

NIT Social Impact Fund (NIT - SIF) is an open-end Micro Finance Sector Income Fund Scheme that shall channelize funds of impact investors to leverage on the strengths of rated asset pool of Micro-Finance Sector, for maximization of financial returns and catalyze financially sustainable social impact.



CORPORATE INFORMATION

FUND NAME

NIT - Social Impact Fund

NAME OF AUDITORS

A.F. Ferguson & Co. Chartered Accountants

LIST OF BANKERS

Bank Al Habib Limited
Habib Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank
U Microfinance Bank Limited
Khushhali Microfinance Bank

NIT - SOCIAL IMPACT FUND FUND MANAGER REPORT 2021-2022

NIT Social Impact Fund Objective

The objective of NIT Social Impact Fund is to finance strategic and financially sustainable social initiatives such as women empowerment, agriculture value chains, Micro Small Medium Enterprises development, Low cost renewable energy etc. through microfinance banks/institutions/providers.

Profile of Investment Manager

National Investment Trust Ltd. (NITL) is the first and among the largest Asset Management Company of Pakistan, formed in 1962. With approximately Rs. 96 billion assets as of June 30, 2022 the total number of Funds under the management of NITL are 14, including 3 equity Funds, Islamic Equity Fund, 2 fixed Income Funds, Money market Fund, Islamic Income Fund, Islamic Money Market Fund, Asset Allocation Fund, Exchange Traded Fund, Micro Finance Sector Income Fund, Conventional Pension Fund and Islamic Pension Fund. NIT has established a strong national distribution network which comprises of 24 branches and 03 sale counters including an Investor Facilitation Centre and customer Call Centre at Karachi and various Authorized Bank branches all across Pakistan as its distributors. NITL has also launched an online application allowing its customers to interact with it for a range of services. The Board of Directors of NITL consists of representatives of leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The Company has been assigned an Asset Manager rating of "AM1" by PACRA, which demonstrates the company's consistently better funds' performance among peers, fund slate diversification, materialization of digital initiatives and a strong equity base and financial profile. As of December 2021, VIS has also maintained AM1 rating to NITL. All Investment decisions are taken by the Investment Committee of NITL.

Fund Information - NIT SIF

• Fund Type	Open-End	• Category	Income Fund
• Launch Date	May 16, 2022	• Listing	N/A
• Management Fee	10% of Gross Earnings, subject to 0.50% p.a. minimum and 1.25% p.a maximum of Average Annual Net Assets	• Front End Load	Class A Units : NIL Class B Units : upto 2%
• Back End Load	Class A Units : 3% for Redemption during 1st Year of Investment & 1.5% for Redemption during 2nd Year of Investment.	• Par Value	PKR 10.0000
• Class B Units : NIL	Rs. 10	• Risk Profile	Medium
• Fund Manager	Salman Jawaid	• AMC Rating	AM1 (PACRA Rating) 24-May-22 AM1 (VIS Rating) 30-Dec-21
• Stability Rating	N/A	• Auditors	A.F. Ferguson & Co.
• Trustee	Central Depository Co. (CDC)	• Pricing Mechanism	Forward Day Pricing
• Registrar	National Investment Trust Ltd.	• Risk of Principal Erosion	Principal at Medium Risk
• Min Subscription	Class A Unit PKR 500,000 Class B Unit PKR 500		

NIT - SOCIAL IMPACT FUND FUND MANAGER REPORT 2021-2022

Fund Performance at a Glance

	*2021-22
Beginning Net Assets (Rs. in Million)	241
Beginning NAV Per Unit (Rs.)	10.0000
Ending Net Assets (Rs. in Million)	735
Ending NAV Per Unit (Rs.)	10.1676
Net Income (Rs. in Million)	14
Distribution Per Unit (Rs.)	0.1615
Income Distribution (% of Net Income)	96.84%
Annualized Return (%)	14.93%
Benchmark Return (%)	15.22%
Weighted Average Time to Maturity (Days)	1

