



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2019

Funds Under Management of
MCB-Arif Habib Savings and Investments Limited



Savings Asaan. Life Asaan.

MCB PAKISTAN STOCK MARKET FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Syed Savail Meekal Hussain Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Mirza Qamar Beg Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Chief Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Amir Qadir	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
Bankers	Habib Metropolitan Bank Limited United Bank Limited Habib Bank Limited Bank Al Falah Limited MCB Bank Limited Bank Al Habib Limited National Bank of Pakistan Allied Bank Limited Standard Chartered Bank Limited Silk Bank Limited JS Bank Limited	
Auditors	EY Ford Rhodes Chartered Accountant Progressive Plaza, Beaumont Road P.O. Box 15541, Karachi 75530 Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Center point, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB Pakistan Stock Market Fund** accounts review for the year ended June 30, 2019.

ECONOMY OVERVIEW

Pakistan's economy inherited myriad of challenges entering into fiscal year 2019, particularly a weak balance of payment and fiscal situation. The macroeconomic imbalances were coped with vigilant policy actions from central bank which resultantly took its toll on the economic growth. Gross Domestic Product (GDP) growth as per the preliminary estimates slowed down to 3.3% compared to 5.2% witnessed during the preceding year. All the three major sectors namely Agriculture, Industrial, and Services witnessed a slowdown posting growth of 0.9%, 1.4% and 4.7% respectively. Agricultural growth faltered as growth in major crops receded, evident from the decline in production of Sugarcane, Cotton & Rice which fell by 19.4%, 17.5% and 3.3% respectively. Industrial growth also weakened as large scale manufacturing (LSM) could not bear the brunt of contractionary policies pursued by central bank to achieve macroeconomic stabilization. LSM posted a decline of 3.7% as industries dependent on government spending and imports faced reduced demand. Among the major LSM sectors, Automobiles and Iron & Steel witnessed a demand contraction of 11.7% and 11.2% respectively. Nevertheless, Services sector provided some rescue to the economic growth, thanks to Finance and Insurance (up 5.4% YoY) and Government Services (up 8.0% YoY). Dollar denominated size of GDP stood at USD ~280 billion compared to USD ~315 billion in the last year, witnessing a contraction of 11%.

At the onset of year, Pakistan was plagued by one of the biggest balance of Payment crisis in its history. While it was facing a Current Account Deficit (CAD) north of USD 19 billion and external repayments worth USD 9 billion, the crisis was compounded by the fact that foreign exchange reserves of mere USD ~10 billion were at hand. Timely policy action by the central bank particularly adjusting the currency by 32% during the year helped in arresting the CAD. Real Effective Exchange Rate (REER) dropped from the overvalued territory in June 18 to become undervalued by 10%. Resultantly, the CAD contracted by 32.1% to USD 13.5 billion during the year. While exports growth did not materialize, improvement in CAD was driven from declining imports of Non-oil goods and services (down 11.8% YoY) and improved remittances (up 9.7% YoY). Default on loan obligations was also averted after Pakistan was successful in getting material inflows (USD ~10 billion) from its friendly allies. Although, narrowing current account deficit along with bilateral flows did provide some breathing space to the balance of payment, State Bank of Pakistan's (SBP) foreign reserves still declined by USD 2.5 billion to USD 7.5 billion due to the gravity of external crisis. At last, Pakistan also signed up for an IMF program during the month of May'19, putting all uncertainty to an end on the external front. The staff level agreement of USD 6.2 billion was reached for a period of three years.

The headline inflation as represented by Consumer Price Index (CPI) accelerated to an average of 7.3% in FY19 compared to 3.9% in the last year. Higher utility tariffs particularly a hike in gas prices (up ~64% YoY) and increased petroleum prices (up ~23% YoY) contributed to the rise in inflation. The regulator allowed for adjustments in utility tariffs as government eliminated the subsidies, while petroleum prices were adjusted after PKR depreciated by more than 30% against USD during the year. Similarly, the lagged impact of PKR depreciation resulted in more pronounced inflation in the second half which increased to an average of 8.6%, compared to 6.0% witnessed in the first half of the fiscal year. In order to control inflation and bring stability to the macroeconomic imbalances, the central bank continued its monetary tightening and increased the interest rates by 75 bps during the course of the year.

Fiscal books of the government continued to deteriorate, with the fiscal deficit reaching an unprecedented 8.9% of the GDP. Total revenue declined by 6% during the year, marred by a sharp drop in non-tax revenue of 44% during the period. Surplus profitability from SBP collapsed to nearly zero, after central bank recorded massive exchange losses due to currency devaluation. Tax collection also remained dismal as YoY collection remained flat, owing to tax exemptions announced in the last budget and a weak economy. On the other hand, total expenditures increased by 11%, despite a 25% cut in development spending. The increase in expenditures was propelled by a surge in current expenditures, particularly as

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

the debt servicing costs escalated by 40% YoY due to increase in interest rates. Government relied on domestic sources to fund its deficit, as financing from external sources (Multilateral agencies) dried up since IMF program was not available during the most part of the year. Within the domestic channel, the government relied heavily on central bank borrowing as nearly 70% of the borrowing out of PKR 3 trillion was funded through SBP.

On the money market side, the yield curve shifted on upward trajectory after record monetary tightening by the central bank during the fiscal year. SBP cited rising inflation, twin deficits and declining forex reserves as the prime reasons behind the policy decisions. In the first half of fiscal year, concerns over external front along with unadjusted policy decisions kept market participants at bay from longer tenor instruments. However, by the end of the fiscal year as the policy adjustments were fully in place, market participants drew much comfort which resulted in a massive demand for longer tenor bonds. In fact, the yield curve turned inverted as 10 Year PIB's traded at much lower level compare to short term security papers.

During the year, SBP persistently tried to develop the market for floating rate bonds by conducting regular auctions. The central bank accepted a cumulative amount of PKR 714 billion at a credit spread of 70-75 bps over base rate (6M T-bill yield). On the other hand, the government matured PKR 314 billion of Ijara Sukuks causing a dearth of Shariah Compliant avenues. However, to fund the circular debt, SBP introduced Pakistan Energy SUKUK amounting to PKR 200 billion exclusively for Islamic Banks at 80 bps premium over base rate. Nevertheless, liquidity position throughout the period remained comfortable owing to regular OMOs conducted by SBP.

EQUITIES MARKET OVERVIEW

The KSE-100 index continued its descent and lost ~19.1% during the year. Economic slowdown and a delay in policy actions vitiated the investment atmosphere and resulted in crisis of confidence. Foreign participants reduced their equity exposure for most part of the year amidst uncertainty on external front. Alongside, a weak economic environment and a rise in interest rates resulted in outflow from local equity based mutual funds. Foreigners dumped USD 362 million of equities followed by USD 146 million from mutual funds. The selling was primarily absorbed by Individuals (~USD 166 Mn), Insurance Companies (~USD 150 Mn) and Companies (~USD 111 Mn). Trading volumes remained low during the year averaging around 154 Mn shares representing a decline of ~11.5% YoY.

Amongst the major sectors; Refineries, Oil Marketing Companies, Automobiles and Cements were among the major laggards losing ~57%, ~42%, ~33%, and ~32% respectively. While these sectors bore the brunt of economic slowdown, exchange losses and margin compression added fuel to the fire causing a huge slump in their earnings. On the flip side, Commercial banks outperformed the index as they lost only ~12% against market fall of ~19%. Midsized quality banks lead the pack as NIMS expansion brought in a massive growth in earnings.

KSE-100 stood at a forward Price/Earnings (P/E) ratio of 6.4 x at the end of FY19. It started with a P/E of 9.5 x at the start of year. While the earnings growth of index remained robust at 10% during the last year as the index heavy weights continued to benefit from the macroeconomic theme (higher interest rates and PKR depreciation), the fall in the index is explained by the massive de-rating owing to the weak appetite for risk assets during the year.

FUND PERFORMANCE

During the period, PSM generated a return of -16.35% as compared to a return of -19.11% witnessed by the KSE100 Index, outperforming the benchmark by 2.76%. Overall equity exposure stood at 88.4% on June 30, 2019. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments. Changes in sector level allocation include decrease in exposure in Cement while allocation was mainly held in Commercial Banks, Oil & Gas Exploration Companies and Fertilizers.

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The Net Assets of the fund as at June 30, 2019 stood at Rs. 9,556 million as compared to Rs. 10,113 million as at June 30, 2018 registering a decrease of -5.51%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 79.3006 as compared to opening NAV of Rs. 94.8056 per unit as at June 30, 2018 registering a decrease of -15.5050 per unit.

FUTURE OUTLOOK

Policy adjustments by the central bank will result in macroeconomic consolidation thus restricting the economic growth in low single digits. IMF forecasts Pakistan GDP growth to slow down to 2.5% in FY20, in the wake of tightening policies pursued by the government. Industrial growth will remain muted particularly for the import-driven consumption based sectors. However, export driven industrial companies can provide some respite as the government has incentivized the above, while increased power supply also eliminates bottleneck for them.

Balance of Payment worries are over for now as current account deficit has adjusted to reasonable level since the policy actions taken by the central government. The beginning for the year has been very promising as CAD for July'19 shrank to USD ~600 million, compared to USD ~2,000 million seen during the same period of last year. Our forecast at very conservative assumptions is that CAD will settle at 2.7% of GDP. We have assumed crude oil prices at USD 70/BBL, which are currently hovering near USD 60/BBL. After signing up for an IMF program, Pakistan will be able to finance its gross finance requirements by tapping into international avenues. Saudi deferred oil facility will also provide a short term buffer to foreign exchange reserves. We expect foreign exchange reserves to increase to USD ~13 billion (up 1.8x) by the end of the current fiscal year. With PKR aligned to its equilibrium levels (Jun'19 REER at 91) and current account deficit in a sustainable range, PKR should now depreciate nominally based on its historical average.

Inflation is expected to pick up to an average of 11.7% in FY20 compared to 7.3% witnessed during the last year. Multiple reasons are attributed for the surge in inflation. Firstly, the government is aiming to recover the full cost of utilities resulting in the price adjustment of utilities. Secondly, tax exemptions provided to multiple industries have been withdrawn causing a hike in prices. Finally, we have assumed PKR to be north of 170 against USD by the end of fiscal year, while crude oil is assumed at USD 70/BBL which will keep the overall CPI high. Nevertheless, we expect core inflation as represented by Non Food Non Energy (NFNE) to average below 10.0% for the year. We deem that current real interest rate is sufficient to cater for the expected inflation, therefore, in general we do not expect any further increase in interest rates. However, more than expected inflation and any deterioration in fiscal accounts can result in modest tightening in the monetary policy.

On the fiscal side, the government is aiming to limit fiscal deficit at 7.4% of GDP for the year. While the final target for fiscal deficit can evolve, nevertheless, it has to meet the primary condition of IMF for limiting the primary deficit at 0.6% of GDP. For this purpose, FBR is targeting an ambitious tax collection of PKR 5.5 trillion (up 35% YoY). The budget presented in the parliament proposed PKR 600-700 billion of tax measures, while the remaining amount was kept contingent on FBR efforts and economic growth. On the expenditure side, the government is aiming for austerity measures on the current expenditure side, however, it is aiming for an expansive Public Sector Development Program (PSDP) of PKR 1.7 trillion (up 40% YoY). We believe the tax collection target to be highly optimistic and expect a shortfall of PKR ~300-400 billion. As a result, the axe can fall on the development spending.

In broader terms, we believe, the last two years market performance (down approx. 45% from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current levels offer very attractive levels for long term investors with very little downside potential. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the country and adjust our portfolio accordingly.

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Our overall strategy is still tilted towards defensive sectors (E&P's, Power, Fertilizers) while sector which will benefit from changing dynamics on macro front such as rising interest rates (Commercial Banks) are also overweight. In addition to that, government's strong focus on reviving exports should provide a boost to the outlook of export oriented sectors such as Textiles & IT. Despite being negative on cyclicals, we believe there are distressed assets and quality companies which should be looked into as they have a tendency to provide abnormal returns.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With six (6) non-executive directors including two (2) independent Directors on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts whatsoever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2019, the Fund is in compliance with the requirement of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below are the details of committee meetings held during the year ended June 30, 2019:

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1. Meeting of the Audit Committee.

During the year, nine (9) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid (Chairman)	9	9	7	2
2. Mr. Ahmed Jahangir	9	9	9	-
3. Mr. Nasim Beg	9	9	9	-
4. Mr. Mirza Qamar Beg	9	9	9	-

2. Meeting of the Human Resource and Remuneration Committee.

During the year, one (1) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Dr. Syed Salman Shah (Chairman)*	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-
4. Mr. Haroun Rashid	1	1	1	-
5. Mr. Muhammad Saqib Saleem (CEO)	1	1	1	-

*Dr. Syed Salman Ali Shah resigned from the Board effective June 10, 2019 and Mirza Qamar Beg was included as a member and also appointed as Chairman of the Committee.

