



**NBP FUNDS**

*Managing Your Savings*

**AM1**

Rated by PACRA

## NBP SAVINGS FUND



**HALF YEARLY REPORT**  
**DECEMBER 31, 2020**



# **MISSION STATEMENT**

**To rank in the top quartile  
in performance of  
NBP FUNDS  
relative to the competition,  
and to consistently offer  
Superior risk-adjusted returns to investors.**



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## FUND'S INFORMATION

### Management Company

**NBP Fund Management Limited - Management Company**

### Board of Directors of Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Ms. Mehnaz Salar	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Saad Amanullah Khan	Director
Mr. Humayun Bashir	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource Committee

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

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Ms. Mehnaz Salar	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 Shahr-e-Faisal, Karachi.

### Bankers to the Fund

Allied Bank Limited  
Bank Islami Pakistan Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Summit Bank Limited  
Silk Bank Limited  
Soneri Bank Limited  
Telenor Microfinance Bank Limited  
The First Microfinance Bank Limited  
United Bank Limited  
U Microfinance Bank Limited  
Khushhali Microfinance Bank Limited  
Habib Metropolitan Bank Limited  
Mobilink Microfinance Bank Limited



## **Auditors**

KPMG Taseer Hadi & Co.  
Sheikh Sultan Trust Buildings,  
Ground No. 2 Shaheed Chaudary Aslam Rd,  
Civil Lines, Karachi, 75530

## **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



## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the reviewed financial statements of **NBP Savings Fund (NBP-SF)** for the half year ended December 31, 2020.

### Fund's Performance

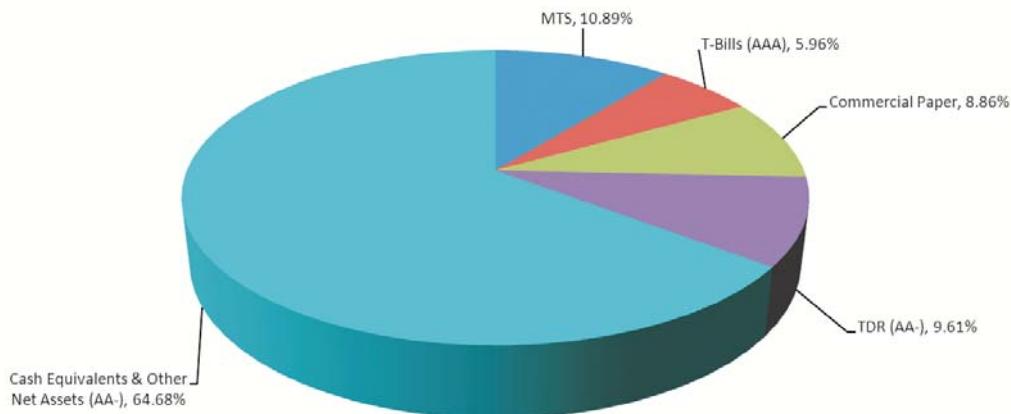
The size of NBP Savings Fund has decreased from Rs. 1,695 million to Rs. 1,666 million during the period, a fall of 2%. During the period, the unit price of the Fund has increased from Rs. 9.7943 on June 30, 2020 to Rs. 10.1369 on December 31, 2020, thus showing a return of 6.9% p.a. as compared to the benchmark return of 7.2% p.a. for the same period. The performance of the Fund is net of management fee and all other expenses.

NBP-SF is categorized as an Income Scheme and has been awarded stability rating of 'A+ (f)' by PACRA. During 1HFY21, the SBP held two Monetary Policy Committee (MPC) meetings wherein it left the Policy Rate unchanged at 7%, citing the prevailing accommodative monetary policy stance appropriate for the nascent economic recovery. Inflation as measured by the CPI clocked-in at 8% for December 2020, owing to supply side issues and rise in prices of perishable food items. During the period under review, T-Bills yields increased by 2 bps, 13 bps and 23 bps for 3-month, 6-month and 12-month tenures, respectively. This uptick in short-term sovereign yields is primarily reflective of demand versus supply side factors.

During the period, the SBP realized Rs. 5.1 trillion in thirteen T-Bills auctions. The market interest tilted towards shorter tenors given the market expectation of the bottoming out of the Policy Rate and the likelihood of reversal of monetary easing cycle in the coming months. In the last auction, cut-off yields on T-Bill for 3-month, 6-month and 12-month tenures were noted at 7.15%, 7.20% and 7.29%, respectively. In the six PIB auctions, the SBP realized an amount of Rs. 292 billion. In the last auction, cut-off yields for 3-year, 15-year and 20-year tenures were noted at 8.24%, 10.00% and 10.58%, respectively.

The Fund has earned a total income of Rs. 70.771 million during the period. After deducting total expenses of Rs. 16.956 million, the net income is Rs. 53.815 million

The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NBP-SF.