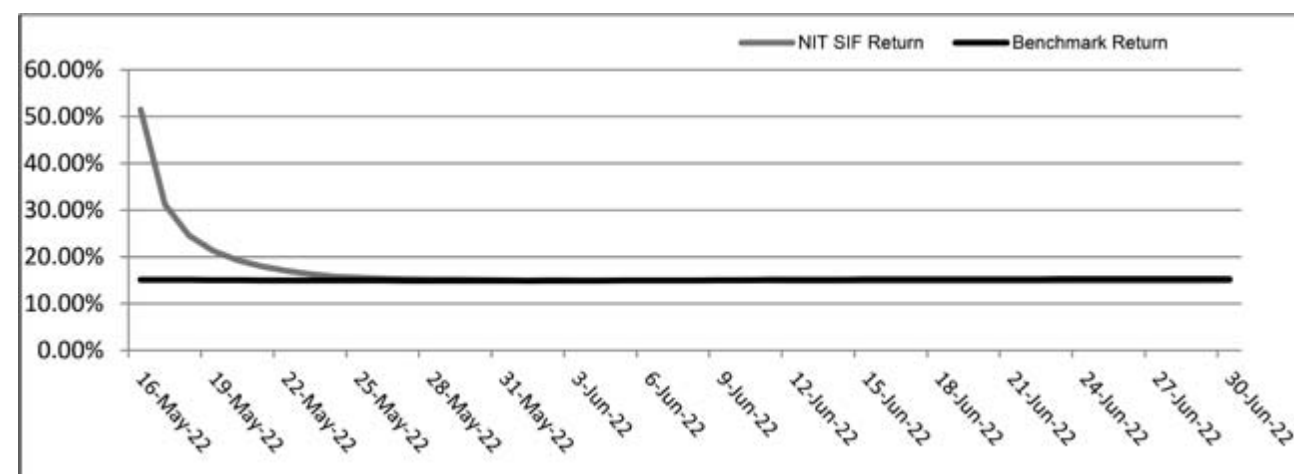
*Launched on 16th May, 2022.

Benchmark vs. Return

The performance of scheme is compared against average of 6-months KIBOR.

Comparison of Fund's return against benchmark

The graph below depicts the comparison of the Fund's return against its benchmark.



Investment Strategy

During FY22 NIT Social Impact Fund yielded a return of 14.93% p.a. as compared to the benchmark return of 15.22% p.a. The Fund size as on June 30, 2022 was Rs. 735 million.

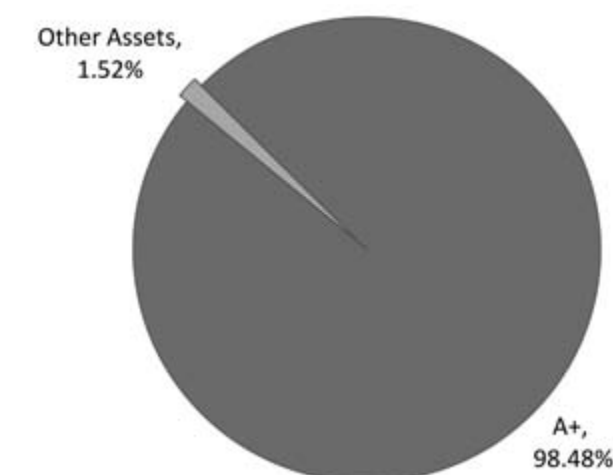
NIT - SOCIAL IMPACT FUND FUND MANAGER REPORT 2021-2022

Asset Allocation during FY22

Asset allocation of NIT Social Impact Fund at the period ended June 30, 2022 had an exposure of about 14% in TFCs, 83% in the form of Cash and the remaining was in the form of other assets. As of June 30, 2022 the weighted average time to maturity of the fund was around 1 day.



Credit quality of the portfolio reveals that the fund is invested around 98.48% of its total assets in A+ rated bank/security and the remaining exposure was in un-rated securities (accruals/receivables).



Dividend Declaration by the Fund for FY22

During FY22, the Fund earned a net income of Rs. 14 million. For NIT SIF, NIT declared a per unit interim distribution of Rs. 0.1615 for the period ended 30 June, 2022.

NIT - SOCIAL IMPACT FUND

FUND MANAGER REPORT

2021-2022

Pattern of unit holders

Category	(Units in million) NIT-SIF	Percentage of Holding
Institutional Investors	67	93.06%
Individual	5	6.94%
TOTAL	72	100%

Total Expense Ratio

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 2.14% per annum. Total expense ratio (excluding government levies) is 1.95% per annum.

Money Market Review

The Monetary Policy Committee increased policy rates to 13.75%, an increase of 6.75% through the fiscal year. SBP noted that robust recovery in domestic demand, coupled with higher international commodity prices led to a strong pick-up in imports and a rise in the current account deficit. Rising demand pressures together with higher imports caused inflation readings to elevate over the fiscal year. The policy rate hikes over the fiscal year have thus resulted in slowing down domestic demand to a certain extent while keeping inflation expectations anchored and containing risks to external stability. SBP does foresee inflation to be around 18-20 percent during FY23 before declining sharply during FY24. Towards the close of the fiscal year secondary market yields, benchmark rates and cut-off rates in the government's auctions rose, particularly on instruments with shorter maturity. Average Consumer Price Index stood at 12.15% for FY22 as compared to 8.90% over the previous year while the country saw its reserves stand at US\$ 15 billion a significant decline as compared with US\$ 24 billion in the previous year.

