

NBP ISLAMIC SARMAYA IZAFI 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 Shahra-e-Faisal, Karachi.

Bankers to the Fund

Habib Bank Limited (Islamic)
United Bank Limited (Ameen)
Bank Al Habib Limited (Islamic)
Meezan Bank Limited
Bank Islami (Pakistan) Limited
Sindh Bank Limited (Saadat)
MCB Bank Limited (Islamic)
Dubai Islamic Bank Limited
Bank Alfalah Limited (Islamic)
Soneri Bank Limited (Mustaqeem)
Habib Metro Bank Limited (Islamic)
Allied Bank Limited (Islamic)
Silk Bank Limited (Emaan)
National Bank of Pakistan
JS Bank Limited
Summit Bank Limited



Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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 Thirteen Annual Report of **NBP Islamic Sarmaya Izafa Fund** for the year ended June 30, 2020.

Fund's Performance

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

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

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

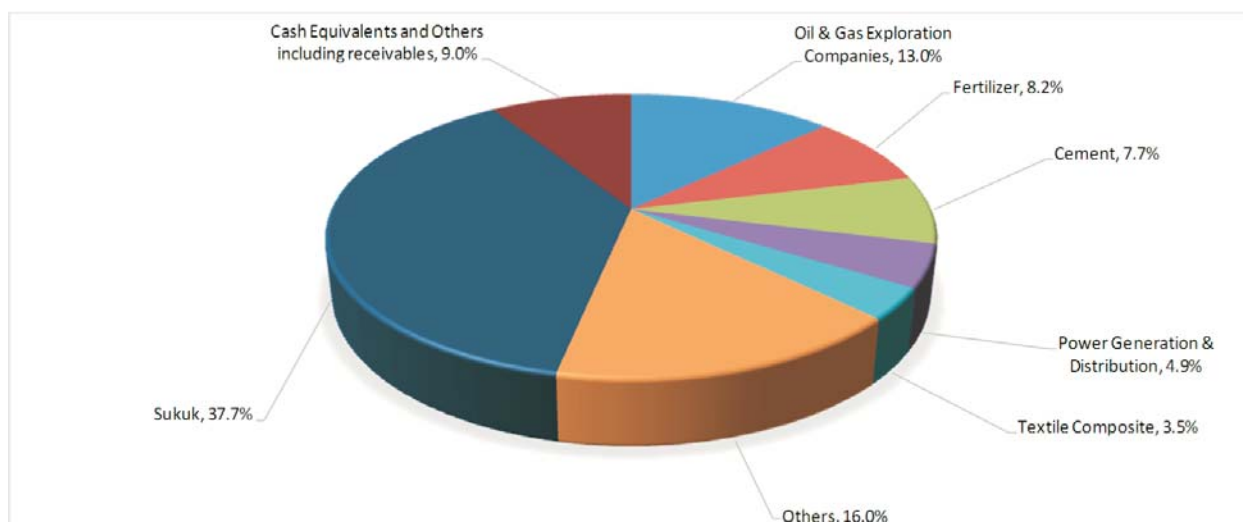
Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY2020 compared to Rs. 12 billion in FY2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant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



During the fiscal year, NBP Islamic Sarmaya Izafa Fund increased by 8.6% versus the benchmark increased by 9.2%. Thus, the Fund underperformed the benchmark by 0.6% during the year. The drag on the Fund performance was on account of lagged performance of some of its key holdings belonging to defensive sectors that continued to trade at steep valuation discount compared to the market, during the period under review. We expect these stocks to exhibit strong performance going ahead given their undemanding valuations. Since its launch (October 26, 2007), the Fund has risen by 290.2%, versus the benchmark return of 168.0%, thus to date outperformance is 122.2%. This outperformance is net of management fee and all other expenses. The Fund size is 5,044 million as of June 30, 2020.

NBP Islamic Sarmaya Izafa Fund has earned total income of Rs.527.25 million during the year. After deducting total expenses of Rs.186.61 million, the net income is Rs.340.64 million. During the year, the unit price of NBP Islamic Sarmaya Izafa Fund has increased from Rs. 13.7410 on June 30, 2019 to Rs. 14.1851 on June 30, 2020. The resultant per unit gain is Re.0.4441 i.e.(3.23%).

The asset allocation of NBP Islamic Sarmaya Izafa Fund as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 5.28% of the opening ex-NAV (7.25% of the par value) for the period ended June 30, 2020.

Taxation

As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors, Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, Messrs Grant Thornton Anjum Rahman, Chartered Accountants, being offer for appointment for the year ending June 30, 2021. The Board has approved the appointment of Messrs Grant Thornton Anjum Rahman, Chartered Accountants, 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 27 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 24 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

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

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: September 17, 2020
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP اسلامک سرمایہ اضافہ فنڈ (NISIF) کی تیرہویں سالانہ رپورٹ برائے ختمہ سال 30 جون 2020 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

مالی سال 2019-20، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KMI-30 انڈیکس میں سالانہ بنیادوں پر 1.6% 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 منسوخی پر پاک بھارت تعلقات میں کشیدگی پیدا ہونے سے مارکیٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم ترین سطح پر 44,929 پر لے آیا جس نے مارکیٹ کے وسیع حصے میں حصص کی مالیت کو واضح کر دیا۔ پرکشش مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مانیٹری میں آسانی کی توقع کی بنا پر اسٹاک مارکیٹ میں تیزی سے بہتری واقع ہوئی۔ کرنٹ اکاؤنٹ بیلتنس 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، کثیرالجہتی 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، KMI-30 انڈیکس میں 16 اگست، 2019 سے خطیہ 58 فیصد اضافے کے ساتھ سے 10 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 منہی بجٹ کے اندیشہ، اور T-Bills سے ہارٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن/شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 42 فیصد گر گئی۔ معیشت کو کورونا وائرس و بائی 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 قرض 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 چیک 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 معاشی یافتہ افراد، کاروبار اور صنعتیں شامل ہیں۔ ریپبلیکنگ انسٹرومنٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا ہنگامی قرض ملا اور G20 ممالک نے قرضوں کی ادائیگی میں ریلیف کا اعلان کیا۔ صحت کی دیکھ بھال کے ناقص اور نا کافی انفراسٹرکچر کے باوجود بہت کم اموات کی شرح اور صحت یابی کی اعلیٰ شرحوں نے امیدوں کو بڑھا دیا 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 بنیادوں پر 1.6 فیصد کی معمولی اضافے کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

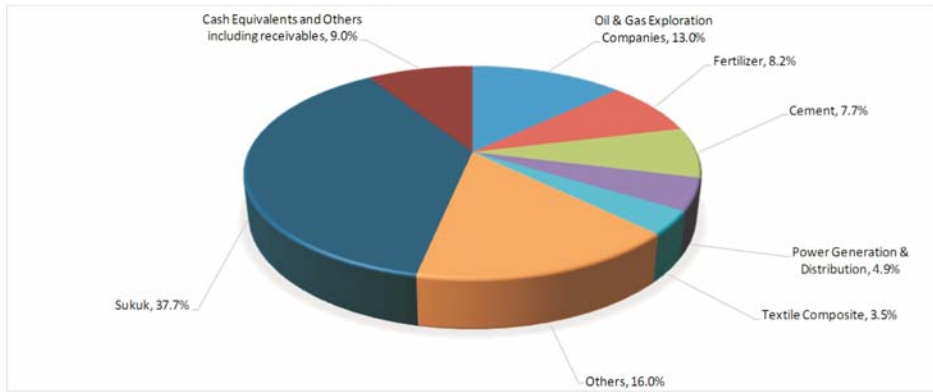
زیر جائزہ مالی سال کے دوران شعبہ دارکارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسریز، سینٹ، کیمیکلز، انجینئرنگ، کھاد، دواسازی، کاغذ اور بورڈ، ٹیکنالوجی اور گلاس اینڈ سرامکس کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمرشل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن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

کارپوریٹ سکوک میں تجارتی سرگرمی مالی سال 2019 میں 12 بلین روپے کے مقابلے میں مالی سال 2020 میں تقریباً 27 بلین روپے کے مجموعی تجارتی قیمت کے ساتھ قابل ذکر 127% زیادہ رہی۔ نئے اجارہ سکوک کے ساتھ بجلی کے شعبہ حکومت کے گارنٹی شدہ سکوک اور شریعہ کمپلیٹ کمرشل پیپرز کے اجراء نے طویل مدتی اور قلیل مدتی شریعہ کمپلیٹ ڈیٹ آلات کے زیر اثر مارکیٹ کی مدد کی۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جیسی وجہ (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لیتی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح کو 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کمی کر کے 7 فیصد کر دی۔ پالیسی کی شرح میں کمی کے اثرات گورنمنٹ بانڈ منافع پر بھی اثر انداز ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ کی T-Bills کے منافع میں بالترتیب 566bps، 580bps اور 608bps کی کمی کی واقع ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹاکس (27 T-Bills) ٹیلامیاں منعقد کیں اور کل 14,317 بلین روپے جمع کئے۔