3. Meeting of Risk Management Committee.

During the year, one (1) meetings of the Risk Management Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Mirza Qamar Beg (Chairman)	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-

m. The trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

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S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	48,207	49,563	Nil
2	Abdul Basit	Chief Internal Auditor	10,423	10,609	Nil

External Auditors

The fund's external auditors, **Ernst & Young Ford Rhodes Chartered Accountants**, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2020. The audit committee of the Board has recommended reappointment of **Ernst & Young Ford Rhodes Chartered Accountants** as auditors of the fund for the year ending June 30, 2020.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 13, 2019



Nasim Beg
Director / Vice Chairman

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019ء کو ختم ہونے والے سال کے لیے ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

پاکستان کی معیشت کو مالی سال 2019ء میں داخل ہوتے ہوئے بے شمار چیلنجز ورثے میں ملے، خاص طور پر ادائیگی کے توازن اور مالیات کی کمزور صورتحال۔ گلاں معاشیات کے غیر متوازن عناصر سے نمٹنے کے لیے مرکزی بینک نے چوکنے پالیسی اقدامات کیے جن کے نتیجے میں معاشی ترقی متاثر ہوئی۔ مجموعی ملکی پیداوار (GDP) کی ترقی ابتدائی تخمینوں کے مطابق سال گزشتہ (5.2 فیصد) کے مقابلے میں کم ہو کر 3.3 فیصد رہ گئی۔ تینوں بڑے شعبے جات یعنی زراعت، صنعت اور سروسز سٹ روی کا شکار ہوئے اور ان کی ترقی کی شرح بالترتیب 0.9 فیصد، 1.4 فیصد اور 4.7 فیصد رہی۔ اہم فصلوں کی نمو میں گراوٹ کے سبب زرعی ترقی بھی پسماندگی کا شکار ہوئی جس کا اظہار گئے، کپاس اور چاول کی پیداوار میں بالترتیب 19.4 فیصد، 17.5 فیصد اور 3.3 فیصد کمی سے ہوتا ہے۔ صنعتی ترقی بھی کمزوری کا شکار ہوئی کیونکہ بڑے پیمانے کی پیداوار (LSM) مرکزی بینک کی گلاں معاشیاتی استحکام کے حصول کے لیے اختیار کردہ کانٹریکشنری (حکومتی خرچ یا مالیاتی توسیع کی شرح میں کمی پر مبنی) پالیسیوں کا خمیازہ برداشت نہیں کر سکی۔ LSM میں 3.7 فیصد کمی ہوئی کیونکہ حکومتی خرچ اور درآمدات پر انحصار کرنے والی صنعتوں کو مانگ میں کمی کا سامنا ہوا۔ LSM کے اہم شعبہ جات میں گاڑیوں کے شعبے میں 11.7 فیصد اور لوہے اور اسٹیل کے شعبے میں 11.2 فیصد مانگ کا تضاد ہوا۔ تاہم سروسز کے شعبے نے معاشی ترقی کو کچھ حد تک ڈھال فراہم کی جس کا سہرہ فائننس اینڈ انشورنس (5.4 فیصد YoY ترقی) اور حکومتی سروسز (8.0 فیصد YoY ترقی) کے سر جاتا ہے۔ GDP کا ڈالر کے اعتبار سے حجم 280 بلین ڈالر تھا جو سال گزشتہ (315 بلین ڈالر) کے مقابلے میں 11 فیصد تضاد ہے۔

سال کے آغاز پر ہی پاکستان اپنی تاریخ کے سب سے بڑے ادائیگی کے توازن کے بحران کا شکار ہوا۔ اگرچہ اسے 19 بلین ڈالر کرنٹ اکاؤنٹ خسارے (CAD) اور 9 بلین ڈالر خارجی ادائیگی نو کا سامنا تھا لیکن یہ بحران شدت اختیار کر گیا کیونکہ غیر ملکی زرمبادلہ کے ذخائر صرف 10 بلین ڈالر رہ گئے تھے۔ مرکزی بینک کے بروقت پالیسی اقدام، خاص طور پر دوران سال روپے میں 32 فیصد ترمیم سے CAD پر قابو پانے میں مدد ملی۔ حقیقی مؤثر شرح مبادلہ (REER) جون 2018ء کے اصل سے زائد قدر کی سطح سے نیچے آئی اور اصل سے 10 فیصد کم قدر کی حامل ہو گئی۔ نتیجتاً CAD دوران سال 32.1 فیصد سکڑ کر 13.5 بلین ڈالر ہو گیا۔ اگرچہ برآمدات میں ترقی نہیں ہو سکی لیکن CAD میں بہتری کے اسباب تیل کے علاوہ والی اشیاء اور سروسز کی درآمدات میں 11.8 فیصد YoY (یور اور یور) کمی اور ترسیلات زر میں 9.7 فیصد YoY اضافہ ہے۔ پاکستان کے دوستانہ حلیفوں سے مادی آمدات زر (10 بلین ڈالر) حاصل کرنے میں کامیابی کے بعد ادائیگی قرض میں کوتاہی بھی ٹل گئی۔ اگرچہ CAD میں کمی کے ساتھ ساتھ رقوم کی دو طرفہ آمد و رفت سے ادائیگی کے توازن کا کچھ سانس بحال ہوا لیکن خارجی بحران کی شدت کے باعث اسٹیٹ بینک آف پاکستان (SBP) کے غیر ملکی زرمبادلہ کے ذخائر 2.5 بلین ڈالر کم ہو کر 7.5 بلین ڈالر رہ گئے۔ علاوہ ازیں، ماہ مئی 2019ء کے دوران پاکستان نے بالآخر آئی ایم ایف پروگرام پر دستخط کر دیئے جس سے خارجی میدان میں تمام غیر یقینیوں کا خاتمہ ہو گیا۔ 6.2 بلین ڈالر کا اسٹاف لیول معاہدہ تین برسوں کی مدت کے لیے عمل میں آیا۔

مالی سال 2019ء میں صارفی قیمت کے انڈیکس (CPI) کے مطابق افراط زر مزید تیز رفتار ہو کر 7.3 فیصد کے اوسط تک پہنچ گئی جبکہ گزشتہ سال یہ اوسط 3.9 فیصد تھا۔ افراط زر میں اضافے میں یوٹیلٹی کے بلند ترین نرخ، خاص طور پر گیس کی قیمتوں میں (64 فیصد YoY) اضافہ اور پٹرول کی قیمتوں میں

(23 فیصد YoY) اضافہ سرگرم عمل ہیں۔ سبسڈیز کے خاتمے کے حکومتی اقدام سے یوٹیلیٹی کے نرخ میں ترمیم کا موقع ملا، جبکہ پٹرول کی قیمتوں میں ترمیم دوران سال روپے کی قدر ڈالر کے مقابلے میں 30 سے زائد فیصد گر جانے کے بعد کی گئی۔ اسی طرح، روپے کی قدر میں کمی کے سبب رفتار اثر کے نتیجے میں افراط زر مالی سال کے نصف ثانی میں شدید تر ہو کر 8.6 فیصد اوسط تک پہنچ گئی جبکہ نصف اول میں 0.6 فیصد تھی۔ افراط زر پر قابو پانے اور کلاں معاشیاتی غیر متوازن عناصر میں استحکام پیدا کرنے کے لیے مرکزی بینک نے مالیاتی سختی کا عمل جاری رکھتے ہوئے انٹریسٹ کی شرحوں میں دوران سال 575 بیسیس پوائنٹس (bps) کا اضافہ کیا۔

حکومت کے مالیاتی اعداد میں پسماندگی کا سلسلہ جاری رہا اور مالیاتی خسارہ GDP کے 8.9 فیصد تک پہنچ گیا جس کی نظیر نہیں ملتی۔ کل آمدنی میں دوران سال 6 فیصد کمی ہوئی جس کا سبب غیر ٹیکس آمدنی میں دوران مدت 44 فیصد سنگین گراؤ ہے۔ روپے کی قدر میں کمی کے باعث مرکزی بینک کو زرمبادلہ کے خطرہ خسارہ جات کا سامنا ہوا اور SBP سے اضافی منافع کے گنجائش تقریباً صفر ہو گئی۔ ٹیکس وصولی بھی مایوس کن رہی کیونکہ گزشتہ بجٹ میں اعلان کردہ ٹیکس استثنائات اور مجموعی طور پر کمزور معیشت کے باعث YoY وصولی میں کوئی اضافہ نہیں ہوا۔ دوسری جانب ترقیاتی خرچ میں 25 فیصد کمی کرنے کے باوجود کل اخراجات میں 11 فیصد اضافہ ہوا۔ اخراجات کے اضافے کو کرنٹ اخراجات میں اضافے نے مزید ہوا دی جس کا اہم سبب انٹریسٹ کی شرحوں میں اضافے کے سبب ادائیگی قرض میں 40 فیصد YoY اضافہ ہے۔ حکومت نے اپنے خسارے کی تلافی کے لیے مقامی ذرائع پر انحصار کیا کیونکہ سال کے اکثر حصے کے دوران آئی ایم ایف پروگرام کی عدم دستیابی کے باعث خارجی ذرائع (کثیر الجہتی ایجنسیاں) غیر مفید ہو گئے تھے۔ مقامی ذرائع میں حکومت نے سب سے زیادہ انحصار سینٹرل بینک پر کیا کیونکہ 3 ٹریلین روپے قرض میں سے تقریباً 70 فیصد کا انتظام SBP کے ذریعے کیا گیا۔

دوران مالی سال مرکزی بینک کی طرف سے تاحال سب سے زیادہ مالیاتی سختی کے باعث بازار کا پیداواری خم بلندی کی طرف مائل ہوا۔ SBP نے بڑھتی ہوئی افراط زر، جڑواں خساروں اور زرمبادلہ کے گھٹتے ہوئے ذخائر کو پالیسی سے متعلق فیصلوں کے عوامل قرار دیا۔ مالی سال کے نصف اول میں خارجی میدان کے ساتھ ساتھ پالیسی کے غیر ترمیم شدہ فیصلوں سے متعلق خدشات نے مارکیٹ کے شرکاء کو طویل تر میعاد کے انسٹرومنٹس سے دور رکھا۔ تاہم مالی سال کے اختتام کے قریب جب پالیسی کی ترمیمات پوری طرح نافذ ہو گئیں تب مارکیٹ کے شرکاء نے سکون کا سانس لیا جس کے نتیجے میں طویل تر میعاد کے بانڈز کی خطیر مانگ پیدا ہو گئی۔ حتیٰ کہ دس سالہ پاکستان انویسٹمنٹ بانڈز کی تجارت مختصر مدت کے سیکیورٹی پیپرز کے مقابلے میں کافی پست سطح پر ہونے کے سبب پیداواری خم اوندھا ہو گیا۔

دوران سال SBP نے باقاعدہ نیلامیوں کا انعقاد کر کے فلوئنگ ریٹ بانڈز کے لیے مارکیٹ کی ترقی کی مسلسل کوشش کی۔ مرکزی بینک نے base ریٹ (6M ٹریژری بلز پیداوار) کے اوپر 70 سے 75 bps کریڈٹ اسپریڈ پر 714 بلین روپے کی مجموعی رقم قبول کی۔ دوسری جانب حکومت نے 314 بلین روپے کے اجارہ سکک مچھور کیے جس کے سبب شریعت کی تعمیل پر مبنی مواقع کی کمی ہو گئی۔ تاہم گردش قرضے کے لیے رقم کی فراہمی کے لیے SBP نے خاص طور پر اسلاک بینکوں کے لیے base ریٹ کے اوپر 80 bps پر 200 بلین روپے کے پاکستان انرجی سکک متعارف کرائے۔ علاوہ ازیں، SBP کی طرف سے باقاعدہ OMOs کے انعقاد کی بدولت پوری مدت کے دوران نقدیت کی صورتحال تسلی بخش رہی۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

