



*Managing Your Savings*

**NBP Fund Management Limited**



# **NBP PAKISTAN GROWTH EXCHANGE TRADED 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."

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## FUND'S INFORMATION

### Management Company

**NBP Fund Management Limited - Management Company**

### Board of Directors of Management Company

|                                   |                         |
|-----------------------------------|-------------------------|
| Shaikh Muhammad Abdul Wahid Sethi | Chairman                |
| Dr. Amjad Waheed                  | Chief Executive Officer |
| Mr. 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

Habib Metropolitan Bank Limited  
JS Bank Limited



## **Auditors**

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

## **Legal Advisor**

Akhund Forbes  
D-21, Block, 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  
Phone: 051-2514987  
Fax: 051-4859031

## **Peshawar Office:**

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

## **Multan Office:**

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

## Board of Directors



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



**Shaikh Muhammad Abdul Wahid Sethi**  
Chairman



**Mr. Khalid Mansoor**  
Director



**Mr. Humayun Bashir**  
Director



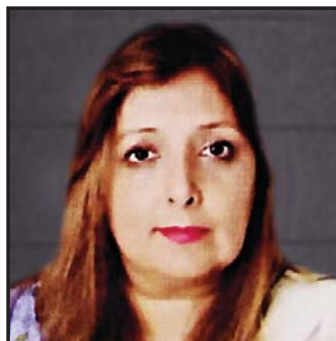
**Mr. Tauqeer Mazhar**  
Director



**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 second Annual Report for the period ended June 30, 2022, since launch of **NBP Pakistan Growth Exchange Traded Fund** on October 06, 2020.

### Fund's Performance

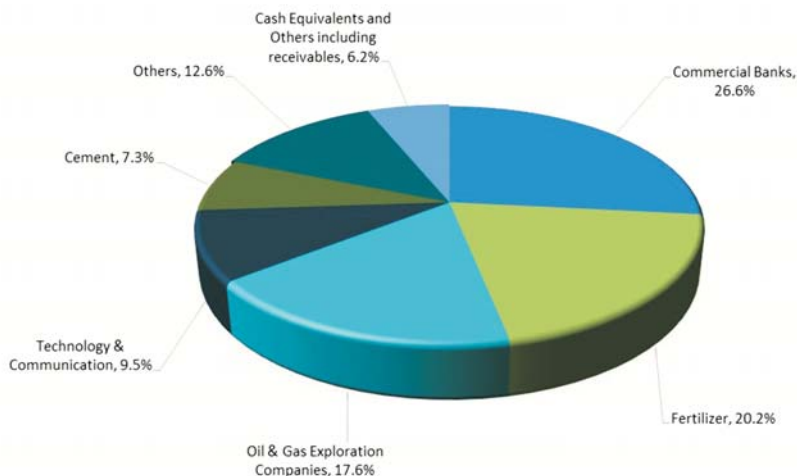
FY22 remained a disappointing year for the stock market, as the KSE-100 index fell by around 12.3% on a yearly basis. This comes after robust return in FY21 when index surged by a healthy 37.6% YoY. Throughout the year, the market remained quite volatile amid thin volumes, traded within a range and showing 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 Pakistan Growth Exchange Traded Fund decreased by 13.5% versus the Benchmark decreased by 12.5% translating into an underperformance of 1.0% during the year. Tracking error for the period was 1.0%. Since inception, NBP Pakistan Growth Exchange Traded Fund increased by 1.3% versus the Benchmark increased by 5.3%. Thus, the Fund underperformed the Benchmark by 4.0% during the period under review. Tracking error for the period was 1.2%. The stocks in the NBPGETF belong to Commercial Banks, Cements, Fertilizers, Oil & Gas Exploration, Power Generation & Distribution, Oil & Gas Marketing sectors and Technology & Communication sectors. This performance is net of management fee and all other expenses. The size of the Fund is Rs.52 million.

The asset allocation of the 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 13, 2021, provisioning against Sindh Workers' Welfare Fund by NBP Pakistan Growth Exchange Traded Fund amounting to Rs. 0.20 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 Pakistan Growth Exchange Traded Fund by 0.33%. 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, retired and, being eligible, offer themselves for re-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:

| <b>Category</b>                | <b>Names</b>  |
|--------------------------------|---|
| <b>Independent Directors</b>   | 1. Mr. Khalid Mansoor<br>2. Mr. Saad Amanullah Khan<br>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)<br>2. Mr. Tauqeer Mazhar<br>3. Ms. Mehnaz Salar<br>4. Mr. Ali Saigol<br>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

NBP فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 106 اکتوبر 2020 کو آغاز ہونے والے NBP پاکستان گروتھ ایکسچینج ٹریڈڈ فنڈ کی دوسری سالانہ رپورٹ برائے مختتمہ سال 30 جون 2022ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

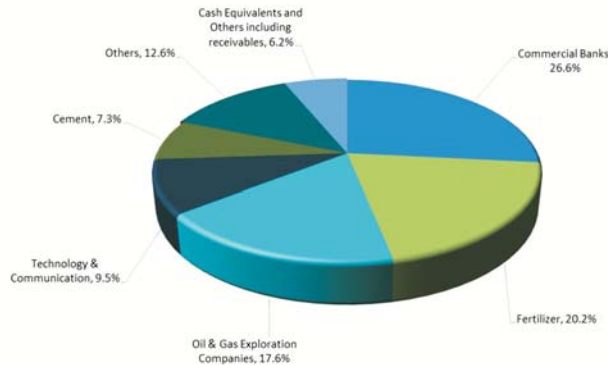
مالی سال 22 اسٹاک مارکیٹ کے لیے ایک مایوس کن سال رہا، کیونکہ KSE-100 انڈیکس سالانہ بنیادوں پر تقریباً 12.3% فیصد گر گیا۔ یہ مالی سال 21 میں انڈیکس میں 37.6% فیصد سالانہ اضافہ کی مستحکم واپسی کے بعد ہوا۔ پورے سال کے دوران، کم حجم کے درمیان مارکیٹ کافی اتار چڑھاؤ کا شکار رہی، ایک حد کے اندر تجارت کی گئی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

مندرجہ ذیل کے مستحکم کارپوریٹ منافع کے باوجود ایکویٹی مارکیٹ کی کارکردگی ناقص تھی، جو کہ مالی سال 22 کی پہلی تین سہ ماہیوں میں 25% فیصد رہی اور سپرنیکس کے نفاذ کے بعد بھی، نمود و ہندسوں میں ہونے کی توقع ہے۔ سرمایہ کاروں کی توجہ بیرونی نمبروں 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 نمبروں کو مزید خراب کر دیا۔ مارکیٹ کے شرکاء افراط زر پر اجناس کی زیادہ قیمتوں کے اثرات سے بھی متاثر ہے، جو کہ FY22 میں تقریباً 12.2%، جون 22 میں ماہانہ افراط زر 21.3% کی کثیر سالہ بلند ترین سطح پر تھی۔ اس عرصے کے دوران بین الاقوامی بانڈ کی پیداوار میں خاطر خواہ اضافہ ہوا۔ بیرونی عدم توازن اور بڑھتی ہوئی افراط زر دونوں کو کم کرنے کے لیے، مرکزی بینک نے مالی سال 22 میں مجموعی طور پر پالیسی کی شرحوں میں 6.75% فیصد تک جارحانہ اضافہ کیا۔ اسی وجہ سے، پاکستانی روپیہ بھی قدر میں بھی سال کے دوران 30% کی کمی ہوئی۔ آئی ایم ایف پروگرام کے دوبارہ شروع ہونے میں غیر معمولی تاخیر مارکیٹ میں پریشانی کی دوسری اہم وجہ ہے۔ 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 ہوا، جس نے مارکیٹ کی کارکردگی کو مزید نقصان پہنچایا۔ آخر کار، ملک میں سیاسی غیر یقینی صورتحال بڑھ گئی کیونکہ حکمران جماعت اسمبلی میں اپنی اکثریت کھو بیٹھی اور نئی مخلوط حکومت قائم ہوئی۔