## Acknowledgement

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

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

On behalf of the Board of  
**NBP Fund Management Limited**

**Chief Executive**

**Director**

Date: **February 26, 2021**  
Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2020ء کو ختم ہونے والی ششماہی کے لئے NBP سیونگ فنڈ (NBP-SF) کے جائزہ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

### فنڈ کی کارکردگی

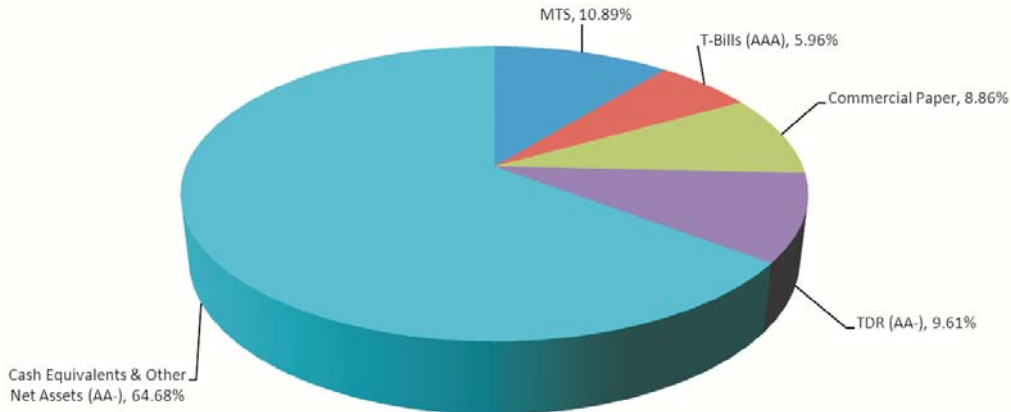
موجودہ مدت کے دوران NBP سیونگ فنڈ کا سائز 1,695 ملین روپے سے کم ہو کر 1,666 ملین روپے ہو گیا یعنی 2% کی کمی ہوئی۔ زیر جائزہ مدت کے دوران، NBP سیونگ فنڈ کے پونٹ کی قیمت 30 جون 2020 کو 9.7943 روپے (Ex-Div) سے بڑھ کر 31 دسمبر 2020 کو 10.1369 روپے ہو گئی۔ لہذا اس مدت کے دوران فنڈ نے اپنے بیچ مارک 7.2% کے مقابلے میں 6.9% منافع درج کیا ہے۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NBP-SF کی آئٹم اسکیم کے طور پر درجہ بندی کی گئی ہے اور PACRA کی طرف سے 'A+(f)' کی مستحکم ریٹنگ دی گئی ہے۔ مالی سال 2021 کی پہلی ششماہی میں سٹیٹ بینک آف پاکستان نے مانیٹری پالیسی کمیٹی (MPC) کے دو اجلاس طلب کئے جس میں موجودہ معاشی بحالی کے لئے موزوں مانیٹری پالیسی کا حوالہ دیتے ہوئے، پالیسی شرح 7% کو تبدیل نہیں کیا۔ خراب ہونے والی ایشیائے خورد و نوش کی قیمتوں میں اضافے اور رسد کی فراہمی کے مسئلے کے باعث سی پی آئی افراط زر کی شرح دسمبر 2020 میں 8 فیصد رہی۔ زیر جائزہ مدت کے دوران، ٹی بلز کی پیداوار میں 3 ماہ، 6 ماہ اور 12 ماہ کے عرصہ میں بالترتیب 2 بی پی ایس، 13 بی پی ایس، اور 23 بی پی ایس اضافہ ہوا۔ طویل مدتی سوریجین پیداوار میں یہ اضافہ بنیادی طور پر طلب کے مقابلے رسد کی عکاسی کرتا ہے۔

اسٹیٹ بینک پاکستان نے اس عرصے کے دوران تیرہ ٹی بلوں کی تیلانی کی، جس میں مجموعی طور پر 5.1 ٹریلین روپے حاصل کئے۔ پالیسی شرح سے باہر نکلنے کی مارکیٹ توقع اور آئندہ مہینوں میں مانیٹری آسانی کے باعث واپسی کے امکان کی وجہ سے مارکیٹ کی دلچسپی مختصر مدتوں کی طرف مائل ہوئی۔ گزشتہ تیلانی میں، ٹی بل پر کٹ آف پیداوار 3 ماہ، 6 ماہ اور 12 ماہ کی مدت کے لئے بالترتیب 7.15 فیصد، 7.29 فیصد اور 7.29 فیصد رہی۔ چھ PIB تیلانیوں میں، اسٹیٹ بینک کو مجموعی 292 بلین روپے کی رقم حاصل ہوئی۔ گزشتہ تیلانی میں، 3 سال، 15 سال اور 20 سال مدت کی کٹ آف پیداوار بالترتیب 8.24 فیصد، 10.00 فیصد اور 10.58 فیصد درج کی گئی۔

فنڈ نے موجودہ مدت کے دوران 70.771 بلین روپے کی مجموعی آمدنی کمائی ہے۔ 16.956 بلین روپے کے اخراجات متہا کرنے کے بعد خالص آمدنی 53.815 بلین روپے ہے۔

درج ذیل چارٹ NBP-SF کی ایٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:







## اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

**NBP فنڈ مینجمنٹ لمیٹڈ**

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 26 فروری 2021ء

مقام: کراچی



## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Savings 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 six months period ended December 31, 2020 in accordance with the provisions of the following:

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

**Badiuddin Akber**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, February 26, 2021

## INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNITHOLDERS

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NBP Savings Fund** ("the Fund") as at 31 December 2020 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial statements for the six months period then ended (herein-after referred to as the "interim financial statements"). Management Company is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting.

### Other matter

The figures for the three months period ended 31 December 2020 and 31 December 2019 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditors' review report is **Amyr Malik**.