کراچی اسٹاک ایکسچینج (KSE) -100 انڈیکس میں تنزلی کا سلسلہ جاری رہا اور یہ 19.1 فیصد کم ہو گیا۔ معاشی سُست روی اور پالیسی اقدامات میں تاخیر سے سرمایہ کاری کا ماحول متاثر ہوا جس کے نتیجے میں اعتماد کا بحران پیدا ہو گیا۔ خارجی میدان میں غیر یقینی صورتحال کے باعث غیر ملکی فریقوں نے سال کے اکثر حصے کے دوران ایکویٹی میں سرمایہ کاری کو کم کر دیا۔ ساتھ ساتھ کمزور معاشی ماحول اور انٹریسٹ کی شرحوں میں اضافے کے نتیجے میں ایکویٹی پر بنی مقامی فنڈز سے بھی رقم نکالی گئی۔ غیر ملکیوں نے 362 ملین ڈالر کی ایکویٹی فروخت کر دی جس کے بعد 146 ملین ڈالر کے میوچل فنڈز کا بھی یہی حال ہوا۔ اس فروخت کو جذب کرنے والے بنیادی طور پر افراد (166 ملین ڈالر)، انشورنس کمپنیاں (150 ملین ڈالر) اور کمپنیاں (111 ملین ڈالر) تھے۔ تجارتی حجم دوران سال پست رہے جن کا اوسط تقریباً 154 ملین شیئرز تھا جو 11.5 فیصد YoY کمی ہے۔

اہم شعبوں میں ریفائریز، آئل مارکیٹنگ کمپنیاں، آٹوموبیل اور سیمنٹ کے شعبے سُست روی کا شکار رہے اور ان میں بالترتیب 57 فیصد، 42 فیصد، 33 فیصد اور 32 فیصد تنزلی ہوئی۔ یہ شعبے پہلے ہی معاشی سُست روی کا خمیازہ بھگت رہے تھے، اور زرمبادلہ کے خساروں اور مارجن کمپریشن نے آگ میں ایندھن شامل کرتے ہوئے ان شعبوں کی آمدنیوں کو بُری طرح گرا دیا۔ دوسری جانب کمرشل بینکوں کی کارکردگی انڈیکس پر سبقت لے گئی اور ان کا خسارہ صرف 12 فیصد تھا جبکہ مارکیٹ کا خسارہ 19 فیصد تھا۔ درمیانے حجم کے بینک صفِ اوّل میں تھے کیونکہ NIMS کی توسیع سے آمدنیوں میں خطیر ترقی ہوئی۔

مالی سال 2019ء کے اختتام پر KSE-100 کا فارورڈ پرائس / ارننگز (P/E) ریشو (یعنی قیمتوں اور آمدنیوں کا تناسب) $6.4 \times$ تھا، جبکہ سال کے آغاز میں یہ $9.5 \times$ تھا۔ اگرچہ آمدنیوں کے اعتبار سے انڈیکس کی ترقی سال گزشتہ کے دوران 10 فیصد کی بھرپور سطح پر رہی کیونکہ انڈیکس کے بڑے ادروں کو گلاں معاشیاتی عوامل (انٹریسٹ کی بلند شرحوں اور روپے کی قدر میں کمی) سے فائدہ ہوا۔ انڈیکس میں گراوٹ کی وضاحت دوران سال خطروں کے حامل اثاثہ جات میں دلچسپی کی کمی کے باعث خطیر ڈی-ریٹنگ سے ہوتی ہے۔

فنڈ کی کارکردگی

دوران مدت فنڈ کا منافع - 16.35 فیصد تھا جبکہ کراچی اسٹاک ایکسچینج KSE-100 کا منافع - 19.11 فیصد تھا، یعنی فنڈ کی کارکردگی مقررہ معیار سے 2.76 فیصد بہتر تھی۔ 30 جون 2019ء کو ایکویٹی میں مجموعی شمولیت 88.4 فیصد تھی۔ فنڈ خارجی عوامل سے چوکتا رہا اور بنیادی ترقیاتی تبدیلیوں کو مد نظر رکھتے ہوئے سرمایہ کاری کی حکمت عملی میں ترمیم کی گئی۔ شعبہ جاتی سطح پر اختصاص میں تبدیلیوں میں شمولیت میں کمی شامل ہے، جبکہ زیادہ تر شمولیت کمرشل بینکوں، تیل اور گیس کی دریافت کی کمپنیوں اور کھاد کے شعبوں میں رہی۔

30 جون 2019ء کو فنڈ کے net اثاثہ جات 9,556 ملین روپے تھے جو 30 جون 2018ء (10,113 ملین روپے) کے مقابلے میں - 5.51 فیصد کمی ہے۔

30 جون 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 79.3006 روپے تھی جو 30 جون 2018ء کی ابتدائی NAV (94.8056 روپے فی یونٹ) کے مقابلے میں - 15.5050 روپے فی یونٹ کمی ہے۔

مستقبل کا منظر

مرکزی بینک کی طرف سے پالیسی میں ترمیمات کے نتیجے میں کلاں معاشیاتی یکجہایت عمل میں آئے گی، چنانچہ معاشی ترقی چھوٹے اعداد تک محدود رہے گی۔ حکومت کی اختیار کردہ سختی پر مبنی پالیسیوں کے پیش نظر آئی ایم ایف نے مالی سال 2020ء میں پاکستان کی GDP کی ترقی میں 2.5 فیصد سُست روی کی پیش گوئی کی ہے۔ صنعتی ترقی، خاص طور پر درآمدات سے چلنے والے صرف پر مبنی شعبہ جات میں ترقی جمود کا شکار رہے گی۔ تاہم برآمدات سے چلنے والی صنعتی کمپنیوں سے کچھ مہلت ملے گی کیونکہ حکومت نے ان میں ترغیبات متعارف کرائی ہیں، اور توانائی کی فراہمی میں اضافے کی بدولت ان کی رکاوٹیں بھی دور ہوتی ہیں۔

ادائیگی کی توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ مرکزی حکومت کی طرف سے پالیسی اقدامات کے بعد CAD ترمیم سے گزر کر معقول سطح تک آ گیا ہے۔ سال کا آغاز بہت حوصلہ افزا رہا کیونکہ جولائی 2019ء کا CAD سال گزشتہ کی مماثل مدت کے CAD (2,000 ملین ڈالر) کے مقابلے میں سیکڑ کر 600 ملین ڈالر رہ گیا تھا۔ ہمارے بہت محتاط مفروضوں پر مبنی پیشن گوئی ہے کہ CAD کی سطح GDP کے 2.7 فیصد تک پہنچ کر رک جائے گی۔ ہم نے خام تیل کی قیمتیں 70 ڈالر فی BBL کی سطح پر فرض کی ہیں جو موجودہ طور پر 60 ڈالر فی BBL کے آس پاس ہے۔ ایک آئی ایم ایف پروگرام پر دستخط کرنے کے بعد پاکستان بین الاقوامی مواقع کو استعمال کر کے اپنی مجموعی مالیات کے لیے رقم فراہم کر سکے گا۔ سعودی عرب کی طرف سے تیل کی ملتی شدہ سہولت بھی غیر ملکی زرمبادلہ کے ذخائر کو مختصر المیعاد مطلوبہ توقف فراہم کرے گی۔ ہمیں توقع ہے کہ موجودہ مالی سال کے اختتام تک غیر ملکی زرمبادلہ کے ذخائر بڑھ کر 13 بلین ڈالر تک پہنچ جائیں گے (1.8 ضربے زیادہ)۔ روپے کے توازن کی سطحوں (جون 2019ء REER: 91) تک ہم آہنگ ہونے اور CAD کے پائیدار حد میں ہونے کی وجہ سے روپے کی قدر میں اس کے ماضی کے اوسط کی بنیاد پر اب معمولی کمی ہونی چاہیے۔

مالی سال 2020ء میں افراط زر کا اوسط متوقع طور پر 11.7 فیصد بڑھے گا جو سال گزشتہ کے دوران 7.3 فیصد تھا۔ افراط زر میں اس اضافے کے متعدد عوامل ہیں۔ اوّل، حکومت یوٹیلٹیز کی پوری لاگت وصول کرنے کا ارادہ کر رہی ہے جس کے نتیجے میں یوٹیلٹیز کی قیمت میں ترمیمات ہوں گی۔ دوم، متعدد صنعتوں کو فراہم کردہ ٹیکس استثنائات واپس لے لی گئی ہیں جس کے نتیجے میں قیمتوں میں اضافہ ہوا ہے۔ آخری یہ کہ ہم نے مالی سال کے اختتام تک 1 ڈالر کو 170 روپے کے برابر فرض کیا ہے جبکہ خام تیل کو 70 ڈالر فی BBL فرض کیا ہے جس سے مجموعی صارفی قیمت کا انڈیکس (CPI) بلند سطح پر رہے گا۔ علاوہ ازیں، ہمیں اُمید ہے کہ اشیائے خورد و نوش اور توانائی کے علاوہ والے شعبوں (NFNE) سے ظاہر ہونے والی بنیادی افراط زر کا اوسط زیر بحث سال کے لیے 10.0 فیصد ہوگا۔ ہم سمجھتے ہیں کہ انٹریسٹ کی موجودہ حقیقی شرح متوقع افراط زر کی ضرورت پوری کرنے کے لیے کافی ہوگی، چنانچہ عمومی طور پر انٹریسٹ کی شرحوں میں مزید اضافہ متوقع نہیں ہے۔ تاہم توقع سے زیادہ افراط زر یا مالیاتی گوشواروں میں کسی تیزی کے نتیجے میں مانیٹری پالیسی میں معمولی سختی عمل میں آسکتی ہے۔

مالیاتی جہت میں حکومت مالیاتی خسارے کو GDP کے 7.4 فیصد تک محدود کرنے کا ارادہ کر رہی ہے۔ اگرچہ مالیاتی خسارے کے حتمی ہدف میں ارتقاء ہو سکتا ہے لیکن حکومت کو بنیادی خسارے کو GDP کے 0.6 فیصد پر محدود کرنے کی آئی ایم ایف کی بنیادی شرط کو پورا کرنا ہے۔ اس مقصد کے لیے فیڈرل بورڈ آف ریونیو (FBR) 5.5 ٹریلین روپے (35 فیصد YoY زیادہ) ٹیکس وصولی کا عزم بلند کیے ہوئے ہے۔ پارلیمنٹ میں پیش کردی بجٹ میں 600 سے 700 بلین روپے کے ٹیکس اقدامات کی تجویز دی گئی ہے جبکہ باقی رقم FBR کی کوششوں اور معاشی ترقی پر منحصر رکھی گئی ہے۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات میں سادگی کے اقدامات کا عزم کر رہی ہے تاہم 1.7 ٹریلین روپے (40 فیصد YoY زیادہ) کے ایکسپینشری (یعنی معاشی توسیع پر مبنی) پبلک سیکٹر ڈویلپمنٹ پروگرام (PSDP) کا منصوبہ بنا رہی ہے۔ ہم ٹیکس وصولی کی ہدف کو بے حد مثبت خیالی پر مبنی سمجھتے ہوئے 300

سے 400 بلین روپے کی کمی کی توقع کر رہے ہیں جس کے نتیجے میں ترقیاتی خرچ پر ضرب پڑے گی۔

وسیع تر تناظر میں ہم سمجھتے ہیں کہ گزشتہ دو سال مارکیٹ کی کارکردگی سے (بلند ترین سطحوں سے تقریباً 45 فیصد تنزلی) اور سائیکلیکل اسٹاکس کی کارکردگی سے، جہاں اسٹاک کی قیمتوں میں اصلاح تیز تر ہوتی ہے، سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوتی ہے۔ ہم اپنے موقف میں اعادہ جاری رکھتے ہیں کہ موجودہ سطحیں ایسے طویل المیعاد سرمایہ کاروں کے لیے بہت پرکشش سطحیں پیش کرتے ہیں جن کے ناکام ہونے کا امکان بہت کم ہوتا ہے۔ ہم سمجھتے ہیں کہ اسٹاکس میں ترقی بتدریج ہی منظر عام پر آئے گی جب اعتماد بحال ہوگا اور معاشی پالیسیاں مستقبل کی متوقع تصویر کشی کریں گی۔ چنانچہ آگے بڑھتے ہوئے ہم دیکھتے ہیں کہ اسٹاکس ایسے سرمایہ کاروں کے لیے جن کو جلدی نہیں ہے، طویل المیعاد سرمایہ کاری کا موقع بمع منافع جات پیش کرتے ہیں۔ ہم نے ملک کے معاشی اشاروں کے رجحانات پتہ کر کے اس حساب سے اپنے پورٹ فولیو میں ترمیم کا سلسلہ جاری رکھا ہوا ہے۔