زیر جائزہ مالی سال کے دوران، NBP اسلامک سرمایہ اضافہ فنڈ 9.2% بیچ مارک اضافہ کے مقابلے 8.6% کا اضافہ ہوا۔ لہذا زیر جائزہ مالی سال کے دوران فنڈ نے بیچ مارک میں 0.6% کی اہتر کارکردگی دکھائی۔ فنڈ کی کارکردگی پرست روی چند حفاظتی شعبوں سے متعلقہ کلیدی ہولڈنگز کی سست کارکردگی تھا، جسے زیر جائزہ رسک آف مدت کے دوران بلا امتیاز فروخت کر دیا گیا۔ ہم توقع کرتے ہیں کہ ان ذخائر کی وجہ سے مارکیٹ جذبات کی بہتری کے ساتھ کھوئے ہوئے مقام کو دوبارہ حاصل کریں گے جبکہ ان کی غیر متزلزل قیمتوں کا اندازہ ہوگا۔ اپنے آغاز (26 اکتوبر 2007) سے، فنڈ نے 168.0 فیصد بیچ مارک ریٹرن کے مقابلے 290.2 فیصد کا اضافہ حاصل کیا، چنانچہ آج تک بہتر کارکردگی 122.2 فیصد ہے۔ یہ بہتر کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے علاوہ خالص ہے۔ فنڈ کا سائز 30 جون 2020 کو 5,044 ملین ہے۔

NBP اسلامک سرمایہ اضافہ فنڈ کو سال کے دوران 527.25 ملین روپے کی مجموعی آمدنی ہوئی۔ 186.61 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد، خالص آمدنی 340.64 ملین روپے ہے۔ سال کے دوران NBP اسلامک ایسٹ ایلیکشن فنڈ کے پونٹ کی قیمت 30 جون 2019 کو 13.7410 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 14.1851 روپے ہو گئی، جس کے نتیجے میں پونٹ منافع 0.4441% روپے یعنی (3.23%) ہے۔ یہ کارکردگی بیٹجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

30 جون 2020 کو این بی پی اسلامک سرمایہ اضافہ فنڈ کی ایسٹ ایلیکشن درج ذیل ہے:



آمدنی کی تقسیم

بیٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد ادا پینگ ex-NAV کا 5.28% (بنیادی قدر کا 7.25%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر اکٹم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شق 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے فنڈ کے آڈیٹری صلاحیت سے ریٹائرڈ ہو گئے۔ میسرز Grant Thornton انٹرمیڈیٹ، چارٹرڈ اکاؤنٹنٹس نے تقرری کے لئے اپنے آپ کو پیش کیا اور بورڈ نے 30 جون 2021 کو ختم ہونے والے سال میں میسرز Grant Thornton انٹرمیڈیٹ، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دی ہے۔

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

- بیٹجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور پونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیلی / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران مینجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 28 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 27 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 24 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 سعیدی (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 مینجمنٹ کمیٹی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 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 Islamic Sarmaya Izafa 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 Islamic Sarmaya Izafa Fund

NBP Islamic Sarmaya Izafa Fund (NISIF) is an Open-ended Shariah Compliant Asset Allocation Fund

Investment Objective of the Fund

Objective of NISIF is to generate capital appreciation by investing in Shariah Compliant equity and equity related securities and income by investing in Shariah Compliant bank deposits, debt & money market securities.

Benchmark

Daily weighted return of KMI-30 Index & 6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP, based on Fund's actual allocation, effective from September 01, 2016. Previously average of (i) average 3-months Islamic banks deposit rate (ii) 6-months KIBOR or its Shariah Complaint Equivalent (iii) KMI 30 Index.

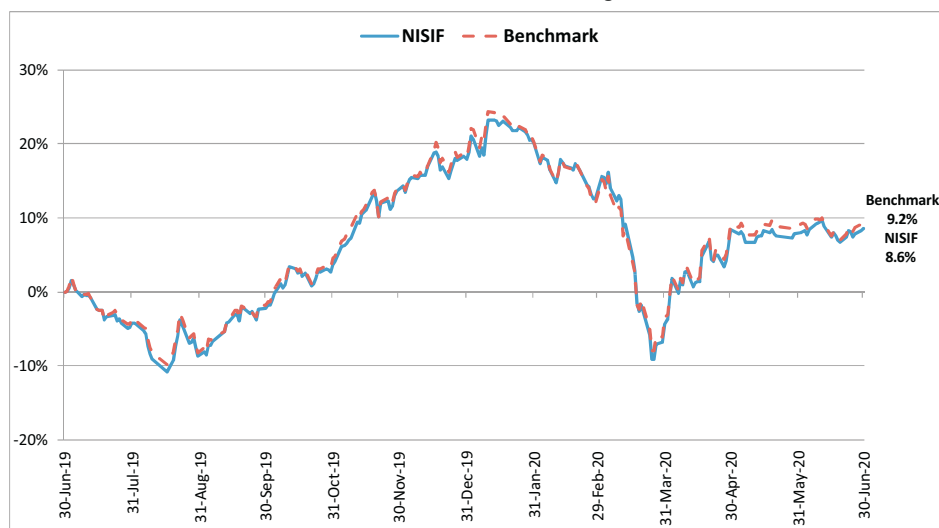
The fund category was changed to Islamic Asset Allocation from Islamic Balanced with effect from April 22, 2014. Consequently, allowed equity range is now 0% to 90% which previously was 30% to 70%. Previous benchmark was 50% KSE-30 Index & 50% 3-month Islamic Bank Deposit.

Fund performance review

This is the thirteenth annual report of the Fund. During the fiscal year, NBP Islamic Sarmaya Izafa Fund increased by 8.6% versus the benchmark increased by 9.2%. Thus, the Fund underperformed the benchmark by 0.6% during the year. Since its launch (October 26, 2007), the Fund has risen by 290.2%, versus the benchmark return of 168.0%, thus to date outperformance is 122.2%. This outperformance is net of management fee and all other expenses. Thus, NISIF has met its investment objective. During the year, the fund size of NISIF decreased by 26% to Rs 5,044 mn.

NISIF underperformed during the year as the Fund was overweight in key stocks in Commercial Banks, Textile Composite, Chemical, and Technology & Communication sectors that underperformed the market and underweight in key stocks in Fertilizer, Cement and Pharmaceuticals sectors that outperformed the market, which contributed to the underperformance. The chart below shows the performance of NISIF against the Benchmark for the year.

NISIF Performance vs. Benchmark during FY20





NISIF was around 57.1% invested in equities at the beginning of the year. During the year, we adjusted the allocation of the Fund based on our view on different asset classes. Towards the end of the year, NISIF was around 53.3% invested in equities.

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

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

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

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



Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	53.3%	57.1%
Cash Equivalents	13.1%	40.9%
TFC/Sukuk	37.7%	1.9%
Other Net Assets / (Liabilities)	(4.1%)	0.1%
Total	100.0%	100.0%

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets
Eden Housing (Sukuk II)	SUKUK	4,921,875	4,921,875	-	-	-
Total		4,921,875	4,921,875	-	-	-

Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
.June-20	7.25%	14.7573	14.0321

Unit Holding Pattern of NBP Sarmaya Izafa Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	554
1-1000	1754
1001-5000	1050
5001-10000	1032
10001-50000	2231
50001-100000	817
100001-500000	536
500001- 1000000	48
1000001- 5000000	36
5000001- 10000000	1
10000001- 100000000	1

During the period under question:

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

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability amounting to Rs. 67.814mn. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Re.0.1907 per unit. For details, investors are advised to read note 19 of the Financial Statement of the Scheme for the year ended June 30, 2020.