During FY22, SBP conducted a total of 26 T-bill auctions (two auctions per month, 1 in May-22 and 3 auctions in Dec-21, April-22 and Jun-22). Treasury Bills auction cut off held in Jun-22 for the 3M, 6M and 12M tenors increased to 15.2300% p.a., 14.8001% p.a. and 14.9499% p.a. from 7.3091% p.a. and 7.5751% p.a. respectively held in June-21 (1-year T-bill was rejected). The cut-off yield on the 3 years, 5 years and 10 years PIB closed at 13.97% p.a., 13.18% p.a. and 13.15% p.a. increasing from the previous year's closing rate of 8.69% p.a., 9.20% p.a. and 9.8390% p.a. for the 3 years, 5 years and 10 years' bond. Further, at the end of FY22 the 6-month KIBOR (average) increased by 766bps to 15.35% as compared to last year ending at 7.69%.

Economic Review

Pakistan continued to witness strong GDP growth for the second consecutive year as the Economy grew by 6% in FY22 after posting growth of 5.70% in FY21. Despite achieving strong growth for the second consecutive year, Pakistan faced serious challenges on the external front where our foreign exchange reserves and PKR came under immense pressure. This was on the back of rise in current account deficit and delay in IMF program. FY21-22 saw domestic demand at steady levels combined with higher international commodity prices. This led to a strong pick-up in imports and a rise in the current account deficit, straining foreign exchange reserves. As a result, the local currency depreciated against the USD during the period to record levels. The government took corrective measures to rein in worsening fiscal and external deficits as well as inflationary pressures by monetary policy tightening.

The economy was expected to consolidate on the growth momentum generated in 2020-21 hence GDP of 4.8% was envisaged for 2021-22. However, the growth exceeded the target and grew by 6% on the back of agriculture sector (4.4%), industry (7.2%) and services Sector (6.2%) and all three sectors also surpassed their respective sectoral targets.

During FY2022, the agriculture sector recorded a remarkable growth of 4.40% and surpassed the target of 3.5% and last year's growth of 3.48%. This growth is mainly driven by high yields, attractive output prices and supportive government policies, better availability of certified seeds, pesticides, and agriculture credit. The growth in production of important crops namely cotton, rice, sugarcane, and maize are estimated at 17.9%, 10.7%, 9.4%, and 19.0%, respectively.

NIT - SOCIAL IMPACT FUND

FUND MANAGER REPORT

2021-2022

The performance of Large-Scale Manufacturing (LSM) stood with 10.4% growth during July-March FY2022. The prudent measures and continuous support along with rising global demand, easy access to credit, and partially subsidized energy supplies bode well in boosting the business sentiments and achieving higher growth of LSM. Out of 22 subsectors, 17 posted growth during FY2022. The performance was broad-based on the back of strong growth of high weighted sectors such as Textile, Food, Wearing Apparel, Chemicals, Automobile, Tobacco, Iron & Steel Products along with Furniture, Wood Products, and Sports goods.

Services sector's performance is mostly dependent upon the performance of Commodity producing sectors. The Commodity producing sectors during 2021-22 grew by 5.7%, therefore, the performance of dependent Services has also posted higher outturns in Wholesale & Retail trade (10%), Transportation and storage (5.4%) etc. In particular, the Naya Pakistan Housing Initiative has not only contributed towards growth in construction (Industrial sector) but also led to positive spillover impact in related Services sector such as Banking and Real Estate services which grew by 4.9% and 3.7% respectively. I.T. related services posted momentous growth of 11.9%, which is complemented by impressive I.T. exports numbers (29% growth) as well during 2021-22.

The CPI inflation for the period FY2022 recorded at 12.20% as against 8.90% during the same period last year. The pressures on headline inflation can fairly be attributed to adjustment in prices of electricity and gas, a significant increase in the non-perishable food prices, exchange rate depreciation along with rapid increase in global fuel and commodity prices.

SBP had started to tighten its monetary policy stance from September 2021 after keeping the policy rate unchanged at 7% in all the MPC meetings held in FY2021. The monetary policy in Pakistan shifted direction in Q1-FY2022 in accordance with the changing economic outlook owing to a recovery in domestic demand, higher commodity prices, and persistent inflationary pressures. Consequently, the policy rate had increased by a cumulative 675 bps to 13.75% during FY22.

As COVID-19 disrupted economic activity worldwide. However, many policy measures were initiated to support export-oriented industries and facilitate these firms to increase export earnings. During FY2022, goods exports grew by 26.56% to US\$ 32.45 billion. Around two-thirds of the increase came from the textile sector, especially from the high value-added segment. Pakistan's textile exporters capitalized on the policy support available-including the Export Facilitation Scheme 2021, SBP's concessionary refinances schemes for working capital and fixed investment, and the regionally competitive energy tariffs and managed to ship higher volumes to key destinations (such as the US, UK, and EU).

