



**MCB-ARIF HABIB**  
Savings and Investments Limited

# ANNUAL REPORT 2021

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



Savings Asaan. Life Asaan.

# **MCB PAKISTAN SOVEREIGN FUND**

## TABLE OF CONTENTS

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1	Fund's Information	116
2	Report of the Director of the Management Company	117
3	Report of the Fund Manager	128
4	Trustee Report to the Unit Holders	130
5	Independent Auditor's Report to the Unit Holders	131
6	Statement of Assets and Liabilities	135
7	Income Statement	136
8	Statement of Other Comprehensive Income	137
9	Statement of Movement in Unit Holder's Fund	138
10	Cash Flow Statement	139
11	Notes to and Forming Part of the Financial Statements	140
12	Pattern of Units Holding by Size	166
13	Performance Table	167

## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Board of Directors</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Altaf Ahmad Faisal	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> 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	
<b>Bankers</b>	MCB Bank Limited Bank Al Habib Limited Habib Bank Limited Allied Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Metropolitan Bank Limited United Bank Limited Zarai Taraqati Bank Limited Js Bank Limited National Bank Of Pakistan	
<b>Auditors</b>	<b>Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block-7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-753550	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
<b>Rating</b>	<b>AM1</b> Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **MCB Pakistan Sovereign Fund** accounts review for the year ended **June 30, 2021**.

## Economy and Money Market Review

Fiscal year 2021 has proven to be a positive year with respect to economic performance. Country registered a GDP growth rate of 3.94 per cent outpacing the original target of 2.1 per cent for the outgoing fiscal year. This better than expected recovery has been due to relatively lower and stable interest rates, supportive financing schemes from SBP, amnesty scheme to encourage construction sector, resumption in demand and strong inflow of remittances supporting the overall consumption growth.

The growth momentum remained strong throughout the year as reflected in the performance of various sectors. Cement sector saw an impressive comeback in local dispatches as they witnessed a growth of about 20 per cent over last year in FY21. Sales of 2 and 3 wheeler units also rose at an impressive rate of approx. 39 per cent over last year in FY21 reflecting the resilience of economy. Similarly, the demand of petrol and diesel also increased by about 12 per cent and 16 per cent respectively over last year indicating a broader recovery in economy. Overall, Large Scale Manufacturing Index (LSM) has grown by about 14.6 per cent in first eleven months of the current fiscal year led by the cyclical sectors.

On the external front, the country posted a current account deficit of USD 1.8 billion (-0.6 per cent of GDP) in the fiscal year 2021, a 58 per cent improvement when compared with last year deficit of USD 4.4 billion (-1.7 per cent of GDP). Despite a USD 30 billion deficit (about 23 per cent higher this year) on balance on trade in goods and services, current account deficit remained marginally negative due to strong inflow of workers' remittances. Remittances jumped to USD 29.4 billion, up by 27 per cent when compared with USD 23.1 billion a year back.

Inflation remained the chink in the armor for the government as rising food prices continued to create challenges for policy makers. Headline inflation represented by CPI averaged 8.9 per cent over last year, with food inflation averaging about 13 per cent during the period. The prices of perishable food items along with the price of wheat continued to advance higher as supply side disruptions and mismanagement caused the prices to soar. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 6.4 per cent for the period. Monetary Policy Committee maintained status quo throughout the year after successive cuts in previous meetings. While real interest rates remained negative, the central bank was cautious with regards to demand side pressures owing to Covid-19 as well as comfort drawn from better external position.

As the economy started to open up, tax collection also improved and grew by about 18 per cent during the fiscal year which exceeded the revised target by PKR 30 billion. Fiscal deficit for the first nine months of the period clocked in at 3.6 per cent of GDP, compared to 3.8 per cent of GDP last year. Primary balance was even better at a surplus of 1.0 per cent of GDP compared to last year surplus of 0.4 per cent of GDP.

Yield curve started to slope upward after inflation trajectory was observed to be on the rising trend. 3, 5 and 10 Year bonds saw a rise of 146 bps, 138 bps and 125 bps respectively during the period.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.67 per cent as against its benchmark return of 7.56 per cent. At period-end, the exposure in PIBs was 14.5 per cent.

The Net Assets of the Fund as at June 30, 2021 stood at Rs. 738 million as compared to Rs. 1,816 million as at June 30, 2020 registering a decline of 59.36 per cent.

The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs. 53.32 as compared to opening NAV of Rs. 53.27 per unit as at June 30, 2020 registering an increase of Rs. 0.05 per unit.

SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. On August 13, 2021, the management, in consultation with MUFAP and after

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

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concurrence for prospective reversal of provision of SWWF from SECP, reversed the cumulative provision for SWWF recognized in the fund for the period from May 21, 2015 to August 12, 2021. Accordingly, going forward, no provision for SWWF would be recognized in the fund. This reversal of provision has contributed towards an unusual increase in NAV of the Fund on August 13, 2021. This is one-off event and is not likely to be repeated in the future. For further details, refer note 11.1 to the financial statements.

### **Economy & Market – Future Outlook**

Growth momentum is likely to continue in the coming year given the accommodative monetary and fiscal policies. Broader economy appears to be operating close to pre-covid levels gauged by LSM growth, cement sales, auto sales, etc. We expect GDP growth to improve further in FY-22 but likely remain slightly lower from government target of 4.8 per cent for FY-22. The recent surge in commodity prices poses challenges to both to Fiscal and External Accounts. On the fiscal side, targets for revenue and development expenditures are highly unlikely to be met.

With imports resuming momentum, Current Account Deficit is expected to reach near 2.8 per cent of GDP which is likely to weaken the exchange rate to near 170 against USD by year end. Commodity prices and weaker currency are also likely to keep average inflation persistent and it may remain near 8.5 per cent. We therefore expect tightening of monetary policy later in the year and expect interest to reach up to 9 per cent by the year end.

IMF program appears to remain on hold as government chooses to further pro-growth measures over austerity based conventional IMF reforms. Focus on growing exports and stimulate domestic demand through investment in construction and housing are the hallmarks of government pro-growth strategy. Enabling environment including stable interest rates, low cost financing schemes for housing and machinery imports and avoiding further increase in power tariffs are the key initiatives in this regard. Public Sector entities and in particular energy sector still remains a thorny issue in IMF talks and continue to remain a major challenge for the government despite recent steps taken to lessen the burden on public finances. A sharp deterioration in balance of payment account may force government to succumb to IMF policy framework and thus alter the economic growth trajectory.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. On the other hand, government bonds have priced in the anticipated yield curve. We remain cautious at the current levels of bond yields and would continue to monitor the data points to capitalize on opportunities.

### **Mutual Fund Industry Review**

The Net Assets of the open end mutual fund industry increased by about 37.2 per cent to PKR 1,018 billion in this fiscal year. Money market funds and Fixed Income funds experienced an influx of investment as corporate liquidity swiftly moving towards mutual funds. Total money market funds grew by about 48 per cent during the period to PKR 467 billion. Within the money market sphere, the conventional funds dominated as they grew by about 39 per cent to PKR 285 billion. Equity and related funds surged rapidly by 33 per cent from PKR 224 billion to PKR 299 billion over the year. Most of the rise in equity and equity linked fund assets can be attributed to a positive uptick in the market that was up approx. 38 per cent YoY owing to favorable investor sentiments.

In terms of the segment share, Money Market funds were the leader with a share of around 46 per cent, followed by Equity and Equity related funds with a share of 30 per cent and Income funds having a share of 24 per cent as at the end of the fiscal year.

### **Mutual Fund Industry Outlook**

Record decline in interest rates have reinstated the confidence in risk asset classes. We expect liquidity to gear up towards equity and related funds. The sustainability of liquidity will however depend on how the economy transitions through this phase of pandemic. Our operations remained seamless and given our competitive edge due to aggressive investment in digital access and online customer experience, the environment provides an opportunity with growing number of investors available online.

