



*Managing Your Savings*

**NBP Fund Management Limited**



# **NBP FINANCIAL SECTOR FUND**

**ANNUAL** REPORT  
2022

**AM1**  
Rated by PACRA

# **MISSION STATEMENT**

"To become country's most  
investor-focused company,  
by assisting investors  
in achieving their financial goals."

## Contents

<b>FUND'S INFORMATION</b>	<b>03</b>
<b>DIRECTORS' REPORT</b>	<b>07</b>
<b>TRUSTEE REPORT TO THE UNIT HOLDERS</b>	<b>13</b>
<b>FUND MANAGER REPORT</b>	<b>14</b>
<b>INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS</b>	<b>17</b>
<b>STATEMENT OF ASSETS AND LIABILITIES</b>	<b>20</b>
<b>INCOME STATEMENT</b>	<b>21</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>22</b>
<b>STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND</b>	<b>23</b>
<b>CASH FLOW STATEMENT</b>	<b>24</b>
<b>NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS</b>	<b>25</b>
<b>PERFORMANCE TABLE</b>	<b>47</b>
<b>PROXY ISSUED BY THE FUND</b>	<b>48</b>

## 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. Tauqeer Mazhar	Director
Ms. Mehnaz Salar	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
Ms. Mehnaz Salar	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
Mr. Saad Amanullah Khan	Member

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tauqeer Mazhar	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

### Trustee

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

### Bankers to the Fund

MCB Bank Limited  
JS Bank Limited  
Meezan Bank Limited  
Habib Bank Limited  
United Bank Limited  
Bank Al Habib Limited  
Allied Bank Limited  
Bankislami Pakistan Limited  
National Bank of Pakistan



## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

## Board of Directors



**Dr. Amjad Waheed, CFA**  
Chief Executive Officer



**Shaikh Muhammad Abdul Wahid Sethi**  
Chairman



**Mr. Khalid Mansoor**  
Director



**Mr. Humayun Bashir**  
Director



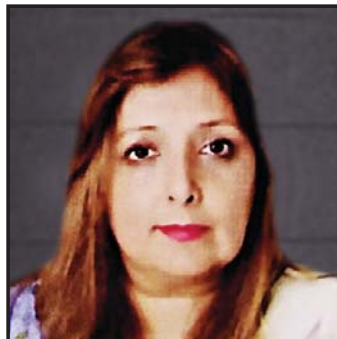
**Mr. Tauqeer Mazhar**  
Director



**Mr. Ali Saigol**  
Director



**Mr. Saad Amanullah Khan**  
Director



**Ms. Mehnaz Salar**  
Director



**Mr. Imran Zaffar**  
Director

## Senior Management



**Dr. Amjad Waheed, CFA**  
Chief Executive Officer



**Mr. Muhammad Murtaza Ali**  
Chief Operating Officer &  
Company Secretary



**Mr. Asim Wahab Khan, CFA**  
Chief Investment Officer



**Mr. Ozair Khan**  
Chief Technology Officer



**Mr. Salim S Mehdi**  
Chief Innovation &  
Strategy Officer



**Mr. Samiuddin Ahmed**  
Country Head Corporate Marketing



**Mr. Khalid Mehmood**  
Chief Financial Officer



**Mr. Salman Ahmed, CFA**  
Head of Fixed Income



**Mr. Hassan Raza, CFA**  
Head of Research



**Mr. Muhammad Umer Khan**  
Head of Human Resources &  
Administration



**Syed Sharoz Mazhar, CFA**  
Head of Business &  
Sales Strategy



**Mr. Zaheer Iqbal, ACA FPFA**  
Head of Operations



**Mr. Waheed Abidi**  
Head of Internal Audit



**Mr. Muhammad Imran, CFA, ACCA**  
Head of Portfolio Management



**Syed Haseeb Ahmed Shah**  
Head of Compliance

## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Fourth Annual Report for the period ended June 30, 2022, since launch of **NBP Financial Sector Fund (NFSF)** on February 14, 2018.

### Fund's Performance

FY22 remained a disappointing year for the stock market, as the KSE-100 index fell by around 12.3% on a yearly basis. This comes after robust return in FY21 when index surged by a healthy 37.6% YoY. Throughout the year, the market remained quite volatile amid thin volumes, traded within a range and showing lack of investors' interest.

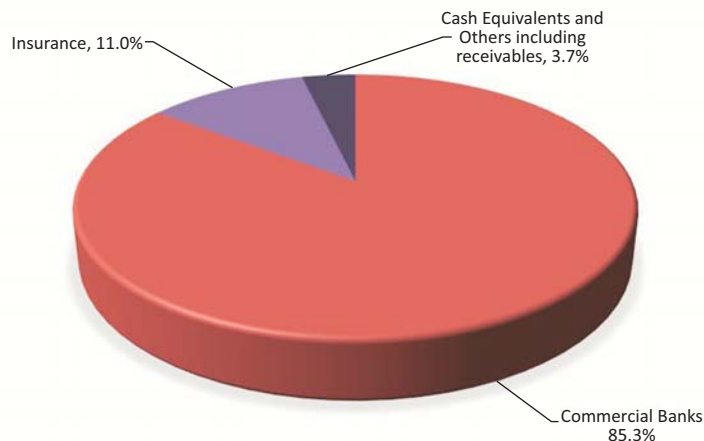
The subdued equity market performance was despite robust corporate profitability of listed companies, which for the first three quarters of FY22 stood at 25% and, even after the imposition of super tax, is expected to deliver double digit growth. Investors remained focused on external numbers, especially the burgeoning current account deficit (CAD) which rose sharply to USD 17.3 billion in FY22 (up from USD 2.8 billion in FY21). Strong aggregate domestic demand and ongoing commodity super-cycle amidst the conflict between Russia & Ukraine worsened the external trade numbers. Market participants also remained wary of impact of elevated commodity prices on inflation, which averaged around 12.2% in FY22, with June-22 monthly inflation at multi-year high of 21.3%. The international bond yields rose substantially during the period. To compress both external imbalances and rampant inflation, the central bank raised Policy Rates aggressively by a cumulative 6.75% in FY22. For the same reason, PKR also devalued by a whopping 30% during the year. The inordinate delay in resumption of IMF program remained another reason for nervousness in the market. The downgrade of Pakistan from MSCI Emerging Market to MSCI Frontier Market also took place during the year, necessitating rebalancing on part of foreign investors that resulted in sizeable foreign outflows, which further dented market performance. Lastly, there was heightened political uncertainty in the country as the ruling party lost its majority in the assembly and new coalition government was formed.

In terms of sector wise performance, Auto Assemblers, Chemicals, Commercial Banks, Fertilizers, Oil & Gas Exploration, and Power Generation & Distribution sectors outperformed the market. On the other hand, Auto Parts & Acc., Cable & Electrical Goods, Cements, Engineering, Food & Personal Care, Insurance, Oil & Gas Marketing, Pharmaceutical, Refinery, and Technology sectors lagged the market. On participants-wise market activity, Foreigners and Mutual Funds were the largest net sellers with outflows of around USD 298 million and USD 128 million, respectively. On the contrary, Individuals & Bank/DFIs increased their net holdings by around USD 157 million and USD 115 million, respectively.

During the fiscal year, NBP Financial Sector Fund decreased by 7.6% return as against the KSE-30 index decreased by 10.4%, outperforming the benchmark by 2.8% during the year. The Fund outperformed as the fund was overweight in select Commercial Banks sector stocks which outperformed the market. Since inception (February 14, 2018), NBP Financial Sector Fund has decreased by 14.8%, whereas the KSE-30 index has decreased by 3.2%, thus to date underperformance is 11.6%. This underperformance is net of management fee and all other expenses. The Fund size is 372 mln as of June 30, 2022.