Despite the encouraging export performance, the country's imports have also risen significantly. The broad-based surge in global commodity prices, COVID-19 vaccine imports, and demand-side pressures, all contributed to the rising imports which rose by 32.75% as compared to FY 20-21 to remain at US\$ 72.04. Resultantly, the trade deficit rose to US\$ 39.6 billion.

Remittances, which always supported in easing out the pressure of trade deficit of both goods and services, recorded at US\$ 31.2 billion FY2022 and posted a growth of 6.07%. This ever-highest level of workers' remittances was still not sufficient to offset the trade deficit. Thus, the current account deficit was recorded at US\$ 17.40 billion during the period under discussion.

Further, the low performance of the Financial Account during the period not only resulted in the depletion of foreign reserves but also brought the exchange rate under pressure. The interbank PKR-USD exchange rate depreciated 23.09% in FY2022. The SBP's FX reserves also came under pressure, dropping from US\$17.9 billion in FY 2021-21 to US\$ 9.82 billion by end-June 2022.

The FDI during FY2022 declined by 2.76% to 1.87 billion as compared to US\$ 1.82 billion same period last year. Power sector attracted highest FDI of US\$ 738 million (39.51% of total FDI).

The Foreign portfolio investment during FY2022 witnessed a net outflow of US\$79 million as against inflow of US\$ 2.762 million the same period last year. Meanwhile, FPI outflows from equities accelerated to US\$ 387 million during FY2022 from US\$ 298 million last year, amidst intensifying external account challenges and domestic political uncertainty.

In the short run, Pakistan is confronted with the challenge to finance its external finance requirements stemming from current account deficits and foreign debt servicing. Successful conclusion of the seventh review of Pakistan's reform program which is supported by an IMF Extended Fund Facility arrangement is on the right direction.

(Economic data source: Economic Survey of Pakistan, PBS& SBP Website)

NIT - SOCIAL IMPACT FUND
FUND MANAGER REPORT
2021-2022

Other Disclosures under NBFC Regulations 2008:

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008;

- a. The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers / dealers by virtue of transactions conducted by the Fund.
- b. There was no unit split undertaken during the year.

TRUSTEE REPORT

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 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 NIT Social Impact Fund (the Fund) are of the opinion that National Investment Trust Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from May 16, 2022 to June 30, 2022 in accordance with the provisions of the following:

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

Sd/-

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 23, 2022

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF NIT – SOCIAL IMPACT FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of NIT – Social Impact Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2022, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the period from May 16, 2022 to June 30, 2022, 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, 2022, and of its financial performance and its cash flows for the period from May 16, 2022 to June 30, 2022 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.

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 the 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.

Auditors' 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

INDEPENDENT AUDITORS' REPORT

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.

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 **Shahbaz Akbar**.

Sd/-

AF Ferguson & Co.

Chartered Accountants

Karachi

Dated: September 14, 2022

UDIN: AR202210068A9NBax1Me

NIT - SOCIAL IMPACT FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2022

	Note	2022 Rupees in '000
Assets		
Balances with banks	4	726,240
Profit receivable	5	10,470
Preliminary Expenses and Floatation Costs	6	627
Security deposit with Central Depository Company of Pakistan Limited - the Trustee		100
Total assets		<u>737,437</u>
Liabilities		
Payable to National Investment Trust Limited - the Management Company	7	1,625
Payable to Central Depository Company of Pakistan Limited - the Trustee	8	52
Payable to the Securities and Exchange Commission of Pakistan	9	19
Accrued expenses and other liabilities	10	522
Total liabilities		<u>2,218</u>
Net assets		<u>735,219</u>
Unit holders' fund (as per statement attached)		<u>735,219</u>
Contingencies and commitments		
	11	
Number of units		
Number of units in issue	12	<u>72,310,334</u>
Rupees		
Net asset value per unit		<u>10.1676</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/- Managing Director Sd/- Director Sd/- Director Sd/- Chief Financial Officer

NIT - SOCIAL IMPACT FUND
INCOME STATEMENT
FOR THE PERIOD FROM MAY 16, 2022 TO JUNE 30, 2022

	Note	For the period from May 16, 2022 to June 30, 2022 Rupees in '000
Income		
Profit on bank deposits		15,703
Total income		<u>15,703</u>
Expenses		
Remuneration of National Investment Trust Limited - the Management Company	7.1	1,161
Sindh sales tax on remuneration of the Management Company	7.2	151
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	8.1	70
Sindh sales tax on remuneration of the Trustee	8.2	9
Annual fee to the Securities and Exchange Commission of Pakistan	9	19
Amortisation of preliminary expenses and floatation costs	6.1	16
Central depository charges		5
Auditors' remuneration	13	292
Rating fee		164
Annual listing fee		9
Settlement and bank charges		40
Printing charges		13
Legal and professional charges		36
Total expenses		<u>1,985</u>
Net income for the period before taxation		<u>13,718</u>
Net income for the period before taxation		
Taxation	14	-
Net income for the year after taxation		<u>13,718</u>
Allocation of net income for the year after taxation		
Net income for the year after taxation		13,718
Income already paid on units redeemed		(268)
		<u>13,450</u>
Accounting income available for distribution		
-Relating to capital gains		-
-Excluding capital gains		13,450
		<u>13,450</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/- Managing Director Sd/- Director Sd/- Director Sd/- Chief Financial Officer

