



NBP FUNDS

Managing Your Savings

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Rated by PACRA

NAFA FINANCIAL SECTOR INCOME 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.

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NAFA FINANCIAL SECTOR INCOME 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 Shakra-e-Faisal, Karachi.

Bankers to the Fund

Askari Bank Limited
Bank Alfalah Limited
National Bank of Pakistan
Allied Bank Limited
Faysal Bank Limited
MCB Bank Limited
Bank Al Habib Limited
Habib Bank Limited
Al Baraka Islamic Bank Limited
The Bank of Punjab Limited
Summit Bank Limited
Sindh Bank Limited
United Bank Limited
JS Bank Limited
Khushhali Bank Limited
Samba Bank Limited
Dubai Islamic Bank Pakistan Limited
Zarai Taraqiati Bank Limited
Habib Metropolitan Bank Pakistan Limited
U Microfinance Bank Limited

NAFA FINANCIAL SECTOR INCOME FUND

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02
Beaumont Road,
Karachi - 75530, Pakistan.

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 INCOME 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 Income Fund (NFSIF)** for the quarter ended September 30, 2018.

Fund's Performance

The size of NAFA Financial Sector Income Fund has increased from Rs. 2,355 million to Rs. 3,122 million during the quarter, a handsome growth of around 33%. During the period under review, the unit price of the Fund has increased from Rs. 10.4939 (Ex-Div) on June 30, 2018 to Rs. 10.6704 on September 30, 2018; thus posting a return of 6.7% as compared to its Benchmark return of 7.9%. The performance of the Fund is net of management fee and all other expenses.

The Fund is unique as it invests a minimum of 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity/instrument rating of debt securities are AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

During the period under review, the SBP hiked the discount rate by 200 basis points to 9% driven by upside risks to inflation and to rein in demand pressures to address ballooning current account deficit coupled with dwindling FX reserves. Average CPI inflation increased to 5.6% in Jul-Sep FY19 compared to 3.4% during the same period last year owing to increased international oil prices & its pass-through impact, higher regulatory duty on imports, depreciating Pak rupee, and excessive reliance of the government on the banking system for fiscal financing amid shrinking Net Foreign Assets (NFA). Given potential upside risks to inflation and interest rates, investors' preference remained tilted towards short-term government securities as indicated by heavy participation in 3-month T-bills. The sovereign securities responded to the hike in the policy rates, as the yield curve witnessed an upward shift with yield on short-term T-Bills increasing by 136-142 basis points, whereas 3-year, 5-year, and 10-year PIBs yields moved up by 98 basis points, 77 basis points, and 102 basis points, respectively..

During the period, trading activity in corporate TFCs/Sukuks increased albeit from a low level with a cumulative trade value of around Rs. 3.8 billion as compared to Rs. 2.4 billion in the same period last year with Corporate Sukuk sector making up the lion's share.

The Fund has earned a total income of Rs. 53.22 million during the year. After deducting total expenses of Rs. 9.44 million, the net income is Rs. 43.78 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NFSIF:

NAFA FINANCIAL SECTOR INCOME 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, the Trustee and the Shariah and Technical Advisors.

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: October 30, 2018

Place: Karachi.

ڈائریکٹرز رپورٹ

این بی بی فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA فنانشل سیکٹرز انکم فنڈ (NFSIF) 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