Date: February 26, 2021  
Karachi

**KPMG Taseer Hadi & Co.**  
Chartered Accountants



## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2020

	31 December 2020	30 June 2020
<i>Note</i>	<b>Unaudited</b>	<b>Audited</b>
	(Rupees in '000)	
<b>Assets</b>		
Bank balances	6      1,090,347	1,414,360
Investments	7      406,819	164,709
Receivable against Margin Trading System	8      181,451	191,347
Profit receivables	9      4,043	10,587
Receivables from funds under management by Management Company against conversion of units	-	1,599
Advance, deposits and prepayments	<b>961</b>	<b>1,150</b>
<b>Total assets</b>	<b>1,683,621</b>	<b>1,783,752</b>
<b>Liabilities</b>		
Payable to NBP Fund Management Limited - Management Company	10      5,112	5,253
Payable to Central Depository Company of Pakistan Limited - Trustee	11      119	89
Payable to Securities and Exchange Commission of Pakistan	12      158	227
Payable against redemption of units	205	69,352
Accrued expenses and other liabilities	13      12,245	14,261
<b>Total liabilities</b>	<b>17,839</b>	<b>89,182</b>
<b>Net assets</b>	<b>1,665,782</b>	<b>1,694,570</b>
<b>Unit holders' fund (as per statement attached)</b>	<b>1,665,782</b>	<b>1,694,570</b>
<b>Contingency and commitment</b>	14	
	(Number of units)	
<b>Number of units in issue</b>	<b>164,327,959</b>	<b>173,015,951</b>
	(Rupees)	
<b>Net assets value per unit</b>	<b>10.1369</b>	<b>9.7943</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE SIX AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2020

Note	Six months period ended 31 December		Three months period ended 31 December	
	2020	2019	2020	2019
	----- (Rupees in '000) -----			
<b>Income</b>				
Income from government securities	10,446	1,030	7,673	1,013
Income from term finance certificate	-	3,160	-	611
Income from term deposit receipts and bank balances	37,483	61,622	14,170	26,879
Income from Margin Trading System	18,446	1,908	8,209	1,908
Income on commercial paper	4,521	10,876	2,958	7,773
Gain / (loss) on sale of investments - net	(129)	48	(12)	48
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	4	(6)	6	(15)
<b>Total income</b>	<b>70,771</b>	<b>78,638</b>	<b>33,004</b>	<b>38,217</b>
<b>Expenses</b>				
Remuneration to NBP Fund Management Limited - Management Company	10.1 4,847	4,390	2,221	2,103
Sindh Sales Tax on remuneration of Management Company	10.2 630	571	289	274
Remuneration to Trustee	11.1 592	406	299	192
Sindh Sales Tax on remuneration of Trustee	11.2 77	53	39	25
Annual fee - Securities and Exchange Commission of Pakistan	12 158	108	80	51
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3 862	542	472	257
Selling and marketing expense	10.4 5,528	3,690	2,798	1,798
Settlement and bank charges	1,981	763	779	470
Annual listing fee	14	14	7	7
Auditors' remuneration	414	431	305	276
Professional charges	458	18	430	9
Fund rating fee	222	204	111	86
Printing charges	74	-	69	-
Brokerage Expense	1	3	1	3
<b>Total expenses</b>	<b>15,858</b>	<b>11,193</b>	<b>7,900</b>	<b>5,551</b>
<b>Net income from operating activities</b>	<b>54,913</b>	<b>67,445</b>	<b>25,104</b>	<b>32,666</b>
Provision for Sindh Workers' Welfare Fund	13.1 (1,098)	(1,349)	(502)	(653)
<b>Net income for the period before taxation</b>	<b>53,815</b>	<b>66,096</b>	<b>24,602</b>	<b>32,013</b>
Taxation	15 -	-	-	-
<b>Net income for the period</b>	<b>53,815</b>	<b>66,096</b>	<b>24,602</b>	<b>32,013</b>
<b>Allocation of net income for the period</b>				
Net income for the period	53,815	66,096	24,602	32,013
Income already paid on units redeemed	(4,659)	(7,716)	(2,937)	(1,838)
	<b>49,156</b>	<b>58,380</b>	<b>21,665</b>	<b>30,175</b>
<b>Accounting income available for distribution:</b>				
- Relating to capital gains	-	34	-	25
- Excluding capital gains	49,156	58,346	21,665	30,150
	<b>49,156</b>	<b>58,380</b>	<b>21,665</b>	<b>30,175</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2020

	Six months period ended 31 December		Three months period ended 31 December	
	2020	2019	2020	2019
	----- (Rupees in '000) -----			
Net income for the period	53,815	66,096	24,602	32,013
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>53,815</b>	<b>66,096</b>	<b>24,602</b>	<b>32,013</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	Six months period ended 31 December					
	2020			2019		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the period	1,691,334	3,236	1,694,570	1,003,542	384	1,003,926
Issuance of 48,697,292 units (2019: 75,916,853 units)						
- Capital value	476,956	-	476,956	742,157	-	742,157
- Element of income	8,751	-	8,751	17,606	-	17,606
Total proceeds on issuance of units	485,707	-	485,707	759,763	-	759,763
Redemption of 57,385,284 units (2019: 75,737,670 units)						
- Capital value	(562,049)	-	(562,049)	(740,405)	-	(740,405)
- Element of loss	(1,602)	(4,659)	(6,261)	(12,283)	(7,716)	(19,999)
Total payments on redemption of units	(563,651)	(4,659)	(568,310)	(752,688)	(7,716)	(760,404)
Total comprehensive income for the period	-	53,815	53,815	-	66,096	66,096
<b>Net assets at end of the period</b>	<b>1,613,390</b>	<b>52,392</b>	<b>1,665,782</b>	<b>1,010,617</b>	<b>58,764</b>	<b>1,069,381</b>
Undistributed income brought forward						
- Realised		3,195			2,030	
- Unrealised		41			(1,646)	
		3,236			384	
Accounting income available for distribution:						
- Relating to capital gains		-			34	
- Excluding capital gains		49,156			58,346	
		49,156			58,380	
Distribution during the period		-			-	
Undistributed income carried forward		52,392			58,764	
Undistributed income carried forward						
- Realised		52,388			58,770	
- Unrealised		4			(6)	
		52,392			58,764	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period			9.7943			9.7759
Net assets value per unit at end of the period			10.1369			10.3952

