



*Managing Your Savings*

**NBP Fund Management Limited**



# **NBP FINANCIAL SECTOR FUND**

**ANNUAL** REPORT  
2023

**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. Saad Amanullah Khan	Director
Mr. Ruhail Muhammad	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Ruhail Muhammad	Chairman
Mr. Saad Amanullah Khan	Member
Ms. Mehnaz Salar	Member
Mr. Imran Zaffar	Member

### Human Resource & Remuneration Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Saad Amanullah Khan	Member

### Strategy & Business Planning Committee

Mr. Saad Amanullah Khan	Chairman
Mr. Tauqeer Mazhar	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Khalid Mansoor	Member

### Trustee

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

### Bankers to the Fund

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



## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

## Board of Directors



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



**Shaikh Muhammad Abdul Wahid Sethi**  
Chairman



**Mr. Khalid Mansoor**  
Director



**Mr. Saad Amanullah Khan**  
Director



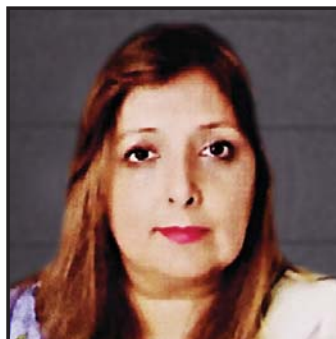
**Mr. Tauqeer Mazhar**  
Director



**Mr. Ali Saigol**  
Director



**Mr. Ruhail Muhammad**  
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 Business  
Development Officer



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



**Mr. Khalid Mehmood**  
Chief Financial Officer



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



**Mr. Shahzad Mithani**  
Head of Corporate &  
HNWIs Sales - South



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



**Mr. Mustafa Farooq**  
Head of Compliance

## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Sixth Annual Report for the period ended June 30, 2023, since launch of **NBP Financial Sector Fund (NFSF)** on February 14, 2018.

### Fund's Performance

FY23 was a lackluster year for equities as the benchmark KSE-100 Index remained flat, falling slightly by 88 points. However, during the period, the market remained very volatile and the Index exhibited large swings on both sides.

The stock market performance remained subdued during the outgoing year as investors' confidence remained fragile shaped by worsening political and macro-economic outlook. On economic front, the precarious situation on balance of payment (BOP) troubled investors. Though the current account deficit (CAD), that stood at USD 2.6 bn as against USD 17.5 bn last year, was brought under control due to various administrative measures/restrictions, elevated external debt repayments of around USD 21 bn remained a cause of concern. Due to delay in meeting conditions of IMF, the program remained in abeyance and the external inflows dried up. Hence, SBP's FX reserves slipped from USD 9.8 billion to USD 4.5 billion for the same reason. Amid steep drawdown in FX reserves, PKR witnessed massive devaluation of around 40% during FY23 that also dented sentiments. Unprecedented rains led to massive floods in the country that not only caused massive devastation but further worsened economic outlook as GDP growth was merely recorded at merely 0.3% during the year. Large Scale Manufacturing was particularly hit as its output dropped by around 10.3% during FY23. Inflation, which was already on an ascent due to commodity upcycle and retail fuel & power prices adjustments, further ratcheted up as acute supply disruptions & shortages put more pressure on prices. Average inflation clocked in at around 29.2% in FY23. This prompted the central bank to aggressively increase Policy Rate to 22% from 13.75% at the start of the period. Although listed corporate sector continued to post robust double-digit growth in profitability, despite imposition of higher taxes and anemic GDP growth, multi-faceted economic challenges and political uncertainty sapped sentiments and weighed heavily on market performance. A key aspect during last year related to capital market was the sponsor buy back programs which remained a major redeeming factor where cumulative buybacks of around PKR 28 billion were announced reflecting immense sponsor confidence in their own companies.

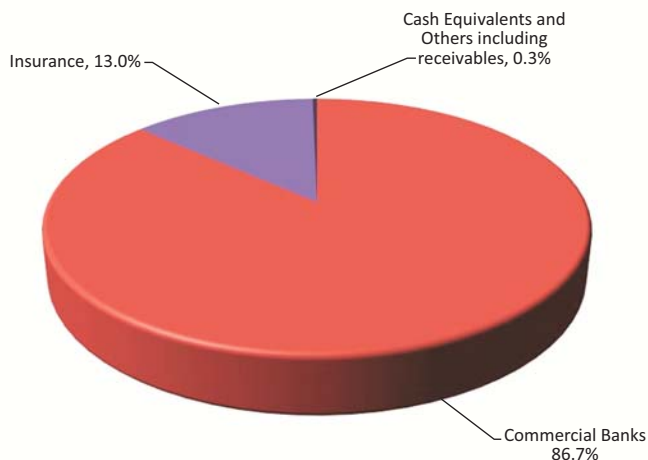
In terms of sector performance, Cements, Chemicals, Banks, Fertilizer, Oil & Gas Exploration Companies, Power Generation & Distribution, Sugar & Allied Industries, and Technology & Communication sectors outperformed the market. On the contrary, Auto Assemblers, Auto Parts & Accessories, Cable & Electrical Goods, Engineering, Food & Personal Care, Glass & Ceramics, Insurance, Leather & Tanneries, Miscellaneous, Oil & Gas Marketing, Paper & Board, Pharmaceutical, Refinery, Textile Composite, and Tobacco sectors lagged the market. On participants-wise market activity, Companies, Individual and Banks/DFIs emerged the largest net buyers with inflows of around USD 100 million, USD 84 and USD 74 million, respectively. On the contrary, Mutual Funds & Insurance lowered their net holdings by around USD 144 million & USD 124 million, respectively.

During the fiscal year, NBP Financial Sector Fund decreased by 5.2% return as against the KSE-30 index increased by 4.4%, underperforming the benchmark by 9.6% during the year. The Fund underperformed as the fund was overweight in select Commercial Banks and Insurance sector stocks which underperformed the market. Since inception (February 14, 2018), NBP Financial Sector Fund has decreased by 19.3%, whereas the KSE-30 index has increased by 1.1%, thus to date underperformance is 20.4%. This underperformance is net of management fee and all other expenses. The Fund size is 93 mln as of June 30, 2023.

NBP Financial Sector Fund has incurred a loss of Rs. 7.47 million during the year. After incurring total expenses of Rs. 14.85 million, the total loss is Rs. 22.32 million. During the year, the unit price of NBP Financial Sector Fund has decreased from Rs. 8.2214 (Ex-Div) on June 30, 2022 to Rs. 7.7901 on June 30, 2023. The resultant per unit loss is Rs. 0.4313 (-5.24%).



The asset allocation of NBP Financial Sector Fund as on June 30, 2023 is as follows:



## Income Distribution

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

## Taxation

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

## Auditors

The present auditors, Messrs Yousuf Adil Chartered Accountants, retired and, being eligible, offer themselves for re-appointment for the year ending June 30, 2024.