NIT - SOCIAL IMPACT FUND
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD FROM MAY 16, 2022 TO JUNE 30, 2022

Note	For the period from May 16, 2022 to June 30, 2022 Rupees in '000
Net income for the year after taxation	13,718
Other comprehensive income for the period	-
Total comprehensive income for the period	13,718

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - SOCIAL IMPACT FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
 FOR THE PERIOD FROM MAY 16, 2022 TO JUNE 30, 2022

	2022		
	Capital value	Undistributed income	Total
	Rupees in '000		
Issuance of 76,505,109 units			
Capital value	765,051	-	765,051
Element of income	343	-	343
Total proceeds on issuance of units	765,394	-	765,394
Issuance of 1,987 units in lieu of refund of capital	20	-	20
Redemption of 4,326,167 units			
Capital value	(43,262)	-	(43,262)
Element of loss	(207)	(268)	(475)
Total payment on redemption of units	(43,469)	(268)	(43,737)
Total comprehensive income for the period	-	13,718	13,718
Issuance of 129,405 units under CIP	1,294	-	1,294
Interim distribution during the period (Date: May 18, 2022 @ Re. 0.0202 per unit)	-	(1,450)	(1,450)
Refund of capital	(20)	-	(20)
Net assets at end of the period	723,219	12,000	735,219

(Rupees in '000)

Accounting income available for distribution:
 Relating to capital gains
 Excluding capital gains

-
13,450
13,450

Interim distribution during the period
(Date: May 18, 2022 @ Re. 0.0202 per unit)

(1,450)

Undistributed income carried forward

12,000

Undistributed income carried forward
 - Realised income
 - Unrealised income

12,000
-
12,000

(Rupees)

Net asset value per unit at end of the period

10.1676

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - SOCIAL IMPACT FUND CASH FLOW STATEMENT

FOR THE PERIOD FROM MAY 16, 2022 TO JUNE 30, 2022

	For the period from May 16, 2022 to June 30, 2022 Rupees in '000
CASH FLOW FROM OPERATING ACTIVITIES	
Net income for the year before taxation	13,718
Adjustment for:	
Amortisation of preliminary expenses and floatation costs	16
	13,734
(Increase) in assets	
Profit receivable	(10,470)
Preliminary Expenses and Floatation Costs	(643)
Security deposit with Central Depository Company of Pakistan Limited - Trustee	(100)
	(11,213)
Increase in liabilities	
Payable to National Investment Trust Limited - the Management Company	1,625
Payable to Central Depository Company of Pakistan Limited - the Trustee	52
Payable to Securities and Exchange Commission of Pakistan	19
Accrued expenses and other liabilities	522
	2,218
Net cash generated from operating activities	4,739
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issuance of units	766,688
Payments on redemption of units	(43,737)
Distribution paid	(1,450)
Net cash generated from financing activities	721,501
Net increase in cash and cash equivalents during the period	726,240
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	726,240

The annexed notes from 1 to 28 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chief Financial Officer

NIT - SOCIAL IMPACT FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM MAY 16, 2022 TO JUNE 30, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** NIT - Social Impact Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (the Management Company) and Central Depository Company of Pakistan Limited as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/NITL/241/2021 dated May 24, 2021 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was registered under the Sindh Trusts Act, 2020 on August 16, 2022. The Fund is categorised as an Income Scheme as per the criteria for categorisation of open-end collective investment schemes as specified by SECP. The units of the Fund were initially issued at Rs. 10 per unit.
- 1.2** 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 6th floor, National Bank of Pakistan Building, I.I. Chundrigar Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3** The Fund was launched on 16 May, 2022 through initial public offering (IPO) accordingly, these are the first Financial Statements and therefore there is no comparative information.
- 1.4** The Fund is an open-ended mutual fund. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.5** The Management Company has been assigned a quality rating of "AM1" with 'stable outlook' (2021: AM1) by VIS Credit Rating Company Limited (VIS) on December 30, 2021 and Pakistan Credit Rating Agency Limited (PACRA) has also assigned an asset manager rating of "AM1" with 'stable outlook' (2021: "AM1") on May 24, 2022. The fund has not been rated yet.
- 1.6** The objective of NIT Social Impact Fund is to channelise funds of investors to leverage the strength of rated asset pool of microfinance sector for maximum of financial returns and to catalyse financially sustainable social initiatives.
- 1.7** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRSs, 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 published accounting and standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments

- IAS 1 - 'Presentation of financial statements' (amendment) January 1, 2023
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment) January 1, 2023

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The Management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2022 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.3 Critical accounting estimates and judgments

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5).

