		100
Security deposit with National Clearing Company of Pakistan Limited*		2,500
Advance tax	7.1	348
		<u>2,948</u>
		<u>2,948</u>

\* related party balance

**7.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposits paid to the Fund has been deducted by various withholding agents based on the interpretation issued by the FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholder. The tax withheld on dividends and profit on bank deposits as at June 30, 2020 amounts to Rs 0.348 million (2019: Rs. 0.348 million).

For this purpose, Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by SHC in favour of FBR. A petition was filed in the Honourable Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit on bank deposits and dividend amount has been shown as other receivables as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	2020	2019
8 PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	Rupees in '000
Preliminary expenses and floatation costs incurred		2,426
Less: amortisation during the year	8.1	3,095
At the end of the year		<u>671</u>
		<u>1,755</u>
		<u>2,426</u>

**8.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.

9 NUMBER OF UNITS IN ISSUE	2020	2019
	-----Number of units-----	
Total units in issue at the beginning of the year	123,677,243	103,582,997
Units issued during the year	71,390,449	138,094,532
Less: units redeemed during the year	<u>119,449,174</u>	<u>118,000,286</u>
Total units in issue at the end of the year	<u>75,618,518</u>	<u>123,677,243</u>





10	PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY	Note	2020 ----- Rupees in '000 -----	2019
	Management fee payable	10.1	714	1,973
	Sindh sales tax payable on remuneration of the Management Company	10.2	93	256
	Allocated expenses payable	10.3	146	599
	Selling and marketing expenses payable	10.4	2,091	2,396
	Sales load and transfer load payable		1,237	1,067
	Sindh sales tax payable on sales load and transfer load		161	139
			<u>4,442</u>	<u>6,430</u>

- 10.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged remuneration under the following rates:

Rate applicable from July 1, 2019 to July 11, 2019	Rate applicable from July 12, 2019 to June 30, 2020	2019
2% of average daily net assets	1.5% of average daily net assets	2% of average daily net assets

The remuneration is payable to the Management Company in arrears.

- 10.2 During the year, an amount of Rs. 1.504 million (2019: Rs. 3.020 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 @ 13% (2019: 13%).

- 10.3 In accordance with Regulation 60 of the NBFC Regulations, an asset management company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% per annum of the average annual net assets of the scheme or actual whichever is less, for allocation of such expenses to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%.

The Management Company has currently fixed a maximum capping of 0.1% (2019: 0.1%) per annum of the average annual net assets of the scheme for allocation of such expenses to the Fund.

- 10.4 The SECP has allowed the Asset Management Company to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019) subject to maximum cap of 0.4% per annum of the average annual net assets of the Fund or actual expenses whichever is lower.

During the current year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% has been removed and now an asset management company is required to set a maximum limit for charging of such expenses to the Fund and the same should be approved by the Board of Directors of the Management Company as part of an annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Accordingly, the Management Company has charged selling and marketing expenses at the below mentioned rates duly approved by Board of Directors of the Management Company:

Effective Dates	Applicable Rates
From July 1, 2019 till July 11, 2019	0.4% per annum of average daily net assets
From July 12, 2019 till December 16, 2019	1.15% per annum of average daily net assets
From December 17, 2019 till May 10, 2020	1.35% per annum of average daily net assets
From May 11, 2020 till June 30, 2020	1.5% per annum of average daily net assets



11	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY</b>	Note	2020	2019
			----- Rupees in '000 -----	
	Trustee fee payable	11.1	95	180
	Sindh Sales Tax payable on trustee fee	11.2	12	24
			<u>107</u>	<u>204</u>

11.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed. During the year, trustee has revised its tariff as follows:

2019		2020
Net assets (Rs.)	Fee	
- up to Rs. 1,000 million	Rs 0.7 million or 0.20% per annum of net assets, whichever is higher	0.20% per annum of net assets
- exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% per annum of net assets, exceeding Rs.1,000 million	Rs 2.0 million plus 0.10% per annum of net assets, exceeding Rs.1,000 million

11.2 During the year, an amount of Rs 0.197 million (2019: Rs. 0.281 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011.

12	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	Note	2020	2019
			----- Rupees in '000 -----	
	Annual fee payable	12.1	<u>152</u>	<u>1,103</u>

12.1 In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to equity funds was 0.095%. Accordingly, the Fund has charged the SECP Fee at the rate of 0.02% of net assets during the current year.