شعبہ جات کارکردگی کے لحاظ سے، آٹو اسمبلر، 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، کیبل اور الیکٹریکل سامان، سینٹ، انجینئرنگ، خوراک اینڈ ڈاٹا ٹیکنالوجی، انشورنس، آئل اینڈ گیس مارکیٹنگ، فارماسیوٹیکل، ریٹائری اور ریٹائرمنٹ کے شعبے مارکیٹ میں پیچھے رہے۔ شرکاء کے لحاظ سے مارکیٹ کی سرگرمیوں پر، غیر ملکی اور میوچل 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 پاکستان گروتھ ایکسچینج ٹریڈڈ فنڈ 12.5% پیچ مارک میں کمی کے بخلاف 13.5% تک کمی ہوئی زیر جائزہ سال کے دوران 1.0% کی ایتر کارکردگی ظاہر کی۔ اس مدت کے لئے ٹریڈنگ ایر 1.0% تھا۔ اپنے آغاز سے، NBP پاکستان گروتھ ایکسچینج ٹریڈڈ فنڈ 5.3% پیچ مارک میں اضافہ کے بخلاف 1.3% تک اضافہ ہوا۔ زیر جائزہ سال کے دوران 4.0% پیچ مارک کی ایتر کارکردگی ظاہر کی۔ اس مدت کے لئے ٹریڈنگ ایر 1.2% تھا۔ NBPGETF میں ذخائر کمرشل بینکوں، سینٹ، کھادوں، تیل اور گیس ایکسپلوریشن، بجلی کی پیداوار اور تقسیم، تیل اور گیس مارکیٹنگ سیکٹرز اور ریٹائرمنٹ کی ایکویٹی سیکٹرز سے متعلقہ ہیں۔ یہ کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے علاوہ خالص ہے۔ فنڈ کا ساٹھ 52 بلین روپے ہے۔

30 جون 2022 کے مطابق NBPGETF کی ایسٹ ایلوکیشن حسب ذیل ہے:





## آمدنی کی تقسیم

اس سال مکمل نقصان کی وجہ سے، کوئی تقسیم نہ ہوئی۔

## 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 پاکستان گروتھ ایکسچینج ٹریڈڈ فنڈ فنڈ کی طرف سے سندھ ورکرز ویلفیئر فنڈ کی پروویڈنگ کے بعد مر اسل نمبر SRB/TP/70/2013/8772 مورخہ 12 اگست 2021 کی رو سے سندھ ریونیو بورڈ کی طرف سے موصولہ ٹیکسیشن پر میوہل فنڈز ایسوسی ایشن آف پاکستان کو دی گئی 0.20 ملین روپیہ کی رقم واپس کر دی گئی۔ پروویڈن کی اس واپسی کے باعث 13 اگست 2021 کو NBP ہیلنڈ فنڈ کے NAV میں 0.33% 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 فنگون اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2023 کو ختم ہونے والے سال کے لئے دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔

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

- 1. منجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کمپنیشن فلو 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۔ شہاریاتی 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 ٹیمیل / 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 منجمنٹ 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. یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12. ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13. کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2022 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں



| نام  | کیتگری                 |
|--|------------------------|
| <ul style="list-style-type: none"> <li>•1 جناب خالد منصور</li> <li>•2 جناب سعد امان اللہ خان</li> <li>•3 جناب ہمایوں بشیر</li> </ul>   | غیر جانبدار ڈائریکٹرز  |
| ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)   | ایگزیکٹو ڈائریکٹر      |
| <ul style="list-style-type: none"> <li>•1 شیخ محمد عبدالواحد سیٹھی (چیرمین)</li> <li>•2 جناب توقیر مظہر</li> <li>•3 محترمہ مہناز سالار</li> <li>•4 جناب علی سیگل</li> <li>•5 جناب عمران ظفر</li> </ul> | نان ایگزیکٹو ڈائریکٹرز |

## اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

**NBP** فونڈ مینجمنٹ 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 Pakistan Growth Exchange Traded 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 Pakistan Growth Exchange Traded Fund

NBP Pakistan Growth Exchange Traded Fund is an Open-ended Exchange Traded Fund

#### Investment Objective of the Fund

NBP Pakistan Growth Exchange Traded Fund (NBPGETF) aims to track the authorized benchmark index as per the investment methodology constituted by the Management Company.

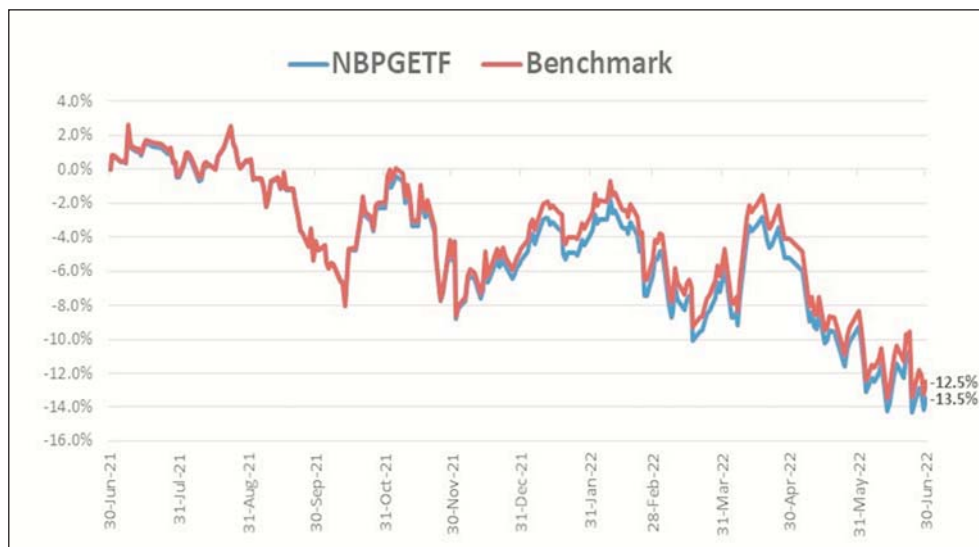
#### Benchmark

The Benchmark of the Fund is NBP Pakistan Growth Index (NBPPGI).

#### Fund performance review

This is the second annual report of the Fund. During the fiscal year, NBP Pakistan Growth Exchange Traded Fund decreased by 13.5% versus the Benchmark decreased by 12.5% translating into an underperformance of 1.0% during the year. Tracking error for the period was 0.1%. Since inception, NBP Pakistan Growth Exchange Traded Fund increased by 1.3% versus the Benchmark increased by 5.3%. Thus, the Fund underperformed the Benchmark by 4.0% during the period under review. Tracking error for the period was 0.1%. The stocks in the NBPGETF belong to Commercial Banks, Cements, Fertilizers, Oil & Gas Exploration, Power Generation & Distribution, Oil & Gas Marketing sectors and Technology & Communication sectors. This performance is net of management fee and all other expenses. The size of the Fund is Rs.52 million.