## 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 six 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. For the Year Ended June 30, 2023, the Board included:

Category	Names
<b>Independent Directors</b>	<ol style="list-style-type: none"> <li>1. Mr. Khalid Mansoor</li> <li>2. Mr. Saad Amanullah Khan</li> <li>3. Mr. Ruhail Muhammad</li> <li>4. Mr. Humayun Bashir</li> </ol>
<b>Executive Director</b>	Dr. Amjad Waheed - Chief Executive Officer
<b>Non-Executive Directors</b>	<ol style="list-style-type: none"> <li>1. Shaikh Muhammad Abdul Wahid Sethi (Chairman)</li> <li>2. Mr. Tauqeer Mazhar</li> <li>3. Ms. Mehnaz Salar</li> <li>4. Mr. Ali Saigol</li> <li>5. Mr. Imran Zaffar</li> </ol>

## Acknowledgement

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

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

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

**Chief Executive Officer**

**Director**

Date: **September 15, 2023**  
Place: Karachi.

## ڈائریکٹرز رپورٹ

این بی پی فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز اپنے آغاز (14 فروری 2018) سے NBP فنانشل سیکٹرز فنڈ کی چھٹی سالانہ رپورٹ برائے اختتامہ سال 30 جون 2023ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

مالی سال 23 ایکویٹیز کے لیے مایوس کن تھا کیونکہ شیئنگ مارک KSE-100 انڈیکس فلیٹ رہا، جس میں 88 پوائنٹس کی کمی واقع ہوئی۔ تاہم، اس عرصہ کے دوران، مارکیٹ بہت اتار چڑھاؤ کا شکار رہی اور انڈیکس نے بھی دونوں اطراف جھکاؤ دکھایا۔

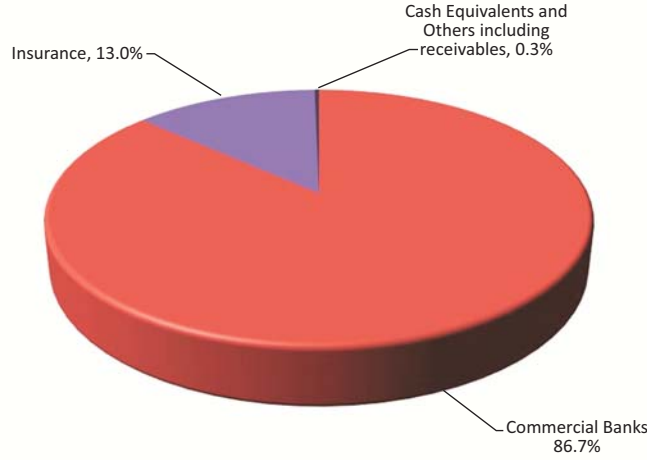
رواں سال کے دوران سٹاک مارکیٹ کی کارکردگی کم رہی کیونکہ خراب سیاسی اور میکرو اکنامک نقطہ نظر کی وجہ سے سرمایہ کاروں کا اعتماد کمزور رہا۔ معاشی محاذ پر، ادائیگی کے توازن (BOP) کی نازک صورتحال نے سرمایہ کاروں کو پریشان کیا۔ اگرچہ کرنٹ اکاؤنٹ خسارہ (CAD) جو کہ گزشتہ سال 17.5 بلین امریکی ڈالر کے مقابلے میں 2.6 بلین امریکی ڈالر رہا، مختلف انتظامی اقدامات/پابندیوں کی وجہ سے کنٹرول میں لایا گیا تاہم تقریباً 21 بلین ڈالر کے بیرونی قرضوں کی ادائیگی توشیوں کا باعث بنی ہوئی ہے۔ آئی ایم ایف کی شرائط پوری کرنے میں تاخیر کی وجہ سے پروگرام معطل کا شکار رہا اور بیرونی قوم کا بہاؤ کم ہو گیا۔ لہذا، اسی وجہ سے SBP کے زرمبادلہ ذخائر 9.8 بلین امریکی ڈالر سے کم ہو کر 4.5 بلین امریکی ڈالر پر آ گئے۔ زرمبادلہ ذخائر میں زبردستی کمی کے درمیان، پاکستانی روپیہ نے مالی سال 23 کے دوران بڑے پیمانے پر قدر میں تقریباً 40% کی کمی دیکھی جس سے مارکیٹ کے حالات بھی مجروح ہوئے۔ غیر معمولی بارشوں نے ملک میں بڑے پیمانے پر سیلاب کی وجہ سے نہ صرف تباہی مچائی بلکہ معاشی نقطہ نظر کو مزید خراب کر دیا کیونکہ سال کے دوران جی ڈی پی کی شرح نمو محض 0.3 فیصد ریکارڈ کی گئی۔ خاص طور پر بڑے پیمانے کی مینوفیکچرنگ متاثر ہوئی کیونکہ مالی سال 23 کے دوران اس کی پیداوار میں تقریباً 10.3 فیصد کمی واقع ہوئی۔ مہنگائی، جو کہ کموڈٹی اسپسٹیکل اور خوردہ ایندھن اور بجلی کی قیمتوں میں ایڈجسٹمنٹ کی وجہ سے پہلے ہی عروج پر تھی، مزید بڑھ گئی کیونکہ سپلائی میں شدید رکاوٹ اور قلت قیمتوں پر مزید باؤ ڈالا۔ مالی سال 23 میں اوسط مہنگائی تقریباً 29.2 فیصد تک پہنچ گئی۔ اس نے مرکزی بینک کو جارحانہ انداز میں پالیسی شرح کو 13.75 فیصد سے بڑھا کر 22 فیصد کرنے پر آمادہ کیا۔ اگرچہ لسٹڈ زیادہ ٹیکسوں کے نفاذ جی ڈی پی میں کمی کے باوجود کارپوریٹ سیکٹرز نے منافع میں دوہرے ہندسے کی مضبوط نمو جاری رکھی، کثیر جہتی اقتصادی چیلنجوں اور سیاسی غیر یقینی صورتحال نے جذبات کو مجروح کر دیا اور مارکیٹ کی کارکردگی پر بہت زیادہ باؤ ڈالا۔ کیمپبل مارکیٹ سے متعلق پچھلے سال کے دوران ایک اہم پہلو اسپانسر بے بیک پروگرام تھا جو کہ ایک اہم ریڈیمنگ عنصر رہا جس کا تقریباً 28 بلین روپے کی مجموعی بائے بیکس کا اعلان کیا گیا جو ان کی اپنی کمپنیوں میں اسپانسر کے بے پناہ اعتماد کی عکاسی کرتا ہے۔

سیکٹرز اور کارکردگی کے لحاظ سے سیمنٹ، کیمیکل، بینک، فریٹ لائزر، آئل اینڈ گیس، ایکسپلوریشن کمپنیاں، پاور جنریشن اینڈ ڈسٹری بیوٹن، شوگر اینڈ الائیڈ انڈسٹریز، اور ٹیکسٹائل اور کیمیکل اینڈ ٹیکسٹائل سیکٹرز نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا۔ اس کے برعکس، آٹو اسمبلرز، آٹو پارٹس اور ایئر لائنز، کیمبل اور ایکسپلوریشن کمپنیاں، انجینئرنگ، فوڈ اینڈ بیورٹس، گلاس اینڈ سٹریٹس، انشورنس، لیڈر اینڈ ٹیکسٹائل، متفرقات، آئل اینڈ گیس مارکیٹنگ، پیپر اینڈ بورڈ، فارماسیوٹیکل، ریفرنسری، ٹیکسٹائل کمپوزٹ، اور تمباکو کے شعبوں نے مارکیٹ سے اہتر کارکردگی کا مظاہرہ کیا۔ شرکاء کے لحاظ سے مارکیٹ کی سرگرمیوں پر، کمپنیاں، انفرادی اور بینک/DFIs بالترتیب 100 بلین امریکی ڈالر، 84 بلین امریکی ڈالر اور 74 بلین امریکی ڈالر کی آمد کے ساتھ سب سے بڑے خالص خریدار رہے۔ اس کے برعکس، میویو پل فنڈز اور انشورنس نے اپنی خالص ہولڈنگز کو بالترتیب 144 بلین امریکی ڈالر اور 124 بلین امریکی ڈالر تک کم کر دیا۔