13	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	2020	2019
		----- Rupees in '000 -----	
	Auditors' remuneration payable	369	399
	Printing charges payable	10	50
	Brokerage payable	15	87
	Legal and professional charges payable	87	10
	Withholding tax payable	40	41
	Capital gain tax payable	7	2
	Bank charges payable	72	111
	Settlement charges payable	49	97
	Other payables	-	4,050
		<u>649</u>	<u>4,847</u>



## 14 CONTINGENCIES AND COMMITMENTS

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

## 15 AUDITORS' REMUNERATION

	2020	2019
	-----Rupees in '000-----	
Annual audit fee	329	222
Half yearly review fee	132	116
Other certification	65	68
Out of pocket expenses	37	40
	<u>563</u>	<u>446</u>

## 16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.9% (2019: 3.39%) which includes 0.25% (2019: 0.38%) representing government levies on the Fund such as sales taxes, annual fee to SECP, etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an equity scheme.

## 17 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year.

## 18 (LOSS) / EARNINGS PER UNIT

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

## 19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

**19.2** Transactions with connected persons / related parties are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments. The transactions with connected persons / related parties are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.



- 19.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 19.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of NBFC Regulations, 2008 and the Trust Deed.
- 19.5** Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.
- 19.6** Details of the transactions with related parties / connected persons during the year are as follows:

	2020	2019
	----- Rupees in '000 -----	
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration of the Management Company	11,572	23,228
Sindh Sales Tax on remuneration of the Management Company	1,504	3,020
Units issued during the year Nil (2019: 4,814,847)	-	50,000
Units redeemed during the year Nil (2019: 9,194,271)	-	91,484
Selling and marketing expense	9,338	4,646
Allocated expenses	760	1,161
Sales load and transfer load	170	1,966
Sindh Sales Tax on sales load and transfer load	22	256
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Remuneration for the year	1,513	2,160
Sindh Sales Tax on remuneration	197	281
<b>Key management personnel of the Management Company</b>		
Units issued during the year 2,294,158 (2019: 1,125,604)	20,848	11,152
Units redeemed during the year 2,423,911 (2019: 1,522,904)	22,055	14,732
<b>Humayun Bashir - director</b>		
Units issued during the year Nil (2019: 503,591)	-	5,000
Units redeemed during the year Nil (2019: 1,015,514)	-	9,949
<b>National Bank of Pakistan Limited - parent company</b>		
Shares purchased - 588,500 (2019: 911,000)***	19,313	44,609
Shares sold - 340,500 (2019: 1,577,000)***	10,565	74,311
<b>Portfolio managed by the Management Company</b>		
Units issued during the year Nil (2019: 9,011,856)	-	85,616
Units redeemed during the year 2,491,783 (2019: 3,052,932)	23,529	30,030
<b>Taurus Securities Limited - subsidiary of Parent Company</b>		
Brokerage expense	107	133
<b>BankIslami Pakistan Limited - common directorship</b>		
Profit income	2,693	5,212
<b>Askari Bank Limited - common directorship</b>		
Shares purchased - Nil (2019: 721,500)***	-	16,939
Shares sold - 1,552,000 (2019: 1,212,000)***	27,074	26,827
Dividend Income	-	1,847
<b>Pak Brunei Investment Company Limited - unit holder with more than 10% holding**</b>		
Units issued during the year 40,056,505 (2019: Nil)	400,020	-
Units redeemed during the year 24,747,547 (2019: Nil)	264,333	-



	2020	2019
	----- Rupees in '000 -----	
<b>United Bank Limited - unit holder with more than 10% holding</b>		
Units issued during the year Nil (2019: 24,926,964)	-	250,000
Shares purchased - 777,000 (2019: 1,224,100)***	<b>102,201</b>	179,514
Shares sold - 1,161,600 (2019: 669,000)***	<b>174,717</b>	100,262
Dividend Income	<b>7,147</b>	9,274
<b>Pakistan Stock Exchange Limited - common directorship**</b>		
Listing fee paid	<b>25</b>	-
<b>National Clearing Company of Pakistan Limited - common directorship</b>		
Settlement charges	<b>307</b>	138
<b>19.7</b> Amounts / balances outstanding as at year end		
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration payable to the Management Company	<b>714</b>	1,973
Sindh Sales Tax on remuneration of the Management Company	<b>93</b>	256
Sales load and transfer load payable	<b>1,237</b>	1,067
Sindh Sales Tax payable on sales load and transfer load	<b>161</b>	139
Selling and marketing expenses payable	<b>2,091</b>	2,396
Allocated expenses payable	<b>146</b>	599
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Trustee fee payable	<b>95</b>	180
Sindh Sales Tax payable on trustee fee	<b>12</b>	24
Security deposit	<b>100</b>	100
<b>Key management personnel of the Management Company</b>		
Units held 162,097 (2019: 241,621)	<b>1,240</b>	2,189
<b>National Bank of Pakistan Limited - parent company</b>		
Shares held - 640,000 (2019: 392,000)	<b>17,696</b>	13,195
<b>BankIslami Pakistan Limited - common directorship</b>		
Bank balances	<b>7,636</b>	41,331
Profit receivable	<b>41</b>	449
<b>Pak Brunei Investment Company Limited - unit holder with more than 10% holding**</b>		
Units held 22,502,305 (2019: Nil)	<b>172,118</b>	-
<b>Summit Bank Limited - common directorship*</b>		
Bank balances	-	1,178
<b>Portfolio Managed by the Management Company</b>		
Units held 5,773,289 (2019: 8,199,644)	<b>44,159</b>	74,296
<b>Askari Bank Limited - common directorship*</b>		
Shares held: Nil (2019: 1,552,000)	-	29,348
<b>United Bank Limited - unit holder with more than 10% holding</b>		
Units held 24,926,964 (2019: 24,926,964)	<b>190,664</b>	225,861
Shares held: 656,300 (2019: 1,040,900)	<b>67,835</b>	153,408
<b>National Clearing Company of Pakistan Limited - common directorship</b>		
Settlement charges payable	<b>25</b>	2
Security Deposit	<b>2,500</b>	2,500