The chart below shows the performance of NBPGETF against the Benchmark for the period under review.



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     | 93.8%          | 96.7%       |
| Cash Equivalents      | 6.7%           | 3.6%        |
| Other Net Liabilities | (0.5%)         | (0.3%)      |
| <b>Total</b>          | <b>100.00%</b> | <b>100%</b> |

### Income Distribution

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

### Unit Holding Pattern of NBP Pakistan Growth Exchange Traded Fund as on June 30, 2022

| Size of Unit Holding (Units) | # of Unit Holders |
|------------------------------|-------------------|
| 0-0.99                       | -                 |
| 1-1000                       | -                 |
| 1001-5000                    | -                 |
| 5001-10000                   | -                 |
| 10001-50000                  | -                 |
| 50001-100000                 | -                 |
| 100001-500000                | 1                 |
| 500001-1000000               | -                 |
| 1000001-5000000              | 1                 |
| <b>Total</b>                 | <b>2</b>          |

### During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NBP Pakistan Growth Exchange Trade Fund does not have any soft commission arrangement with any broker in the industry.

### Sindh Workers' Welfare Fund (SWWF)

On August 13, 2021, provisioning against Sindh Workers' Welfare Fund by NBP Pakistan Growth Exchange Traded Fund amounting to Rs. 0.20 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 Pakistan Growth Exchange Traded Fund by 0.33%. This is one-off event and is not likely to be repeated in the future.



## INDEPENDENT AUDITORS' REPORT

To the Unit holders of NBP Pakistan Growth Exchange Traded Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of NBP Pakistan Growth Exchange Traded 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      | <b>Net Asset Value</b><br>(Refer note 5 to the annexed financial statements)   |  |
|        | <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. 48.772 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: AR202210061LlCtJCaeg

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

|   | 2022                        | 2021             |
|---|-----------------------------|------------------|
| Note  | (Rupees in '000)            |                  |
| <b>ASSETS</b>   |                             |                  |
| Bank balances   | 4 3,487                     | 2,541            |
| Investments   | 5 48,772                    | 59,606           |
| Profit receivable   | 6 10                        | -                |
| Dividend receivable   | -                           | 216              |
| Other receivables   | 7 63                        | 63               |
| <b>Total assets</b>   | <b>52,332</b>               | <b>62,426</b>    |
| <b>LIABILITIES</b>  |                             |                  |
| Payable to NBP Fund Management Limited - The Management Company         | 8 57                        | 65               |
| Payable to Central Depository Company of Pakistan Limited - The Trustee | 9 5                         | 6                |
| Payable to the Securities and Exchange Commission of Pakistan           | 10 12                       | 9                |
| Payable against purchase of investments                                 | -                           | 211              |
| Accrued expenses and other liabilities                                  | 11 266                      | 506              |
| <b>Total liabilities</b>  | <b>340</b>                  | <b>797</b>       |
| <b>NET ASSETS</b>   | <b>51,992</b>               | <b>61,629</b>    |
| <b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>                   | <b>51,992</b>               | <b>61,629</b>    |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                    | 12                          |                  |
|   | ----- Number of units ----- |                  |
| <b>NUMBER OF UNITS IN ISSUE</b>   | 14 <u>5,500,000</u>         | <u>5,640,000</u> |
|   | ----- Rupees -----          |                  |
| <b>NET ASSET VALUE PER UNIT</b>   | 15 <u>9.4530</u>            | <u>10.9271</u>   |

The annexed notes 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

|   | For the year<br>ended June<br>30, 2022 | For the period<br>from October<br>06, 2020 to<br>June 30, 2021 |
|---|--|--|
|   | Note ----- (Rupees in '000) -----      |  |
| <b>INCOME</b>   |  |  |
| Profit on bank balances   | 238                                    | 122  |
| Dividend income   | 4,906                                  | 3,943  |
| (Loss) / gain on sale of investments - net  | (670)                                  | 2,333  |
| Unrealised (diminution) / appreciation on re-measurement of investments<br>classified as financial assets ' at fair value through profit or loss' - net | 5.2 (11,459)                           | 4,472  |
|   | (12,129)                               | 6,805  |
| <b>Total (loss) / income</b>  | (6,985)                                | 10,870   |
| <b>EXPENSES</b>   |  |  |
| Remuneration of NBP Fund Management Limited - The Management Company  | 8.1 453                                | 339  |
| Sindh sales tax on remuneration of the Management Company   | 8.2 59                                 | 44   |
| Remuneration of Central Depository Company of Pakistan Limited - The Trustee  | 9.1 60                                 | 45   |
| Sindh Sales Tax on remuneration of the Trustee  | 9.2 8                                  | 6  |
| Annual fee of the Securities and Exchange Commission of Pakistan  | 10.1 12                                | 9  |
| Annual listing fee  | 12                                     | 12   |
| Securities transaction cost   | 24                                     | 43   |
| Auditors' remuneration  | 13 360                                 | 302  |
| Legal and professional charges  | 325                                    | 91   |
| Settlement and bank charges   | 198                                    | 66   |
| Printing charges  | 59                                     | 26   |
| <b>Total operating expenses</b>   | 1,570                                  | 983  |
| <b>Net (loss) / income from operating activities</b>  | (8,555)                                | 9,887  |
| Reversal of provision / (provision against) Sindh Workers' Welfare Fund   | 11.1 198                               | (198)  |
| Element of income / (losses) and capital gains / (losses) included<br>in prices of units issued less those in units redeemed - net                      | 249                                    | 36   |
| <b>Net (loss) / income for the year / period before taxation</b>  | (8,108)                                | 9,725  |
| Taxation  | 16 -                                   | -  |
| <b>Net (loss) / income for the year / period after taxation</b>   | (8,108)                                | 9,725  |
| <b>Earnings per unit</b>  | 17                                     |  |
| <b>Accounting income available for distribution:</b>  |  |  |
| - Relating to capital gains   | -                                      | 6,805  |
| - Excluding capital gains   | -                                      | 2,920  |
|   | -                                      | 9,725  |

The annexed notes 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

|  | For the year<br>ended June<br>30, 2022 | For the period<br>from October<br>06, 2020 to<br>June 30, 2021 |
|--|--|--|
|  | ----- (Rupees in '000) -----           |  |
| <b>Net (loss) / income for the year / period after taxation</b>  | (8,108)                                | 9,725  |
| Other comprehensive income for the year / period                 | -                                      | -  |
| <b>Total comprehensive (loss) / income for the year / period</b> | <u>(8,108)</u>                         | <u>9,725</u>   |