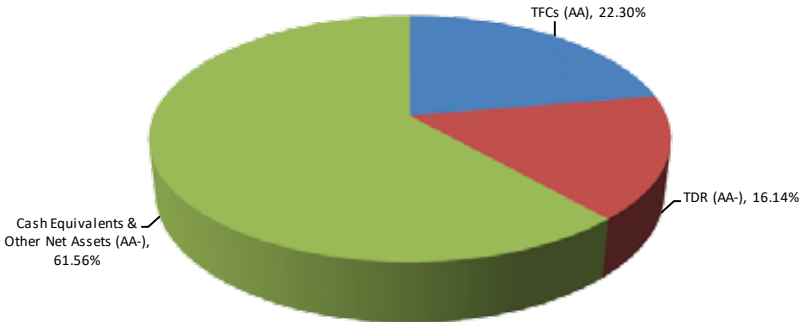
NAFA فنانشل سیکٹرز انکم فنڈ (NFSIF) کا سہ ماہی کے دوران 2,355 ملین روپے سے بڑھ کر 3,122 ملین روپے ہو گیا ہے، یعنی 33% کا خاطر خواہ اضافہ۔ زیر جائزہ مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2018 کو 10.4933 روپے سے بڑھ کر 30 ستمبر 2018 کو 10.6704 روپے ہو چکی ہے اور اس طرح فنڈ نے اپنے پنج مارک منافع 7.9% کے مقابلے میں 6.7% کا منافع دکھایا ہے۔ فنڈ کی یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد حاصل ہے۔

یہ فنڈ منفرد ہے کیوں کہ یہ اپنے اثاثوں کا کم از کم 70% فنانشل سیکٹرز (بنیادی طور پر بینکنس) ڈیفٹ سکیورٹیز، انسٹرومنٹ یا ڈپازٹس میں سرمایہ کاری کرتا ہے۔ ڈیفٹ سکیورٹیز کی کم از کم اثاثیوں (انسٹرومنٹ ریٹنگ-AA) ہیں۔ اس سے کریڈٹ رسک میں کمی ہوتی ہے اور اس کے ساتھ ساتھ فنڈ کی لیکویڈیٹی میں اضافہ ہوتا ہے۔ فنڈ کی مبعاد ایک سال سے زائد نہیں ہو سکتی۔ یہ انٹرسٹ ریٹ یا پرائسنگ رسک کم کرتا ہے۔ فنڈ اپنے اثاثوں کا 90.25% دن سے کم مدت کے T بلز یا بینکنوں کے ساتھ سیوگنگ کا ونٹس میں انویسٹ کرتا ہے جس سے فنڈ کے لیکویڈیٹی پروفائل میں مزید اضافہ ہو جاتا ہے۔

زیر جائزہ مدت کے دوران بڑھتے ہوئے اکاؤنٹ کے خسارے کی روک تھام کے لئے افراط زر میں خدشات کے پیش نظر اور زرمبادلہ کے زخائر میں کمی کے باعث اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح 200 بیس پوائنٹ اضافے کے ساتھ 9% کر دی۔ جولائی۔ ستمبر مالی سال 19 میں اوسط CPI افراط زر میں 5.6% کا اضافہ ہوا جب کہ اس کے مقابلے میں گزشتہ سال اسی مدت میں 3.4% کا اضافہ ہوا تھا اس کی وجہ بین الاقوامی تیل کی قیمتوں میں اضافہ اور اس کے اثرات، درآمدات پر ریگولیشنری ڈیوٹی میں اضافہ، پاکستانی روپے کی قدر میں کمی اور خالص غیر ملکی اثاثہ جات میں کمی کے ساتھ ساتھ مالی فنانسنگ کے لئے حکومت کا بینکنگ کے شعبہ پر بہت زیادہ انحصار کرنا تھا۔ افراط زر کے خدشات اور شرح سود میں اضافے کے پیش نظر سرمایہ کاروں نے حکومت کی قلیل المدت سیکورٹیز کو ترجیح دی جس کا اندازہ 3-month ٹی بلز میں ان کی بھاری تعداد میں شرکت سے ہوتا ہے۔ پالیسی کی شرح میں اضافہ سے بڑی سیکورٹیز پر نمایاں اثر پڑا اور قلیل المدت ٹی بلز کے نتائج میں 142-136 بیس پوائنٹ کا اضافہ ہوا جبکہ 3 سال، 5 سال اور 10 سال کے PIBs میں بالترتیب 98 بیس پوائنٹ، 77 بیس پوائنٹ اور 102 بیس پوائنٹ کا اضافہ ہوا۔

