



NBP FUNDS

Managing Your Savings

AM1

Rated by PACRA

NAFA FINANCIAL SECTOR FUND

**QUARTERLY
REPORT
SEPTEMBER
30, 2018**



MISSION STATEMENT

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

Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	09
CONDENSED INTERIM INCOME STATEMENT	10
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	11
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	12
CONDENSED INTERIM CASH FLOW STATEMENT	13
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	14

NAFA FINANCIAL SECTOR FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Mr. Wajahat Rasul Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Humayun Bashir	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tariq Jamali	Member
Mr. Shehryar Faruque	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member

Trustee

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

Bankers to the Fund

MCB Bank Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited
BankIslami Pakistan Limited
Habib Bank Limited
United Bank Limited
Allied Bank Limited

NAFA FINANCIAL SECTOR FUND

Auditors

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

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

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.nbpffunds.com

Lahore Office:

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

Islamabad Office:

Plot No. 395, 396
Industrial Area, I-9/3 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:

NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA FINANCIAL SECTOR FUND

DIRECTORS' REPORT

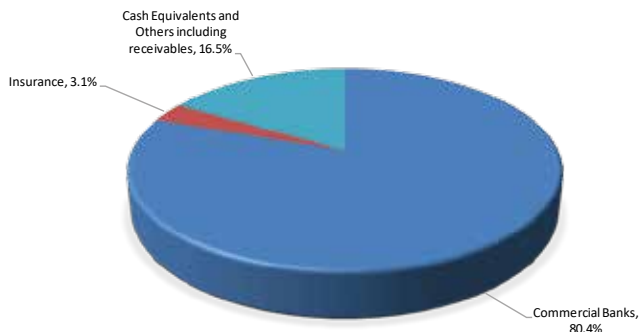
The Board of Directors of NBP Fund Management Limited is pleased to present the condensed unaudited financial statements of **NAFA Financial Sector Fund (NFSF)** for the quarter ended September 30, 2018.

Fund's Performance

The size of NAFA Financial Sector Fund has increased from Rs. 1,036 million to Rs. 1,225 million during the period, i.e. a increase of 18%. During the period, the unit price of NAFA Financial Sector Fund (NFSF) has decreased from Rs. 10.0006 on June 30, 2018 to Rs. 9.9515 on September 30, 2018, thus showing a decrease of 0.49%. The Benchmark for the same period decreased by 1.92%. Thus, the Fund has outperformed its Benchmark by 1.43% during the period under review. Since inception, the unit price of NAFA Financial Sector Fund has decreased from Rs. 10.0000 on February 14, 2018 to Rs. 9.9515 on September 30, 2018, thus showing a decrease of 0.49%. The Benchmark for the same period decreased by 4.55%. Thus, the Fund has outperformed its Benchmark by 4.06% during the period under review. This performance is net of management fee and all other expenses.

Amid amplified volatility, the stock market struggled during 1QFY2019 as the KSE-100 Index witnessed a decline of 2.2%. Lackluster performance of the stock market is primarily attributable to continued concerns on the twin deficits issue (Current Account Deficit & Fiscal Deficit) facing the economy. The market started the quarter under review on a negative note on the expectation of hung parliament in the general elections and associated policy dysfunction in the wake of difficult economic backdrop. Initially, the market celebrated the outcome of elections with a decent recovery of 5.4% in the three trading sessions as Imran Khan's Pakistan Tehreek-e-Insaf emerged as the largest party at the center with majority in Punjab and KPK provinces, and significant gains in Sindh and Baluchistan provinces that put to rest the uncertainty in the domestic politics. However, the rally at the local bourse proved short lived as the entire focus of investors shifted to the multifaceted challenges confronting the economy. Corporate announcements with mixed showing also failed to provide a catalyst to the market. Moreover, driven by upside risks to inflation and to rein in demand pressures to address ballooning current account deficit coupled with the dwindling FX reserves, the SBP hiked the discount rate by 200 bps to 9%. Foreigners remained net sellers on the local bourse during the quarter with net outflow of USD 189 million which was absorbed mainly by Insurance companies and Individuals. Sell-offs were witnessed in the Emerging Markets such as Turkey and Argentina with high foreign debt and large current account deficits in the wake of rising US interest rates and strengthening US dollar.

