



Managing Your Savings

NBP Fund Management Limited



NBP PAKISTAN GROWTH EXCHANGE TRADED 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

Habib Metropolitan Bank Limited
JS Bank Limited

**Auditors**

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Saad Amanullah Khan
Director



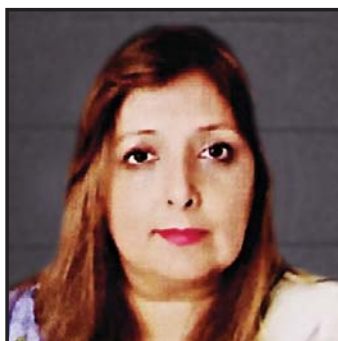
Mr. Tauqeer Mazhar
Director



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 Third Annual Report for the period ended June 30, 2023, since launch of **NBP Pakistan Growth Exchange Traded Fund** on October 06, 2020.

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.

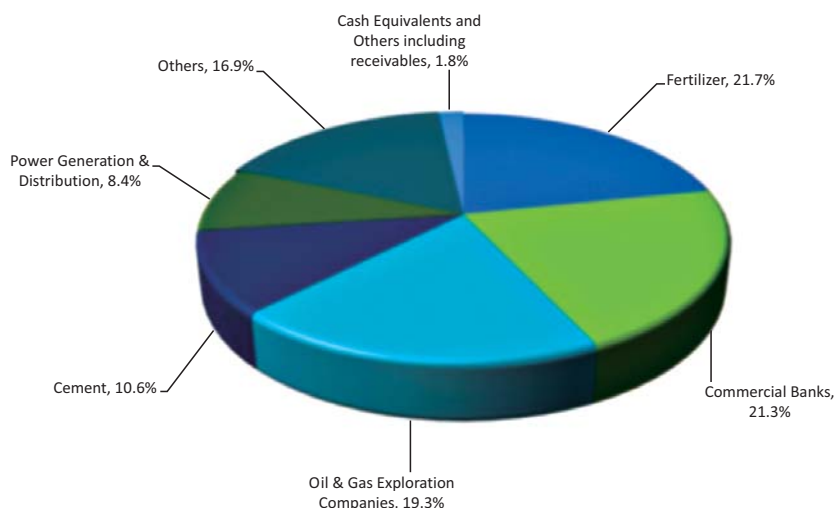
The stock market performance remained subdued during the outgoing year as investors' confidence remained fragile shaped by worsening political and macro-economic outlook. On economic front, the precarious situation on balance of payment (BOP) troubled investors. Though the current account deficit (CAD), that stood at USD 2.6 billion as against USD 17.5 billion 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 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 Pakistan Growth Exchange Traded Fund increased by 5.4% versus the Benchmark increased by 7.9% translating into an underperformance of 2.5% during the year. Tracking error for the period was 0.04%. Since inception, NBP Pakistan Growth Exchange Traded Fund increased by 6.9% versus the Benchmark increased by 13.8%. Thus, the Fund underperformed the Benchmark by 6.9% during the period under review. Tracking error for the period was 0.06%. The stocks in the NBPGETF belong to Chemical, Commercial Banks, Cements, Fertilizers, Oil & Gas Exploration, Power Generation & Distribution, Oil & Gas Marketing sectors and Technology & Communication sectors. This performance is net of management fee and all other expenses. The size of the Fund is Rs.54 million.

The Fund has earned a total income of Rs. 4.056 million during the year. After deducting total expenses of Rs. 1.266 million, the net income is Rs.2.790 million.

The asset allocation of the Fund as on June 30, 2023 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 1.48% of the opening ex-NAV (1.4% of the par value) during the year ended June 30, 2023.

Taxation

As the above cash dividend is more than 90% of the income earned during the year, as reduced by accumulated losses and capital gains, whether realized or unrealized, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors, Messrs A.F. Ferguson & Co., 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. As at June 30, 2023, the Board included:

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

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive Officer

Director

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

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 06 اکتوبر 2020 کو آغاز ہونے والے NBP پاکستان گروتھ ایکسچینج ٹریڈڈ فنڈ کی تیسری سالانہ رپورٹ برائے مختتمہ سال 30 جون 2023ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

مالی سال 23 ایکویٹیز کے لیے مایوں 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 ہے۔