NBP فنانشل سیکٹرز فنڈ کو مالیاتی سال کے دوران KSE-30 انڈیکس میں 4.4 فیصد اضافہ کے مقابلے میں 5.2 فیصد کمی ہوئی، سال کے دوران 9.6 فیصد شیئنگ مارک کی اہتر کارکردگی کا مظاہرہ کیا۔ فنڈ نے اہتر کارکردگی دکھائی کیونکہ فنڈ نے کرسٹل بینکوں اور انشورنس سیکٹرز جنہوں نے مارکیٹ سے اہتر کارکردگی دکھائی کے ذخائر منتخب کرنے کو اہمیت دی۔ اپنے آغاز (14 فروری 2018) سے، NBP فنانشل سیکٹرز فنڈ میں 19.3 فیصد کمی ہوئی، جبکہ KSE-30 انڈیکس میں 1.1 فیصد اضافہ ہوا، لہذا آج تک اہتر کارکردگی 20.4 فیصد ہے۔ یہ اہتر کارکردگی مینجمنٹ فیس اور تمام دیگر اخراجات کے علاوہ خالص ہے۔ فنڈ کا ساؤتھ جون 2023 کے مطابق 93 ملین ہے۔

NBP فنانشل سیکٹرز فنڈ کو سال کے دوران 7.47 ملین روپے کا مجموعی نقصان ہوا۔ 14.85 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد، کل نقصان 22.32 ملین روپے ہے۔ سال کے دوران NBP فنانشل سیکٹرز فنڈ کی یونٹ پرائس 30 جون 2022 کو 8.2214 (Ex-Div) روپے سے کم ہو کر 30 جون 2023 کو 7.7901 روپے ہو گئی۔ جس کے نتیجے میں فی یونٹ نقصان 0.4313 روپے (-5.24%) ہے۔

30 جون 2023 کے مطابق NBP فنانشل سیکٹرز فنڈ کی ایسٹ ایلوکیشن حسب ذیل ہے:



## آمدنی کی تقسیم

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

## ٹیکسیشن

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

## آڈیٹرز

موجودہ آڈیٹرز، میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2024 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے 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، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
4. ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
5. انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
7. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
8. پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیویڈنڈز، 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 چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں ظاہر کی گئی ہے۔
11. یونٹ ہولڈنگ کا تفصیلی پیرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز ہی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونش کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔



•13 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ زیر جائزہ مدت 30 جون 2023 کے دوران بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل رہا۔

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

## اظہار تشکر

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

بورڈ اپنے اسٹاک ہولڈرز 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** فنانس مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 15 ستمبر 2023ء

مقام: کراچی

## TRUSTEE REPORT TO THE UNIT HOLDERS

### Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Financial Sector Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) 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 27, 2023

## FUND MANAGER REPORT

### NBP Financial Sector Fund

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

### Investment Objective of the Fund

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

### Benchmark

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

### Fund performance review

This is the Sixth annual report. During the fiscal year NBP Financial Sector Fund decreased by 5.2% return as against the KSE-30 index increased by 4.4%, underperforming the benchmark by 9.6% during the year. Since inception (February 14, 2018), NBP Financial Sector Fund has decreased by 19.3%, whereas the KSE-30 index has increased by 1.1%, thus to date underperformance is 20.4%. This underperformance is net of management fee and all other expenses. The Fund size is 93 mln as of June 30, 2023.

NFSF underperformed as the fund was overweight in select Commercial Banks and Insurance sector stocks which underperformed the market.

The chart below shows the performance of NFSF against the Benchmark for the year.

**NFSF Performance vs. Benchmark during FY23**



FY23 was a lackluster year for equities as the benchmark KSE-100 Index remained flat, falling slightly by 88 points. However, during the period, the market remained very volatile and the Index exhibited large swings on both sides.

The stock market performance remained subdued during the outgoing year as investors' confidence remained fragile shaped by worsening political and macro-economic outlook. On the political front, uncertainty & agitation remained elevated during the year and weighed on investors' sentiments. The dissolution of two provincial assemblies and uncertainty over continuity of federal government and contention between government and apex court caused jitters in the market. On economic front, the precarious situation on balance of payment (BOP) troubled investors. Though the current account deficit (CAD), that stood at USD 2.6 bn as against USD 17.5 bn last year, was brought under control due to various administrative measures/restrictions, elevated external debt repayments of around USD 21 bn remained a cause of concern. Due to delay in meeting conditions of IMF, the program remained in abeyance and the external inflows dried up. Hence, SBP's FX reserves slipped from USD 9.8 billion to USD 4.5 billion for the same reason. Amid steep drawdown in FX reserves, PKR witnessed massive devaluation of around 40% during FY23 that also dented sentiments. Unprecedented rains led to massive floods in the country that not only caused massive devastation but further worsened economic outlook as GDP growth was merely recorded at 0.3% during the year. Large Scale Manufacturing was particularly hit as its output dropped by around 10.3% during FY23. Inflation, which was already on an ascent due to commodity upcycle and retail fuel & power prices adjustments, further ratcheted up as acute supply disruptions & shortages put more pressure on prices. Average inflation clocked in at around 29.2% in FY23. This prompted the central bank to aggressively increase Policy Rate to 22% from 13.75% at the start of the period. Although listed corporate sector continued to post robust double-digit growth in profitability, despite imposition of higher taxes and anemic GDP growth, multi-faceted economic challenges and political uncertainty sapped sentiments and weighed on market performance. A key aspect during last year related to capital market was the sponsor buy back programs which remained a major redeeming factor where cumulative buybacks of around PKR 28 billion were announced reflecting immense sponsor confidence in their own companies.

In terms of sector performance, Cements, Chemicals, Banks, Fertilizer, Oil & Gas Exploration Companies, Power Generation & Distribution, Sugar & Allied Industries, and Technology & Communication sectors outperformed the market. On the contrary, Auto Assemblers, Auto Parts & Accessories, Cable & Electrical Goods, Engineering, Food & Personal Care, Glass & Ceramics, Insurance, Leather & Tanneries, Miscellaneous, Oil & Gas Marketing, Paper & Board, Pharmaceutical, Refinery, Textile Composite, and Tobacco sectors lagged the market. On participants-wise market activity, Companies, Individual and Banks/DFIs emerged the largest net buyers with inflows of around USD 100 million, USD 84 and USD 74 million, respectively. On the contrary, Mutual Funds & Insurance lowered their net holdings by around USD 144 million & USD 124 million, respectively.