\* Current year figure has not been shown as the company ceased to be a related party / connected person as at June 30, 2020.

\*\* Prior year comparative has not been shown as the company was not a related party / connected person as at June 30, 2019.

\*\*\* These are transactions involving shares of related parties held as part of portfolio of the Fund.

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

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

	June 30, 2020		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	22,750	-	22,750
Investments	-	552,118	552,118
Profit receivable	98	-	98
Receivable against sale of investments	4,078	-	4,078
Deposits and other receivables	2,600	-	2,600
	<u>29,526</u>	<u>552,118</u>	<u>581,644</u>

	June 30, 2020		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company	-	4,442	4,442
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	107	107
Accrued expenses and other liabilities	-	602	602
	<u>-</u>	<u>5,151</u>	<u>5,151</u>

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



June 30, 2019		
At fair value through profit or loss	At amortised cost	Total
Rupees in '000		
<b>Financial liabilities</b>		
Payable to NBP Fund Management Limited - the Management Company	-	6,430
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	204
Accrued expenses and other liabilities	-	4,803

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 21.1 Market risk

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

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

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

#### (i) Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As at June 30, 2020, the Fund is exposed to such risk on its bank balances. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

#### a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds bank balances which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.23 million (2019 : Rs. 0.64 million).

#### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020 and June 30, 2019, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value interest rate risk.

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



The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:

June 30, 2020						
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in '000 -----						
<b>Financial assets</b>						
Bank balances	4.5% - 8.3%	21,895	-	-	855	22,750
Investments		-	-	-	552,118	552,118
Profit receivable		-	-	-	98	98
Receivable against sale of investments		-	-	-	4,078	4,078
Deposits and other receivables		-	-	-	2,600	2,600
		<b>21,895</b>	<b>-</b>	<b>-</b>	<b>559,749</b>	<b>581,644</b>
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	4,442	4,442
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	107	107
Accrued expenses and other liabilities		-	-	-	602	602
		-	-	-	5,151	5,151
<b>On-balance sheet gap</b>		<b>21,895</b>	<b>-</b>	<b>-</b>	<b>554,598</b>	<b>576,493</b>
<b>Total interest rate sensitivity gap</b>		<b>21,895</b>	<b>-</b>	<b>-</b>		
<b>Cumulative interest rate sensitivity gap</b>		<b>21,895</b>	<b>21,895</b>	<b>21,895</b>		

June 30, 2019						
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in '000 -----						
<b>Financial assets</b>						
Bank balances	9.5% - 13%	62,567	-	-	1,178	63,745
Investments		-	-	-	1,063,204	1,063,204
Profit receivable		-	-	-	889	889
Deposits and other receivables		-	-	-	2,600	2,600
		<b>62,567</b>	<b>-</b>	<b>-</b>	<b>1,067,871</b>	<b>1,130,438</b>
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	6,430	6,430
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	204	204
Accrued expenses and other liabilities		-	-	-	4,803	4,803
		-	-	-	11,437	11,437
<b>On-balance sheet gap</b>		<b>62,567</b>	<b>-</b>	<b>-</b>	<b>1,056,434</b>	<b>1,119,001</b>
<b>Total interest rate sensitivity gap</b>		<b>62,567</b>	<b>-</b>	<b>-</b>		
<b>Cumulative interest rate sensitivity gap</b>		<b>62,567</b>	<b>62,567</b>	<b>62,567</b>		





## (ii) Currency risk

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

## (iii) Price risk

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

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

In case of 5% increase / decrease in KSE 100 index on June 30, 2020, with all other variables held constant, the total comprehensive loss of the Fund for the year would increase / decrease by Rs. 27.606 million (2019: Rs. 53.16 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at 'fair value through profit or loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index, 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 of future movements in the level of the KSE 100 Index.