اس مدت میں کارپوریٹ TFCs اسٹاک میں تجارتی سرگرمیوں کی چٹائی سطح میں اضافہ ہوا اور مجموعی تجارتی قیمت اس سال تقریباً 3.8 ملین روپے ہو گئی جبکہ گزشتہ سال یہ 2.4 ملین روپے تھی جو کہ کارپوریٹ سٹاک کے شعبہ میں سب سے بڑا حصہ ہے۔

NAFA فنانشل سیکٹرز انکم فنڈ (NFSIF) نے اس مدت کے دوران 53.22 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 9.44 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 43.78 ملین روپے ہے۔ NAFA فنانشل سیکٹرز انکم فنڈ (NFSIF) کی ایسیٹ ایلوکیشن اور تمام ذیلی اثاثوں کی ویڈیو اوسط کریڈٹ ریٹنگ کی درجہ بندی درج ذیل چارٹ میں پیش کی گئی ہے:



اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز
NBP فنڈ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

30 اکتوبر 2018ء

مقام: کراچی

NAFA FINANCIAL SECTOR INCOME FUND

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

	Note	(Un-audited) September 30, 2018	(Audited) June 30, 2018
Rupees in '000			
ASSETS			
Balances with banks and term deposit		1,930,907	1,601,764
Investments	4	1,199,881	995,606
Profit receivable	5	19,263	10,613
Security deposit		100	100
Prepayments and other receivables		388	268
Total assets		3,150,539	2,608,351
LIABILITIES			
Payable to the Management Company		4,801	3,767
Payable to Central Depository Company of Pakistan Limited - Trustee		323	281
Payable to the Securities and Exchange Commission of Pakistan		495	1,494
Payable against redemption of units		195	325
Payable against purchase of investments		-	223,657
Accrued expenses and other liabilities	6	23,216	23,918
Total liabilities		29,030	253,442
NET ASSETS		3,121,509	2,354,909
Unit holders' fund (as per statement attached)		3,121,509	2,354,909
CONTINGENCIES AND COMMITMENTS			
Number of units in issue	10	292,537,845	211,680,174
		Rupees	Rupees
Net asset value per unit		10.6704	11.1248

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

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

	Quarter ended Note September 30, 2018	Quarter ended September 30, 2017
(Rupees in '000)		
INCOME		
Income from term finance certificates and commercial papers	12,686	8,462
Income on bank and term deposit receipts	42,640	15,543
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	(2,108)	1,025
Total income	53,218	25,030
EXPENSES		
Remuneration of the Management Company	4,850	2,269
Sindh sales tax on remuneration of the Management Company	630	295
Accounting and operating charges to the Management Company	660	332
Selling and marketing expenses	719	-
Remuneration of the Trustee	775	497
Sindh sales tax on remuneration of the Trustee	101	65
Annual fee - Securities and Exchange Commission of Pakistan	495	249
Settlement and bank charges	6	168
Annual listing fee	7	14
Auditors' remuneration	148	146
Fund's Rating fee	86	-
Legal and professional charges	12	-
Printing charges	9	-
Brokerage expenses	50	-
Total expenses	8,548	4,035
Net income from operating activities	44,670	20,995
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-	-
Net income for the period	44,670	20,995
Provision for Sindh workers' welfare fund	(893)	(420)
Net income for the period before taxation	43,777	20,575
Taxation	-	-
Net income for the period after taxation	43,777	20,575
Earnings Per Unit	-	-
Allocation of net income for the year		
Net income for the year	43,777	20,575
Income already paid on units redeemed	(3,156)	(1,068)
	40,621	19,507
Accounting income available for distribution:		
- Relating to capital gains	-	972
- Excluding capital gains	40,621	18,535
	40,621	19,507

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

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

	Quarter ended September 30, 2018	Quarter ended September 30, 2017
	-----Rupees -----	
Accounting income available for distribution:	43,777	20,575
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>43,777</u>	<u>20,575</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