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	Six months period ended 31 December	
	2020	2019
Note	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	53,815	66,096
<b>Adjustments for:</b>		
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(4)	6
(Gain) / loss on sale of investments - net	129	(48)
	<b>53,940</b>	<b>66,054</b>
<b>(Increase) / decrease in assets</b>		
Investments - net	(242,235)	(80,835)
Receivable against Margin Trading System	9,896	(106,630)
Profit and other receivables	6,544	1,423
Deposits, prepayment and other receivables	1,788	66
	(224,007)	(185,976)
<b>(Decrease) / increase in liabilities</b>		
Payable to NBP Fund Management Limited - Management Company	(141)	(726)
Payable to Central Depository Company of Pakistan Limited - Trustee	30	(82)
Payable to Securities and Exchange Commission of Pakistan	(69)	(590)
Accrued expenses and other liabilities	(2,016)	635
	(2,196)	(763)
<b>Net cash (used in) operating activities</b>	<b>(172,263)</b>	<b>(120,685)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received on issue of units	485,707	759,763
Payments against redemption of units	(637,457)	(760,325)
<b>Net cash (used in) financing activities</b>	<b>(151,750)</b>	<b>(562)</b>
<b>Net (decrease) in cash and cash equivalents during the period</b>	<b>(324,013)</b>	<b>(121,247)</b>
Cash and cash equivalents at beginning of the period	1,414,360	728,176
<b>Cash and cash equivalents at end of the period</b>	<b>1,090,347</b>	<b>606,929</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director





## NOTES TO AND FORMING PART OF THESE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Savings Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited, as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Trust Deed was executed on 03 January 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 14 December 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). Subsequently, CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from 22 November 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of the CDC on 15 November 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL. In 2019, CDC was appointed in place of MCBFSL as the Trustee with effect from 19 October 2018. Accordingly the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company and CDC.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund, categorised as an income scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The investment objective of the Fund is to earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets. The Fund comprises of investments of various time horizons with a significant amount invested in short term investments for the purpose of maintaining liquidity.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has assigned a stability rating of 'A(f)' to the Fund and an asset manager rating of 'AM1' to the Management Company..
- 1.6 Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.
- 1.7 **Impact of COVID- 19 on the condensed interim financial statements**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.



The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended 30 June 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations.

However, to reduce the impact on the performance of the Fund, regulators / governments across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

In case where requirements differ, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, and the NBFC Regulations have been followed.

**2.1.1** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last annual financial statements.

**2.1.2** These condensed interim financial statements are being submitted to the unit holders as required under Regulation 38 (2) (f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

### **2.2 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements**

There are certain amendments which are effective from annual period beginning on or after 1 July 2020. These amendments are not likely to have an impact on the Fund's financial position. Therefore these are not stated in this condensed interim financial information.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies



Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- **"Annual Improvements to IFRS standards 2018-2020:"**

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender



on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique
- "Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective" for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In" response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (Amendments to IFRS 10 and IAS 28) - The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

The above amendments are effective from annual period beginning on or after 01 January 2021 and are not likely to have an impact on Fund's condensed interim financial statements.

## 2.4 Functional and presentation currency

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



### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund as at and for the year ended 30 June 2020.

### 4 USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed interim financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the condensed interim financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment are the same as those that applied to annual financial statements as at and for the year ended 30 June 2020.

### 5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements as at and for the year ended 30 June 2020.

### 6 BANK BALANCES

		<b>31 December 2020 Unaudited (Rupees in '000)</b>	<b>30 June 2020 Audited</b>
	<i>Note</i>		
In current accounts		2,362	1,387
In saving accounts	6.1 & 6.2	<u>1,087,985</u>	<u>1,412,973</u>
		<u><b>1,090,347</b></u>	<u><b>1,414,360</b></u>

6.1 These carry rate of return ranging from 5.5% to 10.75% (30 June 2020: 5.5% to 15.5%) per annum.

6.2 This includes cheques amounting to Rs. 1.420 million (2020: Rs. 217 million) received on account of issuance of units and cheques amounting to Rs. 1.157 million (2020: Rs. 41.34 million) issued on account of redemption of units.

### 7 INVESTMENTS

		<b>31 December 2020 Unaudited (Rupees in '000)</b>	<b>30 June 2020 Audited</b>
<b>Investments by category</b>			
<b>At fair value through profit or loss</b>			
Term finance certificates - listed	7.1	-	-
Term finance certificates - unlisted	7.2	-	-
Sukuks	7.4	-	-
Government securities - Market Treasury Bills	7.5	99,214	99,709
		<u>99,214</u>	<u>99,709</u>
<b>At amortised cost</b>			
Commercial Paper	7.6	147,605	-
Term deposit receipts	7.7	160,000	65,000
		<u>307,605</u>	<u>65,000</u>
		<u><b>406,819</b></u>	<u><b>164,709</b></u>



## 7.1 Term finance certificates - listed

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

Name of the investee company	Tenor	As at 01 July 2020	Purchases during the period	Sales / matured during the period	As at 31 December 2020	Market value/ Carrying value as at 31 December 2020	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
		----- (Number of certificates) -----				(Rupees in '000)	----- (%) -----	
Saudi Pak Leasing Company Limited (Note 7.1.1)	5 years	15,000	-	-	15,000	-	-	-
Worldcall Telecom Limited (Note 7.1.2)	13 years	14,000	-	-	14,000	-	-	-
		<u>29,000</u>	<u>-</u>	<u>-</u>	<u>29,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

**7.1.1** This represents investment in listed term finance certificates with original term of five years. On 13 October 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its terms on 26 December 2011 with new maturity in March 2017. The investee company again defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since 30 April 2014. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of said circulars.