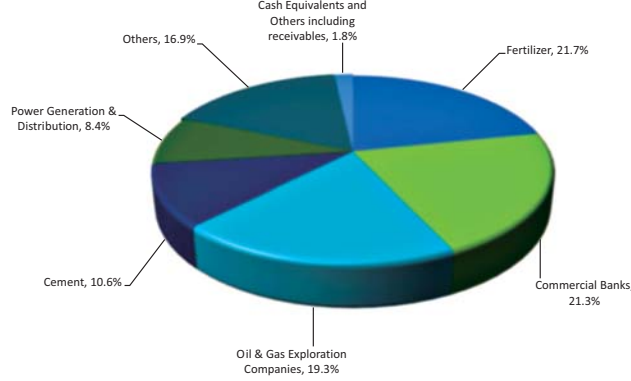
دو سال کے دوران سٹاک مارکیٹ کی کارکردگی کم رہی کیونکہ خراب سیاسی اور نیکرو اکنامک نقطہ نظر کی وجہ سے سرمایہ کاروں کا اعتماد کمزور رہا۔ معاشی محاذ پر، ادائیگی کے توازن (BOP) کی نازک صورتحال نے سرمایہ کاروں کو پریشان کیا۔ اگرچہ کرنٹ اکاؤنٹ خسارہ (CAD) جو کہ گزشتہ سال 17.5 بلین امریکی ڈالر کے مقابلے میں 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 تیلوش کا باعث بنی ہوئی ہے۔ آئی ایم ایف کی شرائط پوری کرنے میں تاخیر کی وجہ سے پروگرام تعطیل کا شکار رہا اور بیرونی رقوم 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 کی درمیان، پاکستانی روپیہ نے مالی سال 23 کے دوران بڑے پیمانے پر قدر میں تقریباً 40% کی کمی دکھی جس سے مارکیٹ کے حالات بھی مجروح ہوئے۔ غیر معمولی بارشوں نے ملک میں بڑے پیمانے پر سیلاب کی وجہ سے نہ صرف تباہی پجائی 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 کووڈ 19 کی وبا کے دوران اور خوردہ ایندھن اور بجلی کی قیمتوں میں ایڈجسٹمنٹ کی وجہ سے پہلے ہی عروج پر تھی، مزید بڑھ گئی کیونکہ پمپنگ 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 میں 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۔ کیپٹل 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 بائینس 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 ہیمنٹ، کیمیکل، بینک، فریٹ لائر، آئل اینڈ گیس ایکسپلوریشن کمپنیاں، پاور جنریشن اینڈ ڈسٹری بیوٹن، شوگر اینڈ الائیڈ انڈسٹریز، اور ٹیکنالوجی اور کمیونیکیشن سیکٹرز نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا۔ اس کے برعکس، آٹو سٹیمبلرز، آٹو پارٹس اور ایئر لائنز، کیمبل اور ایکسٹریکٹس، انجینئرنگ، فوڈ اینڈ پوسٹل کیئر، گلاس اینڈ سرامکس، انشورنس، لیڈر اینڈ ٹیکسٹائل، متفرقات، آئل اینڈ گیس مارکیٹنگ، پیپر اینڈ بورڈ، فارماسیوٹیکل، ریفرنسری، نیکناسٹل کمپوزٹ، اور تمباکو کے شعبوں نے مارکیٹ سے اتر کر 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، میوچل فنڈز اور انشورنس نے اپنی خالص ہولڈنگز کو بالترتیب 144 بلین امریکی ڈالر اور 124 بلین امریکی ڈالر تک کم کر دیا۔

مالی سال کے دوران، NBP پاکستان گروتھ ایکسچینج ٹریڈڈ فنڈ 7.9% نیچ مارک اضافہ کے بخلاف 4.5% تک زیادہ ہوئی زبرد جائزہ سال کے دوران 2.5% کی اتر کر کارکردگی ظاہر کی۔ اس مدت کے لئے ٹریڈنگ ایرر 0.04% تھا۔ اپنے آغاز سے، NBP پاکستان گروتھ ایکسچینج ٹریڈڈ فنڈ 13.8% نیچ مارک میں اضافہ کے بخلاف 6.9% تک اضافہ ہوا۔ زبرد جائزہ سال کے دوران 6.9% نیچ مارک کی اتر کر کارکردگی ظاہر کی۔ اس مدت کے لئے ٹریڈنگ ایرر 0.06% تھا۔ NBPGETF میں ذخائر کیمیکل، کرشل ٹیکسٹائل، سینٹ، کھادوں، تیل اور گیس ایکسپلوریشن، بجلی کی پیداوار اور تقسیم، تیل اور گیس مارکیٹنگ سیکٹرز اور ٹیکنالوجی اور ٹیکنیکل سیکٹرز سے متعلقہ ہیں۔ یہ کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے علاوہ خالص ہے۔ فنڈ کا سائز 54 بلین روپے ہے۔

فنڈ کو سال کے دوران 4.056 بلین روپے کی کل آمدنی ہوئی۔ 1.266 بلین روپے کے کل اخراجات منہا کرنے کے بعد خالص آمدنی 2.790 بلین روپے ہے۔

30 جون 2023 کے مطابق NBPGETF کی ایسٹ ایلوکیشن حسب ذیل ہے:



آمدنی کی تقسیم

ہیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2023 کو ختم ہونے والے سال کے دوران اوپننگ ex-NAV کا 1.48% فیصد (بنیادی قیمت کا 1.40% فیصد) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

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

آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، رینائر ہوگے ہیں اور اہل ہونے کی بناء پر 30 جون 2024 کو ختم ہونے والے سال کے لئے دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔

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

- 1 ہیجمنٹ 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 ٹیلیں / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران ہیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 28 میں ظاہر کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی پٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، ای ای او، ای ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونڈس 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	کیتگری
<ul style="list-style-type: none"> •1 جناب خالد منصور •2 جناب سعد امان اللہ خان •3 جناب روہیل محمد •4 جناب ہمایوں بشیر 	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
<ul style="list-style-type: none"> •1 شیخ محمد عبدالواحد سیٹھی (چیرمین) •2 جناب توقیر مظہر •3 محترمہ مہناز سالار •4 جناب علی سدیگل •5 جناب عمران ظفر 	نان ایگزیکٹو ڈائریکٹرز