## 21.2 Liquidity risk

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

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

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement subject to the maximum limit which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. However, no borrowing was required to be obtained by the Fund during the current year.

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

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



June 30, 2020						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

### Financial assets

Bank balances	22,750	-	-	-	-	22,750
Investments	-	-	-	-	552,118	552,118
Profit receivable	98	-	-	-	-	98
Receivable against sale of investments	4,078	-	-	-	-	4,078
Deposits and other receivables	-	-	-	-	2,600	2,600
	26,926	-	-	-	554,718	581,644

### Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	4,442	-	-	-	-	4,442
Payable to Central Depository Company of Pakistan - the Trustee	107	-	-	-	-	107
Accrued expenses and other liabilities	233	369	-	-	-	602
	4,782	369	-	-	-	5,151

### Net financial assets

	22,144	(369)	-	-	554,718	576,493
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June 30, 2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

### Financial assets

Bank balances	63,745	-	-	-	-	63,745
Investments	-	-	-	-	1,063,204	1,063,204
Profit receivable	889	-	-	-	-	889
Deposits and other receivables	-	-	-	-	2,600	2,600
	64,634	-	-	-	1,065,804	1,130,438

### Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	6,430	-	-	-	-	6,430
Payable to Central Depository Company of Pakistan - the Trustee	204	-	-	-	-	204
Accrued expenses and other liabilities	4,404	399	-	-	-	4,803
	11,039	399	-	-	-	11,438

### Net financial assets

	53,595	(399)	-	-	1,065,804	1,119,000
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## 21.3 Credit risk

**21.3.1** Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:



	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- Rupees in '000 -----				
Bank balances	22,750	22,750	63,745	63,745
Investments in quoted equity securities	552,118	-	1,063,204	-
Profit receivable	98	98	889	889
Deposits and other receivables	2,600	2,600	2,600	2,600
Receivable against sale of investments	4,078	4,078	-	-
	<u>581,644</u>	<u>29,526</u>	<u>1,130,438</u>	<u>67,234</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets.

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

### 21.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements with banks and mark up accrued thereon. The credit rating profile of bank balances are as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	0.316	0.289
AA+	0.089	0.226
AA-	2.056	0.305
A+	1.320	3.656
A-	-	0.064
BBB-	0.147	-
	<u>3.928</u>	<u>4.541</u>

## 22 FAIR VALUE MEASUREMENT

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

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

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



## Fair value hierarchy

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

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

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

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

As at June 30, 2020 and June 30, 2019, the Fund held the following financial instruments measured at fair values:

June 30, 2020		
Level 1	Level 2	Level 3
Rupees in '000		

### Financial assets

At fair value through profit or loss

-Investments in quoted equity securities

552,118	-	-
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June 30, 2019		
Level 1	Level 2	Level 3
Rupees in '000		

### Financial assets

At fair value through profit or loss

-Investments in quoted equity securities

1,063,204	-	-
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## 23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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



## 24 UNIT HOLDING PATTERN OF THE FUND

Category	June 30, 2020			June 30, 2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Bank and DFIs	2	362,782	62.72%	-	-	-
Insurance companies	1	17,880	3.09%	-	-	-
Individuals	193	145,889	25.22%	284	391,612	34.95%
Retirement funds	2	28,392	4.91%	9	215,247	19.21%
Others	3	23,454	4.06%	13	513,769	45.85%
	<b>201</b>	<b>578,397</b>	<b>100%</b>	<b>306</b>	<b>1,120,628</b>	<b>100%</b>

## 25 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Name of broker	2020	Name of broker	2019
	% of commission paid		% of commission paid
Optimus Capital Management Limited	4.98%	Taurus Securities Limited	6.88%
Arif Habib Securities Limited	4.85%	EFG Hermes Pakistan Limited	4.48%
J.S. Global Capital Limited	4.79%	(Formerly: Invest & Finance Securities Limited)	
Taurus Securities Limited	4.72%	Arif Habib Securities Limited	4.44%
EFG Hermes Pakistan Limited	4.55%	Next Capital Limited	4.34%
Topline Securities (Private) Limited	4.51%	Alfalah Securities (Private) Limited	4.22%
Alfalah Securities (Private) Limited	4.45%	Topline Securities (Private) Limited	4.15%
BMA Capital Management Limited	4.32%	Optimus Capital Management Limited	4.12%
Ismail Iqbal Securities (Private) Limited	4.12%	J.S. Global Capital Limited	4.08%
Intermarket Securities Limited	3.74%	BMA Capital Management Limited	4.01%
		Insight Securities (Private) Limited	3.93%
		(Formerly Pardesi Securities (Private) Limited)	