**7.1.2** This represents investment in listed term finance certificates of Worldcall Telecom Limited. On 07 April 2012, the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

## 7.2 Term finance certificates - Unlisted

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

Name of the investee company	Tenor	As at 01 July 2020	Purchases during the period	Sales / matured during the period	As at 31 December 2020	Market value/ Carrying value as at 31 December 2020	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
		----- Number of certificates -----				(Rupees in '000)	----- (%) -----	
Agritech Limited II (Note 7.2.1)	10 years	30,000	-	-	30,000	-	-	-
Agritech Limited V (Note 7.2.2)	5 years	4,436	-	-	4,436	-	-	-
		<u>34,436</u>	<u>-</u>	<u>-</u>	<u>34,436</u>	<u>-</u>	<u>-</u>	<u>-</u>

**7.2.1** This represents investment in Privately Placed unlisted Term Finance Certificates (PPTFCs) with a term of seven years. On 14 July 2010 the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing by MUFAP since 02 August 2010. The amount of provision as per circular no.1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.



**7.2.2** This represents investment in Privately Placed Term Finance Certificates (PPTFC) of Agritech V received against due markup of Agritech I. The investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since 17 January 2012. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

**7.3 Significant terms and conditions of term finance certificates outstanding at the period end are as follows:**

Name of securities	Number of certificates	Repayment frequency	Unredeemed face value (Rupees)	Mark-up rate	Issue date	Maturity date	Rating
<b>Secured</b>							
<b>Listed term finance certificates</b>							
Saudi Pak Leasing Company Limited	15,000	Impaired	2,755	6 Month KIBOR ask rate plus 1.50%	13-Mar-2008	13-Mar-2013	Not Rated
Worldcall Telecom Limited	14,000	Impaired	1,881	6 Month KIBOR ask rate plus 1.6%	07-Oct-2008	07-Oct-2021	Not Rated
<b>Unlisted term finance certificates</b>							
Agritech Limited II	30,000	Impaired	4,996	6 Month KIBOR ask rate plus 1.75%	14-Jan-2008	14-Jan-2019	Not Rated
Agritech Limited V	4,436	Impaired	5,000	11% Fixed rate	01-July-2011	01-July-2017	Not Rated

## 7.4 Sukuks - Unlisted

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

Name of the investee company	Tenor	As at 01 July 2020	Purchases during the period	Sales / matured during the period	As at 31 December 2020	Market value/ Carrying value as at 31 December 2020	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
		-----Number of certificates-----			(Rupees in '000)		-----(%)-----	
New Allied Electronics (Private) Limited (Note 7.4.1)	11 years	10,000	-	-	10,000	-	-	-
Eden Housing Limited (Note 7.4.2)	12 years	20,000	-	-	20,000	-	-	-
		<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

**7.4.1** This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since 09 January 2009. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

**7.4.2** This represents investment in privately placed sukuks with a term of five years. On 06 May 2011, the investee company defaulted its principal and profit payment and therefore it was classified as non performing asset by MUFAP. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

**7.4.3** The Sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.



## 7.5 Investments in government securities - Market Treasury Bills

Issue date	Tenor	Face value			As at 31 December 2020	Market value / Carrying value as at 31 December 2020	Market value / Carrying value as a percentage of net assets	Market value / Carrying value as a percentage of total investments
		As at 01 July 2020	Purchases during the period	Sales / matured during the period				
			(Rupees in '000)			(%)		
12-Sep-19	12 Months	-	150,000	150,000	-	-	-	-
10-Oct-19	12 Months	-	150,000	150,000	-	-	-	-
7-Nov-19	12 Months	-	21,805	21,805	-	-	-	-
5-Dec-19	12 Months	-	720,000	720,000	-	-	-	-
19-Dec-19	12 Months	-	120,000	120,000	-	-	-	-
2-Jan-20	12 Months	-	775,900	775,900	-	-	-	-
23-Apr-20	3 months	100,000	-	100,000	-	-	-	-
7-May-20	6 Months	-	69,015	69,015	-	-	-	-
18-Jun-20	6 Months	-	77,000	77,000	-	-	-	-
2-Jul-20	6 Months	-	21,600	21,600	-	-	-	-
16-Jul-20	6 Months	-	75,000	75,000	-	-	-	-
16-Jul-20	3 months	-	75,000	75,000	-	-	-	-
30-Jul-20	3 months	-	100,000	100,000	-	-	-	-
13-Aug-20	3 months	-	210,435	210,435	-	-	-	-
27-Aug-20	3 months	-	200,000	200,000	-	-	-	-
24-Sep-20	3 months	-	1,158,500	1,158,500	-	-	-	-
8-Oct-20	3 months	-	133,100	133,100	-	-	-	-
19-Nov-20	3 months	-	100,000	-	100,000	99,214	5.96	24.39
<b>Total</b>		<b>100,000</b>	<b>4,157,355</b>	<b>4,157,355</b>	<b>100,000</b>	<b>99,214</b>	<b>5.96</b>	<b>24.39</b>

Carrying value before fair value adjustments as at 31 December 2020.