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

Particulars	30-Jun-23	30-Jun-22
Equities / Stocks	99.7%	96.4%
Cash Equivalents	5.6%	3.7%
Other Net Liabilities	(5.3)	(0.1)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Distribution for the Financial Year 2023

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

### Unit Holding Pattern

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	6
1-1000	69
1001-5000	20
5001-10000	11
10001-50000	7
50001-100000	3
100001-500000	5
500001-1000000	2
1000001-5000000	7
<b>Total</b>	<b>130</b>



## During the period under question

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

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NBP Financial Sector Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **NBP Financial Sector Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, the statement of comprehensive income, the statement of movement in unit holders' fund and the 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, 2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Emphasis of Matter

We draw attention to note 2.1 of the financial statements, which states that the size of the Fund fell below the minimum fund size requirement of Rs. 100 million. Since the management does not have any intention to liquidate the Fund, therefore the financial statements have been prepared on going concern basis.

Our opinion is not modified in respect of the matter stated above.

#### Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year.

This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investment</b></p> <p>Investments held at fair value through profit or loss are disclosed in note 5 to the financial statements and represent a significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in Equity Securities which are the main driver of the Fund's performance.</p>	<ul style="list-style-type: none"> <li>Obtained an understanding of relevant controls placed by the Management Company applicable to the balance;</li> <li>Independently verified existence of investments from Central Depository Company (CDC) account Statement, Investment Portfolio Services (IPS), bank confirmations and other relevant documents;</li> </ul>

S. No.	Key Audit Matter	How the matter was addressed in our audit
	Considering the above factors, the valuation and existence are significant areas during our audit due to which we have considered this as a key audit matter.	<ul style="list-style-type: none"> <li>Performed test of details on sale, purchase and maturity of investments on a sample basis by inspecting deal tickets, counterparty confirmation, broker confirmation and bank statements; and</li> <li>Tested valuation of investments by independently tracing rate to externally quoted market prices and from Pakistan Stock Exchange (PSX)</li> </ul>

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

Management Company is responsible for the other information. The other information comprises the information (Directors' Report, Fund Manager Report & Trustee Report to the Unit Holders) 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 Company and Those Charged with Governance for the financial statements

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

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

Board of Directors of the Management Company are responsible for overseeing the Fund's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## Report on other legal and regulatory requirements

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

## Other matter

The condensed interim financial information of the Fund for the half year ended December 31, 2021 and the financial statements of the Fund for the year ended June 30, 2022 were reviewed and audited by another firm of chartered accountants, who had expressed unmodified conclusion and opinion thereon vide report dated February 28, 2022 and September 28, 2022, respectively.

The engagement partner on the audit resulting in this independent auditor's report is **Nadeem Yousuf Adil**.

**Yousuf Adil**  
**Chartered Accountants**  
Karachi  
Date: September 21, 2023  
UDIN: AR202310091Vr560CWJZ

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2023

	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
<b>Assets</b>			
Bank balances	4	5,199	13,757
Investments	5	92,642	359,045
Profit and dividend receivable	6	395	268
Deposits and other receivables	7	2,948	2,948
Preliminary expenses and floatation costs	8	-	414
Receivable against sale of investments		2,655	-
<b>Total assets</b>		<b>103,839</b>	<b>376,432</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company	9	1,216	3,034
Payable to Central Depository Company of Pakistan Limited - the Trustee	10	33	73
Payable to the Securities and Exchange Commission of Pakistan	11	63	89
Accrued expenses and other liabilities	12	667	740
Payable against redemption / conversion of units		8,948	-
<b>Total liabilities</b>		<b>10,927</b>	<b>3,936</b>
<b>NET ASSETS</b>		<b>92,912</b>	<b>372,496</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>92,912</b>	<b>372,496</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	14	<b>11,927,038</b>	<b>45,308,186</b>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>		<b>7.7901</b>	<b>8.2214</b>

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

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 ----- Rupees in '000 -----	2022
<b>Income</b>			
Profit on bank balances		2,212	1,092
Dividend income		44,221	38,824
Loss on sale of investments - net		(37,951)	(3,616)
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.2	(15,951)	(53,752)
		<b>(53,902)</b>	<b>(57,368)</b>
<b>Total loss</b>		<b>(7,469)</b>	<b>(17,452)</b>
<b>Expenses</b>			
Remuneration of NBP Fund Management Limited - the Management Company	9.1	4,723	6,670
Sindh sales tax on remuneration of the Management Company	9.2	614	867
Reimbursement of allocated expenses	9.3	182	874
Reimbursement of selling and marketing expenses	9.4	6,163	9,067
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	10.1	630	889
Sindh sales tax on remuneration of the Trustee	10.2	82	116
Annual fees to the Securities and Exchange Commission of Pakistan	11.1	63	89
Securities transaction cost		676	496
Auditors' remuneration	15	649	662
Amortisation of preliminary expenses and floatation costs	8	414	670
Annual listing fee		28	28
Printing charges		83	12
Legal and professional charges		196	277
Settlement and bank charges		349	313
<b>Total operating expenses</b>		<b>14,853</b>	<b>21,030</b>
<b>Net loss from operating activities</b>		<b>(22,322)</b>	<b>(38,482)</b>
Reversal of provision against Sindh Workers' Welfare Fund - net		-	2,695
<b>Net loss for the year before taxation</b>		<b>(22,322)</b>	<b>(35,787)</b>
Taxation	17	-	-
<b>Net loss for the year after taxation</b>		<b>(22,322)</b>	<b>(35,787)</b>
<b>Earnings / (loss) per unit</b>	18		
<b>Allocation of income for the year:</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
		-	-
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		-	-

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
	----- Rupees in '000 -----	
<b>Net loss for the year after taxation</b>	(22,322)	(35,787)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<u>(22,322)</u>	<u>(35,787)</u>