2.4 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.5 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.2 Cash and cash equivalents

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

3.3 Financial assets

3.3.1 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 and loss' (FVPL). Financial assets carried 'at fair value through profit and loss' (FVPL) and transaction costs are recognised in the Income Statement.

3.3.2 Classification and subsequent measurement

Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- at amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVPL), based on the business model of the entity.

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However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognised 'at FVPL'.

3.3.3 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments) carried 'at amortised cost' and 'at FVOCI'. The Fund recognises a loss allowance 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 forecast of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

3.3.3.1 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors.

3.3.4 Regular way contracts

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

3.3.5 Derecognition

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

3.3.6 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 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.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 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.

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3.6 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.

3.7 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 period end.

3.8 Issue and redemption of units

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

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

3.9 Distributions to unit holders

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

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

3.10 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 period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend NAV of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders' fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are included in income statement and are recognised when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.
- Profit on bank balances, income on sukuk certificates, term deposit receipts, commercial paper and government securities is recognised on a time proportionate basis using the effective yield method.

3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and the Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

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3.13 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates.

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 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 4B of the Income Tax Ordinance, 2001).

3.14 Earnings / (loss) per unit

Earnings / (loss) per unit (EPU) is calculated by dividing the net income / (loss) for the period after taxation of the Fund by the weighted average number of units outstanding during the period.

Earnings / (loss) per unit 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.

3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani 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 period end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

	Note	2022
		Rupees in '000
4 BALANCES WITH BANKS		
In savings accounts	4.1	726,240
		<u>726,240</u>
4.1 The balances in saving accounts carry profit rates ranging from 13.90% to 17.50% per annum.		
5 PROFIT RECEIVABLE		
Profit receivable on bank deposits		10,470
		<u>10,470</u>
6 PRELIMINARY EXPENSES AND FLOATATION COSTS		
At the beginning of the period		-
Preliminary and floatation cost incurred		643
Less: amortisation for the period	6.1	16
At the end of the period		<u>627</u>

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6.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These are being amortised over five years commencing from the end of the initial offering period in accordance with the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.

7	PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - THE MANAGEMENT COMPANY	Note	2022 Rupees in '000
	Management remuneration payable	7.1	761
	Sindh sales tax payable on management remuneration	7.2	99
	Preliminary expenses and flotation cost payable		643
	Other payable		122
			<u>1,625</u>

7.1 The Management Company has charged its remuneration at the rate of 10% of the gross earnings of the Fund, calculated on a daily basis, subject to the minimum of 0.5% and maximum of 1.25% of the daily average net assets of the Fund. The remuneration is payable to the Management Company monthly in arrears.

7.2 During the period, an amount of Rs. 0.15 million was charged on account of sales tax on management remuneration levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.05 million has been paid to the Management Company which acts as a collecting agent.

8	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE	Note	2022 Rupees in '000
	Trustee remuneration payable		46
	Sindh sales tax payable on Trustee remuneration		6
			<u>52</u>

8.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. Accordingly, the Fund has charged Trustee remuneration @ 0.075% per annum of net assets during the current period and an amount of Rs. 0.07 million has been recorded in the Income Statement.

8.2 During the period, an amount of Rs. 0.009 million was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.003 million was paid to the Trustee which acts as a collecting agent.

9 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP) at the rate of 0.02% of the daily average net assets of the Fund.

10	ACCRUED EXPENSES AND OTHER LIABILITIES	2022 Rupees in '000
	Capital gain tax payable	27
	Auditors' remuneration payable	292
	Legal and professional charges payable	17
	Printing charges payable	13
	Rating fee payable	164
	Listing fee payable	9
		<u>522</u>

11 CONTINGENCIES AND COMMITMENTS

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

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12	NUMBER OF UNITS IN ISSUE	2022 Number of Units
	Total units in issue at beginning of the period	-
	Add: Units issued (including additional issued)	76,507,096
	Add: Units issued under Cumulative Investment Plan	129,405
	Less: Units redeemed	(4,326,167)
	Total units in issue at end of the period	<u>72,310,334</u>

13	AUDITORS' REMUNERATION	2022 Rupees in '000
	Annual audit fee	200
	Income certification	50
	Out of pocket expenses including government levy	42
		<u>292</u>

14 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 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 period from May 16, 2022 to June 30, 2022 to the unit holders in the manner as explained above subsequent to the period ended June 30, 2022, no provision for taxation has been made in these financial statements during the period.

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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds as per Section 4B of the Income Tax Ordinance, 2001.