99,210

7.5.1 Investments include market treasury bills with market value of Rs. 99.214 million (30 June 2020: Rs 99.709 million) which have been pledged with National Clearing Company of Pakistan for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

## 7.6 Commercial Paper

Name of Issuer	Yield	Maturity Date	Face value			As at 31 Dec 2020	Carrying value as at 31 Dec 2020	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
			As at 01 July 2020	Purchases during the period	Sales / matured during the period				
			(Rupees in '000)			(%)			
K Electric Limited	8.21%	12-Feb-21	-	134,000	-	134,000	132,785	0.08	0.33
K Electric Limited	8.13%	26-Feb-21	-	15,000	-	15,000	14,820	0.01	0.04
			-	149,000	-	149,000	147,605	0.09	0.36

## 7.7 Term deposit receipts

These carry profit at rate of 7.4% (2020: 15.6%) per annum and have maturity of more than 3 months.





7.8	<b>Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
		<b>Unaudited (Rupees in '000)</b>	
	Market value / carrying value of investments	246,819	294,059
	Less: carrying cost of investments	<u>(552,170)</u>	<u>(599,420)</u>
	Add: Provision against non-performing term finance certificates and sukuks	<u>305,355</u>	<u>(305,361)</u>
		<u><u>4</u></u>	<u><u>(6)</u></u>
7.9	<b>Movement in provision against non-performing term finance certificates and sukuks</b>		
	Opening balance	-	305,355
	Add: charge for the period	-	-
	Less: reversal of provision due to recovery	<u>-</u>	<u>(305,355)</u>
		<u><u>-</u></u>	<u><u>-</u></u>
8	<b>RECEIVABLE AGAINST MARGIN TRADING SYSTEM</b>		
	These are matured at the option of finance subject to maximum period of 60 days.		
9	<b>PROFIT RECEIVABLES</b>	<b>31 December 2020</b>	<b>30 June 2020</b>
		<b>Unaudited</b>	<b>Audited</b>
		<b>(Rupees in '000)</b>	
	Profit receivables on savings accounts and TDR	2,765	9,695
	Margin Trading System	<u>1,278</u>	<u>892</u>
		<u><u>4,043</u></u>	<u><u>10,587</u></u>
10	<b>PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		
	Management remuneration	713	867
	Sindh Sales Tax on management remuneration	183	113
	Allocation of expenses related to registrar services, accounting, operation and valuation services	472	302
	Sales and transfer load	808	1,643
	Sindh Sales Tax on sales load	115	212
	Selling and Marketing expense	2,798	2,116
	Other payable	<u>23</u>	<u>-</u>
		<u><u>5,112</u></u>	<u><u>5,253</u></u>
10.1	Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 7% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1% of average annual net assets of the Fund till 11 July 2019, with effective from 12 July 2019 to 09 January 2020, the Management Company revised its remuneration to the rate of 6% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1% of average annual net assets and with effective from 10 January 2020, the Management Company has revised its remuneration to the rate of 8% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets.		
10.2	The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. During the period, Sindh Sales Tax at the rate of 13% (30 June 2020: 13%) was charged on management remuneration and sales load.		



**10.3** In accordance with clause 60(s) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 the management company is allowed to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund charging 0.1% per annum of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services. However, the Management Company continued to charge 0.1% of average daily net assets till 26 Oct 2020 and with effect from 27 October 2020, the Management Company has charged its allocated expenses at the rate of 0.125% of the average annual net assets of the Fund.

**10.4** As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company was entitled to charge selling and marketing expense to Collective Investment Scheme up to 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Circular 11 of 2019 dated 5 July 2019, issued by SECP superseded the above stated Circular and has revised the conditions and waived capping for charging selling and marketing expense. Subsequently, the Management Company has revised selling and marketing expenses rate from 0.4 % per annum of average net assets of the Fund to 0.7% per annum of average net assets of the Fund or actual expenses whichever is lower and accordingly selling and marketing expense has been charged from 12 July 2019 at the rate of 0.7% per annum of average net assets of the Fund or actual whichever is lower.

	<i>Note</i>	<b>31 December 2020</b>	30 June 2020
		<b>Unaudited</b>	Audited
<b>11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		<b>(Rupees in '000)</b>	
Trustee remuneration	11.1	95	69
Sindh Sales Tax on Trustee remuneration	11.2	24	20
		<u>119</u>	<u>89</u>

**11.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund at the rate of 0.075% per annum of net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

**11.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the period, Sindh Sales Tax at the rate of 13% (30 June 2020: 13%) was charged on trustee remuneration.

## **12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as an Income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan at an amount equal to 0.02% per annum of the average net assets of the Fund. The fee is paid annually in arrears.

	<i>Note</i>	<b>31 December 2020</b>	30 June 2020
		<b>Unaudited</b>	Audited
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		<b>(Rupees in '000)</b>	
Provision for Sindh Workers' Welfare Fund	13.1	8,224	7,126
Federal Excise Duty on management remuneration	13.2	2,799	2,808
Auditors' remuneration		413	508
Bank charges		49	82
Mutual Fund Rating Fee		15	-
Settlement Charges - CDC		26	-
Printing charges		9	5
Withholding tax		50	2,978
Capital gains tax		61	513
Laga and levy charges		107	101
Legal and professional charges		453	91
NCCPL Charges		20	30
Others		19	19
		<u>12,245</u>	<u>14,261</u>



- 13.1** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honorable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of Sindh WWF should be made on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 01 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 4.095 million and a provision for SWWF of Rs. 1.645 million upto 12 January 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.05 per unit (30 June 2020: Rs 0.0412 per unit).