The annexed notes 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

|   | For the year ended June 30, 2022 |                    |               | For the period from October 06, 2020 to June 30, 2021 |                      |               |
|---|----------------------------------|--------------------|---------------|---|----------------------|---------------|
|   | Capital value                    | Undistributed loss | Total         | Capital value   | Undistributed income | Total         |
|   | (Rupees in '000)                 |                    |               | (Rupees in '000)                                      |                      |               |
| <b>Net assets at the beginning of the year / period</b>   | 56,400                           | 5,229              | 61,629        | -   | -                    | -             |
| Issuance of 470,000 units (2021: 5,780,000 units)   |                                  |                    |               |   |                      |               |
| - Capital value (at net asset value per unit at the commencement of the Fund)   | 5,137                            |                    | 5,137         | 57,800  | -                    | 57,800        |
| - Element of income   | (237)                            |                    | (237)         | 215   | -                    | 215           |
| Total proceeds on issuance of units   | 4,900                            | -                  | 4,900         | 58,015  | -                    | 58,015        |
| Redemption of 610,000 units (2021: 140,000 units)   |                                  |                    |               |   |                      |               |
| - Capital value (at net asset value per unit at the commencement of the Fund)   | (6,666)                          |                    | (6,666)       | (1,400)   | -                    | (1,400)       |
| - Element of loss   | 486                              | -                  | 486           | (179)   | -                    | (179)         |
| Total payments on redemption of units   | (6,180)                          | -                  | (6,180)       | (1,579)   | -                    | (1,579)       |
| Element of income / (losses) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | (249)                            | -                  | (249)         | (36)  | -                    | (36)          |
| Total comprehensive (loss) / income for the year / period   | -                                | (8,108)            | (8,108)       | -   | 9,725                | 9,725         |
| Distribution during the period @ Re 0.800 per unit (date of declaration: June 18, 2021)   | -                                | -                  | -             | -   | (4,496)              | (4,496)       |
| <b>Net assets at end of the year / period</b>   | <b>54,871</b>                    | <b>(2,879)</b>     | <b>51,992</b> | <b>56,400</b>   | <b>5,229</b>         | <b>61,629</b> |
| Undistributed income brought forward  |                                  |                    |               |   |                      |               |
| - Realised income   |                                  | 757                |               |   | -                    |               |
| - Unrealised income   |                                  | 4,472              |               |   | -                    |               |
|   |                                  | 5,229              |               |   | -                    |               |
| Accounting income available for distribution:   |                                  |                    |               |   |                      |               |
| - Relating to capital gains   |                                  | -                  |               |   | 6,805                |               |
| - Excluding capital gains   |                                  | -                  |               |   | 2,920                |               |
|   |                                  | -                  |               |   | 9,725                |               |
| Distribution during the year / period @ Re 0.800 per unit (date of declaration: June 18, 2021)                                  |                                  | -                  |               |   | (4,496)              |               |
| Total comprehensive loss for the year ended June 30, 2022   |                                  | (8,108)            |               |   | -                    |               |
| Undistributed (loss) / income carried forward   |                                  | (2,879)            |               |   | 5,229                |               |
| Undistributed (loss) / income carried forward:  |                                  |                    |               |   |                      |               |
| - Realised income   |                                  | 8,580              |               |   | 757                  |               |
| - Unrealised (loss) / income  |                                  | (11,459)           |               |   | 4,472                |               |
|   |                                  | (2,879)            |               |   | 5,229                |               |
|   |                                  |                    | (Rupees)      |   |                      | (Rupees)      |
| Net asset value per unit at the beginning of the year / period  |                                  |                    | 10.9271       |   |                      | -             |
| Net assets value per unit at end of the year / period   |                                  |                    | 9.4530        |   |                      | 10.9271       |

The annexed notes 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

|  | For the year<br>ended June<br>30, 2022 | For the period<br>from October<br>06, 2020 to<br>June 30, 2021 |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |
| Net (loss) / income for the year / period before taxation  | (8,108)                                | 9,725  |
| <b>Adjustments</b>   |  |  |
| Profit on bank balances  | (238)                                  | (122)  |
| Dividend income  | (4,906)                                | (3,943)  |
| Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets ' at fair value through profit or loss' - net | 11,459                                 | (4,472)  |
| Element of losses / (income) and capital gains / (losses) included in prices of units issued less those in units redeemed - net                      | (249)                                  | (36)   |
| (Reversal of provision) / provision against Sindh Workers' Welfare Fund  | (198)                                  | 198  |
|  | 5,868                                  | (8,375)  |
| <b>Increase in assets</b>  |  |  |
| Other receivables  | -                                      | (63)   |
| Investments - net  | (836)                                  | (54,923)   |
|  | (836)                                  | (54,986)   |
| <b>(Decrease) / increase in liabilities</b>  |  |  |
| Payable to NBP Fund Management Limited - The Management Company  | (8)                                    | 65   |
| Payable to Central Depository Company of Pakistan Limited - The Trustee  | (1)                                    | 6  |
| Payable to the Securities and Exchange Commission of Pakistan  | 3                                      | 9  |
| Accrued expenses and other liabilities   | (42)                                   | 308  |
|  | (48)                                   | 388  |
|  | (3,124)                                | (53,248)   |
| Dividend income received   | 5,122                                  | 3,727  |
| Profit received on bank balances   | 228                                    | 122  |
|  | 2,226                                  | (49,399)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |  |  |
| Amount received against issuance of units  | 4,900                                  | 58,015   |
| Amount paid against redemption of units  | (6,180)                                | (1,579)  |
| Distributions pay-out  | -                                      | (4,496)  |
| <b>Net cash (used in) / generated from financing activities</b>  | (1,280)                                | 51,940   |
| <b>Net increase in cash and cash equivalents during the year / period</b>  | 946                                    | 2,541  |
| Cash and cash equivalents at the beginning of the year / period  | 2,541                                  | -  |
| <b>Cash and cash equivalents at the end of the year / period</b>   | 4 3,487                                | 2,541  |

The annexed notes 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

- 1.1 NBP Pakistan Growth Exchange Traded Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered between NBP Fund Management Limited as the 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 June 03, 2020.
- 1.2 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).
- 1.3 The Fund has been categorised as an open ended exchange traded mutual fund that aims to provide investors an opportunity to track the performance of NBP Pakistan Growth Index that has been constituted and is maintained by the Management Company and comprises of 15 equity securities selected with high consideration towards market capitalisation and traded value.
- 1.4 The Fund is a hybrid fund having features of both open ended and close ended funds. A new concept of Authorised Participants (APs) has been introduced who will act as market makers. The Management Company will only have contact with the APs for issuance and redemption of units. The units of the Fund are tradeable in the Pakistan Stock Exchange Limited (PSX). The APs to whom the units are issued may either keep the units with themselves or trade in the PSX. Consequently, upon trading, the holders of the units keep on changing. Moreover, on issuance and redemption of units, the basket of shares will be exchanged between APs and Management Company and cash will be paid / received if there is a difference in the market value of shares and net asset value.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed an asset manager rating of AM1 as at June 22, 2022 to the Management Company. The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.
- 1.6 The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.
- 1.7 The Fund is an Open Ended Exchange Traded Mutual Fund categorised as "Listed Index Tracking Fund" and is listed on Pakistan Stock Exchange (PSX) Limited.
- 1.8 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 November 2, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

- Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), 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 VIII A 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 VIII A 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 year 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 the accounting and reporting standards as applicable in Pakistan that are not yet effective:

There are certain standards, amendments and interpretations that are mandatory for the Fund's accounting year 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 judgements

The preparation of these financial statements in conformity with the accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and 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 year if the revision affects both current and future year.

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

## 2.5 Accounting convention

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

## 2.6 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 3.1 Cash and cash equivalents

These comprise bank balances 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**

#### **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 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.

### **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.

### **3.3.1 Classification and subsequent measurement**

Financial liabilities are classified and subsequently measured at amortised cost.

### 3.3.2 Derecognition

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

Authorized Participant can purchase the units at the offer price and redeemed at the redemption price at any of the authorized distribution offices during business hours.

The offer price shall be equal to the sum of:

- The Net Asset Value (NAV) as of the close of the previous business day (historical pricing);
- Such amount as the Management Company may consider an appropriate provision for duties and charges

Units of the Fund may be acquired or redeemed directly from the Fund only in Creation Units lot size or multiples thereof as mentioned in the offering document. Investors can sell the units at market prices on PSX which may be above or below actual NAV of the Fund.