مجموعی حکمت عملی اب بھی دفاعی شعبوں (ایکسپلوریشن اینڈ پروڈکشن، پاور، فریٹلائزر) کی طرف جھکی ہوئی ہے جبکہ گلاس معاشیاتی میدان میں تبدیل ہوتے ہوئے عوامل مثلاً انٹریسٹ کی بڑھتی ہوئی شرحوں سے مستفید ہونے والا سیکٹر (کمرشل بینک) بھی overweight ہے۔ علاوہ ازیں، برآمدات کو بحال کرنے پر حکومت کی بھرپور توجہ کی بدولت برآمدات پر مبنی شعبوں مثلاً ٹیکسٹائلز اور انفارمیشن ٹیکنالوجی کے مستقبل کے امکانات روشن تر ہو جائیں گے۔ سائیکلیکل اسٹاکس میں منفی کارکردگی کے باوجود ہم سمجھتے ہیں کہ ایسے distressed اثاثہ جات اور کوالٹی کمپنیاں موجود ہیں جن پر توجہ دی جانی چاہیے کیونکہ یہ غیر معمولی منافع جات فراہم کرنے کی استعداد کے حامل ہیں۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پرعزم ہے۔ چھ (6) غیر ایگزیکٹو ڈائریکٹرز بشمول دو (2) خود مختار ڈائریکٹر پر مشتمل بورڈ، مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے، عہدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ بہترین طریقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے کارپوریٹ گورننس کے ضابطہء اخلاق کی شقوں کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔

c. مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار (پاکستان میں اطلاق کی حد تک)، نان بینکنگ فنانس کمپنیز (اسٹیٹسمنٹ اینڈ ریگولیشنز) کی دفعات 2003ء، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انٹیلیجنز ریگولیشنز 2008ء، متعلقہ ٹرسٹ ڈیڈز کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

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- f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے۔
- h. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) کو مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. 30 جون 2019 کے اختتام پر، ڈائریکٹرز ٹریننگ پروگرام کے حوالے سے جو مطالبات کوڈ کے regulation نمبر میں درج ہیں، فنڈ اس سے compliant ہے۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔
- l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2019ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

۱۔ آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
نام	منعقدہ میٹنگز کی تعداد	مطلوبہ حاضری	حاضری	منظور شدہ رخصت
۱۔ جناب ہارون رشید (چیئرمین)	9	9	7	2
۲۔ جناب احمد جہانگیر	9	9	9	-
۳۔ جناب نسیم بیگ	9	9	9	-
۴۔ مرزا محمد قمر بیگ	9	9	9	-

۲۔ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
نام	منعقدہ میٹنگز کی تعداد	مطلوبہ حاضری	حاضری	منظور شدہ رخصت
۱۔ ڈاکٹر سید سلمان شاہ (چیئرمین)*	1	1	1	-
۲۔ جناب نسیم بیگ	1	1	1	-
۳۔ جناب احمد جہانگیر	1	1	1	-
۴۔ جناب ہارون رشید	1	1	1	-
۵۔ جناب محمد ثاقب سلیم (سی ای او)	1	1	1	-

* ڈاکٹر سید سلمان علی شاہ نے 10 جون 2019ء کو بورڈ سے استعفیٰ دیا اور مرزا محمد قمر بیگ ممبر کے طور پر شامل کیا گیا اور کمیٹی کے چیئرمین کے طور پر بھی ان کی تقرری کی گئی۔

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۳۔ رسک مینجمنٹ کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ میونریشن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

نام	منعقدہ میٹنگز کی تعداد	مطلوبہ حاضری	حاضری	منظور شدہ رخصت
۱۔ جناب مرزا قمر بیگ (چیئر مین)	1	1	1	-
۲۔ جناب نسیم بیگ	1	1	1	-
۳۔ جناب احمد جہانگیر	1	1	1	-

m. دوران سال مینجمنٹ کمیٹی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور چیف انٹرل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے نوٹس کی خرید و فروخت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	واپسی	ڈیویڈنڈ کی تقسیم
					نوٹس کی تعداد
۱	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	48,207	49,563	-
۲			10423	10609	-

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ارنسٹ اینڈ ینگ فورڈرھوڈز چارٹرڈ اکاؤنٹنٹس نے 30 جون 2020ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2020ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر ارنسٹ اینڈ ینگ فورڈرھوڈز چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر / وائس چیئر مین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
13 ستمبر 2019ء

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2019

Fund Type and Category

MCB Pakistan Stock Market Fund (PSM) is an Open-End Equity Scheme.

Fund Benchmark

The benchmark for PSM is KSE 100 Index.

Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investment in Pakistani equities

Investment Strategy

MCB Pakistan Stock Market Fund (PSM) is an open end equity fund that invests in quality stocks listed in Pakistan. The fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors/companies and DCF (discounted cash flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the fund's portfolio is high quality liquid stocks. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/ placements.

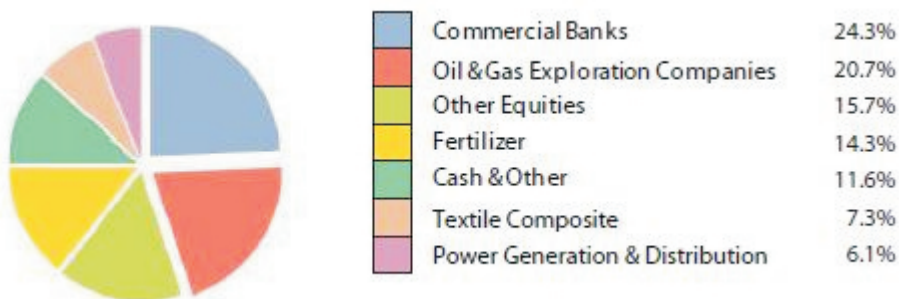
Manager's Review

During the period, PSM generated a return of -16.35% as compared to a return of -19.11% witnessed by the KSE100 Index, outperforming the benchmark by 2.76%. Overall equity exposure stood at 88.4% on June 30, 2019. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments. Changes in sector level allocation include decrease in exposure in Cement while allocation was mainly held in Commercial Banks, Oil & Gas Exploration Companies and Fertilizers.

The Net Assets of the fund as at June 30, 2019 stood at Rs. 9,556 million as compared to Rs. 10,113 million as at June 30, 2018 registering a decrease of -5.50%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 79.3006 as compared to opening NAV of Rs. 94.8056 per unit as at June 30, 2018 registering a decrease of -15.5050 per unit.

Asset Allocation as on June 30, 2019 (% of total assets)



Syed Abid Ali
Fund Manager

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN STOCK MARKET FUND

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 MCB Pakistan Stock Market Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 18, 2019



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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Tel: +9221 3565 0007-11
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INDEPENDENT AUDITORS' REPORT

To the Unit holders of MCB Pakistan Stock Market Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MCB Pakistan Stock Market Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2019**, and the income statement, comprehensive income, cash flows statement and movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Fund as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Existence, valuation and classification of bank balances and investments	
As disclosed in note 5 and 6 to the accompanying financial statements of the Fund for the year ended 30 June 2019, the bank balances and investments (comprised of listed equity securities) held by the Fund represent 98% of the total assets of the Fund as at the year end.	We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedures included the following: <ul style="list-style-type: none">- We tested controls over acquisition, disposals and periodic valuation of investments portfolio.

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



-: 2 :-

Key audit matter	How our audit addressed the key audit matter
<p>The adoption of IFRS 9: Financial Instruments also required the re-assessment of the classification of investments held by the Fund. As disclosed in note 2.2, the investment in equity securities is now classified as 'at fair value through profit and loss'. This was previously classified as 'available-for-sale'.</p> <p>In view of the significance of bank balances and investment in relation to the total assets and the Net Asset Value (NAV) of the Fund, we have considered the existence, valuation and classification of such bank balances and investments as a key audit matter.</p>	<ul style="list-style-type: none"> - We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at 30 June 2019. - We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the adequacy of disclosures as may be applicable in situations of non-compliance. - Assessed the appropriateness of the classification of the investment as required by IFRS 9. - We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.

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 auditors' 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

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



3 :-

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 for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



-: 4 :-

- 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 the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other matter

The financial statements of the Fund for the year ended 30 June 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 24 September 2018.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Chartered Accountants

Date: 24 September 2019

Karachi

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2019

		June 30, 2019	June 30, 2018
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	5	929,080	664,008
Investments	6	8,600,528	9,723,057
Receivable against sale of investments		163,621	52,923
Dividend and profit receivables	7	29,655	10,979
Advances, deposits and other receivables	8	9,473	8,083
Total assets		9,732,357	10,459,050
LIABILITIES			
Payable to the Management Company	9	29,739	32,100
Payable to the Trustee	10	1,020	1,083
Payable to the Securities and Exchange Commission of Pakistan	11	10,579	9,964
Payable against purchase of investments		-	165,428
Accrued expenses and other liabilities	12	134,799	137,505
Payable against redemption of units		386	386
Total liabilities		176,523	346,466
NET ASSETS		9,555,834	10,112,584
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		9,555,834	10,112,584
Contingencies and Commitments	13		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		120,501,368	106,666,546
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		79.3006	94.8056

The annexed notes 1 to 23 form an integral part of these financial statements.

For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

		June 30, 2019	June 30, 2018
	Note	----- (Rupees in '000) -----	
INCOME			
Loss on sale of investments - net		(465,344)	(388,735)
Dividend income		555,018	425,433
Income from Government securities		46,495	30,106
Profit on balances with banks		64,418	48,066
Unrealised loss on re-measurement of investments classified as at fair value through profit or loss - net	6.1	(1,784,981)	(359,199)
Other income		3,340	211
Total expenses		(1,581,054)	(244,118)
EXPENSES			
Remuneration of the Management Company	9.1	222,717	209,775
Sindh Sales Tax on remuneration of the Management Company	9.2	28,954	27,271
Remuneration of the Trustee	10.1	12,136	11,489
Sindh Sales Tax on remuneration of the Trustee		1,578	1,494
Annual fee of the Securities and Exchange Commission of Pakistan	11	10,579	9,964
Allocated expenses	9.3	11,134	11,852
Selling and marketing expenses	9.4	44,543	41,953
Auditors' remuneration	14	955	998
Securities transaction cost		26,827	46,031
Settlement and bank charges		2,466	3,514
Legal and professional charges		199	295
Fees and subscriptions		21	285
Impairment loss on available for sale investments		-	84,653
Total expenses		362,109	449,574
Net loss for the year before element of income and capital gains included in the prices of units issued less those in units redeemed - net		(1,943,163)	(693,692)
Taxation	15	-	-
Net loss for the year after taxation		(1,943,163)	(693,692)
Allocation of net income for the year			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
Accounting income available for distribution		-	-
-relating to capital gains		-	-
-excluding capital gains		-	-

The annexed notes 1 to 23 form an integral part of these financial statements.

**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
Net loss for the year after taxation	(1,943,163)	(693,692)
Other comprehensive income:		
<i>Items to be reclassified to income statement in subsequent year</i>		
Unrealised diminution on revaluation of investments classified as available for sale - net	-	(245,893)
Total comprehensive loss for the year	<u>(1,943,163)</u>	<u>(939,585)</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(1,943,163)	(693,692)
Adjustments for non cash and other items:		
Unrealised loss on re-measurement of investments classified as at fair value through profit or loss - net	1,784,981	359,199
Impairment loss on available for sale investments	-	84,653
	<u>(158,182)</u>	<u>(249,840)</u>
(Increase) / decrease in assets		
Investments - net	(662,451)	(603,278)
Receivable against sale of investments	(110,698)	45,181
Dividend and profit receivables	(18,676)	14,527
Advances, deposits and receivables	(1,390)	(772)
	<u>(793,215)</u>	<u>(544,342)</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	(2,361)	(5,797)
Payable to the Trustee	(63)	(109)
Payable to the Securities and Exchange Commission of Pakistan	615	(81)
Payable against purchase of investments	(165,428)	(169,871)
Accrued expenses and other liabilities	(2,707)	(17,088)
	<u>(169,944)</u>	<u>(192,946)</u>
Net cash used in operating activities	<u>(1,121,341)</u>	<u>(987,128)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issuance of units	8,428,826	6,628,010
Amount paid on redemption of units	(7,042,413)	(7,205,522)
Net cash generated from / (used) in financing activities	<u>1,386,413</u>	<u>(577,512)</u>
Net increase / (decrease) in cash and cash equivalents during the year	<u>265,072</u>	<u>(1,564,640)</u>
Cash and cash equivalents at the beginning of the year	664,008	2,228,648
Cash and cash equivalents at the end of the year	<u><u>929,080</u></u>	<u><u>664,008</u></u>

The annexed notes 1 to 23 form an integral part of these financial statements.