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

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

For and behalf of the board

Date: **September 17, 2020**
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer



REPORT OF THE SHARIAH SUPERVISORY BOARD

August 31, 2020/ Muharram 11, 1443

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Twelfth year of operations of NBP Islamic Sarmaya Izafa Fund (NISIF). This report is being issued in accordance with clause 3.6.8 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

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

Company Name	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	Share Price (B)
						Net Liquid Assets per Share (A)	
Engro Corporation Limited	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
The Hub Power Co. Ltd.*	Power Generation & Distribution Companies	32.34%	0.00%	7.32%	53.77%	(43.08)	
Mari Petroleum Company Limited.	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Lucky Cement Limited	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
Oil & Gas Development Company Limited**	Oil & Gas Exploration Companies	0.00%	7.95%	7.76%	33.64%	90.21	142.32
Pakistan Petroleum Limited	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137

- * Debt is considered excluding circular debt.
- ** OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.
- ii. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NISIF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NISIF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

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

During the year, fund booked charity amounting to PKR 4,605,425/- wherein amount available for disbursement is PKR 8,581,773/-, which is inclusive of PKR 4,608,318/- provisional amount of previous year adjusted after the availability of the respective annual financial statements.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the unit holders of NBP Islamic Sarmaya Izafa Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NBP Islamic Sarmaya Izafa Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, the statement of comprehensive income, the statement of movement in unit holders' fund and the statement of cash flows 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 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 and Management Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Valuation and existence of investment</p> <p>Investments held at fair value through profit or loss represent are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in listed equity shares and Government Ijara Sukuks, which are the main driver of the Fund's performance.</p> <p>Considering the above factors, the valuation and existence of investments are significant areas during our audit due to which we have considered this as a key audit matter.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by the Management Company applicable to the balance; independently verified existence of investments from Central Depository Company (CDC) statements and other relevant document; performed test of details on sale, purchase and maturity of investments on a sample basis; tested valuation of investments; and any differences identified during our testing that were over our acceptable threshold were investigated further.



Information other than the financial statements and auditor's report thereon

Management Company 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.

Responsibilities of Management Company and Those Charged with Governance for the financial statements

Management Company 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 the Management Company 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 Company 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 Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are 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 Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.



- 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 Those Charged with Governance of 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 Those Charged with Governance of 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 Those Charged with Governance of 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

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Naresh Kumar.

Deloitte Yousuf Adil
Chartered Accountants

Date: September 30, 2020
Place: Karachi



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020 ----- Rupees in '000 -----	2019
ASSETS			
Bank balances	5	622,432	2,798,299
Investments	6	4,586,516	4,042,624
Mark-up accrued and dividend receivable	7	34,678	49,921
Receivable against sale of investments		-	123,522
Receivable against transfer of units	9	798	-
Deposits, prepayments and other receivables	8	6,076	5,424
Total assets		5,250,500	7,019,790
LIABILITIES			
Payable to NBP Fund Management Limited - Management Company	10	47,220	61,288
Payable to Central Depository Company of Pakistan Limited - Trustee	11	563	784
Payable to the Securities and Exchange Commission of Pakistan	12	1,069	9,494
Payable against redemption of units		17,700	-
Accrued expenses and other liabilities	14	139,978	92,851
Total liabilities		206,530	164,417
NET ASSETS		5,043,970	6,855,373
UNIT HOLDERS' FUND (as per statement attached)		5,043,970	6,855,373
Contingencies and commitments	15		
		----- Number of units -----	
Number of units in issue	16	355,582,420	498,898,266
		----- Rupees -----	
Net asset value per unit	17	14.1851	13.7410

The annexed notes from 1 to 34 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 ----- Rupees in '000 -----	2019 -----
INCOME			
Return / mark-up on:			
- bank balances		143,658	467,055
- sukuks		110,851	1,512
Dividend income		165,754	250,804
Net gain / (loss) on sale of investments		36,940	(532,904)
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss		70,049	(970,024)
Total income / (loss)		527,252	(783,557)
EXPENSES			
Remuneration of NBP Fund Management Limited - Management Company	10.1	81,218	199,884
Sindh Sales Tax on remuneration of the Management Company	10.2	10,558	25,985
Reimbursement of operational expenses to the Management Company	10.3	5,346	9,994
Selling and marketing expenses charged by the Management Company	10.4	66,697	39,977
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	6,346	10,994
Sindh Sales Tax on remuneration of the Trustee	11.2	825	1,429
Annual fee to the Securities and Exchange Commission of Pakistan	12	1,069	9,494
Securities transaction costs		3,458	11,678
Settlement and bank charges		2,354	1,235
Auditors' remuneration	18	663	603
Fund rating fee		231	231
Legal and professional charges		34	73
Annual listing fee		18	28
Printing charges		62	15
Shariah advisor fee		782	1,694
Total expenses		179,661	313,314
Net income / (loss) from operating activities		347,591	(1,096,871)
Provision for Sindh Workers' Welfare Fund	19	(6,952)	-
Net income / (loss) for the year before taxation		340,639	(1,096,871)
Taxation	20	-	-
Net income / (loss) for the year after taxation		340,639	(1,096,871)
Earnings per unit	21		
Allocation of net income for the year			
Net income / loss for the year after taxation		340,639	(1,096,871)
Income already paid on units redeemed		(17,903)	-
		322,736	(1,096,871)
Accounting income available for distribution:			
Relating to capital gain		96,398	-
Excluding capital gain		226,338	-
		322,736	-

The annexed notes from 1 to 34 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 -----	
Net income / (loss) for the year after taxation	340,639	(1,096,871)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	340,639	(1,096,871)

The annexed notes from 1 to 34 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 UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2020

	2020			2019		
	----- (Rupees in '000) -----					
	Capital value	Undistributed income / accumulated loss	Total	Capital value	Undistributed income / accumulated loss	Total
Net assets at beginning of the year	7,451,921	(596,548)	6,855,373	11,002,026	500,323	11,502,349
Issuance of 214,446,764 units (2019: 157,502,225 units)						
- Capital value	2,965,068	-	2,965,068	2,443,303	-	2,443,303
- Element of income / (loss)	273,949	-	273,949	(40,887)	-	(40,887)
Total proceeds on issuance of units	3,239,017	-	3,239,017	2,402,416	-	2,402,416
Redemption of 357,762,610 units (2019: 400,077,784 units)						
- Capital value	(4,916,024)	-	(4,916,024)	(6,206,334)	-	(6,206,334)
- Element of income	(211,810)	(17,903)	(229,713)	253,813	-	253,813
Total payments on redemption of units	(5,127,834)	(17,903)	(5,145,737)	(5,952,521)	-	(5,952,521)
Total comprehensive income / (loss) for the year	-	340,639	340,639	-	(1,096,871)	(1,096,871)
Annual distribution at the rate of Re. 0.7252 per unit declared on June 26, 2020 as cash dividend	(18,334)	(226,988)	(245,322)	-	-	-
Net assets at end of the year	5,544,770	(500,800)	5,043,970	7,451,921	(596,548)	6,855,373
Undistributed income / accumulated loss brought forward						
- Realised		373,476			1,333,962	
- Unrealised		(970,024)			(833,639)	
		<u>(596,548)</u>			<u>500,323</u>	
Accounting income available for distribution						
- Relating to capital gain		96,398			-	
- Excluding capital gain		226,338			-	
Net income / (loss) for the year after taxation		<u>322,736</u>			(1,096,871)	
Annual distribution during the year		<u>(226,988)</u>			-	
Accumulated loss carried forward		<u>(500,800)</u>			<u>(596,548)</u>	
Accumulated loss carried forward						
- Realised		(570,849)			373,476	
- Unrealised		70,049			(970,024)	
		<u>(500,800)</u>			<u>(596,548)</u>	
			- (Rupees) -			- (Rupees) -
Net assets value per unit at beginning of the year			<u>13.7410</u>			<u>15.5128</u>
Net assets value per unit at end of the year			<u>14.1851</u>			<u>13.7410</u>

The annexed notes from 1 to 34 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 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	340,639	(1,096,871)
Adjustments:		
Return / mark-up on;		
- bank balances	(143,658)	(467,055)
- sukuks	(110,851)	(1,512)
Dividend income	(165,754)	(250,804)
Net (gain) / loss on sale of investments	(36,940)	532,904
Net unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss	(70,049)	970,024
	(527,252)	783,557
	(186,613)	(313,314)
(Increase) / decrease in assets		
Investments - net	(436,903)	(314,590)
Receivable against sale of investments	123,522	(123,522)
Deposits, prepayments and other receivables	(652)	(110)
	(314,033)	(438,222)
(Decrease) / increase in liabilities		
Payable to the Management Company	(14,068)	(17,656)
Payable to the Trustee	(221)	(394)
Payable to the Securities and Exchange Commission of Pakistan	(8,425)	(2,881)
Accrued expenses and other liabilities	47,127	(1,668)
	24,413	(22,599)
Mark-up received on bank balances	175,315	462,163
Mark-up received on sukuks received	89,237	(5,174)
Dividend received	170,954	253,369
Net cash used in operating activities	(40,727)	(63,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	3,219,885	2,402,416
Amounts paid on redemption of units	(5,128,037)	(5,952,521)
Dividend paid	(226,988)	-
Net cash used in financing activities	(2,135,140)	(3,550,105)
Net decrease in cash and cash equivalents during the year	(2,175,867)	(3,613,882)
Cash and cash equivalents at the beginning of the year	2,798,299	6,412,181
Cash and cash equivalents at the end of the year	622,432	2,798,299

The annexed notes from 1 to 34 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 NBP Islamic Sarmaya Izafa Fund was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 17, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through supplemental trust deed executed on October 07, 2013 for the change of name and categorization of the Fund as a shariah compliant asset allocation scheme.