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 رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنانس منجمنٹ 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 Pakistan Growth Exchange Traded Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 Pakistan Growth Exchange Traded Fund

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

Investment Objective of the Fund

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

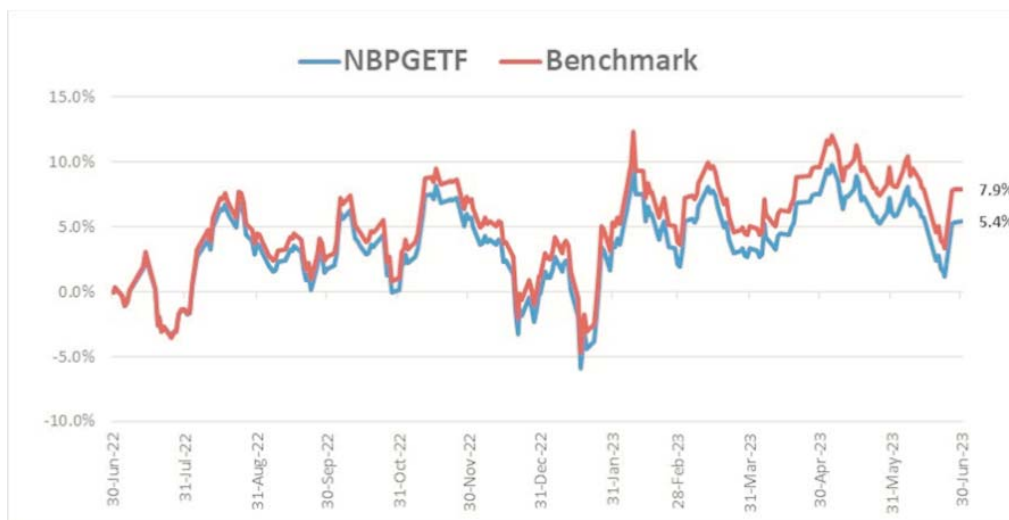
Benchmark

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

Fund performance review

This is the third annual report of the Fund. During the fiscal year, NBP Pakistan Growth Exchange Traded Fund increased by 5.4% versus the Benchmark increased by 7.9% translating into an underperformance of 2.5% during the year. Tracking error for the period was 0.04%. Since inception, NBP Pakistan Growth Exchange Traded Fund increased by 6.9% versus the Benchmark increased by 13.8%. Thus, the Fund underperformed the Benchmark by 6.9% during the period under review. Tracking error for the period was 0.06%. The stocks in the NBPGETF belong to Chemical, Commercial Banks, Cements, Fertilizers, Oil & Gas Exploration, Power Generation & Distribution, Oil & Gas Marketing sectors and Technology & Communication sectors. This performance is net of management fee and all other expenses. The size of the Fund is Rs.54 million.

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



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	98.2%	93.8%
Cash Equivalents	3.9%	6.7%
Other Net Liabilities	(2.1%)	(0.5%)
Total	100.00%	100.00%

Period	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex-Div. Price
Interim	1.4%	9.9530	9.8130
Final	3.4%	10.2930	9.8130

Unit Holding Pattern of NBP Pakistan Growth Exchange Traded Fund as on June 30, 2023

Size of Unit Holding (Units)	# of Unit Holders
100001-500000	1
1000001-5000000	1
Total	2

During the period under question:

There has been no significant change in the state of affairs of the Fund. NBP Pakistan Growth Exchange Traded Fund does not have any soft commission arrangement with any broker in the industry.

INDEPENDENT AUDITORS' REPORT

To the Unit holders of NBP Pakistan Growth Exchange Traded Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NBP Pakistan Growth Exchange Traded Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer note 5 to the annexed financial statements)	
	<p>The investments constitute the most significant component of the net asset value (NAV). The investments of the Fund as at June 30, 2023 amounted to Rs. 52.68 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2023 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> tested the design and operating effectiveness of the key controls for valuation of investments; obtained independent confirmation for verifying the existence of the investment portfolio as at June 30, 2023 and traced balances in this confirmation with the books and records of the Fund. Where such confirmation was not available, alternate audit procedures were performed; and re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

Other Information

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

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

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

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

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

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

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

A.F. Ferguson & Co.

Chartered Accountants

Karachi

Date: September 21, 2023

UDIN: AR202310061ySnBpliw1

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2023

	2023	2022
Note	----- (Rupees in '000) -----	
ASSETS		
Bank balances	2,073	3,487
Investments	52,680	48,772
Profit receivable	7	10
Other receivables	63	63
Total assets	54,823	52,332
LIABILITIES		
Payable to NBP Fund Management Limited - the Management Company	20	57
Payable to the Central Depository Company of Pakistan Limited - the Trustee	5	5
Payable to the Securities and Exchange Commission of Pakistan	11	12
Dividend payable	764	-
Accrued expenses and other liabilities	384	266
Total liabilities	1,184	340
NET ASSETS	53,639	51,992
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	53,639	51,992
CONTINGENCIES AND COMMITMENTS	12	
	----- Number of units -----	
NUMBER OF UNITS IN ISSUE	5,460,000	5,500,000
	----- Rupees -----	
NET ASSET VALUE PER UNIT	9.8240	9.4530