Statement of Movement in Unit Holders' Fund For the Year Ended 30 June 2018

	Quarter ended September 30,2018			Quarter ended September 30,2017		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the period	2,175,702	179,207	2,354,909	1,050,402	101,967	1,152,369
Issue of 135,141,783 including 5,373,785 additional units (2017: 106,459,387 units)						
- Capital value	1,361,738	-	1,361,738	1,117,110	-	1,117,110
- Refund of Capital	56,392	-	56,392	-	-	-
- Element of income	11,945	-	11,945	12,182	-	12,182
Total proceeds on issuance of units	1,430,075	-	1,430,075	1,129,292	-	1,129,292
Redemption of 54,284,112 units (2017: 28,480,145 units)						
- Capital value	(569,652)	-	(569,652)	(298,851)	-	(298,851)
- Element of loss	(895)	(3,156)	(4,051)	(1,924)	-	(1,924)
Total payments on redemption of units	(570,547)	(3,156)	(573,703)	(300,775)	-	(300,775)
Distribution during the period Re. 0.6309 per unit on July 04, 2018 (2017: Nil per unit)						
- Capital value	-	(77,157)	(77,157)	-	-	-
- Refund of Capital	(56,392)	-	(56,392)	-	-	-
	(56,392)	(77,157)	(133,549)	-	-	-
Total comprehensive income for the period	-	43,777	43,777	-	20,575	20,575
Net assets at end of the period	2,978,838	142,671	3,121,509	1,878,919	122,542	2,001,461
Undistributed income brought forward						
- Realised		175,373			104,299	
- Unrealised		3,834			(2,332)	
		179,207			101,967	
Accounting income available for distribution:						
- Relating to capital gains		-				
- Excluding capital gains		40,621			20,575	
		40,621			20,575	
Distribution during the period		(77,157)			-	
Undistributed income carried forward		142,671			122,542	
Undistributed income carried forward						
- Realised		142,671			124,874	
- Unrealised		-			(2,332)	
		142,671			122,542	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period			11.1248			10.4933
Net assets value per unit at end of the period			10.6704			10.6575

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

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

	Quarter ended September 30, 2018	Quarter ended September 30, 2017
	----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	43,777	20,575
Adjustments :		
Net unrealised Diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	2,108	(1,025)
Amortisation of preliminary expenses and floatation costs	-	-
	45,885	19,550
(Increase) in assets		
Investments	(206,383)	(377,278)
Profit receivable	(8,650)	(7,913)
Receivable against sale of units	-	(42,240)
Prepayments and other receivables	(120)	(14)
	(215,153)	(427,445)
(Decrease) / Increase in liabilities		
Payable to the Management Company	1,034	870
Payable to Central Depository Company of Pakistan Limited - Trustee	42	55
Payable to the Securities and Exchange Commission of Pakistan	(999)	(448)
Payable against purchase of investment	(223,657)	
Accrued expenses and other liabilities	(702)	(205)
	(224,282)	272
Net cash (used) in operating activities	(393,550)	(407,623)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	1,430,075	1,129,292
Payment on redemption of units	(573,833)	(310,261)
Cash distribution	(133,549)	-
Net cash inflow from financing activities	722,693	819,031
Net increase in cash and cash equivalents during the period	329,143	411,408
Cash and cash equivalents at the beginning of the period	1,601,764	779,534
Cash and cash equivalents as at the end of the period	1,930,907	1,190,942

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA FINANCIAL SECTOR INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by 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 Fund Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering these to the Fund. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by SECP for categorisation of Collective Investment Schemes (CIS).

The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs / Sukuks, Bank deposits and short-term money market instruments.

The Pakistan Credit Rating Agency (PACRA) has assigned stability rating of A+(f) to the Fund and an asset manager rating of AM1 to the Management Company.

Title of the assets of the Fund is held in the name of CDC as Trustee of the Fund.

2 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) 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 Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and 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 requirements of the Trust Deed differ from the IFRS, 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 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.

NAFA FINANCIAL SECTOR INCOME FUND

The directors of the asset management company declare that these condensed interim financial statements give a true and fair view of the fund.