NAFA Financial Sector Fund has incurred a total loss of Rs. 0.04 million during the year. After incurring total expenses of Rs. 9.68 million, the net loss is Rs. 9.73 million. The asset allocation of NAFA Financial Sector Fund as on September 30, 2018 is as follows:



NAFA FINANCIAL SECTOR FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: October 30, 2018

Place: Karachi.

NAFA FINANCIAL SECTOR FUND

ڈائریکٹرز رپورٹ

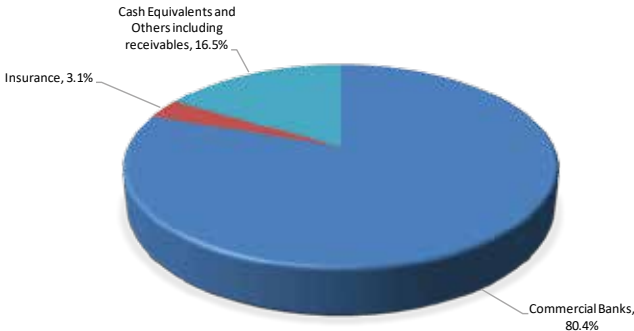
این بی پی فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA فنانشل سیکٹرز فنڈ (NFSF) کی 30 ستمبر 2018 کو ختم ہونے والی سہ ماہی کے لیے کنڈینسڈ غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

NAFA فنانشل سیکٹرز فنڈ (NFSF) کا ساڑھے سات سالوں کے دوران 1,036 ملین روپے سے بڑھ کر 1,225 ملین روپے ہو گیا، یعنی 18% کا اضافہ۔ اس مدت کے دوران NAFA فنانشل سیکٹرز فنڈ (NFSF) کے یونٹ کی قیمت 30 جون 2018 کو 10.0006 روپے سے کم ہو کر 30 ستمبر 2018 کو 9.9515 روپے ہو چکی ہے، لہذا 0.49% کی کمی دکھائی۔ اسی مدت کے لیے بیچ مارک کم ہو کر 1.92% ہو گیا۔ لہذا زبردستی جازہ مدت کے درمیان فنڈ نے اپنے بیچ مارک کے مقابلے میں 1.43% کی بہتر کارکردگی دکھائی۔ NAFA فنانشل سیکٹرز فنڈ (NFSF) کے یونٹ کی قیمت اپنے قیام سے 14 فروری 2018 کو 10.0000 روپے سے کم ہو کر 30 ستمبر 2018 کو 9.9515 روپے ہو چکی ہے، لہذا 0.49% کی کمی دکھائی۔ اسی مدت کے لیے بیچ مارک کم ہو کر 4.55% ہو گیا۔ لہذا زبردستی جازہ مدت کے درمیان فنڈ نے اپنے بیچ مارک کے مقابلے میں 4.06% کی بہتر کارکردگی دکھائی۔ فنڈ کی یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