### **Corporate Governance**

The Fund is committed to implement the highest standards of corporate governance. With four (4) Non-Executive Directors, three (3) Independent Directors and one (1) Executive Director on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. The Board consists of 1 female and 7 male directors. The details are as under:

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

Sr. No.	Name	Status	Membership in other Board Committees	
1.	Mr. Haroun Rashid	Non-Executive Director	None	
2.	Mr. Nasim Beg	Non-Executive Director	(i)	Audit Committee; and
3.	Mr. Ahmed Jahangir	Non-Executive Director	(ii)	HR&R* Committee
4.	Mr. Kashif A. Habib	Non-Executive Director	(i)	Audit Committee; and
5.	Syed Savail Meekal Hussain	Independent Director	(ii)	HR&R* Committee.
6.	Mirza Qamar Beg	Independent Director	(i)	Audit Committee
7.	Ms. Mavra Adil Khan	Independent Director	(ii)	HR&R* Committee (Chairman); and
8.	Mr. Muhammad Saqib Saleem	Executive Director	(i)	HR&R* Committee (Chairman).

\* HR&R stands for Human Resource and Remuneration

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 Board of Directors is pleased to report that:

- 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 what so ever 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.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

- j. As at June 30, 2021, the Company is in compliance with the requirements 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 is the details of committee meetings held during the year ended June 30, 2021:

### 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. Mirza Qamar Beg (Chairman)	9	9	9	-
2. Mr. Nasim Beg	9	9	9	-
3. Mr. Ahmed Jahangir	9	9	9	-
4. Mr. Kashif A. Habib	9	9	9	-
5. Syed Savail Meekal Hussain	9	9	9	-

### 2. Meeting of the Human Resource and Remuneration Committee.

During the year, four (4) meeting 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
1. Mirza Qamar Beg (chairman)	4	4	4	-
2. Mr. Ahmed Jahangir	4	4	4	-
3. Mr. Nasim Beg	4	4	4	-
4. Ms. Mavra Adil Khan	4	4	3	1
5. Syed Savail Meekal Hussain	4	4	4	-
6. Mr. Muhammad Saqib Saleem (CEO)	4	4	4	-

- 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.



**REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY  
FOR THE YEAR ENDED JUNE 30, 2021**

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Mobin Ahmed Siddiqui	Chief Internal Auditor	7,540	4,690	30

**External Auditors**

The fund's external auditors, **Yousuf Adil Chartered Accountants** have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2022. The audit committee of the Board has recommended reappointment of **Yousuf Adil Chartered Accountants** as auditors of the fund for the year ending June 30, 2022.

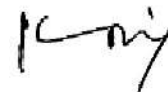
**ACKNOWLEDGMENT**

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 15, 2021



**Kashif A. Habib**  
Director

## ڈائریکٹرز رپورٹ

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے قابل قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیوں کی مسلسل معاونت اور حمایت کے لیے شکر گزار ہے۔ ڈائریکٹرز انتظامیہ ٹیم کی کاوشوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

15 ستمبر 2021ء



کاشف اے حبیب

ڈائریکٹر

## ڈائریکٹرز رپورٹ

۲۔ ہیومن ریسورس اینڈ میوزیشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ میوزیشن کمیٹی کی چار (4) 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 مرزا قمر بیگ (چیرمین)	4	4	4	-
۳۔ جناب احمد جہانگیر	4	4	4	-
۴۔ جناب نسیم بیگ	4	4	4	-
۵۔ محترمہ ماوراء عادل خان	4	4	3	1
۶۔ سید ساویل میکان حسین	4	4	4	-
۷۔ جناب محمد ثاقب سلیم (سی ای او)	4	4	4	-

m. دوران سال مینجمنٹ کمیٹی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانس آفیسر، کمپنی سیکریٹری، اور چیف انٹرنل آڈیٹر اور ان کی اہلیہ/شوہر اور نابالغ بچوں نے فنڈ کے یونٹس میں تجارت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	واپسی	ڈیویڈنڈ کی تقسیم
یونٹس کی تعداد					
۱	مبین احمد صدیقی	چیف انٹرنل آڈیٹر	7,540	4,690	30

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز Yousuf Adil چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر جاری رہنے کی رضامندی کا اظہار کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے Yousuf Adil چارٹرڈ اکاؤنٹنٹس کی فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر دوبارہ تقرری کی سفارش پیش کی ہے۔

## ڈائریکٹر رپورٹ

مطابق کاروبار کرنے پر کاربند ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے پالمسٹ مطلع کیا جاتا ہے کہ:

a. مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمدورفت اور ایکوٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

b. کمپنی کی درست بکس آف اکاؤنٹس بنائی گئی ہیں؛

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

d. مالیاتی گوشواروں کی تیاری میں پاکستان میں حشی الاطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات، non بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز 2003، non بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹیلیز ریگولیشنز 2008، متعلقہ ٹرسٹ وڈیز کی ضروریات اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی 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؛

f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شبہات نہیں ہیں؛

g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے؛

h. واجب الاداء ٹیکس، قانونی چارہ اور ڈیوٹیز (محصولات اور چنگی وغیرہ) کو (اگر کوئی ہیں تو) آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔

i. پراویڈنٹ/گروپ جوئنٹی اور پینشن فنڈ کی سرمایہ کاریوں کی قدر کے بیان کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے؛ چنانچہ ڈائریکٹر رپورٹ میں کوئی اظہار نہیں کیا گیا ہے۔

j. 30 جون 2021ء کو کمپنی، کوڈ کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کی شرائط پر عمل پیرا ہے۔

k. این بی ایف سی ریگولیشنز کے مطابق مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ منسلک ہے۔

ا. بورڈ آف ڈائریکٹرز میٹنگ کی حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کر دی گئی ہیں۔ سال مختتمہ 30 جون 2021ء کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

ا۔ آڈٹ کمیٹی کی میٹنگ

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

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	9	9	9	۲۔ مرزا محمد قریب (چیرمین)
-	9	9	9	۳۔ جناب نسیم بیگ
-	9	9	9	۴۔ جناب احمد جہانگیر
-	9	9	9	۵۔ جناب کاشف اے حبیب
-	9	9	9	۶۔ سید ساویل میکال حسین

## ڈائریکٹر رپورٹ

### میوچل فنڈ صنعت کا جائزہ

اپن اینڈ میوچل فنڈ صنعت کے net اثاثہ جات اس مالی سال میں تقریباً 37.2 فیصد بڑھ کر 1,018 بلین روپے ہو گئے۔ منی مارکیٹ فنڈز اور فیکسڈ انکم فنڈز میں خطیر سرمایہ کاری ہوئی کیونکہ کارپوریٹ نقدیت تیزی سے میوچل فنڈز کی جانب بڑھ رہی ہے۔ منی مارکیٹ کے مجموعی فنڈز دوران مدت تقریباً 48 فیصد بڑھ کر 467 بلین روپے ہو گئے۔ منی مارکیٹ کے دائرہ کار میں روایتی فنڈز حاوی رہے اور تقریباً 39 فیصد بڑھ کر 285 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز میں دوران سال 33 فیصد کا بھرپور اضافہ ہوا اور وہ 224 بلین روپے سے 299 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز کے اثاثہ جات میں اضافے کا بڑا سبب سرمایہ کاروں کے مثبت جذبات کی بدولت مارکیٹ میں 38 فیصد سال در سال (YoY) ترقی کو قرار دیا جاسکتا ہے۔

شعبہ جاتی حصے کے اعتبار سے مالی سال کے اختتام پر منی مارکیٹ فنڈز تقریباً 46 فیصد حصے کے ساتھ سب سے آگے تھے، جبکہ ایکویٹی اور متعلقہ فنڈز تقریباً 30 فیصد، اور انکم فنڈز تقریباً 24 فیصد کے حامل تھے۔

### میوچل فنڈ صنعت کے مستقبل کا منظر

سود کی شرحوں میں اب تک کی سب سے زیادہ کمی کی بدولت خطرات کے حامل اثاثہ جات میں اعتماد بحال ہوا ہے۔ ہم امید کرتے ہیں کہ ایکویٹی اور متعلقہ فنڈز کے شعبے میں نقدیت کی صورتحال بہتر ہوگی۔ تاہم نقدیت کی پائیداری کا انحصار اس بات پر ہوگا کہ معیشت اس وباء کے مرحلے سے کس طرح گزرتی ہے۔ ہمارے آپریشنز بلا رکاوٹ جاری رہے، اور ڈیجیٹل رسائی اور آن لائن سہولیات میں بھرپور سرمایہ کاری کے نتیجے میں ہمیں جو سہولت حاصل ہے اس کی بدولت ہم آن لائن دستیاب سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کر سکتے۔

### کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیار نافذ کرنے کے لیے پرعزم ہے۔ چار (4) نان ایگزیکٹو ڈائریکٹرز، تین (3) خود مختار ڈائریکٹرز اور ایک (1) ایگزیکٹو ڈائریکٹر پر مشتمل بورڈ، مینجمنٹ کمپنی کی گورننگ باڈی کی حیثیت سے یونٹ حاملین کو عمدہ کارپوریٹ گورننس کے لیے جوابدہ ہے۔ بورڈ میں 1 خاتون اور 7 حضرات ڈائریکٹرز شامل ہیں۔ تفصیلات درج ذیل ہیں:

نمبر شمار	نام	عہدہ	دیگر بورڈ کمیٹیوں میں رکنیت
1.	جناب ہارون راشد	نان ایگزیکٹو ڈائریکٹر	کوئی نہیں
2.	جناب نسیم بیگ	نان ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
3.	جناب احمد جہانگیر	نان ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
4.	جناب کاشف اے حبیب	نان ایگزیکٹو ڈائریکٹر	آڈٹ کمیٹی
5.	سید ساویل میکال حسین	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
6.	جناب مرزا قمر بیگ	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی (چیئر مین)؛ اور (ii) ایچ آر اینڈ آر کمیٹی * (چیئر مین)
7.	محترمہ ماوراء عادل خان	خود مختار ڈائریکٹر	ایچ آر اینڈ آر کمیٹی *
8.	جناب محمد شاقب سلیم	ایگزیکٹو ڈائریکٹر	ایچ آر اینڈ آر کمیٹی *

\* ایچ آر اینڈ آر: ہیومن ریسورس اینڈ میوزیشن

مینجمنٹ کوڈ آف کارپوریٹ گورننس میں متعین کردہ بہترین روایات کی دفعات، خصوصاً نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، کی تعمیل جاری رکھے ہوئے ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کی لسٹنگ ریگولیشنز، جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کو واضح کیا گیا ہے، کے

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 5.67 فیصد تھا، جبکہ مقررہ معیار کا منافع 7.56 فیصد تھا۔ اختتام مدت پر پاکستان انویسٹمنٹ بانڈز (پی آئی بی) میں شمولیت 14.5 فیصد تھی۔

30 جون 2021ء کو فنڈ کے net اثاثہ جات 738 ملین روپے تھے جو 30 جون 2020ء کی سطح 1,816 ملین روپے کے مقابلے میں 59.36 فیصد کمی ہے۔

30 جون 2021ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 53.32 روپے تھی جو 30 جون 2020ء کو ابتدائی این اے وی 53.27 روپے فی یونٹ کے مقابلے میں 0.05 روپے فی یونٹ اضافہ ہے۔

ایس آر بی نے اپنے خط مؤرخہ 12 اگست 2021ء کے ذریعے، جو MUFAP کو 13 اگست 2021ء کو موصول ہوا، MUFAP کو مطلع کر دیا ہے کہ میوچل فنڈز مالیاتی اداروں / صنعتی اسٹیبلشمنٹس کے طور پر اہل نہیں ہیں اور چنانچہ SWWF کے شراکتی حصے ان پر واجب الاداء نہیں ہیں۔ 13 اگست 2021ء کو انتظامیہ نے MUFAP سے مشورے کے بعد اور ایس ای سی پی سے SWWF کے پراویژن کی متوقع تقلیب پر اتفاق رائے کے بعد فنڈ میں 21 مئی 2015ء تا 12 اگست 2021ء کی مدت تک کے لیے کیے گئے SWWF کے مجموعی پراویژن کی تقلیب کردی ہے۔ چنانچہ آئندہ فنڈ میں SWWF کے لیے کوئی پراویژن نہیں کیا جائے گا۔ پراویژن کی تقلیب کے باعث 13 اگست 2021ء کو فنڈ کی net اثاثہ جاتی قدر (این اے وی) میں غیر معمولی اضافہ ہوا۔ یہ واقعہ صرف ایک مرتبہ ہوا ہے اور اس کے دوبارہ ہونے کا امکان نہیں ہے۔ مزید تفصیلات کے لیے مالیاتی گوشواروں کا نوٹ 11.1 ملاحظہ فرمائیے۔

## معیشت اور بازار - مستقبل کا منظر

سہل مالیاتی پالیسیوں کے سبب آنے والے سال میں ترقی کی رفتار جاری رہنے کا امکان ہے۔ وسیع تر معیشت قبل از کووڈ سطحوں کے قریب چلتی ہوئی نظر آرہی ہے جس کی پیمائش ایل ایس ایم میں ترقی، سیمنٹ کی فروخت، گاڑیوں کی فروخت وغیرہ سے ہوتی ہے۔ ہم امید کرتے ہیں کہ جی ڈی پی میں مالی سال 2022ء میں مزید ترقی ہوگی لیکن حکومتی ہدف 4.8 فیصد سے کچھ کم رہے گی۔ اشیاء کی قیمتوں میں حالیہ اضافے نے مالیاتی اور خارجی، دونوں اکاؤنٹس کے لیے مشکلات پیدا کی ہیں۔ مالیاتی جہت میں آمدنی اور ترقیاتی اخراجات کے اہداف کا پورا ہونا بہت مشکل ہے۔

درآمدات کی رفتار میں بحالی سے کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے تقریباً 2.8 فیصد پہنچ جانے کی امید ہے جس کے باعث اختتام سال تک زرمبادلہ کی شرح کمزور ہو کر تقریباً 170 ڈالر ہونے کا امکان ہے۔ اشیاء کی قیمتیں اور کمزور روپیہ بھی اوسط افراط زر کو برقرار رکھنے کا سبب بن سکتے ہیں جو تقریباً 8.5 فیصد ہو سکتی ہے۔ چنانچہ دوران سال آگے چل کر مالیاتی پالیسی میں سختی متوقع ہے اور اختتام سال تک سود کے 9 فیصد تک پہنچ جانے کا امکان ہے۔

آئی ایم ایف پروگرام بظاہر تعطل کا شکار ہے کیونکہ حکومت کفایت شعاری پر مبنی روایتی آئی ایم ایف اصلاحات پر ترقی پسندانہ اقدامات میں توسیع کو ترجیح دے رہی ہے۔ تعمیرات اور رہائش کے شعبوں میں سرمایہ کاری کے ذریعے برآمدات میں اضافے اور مقامی طلب کو متحرک کرنے پر توجہ کا ارتکاز حکومت کی ترقی پسندانہ حکمت عملی کے سنگ میل ہیں۔ اس ضمن میں کلیدی اقدامات میں سازگار ماحول بشمول سود کی مستحکم شرحیں، رہائش اور مشینوں کی درآمدات کے لیے رقم مہیا کرنے کی کم لاگت اسکیمیں، اور بجلی کی محصولات میں مزید اضافے سے احتراز شامل ہیں۔ پبلک سیکٹر میں رقوم کی فراہمی پر بوجھ میں کمی کے حالیہ حکومتی اقدامات کے باوجود پبلک سیکٹر کے ادارے اور خاص طور پر توانائی کا شعبہ تاحال آئی ایم ایف مذاکرات میں ایک تلخ مسئلہ اور حکومت کے لیے ایک بڑا چیلنج بنا ہوا ہے۔ ادائیگی کے توازن کے اکاؤنٹ میں تیزی سے ہونے والا بگاڑ حکومت کو آئی ایم ایف پالیسی کے ڈھانچے کے سامنے ہتھیار ڈالنے پر مجبور کر سکتا ہے جس کے نتیجے میں معاشی ترقی کی رفتار میں تبدیلی آ سکتی ہے۔

قرض حاملین کے لیے ہم توقع کرتے ہیں کہ بازار زر کے فنڈ سال بھر بلار کاوٹ پالیسی شرحوں کی عکاسی جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز متوقع پیداواری خم میں شامل ہو چکے ہیں۔ ہم بانڈز کے منافعوں کی موجودہ سطحوں کے حوالے سے محتاط ہیں اور ڈیٹا کے نکات کی نگرانی جاری رکھیں گے تاکہ مواقع سے فائدہ اٹھایا جاسکے۔



بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان Sovereign فنڈ کے گوشواروں مہتممہ 30 جون 2021ء کا جائزہ پیش خدمت ہے۔

## معیشت اور بازار کا جائزہ

مالی سال 2021ء معاشی کارکردگی کے اعتبار سے مثبت سال ثابت ہوا ہے۔ مجموعی ملکی پیداوار (جی ڈی پی) اس سال کے ہدف (2.1 فیصد) سے سبقت لے گئی اور اس میں 3.94 فیصد ترقی ہوئی۔ اس توقع سے بہتر کارکردگی کے اسباب سود کی نسبتاً کم اور مستحکم شرحیں، اسٹیٹ بینک آف پاکستان (ایس بی پی) کی معاونتی مالیاتی اسکیمیں، شعبہ تعمیرات کی حوصلہ افزائی کے لیے ایمسنٹی اسکیم، طلب میں بحالی اور کھپت میں مجموعی ترقی کے لیے معاون ثابت ہونے والی ترسیلات کی مضبوط آمد ہیں۔

ترقی کی رفتار سال بھر تیز رہی جس کی عکاسی مختلف شعبوں کی کارکردگی کے ذریعے ہوتی ہے۔ سیمنٹ کے شعبے میں مقامی ترسیلات میں متاثر کن بحالی ہوئی اور ان میں سال گزشتہ کے مقابلے میں تقریباً 20 فیصد ترقی ہوئی۔ 2 اور 3 پتھوں والی گاڑیوں کی فروخت میں بھی تقریباً 39 فیصد کا متاثر کن ترقی ہوئی جس سے معیشت میں لچک کی عکاسی ہوتی ہے۔ اسی طرح، پٹرول اور ڈیزل کی طلب میں سال گزشتہ کے مقابلے میں بالترتیب 12 فیصد اور 16 فیصد اضافہ ہوا جس سے معیشت میں وسیع تر بحالی کی نشاندہی ہوتی ہے۔ مجموعی طور پر بڑے پیمانے پر ہونے والی مینوفیکچرنگ (ایل ایس ایم) کے انڈیکس میں گزشتہ شعبوں کی بدولت موجودہ مالی سال کے پہلے گیارہ ماہ میں تقریباً 14.6 فیصد ترقی ہوئی ہے۔

خارجی میدان میں مالی سال 2021ء میں کرنٹ اکاؤنٹ کا خسارہ 1.8 بلین ڈالر (جی ڈی پی کا 0.6- فیصد) تھا جو گزشتہ سال کے خسارے 4.4 بلین ڈالر (جی ڈی پی کے 1.7- فیصد) کے مقابلے میں 58 فیصد بہتری ہے۔ اشیاء اور خدمات میں تجارت پر بقایا پر 30 بلین ڈالر خسارے (اس سال تقریباً 23 فیصد زیادہ) کے باوجود کارکنان کی ترسیلات کی مضبوط آمد کے سبب کرنٹ اکاؤنٹ خسارہ معمولی منفی رہا۔ ترسیلات بڑھ کر 29.4 بلین ڈالر ہو گئیں جو سال گزشتہ کی سطح 23.1 بلین ڈالر کے مقابلے میں 27 فیصد اضافہ ہے۔

افراط زر حکومت کی ڈھکتی رگ بنی رہی کیونکہ اشیائے خورد و نوش کی بڑھتی ہوئی قیمتوں کے باعث پالیسی ساز مشکلات کا شکار رہے۔ مجموعی افراط زر، جس کی ترجمانی صارفین کی قیمت کے انڈیکس (سی پی آئی) سے ہوتی ہے، کا اوسط سال گزشتہ سے 8.9 فیصد زیادہ تھا، جبکہ اشیائے خورد و نوش کے افراط زر کا اوسط دوران مدت 13 فیصد تھا۔ رسد کی جہت میں مسائل اور بدانتظامی کے باعث جلد خراب ہو جانے والی اشیائے خورد و نوش اور گندم کی قیمتوں میں اضافہ جاری رہا۔ اس کے باوجود بنیادی افراط زر، جس کی پیمائش اشیائے خورد و نوش اور توانائی کے علاوہ سے ہوتی ہے، قابو میں تھی اور اس کا اوسط برائے مدت 6.4 فیصد تھا۔ مانیٹری پالیسی کمیٹی (ایم پی سی) نے گزشتہ اجلاسوں میں پے در پے کٹوتیوں کے بعد صورتحال کو برقرار رکھا۔ اگرچہ حقیقی سود کی شرح منفی رہی لیکن مرکزی بینک کو وڈ کے باعث طلب کی جہت پر پڑنے والے دباؤ اور بہتر خارجی صورتحال کی بدولت پیدا ہونے والی سہولت کے حوالے سے محتاط تھا۔

معیشت کے مستحکم ہونے کے آغاز کے ساتھ ٹیکس وصولی بھی بہتر ہوئی اور اس میں دوران مالی سال 18 فیصد اضافہ ہوا جو نظر ثانی شدہ ہدف سے 30 بلین روپے زیادہ تھا۔ ابتدائی نو ماہ کا مالیاتی خسارہ جی ڈی پی کا 3.6 فیصد تھا جبکہ سال گزشتہ جی ڈی پی کا 3.8 فیصد تھا۔ بنیادی توازن جی ڈی پی کے 1.0 فیصد زائد کے ساتھ مزید بہتر رہا جبکہ سال گزشتہ جی ڈی پی کا 0.4 فیصد تھا۔

افراط زر میں اضافے کے رجحان کے سبب پیداواری خم بلندی کی طرف جانا شروع ہو گیا۔ دوران مدت تین، پانچ اور دس سالہ بانڈز میں بالترتیب 146، 138 اور 125 بیسیس پوائنٹس (بی پی ایس) کا اضافہ ہوا۔

## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2021

### Fund Type and Category

MCB Pakistan Sovereign Fund (MSF) is an open end fund, which invests in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

### Fund Benchmark

The benchmark for MSF is 6 month PKRV rates.

### Investment Objective

The objective of the fund is to deliver income primarily from investment in Government securities.

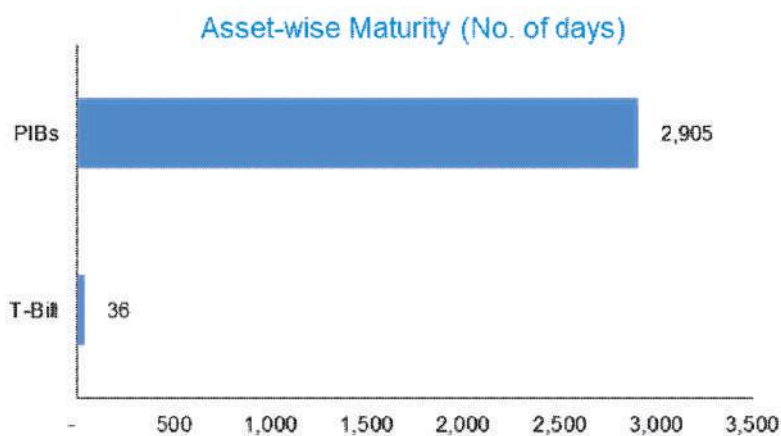
### Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

### Manager's Review

During the period under review, the fund generated an annualized return of 5.67% as against its benchmark return of 7.56%. At period-end, the fund was invested 27.5% in T-Bills and 14.5% PIBs.

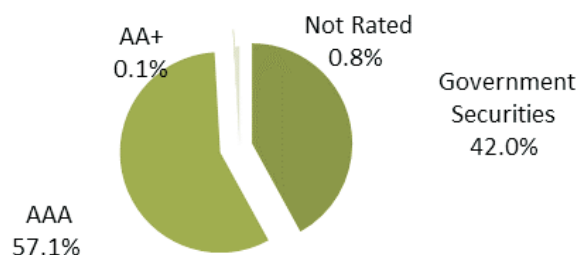
The Net Assets of the Fund as at June 30, 2021 stood at Rs. 738 million as compared to Rs. 1,816 million as at June 30, 2020 registering a decrease of 59.4%. The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs. 53.32 as compared to opening NAV of Rs. 53.27 per unit as at June 30, 2020 registering an increase of Rs. 0.05 per unit.





## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2021

### Asset Quality as of June 30, 2021 (% of total assets)



### Asset Allocation as of June 30, 2021 (%age of Total Assets)

Asset Allocation (%age of Total Assets)	Jun-21
Cash	57.2%
T-Bills	27.5%
PIBs	14.5%
Others including Receivables	0.8%

**Mr. Saad Ahmed**  
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 SOVEREIGN 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 Sovereign 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, 2021 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 09, 2021



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Yousuf Adil  
Chartered Accountants

Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314  
www.yousufadil.com

## INDEPENDENT AUDITOR'S REPORT

To The Unit Holders of MCB Pakistan Sovereign Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **MCB Pakistan Sovereign Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2021, and of its financial performance and its cash flows for the year then ended in accordance with 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 and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

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 matter.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<b>Valuation and existence of investments</b>  As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss (FVTPL) amounted to Rs. 569 million as at June 30, 2021, consisting of Pakistan Investment Bonds and Market Treasury Bills, which represent	We performed the following procedures during our audit of investments: <ul style="list-style-type: none"><li>evaluated design and implementation of controls in place related to purchases and sales of investments;</li></ul>



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Yousuf Adil  
Chartered Accountants

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>significant item of the statement of assets and liabilities of the Fund.</p> <p>Henceforth, we have identified the existence and valuation as the significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"><li>independently tested valuations to ensure that the investments are valued as per the valuation methodology disclosed in the accounting policies;</li><li>independently matched securities held by the Fund with the securities appearing in the Investor Portfolio Securities account statement;</li><li>tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities.</li></ul>

## Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

## Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

Management Company 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 the Management Company 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 Company 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 Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Yousuf Adil  
Chartered Accountants

## 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 Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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Yousuf Adil  
Chartered Accountants

### Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

Place: Karachi  
Date: September 20, 2021

# STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2021

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>ASSETS</b>			
Bank balances	4	776,052	76,025
Investments	5	569,132	1,780,496
Profit receivable	6	7,790	7,924
Advances, prepayments and other receivables	7	3,024	4,754
<b>Total assets</b>		<b>1,355,998</b>	<b>1,869,199</b>
<b>LIABILITIES</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	1,018	2,800
Payable to Central Depository Company of Pakistan Limited - Trustee	9	47	157
Payable to the Securities and Exchange Commission of Pakistan	10	252	445
Payable against purchase of investments		569,468	-
Dividend payable		1	-
Accrued expenses and other liabilities	11	47,282	49,407
<b>Total liabilities</b>		<b>618,068</b>	<b>52,809</b>
<b>NET ASSETS</b>		<b>737,930</b>	<b>1,816,390</b>
<b>UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED)</b>		<b>737,930</b>	<b>1,816,390</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>13,838,923</b>	<b>34,096,262</b>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<b>53.3200</b>	<b>53.2700</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

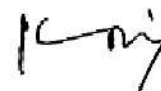
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director



# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
Note	----- (Rupees in '000) -----	
<b>INCOME</b>		
(Loss) / gain on sale of investments - net	(13,815)	126,793
Income from Government securities	93,476	223,636
Markup on deposits with banks	7,148	38,571
Unrealised appreciation / (diminution) on re-measurement of investments at fair value through profit or loss' - net	5	1,034
Other income	-	-
<b>Total income</b>	<b>86,814</b>	<b>390,034</b>
<b>EXPENSES</b>		
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	11,723	45,513
Sindh sales tax on remuneration of Management Company	1,524	5,917
Allocated expense and related taxes	1,262	2,155
Marketing and selling expense	1,767	3,014
Remuneration of Central Depository Company of Pakistan Limited - Trustee	821	1,444
Sindh Sales Tax on remuneration of Trustee	107	188
Annual fee of Securities and Exchange Commission of Pakistan	252	445
Provision against Sindh Workers' Welfare Fund	1,349	6,558
Auditors' remuneration	549	585
Brokerage, printing and bank charges	687	2,390
Legal and other professional charges	674	493
<b>Total expenses</b>	<b>20,715</b>	<b>68,702</b>
<b>Net income for the year from operating activities</b>	<b>66,099</b>	<b>321,332</b>
Taxation	-	-
<b>Net income for the year after taxation</b>	<b>66,099</b>	<b>321,332</b>
<b>Allocation of net income for the year:</b>		
Net income for the year after taxation	66,099	321,332
Income already paid on units redeemed	(26,656)	(135,874)
	<b>39,443</b>	<b>185,458</b>
<b>Accounting income available for distribution:</b>		
Relating to capital gains	-	43,847
Excluding capital gains	39,443	141,611
	<b>39,443</b>	<b>185,458</b>
<b>Earnings per unit</b>	3.15	

The annexed notes from 1 to 26 form an integral part of these financial statements.

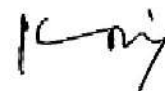
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director



# STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
Net income for the year after taxation	66,099	321,332
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>66,099</b>	<b>321,332</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

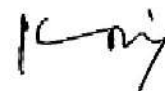
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	For year ended June 30,					
	2021			2020		
	Capital Value	Accumulated loss	Total	Capital Value	Accumulated loss	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	2,523,996	(707,606)	1,816,390	1,382,425	(752,781)	629,644
Issue of 5,970,854 units (2020: 162,462,618 units):						
- Capital value (at net asset value per unit at the beginning of the year)	318,067	-	318,067	8,631,639	-	8,631,639
- Element of income	6,936	-	6,936	702,461	-	702,461
	325,003	-	325,003	9,334,100	-	9,334,100
Redemption of 26,228,193 units (2020: 140,217,102 units):						
- Capital value (at net asset value per unit at the beginning of the year)	(1,397,176)	-	(1,397,176)	(7,449,735)	-	(7,449,735)
- Amount paid out of element of income	(5,545)	(26,656)	(32,201)	(627,787)	(135,874)	(763,661)
- Relating to 'Net income for the period after taxation'	(1,402,721)	(26,656)	(1,429,377)	(8,077,522)	(135,874)	(8,213,396)
Final distributions for the year ended June 30, 2020 (including additional units) at the rate of Rs. 4.13 per unit (Declared on June 27, 2019)	-	-	-	(115,007)	(140,283)	(255,290)
Total comprehensive income for the year	-	66,099	66,099	-	321,332	321,332
Final distributions for the year ended June 30, 2021 (including additional units) at the rate of Rs. 2.97 per unit (Declared on June 25, 2021)	(705)	(39,480)	(40,185)	-	-	-
Net (loss) / income for the year less distribution	(705)	26,619	25,914	(115,007)	181,049	66,042
<b>Net assets as at the end of the year</b>	<b>1,445,573</b>	<b>(707,643)</b>	<b>737,930</b>	<b>2,523,996</b>	<b>(707,606)</b>	<b>1,816,390</b>
Undistributed loss brought forward						
- Realised		(708,640)			(752,018)	
- Unrealised		1,034			(763)	
		(707,606)			(752,781)	
Accounting income available for distribution						
- Relating to capital gains		-			43,847	
- Excluding capital gains		39,443			141,611	
		39,443			185,458	
Distributions during the year		(39,480)			(140,283)	
<b>Undistributed loss carried forward</b>		<b>(707,643)</b>			<b>(707,606)</b>	
Undistributed loss carried forward						
- Realised		(707,648)			(708,640)	
- Unrealised		5			1,034	
		(707,643)			(707,606)	
	---	(Rupees) ---		---	(Rupees) ---	
Net assets value per unit as at beginning of the year		53.27			53.13	
Net assets value per unit as at end of the year		53.32			53.27	

The annexed notes from 1 to 26 form an integral part of these financial statements.