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

The Fund is an open-ended mutual fund and categorised as an islamic asset allocation scheme and its units are listed on Pakistan Stock Exchange Limited. Units of the Fund are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

The investment objective of the Fund is to generate income by investing in shariah compliant equity and equity related securities and income by investing in shariah compliant bank deposits, debt and money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company on June 24, 2020 and has assigned performance ranking of 4-star to the Fund.

Title of the assets of the Fund is held in the name of CDC as a trustee of the Fund.

1.2 Impact of COVID-19

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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



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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

2.4 Critical accounting estimates and judgments

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

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

- (a) classification and valuation of financial assets (Note 4.2.2 and 5)
- (b) impairment of financial assets (Note 4.2.3)
- (c) provisions (Note 4.6)

3 Adoption of new standards, amendments and interpretations to the published approved accounting standards:

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

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



Effective from accounting period beginning on or after:

IFRS 16 - Leases: This standard superseded IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date	January 01, 2019
Amendments to IFRS 9 - Financial Instruments: Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
Amendments to IAS 19 - Employee Benefits: Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 1, 2019
Amendments to IAS 28 - Investments in Associates and Joint Ventures: Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments: Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant for the Fund.

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

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

Effective from accounting period beginning on or after:

Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material	January 01, 2020
Amendments to IFRS 3 - Business Combinations: Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2023



Effective from accounting period beginning on or after:

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

January 01, 2023

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4.2 Financial assets and liabilities

4.2.1 Initial recognition

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

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

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

4.2.2 Classification and measurement

4.2.2.1 Financial assets

There are three principal classification categories for financial assets:

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

Financial asset at amortised cost

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

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



Financial Asset at FVTOCI

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

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

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

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

Financial asset at FVTPL

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

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

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

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

Business Model Assessment

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

4.2.2.2 Financial liabilities

The fund classifies its financial liabilities in the following categories

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

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

Classification and measurement of financial liabilities

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.



- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

4.2.3 Impairment of financial assets

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

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

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

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

4.2.4 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

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

Basis of valuation of government securities:

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

Basis of valuation of equity securities

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

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

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

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

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



4.2.5 Regular way contracts

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

4.2.6 Derecognition

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

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

4.2.7 Offsetting of financial instruments

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

4.3 Impairment of non financial assets

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

4.4 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

An equalisation account called the element of income / (loss) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) 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 shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets 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.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.



4.6 Provisions

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

4.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Mark-up / return on bank balances and term deposits, term finance certificates and sukuks, government securities, letter of placement and commercial papers are recognised on a time apportionment basis using the effective interest method.

4.8 Expenses

All expenses, including remuneration of the Pension Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income statement on accrual basis

4.9 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 its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

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.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.10 Distributions to the unit holders

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

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

4.11 Earnings per unit

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

	Note	2020	2019
----- Rupees in '000 -----			
5 BANK BALANCES			
Current accounts	5.2	37,517	54,854
Savings accounts	5.1 & 5.3	584,915	2,743,445
		622,432	2,798,299



- 5.1 These savings accounts carry profit at rates ranging from 3.5% to 8.75% per annum (June 30, 2019: 2.40% to 13.85% per annum).
- 5.2 These include bank balances of Rs. 7.865 million (June 30, 2019: Rs. 4.798 million), maintained with National Bank of Pakistan.
- 5.3 These include a bank balances of Rs. 0.241 million (June 30, 2019: Rs. 0.037 million), which is maintained with National Bank of Pakistan, related party and carries mark-up at the rate of 6.25% (June 30, 2019: 10.25% per annum).

6	INVESTMENTS	Note	2020	2019
			Rupees in '000	
At fair value through profit or loss				
	Listed equity securities	6.1	2,686,257	3,911,211
	Government securities - Ijarah sukuks	6.2	974,225	-
	Sukuks	6.3	926,034	131,413
			4,586,516	4,042,624

6.1 Listed equity securities

Name of the investee company	As at July 01, 2019	Purchased during the period	Bonus / right issue	Sold during the period	As at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
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----- Number of shares ----- Rupees in '000 ----- % -----

All shares have a nominal face value of Rs. 10 each except for shares of K-Electric Limited, Thal limited and Agriautos Industries Company Limited, which have a face value of Rs. 5.

OIL AND GAS MARKETING COMPANIES

Attock Petroleum Limited	153,680	-	-	42,400	111,280	33,963	0.57	0.68	0.13
Pakistan State Oil Company Limited (5.1.1) & (5.1.2)	802,938	-	102,888	556,300	349,526	55,281	0.93	1.11	0.13
Hascol Petroleum Limited	61,141	-	-	57,717	3,424	47	-	-	0.00
Sui Northern Gas Pipelines Limited	1,102,500	767,000	-	1,342,000	527,500	28,802	0.49	0.58	0.49
Shell Pakistan Limited	67,200	-	-	67,200	-	-	-	-	-
						118,093	1.99	2.37	

OIL AND GAS EXPLORATION COMPANIES

Oil and Gas Development Company Limited	3,424,400	415,000	-	2,118,500	1,720,900	187,578	3.16	3.78	0.04
Pakistan Oilfields Limited (5.1.1)	591,132	27,000	-	535,400	82,732	29,008	0.49	0.58	0.03
Pakistan Petroleum Limited (5.1.1)	2,829,761	1,135,000	429,252	2,378,700	2,015,313	174,889	2.95	3.53	0.10
Mari Petroleum Company Limited	210,786	-	21,079	18,800	213,065	263,486	4.44	5.31	0.19
						654,961	11.04	13.20	

REFINERY

National Refinery Limited	84,900	-	-	-	84,900	9,108	0.15	0.18	1.06
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CHEMICALS

AKZO Noble Pakistan Limited	29,900	-	-	29,900	-	-	-	-	-
Dyneema Pakistan Limited	21,500	-	-	-	21,500	2,318	0.04	0.05	0.02
Ittihad Chemicals Limited	360,525	-	-	360,525	-	-	-	-	-
Engro Polymer & Chemicals Limited (5.1.1)	2,588,500	1,387,500	-	1,270,000	2,706,000	67,596	1.14	1.36	3.51
Lotte Chemical Pakistan Ltd	1,667,000	-	-	1,667,000	-	-	-	-	-
						69,914	1.18	1.41	

PAPERS AND BOARD

Cherat Packaging Limited	137,500	-	13,750	-	151,250	17,719	0.30	0.36	0.10
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FOOD AND PERSONAL CARE PRODUCTS

Al Shaheer Corporation Limited	1,566,335	-	-	-	1,566,335	17,919	0.30	0.36	1.10
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ENGINEERING

International Steels Limited	445,300	560,000	-	364,388	640,912	33,103	0.56	0.67	0.15
International Industries Limited	186,700	9,670	-	140,000	56,370	5,171	0.09	0.10	0.05
K.S.B. Pumps Company Limited	8,200	-	-	8,200	-	-	-	-	-
Mughal Iron And Steel Industries Limited	693,043	580,000	-	-	1,273,043	50,769	0.86	1.02	0.51
						89,043	1.51	1.79	