NBP Financial Sector Fund has incurred a loss of Rs. 14.76 million during the year. After incurring total expenses of Rs. 21.03 million, the total loss is Rs. 35.79 million. During the year, the unit price of NBP Financial Sector Fund has decreased from Rs. 8.9014 (Ex-Div) on June 30, 2021 to Rs. 8.2214 on June 30, 2022. The resultant per unit loss is Rs. 0.6800 (-7.64%).

The asset allocation of NBP Financial Sector Fund as on June 30, 2022 is as follows:





## Income Distribution

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

## Taxation

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

## Sindh Workers' Welfare Fund (SWWF)

On August 2021, provisioning against Sindh Workers' Welfare Fund by NBP Financial Sector Fund amounting to Rs. 2.90 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the NBP Financial Sector Fund by 0.65% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

## Auditors

The present auditors Messrs A. F. Ferguson & Co. Chartered Accountants, has completed their five years tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the replacement would be required. The Board has approved the appointment of Messrs Yousuf Adil Chartered Accountants, offer for appointment for the year ending June 30, 2023.

## 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 five meetings during the year. The attendance of all directors is disclosed in the note 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2022, the Board included:

Category	Names
<b>Independent Directors</b>	1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
<b>Executive Director</b>	Dr. Amjad Waheed - Chief Executive Officer
<b>Non-Executive Directors</b>	1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Tauqeer Mazhar 3. Ms. Mehnaz Salar 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 Officer**

**Director**

Date: **September 27, 2022**  
Place: Karachi.

## ڈائریکٹرز رپورٹ

این پی فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز اپنے آغاز (14 فروری 2018) سے NBP فنانشل سیکٹرز فنڈ کی چوتھی سالانہ رپورٹ برائے نختہ سال 30 جون 2022ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

مالی سال 22 اشاک مارکیٹ کے لیے ایک مایوس کن سال رہا، کیونکہ KSE-100 انڈیکس سالانہ بنیادوں پر تقریباً 12.3 فیصد گر گیا۔ یہ کمی مالی سال 21 میں انڈیکس میں 37.6 فیصد سالانہ مستحکم اضافہ کے بعد ہوئی۔ پورے سال کے دوران، مارکیٹ کم حجم کے کافی اتار چڑھاؤ کا شکار رہی، تجارت ایک حد کے اندر کی گئی اور سرمایہ کاروں کی دلچسپی میں کمی دکھائی دی۔

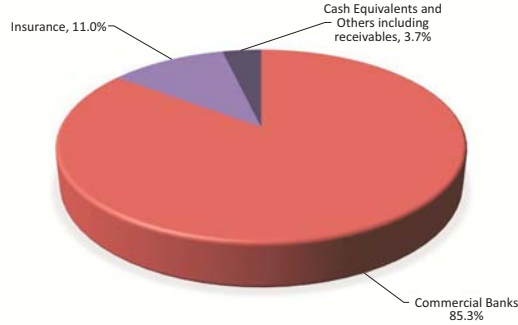
لسٹڈ کمپنیوں کے مستحکم کارپوریٹ منافع کے باوجود ایکویٹی مارکیٹ کی کارکردگی ناقص رہی، جو کہ مالی سال 22 کی پہلی تین ماہیوں میں 25 فیصد رہی اور پھر ٹیکس کے نفاذ کے بعد نمودار ہندسوں میں رہنے کی توقع ہے۔ سرمایہ کاروں کی توجہ بیرونی اعداد پر مرکوز رہی، خاص طور پر بڑھتے ہوئے کرنٹ اکاؤنٹ خسارہ (CAD) جو مالی سال 22 میں تیزی سے بڑھ کر 17.3 بلین امریکی ڈالر (FY21 میں 2.8 بلین امریکی ڈالر) ہو گیا۔ روس اور یوکرین کے درمیان تنازعہ کے باعث مضبوط مجموعی ملکی طلب اور اجناس کے جاری سپر سائیکل نے بیرونی تجارتی اعداد کو مزید خراب کر دیا۔ مارکیٹ کے شرکاء اجناس کی افراط زر اور زیادہ قیمتوں کے اثرات سے بھی جتنا طر ہے، جو کہ مالی سال 22 میں اوسط تقریباً 12.2 فیصد سے جون 22 میں ماہانہ افراط زر 21.3 فیصد کی کثیر سالہ بلند ترین سطح پر تھی۔ اس عرصے کے دوران بین الاقوامی بانڈ کے منافع میں خاطر خواہ اضافہ ہوا۔ دونوں، بیرونی عدم توازن اور بڑھتی ہوئی افراط زر کو کم کرنے کے لیے، مرکزی بینک نے مالی سال 22 میں مجموعی طور پر پالیسی کی ضرورت کی شرحوں میں 6.75 فیصد تک جارحانہ اضافہ کیا۔ اسی وجہ سے، پاکستانی روپیہ کی قدر میں بھی سال کے دوران 30% کمی ہوئی۔ آئی ایم ایف پروگرام کی دوبارہ سحالی ہونے میں غیر معمولی تاخیر مارکیٹ میں پریشانی کی دوسری اہم وجہ رہی۔ سال کے دوران MSCI ایمریکن مارکیٹ سے MSCI فرنٹیر مارکیٹ میں پاکستان کی تنزلی بھی ہوئی، جس سے غیر ملکی سرمایہ کاروں کی جانب سے دوبارہ توازن کی ضرورت پڑی جس کے نتیجے میں بڑے پیمانے پر غیر ملکی اخراج ہوئے، جس نے مارکیٹ کی کارکردگی کو مزید نقصان پہنچایا۔ آخر، ملک میں سیاسی غیر یقینی صورتحال عروج پر پہنچ گئی کیونکہ حکمران جماعت اسمبلی میں اپنی اکثریت کھو بیٹھی اور نئی مخلوط حکومت قائم ہوئی۔

شعبہ جات کارکردگی کے لحاظ سے، آٹو اسمبلرز، کیمیکلز، کمرشل بینک، فرنیچر، آئل اینڈ گیس ایکسپلوریشن، اور پاور جنریشن اور ڈسٹری بیوٹن سیکٹرز نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا۔ دوسری طرف، آٹو پارٹس اینڈ ایکسیسریز، کیمیکل اور الیکٹریکل سامان، سینٹ، انجینئرنگ، خوراک اینڈ ڈاٹا ٹیکنالوجی، انشورنس، آئل اینڈ گیس مارکیٹنگ، فارماسیوٹیکل، ریٹائٹری اور ٹیکنالوجی کے شعبے مارکیٹ میں پیچھے رہے۔ شرکاء کے لحاظ سے مارکیٹ کی سرگرمیوں پر، غیر ملکی اور میڈیٹل فنڈز بالترتیب 298 بلین امریکی ڈالر اور 128 بلین امریکی ڈالر کے اخراج کے ساتھ سب سے زیادہ خالص فروخت کنندگان رہے۔ اس کے برعکس، افراد اور بینک/DFIs نے اپنے خالص ہولڈنگز میں بالترتیب 157 بلین امریکی ڈالر اور 115 بلین امریکی ڈالر کا اضافہ کیا۔