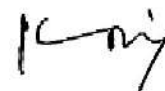
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	66,099	321,332
Adjustments for:		
Unrealised (appreciation) / diminution on re-measurement of investments at fair value through profit or loss - net	(5)	(1,034)
Provision against Sindh Workers' Welfare Fund	1,349	6,558
	<u>67,443</u>	<u>326,856</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	306,966	(497,908)
Profit receivable	134	(5,102)
Advances, prepayments and other receivables	1,730	(1,660)
	<u>308,830</u>	<u>(504,670)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(1,783)	1,912
Payable to the Trustee	(110)	61
Payable to the Securities and Exchange Commission of Pakistan	(193)	(46)
Payable against purchase of investments	569,468	(467,813)
Dividend payable	1	(3,965)
Accrued expenses and other liabilities	(3,474)	3,506
	<u>563,910</u>	<u>(466,345)</u>
<b>Net cash generated / (used in) from operating activities</b>	<u>940,183</u>	<u>(644,159)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issuance of units	324,298	9,219,093
Amount paid against redemption of units	(1,429,377)	(8,213,396)
Distribution made during the year	(39,480)	(140,283)
<b>Net cash (used in) / generated from financing activities</b>	<u>(1,144,559)</u>	<u>865,414</u>
<b>Net increase in cash and cash equivalents during the year</b>	<u>(204,377)</u>	<u>221,255</u>
Cash and cash equivalents at beginning of the year	1,352,825	1,131,570
<b>Cash and cash equivalents at end of the year</b>	<u>1,148,449</u>	<u>1,352,825</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

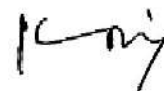
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited as Management Company and Habib Metropolitan Bank Limited as Trustee. Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investments Limited to MCB–Arif Habib Savings and Investments Limited with effect from June 27, 2011. During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995, [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules)].

- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company situated at 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3 The Board of Directors have approved that the Fund should be categorised as 'Income Scheme' as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009. The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.4 MCB Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the Government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has maintained an asset manager rating of 'AM1' dated October 06, 2020 to the Management Company and stability rating of 'AA-(f)' dated March 09, 2021 to the Fund.
- 1.6 The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the Trustee of the Fund.
- 1.7 During the year, the Trust Act, 1882 has been repealed due to promulgation of Provincial Trust Act "Sindh Act 2020" as empowered under the Eighteenth Amendment to the Constitution of Pakistan. Various new requirements including registration under the Trust Act have been introduced. The Management Company after fulfilling the requirement for registration of Trust Deed under Sindh Act 2020, has submitted Collective Investment Scheme Trust Deed to Registrar acting under Sindh Act 2020 for registration.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020

Certain annual improvements have also been made to a number of IFRSs.

## 2.3 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from Accounting period beginning on or after</b>
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

## **2.4 Critical accounting estimates and judgements**

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- Classification and valuation of financial assets (notes 3.1.1 and 5)
- Impairment of financial assets (note 3.1.1.3)
- Taxation (notes 3.4 and 16)
- Classification and measurement of financial liabilities (notes 3.1.2)

The revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

## **2.5 Basis of measurement**

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

## **2.6 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency. Amounts presented in the financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the se financial statements.

### **3.1 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 3.1.1 Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### 3.1.1.1 Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. For purposes of subsequent measurement, financial assets are classified in following categories:

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

#### Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income (OCI), interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is reclassified to the income statement.

#### Financial assets at fair value through profit or loss (debt instruments)

Debt instruments that do not meet the amortised cost criteria or the fair value through other comprehensive income criteria are classified as at fair value through profit or loss. In addition, debt instruments that meet either the amortised cost criteria or the fair value through other comprehensive income criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

### 3.1.1.2 Fair value measurement principles

The fair value of financial instruments is determined as follows:

#### Basis of valuation of government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV / PKFRV rates) which are based on the remaining tenor of the securities.

#### Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and

Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

### 3.1.1.3 Impairment of financial assets

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore, the Fund will not be subject to the impairment provisions of IFRS 9.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

## 3.1.1.4 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of assets and liabilities) when:

- the rights to receive cash flows from the asset have expired; or
- the Fund has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of the asset;

## 3.1.2 Financial liabilities

### 3.1.2.1 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss.

### 3.1.2.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

### 3.1.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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.

## 3.2 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, which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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## 3.3 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.

## 3.4 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.

## 3.5 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 the 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.

## 3.6 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.

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

## 3.7 Net asset value per unit

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

## 3.8 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised appreciation / diminution 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- Income from investments in government securities is recognised on a time proportionate basis using effective interest rate method.
- Profit on bank balances is recognised on a time proportionate basis using bank's approved rates.
- Dividend income from equity securities is recognised when the right to receive dividend is established.

### 3.9 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.

### 3.10 Earnings per unit

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, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>4. BANK BALANCES</b>			
In savings accounts	4.1	775,093	67,316
In current accounts	4.2	959	8,709
		<b>776,052</b>	<b>76,025</b>

**4.1** These carry mark-up at rates ranging between 5.50% to 11.25% (2020: 5.50% to 7.83%) per annum and include Rs 0.025 million (2020: Rs. 1.45 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 5.5% (2020: 5.5%) per annum.

**4.2** These represents a balance of Rs. 0.95 million (2020: Rs. 8.704) million held with MCB Bank Limited (a related party).

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>5. INVESTMENTS</b>			
<b>Financial assets 'at fair value through profit or loss'</b>			
<b>Government Securities</b>			
Pakistan investment bonds	5.1.1	5,643	5,874
Pakistan investment bonds - Floating Rate Bond (FRB)	5.1.2	191,092	466,253
Market treasury bills	5.1.3	372,397	1,308,369
		<b>569,132</b>	<b>1,780,496</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 5.1 Financial assets 'at fair value through profit or loss'

### 5.1.1 Government securities - Pakistan Investment Bonds

Name of security	Date of issue	Face value				As at June 30, 2021			Market value	
		As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments
		(Rupees in '000)								
Pakistan Investment Bonds - 20 years *	10-Jun-04	5,500	-	-	5,500	5,779	5,643	(136)	0.76	0.99
Pakistan Investment Bonds - 5 years	12-Jul-18	-	650,000	650,000	-	-	-	-	-	-
	19-Sep-19	-	1,150,000	1,150,000	-	-	-	-	-	-
	15-Oct-20	-	525,000	525,000	-	-	-	-	-	-
Pakistan Investment Bonds - 3 years	19-Sep-19	-	750,000	750,000	-	-	-	-	-	-
	20-Aug-20	-	350,000	350,000	-	-	-	-	-	-
As at June 30, 2021						5,779	5,643	(136)		
As at June 30, 2020						4,905	5,874	969		

\* This carry mark-up at the rate 10% (June 30, 2020: 10%) per annum and will mature within 20 years.

### 5.1.2 Government securities - Pakistan Investment Bonds FRB

Name of security	Date of issue	Face value			As at June 30, 2021			Market value		
		As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments
		(Rupees in '000)								%
Pakistan Investment Bonds FRB - 10 years *	25-Jul-19	-	500,000	400,000	100,000	100,510	100,570	60	13.63	17.67
Pakistan Investment Bonds FRB - 10 years *	22-Aug-19	90,000	270,000	270,000	90,000	90,459	90,522	63	12.27	15.91
Pakistan Investment Bonds FRB - 3 years	18-Jun-20	375,000	2,550,000	2,925,000	-	-	-	-	-	-
Pakistan Investment Bonds FRB - 3 years	22-Oct-20	-	900,000	900,000	-	-	-	-	-	-
Pakistan Investment Bonds FRB - 2 years	5-Nov-20	-	500,000	500,000	-	-	-	-	-	-
As at June 30, 2021					190,969	191,092	123			
As at June 30, 2020					467,252	466,253	(999)			

\* These carry mark-up ranging from 7.94% to 8.21% (June 30, 2020: 8.26% to 14.05%) per annum and will mature within 10 years.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 5.1.3 Government securities - Market Treasury Bills