بڑھتی ہوئی اُتار چڑھاؤ کی بنا پر مالی سال 2019 کی پہلی سہ ماہی میں مارکیٹ دباؤ کا شکار رہی اور KSE 100 انڈیکس مقررہ حد سے 2.2% نیچے گر گیا۔ اسٹاک مارکیٹ کی متزلزل کارکردگی کی بڑی وجہ معیشت کے باب میں دوہرے خساروں کے مسائل (کرنٹ اکاؤنٹ کا خسارہ اور مالیاتی خسارہ) تھے۔ زبردستی جازہ سہ ماہی کا آغاز مارکیٹ میں منفی اثر سے ہوا جو عام انتخابات کے نتیجے میں ایک معلق پارلیمنٹ کی توقع اور اس سے وابستہ ایک مشکل معاشی پس منظر میں ناقص پالیسی کے باعث تھا۔ ابتدائی طور پر الیکشن کے نتائج سے مارکیٹ میں کچھ خوشی کی لہر دوڑ گئی اور تین تجارتی اجلاسوں میں 5.4% کی بحالی آئی۔ انتخابات کے نتائج سے عمران خان کی پاکستان تحریک انصاف مرکز میں سب سے بڑی پارٹی بن کر ابھری جب کہ پنجاب اور کے پی کے میں کئی اکثریت کے ساتھ کامیاب ہوئی۔ اس کے علاوہ سندھ اور بلوچستان کے صوبوں میں بھی اسے نمایاں مقام حاصل ہوا جس کی وجہ سے ملکی سیاست میں غیر یقینی کی کیفیت ختم ہوئی۔ تاہم مقامی سطح پر سرمایہ کار کا رجحان قوی ثابت ہوا کیونکہ سرمایہ کاروں کی پوری توجہ معیشت کو درپیش ہمہ جہت چیلنجز کی طرف ہو گئی۔ کارپوریٹ اعلانات بھی مارکیٹ کو غیر متزلزل کرنے میں ناکام ہو گئی۔ اس کے علاوہ بڑھتے ہوئے اکاؤنٹ کے خسارے کی روک تھام کے لئے افراتفر میں خدشات کے پیش نظر اور زرمبادلہ کے ذخائر میں کمی کے باعث اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح 200 بیس پوائنٹ اضافے کے ساتھ 9% کر دی۔ اس سہ ماہی کے دوران غیر ملکی سرمایہ کار خالص فروخت کنندہ رہے اور 189 ملین امریکی ڈالر کا سرمایہ ملک سے باہر گیا جس کا بڑا حصہ انشورنس کمپنیز اور انفرادی سرمایہ کار کے حصے میں آیا۔ ابھرتی ہوئی مارکیٹس جیسے ترکی اور ارجنٹائن میں حصص کی فروخت کے رجحان دیکھنے میں آیا جس کی وجہ بلند غیر ملکی قرضہ جات اور امریکی شرح سود میں اضافے کے باعث کرنٹ اکاؤنٹ میں خسارہ رہا۔

NAFA فنانشل سیکٹرز فنڈ (NFSF) کو اس سال کے دوران 0.04 ملین روپے کا مجموعی نقصان ہوا۔ 9.68 ملین روپے کے اخراجات منہا کرنے کے بعد خالص نقصان 9.73 ملین روپے رہا۔ NAFA فنانشل سیکٹرز فنڈ (NFSF) کی الیٹیکیشن 30 ستمبر 2018 کو مطابق ذیل ہے:



NAFA FINANCIAL SECTOR FUND

اظہارِ تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہارِ تشکر کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز
NBP فنڈ منجنت لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

30 اکتوبر 2018ء

مقام: کراچی

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2018

	Note	Un-Audited September 30,2018	Audited June 30,2018
Assets			
Rupees in '000			
Bank balances		243,460	142,327
Investments	4	1,023,249	899,524
Dividend and profit receivable	5	5,551	486
Deposits and other receivable		2,968	2,948
Preliminary expenses and floatation costs		2,926	3,095
Total assets		1,278,154	1,048,380
Liabilities			
Payable to NBP Fund Management Limited - Management Company		13,688	11,200
Payable to the Central Depository Company of Pakistan Limited - Trustee		200	197
Payable to the Securities and Exchange Commission of Pakistan		266	333
Payable against purchase of investment		38,119	-
Accrued expenses and other liabilities	6	1,224	760
Total liabilities		53,497	12,490
NET ASSETS		1,224,657	1,035,890
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,224,657	1,035,890
CONTINGENCIES AND COMMITMENTS	7		
Number of units			
NUMBER OF UNITS IN ISSUE		123,063,031	103,582,997
--- Rupees ---			
NET ASSET VALUE PER UNIT		9.9515	10.0006