مالی سال کے دوران، NBP فنانشل سیکٹرز فنڈ KSE-30 انڈیکس میں 10.4% کمی کے مقابلے میں 7.6% تک کم ہوا، سال کے دوران 2.8% کیچنگ مارک بہتر کارکردگی دکھائی۔ فنڈ کی بہتر کارکردگی کمرشل بینکس سیکٹرز اسٹاکس کے انتخاب میں تھی جس نے مارکیٹ میں بہتر کارکردگی دکھائی۔ اپنے آغاز (14 فروری 2018) سے، NBP فنانشل سیکٹرز فنڈ میں 14.8 فیصد کمی ہوئی، جبکہ KSE-30 انڈیکس 3.2 فیصد کم ہوا، چنانچہ آج تک ایتر کارکردگی 11.6% ہے۔ یہ بہتر کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ 30 جون 2022 کو فنڈ کا سائز 372 ملین تھا۔

NBP فنانشل سیکٹرز فنڈ کو سال کے دوران 14.76 بلین روپے کا مجموعی نقصان ہوا۔ 21.03 بلین روپے کے مجموعی اخراجات برداشت کرنے کے بعد، خالص نقصان 35.79 بلین روپے ہے۔ سال کے دوران NBP فنانشل سیکٹرز فنڈ کی پونٹ پرائس 30 جون 2021 کو 8.9014 روپے (Ex-Div) سے کم ہو کر 30 جون 2022 کو 8.2214 روپے ہو گئی۔ جس کے نتیجے میں فی پونٹ نقصان 0.6800 روپے (-7.64%) ہے۔

30 جون 2022 کے مطابق NBP فنانشل سیکٹرز فنڈ کی ایسٹ ایلوکیشن حسب ذیل ہے:



## آمدنی کی تقسیم

سال کے خالص نقصان کی وجہ سے، کوئی تقسیم نہیں کی گئی۔

## ٹیکسیشن

خالص نقصان کی وجہ سے، فنڈ کے مالی بیانات میں ٹیکس لگانے کا کوئی بندوبست نہیں کیا گیا

## سندھ ورکرز ویلفیئر فنڈ (SWWF)

13 اگست 2021 کو NBP فنانشل سیکٹرز فنڈ کی طرف سے سندھ ورکرز ویلفیئر فنڈ کی پروویڈنٹ کے بعدمراسلہ نمبر SRB/TP/70/2013/8772 مورخہ 12 اگست 2021 کی رو سے سندھ ریونیو بورڈ کی طرف سے موصولہ کلیریفیکیشن کے بعد ریکارڈ کی گئی 2.90 ملین روپے کی پروویڈنٹ کی رپورٹس کر دی گئی۔ پروویڈنٹ کی اس واپسی کے باعث 13 اگست 2021 کو NBP فنانشل سیکٹرز فنڈ کی NAV میں 0.65% کا غیر معمولی اضافہ ہوا ہے۔ یہ ایک ایسا موقع ہے جو کہ مستقبل میں دوبارہ آنے کا امکان نہیں ہے۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹ کی حیثیت سے اپنی پانچ سالہ مدت پوری کر لی ہے۔ غیر بینکنگ مالیاتی کمپنیاں اور مطلع شدہ اداروں کے ضوابط، 2008 کے ریگولیشنز 38(1) کی ضرورت کے مطابق، متبادل کی ضرورت ہوگی۔ بورڈ نے میسرز یوسف عادل چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دے دی ہے، جو 30 جون 2023 کو ختم ہونے والے سال کے لیے تقرری کی پیشکش ہے۔

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

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔



- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں ظاہر کی گئی ہے۔
- 11 بونٹ ہولڈنگ کا تفصیلی پیرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز ہی ای او، سی ایف او، کپٹی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پینس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریٹ نہیں رکھتی۔ 30 جون 2022 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

نام	کیٹگری
•1 جناب خالد منصور •2 جناب سعد امان اللہ خان •3 جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
•1 شیخ محمد عبدالواحد سیٹھی (چیئرمین) •2 جناب توقیر مظہر •3 محترمہ مہنا ز سالار •4 جناب علی سیگل •5 جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

## اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے بینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر بونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

**NBP فنڈ بینجمنٹ لمیٹڈ**

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 27 ستمبر 2022ء

مقام: کراچی

## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Financial Sector Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2022 in accordance with the provisions of the following:

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

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 28, 2022

## FUND MANAGER REPORT

### NBP Financial Sector Fund

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

### Investment Objective of the Fund

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

### Benchmark

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

### Fund performance review

This is the fifth annual report. During the fiscal year, NBP Financial Sector Fund decreased by 7.6% return as against the KSE-30 index decreased by 10.4%, outperforming the benchmark by 2.8% during the year. Since inception (February 14, 2018), NBP Financial Sector Fund has decreased by 14.8%, whereas the KSE-30 index has decreased by 3.2%, thus to date underperformance is 11.6%. This outperformance is net of management fee and all other expenses. The Fund size is 372 mln as of June 30, 2022.

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

**NFSF Performance vs. Benchmark during FY22**



FY22 remained a disappointing year for the stock market, as the KSE-100 index fell by around 12.3% on a yearly basis. This comes after robust return in FY21 when index surged by a healthy 37.6% YoY. Throughout the year, the market remained quite volatile amid thin volumes, traded within a range and showing lack of investors' interest.

The subdued equity market performance was despite robust corporate profitability of listed companies, which for the first three quarters of FY22 stood at 25% and, even after the imposition of super tax, is expected to deliver double digit

growth. Investors remained focused on external numbers, especially the burgeoning current account deficit (CAD) which rose sharply to USD 17.4 billion in FY22 (up from USD 2.8 billion in FY21). Strong aggregate domestic demand and ongoing commodity super-cycle amidst the conflict between Russia & Ukraine worsened the external trade numbers. Market participants also remained wary of impact of elevated commodity prices on inflation, which averaged around 12.1% in FY22, with June-22 monthly inflation at multi-year high of 21.3%. The international bond yields rose substantially during the period. To compress both external imbalances and rampant inflation, the central bank raised Policy Rates aggressively by a cumulative 6.75% in FY22. For the same reason, PKR also devalued by a whopping 30% during the year. The inordinate delay in resumption of IMF program remained another reason for nervousness in the market. The downgrade of Pakistan from MSCI Emerging Market to MSCI Frontier Market also took place during the year, necessitating rebalancing on part of foreign investors that resulted in sizeable foreign outflows, which further dented market performance. Lastly, there was heightened political uncertainty in the country as the ruling party lost its majority in the assembly and new coalition government was formed.

In terms of sector wise performance, Auto Assemblers, Chemicals, Commercial Banks, Fertilizers, Oil & Gas Exploration, and Power Generation & Distribution sectors outperformed the market. On the other hand, Auto Parts & Acc., Cable & Electrical Goods, Cements, Engineering, Food & Personal Care, Insurance, Oil & Gas Marketing, Pharmaceutical, Refinery, and Technology sectors lagged the market. On participants-wise market activity, Foreigners and Mutual Funds were the largest net sellers with outflows of around USD 298 million and USD 128 million, respectively. On the contrary, Individuals & Bank/DFIs increased their net holdings by around USD 157 million and USD 115 million, respectively.