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Note	----- (Rupees in '000) -----	-----
INCOME		
Profit on bank balances	266	238
Dividend income	6,402	4,906
Gain / (loss) on sale of investments - net	510	(670)
Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.2 (3,122)	(11,459)
	(2,612)	(12,129)
Total income / (loss)	4,056	(6,985)
EXPENSES		
Remuneration of NBP Fund Management Limited - the Management Company	8.1 197	453
Sindh sales tax on remuneration of the Management Company	8.2 26	59
Remuneration of the Central Depository Company of Pakistan Limited - the Trustee	9.1 54	60
Sindh sales tax on remuneration of the Trustee	9.2 7	8
Annual fee of the Securities and Exchange Commission of Pakistan	10.1 11	12
Annual listing fee	11	12
Securities transaction cost	35	24
Auditors' remuneration	13 573	360
Legal and professional charges	165	325
Settlement and bank charges	113	198
Printing charges	58	59
Total operating expenses	1,250	1,570
Net income / (loss) from operating activities	2,806	(8,555)
Reversal of provision Sindh Workers' Welfare Fund	-	198
Element of (losses) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	(16)	249
Net income / (loss) for the year before taxation	2,790	(8,108)
Taxation	16 -	-
Net income / (loss) for the year	2,790	(8,108)
Earnings per unit	17	
Accounting income available for distribution:		
- Relating to capital gains	-	-
- Excluding capital gains	2,790	-
	2,790	-

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

	2023	2022
	----- (Rupees in '000) -----	
Net income / (loss) for the year after taxation	2,790	(8,108)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>2,790</u>	<u>(8,108)</u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

	2023			2022		
	Capital value	Undistributed income / (loss)	Total	Capital value	Undistributed income / (loss)	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Net assets at the beginning of the year	54,871	(2,879)	51,992	56,400	5,229	61,629
Issuance of 10,000 units (2022: 470,000 units)						
- Capital value (at ex - net asset value per unit)	95	-	95	5,137	-	5,137
- Element of income / (loss)	2	-	2	(237)	-	(237)
Total proceeds on issuance of units	97	-	97	4,900	-	4,900
Redemption of 50,000 units (2022: 610,000 units)						
- Capital value (at ex - net asset value per unit)	(474)	-	(474)	(6,666)	-	(6,666)
- Element of (loss) / income	(18)	-	(18)	486	-	486
Total payments on redemption of units	(492)	-	(492)	(6,180)	-	(6,180)
Element of income / (losses) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	16	-	16	(249)	-	(249)
Total comprehensive income / (loss) for the year	-	2,790	2,790	-	(8,108)	(8,108)
Distribution during the year @ Re 0.140 per unit (date of declaration: June 27, 2023)	-	(764)	(764)	-	-	-
Net assets at end of the year	54,492	(853)	53,639	54,871	(2,879)	51,992
Undistributed (loss) / income brought forward						
- Realised income		8,580			757	
- Unrealised (loss) / income		(11,459)			4,472	
		(2,879)			5,229	
Accounting income available for distribution:						
- Relating to capital gains		-			-	
- Excluding capital gains		2,790			-	
		2,790			-	
Distribution during the year @ Re 0.140 per unit (date of declaration: June 27, 2023)		(764)			-	
Total comprehensive income / (loss) for the year		-			(8,108)	
Undistributed loss carried forward		(853)			(2,879)	
Undistributed loss carried forward:						
- Realised income		2,269			8,580	
- Unrealised loss		(3,122)			(11,459)	
		(853)			(2,879)	
		(Rupees)			(Rupees)	
Net asset value per unit at the beginning of the year		9.4530			10.9271	
Net assets value per unit at end of the year		9.8240			9.4530	

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

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

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Note	----- (Rupees in '000) -----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	2,790	(8,108)
Adjustments		
Profit on bank balances	(266)	(238)
Dividend income	(6,402)	(4,906)
Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	3,122	11,459
Element of losses / (income) and capital (gains) / losses included in prices of units issued less those in units redeemed - net	16	(249)
Reversal of provision against Sindh Workers' Welfare Fund	-	(198)
	(3,530)	5,868
Increase in assets		
Investments - net	(7,030)	(836)
	(7,030)	(836)
(Decrease) / increase in liabilities		
Payable to NBP Fund Management Limited - the Management Company	(37)	(8)
Payable to the Central Depository Company of Pakistan Limited - the Trustee	-	(1)
Payable to the Securities and Exchange Commission of Pakistan	(1)	3
Dividend payable	764	-
Accrued expenses and other liabilities	118	(42)
	844	(48)
	(6,926)	(3,124)
Dividend income received	6,402	5,122
Profit received on bank balances	269	228
Net cash (used in) / generated from operating activities	(255)	2,226
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received against issuance of units	97	4,900
Amount paid against redemption of units	(492)	(6,180)
Distributions pay-out	(764)	-
Net cash used in financing activities	(1,159)	(1,280)
Net (decrease) / increase in cash and cash equivalents during the year	(1,414)	946
Cash and cash equivalents at the beginning of the year	3,487	2,541
Cash and cash equivalents at the end of the year	4 2,073	3,487