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Note	For the Quarter ended September 30, 2018 Rupees in '000
Income		
Profit on bank deposits		2,982
Dividend income		9,149
Gain on sale of investments - net		814
Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(12,988)
Total (loss)		(43)
Expenses		
Remuneration of NBP Fund Management Limited - Management Company		5,593
Sindh Sales Tax on remuneration of the Management Company		727
Accounting and operational expenses		280
Selling and marketing expenses	11	1,119
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		531
Sindh Sales Tax on remuneration of the Trustee		69
Annual fees to the Securities and Exchange Commission of Pakistan		266
Securities transaction cost		633
Auditors' remuneration		103
Amortisation of preliminary expenses and floatation costs		169
Annual listing fee		8
Printing charges		23
Legal and professional charges		9
Settlement and bank charges		152
Total operating expenses		9,682
Net (loss) from operating activities		(9,725)
Net (loss) for the period before taxation		(9,725)
Taxation	9	-
Net (loss) for the period after taxation		(9,725)
Earnings / (loss) per unit	10	
Allocation of net income for the period		
Net income for the period after taxation		-
Income already paid on units redeemed		-
Accounting income available for distribution		-
- Relating to capital gains		-
- Excluding capital gains		-

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	For the Quarter ended September 30, 2018
	Rupees in '000
Net (loss) for the period after taxation	(9,725)
Other comprehensive income / (loss) for the period	-
Total comprehensive (loss) for the period	<u><u>(9,725)</u></u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUIDTED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	For the Quarter ended September 30, 2018		
	Rupees in '000		
	Capital Value	Undistribut ed income / (loss)	Total
Net assets at beginning of the year	1,065,800	(29,910)	1,035,890
Issue of 60,255,688 units			
- Capital value	602,593	-	602,593
- Element of income	11,114	-	11,114
Total proceeds on issuance of units	613,707	-	613,707
Redemption of 40,775,654 units			
- Capital value	(407,781)	-	(407,781)
- Element of loss	(7,434)	-	(7,434)
Total payments on redemption of units	(415,215)	-	(415,215)
Total comprehensive (loss) for the period	-	(9,725)	(9,725)
Distribution during the period	-	-	-
Net (loss) for the period less distribution	-	(9,725)	(9,725)
Net assets at end of the period	1,264,292	(39,635)	1,224,657
Undistributed income brought forward			
Realised Income		2,815	
Unrealised (loss)		(32,725)	
		<u>(29,910)</u>	
Accounting income available for distribution			
- Relating to capital gains		-	
- Excluding capital gains		-	
Net (loss) for the period after taxation		(9,725)	
Distribution for the period		-	
Undistributed (loss) carried forward		<u>(39,635)</u>	
Undistributed (loss) carried forward			
- Realised (loss)		26,647	
- Unrealised (loss)		(12,988)	
		<u>(39,635)</u>	
			(Rupees)
Net assets value per unit at beginning of the period			<u>10.0006</u>
Net assets value per unit at end of the period			<u>9.9515</u>
The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.			

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

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

**For the Quarter
ended
September 30,
2018
Rupees in '000**

CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss) for the period before taxation (9,725)

Adjustments for:

Amortisation of preliminary expenses and floatation costs 169

Net unrealised diminution on re-measurement of investments
classified as 'financial assets at fair value through profit or loss' 12,988

13,157

(Increase) in assets

Investments (136,713)

Dividend and profit receivable (5,065)

Deposits and other receivable (20)

(141,798)

Increase in liabilities

Payable to NBP Fund Management Limited - Management Company 2,488

Payable to the Central Depository Company of Pakistan Limited - Trustee 3

Payable to the Securities and Exchange Commission of Pakistan (67)

Payable against purchase of investment 38,119

Accrued expenses and other liabilities 464

41,007

Net cash (used in) operating activities (97,359)

CASH FLOWS FROM FINANCING ACTIVITIES

Net receipts from issuance of units 613,707

Net payments against redemption of units (415,215)

Net cash generated from financing activities 198,492

Net increase in cash and cash equivalents 101,133

Cash and cash equivalents at the beginning of the period 142,327

Cash and cash equivalents at the end of the period 243,460

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR FUND

NOTES TO AND FORMING PART OF THESE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD FROM SEPTEMBER 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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 SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange. The Fund is categorized as an Open-End "Shariah Compliant Equity Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

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

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM1 to the Management Company.