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

Particulars	30-Jun-22	30-Jun-21
Equities / Stocks	96.4%	97.7%
Cash Equivalents	3.7%	3.1%
Other Net Liabilities	(0.1)	(0.8)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### Distribution for the Financial Year 2022

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

#### Unit Holding Pattern

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	5
1-1000	61
1001-5000	25
5001-10000	13
10001-50000	15
50001-100000	9
100001-500000	16
500001-1000000	2
1000001-5000000	8
5000001-10000000	-
10000001-100000000	1
<b>Total</b>	<b>155</b>



## 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 in the report. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

## Sindh Workers' Welfare Fund (SWWF)

During the month of August 2021, provisioning against Sindh Workers' Welfare Fund by NBP Financial Sector Fund amounting to Rs. 2.90 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the NBP Financial Sector Fund by 0.65% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NBP Financial Sector Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of NBP Financial Sector Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2022, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Net Asset Value</b> (Refer note 5 to the annexed financial statements)</p> <p>The investments constitute the most significant component of the net asset value (NAV). The investments of the Fund as at June 30, 2022 amounted to Rs. 359.045 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2022 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>obtained independent confirmation for verifying the existence of the investment portfolio as at June 30, 2022 and traced balances in this confirmation with the books and records of the Fund. Where such confirmation was not available, alternate audit procedures were performed; and</li> <li>re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li> </ul>

## Other Information

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

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

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

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

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

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

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

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

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

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

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

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

**A.F. Ferguson & Co.**  
**Chartered Accountants**  
Karachi  
Date: September 28, 2022

UDIN: AR202210061h5kYVLQsr

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2022

	Note	2022 -----Rupees in '000-----	2021
<b>Assets</b>			
Bank balances	4	13,757	13,827
Investments	5	359,045	434,858
Profit and dividend receivable	6	268	85
Deposits and other receivables	7	2,948	2,948
Preliminary expenses and floatation costs	8	414	1,084
<b>Total assets</b>		<b>376,432</b>	<b>452,802</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company	9	3,034	3,066
Payable to Central Depository Company of Pakistan Limited - the Trustee	10	73	85
Payable to the Securities and Exchange Commission of Pakistan	11	89	112
Accrued expenses and other liabilities	12	740	4,354
<b>Total liabilities</b>		<b>3,936</b>	<b>7,617</b>
<b>NET ASSETS</b>		<b>372,496</b>	<b>445,185</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>372,496</b>	<b>445,185</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	14	<b>45,308,186</b>	<b>50,012,837</b>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>		<b>8.2214</b>	<b>8.9014</b>

The annexed notes from 1 to 29 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, 2022

	Note	2022 -----Rupees in '000-----	2021
<b>Income</b>			
Profit on bank balances		1,092	1,285
Dividend income		38,824	35,541
(Loss) / gain on sale of investments - net		(3,616)	72,451
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.2	(53,752)	50,083
		<u>(57,368)</u>	<u>122,534</u>
<b>Total (loss) / income</b>		<b>(17,452)</b>	<b>159,360</b>
<b>Expenses</b>			
Remuneration of NBP Fund Management Limited - the Management Company	9.1	6,670	8,429
Sindh sales tax on remuneration of the Management Company	9.2	867	1,096
Reimbursement of allocated expenses	9.3	874	736
Reimbursement of selling and marketing expenses	9.4	9,067	10,014
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	10.1	889	1,124
Sindh sales tax on remuneration of the Trustee	10.2	116	146
Annual fees to the Securities and Exchange Commission of Pakistan	11.1	89	112
Securities transaction cost		496	896
Auditors' remuneration	15	662	714
Amortisation of preliminary expenses and floatation costs	8	670	671
Annual listing fee		28	28
Printing charges		12	126
Legal and professional charges		277	174
Settlement and bank charges		313	357
<b>Total operating expenses</b>		<b>21,030</b>	<b>24,623</b>
<b>Net (loss) / income from operating activities</b>		<b>(38,482)</b>	<b>134,737</b>
Reversal of provision / (provision against) Sindh Workers' Welfare Fund - net	12.1	2,695	(2,695)
<b>Net (loss) / income for the year before taxation</b>		<b>(35,787)</b>	<b>132,042</b>
Taxation	17	-	-
<b>Net (loss) / income for the year after taxation</b>		<b>(35,787)</b>	<b>132,042</b>
<b>Earnings / (loss) per unit</b>	18		
<b>Allocation of income for the year:</b>			
Net income for the year after taxation		-	132,042
Income already paid on units redeemed		-	(73,789)
		<u>-</u>	<u>58,253</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	47,962
- Excluding capital gains		-	10,291
		<u>-</u>	<u>58,253</u>

The annexed notes from 1 to 29 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, 2022

	2022	2021
	-----Rupees in '000-----	
<b>Net (loss) / income for the year after taxation</b>	<b>(35,787)</b>	132,042
Other comprehensive income for the year	-	-
<b>Total comprehensive (loss) / income for the year</b>	<b><u>(35,787)</u></b>	<b><u>132,042</u></b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2022

	2022			2021		
	Capital value	Accumulated losses	Total	Capital value	Accumulated losses	Total
	Rupees in '000			Rupees in '000		
<b>Net assets at the beginning of the year</b>	672,914	(227,729)	445,185	851,377	(272,980)	578,397
Issue of 28,567,918 units (2021: 32,800,844 units)						
- Capital value (at ex - net asset value per unit)	254,294	-	254,294	250,890	-	250,890
- Element of income	14,652	-	14,652	37,260	-	37,260
Total proceeds on issuance of units	268,946	-	268,946	288,150	-	288,150
Redemption of 33,272,569 units (2021: 58,406,525 units)						
- Capital value (at ex - net asset value per unit)	(296,172)	-	(296,172)	(446,746)	-	(446,746)
- Element of loss	(9,676)	-	(9,676)	(17,126)	(73,789)	(90,915)
Total payments on redemption of units	(305,848)	-	(305,848)	(463,872)	(73,789)	(537,661)
Total comprehensive (loss) / income for the year	-	(35,787)	(35,787)	-	132,042	132,042
Distribution during the year						
@ Re 0.3281 per unit (date of declaration: June 25, 2021)	-	-	-	(2,741)	(13,002)	(15,743)
<b>Net assets at the end of the year</b>	<b>636,012</b>	<b>(263,516)</b>	<b>372,496</b>	<b>672,914</b>	<b>(227,729)</b>	<b>445,185</b>
Accumulated loss brought forward						
- Realised loss		(277,812)			(124,931)	
- Unrealised loss		50,083			(148,049)	
		(227,729)			(272,980)	
Accounting income available for distribution						
- Relating to capital gains		-			47,962	
- Excluding capital gains		-			10,291	
		-			58,253	
Distribution during the year						
@ Re 0.3281 per unit (date of declaration: June 25, 2021)		-			(13,002)	
Total comprehensive loss for the year ended June 30, 2022		(35,787)			-	
Accumulated loss carried forward		(263,516)			(227,729)	
Accumulated loss carried forward						
- Realised loss		(209,764)			(277,812)	
- Unrealised gain / (loss)		(53,752)			50,083	
		(263,516)			(227,729)	
				(Rupees)		(Rupees)
Net asset value per unit at the beginning of the year			8.9014			7.6489
Net asset value per unit at the end of the year			8.2214			8.9014

The annexed notes from 1 to 29 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, 2022

	2022	2021
Note	-----Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) / income for the year before taxation	(35,787)	132,042
<b>Adjustments for:</b>		
Profit on bank balances	(1,092)	(1,285)
Amortisation of preliminary expenses and floatation costs	670	671
Dividend income	(38,824)	(35,541)
(Reversal) / provision on Workers' Welfare Fund - net	(2,695)	2,695
Net unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	53,752	(50,083)
	11,811	(83,543)
<b>Decrease in assets</b>		
Investments	22,061	167,343
Receivable against sale of investments	-	4,078
	22,061	171,421
<b>(Decrease) in liabilities</b>		
Payable to NBP Fund Management Limited - the Management Company	(32)	(1,376)
Payable to Central Depository Company of Pakistan Limited - the Trustee	(12)	(22)
Payable to the Securities and Exchange Commission of Pakistan	(23)	(40)
Accrued expenses and other liabilities	(919)	1,010
	(986)	(428)
	(2,901)	219,492
Dividend received	38,741	35,541
Profit received	992	1,298
<b>Net cash generated from operating activities</b>	<b>36,832</b>	<b>256,331</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts from issuance of units - net of refund of element	268,946	285,409
Net payments against redemption of units	(305,848)	(537,661)
Distributions paid	-	(13,002)
<b>Net cash used in financing activities</b>	<b>(36,902)</b>	<b>(265,254)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(70)</b>	<b>(8,923)</b>
Cash and cash equivalents at the beginning of the year	13,827	22,750
<b>Cash and cash equivalents at the end of the year</b>	<b>13,757</b>	<b>13,827</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Financial Sector Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 04 January, 2018 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

During the year ended June 30, 2021 the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on October 26, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

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

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

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

The Pakistan Credit Rating Agency (PACRA) has reaffirmed the asset manager rating of the Management Company of AM1 (2021: AM1) on June 22, 2022. The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.