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Pakistan Growth Exchange Traded Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 3, 2020.
- 1.2 During the year ended June 30, 2021 the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on November 2, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.
- 1.3 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (SECP). The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.4 The Fund has been categorised as an open ended exchange traded mutual fund that aims to provide investors an opportunity to track the performance of NBP Pakistan Growth Index that has been constituted and is maintained by the Management Company and comprises of 16 equity securities selected with high consideration towards market capitalisation and traded value.
- 1.5 The Fund is a hybrid fund having features of both open ended and close ended funds. A new concept of Authorised Participants (APs) has been introduced who will act as market makers. The Management Company will only have contact with the APs for issuance and redemption of units. The units of the Fund are tradeable in the Pakistan Stock Exchange Limited (PSX). The APs to whom the units are issued may either keep the units with themselves or trade in the PSX. Consequently, upon trading, the holders of the units keep on changing. Moreover, on issuance and redemption of units, the basket of shares will be exchanged between APs and Management Company and cash will be paid / received if there is a difference in the market value of shares and net asset value.
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed an asset manager rating of AM1 as at June 22, 2023 (2022: AM1 on June 22, 2022) to the Management Company. The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.
- 1.7 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.
- 1.8 The Fund is an Open Ended Exchange Traded Mutual Fund categorised as "Listed Index Tracking Fund" and is listed on Pakistan Stock Exchange (PSX) Limited.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting year beginning on July 1, 2022. However, these do not have any significant impact on the Fund's operations, and therefore have not been detailed in these financial statements.

2.3 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are not yet effective:

There are certain standards, amendments and interpretations that are mandatory for the Fund's accounting year beginning on or after July 1, 2023 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.4 Critical accounting estimates and judgments

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

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

2.5 Basis of measurement

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Initial recognition and measurement

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

3.2.2 Classification and subsequent measurement

Equity instruments

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

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

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

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

3.2.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

Financial assets 'at fair value through profit or loss'

Basis of valuation of equity securities

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs. The preference shares received as dividend in specie are carried at cost.

3.2.4 Impairment

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

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

3.2.5 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

3.2.6 Derecognition

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

3.3 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

3.3.1 Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost.

3.3.2 Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

3.4 Offsetting of financial assets and financial liabilities

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

3.5 Provisions

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

3.6 Net asset value per unit

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

3.7 Issue and redemption of units

Authorised Participant can purchase the units at the offer price and redeem at the redemption price at any of the authorised distribution offices during business hours.

The offer price shall be equal to the sum of:

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

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

3.8 Distributions to unit holders

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

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

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

Element of income represents the difference between net asset value (NAV) per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting year.

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

3.10 Revenue recognition

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

3.11 Expenses

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

3.12 Foreign currency translation

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

3.13 Taxation

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

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

3.14 Earnings per unit

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

4	BANK BALANCES		2023	2022
		Note	----- (Rupees in '000) -----	
	Savings accounts	4.1	<u>2,073</u>	<u>3,487</u>

4.1 These balances in savings accounts carries profit at the rate of 19.50% per annum (2022: 12.25% to 15.45% per annum).

5	INVESTMENTS		2023	2022
		Note	----- (Rupees in '000) -----	
	At fair value through profit or loss			
	Quoted equity securities	5.1	<u>52,680</u>	<u>48,772</u>

5.1 Investments in equity securities - listed

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

Investee company	As at July 1, 2022	Purchased during the year	Bonus / right shares received during the year	Sold during the year	As at June 30, 2023	Market value	Market value as a percentage of		Holding as a percentage of paid-up capital of investee company	
							net assets of the Fund	total market value of investments		
						Number of shares	(Rupees in '000)	%		
OIL AND GAS MARKETING COMPANIES										
Pakistan State Oil Company Limited *	16,500	6,056	-	170	22,386	2,485	4.63%	4.72%	-	
						2,485	4.63%	4.72%		
OIL AND GAS EXPLORATION COMPANIES										
Oil and Gas Development Company Limited *	51,150	6,665	-	1,577	56,238	4,387	8.18%	8.33%	-	
Pakistan Oilfields Limited *	6,050	1,654	-	606	7,098	2,852	5.32%	5.41%	-	
Pakistan Petroleum Limited *	39,600	13,773	-	411	52,962	3,132	5.84%	5.95%	-	
						10,371	19.34%	19.69%		
FERTILIZERS										
Engro Corporation Limited *	15,400	2,220	-	148	17,472	4,541	8.47%	8.62%	-	
Engro Fertilizers Limited *	34,100	11,578	-	3,090	42,588	3,514	6.55%	6.67%	-	
Fauji Fertilizer Company Limited - related party*	31,900	7,185	-	2,503	36,582	3,601	6.71%	6.84%	-	
						11,656	21.73%	22.13%		
CEMENT										
Lucky Cement Limited *	8,250	3,307	-	637	10,920	5,701	10.63%	10.82%	-	
						5,701	10.63%	10.82%		
POWER GENERATION & DISTRIBUTION										
The Hub Power Company Limited *	54,450	11,603	-	1,625	64,428	4,483	8.36%	8.51%	-	
						4,483	8.36%	8.51%		
COMMERCIAL BANKS										
Meezan Bank Limited *	22,000	8,376	2,635	251	32,760	2,829	5.28%	5.37%	-	
Habib Bank Limited *	41,250	11,041	-	7,519	44,772	3,279	6.11%	6.22%	-	
MCB Bank Limited *	21,450	39	-	21,489	-	-	0.00%	0.00%	-	
Bank Alfalah Limited *	46,200	12,130	-	1,546	56,784	1,729	3.22%	3.28%	-	
United Bank Limited *	30,800	6,634	-	6,858	30,576	3,594	6.70%	6.82%	-	
						11,431	21.31%	21.69%		
TECHNOLOGY & COMMUNICATION										
TRG Pakistan Limited	63,800	2,305	-	17,511	48,594	4,477	8.35%	8.50%	0.01%	
						4,477	8.35%	8.50%		
CHEMICAL										
Engro Polymer & Chemicals Limited	-	49,381	-	241	49,140	2,076	3.87%	3.94%	0.01%	
						2,076	3.87%	3.94%		
Total as at June 30, 2023						52,680	98.22%	100.00%		
Carrying value as at June 30, 2023						55,802				
Market value as at June 30, 2022						48,772				
Carrying value as at June 30, 2022						60,231				