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

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2023

	2023			2022		
	Capital value	Accumulated losses	Total	Capital value	Accumulated losses	Total
	Rupees in '000			Rupees in '000		
<b>Net assets at the beginning of the year</b>	636,012	(263,516)	372,496	672,914	(227,729)	445,185
Issue of 38,267,181 units (2022: 28,567,918 units)						
- Capital value (at ex - net asset value per unit)	314,610		314,610	254,294		254,294
- Element of (loss) / income	(15,519)		(15,519)	14,652		14,652
Total proceeds on issuance of units	299,091	-	299,091	268,946	-	268,946
Redemption of 71,648,329 units (2022: 33,272,569 units)						
- Capital value (at ex - net asset value per unit)	(589,050)		(589,050)	(296,172)		(296,172)
- Element of income/ (loss)	32,696	-	32,696	(9,676)	-	(9,676)
Total payments on redemption of units	(556,354)	-	(556,354)	(305,848)	-	(305,848)
Total comprehensive loss for the year	-	(22,322)	(22,322)	-	(35,787)	(35,787)
<b>Net assets at the end of the year</b>	<b>378,749</b>	<b>(285,838)</b>	<b>92,912</b>	<b>636,012</b>	<b>(263,516)</b>	<b>372,496</b>
Accumulated loss brought forward						
- Realised loss		(209,764)			(277,812)	
- Unrealised loss		(53,752)			50,083	
		<u>(263,516)</u>			<u>(227,729)</u>	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
Total comprehensive loss for the year		(22,322)			(35,787)	
Accumulated loss carried forward		<u>(285,838)</u>			<u>(263,516)</u>	
Accumulated loss carried forward						
- Realised loss		(269,887)			(209,764)	
- Unrealised loss		(15,951)			(53,752)	
		<u>(285,838)</u>			<u>(263,516)</u>	
			(Rupees)			(Rupees)
Net asset value per unit at the beginning of the year			<u>8.2214</u>			<u>8.9014</u>
Net asset value per unit at the end of the year			<u>7.7901</u>			<u>8.2214</u>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(22,322)	(35,787)
<b>Adjustments for:</b>			
Profit on bank balances		(2,212)	(1,092)
Amortisation of preliminary expenses and floatation costs	8	414	670
Dividend income		(44,221)	(38,824)
Reversal on Workers' Welfare Fund - net		-	(2,695)
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.2	15,951	53,752
		(30,068)	11,811
<b>Decrease / (Increase) in assets</b>			
Investments		250,453	22,061
Receivable against sale of investments		(2,655)	-
		247,798	22,061
<b>Increase / (Decrease) in liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company		(1,818)	(32)
Payable to Central Depository Company of Pakistan Limited - the Trustee		(40)	(12)
Payable to the Securities and Exchange Commission of Pakistan		(26)	(23)
Accrued expenses and other liabilities		(73)	(919)
		(1,957)	(986)
Dividend received		193,451	(2,901)
Profit received		44,221	38,741
		2,085	992
<b>Net cash generated from operating activities</b>		<b>239,757</b>	<b>36,832</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipts from issuance of units		299,091	268,946
Net payments against redemption of units		(547,406)	(305,848)
<b>Net cash used in financing activities</b>		<b>(248,315)</b>	<b>(36,902)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8,558)</b>	<b>(70)</b>
Cash and cash equivalents at the beginning of the year		13,757	13,827
<b>Cash and cash equivalents at the end of the year</b>	4	<b>5,199</b>	<b>13,757</b>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

The Pakistan Credit Rating Agency (PACRA) has reaffirmed the asset manager rating of the Management Company of AM1 on June 22, 2023 (June 2022:AM1). The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.

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

### 2 BASIS OF PRESENTATION

- 2.1 From June 27, 2023, the size of NBP Financial Sector Fund fell to Rs. 92.62 million, which is below the minimum fund size requirement of Rs. 100 million as per sub-regulation 3(a) of Regulation 54 of the NBFC Regulations. Regulation 54, sub-regulation 3(b) of the NBFC Regulations, inter alia, requires that in case the Fund size falls below the minimum prescribed amount of Rs. 100 million, compliance shall be ensured with the minimum fund size requirement within three months of its breach.

Subsequent to year end on July 06, 2023 the Fund has complied with the minimum fund size of Rs. 100 million as required under the NBFC regulations. Since the management does not have any intention to liquidate the Fund, therefore the financial statements have been prepared on going concern basis.

#### 2.2 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984; and

- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

## 2.3 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

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

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

## 2.4 New accounting standards, amendments and IFRS interpretations that are not yet effective:

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

	<b>Effective from Accounting period beginning on or after</b>
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 9 'Financial instruments' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

## 2.5 Critical accounting estimates and judgments

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

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

## 2.6 Basis of measurement

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

## 2.7 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Cash and cash equivalents

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

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

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

#### 3.2.2 Classification and subsequent measurement

##### 3.2.2.1 Equity instruments

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

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

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

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

### 3.2.3 Impairment

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

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

### 3.2.4 Regular way contracts

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

### 3.2.5 Derecognition

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

### 3.3 Financial liabilities

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

### 3.4 Offsetting of financial assets and financial liabilities

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

### 3.5 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the

obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 3.6 Net asset value per unit

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

### 3.7 Issue and redemption of units

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

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

### 3.8 Distributions to unit holders

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

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

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

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

### 3.10 Revenue recognition

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

### 3.11 Expenses

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

### 3.12 Preliminary expenses and floatation costs

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

### 3.13 Taxation

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

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

### 3.14 Earnings / (loss) per unit

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

### 3.15 Foreign currency translation

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

4	<b>BANK BALANCES</b>	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
	Balances with banks in:			
	Savings accounts	4.1	5,199	13,757
	Current accounts		-	-
			<u>5,199</u>	<u>13,757</u>

4.1 These include a balances of Rs 0.103 million (2022: Rs 0.106 million) maintained with National Bank of Pakistan (related party) that carry profit at the rate of 18.4% per annum (2022: 12.25% per annum) respectively. Other savings accounts of the Fund carry profit rates ranging from 10.0% to 19.75% per annum.

5	<b>INVESTMENTS</b>	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
	<b>Financial asset at fair value through profit or loss</b>			
	Quoted equity securities	5.1	92,642	359,045

## 5.1 Investments in equity securities - listed

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

Name of the investee company	As at July 1, 2022	Purchased during the year	Bonus / right shares received during the year	Sold during the year	As at June 30, 2023	Market value as at June 30, 2023	Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
							net assets of the Fund	total market value of investments	
Number of shares held						Rupees in '000	%		
<b>INSURANCE</b>									
IGI Holdings Limited	152,500	-	-	63,600	88,900	7,469	8.04%	8.06%	0.06%
Adamjee Insurance Company Limited	768,500	-	-	564,000	204,500	4,628	4.98%	5.00%	0.06%
						12,097	13.02%	13.06%	
<b>COMMERCIAL BANKS</b>									
Allied Bank Limited	104,500	-	-	104,500	-	-	-	-	-
Askari Bank Limited	424,000	604,500	149,325	807,500	370,325	4,799	5.17%	5.18%	0.03%
Bank Alfalah Limited [note 5.1.1]	1,633,770	111,500	-	1,303,600	441,670	13,444	14.47%	14.51%	0.02%
Bank Al Habib Limited	909,871	16,000	-	658,630	267,241	11,550	12.43%	12.47%	0.02%
Bank of Punjab [note 5.1.1]	815,063	-	-	815,062	1	0	-	-	-
Faysal Bank Limited [note 5.1.2]	1,462,875	264,000	-	1,497,300	229,575	4,633	4.99%	5.00%	0.02%
MCB Bank Limited	51,900	171,000	-	140,900	82,000	9,387	10.10%	10.13%	0.01%
Meezan Bank Limited	303,266	213,100	27,387	388,900	154,853	13,375	14.39%	14.44%	0.01%
National Bank of Pakistan - a related party	83,000	-	-	83,000	-	-	-	-	-
United Bank Limited [note 5.1.1]	372,451	105,200	-	397,192	80,459	9,457	10.18%	10.21%	0.01%
Habib Metropolitan Bank Limited	588,000	-	-	396,500	191,500	5,787	6.23%	6.25%	0.01%
Habib Bank Limited [note 5.1.1]	569,081	164,000	-	622,297	110,784	8,113	8.73%	8.76%	0.01%
						80,545	86.69%	86.95%	
<b>Total as at June 30, 2023</b>						<b>92,642</b>	<b>99.71%</b>	<b>100.0%</b>	
Carrying value as at June 30, 2023						<b>108,593</b>			
Market value as at June 30, 2022						<b>359,045</b>			
Carrying value as at June 30, 2022						<b>412,797</b>			

**5.1.1** Investments include shares with market value of Rs 33.592 million (2022: Rs 65.557 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

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

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



During the year ended June 30, 2018, the Supreme Court of Pakistan (SCP) passed a judgment on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended June 30, 2019. During the year ended June 30, 2020, the CISs filed a fresh constitutional petition via CP 4653 dated July 11, 2019 in the Sindh High Court. In this regard, on July 15, 2019, the Sindh High Court issued notices to the relevant parties and ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Fund has included these shares in its portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

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

As at June 30, 2023, the following bonus shares of the Fund have been withheld by Faysal Bank Limited at the time of declaration of bonus shares.