### 3.8 Distributions to unit holders

Distributions to unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company.

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 (NAV) per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting year.

As clarified by the SECP vide its letter no. SCD/AMCW/ETF/240/2020 dated March 2, 2020 that element of income in case of Exchange Traded Funds shall be taken to Income Statement both at the time of issuance and redemption of units to the extent it pertains to Income Statement.

### 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 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.

### 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 per unit

Earnings per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 17.

|          |                      | 2022                              | 2021         |
|----------|----------------------|-----------------------------------|--------------|
| <b>4</b> | <b>BANK BALANCES</b> | Note ----- (Rupees in '000) ----- |              |
|          | Savings accounts     | 4.1 <u>3,487</u>                  | <u>2,541</u> |

4.1 These balances in savings accounts carry profit ranging from 12.25% 15.45% per annum (2021: 5.50% per annum).

|          |   | 2022                              | 2021          |
|----------|---|-----------------------------------|---------------|
| <b>5</b> | <b>INVESTMENTS</b>                          | Note ----- (Rupees in '000) ----- |               |
|          | <b>At fair value through profit or loss</b> |                                   |               |
|          | Quoted equity securities                    | 5.1 <u>48,772</u>                 | <u>59,606</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 otherwise stated.

| Investee Company                                  | As at July 1, 2021 | Purchased during the period | Bonus / right shares received during the period | Sold during the period | As at June 30, 2022 | Market value     | 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 |  |
|   |                    |                             |   |                        |                     | (Rupees in '000) | %                               |                                   |  |
| <b>OIL AND GAS MARKETING COMPANIES</b>            |                    |                             |   |                        |                     |                  |                                 |                                   |  |
| Pakistan State Oil Company Limited *              | 18,612             | 2,151                       | -   | 4,263                  | 16,500              | 2,835            | 5.45%                           | 5.81%                             | -  |
|   |                    |                             |   |                        |                     | 2,835            | 5.45%                           | 5.81%                             |  |
| <b>OIL AND GAS EXPLORATION COMPANIES</b>          |                    |                             |   |                        |                     |                  |                                 |                                   |  |
| Oil and Gas Development Company Limited *         | 47,376             | 9,332                       | -   | 5,558                  | 51,150              | 4,024            | 7.74%                           | 8.25%                             | -  |
| Pakistan Oilfields Limited *                      | 7,332              | 564                         | -   | 1,846                  | 6,050               | 2,455            | 4.72%                           | 5.03%                             | -  |
| Pakistan Petroleum Limited *                      | 56,964             | 3,818                       | -   | 21,182                 | 39,600              | 2,673            | 5.14%                           | 5.48%                             | -  |
|   |                    |                             |   |                        |                     | 9,152            | 17.60%                          | 18.76%                            |  |
| <b>FERTILIZERS</b>                                |                    |                             |   |                        |                     |                  |                                 |                                   |  |
| Engro Corporation Limited *                       | 16,356             | 1,317                       | -   | 2,273                  | 15,400              | 3,959            | 7.62%                           | 8.12%                             | -  |
| Engro Fertilizer Limited *                        | 40,044             | 3,534                       | -   | 9,478                  | 34,100              | 3,023            | 5.81%                           | 6.20%                             | -  |
| Fauji Fertilizer Company Limited - related party* | 32,148             | 3,283                       | -   | 3,531                  | 31,900              | 3,516            | 6.76%                           | 7.21%                             | -  |
|   |                    |                             |   |                        |                     | 10,498           | 20.19%                          | 21.53%                            |  |
| <b>CEMENT</b>                                     |                    |                             |   |                        |                     |                  |                                 |                                   |  |
| Lucky Cement Limited *                            | 6,768              | 2,367                       | -   | 885                    | 8,250               | 3,787            | 7.28%                           | 7.76%                             | -  |
|   |                    |                             |   |                        |                     | 3,787            | 7.28%                           | 7.76%                             |  |
| <b>POWER GENERATION &amp; DISTRIBUTION</b>        |                    |                             |   |                        |                     |                  |                                 |                                   |  |
| The Hub Power Company Limited - related party*    | 59,220             | 7,944                       | -   | 12,714                 | 54,450              | 3,712            | 7.14%                           | 7.61%                             | -  |
|   |                    |                             |   |                        |                     | 3,712            | 7.14%                           | 7.61%                             |  |
| <b>COMMERCIAL BANKS</b>                           |                    |                             |   |                        |                     |                  |                                 |                                   |  |
| Meezan Bank Limited *                             | 19,176             | 3,007                       | 2,762   | 2,945                  | 22,000              | 2,486            | 4.78%                           | 5.10%                             | -  |
| Habib Bank Limited *                              | 41,172             | 4,636                       | -   | 4,558                  | 41,250              | 3,768            | 7.25%                           | 7.73%                             | -  |
| MCB Bank Limited *                                | 18,612             | 5,166                       | -   | 2,328                  | 21,450              | 2,638            | 5.07%                           | 5.41%                             | -  |
| Bank Alfalah Limited *                            | -                  | 50,348                      | -   | 4,148                  | 46,200              | 1,478            | 2.84%                           | 3.03%                             | -  |
| Bank ALHabib Limited *                            | 29,892             | 4,850                       | -   | 34,742                 | -                   | -                | -                               | -                                 | -  |
| United Bank Limited *                             | 28,200             | 5,971                       | -   | 3,371                  | 30,800              | 3,484            | 6.70%                           | 7.14%                             | -  |
|   |                    |                             |   |                        |                     | 13,854           | 26.64%                          | 28.41%                            |  |
| <b>TECHNOLOGY &amp; COMMUNICATION</b>             |                    |                             |   |                        |                     |                  |                                 |                                   |  |
| TRG Pakistan Limited                              | 34,404             | 35,909                      | -   | 6,513                  | 63,800              | 4,934            | 9.49%                           | 10.12%                            | 0.01%  |
|   |                    |                             |   |                        |                     | 4,934            | 9.49%                           | 10.12%                            |  |
| <b>Total - June 30, 2022</b>                      |                    |                             |   |                        |                     | <b>48,772</b>    | <b>93.79%</b>                   | <b>100.00%</b>                    |  |
| Carrying value as at June 30, 2022                |                    |                             |   |                        |                     | 60,231           |                                 |                                   |  |
| Market value as at June 30, 2021                  |                    |                             |   |                        |                     | 59,606           |                                 |                                   |  |
| Carrying value as at June 30, 2021                |                    |                             |   |                        |                     | 55,134           |                                 |                                   |  |

\* Nil figure due to rounding off difference.

|   | 2022                                     | 2021         |
|---|--|--------------|
| <b>5.2 Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net</b> | <b>Note ----- (Rupees in '000) -----</b> | <b>-----</b> |
| Market value of investments   | 5.1 48,772                               | 59,606       |
| Less: carrying value of investments   | 5.1 (60,231)                             | (55,134)     |
|   | <u>(11,459)</u>                          | <u>4,472</u> |

## 6 PROFIT RECEIVABLE

|                                    |           |          |
|------------------------------------|-----------|----------|
| Profit receivable on bank balances | <u>10</u> | <u>-</u> |
|------------------------------------|-----------|----------|

## 7 OTHER RECEIVABLES

|             |               |           |
|-------------|---------------|-----------|
| Advance tax | 7.1 <u>63</u> | <u>63</u> |
|-------------|---------------|-----------|

7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on profit on bank deposits and dividend income to the Fund was deducted by various withholding agents based on the interpretation issued by 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 profit on bank balances and dividend income amounts to Rs. 0.063 million (2021: Rs. 0.063 million).