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

September 30,
2018
(Un-audited) June 30,
2018
(Audited)

Note ----- Rupees in '000 -----

At fair value through profit or loss

Investment in term finance certificates - listed 4.1

Investment in term finance certificates - unlisted 4.2

225,763	225,016
470,337	376,779

At amortized cost - (Reclassified)

Term deposit receipts 4.3

503,780	393,811
1,199,881	995,606

4.1 Term finance certificates - listed

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of certificates / bonds				Market Value as at September 30, 2018	Investment as a percentage of		
	As at July 01, 2018	Purchases during the period	Sale / matured during the period	As at September 30, 2018		Net assets	Market value of total investments	Issue Size
Rupees in '000						----- % -----		
Term finance certificates - listed								
MCB Bank Limited	45,000	-	-	45,000	225,763	7.23	18.82	
				45,000	225,763	7.23	18.82	
Carrying Value as at September 30, 2018					225,016			
Net unrealised diminution on re-measurement of investments as at September 30, 2018					747			

NAFA FINANCIAL SECTOR INCOME FUND

4.2 Term finance certificates - unlisted

All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Number of certificates / bonds				Market Value as at September 30, 2018	Investment as a percentage of		
	As at July 01, 2018	Purchases during the period	Sale / matured during the period	As at September 30, 2018		Net assets	Market value of total investments	Issue Size
Rupees in '000						----- % -----		
Term finance certificates - unlisted								
JS Bank Limited	23,400	-	-	23,400	117,436	3.76	9.79	
Jahangir Siddiqui and Company Limited	4,000	-	-	4,000	14,850	0.48	1.24	
Jahangir Siddiqui and Company Limited	23,340	-	-	23,340	116,408	3.73	9.70	
Jahangir Siddiqui and Company Limited	15,000	-	-	15,000	75,181	-	-	
Bank of Punjab Limited	500	-	-	500	49,963	-	-	
Habib Bank Limited	-	1,000	-	1,000	96,498	-	-	
					<u>67,240</u>	<u>470,337</u>	<u>7.97</u>	<u>20.73</u>
Carrying Value as at September 30, 2018					473,192			
Net unrealised diminution on re-measurement of investments as at September 30, 2018					(2,855)			

4.3 This represents term deposit receipts with JS Bank Limited carrying interest at the rate of 9.4%.

	Note	September 30, 2018	June 30, 2018
		----- Rs. In '000'-----	
5 PROFIT RECEIVABLE			
Profit receivable on bank deposits		1,122	666
Profit receivable on term finance certificates		16,923	7,792
Profit receivable on term deposit receipts		1,218	2,155
		<u>19,263</u>	<u>10,613</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		600	502
Provision for Sindh Workers' Welfare Fund		5,137	4,244
Federal Excise Duty on remuneration to management company		14,947	14,947
Federal Excise Duty on sales and transfer load		467	467
Brokerage		178	128
Printing charges		79	70
Bank Charges		3	8
Legal and professional charges		58	46
CDC Charges		8	40
Rating fee payable		-	178
Capital gain tax		489	2,169
Withholding tax payable		250	119
Others		1,000	1,000
		<u>23,216</u>	<u>23,918</u>
7 EARNINGS PER UNIT			
Earnings per unit (EPU) for the period ended September 30, 2018 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.			
8 TOTAL EXPENSE RATIO			

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.43% p.a. including 0.32% representing government levies on collective Investment scheme such as Sales tax, Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period

9 PROVISION FOR SINDH WORKERS' WELFARE FUND

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as

per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

As at September 30, 2018, the provision in relation to SWWF amounted to Rs. 5.137 million (September 30, 2017: Rs. 2.294 million). Had the provision not being made, the net asset value per unit as at September 30, 2018 would have been higher by Rs.0.0176 per unit (September 30, 2017: Rs. 0.0122) per unit.

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at September 30, 2018 and June 30, 2018.

11 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 provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001

12 SELLING AND MARKETING

The SECP through its Circular No. SCD/PRDD/Circular/394/2018 (Circular No. 5 of 2018) dated 04 June 2018 allowed charging selling and marketing expenses to all categories of mutual funds (except fund of funds and money market funds) through amendments in condition numbers 1, 3(a) & 3(b) of Circular No. SCD/PRDD/Circular/361/2016 (Circular No. 40 of 2016) for charging of selling and marketing expenses to Collective Investment Scheme managed by Asset Management Companies (AMC).