Balance carried forward

976,757 16 20



Name of the investee company	As at July 01, 2019	Purchased during the period	Bonus / right issue	Sold during the period	As at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
	----- Number of shares -----				Rupees in '000		----- % -----		
Balance brought forward						976,757	16	20	
CEMENT									
D.G. Khan Cement Company Limited	124,000	845,500	-	555,500	414,000	35,327	0.60	0.71	0.36
Lucky Cement Limited	348,750	283,000	-	99,400	532,350	245,722	4.14	4.96	0.16
Maple Leaf Cement Factory Limited	1,078,000	321,000	-	1,399,000	-	-	-	-	-
Attock Cement Pakistan Limited	44,760	-	-	44,760	-	-	-	-	-
Kohat Cement Company Limited	464,810	168,000	-	265,000	367,810	50,555	0.85	1.02	1.83
Fauji Cement Company Limited	-	2,920,000	-	-	2,920,000	49,290	0.83	0.99	2.12
Cherat Cement Company Limited	262,700	-	-	262,700	-	-	-	-	-
PECTO Cement Limited	239,200	-	-	-	239,200	4,980	0.08	0.10	0.48
						385,874	6.50	7.78	
TRANSPORT									
Pakistan National Shipping Corporation	152,200	-	-	-	152,200	11,500	0.19	0.23	0.12
TEXTILE COMPOSITE									
Nishat Mills Limited	2,219,900	114,000	-	858,100	1,475,800	115,127	1.94	2.32	0.42
Kohinoor Textile Mills Limited	1,046,780	-	-	220,000	826,780	29,359	0.49	0.59	6.20
Interloop Limited	761,377	-	-	-	761,377	33,440	0.56	0.67	-
Synthetic Products Limited	456,000	21	-	455,475	546	23	-	-	0.00
						177,949	2.99	3.58	
FERTILIZER									
Engro Corporation Limited (5.1.1)	1,606,020	91,000	-	540,500	1,156,520	338,768	5.71	6.83	0.22
Engro Fertilizers Limited	4,499,000	350,000	-	3,618,000	1,231,000	74,205	1.25	1.50	0.09
						412,973	6.97	8.32	
POWER GENERATION AND DISTRIBUTION									
The Hub Power Company Limited (5.1.1)	5,042,011	-	-	1,695,000	3,347,011	242,658	4.09	4.89	0.29
Lalpir Power Limited	407,000	-	-	-	407,000	4,750	0.08	0.10	0.11
K-Electric Limited	5,159,000	-	-	5,159,000	-	-	-	-	-
						247,408	4.17	4.99	
COMMERCIAL BANKS									
Meezan Bank Limited (Refer 5.1.2)	3,171,090	199,000	-	875,000	2,495,090	171,787	2.90	3.46	0.25
AUTOMOBILE ASSEMBLER									
Millat Tractors Limited	-	70,000	-	22,800	47,200	33,331	0.56	0.67	0.11
Honda Atlas Cars (Pakistan) Limited	6,600	148,200	-	-	154,800	29,982	0.51	0.60	0.11
						63,313	1.07	1.27	
AUTOMOBILE PARTS AND ACCESSORIES									
Baluchistan Wheels Limited	234,500	-	-	-	234,500	14,241	0.24	0.29	1.76
Thal Limited	1	-	-	-	1	-	-	-	0.00
Agriautos Industries Co. Ltd.	1,400	-	-	-	1,400	255	-	0.01	0.00
						14,496	0.24	0.29	
PHARMACEUTICALS									
Ferozsons Laboratories Limited	4,500	-	-	-	4,500	1,351	0.02	0.03	0.01
The Searle Company Limited	3,817	65,000	-	-	68,817	13,710	0.23	0.28	0.05
AGP Limited	109,000	-	-	-	109,000	11,962	0.20	0.24	0.39
GlaxoSmithKline Pakistan Limited	172,900	-	-	144,500	28,400	4,944	0.08	0.10	0.01
						31,967	0.53	0.65	
TECHNOLOGY AND COMMUNICATION									
Avanceon Limited	437,500	-	-	426,650	10,850	422	0.01	0.01	0.01
Netsol Technologies Limited	676,200	-	-	-	676,200	33,614	0.57	0.68	0.64
Systems Limited	509,300	-	-	-	509,300	93,548	1.58	1.89	0.48
						127,584	2.16	2.58	
GLASS AND CERAMICS									
Tariq Glass Industries Limited	714,800	-	285,900	143,000	857,700	55,338	0.93	1.57	1.17
Shabbir Tiles and Ceramics Limited	1,094,000	-	-	243,000	851,000	6,791	0.11	0.14	0.08
Ghani Value Glass Limited	34,500	10,500	23,100	-	68,100	2,520	0.04	0.05	1.17
						64,649	1.08	1.76	
						2,686,257	45	55	
Carrying value before mark to market as at June 30, 2020						2,620,005			

6.1.1 Investments include shares with market value of Rs. 107.93 million (June 30, 2019: Rs. 205.87 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

6.1.2 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to be



released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the current year. Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019 as a result of which the HCS issued an order dated July 15, 2019 whereby the previous stay has been restored. The matter is still pending adjudication and no provision has been recorded or contingent liability has been disclosed in the financial statements as the management is confident that the case will be decided in favor of the CISs.

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

6.2 Government securities - Ijarah sukuku

Description	Period	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 01 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
						Rupees in '000'	----- % -----		
All certificates have a face value of Rs.100,000 each									
Ijarah sukuku- I	April 30, 2020 to April 30, 2025	-	97,500	-	97,500	472,875	9.38	10.31	0.63
Ijarah sukuku- II	May 29, 2020 to May 29, 2025	-	100,000	-	100,000	501,350	9.94	10.93	0.43
						<u>974,225</u>			
Carrying value before mark to market as at June 30, 2020						<u>979,200</u>			

6.3 Sukuku

Name of the investee company	Number of certificates				Market value as at June 30, 2020	Market value as at June 30, 2019	Investment as a percentage of		
	As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020			Net assets	Market value of total investme	Issue size
						Rupees in '000	----- % -----		
All sukuku have a face value of Rs. 5,000, 100,000 and 1,000,000 each respectively.									
Dubai Islamic Bank Pakistan Limited	129	-	-	129	132,384	131,413	2.23	2.67	0.03



Engro Powergen Thar (Pvt) Limited	60,000	-	60,000	300,900	-	5.07	6.07	20.00
The HUB Power Company Limited	3,000	-	3,000	306,434	-	5.16	6.18	0.43
Engro Polymer Chemical Limited	850	-	86,316	86,316	-	1.45	1.74	9.86
PakEneqy	20,000	-	20,000	100,000	-	1.69	2.02	10.00
Market value as at June 30, 2020				926,034				
Carrying value as at June 30, 2020				917,262				

6.3.1 Other particulars of sukuks outstanding as at June 30, 2020 are as follows

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue Date	Maturity date
Dubai Islamic Bank Pakistan Limited	1,000,000	6 months KIBOR offer rate + 0.50% Spread	AA-	July 14, 2017	July 14, 2027
Engro Powergen Thar (Pvt) Limited	5,000	3 months KIBOR offer rate + 1.10% Spread	A	August 2, 2019	August 2, 2024
The HUB Power Company Limited	3,000	3 months KIBOR offer rate + 1.90% Spread	AA+	August 22, 2019	August 22, 2023
Engro Polymer Chemical Limited	100,000	3 months KIBOR offer rate + 0.90% Spread	AA	January 11, 2019	July 11, 2026
PakEneqy	5,000	3 months KIBOR offer rate + 0.90% Spread	AA	May 21, 2020	May 21, 2030

6.4 Non-performing sukuk classified as fair value through profit and loss

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size

Rupees in '000 ----- % -----

All sukuks have a face value of Rs. 5,000 each.

Eden Housing Limited	6.4.3	5,000	-	-	5,000	-	-	-	-
Carrying value as at June 30, 2020					4,922				
Accumulated impairment					4,922				

6.4.1 This represents investment in privately placed sukuks with a term of five years. On May 6, 2011, the investee company defaulted its principal and profit payment and therefore it was classified as non performing asset by MUFAP. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

6.4.2 The sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

6.4.3 Other particulars of sukuk outstanding as at June 30, 2020 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Eden House Limited	984	6 Month KIBOR plus 2.5%	Not rated	March 31, 2008	March 31, 2013

6.5 Net unrealised gain on re-measurement of investments at fair value through profit or loss	Note	Rupees in '000	
		2020	2019
Market value of investments	6.1 - 6.3	4,586,516	4,042,624
Less: carrying value of investments before mark to market	6.1 - 6.3	(4,516,467)	(5,012,648)
		70,049	(970,024)



	2020	2019
	-----Rupees in '000-----	
7 MARK-UP ACCRUED AND DIVIDEND RECEIVABLE		
Mark-up accrued on bank balances	6,378	38,035
Mark-up accrued on government securities	-	6,686
Mark-up accrued on sukuks	28,300	-
Dividend receivable	-	5,200
	34,678	49,921
8 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Security deposits with:		
- National Clearing Company of Pakistan Limited	2,500	2,500
- Central Depository Company of Pakistan Limited	100	100
Advance tax	3,339	2,714
Prepayments	137	110
	6,076	5,424

9 Receivable against transfer of units

This represented amount receivable from other collective investment scheme being managed by the Management Company of the Fund. This amount was received during the period in respect of units issued to various unit holders based on their request for transfer of units from other collective investment scheme to the Fund.