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

|  | 2022                                     | 2021         |
|--|--|--------------|
| <b>8 PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY</b> | <b>Note ----- (Rupees in '000) -----</b> | <b>-----</b> |
| Remuneration of the Management Company   | 8.1 33                                   | 40           |
| Sindh Sales Tax on remuneration of the Management Company                                | 8.2 4                                    | 5            |
| Other payable to the Management Company  | <u>20</u>                                | <u>20</u>    |
|  | <u>57</u>                                | <u>65</u>    |

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 0.75% per annum (2021: 0.75% per annum) of average net assets of the Fund. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 0.059 million (2021: Rs. 0.044 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011 at the rate of 13%.

|  | 2022                                     | 2021 |
|--|--|------|
| <b>9 PAYABLE TO CENTRAL DEPOSITORY COMPANY<br/>OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY</b> | <b>Note ----- (Rupees in '000) -----</b> |      |
| Trustee fee payable  | 9.1 4                                    | 5    |
| Sindh Sales Tax payable on the trustee fee   | 9.2 1                                    | 1    |
|  | 5  | 6    |
|  | 5  | 6    |

9.1 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 |  |

9.2 During the year, an amount of Rs. 0.008 million (2021: 0.006 million) was charged on account of sales tax at the rate of 13% on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011.

|   | 2022                                     | 2021 |
|---|--|------|
| <b>10 PAYABLE TO THE SECURITIES AND EXCHANGE<br/>COMMISSION OF PAKISTAN</b> | <b>Note ----- (Rupees in '000) -----</b> |      |
| Annual fee payable  | 10.1 12                                  | 9    |

10.1 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.

|  | 2022                                     | 2021 |
|--|--|------|
| <b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b> | <b>Note ----- (Rupees in '000) -----</b> |      |
| Provision for Sindh Workers' Welfare Fund        | 11.1 -                                   | 198  |
| Auditors' remuneration payable                   | 108                                      | 203  |
| Legal and professional charges payable           | 123                                      | 57   |
| Settlement charges payable                       | 4  | 27   |
| Printing charges payable                         | 14                                       | 14   |
| Withholding tax payable                          | 6  | 1    |
| Bank charges payable                             | 11                                       | 6    |
|  | 266                                      | 506  |
|  | 266                                      | 506  |

11.1 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, was 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 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 the 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, the MUFAP had 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, the



MUFAP 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 SWWF Act, 2014.

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. 0.2 million recognised in financial statements of the Fund, for the period from October 6, 2020 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.

## 12 CONTINGENCIES AND COMMITMENTS

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

|  | 2022                         | 2021       |
|--|------------------------------|------------|
|  | ----- (Rupees in '000) ----- |            |
| <b>13 AUDITORS' REMUNERATION</b>           |                              |            |
| Annual audit fee                           | 171                          | 155        |
| Half yearly review of financial statements | 110                          | 100        |
| Fee for other certifications               | 22                           | 20         |
| Out of pocket expenses                     | 57                           | 27         |
|  | <u>360</u>                   | <u>302</u> |

|   | 2022                        | 2021             |
|---|-----------------------------|------------------|
|   | ----- Number of units ----- |                  |
| <b>14 NUMBER OF UNITS IN ISSUE</b>                |                             |                  |
| Total units in issue at the beginning of the year | 5,640,000                   | -                |
| Units issued during the year                      | 470,000                     | 5,780,000        |
| Less: units redeemed during the year              | 610,000                     | 140,000          |
| Total units in issue at the end of the year       | <u>5,500,000</u>            | <u>5,640,000</u> |

## 15 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 issue at the year end.

## 16 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 for 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.

## 17 EARNINGS PER UNIT

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

## 18 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund based on the current year is 2.60% (2021: 1.92%) which includes 0.13% (2021: 0.42%) representing government levies on the fund such as provision for Sindh Worker's Welfare

Fund, sales tax, federal excise duty and annual fee to the SECP. The TER excluding government levies is 2.47% (2021: 1.52%) which is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an "Index" scheme.

## 19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

**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, 2008 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** Details of transactions with related parties / connected persons during the year / period are as follows:

|  | For the year ended June 30, 2022 | For the period from October 06, 2020 to June 30, 2021 |
|--|----------------------------------|---|
| ----- (Rupees in '000) -----   |                                  |   |
| <b>NBP Fund Management Limited - Management Company</b>                  |                                  |   |
| Remuneration of NBP Fund Management Limited - Management Company         | 453                              | 339   |
| Sindh Sales Tax on remuneration of the Management Company                | 59                               | 44  |
| Payments made by the Management Company on behalf of Fund                | 20                               | 20  |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>          |                                  |   |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 60                               | 45  |
| Sindh Sales Tax on remuneration of the Trustee                           | 8                                | 6   |
| Settlement charges   | 196                              | 55  |
| <b>The Hub Power Company Limited - common directorship*</b>              |                                  |   |
| Purchase of Nil shares (2021: 63,968 shares)                             | -                                | 4,943   |
| Sale of Nil shares (2021: 4,748 shares)                                  | -                                | 389   |
| Dividend income  | -                                | 378   |
| <b>Fauji Fertilizer Company Limited - common directorship</b>            |                                  |   |
| Purchase of 3,283 shares (2021: 35,726 shares)                           | 337                              | 3,798   |
| Sale of 3,531 shares (2021: 3,578 shares)                                | 391                              | 384   |
| Dividend income  | 84                               | 305   |
| <b>Pakistan Stock Exchange Limited - common directorship*</b>            |                                  |   |
| Annual listing fee   | -                                | 12  |
| <b>Taurus Securities Limited - subsidiary of parent company</b>          |                                  |   |
| Brokerage expense  | 2                                | 3   |

| For the year<br>ended June<br>30, 2022 | For the period<br>from October<br>06, 2020 to<br>June 30, 2021 |
|--|--|
|--|--|

----- (Rupees in '000) -----

**JS Global Capital Limited - unit holder with more than 10% holding**

|   |       |        |
|---|-------|--------|
| Brokerage expense   | 1     | 4      |
| Units purchased during the year: 80,000 (2021: 5,200,000 units) | 840   | 52,186 |
| Units redeemed during the year: 140,000 (2021: 140,000 units)   | 1,520 | 1,579  |

**MRA Securities Limited - unit holder with more than 10% holding**

|  |       |       |
|--|-------|-------|
| Units purchased during the year: 390,000 (2021: 580,000 units) | 4,058 | 5,829 |
| Units redeemed during the year: 470,000 (2021: Nil units)      | 4,660 | -     |

**19.6 Amounts / balances outstanding as at year end are as follows** ----- (Rupees in '000) -----

**NBP Fund Management Limited - Management Company**

|   |    |    |
|---|----|----|
| Remuneration of the Management Company                    | 33 | 40 |
| Sindh Sales Tax on remuneration of the Management Company | 4  | 5  |
| Other payable to Management Company                       | 20 | 20 |

**Central Depository Company of Pakistan Limited - Trustee**

|   |   |    |
|---|---|----|
| Remuneration payable to the Trustee             | 4 | 5  |
| Sindh Sales Tax payable on Trustee remuneration | 1 | 1  |
| Settlement charges payable                      | 4 | 27 |

**The Hub Power Company Limited - common directorship\***

|  |   |       |
|--|---|-------|
| Shares held - Nil shares (2021: 59,220 shares) | - | 4,718 |
|--|---|-------|