Name of the company	2023		2022	
	Number of shares withheld	Market value as at June 30, 2023	Number of shares withheld	Market value as at June 30, 2022
		Rupees in '000		Rupees in '000
Faysal Bank Limited	14,494	292	14,494	334

5.2	Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	Note	2023	2022
			----- Rupees in '000 -----	----- Rupees in '000 -----
	Market value of investments	5.1	92,642	359,045
	Carrying value of investments	5.1	(108,593)	(412,797)
			<u>(15,951)</u>	<u>(53,752)</u>
<b>6</b>	<b>PROFIT AND DIVIDEND RECEIVABLE</b>			
	Profit receivable on bank balances	6.1	312	185
	Dividend receivable		83	83
			<u>395</u>	<u>268</u>
<b>7</b>	<b>DEPOSITS AND OTHER RECEIVABLES</b>			
	Security deposit Central Depository Company of Pakistan Limited		100	100
	Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
	Advance tax	7.1	348	348
			<u>2,948</u>	<u>2,948</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 taxes on dividend and profit on bank balances paid to the Fund have been deducted by various withholding agents based on the interpretation issued by the FBR vide letter C. No. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholder. The tax withheld on dividends and profit on bank balances as at June 30, 2023 amounts to Rs 0.348 million (2022: Rs 0.348 million).

8	PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	2023	2022
			----- Rupees in '000 -----	
	At the beginning of the year		414	1,084
	Less: amortisation during the year	8.1	414	670
	At the end of the year		<u>-</u>	<u>414</u>

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

9	PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY	Note	2023	2022
			----- Rupees in '000 -----	
	Management fee payable	9.1	218	486
	Sindh sales tax payable on remuneration of the Management Company	9.2	28	63
	Reimbursement of allocated expenses payable	9.3	-	218
	Reimbursement of selling and marketing expenses payable	9.4	838	2,235
	Sales load and transfer load payable		117	28
	Sindh sales tax payable on sales load and transfer load		15	4
			<u>1,216</u>	<u>3,034</u>

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

Rate applicable from July 1, 2022 to June 30, 2023	Rate applicable from July 1, 2021 to June 30, 2022
1.5% of average daily net assets	1.5% of average daily net assets

- 9.2 During the year, an amount of Rs 0.614 million (2022: Rs 0.867 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 at the rate of 13% (2022: 13%).

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

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

2023		2022	
Rate applicable from July 1, 2022 to December 28, 2022	Rate applicable from December 29, 2022 to June 30, 2023	Rate applicable from July 1, 2021 to July 24, 2021	Rate applicable from July 26, 2021 to June 30, 2022
0.2% of average annual net assets	Nil	0.15% of average annual net assets	0.2% of average annual net assets

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

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

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

2023	2022	
Rate applicable from July 1, 2022 to June 30, 2023	Rate applicable from July 1, 2021 to September 19, 2021	Rate applicable from September 20, 2021 to June 30, 2022
2.05% per annum of average daily net assets	2% per annum of average daily net assets	2.05% per annum of average daily net assets

		2023	2022
	Note	----- Rupees in '000 -----	-----
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY</b>			
Trustee fee payable	10.1	29	65
Sindh sales tax payable on trustee fee	10.2	4	8
		<u>33</u>	<u>73</u>

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

Net assets (Rs)	2023	2022
	Fee	
- up to Rs 1,000 million	0.20% per annum of net assets	0.20% per annum of net assets
- exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% per annum of net assets, exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% per annum of net assets, exceeding Rs 1,000 million

- 10.2 During the year, an amount of Rs 0.082 million (2022: Rs 0.116 million) was charged on account of sales tax on remuneration of the Trustee levied at the rate of 13% through the Sindh Sales Tax on Services Act, 2011.

11	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
	Annual fee payable	11.1	<u>63</u>	<u>89</u>

11.1 Under the provisions of the NBFC Regulations, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.02% (2022: 0.02%) of the average annual net assets of the Fund.

12	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
	Auditors' remuneration payable	282	403
	Printing charges payable	30	7
	Brokerage payable	196	150
	Legal and professional charges payable	113	63
	Withholding tax payable	12	41
	Capital gain tax payable	14	22
	Bank charges payable	18	46
	Settlement charges payable	2	8
		<u>667</u>	<u>740</u>

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022, except as disclosed elsewhere

14	<b>NUMBER OF UNITS IN ISSUE</b>	2023 ----- Number of units -----	2022 ----- Number of units -----
	Total units in issue at the beginning of the year	45,308,186	50,012,837
	Units issued during the year	38,267,181	28,567,918
	Less: units redeemed during the year	71,648,329	33,272,569
	Total units in issue at the end of the year	<u>11,927,038</u>	<u>45,308,186</u>

15	<b>AUDITORS' REMUNERATION</b>	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
	Annual audit fee	426	387
	Half yearly review fee	171	155
	Other certification	40	100
	Out of pocket expenses	13	20
		<u>649</u>	<u>662</u>

## 16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2023 is 4.73% (2022: 4.73%) which includes 0.24% (2022: 0.24%) representing government levies on the Fund such as sales taxes, annual fee to SECP, etc. The TER excluding government levies is 4.49% (2022: 4.49%) which is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an equity scheme.

## 17 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by accumulated losses and capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units as the case may be shall not be taken into account. 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. Since the Fund has Incurred a net Loss during the year .Accordingly, no provision has been made in the financial statements for the year ended 30 June 2023.

## 18 EARNINGS / (LOSS) PER UNIT

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

## 19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

19.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

19.5 Reimbursement of allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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

	2023	2022
	---- Rupees in '000 ----	
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration of the Management Company	4,723	6,670
Sindh sales tax on remuneration of the Management Company	614	867
Reimbursement of selling and marketing expenses	6,163	9,067
Reimbursement of allocated expenses	182	874
Sales load and transfer load	89	28
Sindh sales tax on sales load and transfer load	12	4
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Remuneration of the Trustee	630	889
Sindh sales tax on remuneration of the Trustee	82	116
Settlement charges	5	25