		2020	2019
		----- Rupees in '000 -----	
10 PAYABLE TO NBP FUND MANAGEMENT			
- MANAGEMENT COMPANY	Note		
Remuneration of the Management Company	10.1	6,242	12,236
Sindh Sales Tax on remuneration of the Management Company	10.2	811	1,591
Operational expenses	10.3	1,233	4,397
Selling and marketing expenses	10.4	17,717	17,590
Sales load and other transfer load		1,666	5,433
Sindh Sales Tax and Federal Excise Duty on sales load		19,551	20,041
		47,220	61,288

10.1 Under the provisions of the NBFC Regulations, the Management Company had charged remuneration at the rate of 2% of the average annual net assets, however, effective from July 12, 2019 the rate has been revised to 1.5% of the average annual net assets of the Fund from that date.

10.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

10.3 As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the scheme. Accordingly, the Management Company has charged 0.1% of the average annual net assets.

10.4 The SECP through its Circular No. SCD/PRDD/Circular/394/2018 (Circular No. 5 of 2018) dated June 04, 2018 allowed to charge selling and marketing expenses to all categories of mutual funds (except fund of funds and money market funds) subject to the Board approval of and cap of 0.4% per annum of net assets or actual, whichever is lower. In current year, SECP through its Circular No. 11 of 2019 dated July 5, 2019, has now removed the later requirement of capping (except "Fund of Funds"). Further, all the payments are required to be approved by the Trustee.

In pursuance of above circular, the Board has approved the limits to be charged in respect of these expenses.



Accordingly effective from July 12, 2019, the Fund had charged 0.4% to 1.35% of daily net asset value of the Fund, thereafter, this has been further revised by the Board from May 11, 2020 to 1.5% of daily net asset value of the Fund.

		2020	2019
	Note	----- Rupees in '000 -----	
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration of the Trustee	11.1	498	694
Sindh Sales Tax on remuneration of the Trustee	11.2	65	90
		563	784

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

The applicability of Tariff Structure to the Fund is same as upto Rs 1 billion of Net Assets @ 0.20% or 0.7 million per annum (whichever is higher) and over 1 billion Rs 2 million plus 0.10% per annum of Net Assets on amount exceeding Rs 1 billion.

Effective from 1 July, 2019 Tariff Structure to the Fund is revised as upto Rs 1 billion of Net Assets @ 0.20% per annum and over 1 billion Rs 2 million plus 0.10% per annum of Net Assets on amount exceeding Rs 1 billion.

11.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorised as an "asset allocation scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan. Effective from July 1, 2019, fee has been reduced to 0.02% per annum from 0.075% per annum. The fee is paid annually in arrears.

13 PAYABLE AGAINST REDEMPTION OF UNITS

This represents amounts payable to other collective investment schemes being managed by the Management Company of the Fund. These amounts are paid during the year in respect of units redeemed by various unit holders based on their request for transfer of units from the Fund to the other collective investment schemes.

		2020	2019
	Note	----- Rupees in '000 -----	
14 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		533	478
Provision for Sindh Workers' Welfare Fund	19	67,814	60,862
Federal Excise Duty on remuneration of the Management Company	14.1 & 14.2	18,406	18,406
Brokerage charges		473	197
Bank charges		385	38
Settlement charges		184	156
Printing charges		4	8
Charity	14.2	9,811	8,855
Withholding tax		40,667	222
Capital gain tax		235	1,595
Others		1,466	2,034
		139,978	92,851



14.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, being prudent, is carrying provision for FED aggregating to Rs. 18.406 million as at June 30, 2019. Had the provision not been made, the net asset value per unit as at June 30, 2020 would have been higher by Rs.0.05176 per unit (June 30, 2019: Rs.0.0369 per unit).

14.2 According to the instruction of the shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 9.811 million (June 30, 2019: Rs 8.855 million) is outstanding in this regard after making charity payments of Rs.3.81 million (June 30, 2019: Rs.6.35 million) to charitable institutions

15 CONTINGENCIES AND COMMITMENTS

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

16	NUMBER OF UNITS IN ISSUE	Note	2020	2019
			-----Number of units-----	
	Total units in issue at the beginning of the year		498,898,266	741,473,825
	Add: units issued during the year	16.1	214,446,764	157,502,225
	Less: units redeemed during the year		(357,762,610)	(400,077,784)
	Total units in issue at the end of the year		<u>355,582,420</u>	<u>498,898,266</u>

16.1 These units includes 151,355 allocated units which are issued subsequently to unitholders

17 NET ASSET VALUE PER UNIT

The net asset value 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 issue at the year end.



18 AUDITORS' REMUNERATION

	2020	2019
	----- Rupees in '000 -----	
Annual audit fee	378	360
Half yearly review fee	151	144
Out of pocket and sales tax expenses	134	99
	663	603

19 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

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

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

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

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 15.790 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 67.814 million (June 30, 2019: Rs. 60.862 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 0.1907 (June 30, 2019: Rs. 0.1220) per unit.

20 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding



distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute 90% of accounting income other than capital gains whether realised or unrealised to the unit holders. The fund has already distributed 90% of accounting income for the year ended June 30, 2020 to its unit holder. Accordingly, no provision in respect of taxation has been made in the current year.

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

21 EARNINGS PER UNIT

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

22 DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

The Securities and Exchange Commission of Pakistan vide its Circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular no. 7 of 2009	Sukuks (5.5)	4,922	(4,922)	-	-	-

22.1 At the time of purchase, these sukuks were in compliance with the aforementioned circular. However, they were subsequently defaulted or were downgraded to non investment grade.

23 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset for the year) is 3.49% per annum including 0.36% representing government levies on Collective Investment Schemes such as sales tax, provision for Sindh Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the year.

24 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

24.1 Connected persons and related parties include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Baltoro Growth Fund being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post employment benefit funds of the Management Company its parent and sponsor.

It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

24.2 The transactions with connected persons and related parties are carried out at agreed term.



24.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

24.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

24.5 Details of transactions with connected persons and related parties are as follows:

	2020	2019
	----- Rupees in '000 -----	
NBP Fund Management Limited - Management Company		
Remuneration of the Management Company	81,218	199,884
Sindh Sales Tax on remuneration of the Management Company	10,558	25,985
Reimbursement of operational expenses to the Management Company	5,346	9,994
Sales load	24,843	766
Sindh Sales Tax and Federal Excise Duty on sales load	3,230	106
Selling and marketing expenses	66,697	39,977
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	6,346	10,994
Sindh Sales Tax on remuneration of the Trustee	825	1,429
CDS charges	270	162
Employees of the Management Company		
Units issued / transferred in: 3,643,422 units (2019: 302,331 units)	54,414	4,653
Units redeemed / transferred out: 3,344,773 units (2019: 375,410 units)	49,466	5,724
Dividend re-invest: 13,328 units (2019: Nil units)	188	-
Taurus Securities Limited (Subsidiary of Parent of the Management Company)		
Brokerage charges	231	635
Bank Islami Pakistan Limited (Common directorship with the Management Company)		
Mark-up on bank balances	35,006	136,833
Purchase of sukuk	287,500	-
International Industries Limited (Common directorship with the Management Company)		
Shares purchased Nil (2019: 187,800)	-	32,279
Shares sold Nil (2019: 139,000)	-	21,121
Dividend income	-	896
International Steel Limited (Common directorship with the Management Company)		
Shares purchased 560,000 (2019: 1,209,800)	28,297	199,905
Shares sold 363,500 (2019: 1,386,000)	12,594	214,484
Dividend income	446	3,076
Cherat Cement Company Limited (Common directorship with the Management Company) **		
Shares sold Nil (2019: 566,500)	-	37,536
Dividend income	-	2,387
The Hub power Company Limited (Common directorship with the Management Company) *		
Ordinary Shares sold 1,695,000 (2019: Nil)	150,872	-
Purchase of Sukuk	300,000	-
Sukuk Income	41,265	-
NBP Islamic Savings Fund (Fund Managed by Management Company)		
Purchase of Sukuk	88,457	-
NBP Islamic Mahana Amdani Fund (Fund Managed by Management Company)		
Purchase of Sukuk	193,476	-
National Clearing Company of Pakistan Limited ** (Common Directorship with the Management Company)		
NCCPL Charges	775	
Pakistan Stock Exchange Limited ** (Common Directorship with the Management Company)		
Listing fee paid	25	
Portfolio managed by Management Company		
Units issued / transferred in Nil units (2019: 1,210,978 units)	-	19,016
Units redeemed / transferred out 152,578 units (2019: 1,210,978 units)	2,016	18,075