Name of security	Date of issue	Face value			As at June 30, 2021			Market value	
		As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
					(Rupees in '000)				%
Market Treasury Bills - 03 Months	4-Jun-20	750,000	-	-	750,000	-	-	-	-
Market Treasury Bills - 03 Months	4-Jun-20	500,000	-	-	500,000	-	-	-	-
Market Treasury Bills - 12 Months	7-Nov-19	41,500	-	-	41,500	-	-	-	-
Market Treasury Bills - 12 Months	19-Dec-19	32,600	-	-	32,600	-	-	-	-
Market Treasury Bills - 03 Months	2-Jul-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 06 Months	2-Jul-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 06 Months	18-Jun-20	-	150,000	-	150,000	-	-	-	-
Market Treasury Bills - 06 Months	18-Jun-20	-	200,000	-	200,000	-	-	-	-
Market Treasury Bills - 06 Months	18-Jun-20	-	900,000	-	900,000	-	-	-	-
Market Treasury Bills - 03 Months	23-Apr-20	-	175,000	-	175,000	-	-	-	-
Market Treasury Bills - 03 Months	16-Jul-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 06 Months	16-Jul-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 12 Months	19-Dec-19	-	1,000,000	-	1,000,000	-	-	-	-
Market Treasury Bills - 03 Months	16-Jul-20	-	3,000,000	-	3,000,000	-	-	-	-
Market Treasury Bills - 06 Months	16-Jul-20	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 06 Months	16-Jul-20	-	1,250,000	-	1,250,000	-	-	-	-
Market Treasury Bills - 06 Months	16-Jul-20	-	2,575,000	-	2,575,000	-	-	-	-
Market Treasury Bills - 12 Months	16-Jul-20	-	900,000	-	900,000	-	-	-	-
Market Treasury Bills - 12 Months	19-Dec-19	-	1,400,000	-	1,400,000	-	-	-	-
Market Treasury Bills - 12 Months	29-Aug-19	-	175,000	-	175,000	-	-	-	-
Market Treasury Bills - 12 Months	29-Aug-19	-	100,000	-	100,000	-	-	-	-
Market Treasury Bills - 12 Months	12-Sep-19	-	175,000	-	175,000	-	-	-	-
Market Treasury Bills - 06 Months	26-Mar-20	-	175,000	-	175,000	-	-	-	-
Market Treasury Bills - 06 Months	23-Apr-20	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 06 Months	26-Mar-20	-	150,000	-	150,000	-	-	-	-
Market Treasury Bills - 12 Months	10-Oct-19	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 12 Months	10-Oct-19	-	325,000	-	325,000	-	-	-	-
Market Treasury Bills - 06 Months	10-Sep-20	-	600,000	-	600,000	-	-	-	-
Market Treasury Bills - 06 Months	9-Apr-20	-	100,000	-	100,000	-	-	-	-
Market Treasury Bills - 06 Months	16-Jul-20	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 06 Months	18-Jun-20	-	400,000	-	400,000	-	-	-	-
Market Treasury Bills - 12 Months	10-Oct-19	-	325,000	-	325,000	-	-	-	-
Market Treasury Bills - 06 Months	23-Apr-20	-	50,000	-	50,000	-	-	-	-
Market Treasury Bills - 06 Months	23-Apr-20	-	250,000	-	250,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	150,000	-	150,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	20,000	-	20,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	300,000	-	300,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	100,000	-	100,000	-	-	-	-
Market Treasury Bills - 03 Months	27-Aug-20	-	2,500,000	-	2,500,000	-	-	-	-
Market Treasury Bills - 12 Months	5-Dec-19	-	1,000,000	-	1,000,000	-	-	-	-
Market Treasury Bills - 03 Months	5-Nov-20	-	250,000	-	250,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	25,000	-	25,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 03 Months	27-Aug-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	150,000	-	150,000	-	-	-	-

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Name of security	Date of issue	Face value			As at June 30, 2021			Market value	
		As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
					(Rupees in '000)				
Market Treasury Bills - 03 Months	19-Nov-20	-	250,000	-	250,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	125,000	-	125,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	25,000	-	25,000	-	-	-	-
Market Treasury Bills - 03 Months	24-Sep-20	-	100,000	-	100,000	-	-	-	-
Market Treasury Bills - 03 Months	3-Dec-20	-	200,000	-	200,000	-	-	-	-
Market Treasury Bills - 03 Months	17-Dec-20	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	150,000	-	150,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	25,000	-	25,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	25,000	-	25,000	-	-	-	-
Market Treasury Bills - 03 Months	31-Dec-20	-	1,500,000	-	1,500,000	-	-	-	-
Market Treasury Bills - 03 Months	19-Nov-20	-	149,000	-	149,000	-	-	-	-
Market Treasury Bills - 03 Months	5-Nov-20	-	150,000	-	150,000	-	-	-	-
Market Treasury Bills - 12 Months	30-Jan-20	-	5,000	-	5,000	-	-	-	-
Market Treasury Bills - 12 Months	30-Jan-20	-	5,000	-	5,000	-	-	-	-
Market Treasury Bills - 12 Months	30-Jan-20	-	30,000	-	30,000	-	-	-	-
Market Treasury Bills - 03 Months	14-Jan-21	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 12 Months	13-Feb-20	-	225,000	-	225,000	-	-	-	-
Market Treasury Bills - 12 Months	13-Feb-20	-	210,000	-	210,000	-	-	-	-
Market Treasury Bills - 03 Months	5-Nov-20	-	80,000	-	80,000	-	-	-	-
Market Treasury Bills - 03 Months	3-Dec-20	-	1,500,000	-	1,500,000	-	-	-	-
Market Treasury Bills - 03 Months	3-Dec-20	-	200,000	-	200,000	-	-	-	-
Market Treasury Bills - 12 Months	27-Feb-20	-	150,000	-	150,000	-	-	-	-
Market Treasury Bills - 12 Months	27-Feb-20	-	60,000	-	60,000	-	-	-	-
Market Treasury Bills - 12 Months	27-Feb-20	-	90,000	-	90,000	-	-	-	-
Market Treasury Bills - 03 Months	25-Feb-21	-	150,000	-	150,000	-	-	-	-
Market Treasury Bills - 03 Months	31-Dec-20	-	25,000	-	25,000	-	-	-	-
Market Treasury Bills - 03 Months	28-Jan-21	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 03 Months	25-Feb-21	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 06 Months	8-Oct-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 03 Months	28-Jan-21	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Apr-21	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 12 Months	23-Apr-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 12 Months	23-Apr-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 12 Months	7-May-20	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 03 Months	11-Feb-21	-	75,000	-	75,000	-	-	-	-
Market Treasury Bills - 03 Months	22-Apr-21	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 03 Months	6-May-21	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 06 Months	6-May-21	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 03 Months	20-May-21	-	500,000	-	500,000	-	-	-	-
Market Treasury Bills - 06 Months	23-Apr-20	-	800,000	-	800,000	-	-	-	-
Market Treasury Bills - 06 Months	9-Apr-20	-	100,000	-	100,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	150,000	-	150,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	25,000	-	25,000	-	-	-	-
Market Treasury Bills - 03 Months	8-Oct-20	-	25,000	-	25,000	-	-	-	-
Market Treasury Bills - 03 Months	24-Sep-20	-	100,000	-	100,000	-	-	-	-
Market Treasury Bills - 12 Months	27-Feb-20	-	150,000	-	150,000	-	-	-	-

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Name of security	Date of issue	Face value			As at June 30, 2021			Market value	
		As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
Market Treasury Bills - 03 Months	31-Dec-20	-	25,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	31-Dec-20	-	25,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	31-Dec-20	-	70,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	25-Feb-21	-	75,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	11-Mar-21	-	200,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	22-Apr-21	-	175,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	25-Mar-21	-	75,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	3-Jun-21	-	500,000	-	-	-	-	-	-
Market Treasury Bills - 06 Months	8-Apr-21	-	1,275,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	3-Jun-21	-	200,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	17-Jun-21	-	500,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months *	22-Apr-21	-	175,000	-	175,000	174,554	174,556	23.65	30.67
Market Treasury Bills - 03 Months *	3-Jun-21	-	200,000	-	200,000	197,825	197,841	26.81	34.76
<b>As at June 30, 2021</b>						<b>372,379</b>	<b>372,397</b>	<b>18</b>	
As at June 30, 2020						1,307,305	1,308,369	1,064	

\* These carry effective yield ranging from 7.19% to 7.29% (2020: 7.25% to 13.19%) per annum and will mature within 3 months.