	2023	2022
	---- Rupees in '000 ----	
<b>Key management personnel of the Management Company</b>		
Units issued / transferred in during the year: 5,028,722 (2022: 4,971,370) units	40,224	48,010
Units redeemed / transferred out during the year: 4,992,961 (2022: 5,505,572) units	40,176	52,774
<b>National Bank of Pakistan Limited - parent company</b>		
Shares purchased - Nil (2022: 83,000) shares***	-	2,972
Shares sold - 83,000 (2022: Nil) shares***	1,998	-
Dividend income	-	83
<b>Taurus Securities Limited - subsidiary of Parent Company</b>		
Brokerage expense	41	37
<b>BankIslami Pakistan Limited*</b>		
Profit on bank balances	-	475
<b>Haider Amjad</b>		
Units issued / transferred in during the year: 14,421 (2022: Nil) Units	115	-
Units redeemed / transferred out during the year: 14,421 (2022: Nil) Units	116	-
<b>Portfolio Managed By Management Company</b>		
Units redeemed / transferred out during the year: 33,193 (2022: Nil) Units	267	-
<b>United Bank Limited - unit holder with more than 10% holding</b>		
Shares purchased: Nil (2022: 75,400) shares***	-	9,620
Shares sold: Nil (2022: 253,300) shares***	-	32,491
Dividend income	-	9,156
<b>IGI Life Insurance Limited - unit holder with more than 10% holding**</b>		
Units redeemed / transferred out during the year: 853,004 (2022: Nil) units	6,500	-
<b>National Clearing Company of Pakistan Limited*</b>		
Settlement charges	-	331
<b>NBP Sarmaya Izafa Fund</b>		
Purchase of shares: Nil shares (2022: 50,000)	-	7,236
<b>19.7 Amounts / balances outstanding as at year end</b>		
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration payable to the Management Company	218	486
Sindh sales tax on remuneration of the Management Company	28	63
Sales load and transfer load payable	117	28
Sindh sales tax payable on sales load and transfer load	15	4
Reimbursement of selling and marketing expenses payable	838	2,235
Reimbursement of allocated expenses payable	-	218

	2023	2022
	---- Rupees in '000 ----	
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Trustee fee payable	29	65
Sindh sales tax payable on trustee fee	4	8
Security deposit	100	100
Settlement charges payable	2	35
<b>Key management personnel of the Management Company</b>		
Units held: 44,852 (2022: 9,091) units	349	75
<b>Mahmud Yar Hiraj** - unit holder with more than 10% holding</b>		
Units Held: 1,258,663 (2022: Nil Units)	9,805	-
<b>Sajjad Hussain** - unit holder with more than 10% holding</b>		
Units Held: 1,648,687 (2022: Nil Units)	12,843	-
<b>Forman Christian College** - unit holder with more than 10% holding</b>		
Units Held: 1,634,094 (2022: Nil Units)	12,730	-
<b>National Bank of Pakistan Limited - parent company</b>		
Bank balances	103	106
Shares held: Nil (2022: 83,000 shares)***	-	2,320
Dividend receivable	83	83
<b>BankIslami Pakistan Limited *</b>		
Bank balances	-	8,497
Profit receivable	-	89
<b>Taurus Securities Limited - subsidiary of Parent Company</b>		
Brokerage payable	3	17
<b>United Bank Limited - unit holder with more than 10% holding*</b>		
Units held: Nil (2022: 25,842,766) units	-	212,464
Shares held: Nil (2022: 372,451) shares***	-	42,135
<b>IGI Life Insurance Limited - unit holder with more than 10% holding**</b>		
Units held: 1,621,292 (2022: Nil) units	12,630	-
<b>National Clearing Company of Pakistan Limited *</b>		
Settlement charges payable	-	34
Security deposit	-	2,500

\* Current year figures has not been shown as the company ceased to be a related party/ connected person as at June 30, 2023

\*\* Prior year comparative has not been shown as the company was not a related party / connected person as at June 30, 2022.

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

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

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

June 30, 2023		
At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----		
Bank balances	-	5,199
Investments	92,642	92,642
Profit receivable	-	395
Deposits	-	2,600
Receivable against sale of investments	-	2,655
<b>10,849</b>	<b>92,642</b>	<b>103,491</b>

### Financial assets

June 30, 2023		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		
Payable to NBP Fund Management Limited - the Management Company	1,216	1,216
Payable to Central Depository Company of Pakistan Limited - the Trustee	33	33
Payable against redemption / conversion of units	8,948	8,948
Accrued expenses and other liabilities	641	641
Net assets attributable to unitholder	92,912	92,912
<b>-</b>	<b>103,750</b>	<b>103,750</b>

### Financial liabilities

June 30, 2022		
At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----		
Bank balances	-	13,757
Investments	359,045	359,045
Profit receivable	-	268
Deposits	-	2,600
<b>16,625</b>	<b>359,045</b>	<b>375,670</b>

### Financial assets



	June 30, 2022		
	At fair value through profit or loss	At amortised cost	Total
	Rupees in '000		
<b>Financial liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company	-	3,034	3,034
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	73	73
Accrued expenses and other liabilities	-	677	677
	-	3,784	3,784

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 21.1 Market risk

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

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

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

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

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As at June 30, 2023, the Fund is exposed to such risk on its bank balances. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds bank balances which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher/lower by Rs 0.05 million (2022 : Rs 0.14 million).

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

As at June 30, 2023 and June 30, 2022, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value interest rate risk.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 can be determined as follows:

----- June 30, 2023 -----					
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
<b>Financial assets</b>					
Bank balances	10.0%- 19.75%	5,199	-	-	5,199
Investments		-	-	92,642	92,642
Profit receivable		-	-	395	395
Deposits		-	-	2,600	2,600
Receivable against sale of investments		-	-	2,655	2,655
		5,199	-	98,292	103,491
<b>Financial liabilities</b>					
Payable to NBP Fund Management Limited - the Management Company		-	-	1,216	1,216
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	33	33
Payable against redemption / conversion of units		-	-	8,948	8,948
Accrued expenses and other liabilities		-	-	641	641
Net assets attributable to unitholder		-	-	8,948	8,948
		-	-	19,785	10,838
<b>On-balance sheet gap</b>		5,199	-	78,507	92,653
<b>Total interest rate sensitivity gap</b>		5,199	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		5,199	13,757	13,757	

----- June 30, 2022 -----					
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
<b>Financial assets</b>					
Bank balances	6.6% - 14.5%	13,757	-	-	13,757
Investments		-	-	359,045	359,045
Profit receivable		-	-	268	268
Deposits		-	-	2,600	2,600
		13,757	-	361,913	375,670
<b>Financial liabilities</b>					
Payable to NBP Fund Management Limited - the Management Company		-	-	3,034	3,034
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	73	73
Accrued expenses and other liabilities		-	-	677	677
		-	-	3,784	3,784
<b>On-balance sheet gap</b>		13,757	-	358,129	371,886
<b>Total interest rate sensitivity gap</b>		13,757	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		13,757	13,770	13,770	

## (ii) Currency risk

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

## (iii) Price risk

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

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

In case of 5% increase / decrease in KSE 100 index on June 30, 2023, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs 4.632 million (2022: Rs 17.952 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets 'at fair value through profit or loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

## 21.2 Liquidity risk

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

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

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

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

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

## Financial liabilities

Payable to NBP Fund Management Limited  
- the Management Company  
Payable to Central Depository Company of  
Pakistan - the Trustee  
Payable against redemption / conversion of units  
Accrued expenses and other liabilities  
Net assets attributable to unitholder

June 30, 2023						
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						
1,216	-	-	-	-	-	1,216
33	-	-	-	-	-	33
-	8,948	-	-	-	-	8,948
359	282	-	-	-	-	641
-	-	-	-	-	-	92,912
1,608	9,230	-	-	-	-	94,802

## Financial liabilities

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

June 30, 2022						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
3,034	-	-	-	-	-	3,034
73	-	-	-	-	-	73
274	403	-	-	-	-	677
3,381	403	-	-	-	-	3,784

## 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:

	2023		2022	
	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	5,199	5,199	13,757	13,757
Investments	92,642	-	359,045	-
Profit and dividend receivable	395	395	268	268
Deposits	2,600	2,600	2,600	2,600
	<b>100,836</b>	<b>8,194</b>	<b>375,670</b>	<b>16,625</b>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2023 is the carrying amount of the financial assets.