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

### 2 BASIS OF PRESENTATION

#### 2.1 Statement of compliance

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

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

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

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting period beginning on July 1, 2021. However, these do not have any significant impact on the Fund's operations, and therefore have not been detailed in these financial statements.

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

There are certain amendments that are mandatory for the Fund's accounting period beginning on or after July 1, 2022 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

## **2.4 Critical accounting estimates and judgments**

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

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.2 and 5).

## **2.5 Basis of measurement**

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

## **2.6 Functional and presentation currency**

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

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 Cash and cash equivalents**

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

### **3.2 Financial assets**

#### **3.2.1 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried

'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the income statement.

## 3.2.2 Classification and subsequent measurement

### 3.2.2.1 Equity instruments

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

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

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

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

### 3.2.3 Impairment

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

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

### 3.2.4 Regular way contracts

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

### 3.2.5 Derecognition

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

## 3.3 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

## 3.4 Offsetting of financial assets and financial liabilities

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

## 3.5 Provisions

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

## 3.6 Net asset value per unit

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

## 3.7 Issue and redemption of units

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

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

## 3.8 Distributions to unit holders

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

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

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

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

## 3.10 Revenue recognition

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

### 3.11 Expenses

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

### 3.12 Preliminary expenses and floatation costs

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

### 3.13 Taxation

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

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

### 3.14 Earnings / (loss) per unit

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

### 3.15 Foreign currency translation

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

4	<b>BANK BALANCES</b>	Note	2022 Rupees in '000	2021 Rupees in '000
	Balances with banks in:			
	Savings accounts	4.1	13,757	13,636
	Current accounts		-	191
			<u>13,757</u>	<u>13,827</u>

4.1 These include a balances of Rs 8.497 million (2021: Rs 7.570 million) and Rs 0.106 million (2021: Rs 0.106 million) maintained with BankIslami Pakistan Limited and National Bank of Pakistan (related parties) that carry profit at the rate of 14.50% per annum (2021: 6.8% per annum) and 12.25% per annum (2021: 4.5% per annum) respectively. Other savings accounts of the Fund carry profit rates ranging from 6.50% to 10.30% per annum (2021: 4.5% to 8% per annum).

5	<b>INVESTMENTS</b>	Note	2022 Rupees in '000	2021 Rupees in '000
	<b>Financial asset at fair value through profit or loss</b>			
	Quoted equity securities	5.1	<u>359,045</u>	<u>434,858</u>

## 5.1 Investments in equity securities - listed

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

Name of the investee company	As at July 1, 2021	Purchased during the year	Bonus / right shares received during the year	Sold during the year	As at June 30, 2022	Market value as at June 30, 2022	Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
							net assets of the Fund	total market value of investments	
----- Number of shares held -----						Rupees in '000	----- % -----		
<b>INSURANCE</b>									
IGI Holdings Limited	109,900	50,000	-	7,400	152,500	16,888	4.53%	4.70%	0.11%
Adamjee Insurance Company Limited	1,117,000	-	-	348,500	768,500	24,254	6.51%	6.76%	0.22%
						41,142	11.04%	11.46%	
<b>COMMERCIAL BANKS</b>									
Allied Bank Limited	230,500	-	-	126,000	104,500	7,211	1.94%	2.01%	0.01%
Askari Bank Limited	605,000	-	-	181,000	424,000	7,390	1.98%	2.06%	0.03%
Bank Alfalah Limited [note 5.1.1]	1,323,350	726,920	-	416,500	1,633,770	52,281	14.04%	14.56%	0.09%
Bank Al Habib Limited	871,500	262,883	-	224,512	909,871	52,827	14.18%	14.71%	0.08%
Bank of Punjab [note 5.1.1]	1,059,500	-	90,563	335,000	815,063	4,418	1.19%	1.23%	0.03%
Faysal Bank Limited [note 5.1.2]	982,875	558,500	-	78,500	1,462,875	33,734	9.06%	9.40%	0.10%
MCB Bank Limited	139,700	15,700	-	103,500	51,900	6,383	1.71%	1.78%	0.00%
Meezan Bank Limited	237,305	191,051	35,596	160,686	303,266	34,263	9.20%	9.54%	0.02%
National Bank of Pakistan - a related party	-	83,000	-	-	83,000	2,320	0.62%	0.63%	0.00%
United Bank Limited [note 5.1.1]	550,351	75,400	-	253,300	372,451	42,135	11.31%	11.74%	0.03%
Habib Metropolitan Bank Limited	379,000	279,000	-	70,000	588,000	22,961	6.16%	6.40%	0.06%
Habib Bank Limited [note 5.1.1]	611,181	189,500	-	231,600	569,081	51,980	13.95%	14.48%	0.04%
						317,903	85.34%	88.54%	
<b>Total as at June 30, 2022</b>						<b>359,045</b>	<b>96.38%</b>	<b>100.00%</b>	
Carrying value as at June 30, 2022						412,797			
Market value as at June 30, 2021						434,858			
Carrying value as at June 30, 2021						384,775			

**5.1.1** Investments include shares with market value of Rs 65.557 million (2021: Rs 98.023 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

**5.1.2** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance, 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including the 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 Sindh High Court, 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 Sindh High Court in favour of CISs.

During the year ended June 30, 2018, the Supreme Court of Pakistan (SCP) passed a judgment 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 year ended June 30, 2019. During the year ended June 30, 2020, the CISs filed a fresh constitutional petition via CP 4653 dated July 11, 2019 in the Sindh High Court. In this regard, on July 15, 2019, the Sindh High Court issued notices to the relevant parties and ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Fund has included these shares in its portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

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

As at June 30, 2022, the following bonus shares of the Fund have been withheld by Faysal Bank Limited at the time of declaration of bonus shares.

Name of the company	2022		2021	
	-----Bonus shares-----			
	Number of shares withheld	Market value as at June 30, 2022	Number of shares withheld	Market value as at June 30, 2021
	Rupees in '000		Rupees in '000	
Faysal Bank Limited	14,494	<u>334</u>	14,494	<u>246</u>

5.2	Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	Note	2022 ----- Rupees in '000 -----	2021 ----- Rupees in '000 -----
	Market value of investments	5.1	<b>359,045</b>	434,858
	Carrying value of investments	5.1	<u>(412,797)</u>	<u>(384,775)</u>
			<u><b>(53,752)</b></u>	<u>50,083</u>
<b>6</b>	<b>PROFIT AND DIVIDEND RECEIVABLE</b>			
	Profit receivable on bank balances	6.1	<b>185</b>	85
	Dividend receivable		<u><b>83</b></u>	<u>-</u>
			<u><b>268</b></u>	<u>85</u>
6.1	This includes a balance of Rs 0.089 million (2021: Rs 0.028 million) receivable from BankIslami Pakistan Limited (a related party).			