* Nil figure due to rounding off difference.

		2023	2022
	Note	----- (Rupees in '000) -----	-----
5.2 Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net			
Market value of investments	5.1	52,680	48,772
Less: carrying value of investments	5.1	(55,802)	(60,231)
		<u>(3,122)</u>	<u>(11,459)</u>
6 PROFIT RECEIVABLE			
Profit receivable on bank balances		<u>7</u>	<u>10</u>
7 OTHER RECEIVABLES			
Advance tax	7.1	<u>63</u>	<u>63</u>
7.1	<p>As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on profit on bank deposits and dividend income to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholder. The tax withheld on profit on bank balances and dividend income amounts to Rs. 0.063 million (2022: Rs. 0.063 million).</p> <p>For this purpose, Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on bank balances and dividend income has been shown as other receivable as at June 30, 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.</p>		
8 PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY	Note	2023	2022
		----- (Rupees in '000) -----	-----
Remuneration of the Management Company	8.1	-	33
Sindh sales tax on remuneration of the Management Company	8.2	-	4
Other payable to the Management Company		<u>20</u>	<u>20</u>
		<u>20</u>	<u>57</u>
8.1	<p>As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 0.75% per annum from July 1, 2022 to December 27, 2022 and 0% per annum from December 28, 2022 to June 30, 2023 (2022: 0.75% per annum) of average net assets of the Fund. The remuneration is payable to the Management Company monthly in arrears.</p>		
8.2	<p>During the year, an amount of Rs. 0.026 million (2022: Rs. 0.059 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011 at the rate of 13%.</p>		
9 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY	Note	2023	2022
		----- (Rupees in '000) -----	-----
Trustee fee payable	9.1	4	4
Sindh sales tax payable on the trustee fee	9.2	1	1
		<u>5</u>	<u>5</u>

- 9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the year, the 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

- 9.2 During the year, an amount of Rs. 0.007 million (2022: Rs. 0.008 million) was charged on account of sales tax at the rate of 13% on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011.

		2023	2022
	Note	----- (Rupees in '000) -----	
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee payable	10.1	<u>11</u>	<u>12</u>

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

		2023	2022
		----- (Rupees in '000) -----	
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		230	108
Legal and professional charges payable		142	123
Settlement charges payable		-	4
Printing charges payable		10	14
Withholding tax payable		1	6
Bank charges payable		1	11
		<u>384</u>	<u>266</u>

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022.

		2023	2022
		----- (Rupees in '000) -----	
13 AUDITORS' REMUNERATION			
Annual audit fee		267	171
Half yearly review of financial statements		133	110
Fee for other certifications		113	22
Out of pocket expenses		60	57
		<u>573</u>	<u>360</u>

		2023	2022
		----- Number of units -----	
14 NUMBER OF UNITS IN ISSUE			
Total units in issue at the beginning of the year		5,500,000	5,640,000
Units issued during the year		10,000	470,000
Less: units redeemed during the year		50,000	610,000
Total units in issue at the end of the year		<u>5,460,000</u>	<u>5,500,000</u>

15 NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit, as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

16 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by accumulated losses and capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2023 to the unit holders in the manners as explained above, no provision for taxation has been made in these financial statements.

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

17 EARNINGS PER UNIT

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

18 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund based on the current year is 2.33% (2022: 2.60%) which includes 0.08% (2022: 0.13%) representing government levies on the Fund such as sales tax, federal excise duty and annual fee to the SECP. The TER excluding government levies is 2.25% (2022: 2.47%) which is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an "Index" scheme.