	June 30, 2020	June 30, 2019
	----- Rupees in '000 -----	
24.6 Details of amounts outstanding as at year end with connected persons are as follows :		
NBP Fund Management Limited - Management Company		
Remuneration of the Management Company	6,242	12,236
Sindh Sales Tax on remuneration of the Management Company	811	1,591
Operational expenses	1,233	4,397
Sales load	1,666	5,433
Sindh Sales Tax and Federal Excise Duty on sales load	19,551	20,041
Selling and marketing expenses	17,717	17,590
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	498	694
Sindh Sales Tax on remuneration of the Trustee	65	90
CDS charges	184	23
Security deposit	100	100
National Bank of Pakistan (Parent of the Management Company)		
Bank balances	8,107	4,836
International Industries Limited (Common directorship with the Management Company) *		
Ordinary shares held Nil shares (2019: 186,700 shares)	-	36,700
International Steel Limited (Common directorship with the Management Company)		
Ordinary shares held 640,912 shares (2019:445,300 shares)	33,103	35,737
Bank Islami Pakistan Limited (Common directorship with the Management Company)		
Bank balances	45,427	29,470
Mark-up accrued	763	20,441
Cherat Cement Company Limited (Common directorship with the Management Company) *		
Ordinary shares held Nil shares (2019: 262,700 shares)	-	45,542
Askari Bank Limited (Common directorship with the Management Company) *		
Bank balance	-	509
The Hub power Company Limited (Common directorship with the Management Company) *		
Ordinary shares held 3,347,011 shares (2019: NIL)	242,658	-
Investment in sukuk	306,434	-
Profit Receivable	3,301	-
National Clearing Company of Pakistan Limited ** (Common Directorship with the Management Company)		
NCCPL Charges payable	403	
Security Deposit	2,500	2,500
Summit Bank Limited (Common directorship with the Management Company) *		
Bank balances	-	11,016
Employees of the Management Company		
Investment held in the Fund 493,047 units (2019: 73,928 units)	6,994	1,016
(Portfolio managed by Management Company) *		
Investment held in the Fund Nil units (2019: 152,578 units)	-	2,097

** Current year balances with these parties have not been disclosed as they did not remain connected persons and related parties as at year end.

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



25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S. No	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA and CFA	32
2	Mr. Sajjad Anwar	CFA and MBA	20
3	Mr. Asim Wahab Khan	CFA	14
4	Mr. Muhammad Ali Bhabha	CFA, MBA, FRM and MS	25
5	Mr. Hassan Raza	ACCA, BSC and CFA	9

25.1 Mr. Asim Wahab Khan is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NBP Balanced Fund
- NBP Financial Sector Fund
- NBP Islamic Energy Fund
- NBP Islamic Regular Income Fund
- NBP Islamic Sarmaya Izafa Fund
- NBP Stock Fund
-

26 TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission charged during the year ended June 30, 2020

S.No	Broker name	Percentage %
1	Khadim Ali Shah Bukhari Securities Private Limited	7.08
2	Taurus Securities Limited	6.71
3	Intermarket Securities	5.16
4	Foundation Securities	5.12
5	Arif Habib Securities Limited	4.95
6	Next Capital Limited	4.81
7	Optimus Capital Management Limited	4.33
8	J.S. Global Capital Limited	4.29
9	Topline Securities Limited	4.17
10	BMA Capital Management Limited	4.09

List of top ten brokers by percentage of commission charged during the year ended June 30, 2019

S.No	Broker name	Percentage %
1	Taurus Securities Limited	6.54
2	Arif Habib Securities Limited	6.24
3	EFG Hermes Pakistan Limited (formerly Invest & Finance Securities Limited)	4.93
4	Alfalah Securities (Private) Limited	4.30
5	Topline Securities (Private) Limited	4.01
6	Aqeel Karim Dehdi Securities (Private) Limited	3.88
7	Fortune Securities	3.79
8	Optimus Capital Management Limited	3.69
9	J.S. Global Capital Limited	3.50
10	Next Capital Limited	3.47



27 PATTERN OF UNIT HOLDING

As at June 30, 2020

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	7,927	3,533,506	70.05
Insurance companies	4	15,319.19	0.30
Retirement funds	63	796,355.89	15.79
Public limited companies	2	277,997.60	5.51
Others	64	420,790.99	8.34
	8,060	5,043,970	100

As at June 30, 2019

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	9,521	526,308	66.03
Insurance companies	5	64,011	0.93
Retirement funds	83	1,396,003	20.36
Public limited companies	2	258,013	3.76
Others	88	611,039	8.91
	9,699	2,855,374	100

28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan	3	2	1	74th Meeting
Mr. Syed Hasan Irtiza Kazmi	3	3	-	-
Mr. Nasir Husain	1	-	1	72nd Meeting
Mr. Abdul Hadi Palekar	1	0	1	72nd Meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy	1	1	-	-
Mr. Khalid Mansoor	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque	1	1	-	-
Mr. Saad Amanullah Khan	3	3	-	-
Dr. Amjad Waheed	4	4	-	-



- 28.1** Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Kazmi, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan were appointed as directors on Board, with effect from October 04, 2019
- 28.2** Mr. Nasir Husain , Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque were retired as directors from Board, with effect from October 04, 2019

29 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2020		
	At fair value through profit	Amortised cost	Total
	-----Rupees in '000-----		
Financial assets			
Bank balances	-	622,432	622,432
Investments	4,586,516	-	4,586,516
Mark-up accrued and dividend receivable	-	34,678	34,678
Receivable against transfer of units	-	798	798
Deposits	-	2,600	2,600
	4,586,516	660,508	5,247,024
Financial liabilities			
Payable to the Management Company	-	47,220	47,220
Payable to the Trustee	-	563	563
Accrued expenses and other liabilities	-	3,045	3,045
Net assets attributable to redeemable units	-	5,043,970	5,043,970
	-	5,094,798	5,094,798
	As at June 30, 2019		
	At fair value through profit or loss	At amortised cost	Total
	-----Rupees in '000-----		
Financial assets			
Bank balances	-	2,798,299	2,798,299
Investments	4,042,624	-	4,042,624
Mark-up accrued and dividend receivable	-	49,921	49,921
Receivable against sale of investments	-	123,522	123,522
Deposits	-	2,600	2,600
	4,042,624	2,974,342	7,016,966
Financial liabilities			
Payable to the Management Company	-	61,288	78,944
Payable to the Trustee	-	784	1,178
Accrued expenses and other liabilities	-	2,911	13,168
Net assets attributable to redeemable units	-	6,855,373	11,502,349
	-	6,920,356	11,595,639



30 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

30.1 Market risk

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

The Management Company manages the market risk by monitoring exposure on marketable securities by following regulations laid down by the Securities and Exchange Commission of Pakistan.

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

30.1.1 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, at present is not exposed to currency risk all transactions are carried out in Pakistani Rupees.

30.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds balance in saving accounts and sukuks which are exposed to interest rate risk. In case of 100 basis points increase / decrease in bank profit rates as on June 30, 2020, the net assets of the Fund would have been higher / lower by approximately Rs. 1510.949 million. (June 30, 2019: Rs. 28.749 million)

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the fund does not hold any fixed rate instrument that has been designated at fair value through profit and loss. Therefore, a change in interest rate as at June 30, 2020, would not have any affect on the income statement.

The Fund holds Government of Pakistan Ijara sukuks that not expose the Fund to fair value interest rate risk as at June 30, 2020. In case of 100 basis points increase in coupon rate on June 30, 2020, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher by Rs.10.9975 million (June 30, 2019: Rs. 0 million) and net income for the year would have been higher by Rs. 10.9975 million (June 30, 2019: Rs. Nil). In case of 100 basis points decrease in KIBOR, with all other variables held constant, the net assets of the Fund and net income for the year would have been lower by Rs. 8.2721 million (June 30, 2019: Rs. Nil)



As at June 30, 2020

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

%

Rupees in '000

On-balance sheet financial instruments

Financial assets

Bank balances	10.40 - 14.80	622,432	584,915	-	-	37,517
Investments	6.63 - 15.50	4,586,516	-	-	1,900,259	2,686,257
Mark-up accrued and dividend receivable		34,678	-	-	-	34,678
Deposits		2,600	-	-	-	2,600

Financial liabilities

Payable to the Management Company		47,220	-	-	-	47,220
Payable to the Trustee		563	-	-	-	563
Accrued expenses and other liabilities		3,045	-	-	-	3,045
Net assets attributable to redeemable units		5,043,970	-	-	-	5,043,970
		5,094,798	-	-	-	5,094,798

On-balance sheet gap

151,428 584,915 - 1,900,259 (2,333,746)

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap

- - - - -

As at June 30, 2019

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

%

Rupees in '000

On-balance sheet financial instruments

Financial assets

Bank balances	2.40 - 6.75	2,798,299	2,743,445	-	-	54,854
Investments	11.26	4,042,624	-	-	131,413	3,911,211
Mark-up accrued and dividend receivable		49,921	-	-	-	49,921
Receivable against sale of investment		123,522	-	-	-	123,522
Deposits		2,600	-	-	-	2,600

Financial liabilities

7,016,966 2,743,445 - 131,413 4,142,108

Payable to the Management Company		61,288	-	-	-	61,288
Payable to the Trustee		784	-	-	-	784
Accrued expenses and other liabilities		2,911	-	-	-	2,911
Net assets attributable to redeemable units		6,855,373	-	-	-	6,855,373
		6,920,356	-	-	-	6,920,356

On-balance sheet gap

96,610 2,743,445 - 131,413 (2,778,248)

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap

- - - - -



30.1.3 Price risk

Price 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 (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 because of the investments held by the Fund and classified in the 'statement of assets and liabilities' as financial asset 'at fair value through profit or loss. The Fund manages price risk by limiting individual equity securities to not more than ten percent of net assets attributable to holders of the Fund's assets. Moreover, the sector limits have also been restricted to twenty five percent. The equity investments are listed in the Pakistan Stock Exchange Limited. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed on a regular basis by the investment committee as well as the Board of Directors.