**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019				June 30, 2018			
	Capital value	Undistributed income / (loss)	Unrealised appreciation on available for sale investments	Total	Capital value	Undistributed income / (loss)	Unrealised appreciation on available for sale investments	Total
(Rupees in '000)								
Net assets at the beginning of the year	5,096,092	4,646,316	370,176	10,112,584	5,673,093	5,340,008	616,069	11,629,170
Re-classification under IFRS 9 (refer note 4.1)	-	370,176	(370,176)	-	-	-	-	-
Issuance of 93,222,067 (2018: 68,054,253) units:								
- Capital value (at net asset value per unit at the beginning of the year) at Rs.94.8056	8,837,972	-	-	8,837,972	6,975,677	-	-	6,975,677
- Element of loss	(409,146)	-	-	(409,146)	(347,667)	-	-	(347,667)
	8,428,826	-	-	8,428,826	6,628,010	-	-	6,628,010
Redemption of 79,387,245 (2018: 74,841,187) units:								
- Capital value (at net asset value per unit at the beginning of the year) at Rs.94.8056	7,526,354	-	-	7,526,354	7,671,349	-	-	7,671,349
- Element of income	(483,941)	-	-	(483,941)	(466,338)	-	-	(466,338)
	7,042,413	-	-	7,042,413	7,205,011	-	-	7,205,011
Total comprehensive loss for the year	-	(1,943,163)	-	(1,943,163)	-	(693,692)	(245,893)	(939,585)
Distributions during the year	-	-	-	-	-	-	-	-
Net loss for the year less distribution	-	(1,943,163)	-	(1,943,163)	-	(693,692)	(245,893)	(939,585)
Net assets as at the end of the year	6,482,505	3,073,329	-	9,555,834	5,096,092	4,646,316	370,176	10,112,584
Undistributed income / (loss) brought forward comprising of:								
- Realised		5,005,515				5,516,270		
- Unrealised		(359,199)				(176,262)		
- Re-classification under IFRS 9 (refer note 4.1)		370,176				-		
		5,016,492				5,340,008		
Accounting income available for distribution:								
- Relating to capital gains		-				-		
- Excluding capital gains		-				-		
Net loss for the year after taxation		(1,943,163)				(693,692)		
Distribution during the year		-				-		
Undistributed income carried forward		3,073,329				4,646,316		
Undistributed income / (loss) carried forward:								
- Realised		4,858,310				5,005,515		
- Unrealised		(1,784,981)				(359,199)		
		3,073,329				4,646,316		
				(Rupees)				(Rupees)
Net assets value per unit at beginning of the year				94.8056				102.5017
Net assets value per unit at end of the year				79.3006				94.8056

The annexed notes 1 to 23 form an integral part of these financial statements.

**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Stock Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi, Pakistan.
- 1.3 The Fund has been categorised as equity scheme and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange. The Fund primarily invests in listed equity securities. However, it also invests in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.4 The Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of "AM2++" dated April 08, 2019 to the Management Company.
- 1.5 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund. The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document 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. Such standards comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- The NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of 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 requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments which are measured at fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

3.2 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.5.1 and 4.8 respectively.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the Fund's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied except for the change as disclosed in note 4.1 to these financial statements.

4.1 IFRS 9 Financial Instruments

Effective from July 01, 2018, the Fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard prescribes accounting and reporting requirements for recognition, classification, measurement and derecognition of financial assets and financial liabilities.

The IFRS 9 has replaced current categories of financial assets (Fair Value Through Profit or Loss (FVTPL) - Held for Trading, Available For Sale (AFS), held-to-maturity and Loans and receivables) by the following classifications of Financial Assets:

- 1) Debt instruments at amortised cost.
- 2) Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- 3) Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.
- 4) Financial assets at Fair Value through Profit or Loss.

The accounting for financial liabilities remains largely the same as it was under IAS 39.

Under IFRS 9, the classification is based on two criteria, (a) the entity's business model for managing the assets; and (b) whether the instruments' contractual cashflows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The assessment of the Fund's business model was made as at the date of initial application i.e. July 01, 2018.

As a result of the above assessment, the management has concluded that all the equity investments previously classified as Available for Sale will be re-classified at Fair Value through Profit or Loss as such investments are managed on a fair value basis and are held for trading purposes in accordance with the objectives of the Fund. The impact has been disclosed in table below.

Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for bank balances and other financial assets, and concluded that the impact is not material to these financial statements.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	As at June 30, 2018	Change (Rupees)	As at July 01, 2018
Impact on Statement of Assets and Liabilities			
Investments - 'Available for sale'	1,309,693	(1,309,693)	-
Investments - 'At fair value through profit or loss'	8,413,364	1,309,693	9,723,057
Impact on Statement of Movement in Unitholders' fund			
Unrealised appreciation on 'Available-for-sale' investments	370,176	(370,176)	-
Undistributed income	4,646,316	370,176	5,016,492

4.2 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)

IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)

IFRS 9 Financial Instruments

IFRS 15 – Revenue from Contracts with Customers

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Improvements to Accounting Standards Issued by the IASB in December 2016

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements except for IFRS 9. The impact of adoption of IFRS 9 is given in note 2.2.

4.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 Definition of a Business (Amendments)	January 01, 2020
IFRS 3 Business Combinations: Previously held interest in joint operation	January 01, 2019
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	January 01, 2019
IFRS 9 Financial instruments – Prepayment Features with Negative Compensation (Amendments)	January 01, 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 Joint Arrangements: Previously held interest in joint operation	January 01, 2019
IFRS 16 - Leases	January 01, 2019
IAS 1/ IAS 8 Definition of Material (Amendments)	January 01, 2020
IAS 12 Income Taxes: Income tax consequences of payments on financial instruments classified as equity	January 01, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application. However, the Fund is currently evaluating the requirements of IFRS-16 and potential impact on the financial statements of the Fund.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2019 respectively. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 - Insurance Contracts	January 01, 2021

4.4 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.5 Financial assets

In the current period the fund has adopted IFRS 9 Financial instruments. See note 4.1 for an explanation of the impact. Comparative figures for the year ended June 30, 2018 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

4.5.1 Policy from July 01, 2018

Policy under IFRS 9

Classification

Business model assessment

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessments whether contractual cash flows are solely payments of principal and interest (SPPI)

As a second step of its classification process the Fund assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Fund applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

An equity instrument held for trading purposes is classified as measured at FVTPL.

Initial Measurement

Investments are initially measured at their fair value except in the case of financial assets recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Subsequent Measurement

Equity instruments at FVOCI (Policy applicable from July 01, 2018)

Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss when the right to the payment has been established.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, October 24, 2012 will be followed.

4.5.2 Policy till June 30, 2018

Before July 01, 2018, the Fund classified its investments as follows:

Classification

The Fund classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available-for-sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Regular way contracts

Regular 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.

Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed out in the income statement.

Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for-sale' are measured at fair value.

Gains or losses arising, from changes in the fair value and on sale of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement.

Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the Income Statement.

Basis of valuation

- The fair value of investments in listed equity securities is determined by reference to Stock Exchange quoted market prices at the close of period end.
- The fair value of investments in Government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the MUFAP website.

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the Income Statement. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

4.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

4.7 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

4.8 Offsetting of financial assets and 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.

4.9 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 amount of the obligation can be made. Provisions, if any, are regularly reviewed and adjusted to reflect the current best estimate.

4.10 Taxation

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

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.

4.11 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which these are approved by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year 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.

4.12 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, and charges on redemption, if applicable.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

4.13 Net asset value per unit

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

4.14 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as available for sale is included in Statement of Comprehensive Income in the period in which it arises.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit / mark-up on bank balances, term deposit receipts, debt and government securities is recognised on an accrual basis.

4.15 Expenses

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

4.16 (Loss) / earnings per unit

(Loss) / earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
5. BALANCES WITH BANKS			
In current accounts	5.1	11,672	14,106
In savings accounts	5.2	917,408	649,902
		<u>929,080</u>	<u>664,008</u>

5.1 These include a balance of Rs.5.66 (2018: Rs.4.45) million maintained with MCB Bank Limited, a related party.

5.2 These carry profits at the rates ranging from 10.00% to 13.00% (2018: 3.75% and 7.5%) per annum and include Rs.14.90 (2018: Rs.92.07) million maintained with MCB Bank Limited, a related party which carries profit at the rate of 10.25% (2018: 3.75%) per annum.

6. INVESTMENTS

At fair value through profit or loss

Listed equity securities	6.1	8,600,528	8,413,364
Government securities	6.2	-	-
		<u>8,600,528</u>	<u>8,413,364</u>

Available for sale

Listed equity securities	6.3	-	1,309,693
		<u>8,600,528</u>	<u>9,723,057</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