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

### 21.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2023	2022
AAA	13%	5%
AA+	-	-
AA-	87%	33%
A+	-	62%
BBB-	-	-
	<b>100%</b>	<b>100%</b>

## 22 FAIR VALUE MEASUREMENT

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

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

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

### Fair value hierarchy

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

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

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

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

As at June 30, 2023 and June 30, 2022, the Fund held the following financial instruments measured at fair values:

## Financial assets

June 30, 2023		
Level 1	Level 2	Level 3

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

<b>92,642</b>	-	-
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## Financial assets

June 30, 2022		
Level 1	Level 2	Level 3

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

<b>359,045</b>	-	-
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## 23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. As at 30 June 2023, the fund size fell below Rs.100 million fund size requirement. However, subsequent to year end 6 July 2023 the fund has complied with the minimum fund size requirement

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

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

## 24 UNIT HOLDING PATTERN OF THE FUND

Category	June 30, 2023			June 30, 2022		
	Number of unit holders	Investment amount	Percentage of total	Number of unit holders	Investment amount	Percentage of total
		(Rupees in '000)			(Rupees in '000)	
Individuals	122	32,342	35%	145	96,424	25.89%
Insurance companies	2	21,456	23%	1	20,342	5.46%
Banks and DFIs	-	-	0%	1	212,463	57.04%
Retirement funds	2	14,331	15%	3	15,397	4.13%
Others	4	24,783	27%	5	27,869	7.48%
	<b>130</b>	<b>92,912</b>	<b>100%</b>	<b>155</b>	<b>372,496</b>	<b>100%</b>

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

Name of broker	2023 % of commission paid	Name of broker	2022 % of commission paid
Taurus Securities Ltd.	6.78%	Taurus Securities Ltd.	8.40%
Insight Securities (Pvt.) Limited	5.76%	Foundation Securities	7.27%
D.J.M Securities (Pvt.) Ltd	5.59%	Intermarket Securities	6.85%
Efg Hermes Pakistan Ltd	5.40%	Insight Securities (Pvt.) Limited	6.37%
Optimus Capital Management Limited	5.27%	Optimus Capital Management Limited	6.13%
Sherman Securities (Pvt.) Ltd	5.24%	Alfalah Securities (Pvt) Limited	5.78%
Aqeel Karim Dehdi Securities ( Pvt) Limited	5.10%	Bma Capital Management Limited	5.53%
Alfalah Securities (Pvt) Limited	4.68%	Aqeel Karim Dehdi Securities ( Pvt) Limited	5.32%
Bma Capital Management Limited	4.43%	Topline Securities Limited	4.94%
Intermarket Securities	4.36%	Efg Hermes Pakistan Ltd	4.81%

## 26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	35
Asim Wahab Khan (note 26.1)	Chief Investment Officer	CFA	17
Hassan Raza	Head of Research	ACCA / BSC / CFA	12

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

- NBP Sarmaya Izafa Fund
- NBP Balanced Fund
- NBP Islamic Sarmaya Izafa Fund
- NBP Islamic Capital Preservation Plan VI
- NBP Stock Fund
- NBP Islamic Stock Fund
- NBP Pakistan Growth Exchange Traded Fund
- NAFA Islamic Pension Fund
- NAFA Pension Fund

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

The 86th, 87th, 88th, 89th, 90th and 91st Board Meetings were held on July 06, 2022, September 27, 2022, October 29, 2022, February 21, 2023, April 29, 2023 and June 01, 2023, 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	6	6	-	-
Tauqeer Mazhar	6	5	1	91st Meeting
Mehnaz Salar	6	6	-	-
Ali Saigol	6	6	-	-
Imran Zaffar	6	5	1	89th Meeting
Khalid Mansoor	6	6	-	-
Saad Amanullah Khan	6	6	-	-
*Humayun Bashir	2	2	-	-
**Ruhail Muhammad	3	3	-	-
Amjad Waheed	6	6	-	-

\*Mr. Humayun Bashir retired from the Board with effect from October 04, 2022

\*\*Mr. Ruhail Muhammad opted as Director on the Board with effect from October 04, 2022

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **15 September, 2023**.

## 29 GENERAL

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

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2023	For the year ended June 30, 2022	For the year ended June 30, 2021	For the year ended June 30, 2020	For the year ended June 30, 2019	For the period from February 14, 2018 to June 30, 2018
Net assets at the year / period ended (Rs '000)	92,912	372,496	445,185	578,397	1,120,628	1,035,890
Net (loss) / income for the year / period ended (Rs '000)	(22,322)	(35,787)	132,042	(110,486)	(132,584)	(29,910)
Net Asset Value per unit at the year / period ended (Rs)	7.7901	8.2214	8.9014	7.6489	9.0609	10.0006
Offer Price per unit	8.0542	8.5001	9.2032	7.9082	9.3685	10.3397
Redemption Price per unit	7.7901	8.2214	8.9014	7.6489	9.0609	10.0006
Ex - Highest offer price per unit (Rs.)	9.1691	10.3043	9.8414	11.3648	11.0033	11.2451
Ex - Lowest offer price per unit (Rs.)	7.4849	8.3498	7.5174	7.1211	9.2630	10.0000
Ex - Highest redemption price per unit (Rs.)	8.8685	9.9664	9.5188	10.9922	10.6425	10.8764
Ex - Lowest redemption price per unit (Rs.)	7.2395	8.0760	7.2708	6.8876	8.9593	9.6907
Opening Nav of Fiscal Year	8.2214	8.9014	7.3801	9.0609	10.0006	10.0000
Total return of the fund	-5.25%	-7.64%	20.61%	-15.60%	-9.40%	0.01%
Capital growth	-5.25%	-7.64%	16.97%	-15.60%	-9.40%	0.01%
Income distribution as a % of e x nav	-	-	3.64%	-	-	-
Income distribution as a % of par value	-	-	3.28%	-	-	-
<b>Distribution</b>						
Interim distribution per unit			0.3281			-
Final distribution per unit						-
<b>Distribution Dates</b>						
Interim			25/Jun/21			
Final						
<b>Average annual return of the fund (launch date February 14, 2018)</b>						
(Since inception to June 30, 2023)	-3.90%					
(Since inception to June 30, 2022)		-3.59%				
(Since inception to June 30, 2021)			-2.36%			
(Since inception to June 30, 2020)				-10.70%		
(Since inception to June 30, 2019)					-6.93%	
(Since inception to June 30, 2018)						0.02%
Portfolio Composition ( Please see Fund Manager Report)						

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

## PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

NBP FINANCIAL SECTOR FUND				
	Resolutions	For	Against	Abstain*
Number	8	8	Nil	N/A
(%)	100%	100%	-	-

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