19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

19.2 Transactions with connected persons / related parties essentially comprise of 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 Details of transactions with related parties / connected persons during the year are as follows:

	2023	2022
	----- (Rupees in '000) -----	
NBP Fund Management Limited - the Management Company		
Remuneration of NBP Fund Management Limited - the Management Company	197	453
Sindh sales tax on remuneration of the Management Company	26	59
Payments made by the Management Company on behalf of Fund	-	20
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration of the Central Depository Company of Pakistan Limited - the Trustee	54	60
Sindh sales tax on remuneration of the Trustee	7	8
Settlement charges	110	196
Fauji Fertilizer Company Limited - common directorship		
Purchase of 7,185 shares (2022: 3,283 shares)	738	337
Sale of 2,503 shares (2022: 3,531 shares)	260	391
Dividend income	440	84
Taurus Securities Limited - subsidiary of parent company		
Brokerage expense	5	2
JS Global Capital Limited - unit holder with more than 10% holding		
Brokerage expense	-	1
Units purchased: 10,000 units (2022: 80,000 units)	96	840
Units redeemed: 50,000 units (2022: 140,000 units)	490	1,520
MRA Securities Limited*		
Units purchased: Nil (2022: 390,000 units)	-	4,058
Units redeemed: Nil (2022: 470,000 units)	-	4,660

19.6 Amounts / balances outstanding as at year end are as follows:

NBP Fund Management Limited - the Management Company		
Remuneration payable to the Management Company	-	33
Sindh sales tax on remuneration of the Management Company	-	4
Other payable to Management Company	20	20
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration payable to the Trustee	4	4
Sindh sales tax payable on Trustee remuneration	1	1
Settlement charges payable**	-	4
Fauji Fertilizer Company Limited - common directorship		
Shares held - 36,582 shares (2022: 31,900 shares)	3,601	3,516
JS Global Capital Limited - unit holder with more than 10% holding		
Units held: 4,960,000 units (2022: 5,000,000 units)	48,727	47,265
MRA Securities Limited*		
Units held: Nil (2022: 500,000 units)	-	4,727

* Current year figure has not been shown as the entity ceased to be a related party / connected person as at June 30, 2023.

** Nil due to rounding off

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

20 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Bank balances
Investments
Profit receivable

----- 2023 -----		
At amortised cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
2,073	-	2,073
-	52,680	52,680
7	-	7
<u>2,080</u>	<u>52,680</u>	<u>54,760</u>

Financial liabilities

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

----- 2023 -----		
At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----		
-	20	20
-	5	5
-	764	764
-	383	383
<u>-</u>	<u>1,172</u>	<u>1,172</u>

Financial assets

Bank balances
Investments
Profit receivable

----- 2022 -----		
At amortised cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
3,487	-	3,487
-	48,772	48,772
10	-	10
<u>3,497</u>	<u>48,772</u>	<u>52,269</u>

Financial liabilities

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

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

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

21.1 Market risk

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

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

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

(i) Yield / profit rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds bank balances which expose the Fund to variable rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs. 0.021 million (2022: Rs. 0.035 million).

b) Sensitivity analysis for fixed rate instruments

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

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

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

2023					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

Financial assets

Bank balances	19.50%	2,073	-	-	-	2,073
Investment		-	-	-	52,680	52,680
Profit receivable		-	-	-	7	7
		2,073	-	-	52,687	54,760

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	20	20
Payable to the Central Depository Company of Pakistan Limited - the Trustee		-	-	-	5	5
Dividend payable		-	-	-	764	764
Accrued expenses and other liabilities		-	-	-	383	383
		-	-	-	1,172	1,172

On-balance sheet gap (a)

	2,073	-	-	51,515	53,588
--	-------	---	---	--------	--------

Off-balance sheet financial instruments

	-	-	-	-	-
--	---	---	---	---	---

Off-balance sheet gap (b)

	-	-	-	-	-
--	---	---	---	---	---

Total profit rate sensitivity gap (a+b)

	2,073	-	-		
--	-------	---	---	--	--

Cumulative profit rate sensitivity gap

	2,073	2,073	2,073		
--	-------	-------	-------	--	--

2022					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

Financial assets

Bank balances	12.25% to 15.45%	3,487	-	-	-	3,487
Investment		-	-	-	48,772	48,772
Profit receivable		-	-	-	10	10
		3,487	-	-	48,782	52,269

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	57	57
Payable to the Central Depository Company of Pakistan Limited - the Trustee		-	-	-	5	5
Accrued expenses and other liabilities		-	-	-	260	260
		-	-	-	322	322

On-balance sheet gap (a)

	3,487	-	-	48,460	51,947
--	-------	---	---	--------	--------

Off-balance sheet financial instruments

	-	-	-	-	-
--	---	---	---	---	---

Off-balance sheet gap (b)

	-	-	-	-	-
--	---	---	---	---	---

Total profit rate sensitivity gap (a+b)

	3,487	-	-		
--	-------	---	---	--	--

Cumulative profit rate sensitivity gap

	3,487	3,487	3,487		
--	-------	-------	-------	--	--

(ii) Currency risk

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

(iii) Price risk

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

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

In case of 1% increase / decrease in NBP Pakistan Growth Index (NBPPGI) on June 30, 2023, with all other variables held constant, the total comprehensive income of the Fund for the year ended June 30, 2023 would increase / decrease by Rs. 0.527 million (2022: Rs. 0.488 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index has increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the NBPPGI, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the NBPPGI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the NBPPGI.