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

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 applicable in Pakistan comprise of:

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

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

3 SUMMARY OF ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Fund's annual audited financial statements for the year ended June 30, 2018.

IFRS 9: Financial Instruments ("IFRS 9"):

Effective July 1, 2018, the Fund adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition, and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Impairment of financial assets is based on an expected credit loss ("ECL") model under IFRS 9, rather than the incurred loss model under IAS 39. However, SECP vide its letter to MUFAP dated November 21, 2017 relaxed the applicability of IFRS 9 impairment requirements for debt securities on mutual funds and deferred it till further instructions. The standard also adds guidance on the classification and measurement of financial liabilities.

There was no material impact of transition to IFRS 9 on the Fund's financial position at July 1, 2018.

4 INVESTMENTS

At fair value through profit or loss

Quoted equity securities

	Un-Audited September 30, 2018	Audited June 30, 2018
Note		
	Rupees in '000	
4.1	<u>1,023,249</u>	<u>899,524</u>

NAFA FINANCIAL SECTOR FUND

4.1 Investments in equity securities - listed

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

Name of the investee company	As at July 1, 2018	Purchases during the period	Bonus / right shares	Sales during the period	As at September 30, 2018	Investment as a percentage of			
						Market Value as at September 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investment	Paid up capital of investee company held
					Number of shares	(Rupees in '000)	%		
COMMERCIAL BANKS									
Allied Bank Limited	731,000	214,500	-	46,500	899,000	91,626	7.48	8.95	0.08
Askari Bank Limited	2,042,500	421,500	-	443,000	2,021,000	49,575	4.05	4.84	0.16
Bank Al-Falah Limited	2,231,500	459,000	225,850	310,000	2,606,350	129,379	10.56	12.64	0.15
Bank Al-Habib Limited	1,200,000	582,000	-	90,000	1,692,000	136,528	11.15	13.34	0.15
Bank Of Punjab Limited	2,646,000	2,833,500	-	808,000	4,671,500	55,264	4.51	5.40	0.18
Faysal Bank Limited	2,274,875	4,500	-	958,500	1,320,875	35,466	2.90	3.47	0.09
Habib Bank Limited	845,200	668,000	-	275,000	1,238,200	187,426	15.30	18.32	0.08
Habib Metropolitan Bank Limited	1,670,000	-	-	683,500	986,500	45,872	3.75	4.48	0.09
MCB Bank Limited	422,300	166,800	-	101,500	487,600	98,110	8.01	9.59	0.04
National Bank Of Pakistan	1,058,000	287,000	-	299,000	1,046,000	54,329	4.44	5.31	0.05
United Bank Limited	485,800	298,100	-	124,500	659,400	101,548	8.29	9.92	0.05
INSURANCE									
Adamjee Insurance Company Limited	991,000	-	-	143,000	848,000	38,126	3.11	3.73	0.24
Total as at September 30, 2018					18,476,425	1,023,249	84	100	
Carrying value as at September 30, 2018						1,036,236			

4.1.2 Investments include shares with market value of Rs 199.70 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

	Un-Audited September 30,	Audited June 30, 2018
	Rupees in '000	
5 DIVIDEND AND PROFIT RECEIVABLE		
Dividend receivable	4,712	-
Profit accrued on bank balances	839	486
	5,551	486
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration payable	194	260
Printing charges payable	85	71
Brokerage payable	633	147
Legal and professional charges payable	49	40
Withholding tax payable	29	17
Capital gain tax payable	2	63
Bank charges payable	53	50
Settlement charges payable	179	112
	1,224	760
7 CONTINGENCIES AND COMMITMENTS		
There were no contingencies outstanding as at September 30, 2018 and June 30, 2018.		
8 TOTAL EXPENSE RATIO		
Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 3.46% p.a. including 0.38% representing government levies on collective Investment scheme such as Sales tax, Sindh Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.		
9 TAXATION		
The Fund's income is exempt from income tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). The Fund intends to distribute such accounting income for the year ended June 30, 2019 to its unit holders. Accordingly, no provision in respect of 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.		
10 EARNINGS / (LOSS) PER UNIT		
Earnings / (loss) per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.		
11 SELLING AND MARKETING EXPENSES		
In pursuance to Regulation 60(3)(V), selling and marketing expense is being charged to the fund having compliance with the conditions laid down by the regulator.		