<b>7 DEPOSITS AND OTHER RECEIVABLES</b>	<b>2022</b>	<b>2021</b>
<b>Note</b>	<b>----- Rupees in '000 -----</b>	<b>-----</b>
Security deposit Central Depository Company of Pakistan Limited	<b>100</b>	100
Security deposit with National Clearing Company of Pakistan Limited	<b>2,500</b>	2,500
Advance tax	7.1 <b>348</b>	348
	<b><u>2,948</u></b>	<b><u>2,948</u></b>

**7.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding taxes on dividend and profit on bank balances paid to the Fund have been deducted by various withholding agents based on the interpretation issued by the FBR vide letter C. No. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholders. The tax withheld on dividends and profit on bank balances as at June 30, 2022 amounts to Rs 0.348 million (2021: Rs 0.348 million).

For this purpose, Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the funds being managed by the Management Company) had filed a petition in the Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan (SCP) by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the SCP granted the petitioners leave to appeal from the initial judgment of SHC. Pending resolution of the matter, the amount of withholding taxes deducted on profit on bank balances and dividend amount have been shown as other receivables as at June 30, 2022 as, in the opinion of the management, the amount of tax deducted at source will likely be refunded.

<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>	<b>2022</b>	<b>2021</b>
<b>Note</b>	<b>----- Rupees in '000 -----</b>	<b>-----</b>
At the beginning of the year	<b>1,084</b>	1,755
Less: amortisation during the year	8.1 <b>670</b>	671
At the end of the year	<b><u>414</u></b>	<b><u>1,084</u></b>

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

<b>9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY</b>	<b>2022</b>	<b>2021</b>
<b>Note</b>	<b>----- Rupees in '000 -----</b>	<b>-----</b>
Management fee payable	9.1 <b>486</b>	562
Sindh sales tax payable on remuneration of the Management Company	9.2 <b>63</b>	73
Reimbursement of allocated expenses payable	9.3 <b>218</b>	167
Reimbursement of selling and marketing expenses payable	9.4 <b>2,235</b>	2,220
Sales load and transfer load payable	<b>28</b>	39
Sindh sales tax payable on sales load and transfer load	<b>4</b>	5
	<b><u>3,034</u></b>	<b><u>3,066</u></b>

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

Rate applicable from July 1, 2021 to June 30, 2022	Rate applicable from July 1, 2020 to June 30, 2021
1.5% of average daily net assets	1.5% of average daily net assets

The remuneration is payable to the Management Company monthly in arrears.

9.2 During the year, an amount of Rs 0.867 million (2021: Rs 1.096 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 at the rate of 13% (2021: 13%).

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

The Management Company based on its discretion has charged accounting and operational charges as per the following rates:

Rate applicable from July 1, 2021 to July 24, 2021	Rate applicable from July 26, 2021 to June 30, 2022	Rate applicable from July 1, 2020 to October 26, 2020	Rate applicable from October 27, 2020 to June 30, 2021
0.15% of average annual net assets	0.2% of average annual net assets	0.1% of average annual net assets	0.15% of average annual net assets

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

During the year ended June 30, 2020, the SECP through its circular 11 dated July 5, 2019 had revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% had been removed and an asset management company was required to set a maximum limit for charging of such expenses to the Fund and the same has to be approved by the Board of Directors of the Management Company as part of an annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Accordingly, the Management Company has currently charged selling and marketing expenses at following rates:

Rate applicable from July 1, 2021 to September 19, 2021	Rate applicable from September 20, 2021 to June 30, 2022	Rate applicable from July 1, 2020 to October 26, 2020	Rate applicable from October 27, 2020 to January 25, 2021	Rate applicable from January 26, 2021 to June 30, 2021
2% per annum of average daily net assets	2.05% per annum of average daily net assets	1.5% per annum of average daily net assets	1.9% per annum of average daily net assets	2% per annum of average daily net assets

## 10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY

		2022	2021
	Note	Rupees in '000	
Trustee fee payable	10.1	65	75
Sindh sales tax payable on trustee fee	10.2	8	10
		<u>73</u>	<u>85</u>

10.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the year, trustee has charged its tariff as follows:

Net assets (Rs)	2022	2021
	Fee	
- up to Rs 1,000 million	0.20% per annum of net assets	0.20% per annum of net assets
- exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% per annum of net assets, exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% per annum of net assets, exceeding Rs 1,000 million

- 10.2** During the year, an amount of Rs 0.116 million (2021: Rs 0.146 million) was charged on account of sales tax on remuneration of the Trustee levied at the rate of 13% through the Sindh Sales Tax on Services Act, 2011.

**11 PAYABLE TO THE SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN**

	2022	2021
Note	----- Rupees in '000 -----	
Annual fee payable	11.1 <u>89</u>	<u>112</u>

- 11.1** Under the provisions of the NBFC Regulations, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.02% (2021: 0.02%) of the average annual net assets of the Fund.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2022	2021
Note	----- Rupees in '000 -----	
Provision against Sindh Workers' Welfare Fund	12.1 -	2,695
Auditors' remuneration payable	403	458
Printing charges payable	7	53
Brokerage payable	150	19
Legal and professional charges payable	63	97
Withholding tax payable	41	870
Capital gain tax payable	22	43
Bank charges payable	46	67
Settlement charges payable	8	52
	<u>740</u>	<u>4,354</u>

- 12.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the Mutual Fund Association of Pakistan (MUFAP) with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of SWWF Act as these were not industrial establishments but were pass-through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP had recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015). The Funds have accordingly made provision in respect of SWWF as recommended by MUFAP.

During the current year, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as financial institutions / industrial establishments and are therefore, not liable to pay SWWF contributions. This development was discussed at MUFAP level and has also taken up with the SECP and all the Asset Management Companies, in consultation with the SECP, have reversed the cumulative provision of SWWF amounting to Rs. 2.695 million recognised in financial statements of the Fund, for the period from January 29, 2018 to August 12, 2021, on August 13, 2021. The SECP also gave its concurrence for prospective reversal of provision for SWWF. Going forward, no provision for SWWF has been recognised in the financial statements of the Fund.

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2022 and June 30, 2021.

	2022	2021
	-----Number of units-----	
14 <b>NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	50,012,837	75,618,518
Units issued during the year	28,567,918	32,800,844
Less: units redeemed during the year	33,272,569	58,406,525
Total units in issue at the end of the year	<u>45,308,186</u>	<u>50,012,837</u>

	2022	2021
	-----Rupees in '000-----	
15 <b>AUDITORS' REMUNERATION</b>		
Annual audit fee	387	362
Half yearly review fee	155	145
Other certification	100	108
Out of pocket expenses	20	99
	<u>662</u>	<u>714</u>

## 16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2022 is 4.73% (2021: 4.87%) which includes 0.24% (2021: 0.72%) representing government levies on the Fund such as sales taxes, annual fee to SECP, etc. The TER excluding government levies is 4.49% (2021: 4.14%) which is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an equity scheme.

## 17 TAXATION

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

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.