Based on the requirements to fulfil for charging selling and marketing expense, the Management Company has started accruing the expense to the Fund at the rate of 0.4% per annum of the average annual net assets of the Fund w.e.f 09 September 2018

13 TRANSACTIONS WITH CONNECTED PERSONS

- 13.1 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 Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

NAFA FINANCIAL SECTOR INCOME FUND

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

13.3 Remuneration and front - end load payable to the Management Company and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

(Un-Audited) For the quarter ended September 30, 2018	(Un-Audited) For the quarter ended September 30, 2017
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(Rs. In '000')

13.4 Details of the transactions with connected persons are as follows:

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	4,850	2,269
Sindh sales tax on remuneration of the Management Company	630	295
Accounting and operating charges to the Management Company	660	332
Front end load	587	171

Central Depository Company of Pakistan Limited - Trustee

Remuneration of the Trustee	775	497
Sindh sales tax on remuneration of the Trustee	101	65
Settlement charges	9	76

Employees of the NBP Fund Management Company

598,461 Units issued / transferred in during the period (2017 : 57,816 units)	6,256	610
256,875 Units redeemed / transferred out during the period (2017 : 579,064 units)	2,706	6,081
1,966 Dividend Re-invest Units Issued (2017: Nil units)	21	-

Barret Hudgson Pakistan Private Limited (10% or more holding in CIS)

Units issued / transferred in during the period (2017 : Nil units)	-	-
Units redeemed / transferred out during the period (2017 : Nil units)	-	-
1,741,977 Dividend Re-invest Units Issued	15,903	-

Murree Brewery Company Limited

Units issued / transferred in during the period (2017 : Nil units)	-	-
Units redeemed / transferred out during the period (2017 : Nil units)	-	-
1,994,275 Dividend Re-invest Units Issued	3,746	-

Pakistan Electronic Media Regulatory Authority

Units issued / transferred in during the period (2017 : Nil units)	-	-
Units redeemed / transferred out during the period (2017 : Nil units)	-	-
163,666 Dividend Re-invest Units Issued	1,717	-

(Un-Audited) As at September 30, 2018	(Audited) As at June 30, 2018
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13.5 Balances outstanding as at period end

Rupees in '000

NBP Fund Management Limited - Management Company

Sales load and transfer load payable to the Management Company	1,227	639
Other Payable	169	169
Management remuneration payable	1,652	1,529
Sindh Sales Tax payable on Management Company's remuneration	215	199
Sindh Sales Tax payable on sales load	159	83
Accounting and operating charges to the Management Company	660	1,148
Selling and marketing expenses payable	719	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	323	281
Security deposit	100	100

NAFA FINANCIAL SECTOR INCOME FUND

	(Un-Audited) As at September 30, 2018	(Audited) As at June 30, 2018
	Rupees in '000	
National Bank of Pakistan - Sponsor		
Balance in current account	221	221
Balance in savings account	8,357	5,286
Profit receivable on bank deposit	1	3
Employees of the NBP Fund Management Company		
Units held : 515,126 units (June 30, 2018 : 171,574 units)	5,497	1,909
Summit Bank Limited		
Balance in current account	1,864	2,433
Askari Bank Limited		
Balance in savings account	1,475	506
Profit receivable on bank deposit	3	4
Bank Islami Pakistan Limited		
Balance in savings account	95	94
Profit receivable on bank deposit	11	-
Barret Hudgson Pakistan Private Limited (10% or more holding in CIS)		
35,152,481 units held (June 30, 2018: 33,410,504 units)	375,091	371,685
Murree Brewery Company Limited		
36,210,346 units held (2018: 34,216,071 units)	386,379	380,647
Pakistan Electronic Media Regulatory Authority		
3,364,781 units held (2018: 3,201,115 units)	35,904	35,612

14 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 30, 2018 by the Board of Directors of the Management Company.

15 GENERAL

15.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

15.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purposes of better presentation. Except mentioned in Note no. 3, 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

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