## 26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	32
Mr. Sajjad Anwar	Chief Investment Officer	CFA / MBA	20
Mr. Asim Wahab Khan	Deputy Chief Investment Officer	CFA	14
Mr. Hassan Raza	Head of Research	ACCA / BSC / CFA	9



## 27 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other funds managed by the Fund Manager
Mr. Asim Wahab Khan	Fund Manager	CFA	NBF, NIAAEF, NIEF, NIRIF, NISIF, NSIF, NSF

## 28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 72nd, 73rd, 74th, 75th Board meetings were held on August 30, 2019, October 24, 2019, February 27, 2020, April 27, 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of director	Number of meetings			Meetings not attended
	Held / applicable	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [note 28.1]	3	2	1	74th Meeting
Syed Hasan Irtiza Kazmi [note 28.2]	3	3	-	-
Mr. Nasir Husain [note 28.3]	1	-	1	72nd Meeting
Mr. Abdul Hadi Palekar [note 28.4]	1	-	1	72nd Meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [note 28.5]	1	1	-	-
Mr. Khalid Mansoor [note 28.6]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [note 28.7]	1	1	-	-
Mr. Saad Amanullah Khan [note 28.8]	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

**28.1** Mr. Saad ur Rahman Khan was appointed as director on the Board with effect from October 04, 2019.

**28.2** Syed Hasan Irtiza Kazmi was appointed as director on the Board with effect from October 04, 2019.

**28.3** Mr. Nasir Husain retired from the Board with effect from October 04, 2019.

**28.4** Mr. Abdul Hadi Palekar retired from the Board with effect from October 04, 2019.

**28.5** Mr. Kamal Amir Chinoy retired from the Board with effect from October 04, 2019.

**28.6** Mr. Khalid Mansoor was appointed as director on the Board with effect from October 04, 2019.

**28.7** Mr. Shehryar Faruque retired from the Board with effect from October 04, 2019.

**28.8** Mr. Saad Amanullah Khan was appointed as director on the Board with effect from October 04, 2019.

## 29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 17, 2020.



## 30 CORRESPONDING FIGURES

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

## 31 GENERAL

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

### 31.1 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- c) Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

### 31.2 Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (“VPN”) connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2020	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018
Net assets at the year / period ended (Rs '000)	578,397	1,120,628	1,035,890
Net loss for the year / period ended (Rs '000)	(110,486)	(132,584)	(29,910)
Net Asset Value per unit at the year / period ended (Rs)	7.6489	9.0609	10.0006
Offer Price per unit	7.9082	9.3685	10.3397
Redemption Price per unit	7.6489	9.0609	10.0006
Ex - Highest offer price per unit (Rs.)	11.3648	11.0033	11.2451
Ex - Lowest offer price per unit (Rs.)	7.1211	9.2630	10.0000
Ex - Highest redemption price per unit (Rs.)	10.9922	10.6425	10.8764
Ex - Lowest redemption price per unit (Rs.)	6.8876	8.9593	9.6907
Opening Nav of Fiscal Year	9.0609	10.0006	10.0000
Total return of the fund	-15.6%	-9.40%	0.01%
Capital growth	-15.6%	-9.40%	0.01%
Income distribution as a % of e x nav	-	-	-
Income distribution as a % of par value	-	-	-
<b>Distribution</b>			
Interim distribution per unit	-	-	-
Final distribution per unit	-	-	-
<b>Distribution Dates</b>			
Interim			
Final			
<b>Average annual return of the fund (launch date February 14, 2018)</b>			
(Since inception to June 30, 2020)	-10.7%		
(Since inception to June 30, 2019)		-6.93%	
(Since inception to June 30, 2018)			0.02%
Portfolio Composition ( Please see Fund Manager Report)			

*Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up*





## PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Financial Sector Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. [www.nbpfunds.com](http://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:

<b>NBP FINANCIAL SECTOR FUND</b>				
	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain*</b>
<b>Number</b>	<b>5</b>	<b>5</b>	Nil	N/A
<b>(%)</b>	<b>100%</b>	<b>100%</b>	-	-

## Head Office

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