6.1 Listed equity securities - at fair value through profit or loss

Name of the investee company	No. of shares						Balance as at June 30 2019			Market value as a % of net assets of the Fund	% of paid-up capital of the investee company
	As at July 01, 2018	Re-classified under IFRS 9 (see note 4.1)	Purchased during the year	Bonus / Right Issue during the year	Sold during the year	As at June 30, 2019	Carrying Value	Market value as at June 30, 2019	Unrealised (loss) / gain		
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Automobile assembler											
Millat Tractors Limited	147,120	-	-	-	147,120	-	-	-	-	-	0.00%
Ghandhara Industries Limited	53,800	-	-	-	53,800	-	-	-	-	-	0.00%
Indus Motor Company Limited	-	10	48,000	-	48,010	-	-	-	-	-	0.00%
Honda Atlas Cars (Pakistan) Limited	115,150	-	-	-	115,150	-	-	-	-	-	0.00%
Automobile parts and accessories											
The General Tyre and Rubber Company of Pakistan Limited	222,400	-	-	-	222,400	-	-	-	-	-	0.00%
Cable and electrical goods											
Pak Elektron Limited	500,000	-	2,300,000	-	950,000	1,850,000	42,984	37,037	(5,947)	0.39%	
TPL Corp Limited	47,000	-	-	-	47,000	-	-	-	-	0.00%	
Cement											
D.G. Khan Cement Company Limited	350,000	-	1,600,000	-	1,950,000	-	-	-	-	0.00%	
Kohat Cement Company Limited	425,900	-	-	127,770	-	553,670	52,416	29,084	(23,332)	0.30%	
Maple Leaf Cement Factory Limited	3,901,100	-	7,373,000	-	10,215,600	1,058,500	38,443	25,288	(13,155)	0.26%	
Fauji Cement Company Limited	98,000	-	-	-	98,000	-	-	-	-	0.00%	
Dewan Cement Limited	2,105,500	-	-	-	2,105,500	-	-	-	-	0.00%	
Lucky Cement Limited	300,750	290,100	860,800	-	1,447,589	4,061	2,003	1,545	(458)	0.02%	
Chemical											
Engro Polymer & Chemicals Limited	4,508,000	-	13,751,655	-	4,859,500	13,400,155	432,718	361,268	(71,450)	3.78%	
Engro Polymer & Chemicals Limited (Right Issue)	1,256,186	-	-	1,533,469	2,789,655	-	-	-	(1,966)	0.00%	
Archroma Pakistan Limited	60,800	5,050	-	-	65,850	-	33,254	31,289	(1,966)	0.33%	
ICI Pakistan Limited	-	64,000	-	-	64,000	-	-	-	-	0.00%	
Lotte Chemicals Pakistan Limited	950,500	-	2,246,500	-	2,987,000	210,000	3,348	3,203	(145)	0.03%	
Commercial banks											
Allied Bank Limited	-	-	300,000	-	300,000	-	-	-	-	0.00%	
Askari Bank Limited	4,944,000	-	5,596,000	-	-	10,540,000	241,186	199,311	(41,875)	2.09%	
Bank Alfalah Limited	16,346,000	-	1,300,000	1,634,600	2,494,500	16,786,100	794,879	731,706	(63,173)	7.66%	
Faysal Bank Limited	102,225	-	7,588,500	-	275,000	7,415,725	188,336	159,586	(28,750)	1.67%	
Habib Bank Limited	5,019,800	-	2,702,900	-	5,642,800	2,079,900	256,792	235,569	(21,223)	2.47%	
Meezan Bank Limited	360	-	-	-	360	-	-	-	-	0.00%	
Bank AL Habib Limited	3,824,500	-	2,220,000	-	438,500	5,606,000	448,136	439,398	(8,738)	4.60%	
Habib Metropolitan Bank Limited	1,757,000	-	835,500	-	1,767,000	825,500	33,291	29,784	(3,507)	0.31%	
MCB Bank Limited	2,122,500	-	1,989,800	-	1,340,400	2,771,900	542,397	483,558	(58,839)	5.06%	
National Bank of Pakistan Limited	352,000	-	1,524,500	-	638,000	1,238,500	47,944	41,688	(6,256)	0.44%	
The Bank of Punjab Limited	13,255,500	-	21,277,500	-	32,755,000	1,778,000	21,299	16,269	(5,030)	0.17%	
United Bank Limited	799,200	-	7,109,000	-	7,699,000	209,200	31,999	30,832	(1,167)	0.32%	
							2,606,258	2,367,702	(238,555)	24.78%	3.37%
							469,320	395,759	(73,561)	4.14%	1.68%
							92,862	55,917	(36,945)	0.59%	0.54%
							42,984	37,037	(5,947)	0.39%	0.37%
							42,984	-	-	0.00%	0.00%
							42,984	-	-	0.00%	0.00%
							92,862	1,545	(458)	0.02%	0.09%
							92,862	55,917	(36,945)	0.59%	0.54%
							432,718	361,268	(71,450)	3.78%	1.47%
							-	-	-	0.00%	0.00%
							33,254	31,289	(1,966)	0.33%	0.19%
							3,348	3,203	(145)	0.03%	0.01%
							469,320	395,759	(73,561)	4.14%	1.68%
							241,186	199,311	(41,875)	0.00%	0.00%
							794,879	731,706	(63,173)	7.66%	0.94%
							188,336	159,586	(28,750)	1.67%	0.49%
							256,792	235,569	(21,223)	2.47%	0.14%
							448,136	439,398	(8,738)	4.60%	0.50%
							33,291	29,784	(3,507)	0.31%	0.08%
							542,397	483,558	(58,839)	5.06%	0.23%
							47,944	41,688	(6,256)	0.44%	0.06%
							21,299	16,269	(5,030)	0.17%	0.07%
							31,999	30,832	(1,167)	0.32%	0.02%
							2,606,258	2,367,702	(238,555)	24.78%	3.37%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Name of the investee company	No. of shares						Balance as at June 30 2019			Market value as a % of net assets of the Fund	% of paid-up capital of the investee company
	As at July 01, 2018	Re-classified under IFRS 9 (see note 4.1)	Purchased during the year	Bonus / Right Issue during the year	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019				
							Carrying Value	Unrealised (loss) / gain			
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Engineering											
Aisha Steel Limited	49,500	-	-	-	49,500	-	-	-	-	-	0.00%
Mughal Iron & Steel Industries Limited	2,013,500	11,760	1,153,500	-	1,634,000	1,544,760	65,379	38,866	(26,513)	0.41%	
International Industries Limited	891,300	-	-	-	223,500	667,800	155,123	51,467	(103,656)	0.54%	
Ittefaq Iron Industries Limited	2,781	-	-	-	2,781	-	-	-	-	0.00%	
							220,502	90,334	(130,168)	0.95%	
Fertilizer											
Engro Corporation Limited	1,048,500	-	1,183,800	153,780	694,500	1,691,580	490,009	449,284	(40,725)	4.70%	
Engro Fertilizer Limited	4,113,000	-	4,350,000	-	2,767,500	5,695,500	425,451	364,341	(61,110)	3.81%	
Fauji Fertilizer Company Limited	3,777,500	-	6,005,000	-	4,697,000	5,085,500	526,149	443,456	(82,693)	4.64%	
Fatima Fertilizer Company Limited	-	-	4,548,500	-	-	4,548,500	156,621	135,773	(20,848)	1.42%	
							1,598,229	1,392,853	(205,376)	13.16%	
Food and personal care products											
Al Shaheer Corporation Limited	-	10,455	13,000	-	-	23,455	644	296	(348)	0.00%	
National Foods Limited	-	-	246,000	-	-	246,000	58,425	45,303	(13,122)	0.47%	
Nestle Pakistan Limited	3,033	-	-	-	-	3,033	34,880	20,220	(14,660)	0.21%	
							93,949	65,819	(28,130)	0.69%	
Glass and ceramics											
Tariq Glass Industries Limited	403,400	-	834,000	-	159,200	1,078,200	112,109	82,622	(29,487)	0.86%	
Insurance											
Pakistan Reinsurance Company Limited	2,157,000	-	-	-	-	2,157,000	70,922	53,839	(17,083)	0.56%	
Adamjee Insurance Company Limited	809,500	-	-	-	809,500	-	-	-	-	0.00%	
							70,922	53,839	(17,083)	0.56%	
Leather and tanneries											
Service Industries Limited	40,700	-	-	10,175	-	50,875	31,948	25,098	(6,850)	0.26%	
Miscellaneous											
Synthetic Products Enterprises Limited	1,678,500	-	-	-	-	1,678,500	85,771	37,246	(48,525)	0.39%	
Oil and gas exploration companies											
Mari Petroleum Company Limited	280	215,670	-	21,595	227,680	9,865	13,508	9,957	(3,551)	0.10%	
Pakistan Oilfields Limited	473,800	466,600	676,380	-	349,150	1,267,630	667,714	514,518	(153,196)	5.38%	
Oil & Gas Development Company Limited	4,768,500	968,800	1,534,000	-	677,600	6,593,700	1,008,666	867,006	(141,660)	9.07%	
Pakistan Petroleum Limited	1,975,600	-	2,294,200	379,530	349,100	4,300,230	792,928	621,082	(171,846)	6.50%	
							2,482,816	2,012,563	(470,253)	21.06%	
Oil and gas marketing companies											
Attock Petroleum Limited	2,150	-	430	-	2,551	29	14	8	(6)	0.00%	
Hi-Tech Lubricants Limited	283,100	-	445,500	-	77,000	651,600	51,051	18,023	(33,028)	0.19%	
Pakistan State Oil Company Limited	-	-	1,492,040	-	532,200	959,840	263,953	162,818	(101,135)	1.70%	
Shell Pakistan Limited	22,200	-	-	-	300	21,900	6,922	3,996	(2,926)	0.04%	
Sui Northern Gas Pipelines Limited	1,984,800	-	4,894,000	-	2,390,500	4,488,300	390,014	311,892	(78,122)	3.26%	
Sui Southern Gas Company Limited	9,500	-	-	-	-	9,500	312	196	(116)	0.00%	
							712,267	496,934	(215,333)	5.20%	
											1.54%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Name of the investee company	No. of shares					Balance as at June 30 2019		Market value as a % of net assets of the Fund	% of paid-up capital of the investee company
	As at July 01, 2018	Re-classified under IFRS 9 (see note 4.1)	Purchased during the year	Bonus / Right Issue during the year	Sold during the year	As at June 30, 2019	Carrying Value		
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise									
Paper and board	48	-	-	-	48	-	-	-	0.00%
Cherat Packaging Limited									
Pharmaceuticals	1,159,577	-	330,000	-	1,489,000	577	53	(13)	0.00%
AGP Limited									
The Searle Company Limited	-	5,540	18,500	3,606	21,500	6,146	1,796	(895)	0.00%
							1,848	(908)	0.01%
Power generation and distribution	2,594,100	1,872,400	4,181,766	-	1,279,500	7,368,766	632,475	(52,185)	6.07%
The Hub Power Company Limited	6,700,000	-	-	-	6,700,000	-	-	-	0.00%
K-Electric Limited (Par value of Rs.3.5)	-	327,000	-	-	-	327,000	12,401	(1,499)	0.11%
Altern Energy Limited	-	15,500	-	-	15,500	-	-	-	0.00%
Pakgen Power Limited	-	-	-	-	-	-	644,876	(53,684)	6.19%
									0.73%
Technology and communication	-	631,500	-	-	631,500	-	-	-	0.00%
NetSol Technologies Limited	1,127,500	750	266,500	139,475	-	1,534,225	143,234	4,006	1.54%
Systems Limited	9,750,000	-	1,000,000	-	-	10,750,000	86,128	(34,078)	0.36%
Hum Network Limited (Par value of Re.1)							229,362	(48,045)	1.90%
Textile composite	1,591,378	995,340	-	-	-	2,586,718	142,244	(77,446)	0.68%
Kohinoor Textiles Mills Limited	3,907,400	-	7,235,500	-	2,841,000	8,301,900	419,994	(28,808)	4.09%
Gul Ahmed Textile Mills Limited	-	-	673,500	-	398,000	275,500	15,874	(6,226)	0.10%
Nishat Chunian Limited	2,290,100	-	-	-	1,068,500	1,221,600	172,148	(58,124)	1.19%
Nishat Mills Limited	-	-	3,080,110	-	60,000	3,020,110	139,227	(5,527)	1.40%
Interloop Limited							889,486	(176,131)	6.07%
							10,385,509	8,600,528	(1,784,981)
Total as at June 30, 2019							8,772,563	8,413,364	(359,199)
Total as at June 30, 2018									

6.1.1 Following shares have been pledged with National Clearing Company of Pakistan Limited (NCCPL) security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by SECP:

	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	----- (Number of shares) -----			
Oil & Gas Development Company Limited	1,000,000	1,000,000	131,490	92,160
The Hub Power Company Limited	2,000,000	2,000,000	157,500	311,240
	3,000,000	3,000,000	288,990	403,400

6.1.1 Following shares have been pledged with National Clearing Company of Pakistan Limited (NCCPL) security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by SECP:

	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
----- (Number of shares) -----				
Oil & Gas Development Company Limited	1,000,000	1,000,000	131,490	92,160
The Hub Power Company Limited	2,000,000	2,000,000	157,500	311,240
	3,000,000	3,000,000	288,990	403,400

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

Further, the Finance Act, 2018 effective from July 01, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs.3.66 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

6.2 Government securities - at fair value through profit or loss

Name of security	Issue date	Face value			Balances as at June 30, 2019		
		As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019	Carrying Value	Market Value
Treasury Bills							
Market Treasury Bills - 3 months	10-May-18	-	1,373,000	1,373,000	-	-	-
Market Treasury Bills - 3 months	19-Jul-18	-	500,000	500,000	-	-	-
Market Treasury Bills - 3 months	2-Aug-18	-	3,890,000	3,890,000	-	-	-
Market Treasury Bills - 3 months	11-Oct-18	-	3,368,700	3,368,700	-	-	-
Market Treasury Bills - 3 months	6-Dec-18	-	6,850,000	6,850,000	-	-	-
Market Treasury Bills - 3 months	3-Jan-19	-	2,200,000	2,200,000	-	-	-
Market Treasury Bills - 3 months	14-Feb-19	-	2,153,400	2,153,400	-	-	-
Market Treasury Bills - 3 months	9-May-19	-	1,050,000	1,050,000	-	-	-
Market Treasury Bills - 3 months	23-May-19	-	7,550,000	7,550,000	-	-	-
Total as at June 30, 2019							
Total as at June 30, 2018							

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

6.3 Listed equity securities - available for sale

Name of the investee company	No. of shares		Balances as at June 30, 2019		Market value as a % of net assets of the Fund	% of paid-up capital of the investee company
	As at July 01, 2018	Re-classified under IFRS 9 (see note 4.1)	As at June 30, 2019	Carrying Value	Market value as at June 30, 2019	Appreciation / (diminution)
(Rupees in '000)						
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise						
Automobile assembler						
Indus Motor Company Limited	10	10	-	-	0.00%	0.00%
Cement						
Lucky Cement Limited	290,100	290,100	-	-	0.00%	0.00%
Chemical						
Archroma Pakistan Limited	5,050	5,050	-	-	0.00%	0.00%
ICI Pakistan Limited	64,000	64,000	-	-	0.00%	0.00%
Engineering						
Mughal Iron And Steel Industries Limited	11,760	11,760	-	-	0.00%	0.00%
Food and personal care products						
Al Shaheer Corporation Limited	10,455	10,455	-	-	0.00%	0.00%
Oil and gas exploration companies						
Oil & Gas Development Company Limited	968,800	968,800	-	-	0.00%	0.00%
Pakistan Oilfields Limited	466,600	466,600	-	-	0.00%	0.00%
Mari Petroleum Company Limited	215,670	215,670	-	-	0.00%	0.00%
Pharmaceuticals						
The Searle Company Limited	5,540	5,540	-	-	0.00%	0.00%
Power generation and distribution						
The Hub Power Company Limited	1,872,400	1,872,400	-	-	0.00%	0.00%
Pakgen Power Limited	15,500	15,500	-	-	0.00%	0.00%
Altern Energy Limited	327,000	327,000	-	-	0.00%	0.00%
Technology and communication						
Systems Limited	750	750	-	-	0.00%	0.00%
NetSol Technologies Limited	631,500	631,500	-	-	0.00%	0.00%
Textile composite						
Kohinoor Textile Mills Limited	995,340	995,340	-	-	0.00%	0.00%
Total as at June 30, 2019						
Total as at June 30, 2018						
				939,517	1,309,693	370,176

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

		June 30, 2019	June 30, 2018
	Note	----- (Rupees in '000) -----	
7. DIVIDEND AND PROFIT RECEIVABLES			
Dividend receivable		22,576	6,225
Profit receivable on bank balances		7,079	4,754
		<u>29,655</u>	<u>10,979</u>
8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Advance tax		5,220	4,154
Security deposits with NCCPL		2,500	2,500
Security deposits with CDC		500	500
Others		1,253	929
		<u>9,473</u>	<u>8,083</u>
9. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	9.1	16,417	17,469
Sales tax on remuneration payable	9.2	2,134	2,271
Expenses allocated by the Management Company	9.3	821	873
Selling and Marketing expenses	9.4	10,331	10,946
Sales load payable		36	541
		<u>29,739</u>	<u>32,100</u>
9.1	The Management Company has charged remuneration at the rate of 2.00% (2018: 2.00%) of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.		
9.2	Sales tax on management remuneration has been charged at the rate of 13% (2018: 13%).		
9.3	Up till June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide S.R.O 639 (I)/2019 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.		
9.4	The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.		
10. PAYABLE TO THE TRUSTEE			
Remuneration payable	10.1	903	958
Sales tax on remuneration payable		117	125
		<u>1,020</u>	<u>1,083</u>
10.1	The Trustee, CDC is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net assets value

Upto Rs.1,000,000,000

On amount exceeding Rs.1,000,000,000

Tariff per annum

Rs.700,000 or 0.20% per annum of Net Assets
whichever is higher.