## 18 EARNINGS / (LOSS) PER UNIT

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

## 19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

19.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

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

	2022	2021
	----- Rupees in '000 -----	
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration of the Management Company	6,670	8,429
Sindh sales tax on remuneration of the Management Company	867	1,096
Reimbursement of selling and marketing expenses	9,067	10,014
Reimbursement of allocated expenses	874	736
Sales load and transfer load	28	187
Sindh sales tax on sales load and transfer load	4	24
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Remuneration of the Trustee	889	1,124
Sindh sales tax on remuneration of the Trustee	116	146
Settlement charges	25	22
<b>Key management personnel of the Management Company</b>		
Units issued / transferred in during the year: 4,971,370 (2021: 2,660,784) units	48,010	24,095
Units redeemed / transferred out during the year: 5,505,572 (2021: 2,274,950) units	52,774	20,761
Dividend re-invest units issued: Nil (2021: 5,355) units	-	48
<b>National Bank of Pakistan Limited - parent company</b>		
Shares purchased - 83,000 (2021: Nil) shares***	2,972	-
Shares sold - Nil (2021: 640,000) shares***	-	24,668
Dividend income	83	-
<b>Portfolio managed by the Management Company</b>		
Units issued / transferred in during the year: Nil (2021: 10,830) units	-	96
Units redeemed / transferred out during the year Nil (2021: 5,752,102) units	-	52,548
Dividend re-invest units issued: Nil (2021: 1,176) units	-	11
<b>Taurus Securities Limited - subsidiary of Parent Company</b>		
Brokerage expense	37	57
<b>BankIslami Pakistan Limited - common directorship</b>		
Profit on bank balances	475	432
<b>United Bank Limited - unit holder with more than 10% holding</b>		
Dividend re-invest units issued: Nil (2021: 915,802) units	-	8,179
Shares purchased: 75,400 (2021: 257,051) shares***	9,620	30,186
Shares sold: 253,300 (2021: 363,000) shares***	32,491	46,123
Dividend income	9,156	7,489
<b>Omer Farooq Kabir Sheikh - unit holder with more than 10% holding*</b>		
Units issued / transferred in during the year: Nil (2021: 5,684,362) units	-	50,050
Dividend re-invest units issued: Nil (2021: 26,743) units	-	239
<b>Pakistan Stock Exchange Limited - common directorship*</b>		
Listing fee paid	-	25

	2022	2021
	----- Rupees in '000 -----	
<b>National Clearing Company of Pakistan Limited - common directorship</b>		
Settlement charges	331	328
<b>NBP Sarmaya Izafa Fund</b>		
purchase of shares: 50,000 shares (2021: Nil)	7,236	-
Sale of shares: Nil shares (2021: 50,000)	-	9,526
<b>19.7 Amounts / balances outstanding as at year end</b>		
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration payable to the Management Company	486	562
Sindh sales tax on remuneration of the Management Company	63	73
Sales load and transfer load payable	28	39
Sindh sales tax payable on sales load and transfer load	4	5
Reimbursement of selling and marketing expenses payable	2,235	2,220
Reimbursement of allocated expenses payable	218	167
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Trustee fee payable	65	75
Sindh sales tax payable on trustee fee	8	10
Security deposit	100	100
Settlement charges payable	35	26
<b>Key management personnel of the Management Company</b>		
Units held: 9,091 (2021: 553,277) units	75	4,925
<b>National Bank of Pakistan Limited - parent company</b>		
Bank balances	106	106
Shares held: 83,000 (2021: Nil shares)	2,320	-
Dividend receivable	83	-
<b>BankIslami Pakistan Limited - common directorship</b>		
Bank balances	8,497	7,570
Profit receivable	89	28
<b>Taurus Securities Limited - subsidiary of Parent Company</b>		
Brokerage payable	17	7
<b>Portfolio managed by the Management Company</b>		
Units held: Nil (2021: 33,193) units	-	295
<b>United Bank Limited - unit holder with more than 10% holding</b>		
Units held: 25,842,766 (2021: 25,842,766) units	212,464	230,037
Shares held: 372,451 (2021: 550,351) shares***	42,135	67,253
<b>Omer Farooq Kabir Sheikh - unit holder with more than 10% holding*</b>		
Units held: Nil (2021: 5,711,105) units	-	50,837
<b>National Clearing Company of Pakistan Limited - common directorship</b>		
Settlement charges payable	34	26
Security deposit	2,500	2,500

\* Current year figure has not been shown as the company ceased to be a related party / connected person as at June 30, 2022.

\*\* Prior year comparative has not been shown as the company was not a related party / connected person as at June 30, 2021.

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

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

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

June 30, 2022		
At amortised cost	At fair value through profit or loss	Total

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

### Financial assets

Bank balances	13,757	-	13,757
Investments	-	359,045	359,045
Profit receivable	268	-	268
Deposits	2,600	-	2,600
	<u>16,625</u>	<u>359,045</u>	<u>375,670</u>

June 30, 2022		
At fair value through profit or loss	At amortised cost	Total

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

### Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	-	3,034	3,034
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	73	73
Accrued expenses and other liabilities	-	677	677
	<u>-</u>	<u>3,784</u>	<u>3,784</u>

June 30, 2021		
At amortised cost	At fair value through profit or loss	Total

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

### Financial assets

Bank balances	13,827	-	13,827
Investments	-	434,858	434,858
Profit receivable	85	-	85
Deposits	2,600	-	2,600
	<u>16,512</u>	<u>434,858</u>	<u>451,370</u>

----- June 30, 2021 -----		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		
<b>Financial liabilities</b>		
Payable to NBP Fund Management Limited - the Management Company	-	3,066
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	85
Accrued expenses and other liabilities	-	746
	3,897	3,897

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 21.1 Market risk

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

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

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

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

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As at June 30, 2022, the Fund is exposed to such risk on its bank balances. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds bank balances which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs 0.14 million (2021 : Rs 0.14 million).

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

As at June 30, 2022 and June 30, 2021, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value interest rate risk.

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



The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2022 can be determined as follows:

----- June 30, 2022 -----					
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
<b>Financial assets</b>					
Bank balances	6.6% - 14.50%	13,757	-	-	13,757
Investments		-	-	359,045	359,045
Profit receivable		-	-	268	268
Deposits		-	-	2,600	2,600
		13,757	-	361,913	375,670
<b>Financial liabilities</b>					
Payable to NBP Fund Management Limited - the Management Company		-	-	3,034	3,034
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	73	73
Accrued expenses and other liabilities		-	-	677	677
		-	-	3,784	3,784
<b>On-balance sheet gap</b>		13,757	-	358,129	371,886
<b>Total interest rate sensitivity gap</b>		13,757	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		13,757	13,770	13,770	-

----- June 30, 2021 -----					
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
<b>Financial assets</b>					
Bank balances	4.5% - 8%	13,636	-	191	13,827
Investments		-	-	434,858	434,858
Profit receivable		-	-	85	85
Deposits		-	-	2,600	2,600
		13,636	-	437,734	451,370
<b>Financial liabilities</b>					
Payable to NBP Fund Management Limited - the Management Company		-	-	3,066	3,066
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	85	85
Accrued expenses and other liabilities		-	-	746	746
		-	-	3,897	3,897
<b>On-balance sheet gap</b>		13,636	-	433,837	447,473
<b>Total interest rate sensitivity gap</b>		13,636	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		13,636	13,636	13,636	-

## (ii) Currency risk

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

## (iii) Price risk

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

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

In case of 5% increase / decrease in KSE 100 index on June 30, 2022, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs 17.952 million (2021: Rs 21.743 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets 'at fair value through profit or loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2022 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

## 21.2 Liquidity risk

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

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

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

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

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

June 30, 2022						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

#### Financial liabilities

Payable to NBP Fund Management Limited  
- the Management Company

Payable to Central Depository Company of  
of Pakistan - the Trustee

Accrued expenses and other liabilities

3,034	-	-	-	-	-	3,034
73	-	-	-	-	-	73
274	403	-	-	-	-	677
<b>3,381</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,784</b>

June 30, 2021						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

#### Financial liabilities

Payable to NBP Fund Management Limited  
- the Management Company

Payable to Central Depository Company of  
of Pakistan - the Trustee

Accrued expenses and other liabilities

3,066	-	-	-	-	-	3,066
85	-	-	-	-	-	85
288	458	-	-	-	-	746
<b>3,439</b>	<b>458</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,897</b>

## 21.3 Credit risk

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

2022		2021	
Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk

Rupees in '000

Bank balances	13,757	13,757	13,827	13,827
Investments	359,045	-	434,858	-
Profit and dividend receivable	268	268	85	85
Deposits	2,600	2,600	2,600	2,600
	<b>375,670</b>	<b>16,625</b>	<b>451,370</b>	<b>16,512</b>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2022 is the carrying amount of the financial assets.