- 13.2** The status of Federal Excise Duty (FED) is same as disclosed in annual financial statements for the year ended 30 June 2020. Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 3.019 million out of which Rs. 0.211 million have been paid to the Management Company. Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0184 (30 June 2020: Rs. 0.0174) per unit.

## **14 CONTINGENCY AND COMMITMENT**

There was no other contingency and commitment as at 31 December 2020 (30 June 2020: Nil).

## **15 TAXATION**

The Fund's income is exempt from Income Tax as per 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. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains/ loss 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. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income as per distribution policy for the year ending 30 June 2020 if require to ensure the compliance of this clause. Accordingly, no provision for taxation has been made in these condensed interim financial statements.



## 15.1 Income already paid on redemption of units and tax assessment

Distribution of income by collective investment schemes includes (a) the income already distributed upon redemption of units and (b) the amount of income distributed by way of cash dividend.

Open end mutual funds continuously offer issuance and redemption of units at prevailing Net Assets Value (NAV) applicable at the time of offer and redemption. The unit-holder who invests in the open end mutual fund during the year and redeems during the same year has effectively taken his due share of income for the year and the differential amount (proceeds received less original investment) is and should be treated as “distribution of profit”. In case of unit holder who existed at the beginning of the year and makes redemption during the year, the amount representing his due share of income from the current year’s income is and should be considered as “distribution of profit”.

In few mutual funds, the said exemption has been denied by the Additional Commissioner – Audit (AC), on the ground that the amount paid as income on units redeemed by investors during the tax year cannot be treated as distribution of income as per criteria envisaged under Clause 99 of Part 1 of the Second Schedule of the Ordinance and AC due to this, commented that the distribution by the Fund fell short of 90% distribution threshold.

Further, during the period, an assessment order was passed for tax year 2018 in respect of the Fund, whereby tax demand of Rs. 14.05 million was raised. In the Order, the tax department has erroneously treated distribution of income in the form of “issuance of units in lieu of cash dividend at the option of re-investment by the unitholders” as bonus shares and hence not considered the same for the purpose of meeting the distribution criteria envisaged in the said clause of the ITO.

In response to the orders, the management filed appeal with Commissioner Appeal office. In his judgment, the Commissioner Appeals upheld Assessment Order passed by AC. The Fund has now initiated appeal in Appellate Tribunal, which is pending adjudication.

Meanwhile, the management filed petition for stay in High Court of Sindh (SHC), and stay order has been granted by SHC. In its judgment, SHC held that since the subject matter is pending before Appellate Tribunal, therefore, the recovery of impugned demand will not be enforced till the final decision of Tribunal.

Further, the issue of distribution of income is also being contested by MUFAP on behalf of the mutual funds industry at various regulatory and Government levels and management is hopeful that the matter will be resolved soon as the matter has merely arisen due to incorrect interpretation by the relevant commissioners as to what construes as distribution of profit by an open end mutual fund. SECP agrees with MUFAP’s interpretation and is also actively following up with FBR to resolve the matter at the earliest.

Based on the opinion of the tax advisor, the management believes that the Fund has distributed required amount of income to be eligible for tax exemption under clause 99 of Part 1 of the Second Schedule of the Income Tax Ordinance, 2001 and hence, no provision for taxation is required to be made in the financial statements.

## 16 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the period divided by average net asset value for the year ) is 2.15% per annum (2019: 2.32% per annum). Total expense ratio (excluding government levies) is 1.9% per annum (2019: 1.93% per annum).

## 17 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

17.1 Connected persons include NBP Fund Management Limited being the Management Company (NBP Funds), Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsors, NAFA Provident Fund Trust being the associate of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, 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 and unit holders holding ten percent or more units of the Fund.

17.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

17.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period end, except those disclosed elsewhere in these condensed interim financial statements, are as follows:

17.5 Details of the transactions with connected persons	Six months period ended (Unaudited)	
	Dec 31, 2020	Dec 31, 2019
	(Rupees in '000)	
<b>NBP Fund Management Limited - Management Company</b>		
Management remuneration	4,847	4,390
Sindh Sales Tax on remuneration of Management Company	630	571
Sales and transfer load	1,451	255
Allocation of expenses related to registrar services, accounting, operation and valuation services	862	542
Selling and marketing expense	5,528	3,690
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration to the Trustee	592	406
Sindh Sales Tax on remuneration of Trustee	77	53
CDD Charges	122	276
<b>Employees of the Management Company</b>		
939,880 units issued (2019: 28,772 units)	9,316	291
788,899 units redeemed (2019: 34,615 units)	7,837	355
<b>Fauji Fertilizer Company Limited - Common Directorship</b>		
Nil units issued (2019: 25,271,160 units)	-	250,000
Nil units redeemed (2019: 25,271,160 units)	-	250,167
<b>Muhammad Murtaza Ali - Company Secretary / COO</b>		
Nil units issued (2019: 49,597 units)	-	500
Nil units redeemed (2019: 49,597 units)	-	503
<b>Shahid Hussain</b>		
Nil units issued (2019: 656 units)	-	7
<b>NBP Income Opportunity Fund</b>		
Purchased Commercial Paper	-	23,182
<b>Pakistan Telecommunication Employees Trust</b>		
Purchased T-bill	-	31,433
Sale of T-bill	73,464	-
<b>NBP Money Market Fund</b>		
Purchased T-bill	-	34,730
Sale of T-bill	68,921	-
<b>NBP Financial Sector Income Fund</b>		
Sold Term Finance Certificates	-	75,485
Purchased T-bill	900,375	-