Rs.2,000,000 plus 0.10% on amount
exceeding Rs.1,000,000,000

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.095% (2018: 0.095%) of the average daily net assets of the Fund.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
Provision for Sindh Workers' Welfare Fund	12.1	57,875	57,875
Federal Excise Duty payable on management remuneration	12.2	54,774	54,774
Federal Excise Duty payable on sales load		3,933	3,933
Unclaimed dividends		9,722	9,854
Brokerage payable		7,665	5,344
Auditors' remuneration		513	567
Withholding tax payable		96	1,446
Printing and related charges payable		40	40
Payable to legal advisor		175	157
Others		6	3,515
		134,799	137,505

12.1 Provision for Sindh Workers' Welfare Fund (SWWF)

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 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.0.5 million, is 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 (including the Management Company of the Fund) 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 has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2019 would have been higher by Re.0.48 (2018: Re.0.54) per unit.

12.2 Federal Excise Duty on remuneration to the Management Company

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 04, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various Asset Management Companies, together with their representatives of Collective Investment Schemes through their trustees, challenging the levy of FED.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

During the previous year, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 01, 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2019 aggregates to Rs.54.77 (2018: Rs.54.77) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2019 would have been higher by Re.0.45 (2018: Re.0.51) per unit.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at the June 30, 2019 and June 30, 2018.

14. AUDITORS' REMUNERATION

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Annual audit fee	459	459
Half yearly review fee	312	312
Other certification and services	77	128
	848	899
Sales tax	68	72
Out of pocket expenses	39	27
	<u>955</u>	<u>998</u>

15. TAXATION

The Fund's income is exempt from income tax as per 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 available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. 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. Since the Fund has incurred net loss for the year, no distribution has been made by the Fund. Accordingly, no provision for taxation has been recognized in these financial statements.

16. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments 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.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations and constitutive documents of the Fund respectively.

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

16.1 Unit Holders' Fund

	June 30, 2019					
	As at July 01, 2018	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	As at June 30, 2019	As at July 01, 2018	Issued for cash / conversion in / transferred in
		Units	Units			(Rupees in '000)
MCB-Arif Habib Savings and Investments Limited - Management Company	2,048,988	3,530,598	2,351,670	3,227,917	194,256	319,247
Group / associated companies						
Nishat Power Limited Employees Provident Fund Trust - Retirement benefit scheme of group company	10,756	34,931	45,687	-	1,020	3,216
Adamjee Insurance Company Limited Employees Gratuity Fund	69,360	139,287	192,214	16,433	6,576	12,440
Adamjee Life Assurance Company Limited - IMF *	19,754,721	9,962,864	1,349,218	28,368,367	1,872,858	886,091
Adamjee Life Assurance Company Limited - NUIL	1,409,006	729,618	66,467	2,072,157	133,582	68,000
Adamjee Insurance Company Limited Employees Provident Fund Trust	136,117	276,809	380,090	32,837	12,905	24,718
Adamjee Life Assurance Company Limited - ISF	2,108,051	1,317,348	3,425,399	-	199,855	121,510
D.G. Khan Cement Company Limited Employees Provident Fund Trust	199,265			199,265	18,891	
Nishat Mills Employees Provident Fund Trust	2,841,551	7,530,881	3,535,877	6,836,556	269,395	691,218
Asghari Beg Memorial Trust	50,885	36	3,661	47,260	4,824	3
Key Management Personnel	60,419	207,132	141,138	126,413	5,728	18,569
Mandate under discretionary portfolio services	4,318,113	17,478,370	16,512,077	5,284,405	409,381	1,512,256
						1,405,505
						419,057
MCB-Arif Habib Savings and Investments Limited - Management Company	2,782,581	800,191	1,533,784	2,048,988	285,219	74,467
Associated companies / undertakings						
Nishat Power Limited Employees Provident Fund Trust	11,625	25,324	26,193	10,756	1,192	2,423
Adamjee Insurance Company Limited Employees Gratuity Fund	117,589	268,322	316,550	69,361	12,053	27,684
Adamjee Life Assurance Company Limited - IMF	16,932,999	3,742,621	920,899	19,754,721	1,735,661	355,000
Adamjee Life Assurance Company Limited - NUIL	1,515,637	-	106,631	1,409,006	155,355	-
Adamjee Insurance Company Limited Employees Provident Fund Trust	225,797	521,096	610,776	136,117	23,145	44,006
Adamjee Life Assurance Company Limited - ISF	412,198	2,180,536	484,683	2,108,051	42,251	215,000
Adamjee Life Assurance Company Limited - ISF II	363,704	188,405	552,109	-	37,280	17,700
D.G. Khan Cement Company Limited Employees Provident Fund Trust	145,730	53,535	-	199,265	14,938	5,000
Nishat Mills Limited Employees Provident Fund Trust	-	7,419,727	4,578,176	2,841,551	-	727,766
Key Management Personnel	98,640	109,025	147,843	59,822	10,111	10,504
Mandate Under Discretionary Portfolio Services	9,807,961	16,918,813	20,514,689	6,212,085	1,005,333	1,661,850
						1,977,045
						588,940

*Unit holders holding 10% or more units

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
16.2 Transactions during the year:		
Management Company		
MCB Arif Habib Savings and Investments Limited		
Remuneration of the Management Company (including indirect taxes)	251,671	237,046
Allocated expenses and related taxes	11,134	11,852
Selling and marketing expenses	44,543	41,953
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee (including indirect taxes)	13,714	12,983
Central Depository Service charges	756	1,680
Group / associated companies		
Arif Habib Capital Limited - Brokerage House		
Brokerage expense*	2,427	3,785
Next Capital Limited - Brokerage House		
Brokerage expense*	747	3,805
Summit Capital (Private) Limited - Brokerage House		
Brokerage expense*	-	66
MCB Bank Limited		
Bank charges	115	146
Profit on balances with banks	11,574	2,859
Dividend income	40,183	26,310
Purchase of securities having face value of Rs.Nil (2018: Rs.250 million)	-	247,109
Sale of securities having face value of Rs.830 million (2018: Rs.1050 million)	821,851	1,039,973
Purchase of 1,989,800 shares (2018:4,119,900 shares)	388,861	867,394
Sale of 1,340,400 shares (2018: 1,996,300 shares)	279,212	425,141
Silk Bank Limited		
Bank charges	34	22
Profit on balances with banks	14,260	6,853
Purchase of securities having face value of Rs.229 million (2018: Rs.1,750 million)	227,678	1,729,449
Sale of securities having face value of Rs.2,150 million (2018: Rs.3,050 million)	2,118,245	3,015,720
Nishat Mills Limited		
Dividend income	7,329	10,092
Purchase of Nil shares (2018: 2,483,100 shares)	-	363,240
Sale of 1,068,500 shares (2018: 193,200 shares)	143,746	30,017
Nishat Chunian Limited		
Dividend income	1,010	495
Purchase of 673,500 shares(2018: Nil shares)	38,807	-
Sale of 398,000 shares (2018: 4,089,500 shares)	16,440	216,706
Mughal Iron and Steel Industries Limited		
Dividend income	-	12,251
Purchase of 1,165,260 shares (2018:3,019,000 shares)	39,876	204,834
Sale of 1,645,760 shares (2018: 2,557,500 shares)	88,630	179,755
Synthetic Products Limited		
Dividend income	1,679	-
Pakgen Power Limited		
Dividend income	-	31
Purchase of 15,500 shares (2018: Nil shares)	299	-
Sale of 31,000 shares (2018: Nil shares)	547	-
Adamjee Insurance Company Limited		
Purchase of Nil shares (2018:57,000 shares)	-	3,733
Sale of 809,500 shares (2018: 807,000 shares)	38,837	42,464
Aisha Steels Limited		
Sale of 49,500 shares (2018:2,550,500 shares)	693	47,260

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
DG Khan Cement Company Limited		
Purchase of 1,600,000 shares (2018: 5,232,200 shares)	143,968	596,131
Sale of 1,950,000 shares (2018: 6,618,500 shares)	210,769	951,659
Fatima Fertilizer Company Limited		
Purchase of 4,548,500 shares (2018: Nil shares)	156,621	-
Nishat Power Limited		
Sale of Nil shares (2018: 358,500 shares)	-	16,089
16.3 Balances outstanding at year end:		
Management Company		
MCB - Arif Habib Savings and Investment Limited		
Remuneration payable	16,417	17,469
Sindh sales tax payable on remuneration	2,134	2,271
Sales load payable including related taxes	36	541
Payable against allocated expense	821	873
Payable against marketing and selling expenses	10,331	10,946
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	903	958
Sindh sales tax payable on remuneration	117	125
Security deposit	500	500
Group / associated companies		
MCB Bank Limited		
Bank balance**	20,569	96,528
Profit receivable on bank balances	365	159
Sales load payable	1	16
Silk Bank Limited		
Bank balance	3,584	22,730
Profit receivable on bank balances	551	1,544
Arif Habib Limited		
Brokerage payable*	87	90
Next Capital Limited		
Brokerage payable*	707	800
MCB Bank Limited		
2,771,900 shares (2018: 2,122,500 shares)	483,558	419,767
Fatima Fertilizer Company Limited		
4,548,500 shares (2018: Nil shares)	135,773	-
Synthetic Products Limited		
1,678,500 shares (2018: 1,678,500 shares)	37,246	85,771
Nishat Chunian Limited		
275,500 shares (2018: Nil shares)	9,648	-
Nishat Mills Limited		
1,221,600 shares (2018: 2,290,100 shares)	114,024	322,721
Aisha Steel Limited		
Nil shares (2018: 49,500 shares)	-	781
Adamjee Insurance Co. Limited		
Nil shares (2018: 809,500 shares)	-	39,447
Mughal Iron and Steel Industries Limited		
1,544,760 shares (2018: 2,013,500 shares)	38,866	123,669

* The amount disclosed represents the amount of brokerage paid / payable to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter-parties are not connected persons.

** This represents balances held in current and in deposit accounts carrying mark-up at the rate of 10.25% (2018: 3.75%) per annum.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

17. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, profit rate and other price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Pension Fund Manager in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mention risks. The Board of Directors of the Pension Fund Manager has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's primary financial assets comprise of balances with banks and at fair value through profit and loss investments, comprising of equity securities of listed companies. The Fund also has dividend receivable, profit receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Management company, Trustee and SECP and accrued and other liabilities.

17.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the SECP, the NBFC Regulations and the NBFC Rules.

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

17.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions were carried out in Pak Rupee.

17.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis of variable rate instruments

Presently, the Fund does not hold any variable profit based investment except balances with banks in deposit account exposing the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease as on June 30, 2019, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.9.17 (2018: Rs.6.50) million.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2019 the Fund does not hold any fixed rate instruments, therefore, the Fund is not exposed to fair value profit rate risk.

Profit rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2019 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

June 30, 2019						
Exposed to yield / interest rate risk						
Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to profit rate risk	Total	
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	10.00 - 13.00%	917,408	-	-	11,672	929,080
Investments classified as:						
At fair value through profit or loss						
- Listed equity securities			-	-	8,600,528	8,600,528
- Listed debt securities			-	-	-	-
			-	-	8,600,528	8,600,528
Receivable against sale of investments			-	-	163,621	163,621
Dividend and profit receivables		7,079	-	-	22,576	29,655
Advances, deposits and other receivables			-	-	4,253	4,253
		924,487	-	-	8,802,650	9,727,137
Financial Liabilities						
Payable to the Management Company			-	-	27,605	27,605
Payable to the Trustee			-	-	903	903
Payable against redemption of units			-	-	386	386
Payable against purchase of investments			-	-	-	-
Accrued and other liabilities			-	-	18,121	18,121
			-	-	47,015	47,015
On-balance sheet gap		924,487	-	-	8,755,635	9,680,122

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2019.