21.2 Liquidity risk

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

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year ended June 30, 2023.

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

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)

Financial liabilities

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

20	-	-	-	-	-	20
5	-	-	-	-	-	5
764	-	-	-	-	-	764
383	-	-	-	-	-	383
1,172	-	-	-	-	-	1,172

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

(Rupees in '000)

Financial liabilities

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

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

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) -----		----- (Rupees in '000) -----	
Bank balances	2,073	2,073	3,487	3,487
Investments	52,680	-	48,772	-
Profit receivable	7	7	10	10
	<u>54,760</u>	<u>2,080</u>	<u>52,269</u>	<u>3,497</u>

The difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in equity securities of Rs 52.680 million is not exposed to credit risk.

21.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2023	2022
Balances with banks and profit accrued thereon		
AA+	0.01%	0.01%
AA-	3.79%	6.68%

21.3.3 Concentration of credit risk

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

22 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

22.1 Fair value hierarchy

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

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

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

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

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

	2023			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
At fair value through profit or loss				
Quoted equity securities	52,680	-	-	52,680

	2022			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
At fair value through profit or loss				
Quoted equity securities	48,772	-	-	48,772

23 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units.

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

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

24 UNIT HOLDING PATTERN OF THE FUND

Category	2023			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)		
Others	2	53,639	100.00%	2	51,992	100.00%

25 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

2023		2022	
Name of broker	% of commission paid	Name of broker	% of commission paid
Topline Securities Limited	47.16%	Topline Securities Limited	14.83%
Arif Habib Securities Limited	23.72%	Optimus Capital Management Limited	11.73%
Taurus Securities Ltd.	18.38%	Aqeel Karim Dehdi Securities (Pvt) Limited	11.54%
Insight Securities (Private) Limited	10.74%	Next Capital Limited	9.56%
		Taurus Securities Ltd.	8.87%
		Intermarket Securities	8.78%
		EFG Hermes Pakistan Ltd	8.20%
		Arif Habib Securities Limited	7.98%
		Alfalah Securities (Pvt) Limited	6.56%
		J.S. Global Capital Ltd.	4.88%

26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	35
Asim Wahab Khan	Chief Investment Officer	CFA	17
Salman Ahmed (note 26.1)	Head of Fixed Income	CFA	18
Hassan Raza	Head of Research	ACCA / BSC / CFA	12
Usama Bin Razi	Senior Manager - Fixed Income	BE, MBA	19

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

- NBP Islamic Sarmaya Izafa Fund
- NBP Islamic Stock Fund
- NAFA Islamic Pension Fund
- NBP Islamic Capital Preservation Plan-VI
- NBP Sarmaya Izafa Fund
- NBP Balanced Fund
- NBP Stock Fund
- NBP Financial Sector 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 (note 28.1)	2	2	-	-
Ruhail Muhammad (note 28.2)	3	3	-	-
Dr. Amjad Waheed	6	6	-	-

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

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

28 SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

Subsequent to the year end, on September 15, 2023, the Management Company of the Fund has declared dividend of Re 0.34 per unit on the face value of Rs 10 each (i.e. 3.40%) amounting to Rs 1.8462 million. The financial statements of the Fund for the year ended June 30, 2023 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2024.

29 GENERAL

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

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

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2023	For the year ended June 30, 2022	For the year ended June 30, 2021
	(Rs. In '000')	(Rs. In '000')	(Rs. In '000')
Net assets at the year / period ended (Rs. '000')	53639	51,992	61,629
Net Income / (loss) at the year / period ended (Rs. '000')	2790	(8,108)	9,725
Net Asset Value per unit at the year / period ended (Rs.)	9.824	9.4530	10.9271
Offer price per unit	N/A	N/A	N/A
Redemption price per unit	9.824	9.4530	10.9271
Ex - Highest offer price per unit (Rs.)	N/A	N/A	N/A
Ex - Lowest offer price per unit (Rs.)	N/A	N/A	N/A
Ex - Highest redemption price per unit (Rs.)	10.2989	11.1977	11.3811
Ex - Lowest redemption price per unit (Rs.)	8.7721	9.3625	9.1936
Fiscal Year Opening Ex Nav	9.3200	10.9271	9.3352
Total return of the fund	5.41%	-13.49%	17.10%
Capital growth	0.33%	-13.49%	9.98%
Income distribution as a % of ex nav	5.08%	-	7.12%
Income distribution as a % of par value	4.80%	-	8.00%
Distribution			
Interim distribution per unit	0.140	-	0.800
Final distribution per unit	0.340		
Distribution date			
Interim	27-Jun-23	-	19-Jun-21
Final	19-Sep-23		
Average annual return of the Fund (launch date October 06' 2020)			
(Since inception to June 30, 2023)	2.41%		
(Since inception to June 30, 2022)		0.73%	
(Since inception to June 30, 2021)			17.10%
"Past performance is not necessarily indicative of future performance and that unit prices and investment return returns may go down, as well as up."			

PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Pakistan Growth Exchange Traded Fund** duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. www.nbpfunds.com. 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 PAKISTAN GROWTH EXCHANGE TRADED FUND			
Resolutions	For	Against	Abstain*
3	3	Nil	N/A
100%	100%	-	-

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