	Six months period ended (Unaudited)	
	Dec 31, 2020	Dec 31, 2019
	(Rupees in '000)	
<b>National Clearing Company of Pakistan Limited</b>		
NCCPL Charges	107	126
<b>Pakistan Stock Exchange Limited</b>		
Listing Fee paid	25	25
<b>Bank Islami Pakistan Limited</b>		
Markup on Bank Deposit	43	1,727
<b>Millat Tractor Limited Employees Pension Fund</b>		
Sale of T Bill	58,145	-
<b>The Crescent Textile Mills Employees Provident Fund Trust</b>		
Sale of T Bill	14,540	-
<b>The Hub Power Company Limited</b>		
Purchased Commercial Paper	-	83,647
Income on commercial paper	-	4,093
<b>Khushhali Microfinance Bank Limited *</b>		
Markup on bank deposit	3,010	-
<b>Telenor Microfinance Bank Limited *</b>		
Markup on bank deposit	25	-
<b>17.6 Amounts outstanding as at period / year end:</b>		
	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>(Rupees in '000)</b>	
<b>NBP Fund Management Limited - Management Company</b>		
Management remuneration payable	713	867
Sindh Sales Tax payable	183	113
Allocation of expenses related to registrar services, accounting, operation and valuation services	472	302
Sales and transfer load	808	1,643
Sindh Sales Tax payable on sales load	115	212
Selling and Marketing expense	2,798	2,116
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	95	69
Sindh Sales Tax payable	24	20
Security deposit	100	100
CDC charges payable	27	47
<b>K.T.H CP Fund (M.T.I)</b>		
Units held: 21,635,850 units (2020: 20,945,449 units)	219,320	205,146
<b>NBP Employees pension fund</b>		
Units held: 75,220,001 units (2020: 75,220,001 units)	762,498	736,727



	31 December 2020 Unaudited (Rupees in '000)	30 June 2020 Audited
<b>Employees of the Management Company</b>		
Units held: 427,971 units (2020: 648,465 units)	4,338	6,351
<b>Bank Islami Pakistan Limited</b>		
Bank Balance	337	541
Mark-up on Bank Balance	20	23
<b>Khushhali Microfinance Bank Limited*</b>		
Bank Balance	959	-
Mark-up on Bank Balance	62	-
<b>Telenor Microfinance Bank Limited *</b>		
Bank Balance	101	-
Mark-up on Bank Balance	22	-
<b>National Clearing Company of Pakistan Limited</b>		
NCCPL Charges Payable	20	13
NCCPL Deposit	250	250
<b>Receivables from funds against conversion of units*</b>		
NBP Islamic Sarmaya Izafa Fund	-	740
NBP Islamic Mahana Amdani Fund	-	612
NBP Islamic Stock Fund	-	240

\* Previous balances with this party has not been disclosed as it did not remain connected person and related party as at the period end.

## 18 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

31 December 2020							
Carrying amount				Fair value			
At fair value through profit and loss	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Unaudited -----							
----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investment							
- Market Treasury Bills	99,214	-	99,214	-	99,214	-	99,214
- Term deposit receipts	-	160,000	160,000	-	-	-	-
- Commercial Paper	-	147,605	147,605	-	-	-	-
<b>Financial assets not measured at fair value</b> 18.1							
Bank balances	-	1,090,347	1,090,347				
Receivable against Marginal Trading System	-	181,451	181,451				
Profit and other receivables	-	4,043	4,043				
Security deposits	-	450	450				
	<b>99,214</b>	<b>1,583,896</b>	<b>1,683,110</b>				
<b>Financial liabilities not measured at fair value</b> 18.1							
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	5,112	5,112			
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	119	119			
Payable against redemption of units	-	-	205	205			
Accrued expenses and other liabilities	-	-	1,111	1,111			
	-	-	<b>6,547</b>	<b>6,547</b>			

30 June 2020							
Carrying amount				Fair Value			
At fair value through profit and loss	Amortised Cost		Total	Level 1	Level 2	Level 3	Total
----- Audited -----							
----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments							
- Market Treasury Bills	99,709	-	99,709	-	99,709	-	99,709
- Term finance certificates	-	-	-				
- Term deposit receipts	-	65,000	65,000	-	-	-	-
- Commercial Paper	-	-	-				





30 June 2020

	Carrying amount			Fair Value			
	At fair value through profit and loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
----- Audited -----							
----- (Rupees in '000) -----							
<b>Financial assets not measured at fair value</b>							
Bank balances	-	1,414,360	-	1,414,360			
Profit receivables	-	10,587	-	10,587			
Security deposits	-	450	-	450			
Receivable against Margin Trading System	-	191,347	-	191,347			
Receivables from funds under management by Management Company against conversion of units	-	1,599	-	1,599			
	<u>99,709</u>	<u>1,939,690</u>	<u>-</u>	<u>2,039,399</u>			
<b>Financial liabilities not measured at fair value</b>							
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	5,253	5,253			
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	89	89			
Accrued expenses and other liabilities	-	-	836	836			
Payable against redemption of units	-	-	69,352	69,352			
	<u>-</u>	<u>-</u>	<u>75,530</u>	<u>75,530</u>			

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

**18.2** Financial instruments not measured at FVTPL include net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these condensed interim financial information. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

**19 DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on February 26, 2021.

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

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

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

\_\_\_\_\_  
Director

## Head Office

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