NAFA FINANCIAL SECTOR FUND

12 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 12.1** Connected persons include NBP Fund Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CIs 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.
- 12.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 12.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 12.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 12.5** Details of the transactions with related parties / connected persons during the period are as follows:

	For the Quarter ended September 30, 2018
	Rupees in '000
NBP Fund Management Limited - Management Company	
Remuneration for the period	5,593
Sindh Sales Tax on remuneration of Management Company	727
Units issued during the year 4,814,847 units	50,000
Units redeemed during the year 4,379,424 units	45,134
Selling and marketing expense	1,119
Accounting and operational charges	280
Central Depository Company of Pakistan Limited - Trustee	
Remuneration for the period	531
Sindh Sales Tax on remuneration	69
Employees of the Management Company	
Units issued during the period 577,908 units	5,912
Units redeemed during the period 352,135 units	3,623
National Bank of Pakistan - (Parent of the Management Company)	
Shares purchased - 287,000 shares	15,096
Shares sold - 299,000 shares	14,545
Service Sales Corporation Provident Fund Trust - (Portfolio managed by the Management Company)	
Units issued during the period 253,700 units	2,700
Taurus Securities Limited - (Subsidiary of Parent Company)	
Brokerage expense	30
BankIslami Pakistan Limited - (Common Directorship)	
Profit income	2,224

Un-audited As at September 30, 2018	Audited As at June 30, 2018
(Rupees in '000)	

12.6 Amounts / balances outstanding as at period end

NBP Fund Management Limited - Management Company		
Remuneration payable to the Management Company	1,907	1,843
Sindh Sales Tax on remuneration of Management Company	248	240
Sales load payable	2,110	1,210
Sindh Sales Tax payable on sales load and transfer load	274	157
Selling and marketing expenses payable	2,520	1,401
Other payable		
- Preliminary expenses and floatation costs	3,344	3,344
- Initial deposit on opening of bank accounts	30	30
- Listing fee	25	25
- Security deposit paid to National Clearing Company of Pakistan Limited	2,500	2,500
- Security deposit paid to Central Depository Company of Pakistan Limited	100	100
Accounting and operational charges payable	630	350
Units held: 4,814,847 units (2018: 4,379,424 units)	47,915	43,797
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	178	174
Sindh Sales Tax payable on trustee fee	23	23

NAFA FINANCIAL SECTOR FUND

	Un-audited As at September 30, 2018	Audited As at June 30, 2018
	(Rupees in '000)	
Employees of the Management Company Units held: 864,693 units (2018: 638,921 units)	8,605	6,390
Humayun Bashir - Director Units held: 511,923 units (2018: 511,923 units)	5,094	5,120
National Bank of Pakistan - (Parent of the Management Company) Shares held: 1,046,000 shares (2018: 1,058,000 shares)	54,329	50,117
Gul Ahmed Textile Mills Limited Employee Provident Fund Trust - (Portfolio managed by the Management Company) Units held: 1,164,905 units (2018: 1,164,905 units)	11,593	11,650
Service Sales Corporation Provident Fund Trust - (Portfolio managed by the Management Company) Units held: 491,679 units (2018: 237,980 units)	4,893	2,380
BankIslami Pakistan Limited - (Common Directorship) Bank balances	42,397	131,746
Profit receivable	504	459
Summit Bank Limited - (Common Directorship) Bank balances	1180	852
Taurus Securities Limited - (Subsidiary of Parent Company) Brokerage payable	6	28

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 30, 2018.

14 GENERAL

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

14.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purposes of better presentation. No significant rearrangement or reclassification was made in these condensed interim financial statements during the current period.

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

Chief Financial Officer

Chief Executive Officer

Director

Head Office

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

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: INVEST to 9995

Fax: 021-35825335

Email: info@nbpffunds.com

Website: www.nbpffunds.com

 /nbpffunds