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

## 21.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2022	2021
AAA	5%	13%
AA+	-	-
AA-	33%	23%
A+	62%	46%
BBB-	-	1%
	<b>100%</b>	<b>83%</b>

## 22 FAIR VALUE MEASUREMENT

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

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

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

### Fair value hierarchy

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

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

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

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

As at June 30, 2022 and June 30, 2021, the Fund held the following financial instruments measured at fair values:

Financial assets	June 30, 2022		
	Level 1	Level 2	Level 3
	Rupees in '000		
At fair value through profit or loss			
- Investments in quoted equity securities	359,045	-	-

## Financial assets

At fair value through profit or loss  
- Investments in quoted equity securities

June 30, 2021		
Level 1	Level 2	Level 3
Rupees in '000		
434,858	-	-

## 23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 24 UNIT HOLDING PATTERN OF THE FUND

Category	June 30, 2022			June 30, 2021		
	Number of unit holders	Investment amount	Percentage of total	Number of unit holders	Investment amount	Percentage of total
	(Rupees in '000)			(Rupees in '000)		
Individuals	145	96,424	25.89%	160	164,515	36.95%
Insurance companies	1	20,342	5.46%	1	15,152	3.41%
Banks and DFIs	1	212,463	57.04%	1	230,037	51.67%
Retirement funds	3	15,397	4.13%	2	4,765	1.07%
Others	5	27,869	7.48%	5	30,716	6.90%
	<b>155</b>	<b>372,496</b>	<b>100%</b>	<b>169</b>	<b>445,185</b>	<b>100%</b>

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

Name of broker	2022 % of commission paid	Name of broker	2022 % of commission paid
Taurus Securities Ltd.	8.40%	Taurus Securities Limited	7.24%
Foundation Securities	7.27%	Alfa Adhi Securities (Pvt) Limited	7.11%
Intermarket Securities	6.85%	Alfalah Securities (Pvt) Limited	4.91%
Insight Securities (Pvt.) Limited	6.37%	Nael Capital (Pvt) Limited	4.28%
Optimus Capital Management Limited	6.13%	Topline Securities Limited	4.26%
Alfalah Securities (Pvt) Limited	5.78%	Foundation Securities	4.03%
Bma Capital Management Limited	5.53%	BMA Capital Management Limited	3.98%
Aqeel Karim Dehdi Securities ( Pvt) Limited	5.32%	J.S. Global Capital Ltd.	3.97%
Topline Securities Limited	4.94%	Intermarket Securities	3.94%
Efg Hermes Pakistan Ltd	4.81%	Optimus Capital Management Limited	3.81%

## 26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	34
Salman Ahmed	Head of Fixed Income	CFA	16
Asim Wahab Khan (note 26.1)	Chief Investment Officer	CFA	17
Hassan Raza	Head of Research	ACCA / BSC / CFA	11
Usama Bin Razi	Senior Manager Fixed Income	BE, MBA	18

### 26.1 The name of the Fund Manager is Asim Wahab Khan. Other funds managed by the Fund Manager are as follows:

- NBP Islamic Sarmaya Izafa Fund
- NBP Islamic Regular Income Fund
- NBP Islamic Energy Fund
- NBP Stock Fund
- NAFA Islamic Pension Fund
- NAFA Islamic Active Allocation Fund-I
- NAFA Islamic Active Allocation Fund -II
- NAFA Islamic Active Allocation Fund-III
- NBP Balanced Fund
- NBP Stock Fund
- NBP Pakistan Growth Exchange Traded Fund
- NAFA Pension Fund

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

The 81st, 82nd, 83rd, 84th, and 85th Board Meetings were held on July 07, 2021, September 16, 2021, October 29, 2021, February 23, 2022 and April 27, 2022, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of directors	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	5	5	-	-
Tauqeer Mazhar [27.1]	4	4	-	-
Mehnaz Salar	5	5	-	-
Ali Saigol	5	5	-	-
Imran Zaffar	5	4	1	85th Meeting
Khalid Mansoor	5	4	1	82nd Meeting
Saad Amanullah Khan	5	5	-	-
Humayun Bashir	5	5	-	-
Syed Hasan Irtiza Kazmi [27.2]	-	-	-	-
Amjad Waheed	5	5	-	-

27.1 Mr. Tauqeer Mazhar opted as Director on the Board with effect from August 04, 2021

27.2 Syed Hasan Irtiza Kazmi resigned from the Board with effect from June 25, 2021

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 27, 2022.

## 29 GENERAL

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

For NBP Fund Management Limited  
(Management Company)

---

Chief Financial Officer

---

Chief Executive Officer

---

Director

## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2022	For the year ended June 30, 2021	For the year ended June 30, 2020	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018
Net assets at the year / period ended (Rs '000)	372,496	445,185	578,397	1,120,628	1,035,890
Net (loss) / income for the year / period ended (Rs '000)	(35,787)	132,042	(110,486)	(132,584)	(29,910)
Net Asset Value per unit at the year / period ended (Rs)	8.2214	8.9014	7.6489	9.0609	10.0006
Offer Price per unit	8.5001	9.2032	7.9082	9.3685	10.3397
Redemption Price per unit	8.2214	8.9014	7.6489	9.0609	10.0006
Ex - Highest offer price per unit (Rs.)	10.3043	9.8414	11.3648	11.0033	11.2451
Ex - Lowest offer price per unit (Rs.)	8.3498	7.5174	7.1211	9.2630	10.0000
Ex - Highest redemption price per unit (Rs.)	9.9664	9.5188	10.9922	10.6425	10.8764
Ex - Lowest redemption price per unit (Rs.)	8.0760	7.2708	6.8876	8.9593	9.6907
Opening Nav of Fiscal Year	8.9014	7.3801	9.0609	10.0006	10.0000
Total return of the fund	-7.64%	20.61%	-15.60%	-9.40%	0.01%
Capital growth	-7.64%	16.97%	-15.60%	-9.40%	0.01%
Income distribution as a % of e x nav	-	3.64%	-	-	-
Income distribution as a % of par value	-	3.28%	-	-	-
<b>Distribution</b>					
Interim distribution per unit	-	0.3281	-	-	-
Final distribution per unit	-	-	-	-	-
<b>Distribution Dates</b>					
Interim	-	25-Jun-21	-	-	-
Final	-	-	-	-	-
<b>Average annual return of the fund (launch date February 14, 2018)</b>					
(Since inception to June 30, 2022)	-3.59%	-	-	-	-
(Since inception to June 30, 2021)	-	-2.36%	-	-	-
(Since inception to June 30, 2020)	-	-	-10.70%	-	-
(Since inception to June 30, 2019)	-	-	-	-6.93%	-
(Since inception to June 30, 2018)	-	-	-	-	0.02%
Portfolio Composition ( Please see Fund Manager Report)					
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>					



## PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Financial Sector Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. [www.nbpfunds.com](http://www.nbpfunds.com). A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NBP FINANCIAL SECTOR FUND				
	Resolutions	For	Against	Abstain*
<b>Number</b>	6	6	Nil	N/A
<b>(%)</b>	100%	100%	-	-

## Head Office

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

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** INVEST to 9995

**Fax:** 021-35825335

**Email:** [info@nbpfunds.com](mailto:info@nbpfunds.com)

**Website:** [www.nbpfunds.com](http://www.nbpfunds.com)

 /nbpfunds