15 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend payable	Total
	------(Rupees in '000)-----			
Opening balance as at May 16, 2022	-	-	-	-
Receivable against issuance of units	(766,688)	-	-	(766,688)
Payable against redemption of units	-	43,737	-	43,737
Payable against dividends	-	-	1,450	1,450
	(766,688)	43,737	1,450	(721,501)
Amount received on issuance of units	766,688	-	-	766,688
Amount paid on redemption of units	-	(43,737)	-	(43,737)
Dividend paid	-	-	(1,450)	(1,450)
	766,688	(43,737)	(1,450)	721,501
Closing balance as at June 30, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0)</u>

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the period from May 16, 2022 to June 30, 2022 is 2.14% which includes 0.19% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.

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17 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 17.1** Connected persons include National Investment Trust Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, 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 and directors and their close family members and key management personnel of the Management Company.
- 17.2** Transactions with connected persons are executed 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.
- 17.3** Remuneration to the Management Company of the Fund are determined in accordance with the provisions of the NBFC Regulations.
- 17.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5** The details of transactions carried out by the Fund with connected persons during the period and balances with them as at period end are as follows:

Transactions during the period	2022 Rupees in '000
National Investment Trust Limited - the Management Company	
Issuance of 20,000,000 units	200,000
Issuance of 34,340 units under CIP	343
Remuneration to the Management Company	1,161
Sindh sales tax on management remuneration	151
Central Depository Company of Pakistan Limited - the Trustee	
Remuneration to the Trustee	70
Sindh sales tax on Trustee remuneration	9
Pakistan Microfinance Investment Company Limited	
Issuance of 20,000,000 units	200,000
Issuance of 34,340 units under CIP	343
National Bank of Pakistan	
Issuance of 20,000,000 units	200,000
Issuance of 40,400 units under CIP	404
Amounts outstanding as at period end	
National Investment Trust Limited - the Management Company	
Units held 20,034,340	203,701
Management remuneration payable	761
Sindh sales tax payable on management remuneration	99
Preliminary expenses and flotation cost payable	643
Other payable	122
Central Depository Company of Pakistan Limited - the Trustee	
Trustee remuneration payable	46
Sindh sales tax payable on Trustee remuneration	6
Security deposit	100
Pakistan Microfinance Investment Company Limited	
Units held 20,034,340	203,701
National Bank of Pakistan	
Units held 20,040,400	203,763

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18 CASH AND CASH EQUIVALENTS

	Note	2022 Rupees in '000
Balances with banks	4	726,240
		<u>726,240</u>

19 FINANCIAL INSTRUMENTS BY CATEGORY

2022		
At amortised cost	At fair value through profit or loss	Total
------(Rupees in '000)-----		
Financial assets		
Balances with banks	726,240	-
Profit receivable	10,470	-
Security deposit with Central Depository Company of Pakistan Limited - the Trustee	100	-
	<u>736,810</u>	<u>-</u>
		<u>736,810</u>

2022		
At fair value through profit or loss	At amortised cost	Total
------(Rupees in '000)-----		
Financial liabilities		
Payable to National Investment Trust Limited - the Management Company	-	1,625
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	52
Accrued expenses and other liabilities	-	495
	<u>-</u>	<u>2,172</u>
		<u>2,172</u>

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policy of the Fund aims to maximise the return attributable to the unit holders and seeks to minimise potential adverse effects on the Fund's financial performance. 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, the NBFC Regulations and the directives issued by 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 and are explained below:

20.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the 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 regulations laid down by the SECP.

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

20.1.1 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. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

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20.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. 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. The interest rate profile of the Fund's interest bearing financial instruments as at June 30, 2022 is as follows:

	2022 Rupees in '000
Variable rate instruments (financial assets)	
Balances with banks	726,240
	<u>726,240</u>

a) Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates on the last repricing date would have increased / decreased the net income for the period and the net assets of the Fund by Rs. 7.26 million. The analysis assumes that all other variables remain constant.

b) Sensitivity analysis for fixed rate instruments

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

The composition of the Fund's investment portfolio and the KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2022 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Interest 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 financial instruments is based on the settlement date.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2022 can be determined as follows:

	Effective yield / interest rate	2022 Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Up to three months	More than three months and up to one year	More than one year		
------(Rupees in '000)-----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	13.9 - 17.50	726,240	-	-	-	726,240
Profit receivable		-	-	-	10,470	10,470
Security deposit with Central Depository Company of Pakistan Limited - the Trustee		-	-	-	100	100
		<u>726,240</u>	<u>-</u>	<u>-</u>	<u>10,570</u>	<u>736,810</u>
Financial liabilities						
Payable to National Investment Trust Limited - the Management Company		-	-	-	1,625	1,625
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	52	52
Accrued expenses and other liabilities		-	-	-	495	495
		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,172</u>	<u>2,172</u>
On-balance sheet gap (a)		<u>726,240</u>	<u>-</u>	<u>-</u>	<u>8,398</u>	<u>734,638</u>

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Effective yield / interest rate	2022 Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
------(Rupees in '000)-----					
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap (b)	-	-	-	-	-
Total interest rate sensitivity gap (a+b)	726,240	-	-	8,398	734,638
Cumulative interest rate sensitivity gap	<u>726,240</u>	<u>726,240</u>	<u>726,240</u>		

20.1.3 Price risk

Price 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 (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at the reporting date, the Fund does not hold any financial instrument that may expose the Fund to price risk.