**Fauji Fertilizer Company Limited - common directorship**

|   |       |       |
|---|-------|-------|
| Shares held - 31,900 shares (2021: 32,148 shares) | 3,516 | 3,411 |
|---|-------|-------|

**JS Global Capital Limited - unit holder with more than 10% holding**

|   |        |        |
|---|--------|--------|
| Units held: 5,000,000 units (2021: 5,060,000 units) | 47,265 | 55,291 |
|---|--------|--------|

**MRA Securities Limited - unit holder with more than 10% holding**

|   |       |       |
|---|-------|-------|
| Units held: 500,000 units (2021: 580,000 units) | 4,727 | 6,338 |
|---|-------|-------|

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

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

**20 FINANCIAL INSTRUMENTS BY CATEGORY**

|                         | 2022                         |  |
|-------------------------|------------------------------|--|
|                         | At amortised<br>cost         | At fair value<br>through<br>profit or loss |
|                         |                              | Total                                      |
|                         | ----- (Rupees in '000) ----- |  |
| <b>Financial assets</b> |                              |  |
| Bank balances           | 3,487                        | 3,487                                      |
| Investments             | -                            | 48,772                                     |
| Profit receivable       | 10                           | 10   |
|                         | <u>3,497</u>                 | <u>52,269</u>                              |

## Financial liabilities

Payable to NBP Fund Management Limited - Management Company  
Payable to Central Depository Company of Pakistan Limited - Trustee  
Payable against purchase of investments  
Accrued expenses and other liabilities

| 2022                                 |                   |       |
|--------------------------------------|-------------------|-------|
| At fair value through profit or loss | At amortised cost | Total |
| (Rupees in '000)                     |                   |       |
| -                                    | 57                | 57    |
| -                                    | 5                 | 5     |
| -                                    | -                 | -     |
| -                                    | 260               | 260   |
| -                                    | 322               | 322   |

## Financial assets

Bank balances  
Investments  
Dividend receivable

| 2021              |                                      |        |
|-------------------|--------------------------------------|--------|
| At amortised cost | At fair value through profit or loss | Total  |
| (Rupees in '000)  |                                      |        |
| 2,541             | -                                    | 2,541  |
| -                 | 59,606                               | 59,606 |
| 216               | -                                    | 216    |
| 2,757             | 59,606                               | 62,363 |

## Financial liabilities

Payable to NBP Fund Management Limited - Management Company  
Payable to Central Depository Company of Pakistan Limited - Trustee  
Payable against purchase of investments  
Accrued expenses and other liabilities

| 2021                                 |                   |       |
|--------------------------------------|-------------------|-------|
| At fair value through profit or loss | At amortised cost | Total |
| (Rupees in '000)                     |                   |       |
| -                                    | 65                | 65    |
| -                                    | 6                 | 6     |
| -                                    | 211               | 211   |
| -                                    | 307               | 307   |
| -                                    | 589               | 589   |

## 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 and the regulations laid down by the SECP.

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

## (i) Yield / profit rate risk

Profit 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 profit rates. As of June 30, 2022, the Fund is exposed to such risk on its balances held with banks. 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 variable 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. 0.035 million (2021: 0.025 million).

### b) Sensitivity analysis for fixed rate instruments

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

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2022 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

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

| ----- 2022 -----  |                                     |   |                    |   |        |
|---|-------------------------------------|---|--------------------|---|--------|
| Effective profit rate (%)   | Exposed to yield / profit rate risk |   |                    | Not exposed to yield / profit 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   | 15.25%                              | 3,487                                     | -                  | -                                       | 3,487  |
| Investment  |                                     | -   | -                  | 48,772                                  | 48,772 |
| Profit receivable   |                                     | -   | -                  | 10                                      | 10     |
|   |                                     | 3,487                                     | -                  | 48,782                                  | 52,269 |
| <b>Financial liabilities</b>  |                                     |   |                    |   |        |
| Payable to NBP Fund Management Limited - Management Company         |                                     |   |                    | 57                                      | 57     |
| Payable to Central Depository Company of Pakistan Limited - Trustee |                                     |   |                    | 5                                       | 5      |
| Payable against purchase of investments                             |                                     |   |                    | -                                       | -      |
| Accrued expenses and other liabilities                              |                                     |   |                    | 260                                     | 260    |
|   |                                     | -   | -                  | 322                                     | 322    |
| <b>On-balance sheet gap (a)</b>                                     |                                     | 3,487                                     | -                  | 48,460                                  | 51,947 |
| <b>Off-balance sheet financial instruments</b>                      |                                     | -   | -                  | -                                       | -      |
| <b>Off-balance sheet gap (b)</b>                                    |                                     | -   | -                  | -                                       | -      |
| <b>Total profit rate sensitivity gap (a+b)</b>                      |                                     | 3,487                                     | -                  | -                                       | -      |
| <b>Cumulative profit rate sensitivity gap</b>                       |                                     | 3,487                                     | 3,487              | 3,487                                   | -      |

| ----- 2021 -----          |                                     |   |                    |   |       |
|---------------------------|-------------------------------------|---|--------------------|---|-------|
| Effective profit rate (%) | Exposed to yield / profit rate risk |   |                    | Not exposed to yield / profit rate risk | Total |
|                           | Up to three months                  | More than three months and up to one year | More than one year |   |       |

----- (Rupees in '000) -----

#### Financial assets

|                     |       |       |   |   |        |        |
|---------------------|-------|-------|---|---|--------|--------|
| Bank balances       | 5.50% | 2,541 | - | - | -      | 2,541  |
| Investment          |       | -     | - | - | 59,606 | 59,606 |
| Dividend receivable |       | -     | - | - | 216    | 216    |
|                     |       | 2,541 | - | - | 59,822 | 62,363 |

#### Financial liabilities

|   |  |       |       |       |        |        |
|---|--|-------|-------|-------|--------|--------|
| Payable to NBP Fund Management Limited - Management Company         |  | -     | -     | -     | 65     | 65     |
| Payable to Central Depository Company of Pakistan Limited - Trustee |  | -     | -     | -     | 6      | 6      |
| Payable against purchase of investments                             |  | -     | -     | -     | 211    | 211    |
| Accrued expenses and other liabilities                              |  | -     | -     | -     | 307    | 307    |
|   |  | -     | -     | -     | 589    | 589    |
| <b>On-balance sheet gap (a)</b>                                     |  | 2,541 | -     | -     | 59,233 | 61,774 |
| <b>Off-balance sheet financial instruments</b>                      |  | -     | -     | -     | -      | -      |
| <b>Off-balance sheet gap (b)</b>                                    |  | -     | -     | -     | -      | -      |
| <b>Total profit rate sensitivity gap (a+b)</b>                      |  | 2,541 | -     | -     |        |        |
| <b>Cumulative profit rate sensitivity gap</b>                       |  | 2,541 | 2,541 | 2,541 |        |        |

#### (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 profit 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 has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments and their fair values exposed to price risk as at the year end are concentrated in the sectors given in note 5.1.

In case of 1% increase / decrease in NBPPGI on June 30, 2022, with all other variables held constant, the total comprehensive income of the Fund for the year ended June 30, 2022 would increase / decrease by Rs. 0.488 million (2021: 0.596 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 has increased / decreased by 1% 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 NBPPGI, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the NBPPGI, 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 NBPPGI.

## 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 and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement. The maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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 ended June 30, 2022.