June 30, 2018						
Exposed to yield / interest rate risk						
Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to profit rate risk	Total	
					(Rupees in '000)	
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	3.75 - 7.5%	649,902	-	-	14,106	664,008
Investments classified:						
At fair value through profit or loss -						
held-for-trading						
- Listed equity securities					8,413,364	8,413,364
- Listed debt securities					-	-
Available-for-sale						
- Listed equity securities					1,309,693	1,309,693
					9,723,057	9,723,057
Receivable against sale of investments					52,923	52,923
Dividend and profit receivables		4,754			6,225	10,979
Advances, deposits and other receivables					3,929	3,929
		654,656			9,800,240	10,454,896
Financial Liabilities						
Payable to the Management Company					29,829	29,829
Payable to the Trustee					958	958
Payable against redemption of units					386	386
Payable against purchase of investments					165,428	165,428
Accrued and other liabilities					19,477	19,477
					216,078	216,078
On-balance sheet gap		654,656			9,584,162	10,238,818

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

17.1.3 Price risk

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

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments and their fair values exposed to price risk as at the year end are concentrated in the sectors given in note 6.1.

The following table illustrates the sensitivity of the profit for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Fund's equity securities at each statement of assets and liabilities date, with all other variables held constant.

	June 30, 2019	June 30, 2018
	---- (Rupees in '000) ----	
Investments and net assets	<u>430,026</u>	<u>486,153</u>
Income statement	<u>430,026</u>	<u>420,668</u>

17.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The credit risk of the Fund principally arises from deposits and other receivable balances.

Credit risk from balances with banks and financial institutions is managed in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimize the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2019 and June 30, 2018 is the carrying amounts of following financial assets.

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Balances with banks	929,080	664,008
Investments	8,600,528	9,723,057
Receivable against sale of investments	163,621	52,923
Dividend and profit receivables	29,655	10,979
Advances, deposits and other receivables	4,253	3,929
	<u>9,727,137</u>	<u>10,454,896</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

All deposits with NCCPL and CDC are highly rated and risk of default is considered minimal.

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2019 and June 30, 2018.

	June 30, 2019	June 30, 2018
Bank balances by rating category	----- % -----	
AAA/A1+	31.82%	64.87%
AA+/A1+	27.26%	0.52%
AA-/A1+	4.55%	30.66%
A-/A2	4.55%	3.95%
A/A1	31.83%	-
	<u>100.00%</u>	<u>100.00%</u>

Receivables against sale of units

These represent amount held under distribution accounts maintained by the Management Company for receipt of subscription money from unit holders. The amount has been cleared subsequently by the Management Company.

Advances and deposits

Deposits are placed with NCCPL and CDC for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence, the management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

Concentration of credit risk

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

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

17.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short-term to ensure settlement. During the current year, the Fund did not availed any borrowing. As per the NBFC Regulations 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 and bear interest at commercial rates.

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

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of assets and liabilities date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

June 30, 2019				
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
Liabilities				
Payable to the Management Company	27,605	27,605	-	-
Payable to the Trustee	903	903	-	-
Payable against redemption of units	386	386	-	-
Payable against purchase of investments	-	-	-	-
Accrued and other liabilities	18,121	18,121	-	-
	47,015	47,015	-	-

June 30, 2018				
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
Liabilities				
Payable to the Management Company	29,829	29,829	-	-
Payable to the Trustee	958	958	-	-
Payable against redemption of units	386	386	-	-
Payable against purchase of investments	165,428	165,428	-	-
Accrued and other liabilities	19,477	19,477	-	-
	216,078	216,078	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

17.4 Financial instruments by category

June 30, 2019			
	At fair value through OCI	At fair value through profit or loss	At amortised cost
	Total		
	(Rupees in '000)		
Assets			
Balances with banks	-	-	929,080
Investments	-	8,600,528	-
Dividend and profit receivable	-	-	29,655
Receivable against sale of investment	-	-	163,621
Advances, deposits and other receivables	-	-	4,253
	-	8,600,528	1,126,609
			9,727,137

June 30, 2019			
	At fair value through profit or loss	Other financial liabilities	Total
	(Rupees in '000)		
Liabilities			
Payable to the Management Company	-	27,605	27,605
Payable to the Trustee	-	903	903
Payable against redemption of units	-	386	386
Payable against purchase of investments	-	-	-
Accrued and other liabilities	-	18,121	18,121
	-	47,015	47,015

June 30, 2018			
	Available- for-sale	At fair value through profit or loss - held- for-trading	Loans and Receivables
	Total		
	(Rupees in '000)		
Assets			
Balances with banks	-	-	664,008
Investments	1,309,693	8,413,364	-
Dividend and profit receivable	-	-	10,979
Receivable against sale of investment	-	-	52,923
Advances, deposits and other receivables	-	-	3,929
	1,309,693	8,413,364	731,839
			10,454,896

June 30, 2018			
	At fair value through profit or loss - held- for-trading	Other financial liabilities	Total
	(Rupees in '000)		
Liabilities			
Payable to the Management Company	-	29,829	29,829
Payable to the Trustee	-	958	958
Payable against redemption of units	-	386	386
Payable against purchase of investments	-	165,428	165,428
Accrued and other liabilities	-	19,477	19,477
	-	216,078	216,078

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

18. UNIT HOLDERS' FUND RISK MANAGEMENT

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, to maintain a minimum fund size of Rs.100 million, to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price).

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 financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

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

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

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

As at June 30, 2019 and June 30, 2018, the Fund held the following instruments measured at fair values:

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
June 30, 2019				
At fair value through profit or loss	8,600,528	-	-	8,600,528
	<u>8,600,528</u>	<u>-</u>	<u>-</u>	<u>8,600,528</u>
June 30, 2018				
At fair value through profit or loss	8,413,364	-	-	8,413,364
Available for sale	1,309,693	-	-	1,309,693
	<u>9,723,057</u>	<u>-</u>	<u>-</u>	<u>9,723,057</u>

During the year ended June 30, 2019, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

The Fund has not disclosed the fair values of other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of their fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, list of top ten brokers, meetings of the Board of Directors of the management company and members of the Investment Committee are as follows:

20.1 Pattern of unit holding

Details of pattern of unit holding

June 30, 2019				
	Number of unit holders	Number of units held	Investment Amount (Rupees in '000)	Percentage of total investments
Individuals	7,889	39,417,599	3,125,839	32.70%
Insurance companies	15	3,138,925	248,922	2.60%
Asset Management Company	1	3,227,917	255,976	2.70%
Banks / DFIs	4	107,266	8,506	0.10%
Non Banking Finance Companies (NBFCs)	7	33,568	2,662	0.00%
Retirement funds	76	25,056,727	1,987,014	20.80%
Other Companies	71	7,593,255	602,150	6.30%
Associated Companies	7	37,572,874	2,979,551	31.20%
Directors	1	18,716	1,484	0.00%
Others	158	4,334,521	343,730	3.60%
	8,229	120,501,368	9,555,834	100%

June 30, 2018				
	Number of unit holders	Number of units held	Investment Amount (Rupees in '000)	Percentage of total investments
Individuals	8,074	43,746,275	4,147,391	41.01%
Insurance companies	18	3,684,406	349,302	3.45%
Banks / DFIs	3	107,187	10,162	0.10%
Non Banking Finance Companies (NBFCs)	12	43,031	4,080	0.04%
Retirement funds		1,564,914	148,363	1.47%
Other Companies	68	7,091,069	672,273	6.65%
Associated Companies	8	28,567,060	2,708,317	26.78%
Directors	1	37,839	3,587	0.04%
Others	219	21,824,765	2,069,110	20.46%
	8,403	106,666,546	10,112,584	100%

20.2 Top ten brokers / dealers by percentage of commission paid

Details of commission paid by the fund to top ten brokers by percentage during the year are as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

		June 30, 2019 (Percentage)
1	JS Global Capital Limited	11.43%
2	Arif Habib Limited	10.57%
3	Al Falah Securities (Private) Ltd.	10.46%
4	Efg Hermes Pakistan Limited	8.94%
5	BMA Capital Management Limited	5.10%
6	Top Line Securities (Private) Limited	4.59%
7	Djm Securities (Private) Limited	4.22%
8	Icon Securities (Private) Limited	4.19%
9	Intermarket Securities Limited	4.08%
10	Taurus Securities Limited	4.00%

		June 30, 2018 (Percentage)
1	JS Global Capital Limited	10.54%
2	Next Capital Ltd.	9.68%
3	Arif Habib Limited	9.62%
4	Al Falah Securities (Private) Ltd.	9.29%
5	Bipl Securities Limited	5.77%
6	Foundation Securities Ltd.	5.51%
7	Djm Securities (Private) Limited	4.79%
8	Elixir Securities Pakistan (Private) Ltd.	4.70%
9	Top Line Securities (Private) Ltd.	4.05%
10	Taurus Securities Limited	3.96%

20.3 Attendance at meetings of the Board of Directors

The 143rd, 144th, 145th, 146th, 147th, 148th, 149th and 150th meeting of the Board of Directors were held on August 17, 2018, September 14, 2018, October 22, 2018, October 26, 2018, April 15, 2019, April 19, 2019, June 17, 2019 and June 27, 2019 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below :

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Mian Muhammad Mansha	8	2	6	6
Mr. Nasim Beg	8	8	-	-
Mr. Muhammad Saqib Saleem	8	8	-	-
Dr. Syed Salman Ali Shah*	8	6	-	-
Mr. Haroun Rashid	8	5	3	3
Mr. Ahmed Jahangir	8	8	-	-
Mr. Mirza Qamar Beg	8	8	-	-
Mr. Samad A. Habib	8	6	2	2

* Resigned on June 10, 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

20.4 Particulars of investment committee and fund manager

Detail of members of the investment committee of the Fund are as follow:

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	16
Mr. Saad Ahmed	Asset Class Specialist - Fixed Income	MBA	14
Mr. Muhammad Aitazaz Farooqui	Senior Analyst	MBA & CFA	6
Mr. Syed Abid Ali	Head of Equities	MBA	11
Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	8

20.5 Other funds managed by the fund manager

Syed Abid Ali is the Manager of the Fund. He is also managing MCB Pakistan Asset Allocation Fund, Pakistan Capital Market Fund, Alhamra Islamic Active Allocation Fund and Pakistan Pension Fund.

21. TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 3.22% as on June 30, 2019 (2018 is 3.48%) and this includes 0.34% (2018: 0.38%) representing Government Levy, Sindh Workers' Welfare Fund (SWWF) and SECP fee. This ratio is within the maximum limit of 4.5% capped as per S.R.O 639 (I)/2019 dated June 20, 2019 issued by SECP, in connection with NBFC Regulations 60(5) for a collective investment scheme categorised as an equity scheme.

22. GENERAL

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

22.2 Certain prior year's figures have been re-arranged / re-classified, wherever necessary, to facilitate comparison in the presentation in the current year. However, there are no material re-arrangements / re-classifications to report other than as disclosed in note 4.1.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 13, 2019 by the Board of Directors of the Management Company.

**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNIT HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2019**

No. of Unit Holders	Unit Holdings	Total Units Held
7308	0-10000	8,830,741
803	10001 – 100000	22,780,739
108	100001 – 1000000	28,387,190
10	1000001 onwards	60,502,697
<hr/> 8229 <hr/>		<hr/> 120,501,368 <hr/>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2019

Performance Information	2019	2018	2017	2016	2015
Total Net Assets Value – Rs. in million	9,556	10,113	11,629	8,018	6,075
Net Assets value per unit – Rupees	79.3006	94.8056	102.5017	87.09	83.23
Closing Offer Price	81.9889	98.0195	105.9765	90.69	85.51
Closing Repurchase Price	76.6123	94.8056	102.5017	87.09	83.23
Highest offer price per unit	101.2954	109.4173	130.9362	93.98	91.70
Lowest offer price per unit	80.4862	88.8802	90.7800	76.67	61.04
Highest Redemption price per unit	97.9741	105.8297	126.6430	90.25	89.25
Lowest Redemption price per unit	77.8472	85.966	87.7000	73.63	59.41
Distribution per unit – Rs. *			10.00	0.50	4.00
Average Annual Return - %					
One year	-16.35	-7.51	29.54	5.25	39.35
Two year	-11.93	11.02	17.40	22.30	37.06
Three year	1.89	9.09	24.71	26.46	41.18
Net Income for the year – Rs. in million	(1,943.16)	(693.69)	2,456.63	171.42	1,570.73
Distribution made during the year – Rs. in million	Nil	-	967.09	43.67	273.04
Accumulated Capital Growth – Rs. in million	(1,943.16)	(693.69)	1,489.54	127.75	1,297.69

* Date of Distribution

2017	
Date	Rate
June 21, 2017	10

2016	
Date	Rate
June 27, 2016	0.5

2015	
Date	Rate
June 22, 2015	4.00

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as

PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2019

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	37	37	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf on the Funds will be provided without any charges on request of unit holders.

MCB-Arif Habib Savings and Investments Limited

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URL: www.mcbah.com, Email: info@mcbah.com