In case of 5% increase / decrease in fair value on June 30, 2020, the net income for the year would increase / decrease by Rs. 32.499 million (2019: Rs.51.670 million) and net assets of the Fund would increase / decrease by the same amount. The sensitivity analysis is based on the Fund's equity security as at the statements of assets and liabilities date with all other variables held constant.

30.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. Credit risk arises from balances with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and accrued mark-up on bank balances and advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. Credit risk also arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The settlement risk of default on equity securities is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The Fund's significant credit risk arises mainly on account of its placements with banks. The credit rating profile of balances with banks is as follow:

Bank balances by rating category	2020	2019
AAA	2.72%	2.54%
AA+	0.34%	0.34%
AA	0.04%	0.04%
AA-	0.01%	0.01%
A+	7.89%	7.89%
A	88.99%	88.99%
A-	0.01%	0.01%
	100%	100%
Sukuks by rating category		
Non-performing		0%
Performing : AA- to AA+		100%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is as follows:



	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum Exposure
Bank balances	622,432	622,432	2,798,299	2,798,299
Investments	3,612,291	3,612,291	131,413	131,413
Mark-up accrued and dividend receivable	34,678	34,678	49,921	49,921
Receivable against transfer of units	798	798	123,522	123,522
Deposits	2,600	2,600	2,600	2,600
	4,272,799	4,272,799	3,105,755	3,105,755

Concentration of credit risk

The Fund mainly deals in equity securities which are primarily subject to price risk. The concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

30.3 Liquidity risk

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

The Fund is exposed to settlement of equity securities and to daily cash 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, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was 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 significant redemptions during the year.

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

	As at June 30, 2020			
	Total	Upto three months	Over three months and upto	Over one year
----- Rupees in '000 -----				
Financial liabilities				
Payable to the Management Company	47,220	47,220	-	-
Payable to the Trustee	563	563	-	-
Accrued expenses and other liabilities	3,045	3,045	-	-
Net assets attributable to redeemable units	5,043,970	5,043,970	-	-
	5,094,798	5,094,798	-	-



As at June 30, 2019

	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
Financial liabilities				
Payable to the Management Company	61,288	61,288	-	-
Payable to the Trustee	784	784	-	-
Accrued expenses and other liabilities	2,911	2,911	-	-
Net assets attributable to redeemable units	6,855,373	6,855,373	-	-
	<u>6,920,356</u>	<u>6,920,356</u>	<u>-</u>	<u>-</u>

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price. The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements 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 (that is, as prices) or indirectly (that is, derived from prices)."
- Level 3 : Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).



	Carrying amount			Fair value		
	Fair value through profit & loss	Amortized cost	Total	Level 1	Level 2	Total
----- Rupees -----						
June 30, 2020						
Financial assets measured at fair value						
Government securities - Ijarah sukuks	974,225	-	974,225	-	974,225	974,225
Sukuks	926,034	-	926,034	-	926,034	926,034
Listed equity securities	2,686,257	-	2,686,257	2,686,257	-	2,686,257
	4,586,516	-	4,586,516	2,686,257	1,900,259	4,586,516
Financial assets not measured at fair value						
Bank balances	-	622,432	622,432	-	-	-
Mark-up accrued and dividend receivable	-	34,678	34,678	-	-	-
Receivable against transfer of units	-	798	798	-	-	-
Deposits	-	2,600	2,600	-	-	-
	-	660,508	660,508	-	-	-
Financial liabilities not measured at fair value						
Payable to NBP Fund Management Limited - Management Company	-	47,220	47,220	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	563	563	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	1,069	1,069	-	-	-
Accrued expenses and other liabilities	-	3,045	3,045	-	-	-
	-	51,897	51,897	-	-	-

	Carrying amount			Fair value		
	Fair value through profit & loss	Amortized cost	Total	Level 1	Level 2	Total
----- Rupees -----						
June 30, 2019						
Financial assets measured at fair value						
Sukuks	131,413	-	131,413	-	131,413	131,413
Listed equity securities	3,911,211	-	3,911,211	3,911,211	-	3,911,211
	4,042,624	-	4,042,624	3,911,211	131,413	4,042,624
Financial assets not measured at fair value						
Bank balances	-	2,798,299	2,798,299	-	-	-
Mark-up accrued and dividend receivable	-	49,921	49,921	-	-	-
Receivable against sale of investment	-	123,522	123,522	-	-	-
Deposits, prepayments and other receivables	-	5,424	5,424	-	-	-
	-	2,977,166	2,977,166	-	-	-
Financial liabilities not measured at fair value						
Payable to NBP Fund Management Limited - Management Company	-	61,288	61,288	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	784	784	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	9,494	9,494	-	-	-
Accrued expenses and other liabilities	-	-	-	-	-	-
	-	71,566	71,566	-	-	-

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



32 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions 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 in the statement of movement in unit holders' fund.

The Fund has no restrictions on the issuance 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 maintain and complied with the requirement of minimum fund size at all times

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

In accordance with the risk management policies stated in note 28, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

33 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.

34 GENERAL

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

34.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purposes of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year

**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 year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015
Net assets at the year / period ended (Rs '000)	5,043,970	6,855,373	11,502,349	14,764,233	5,435,118	2,563,446
Net income for the year / period ended (Rs '000)	340,639	(1,096,871)	(1,323,940)	2,345,440	469,447	446,075
Net Asset Value per unit at the year / period ended (Rs)	14.1851	13.7410	15.5128	17.0820	15.5920	15.9909
Offer price per unit	14.6660	14.2068	16.0387	17.6611	16.2106	16.6309
Redemption price per unit	14.1851	13.7410	15.5128	17.0820	15.5920	15.9909
Ex - Highest offer price per unit (Rs.)	16.6461		17.8306	20.9116	16.3383	15.7930
Ex - Lowest offer price per unit (Rs.)	12.0508		15.2740	16.3405	14.0590	11.4213
Ex - Highest redemption price per unit (Rs.)	16.1003		17.2460	18.3107	15.7148	15.1854
Ex - Lowest redemption price per unit (Rs.)	11.6557		14.7732	14.2000	13.5225	11.3515
Opening Nav of Fiscal Year	13.0657	15.5128	16.9827	14.1982	13.7862	11.3515
Total return of the fund	8.57%		-8.66%	20.31%	13.10%	33.77%
- capital growth	3.40%		-8.66%	8.78%	2.95%	14.25%
- income distribution as a % of ex nav	5.17%	-	-	11.53%	10.15%	19.52%
- income distribution as a % of par value	7.25%	-	-	16.38%	15.38%	22.16%
Distribution						
Interim distribution per unit (Rs)	0.7252	-	-	1.6376	-	1.3794
Final distribution per unit (Rs)		-	-	0.0937	1.5380	0.8365
Distribution Dates						
Interim	26-Jun-20		-	21-Jun-17		
Final				15-Sep-17	29-Jun-16	29-Jun-15 26-Jun-14 14-Jul-15
Average annual return of the fund (launch date October 29, 2007)						
Since inception to June 30, 2020	11.33%					
Since inception to June 30, 2019		11.60%				
Since inception to June 30, 2018			14.01%			
Since inception to June 30, 2017				16.65%		
Since inception to June 30, 2016					16.23%	
Since inception to June 30, 2015						16.70%
Since inception to June 30, 2014						
Since inception to June 30, 2013						
Since inception to June 30, 2012						
Since inception to June 30, 2011						
Since inception to June 30, 2010						
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 Islamic Sarmaya Izafa Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. www.nbpfunds.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NBP Islamic Sarmaya Izafa Fund				
	Resolutions	For	Against	Abstain*
Number	4	4	Nil	N/A
(%)	100%	100%	-	-

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