20.2 Credit risk

20.2.1 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 Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The table below analyses the Fund's maximum exposure to credit risk:

	2022	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
Rupees in '000		
Balances with banks	726,240	726,240
Profit receivable	10,470	10,470
Security deposit with Central Depository Company of Pakistan Limited - the Trustee	100	100
	<u>736,810</u>	<u>736,810</u>

20.2.2 Credit quality of Financial Assets

The Fund's credit risk is primarily attributable to its investment in balances with banks and profit receivable thereon. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

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The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2022.

Name of the bank	Balance as at June 30, 2022 (Rupees in '000)	Rating agency	Published rating	Percentage of total bank balances (%)
Bank Al Habib Limited	4,629	PACRA	AAA	0.64
Soneri Bank Limited	328	PACRA	AA-	0.05
Khushhali Microfinance Bank Limited	221,283	VIS	A+	30.47
U Microfinance Bank Limited	500,000	VIS	A+	68.84
	<u>726,240</u>			<u>100</u>

Above ratings are based on available ratings assigned by PACRA and VIS as of June 30, 2022.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2022 is the carrying amount of the financial assets.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect the groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentrations of credit risk.

20.3 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 cash redemptions at the option of the 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 either in short term instruments or in investments that are traded in an active market and can be readily disposed of and are considered readily realisable in order to maintain liquidity.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the current period.

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 period.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including balances with banks have been included in the maturity grouping of one month.

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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 assets

Balances with banks
Profit receivable
Security deposit with Central Depository Company of Pakistan Limited - the Trustee

726,240	-	-	-	-	-	726,240
10,470	-	-	-	-	-	10,470
-	-	-	-	-	100	100
<u>736,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>736,810</u>

Financial liabilities

Payable to National Investment Trust Limited - the Management Company
Payable to Central Depository Company of Pakistan Limited - the Trustee
Accrued expenses and other liabilities

1,625	-	-	-	-	-	1,625
52	-	-	-	-	-	52
495	-	-	-	-	-	495
<u>2,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,172</u>

Net assets

<u>734,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>734,638</u>
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21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

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

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

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

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

As at June 30, 2022, the Fund does not hold any financial instruments being measured at fair values.

22 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. They are entitled to distributions 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'.

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The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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 20, 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.

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience in years
1	Mr. Adnan Afridi	Managing Director	Economics & Corporate Law from Harvard University & Harvard Law School	27
2	Mr. Manzoor Ahmed	Chief Operating Officer	MBA, DAIBP and CFA Level-III	33
3	Mr. Shoaib Ahmed Khan	Head of Fixed Income	MBA / DAIBP	26
4	Mr. Aamir Amin	Head of Finance	FCA, CISA	24
5	Mr. Faisal Aslam	Head of Compliance	MBA (Finance), BBA (Hons), CIM-ADIMA (UK)	17
6	Mr. Ali Kamal	Head of Research	MBA, CFA Level-II	14
7	Mr. Attique Ur Rehman Sheikh	Manager - Risk Management	MBA	16
8	Mr. Salman Jawaid*	Fund Manager	MBA	12

* Mr. Salman Jawaid is the manager of the Fund. He is also managing NIT Islamic Income Fund.

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

There has been no meetings of the Board since the inception of the Fund.

25 PATTERN OF UNIT HOLDING

	2022		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total investment (%)
Individuals	84	53,391	7.26
Banks / Development Financial Institutions	2	269,985	36.72
NBFC	1	203,700	27.71
Others	2	208,143	28.31
	89	735,219	100

26 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on July 5, 2022 has approved a final distribution of Re. 0.1615 per unit. The aggregate cash distribution is Rs. 11.57 million, and additional 11,113 units will be issued in lieu of refund of capital amounting to Rs. 0.11 million. These units will be issued at zero value based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP.

The financial statements of the Fund for the for the period from May 16, 2022 to June 30, 2022 do not include the effect of the final distribution / refund of capital which will be accounted for in the financial statements of the Fund for the year ending June 30, 2023.

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27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 10, 2022 by the Board of Directors of the Management Company.

28 GENERAL

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

For National Investment Trust Limited
(Management Company)

Sd/- Managing Director Sd/- Director Sd/- Director Sd/- Chief Financial Officer