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

| ----- 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  
- Management Company  
Payable to Central Depository Company of  
Pakistan Limited - Trustee  
Payable against purchase of investments  
Accrued expenses and other liabilities

|     |   |   |   |   |   |     |
|-----|---|---|---|---|---|-----|
| 57  | - | - | - | - | - | 57  |
| 5   | - | - | - | - | - | 5   |
| -   | - | - | - | - | - | -   |
| 260 | - | - | - | - | - | 260 |
| 322 | - | - | - | - | - | 322 |

| ----- 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

- Management Company

Payable to Central Depository Company of

Pakistan Limited - Trustee

Payable against purchase of investments

Accrued expenses and other liabilities

|     |   |   |   |   |   |     |
|-----|---|---|---|---|---|-----|
| 65  | - | - | - | - | - | 65  |
| 6   | - | - | - | - | - | 6   |
| 211 | - | - | - | - | - | 211 |
| 307 | - | - | - | - | - | 307 |
| 589 | - | - | - | - | - | 589 |

## 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       | 3,487         | 3,487        | 2,541         | 2,541        |
| Investments         | 48,772        | -            | 59,606        | -            |
| Dividend receivable | -             | -            | 216           | 216          |
| Profit receivables  | 10            | 10           | -             | -            |
|                     | <u>52,259</u> | <u>3,487</u> | <u>62,363</u> | <u>2,757</u> |

The difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in equity securities of Rs 48.772 million is not exposed to credit risk.

## 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 profit accrued on bank balances and dividend receivable. The credit rating profile of balances with banks is as follows:

| Rating | % of financial assets exposed to credit risk |      |
|--------|--|------|
|        | 2022   | 2021 |

----- % -----

|     |               |              |
|-----|---------------|--------------|
| AA+ | 0.09          | 0.11         |
| AA- | 99.91         | 92.06        |
|     | <u>100.00</u> | <u>92.17</u> |



## 21.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

## 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. Consequently, differences can arise between carrying values and the fair value estimates.

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 tradeable in an open market are revalued at market prices prevailing on the reporting date. The estimated fair value of all other financial assets and financial liabilities is considered not to be significantly different from the respective book values as the items are either short-term in nature or repriced periodically.

### 22.1 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, the Fund held the following financial instruments measured at fair value:

|   | 2022               |         |         |        |
|---|--------------------|---------|---------|--------|
|   | Level 1            | Level 2 | Level 3 | Total  |
|   | ((Rupees in '000)) |         |         |        |
| <b>At fair value through profit or loss</b> |                    |         |         |        |
| Quoted equity securities                    | 48,772             | -       | -       | 48,772 |
|   |                    |         |         |        |
|   | 2021               |         |         |        |
|   | Level 1            | Level 2 | Level 3 | Total  |
|   | ((Rupees in '000)) |         |         |        |
| <b>At fair value through profit or loss</b> |                    |         |         |        |
| Quoted equity securities                    | 59,606             | -       | -       | 59,606 |

## 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.

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 | 2022                   |                   |                     | 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)       |                   |                     |
| Others   | 2                      | 51,992            | 100.00%             | 5,640,000              | 61,629            | 100.00%             |

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

| Name of broker                             | 2022<br>% of commission paid | Name of broker                             | 2021<br>% of commission paid |
|--|------------------------------|--|------------------------------|
| Topline Securities Limited                 | 14.83%                       | EFG Hermes Pakistan Limited                | 13.01%                       |
| Optimus Capital Management Limited         | 11.73%                       | Topline Securities Limited                 | 12.42%                       |
| Aqeel Karim Dehdi Securities (Pvt) Limited | 11.54%                       | Aqeel Karim Dehdi Securities (Pvt) Limited | 12.37%                       |
| Next Capital Limited                       | 9.56%                        | J.S. Global Capital Limited                | 11.62%                       |
| Taurus Securities Ltd.                     | 8.87%                        | Intermarket Securities                     | 11.03%                       |
| Intermarket Securities                     | 8.78%                        | Alfalah Securities (Pvt) Limited           | 10.76%                       |
| EFG Hermes Pakistan Ltd.                   | 8.20%                        | Optimus Capital Management Limited         | 10.07%                       |
| Arif Habib Securities Limited              | 7.98%                        | Arif Habib Securities Limited              | 9.84%                        |
| Alfalah Securities (Pvt) Limited           | 6.56%                        | Taurus Securities Limited                  | 8.88%                        |
| J.S. Global Capital Ltd.                   | 4.88%                        |  |                              |

## 26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

| Name                            | Designation                   | Qualification                                    | Overall experience |
|---------------------------------|-------------------------------|--|--------------------|
| Dr. Amjad Waheed                | Chief Executive Officer       | MBA / Doctorate in Business Administration / CFA | 34                 |
| Mr. Asim Wahab Khan (note 26.1) | Chief Investment Officer      | CFA  | 16                 |
| Mr. Salman Ahmed                | Head of Fixed Income          | CFA  | 17                 |
| Mr. Hassan Raza                 | Head of Research              | ACCA / BSC / CFA                                 | 11                 |
| Mr. 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
- 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 GENERAL

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

## 29 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.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

**PERFORMANCE TABLE**

| Particulars   | For the year ended<br>June 30, 2022 | For the year ended<br>June 30, 2021 |
|---|-------------------------------------|-------------------------------------|
|   | (Rs. In '000')                      | (Rs. In '000')                      |
| Net assets at the year / period ended (Rs. '000')                       | 51,992                              | 61,629                              |
| Net (loss) / Income at the year / period ended (Rs. '000')              | (8,108)                             | 9,725                               |
| Net Asset Value per unit at the year / period ended (Rs.)               | 9.4530                              | 10.9271                             |
| Offer price per unit  | N/A                                 | N/A                                 |
| Redemption price per unit   | 9.4530                              | 10.9271                             |
| Ex - Highest offer price per unit (Rs.)                                 | N/A                                 | N/A                                 |
| Ex - Lowest offer price per unit (Rs.)                                  | N/A                                 | N/A                                 |
| Ex - Highest redemption price per unit (Rs.)                            | 11.1977                             | 11.3811                             |
| Ex - Lowest redemption price per unit (Rs.)                             | 9.3625                              | 9.1936                              |
| Since inception Ex-Nav  | 10.9271                             | 9.3352                              |
| Total return of the fund  | -13.49%                             | 17.10%                              |
| Capital growth  | -13.49%                             | 9.98%                               |
| Income distribution as a % of ex nav                                    |                                     | 7.12%                               |
| Income distribution as a % of par value                                 | -                                   | 8.00%                               |
| <b>Distribution</b>   |                                     |                                     |
| Interim distribution per unit   | -                                   | 0.800                               |
| <b>Distribution date</b>  |                                     |                                     |
| Interim   | -                                   | 18-Jun-21                           |
| <b>Average annual return of the Fund (launch date October 06' 2020)</b> |                                     |                                     |
| (Since inception to June 30, 2022)                                      | 0.73%                               |                                     |
| (Since inception to June 30, 2021)                                      |                                     | 17.10%                              |

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

## PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

| <b>NBP PAKISTAN GROWTH EXCHANGE TRADED FUND</b> |             |                |                 |
|---|-------------|----------------|-----------------|
| <b>Resolutions</b>                              | <b>For</b>  | <b>Against</b> | <b>Abstain*</b> |
| <b>5</b>  | <b>5</b>    | Nil            | N/A             |
| <b>100%</b>                                     | <b>100%</b> | -              | -               |

## Head Office

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