## 5.1.4 Listed debt securities - Sukuk certificates

Certificates have a face value of Rs 100,000 each

Name of investee company	As at June 30, 2021			As at June 30, 2021			Market value as a percentage of total investments		Investment as a percentage of total issue size
	As at July 1, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	Unrealised appreciation / (diminution)	Market value as a percentage of net assets	
GoP Ijarah Sukuks	-	312,500	312,500	-	-	-	-	-	-
<b>Total as at June 30, 2021</b>									
Total as at June 30, 2020									

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000) -----	
<b>5.2</b>	<b>Net unrealised appreciation in value of investments at fair value through profit or loss</b>		
Market value as at June 30	5.1.1 & 5.1.3	569,132	1,780,496
Carrying value as at June 30	5.1.1 & 5.1.3	(569,127)	(1,779,462)
		<u>5</u>	<u>1,034</u>
<b>6.</b>	<b>PROFIT RECEIVABLE</b>		
Profit receivable on:			
Deposits with banks		1,642	2,275
Government securities		6,148	5,649
		<u>7,790</u>	<u>7,924</u>
<b>7.</b>	<b>ADVANCE, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advance tax		2,843	2,835
Prepayment		181	202
Other receivables		-	1,717
		<u>3,024</u>	<u>4,754</u>
<b>8.</b>	<b>PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY</b>		
Management remuneration payable	8.1	588	1,223
Sindh Sales Tax on management remuneration payable	8.2	76	159
Payable against allocated expenses	8.3	63	146
Payable against marketing and selling expenses	8.4	291	911
Sales load Payable		-	361
		<u>1,018</u>	<u>2,800</u>
<b>8.1</b>	As per amendment in the offering document, the management company with effect from August 08, 2019 charged management fee at the rate of up to 10% of the gross earnings of the scheme, calculated on a daily basis. Provided that fund is subject to a minimum fee of 0.5% of the average daily net asset of the scheme.		
<b>8.2</b>	Sales tax on management remuneration has been charged at the rate of 13% (2020: 13%).		
<b>8.3</b>	In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).		
	Till June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.		
	The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense which has also been approved by the Board of Directors of the Management Company.		
<b>8.4</b>	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 a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.		

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

During the year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board of Directors of the Asset management company (BOD) as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

The Management Company has charged selling and marketing expenses to the Fund based on its discretion subject to not being higher than actual expense, which has also been approved by the BOD of the Management Company.

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee remuneration payable	9.1	42	139
Sindh Sales Tax on remuneration of the trustee	9.2	5	18
		<u>47</u>	<u>157</u>
<b>9.1</b>	Trustee is entitled to a remuneration at the rate of 0.065% per annum of the net assets to be paid monthly in arrears.		
<b>9.2</b>	Sales tax on remuneration of the Trustee has been charged at the rate of 13% (2020: 13%).		
	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable to the SECP	10.1	<u>252</u>	<u>445</u>
<b>10.1</b>	The Fund has charged SECP Fee at the rate of 0.02% of net assets during the current period.		
	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision against Sindh Workers' Welfare Fund	11.1	13,419	12,070
Provision for Federal Excise Duty and related tax on			
- Management fee	11.2	29,028	29,028
- Sales load		4,170	4,170
Withholding tax payable		167	3,519
Auditors' remuneration		382	382
Brokerage		12	152
Others		104	86
		<u>47,282</u>	<u>49,407</u>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 11.1 Provision for Sindh Workers' Welfare Fund (SWWF)

The Supreme Court of Pakistan passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the Insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and thereby striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs) obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, MUFAP decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017.

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not Financial Institutions as required by SWWF act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB on November 11, 2016 responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP instructed to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The aggregate balance of SWWF provision in the book of accounts of the Fund as on June 30, 2021 is Rs. 13.42 million (June 30, 2020: Rs. 12.07 million).

The SECP has also concurred with the directions issued by MUFAP through its letter no SCD/AMCW/MUFAP/2017 - 405 dated February 01, 2017.

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level on August 13, 2021 and was also taken up with the SECP and all the Asset Management Companies, in consultation with SECP, reversed the cumulative provision for SWWF recognized in the financial statements of the Funds, for the period from May 21, 2015 to 12, 2021, on August 13, 2021. Furthermore, SECP through its letter dated August 30, 2021 has also given its concurrence for prospective reversal of provision of SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statements of the Fund. Had the provision for SWWF been reversed in the financial statements of the fund for the year ended June 30, 2021, the net asset value of the Fund as at June 30, 2021 would have been higher by Re 0.97 (2020: Re 0.35) per unit.

## 11.2 Federal Excise Duty and related tax payable

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 were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

On July 16, 2016, 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 1, 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 and sales load with effect from July 1, 2016. However, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2021 aggregates to Rs. 29.028 (June 30, 2020: Rs. 29.028) 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, 2021 would have been higher by Rs. 2.1 (June 30, 2020: Rs. 0.85) per unit.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 CONTINGENCIES

During the year, an ex-parte income tax order was passed for tax year 2015 through which a tax demand of Rs. 309,896,010 was raised by the concerned Additional Commissioner Inland Revenue (ACIR) of Federal Board of Revenue (FBR) by rejecting the Fund's claim for income tax exemption under clause (99) contained in Part I of the Second Schedule to the Income Tax Ordinance, 2001. The order was passed by misconstruing that the Fund allegedly distributed less than 90% of its income to its unitholders which is the sole criterion for income tax exemption claim under clause (99). Whilst reaching this conclusion the ACIR neither considered element of loss nor excluded Capital gains (realized or unrealized) while calculating income available for distribution.

The Fund has already obtained stay from the Commissioner Inland Revenue – Appeals (CIRA) against recovery of impugned tax demand and the appeal filed with the CIRA against the order is presently pending. Based on the abovereferred facts, it is apparent that the order passed by the ACIR is against the facts of the case and the Management is confident that the ultimate outcome of appeal will be in favour of the Fund. For this reason, no provisioning in this regard is recommended to be made in the financial statements.

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>13. AUDITORS' REMUNERATION</b>		
Annual audit fee	270	270
Half yearly review fee	142	142
Income certification	50	50
	<u>462</u>	<u>462</u>
Sales tax	37	37
Out of pocket expenses	50	86
	<u>549</u>	<u>585</u>

### 14. 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 management has distributed the income available for distribution by the Fund to the unit holders in cash in the manner as explained above. Accordingly, no provision for taxation has been made in these financial statements.

### 15. TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 1.64% as on June 30, 2021 (June 30, 2020: 3.09%) and this includes 0.26% (June 30, 2020: 0.60%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 2.50% (June 30, 2020: 2.50%) prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an income scheme.

		June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
<b>16. CASH AND CASH EQUIVALENTS</b>	<b>Note</b>		
Bank balances	4	776,052	76,025
Government securities - Market Treasury bill	5.1.3	372,397	1,276,800
		<u>1,148,449</u>	<u>1,352,825</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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### 17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, the Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and their close family members, key management personnel and officers of the Management Company.

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the year end are as follows:

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 17.1 Transactions during the year with connected persons / related parties in units of the Fund:

	For the year ended June 30, 2021					
	As at July 01, 2020	Issued for cash	Redeemed	As at June 30, 2021	As at July 01, 2020	Issued for cash
	(Units)					
	(Rupees in '000)					
DG Khan Cement company Limited	8	-	1	7	-	-
MCB Arif Habib Savings And Investments Limited	-	10,956	10,956	-	-	590
Security General Insurance Co. Ltd. Employees Provident Fund Trust	100,244	5,589	-	105,833	5,340	298
Mandate under discretionary portfolio services	-	7,970	5,121	2,849	-	425
Key management personnel	-	767,981	767,981	-	-	41,077
Unitholders holding 10% or more	1,973,817	93,540	-	2,067,358	105,145	4,983
						110,232
	For the year ended June 30, 2020					
	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020	As at July 01, 2019	Issued for cash
	(Units)					
	(Rupees in '000)					
DG Khan Cement company Limited	7	1	-	8	-	-
MCB Arif Habib Savings And Investments Limited	-	8,242,168	8,242,168	-	-	450,216
Mandate under discretionary portfolio services	1	26,373,985	26,373,985	1	-	1,489,736
Security General Insurance Co. Ltd. Employees Provident Fund Trust	-	100,244	-	100,244	-	25,678
Key management personnel	-	628,951	625,758	3,193	-	35,285
Unitholders holding 10% or more	1,871,421	3,742,411	1,871,421	3,742,411	99,691	211,879
						199,358

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>17.2 Details of transactions other than units of the fund with related parties / connected persons during the year</b>		
<b>MCB Arif Habib Savings and Investment Limited - Management Company</b>		
Remuneration including indirect taxes	13,247	51,430
Expense allocated by the Management Company	1,262	2,155
Marketing and selling expense	1,767	3,014
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration including indirect taxes	928	1,632
<b>MCB Bank Limited - Parent of the Management Company</b>		
Profit on bank deposits	47	425
Bank charges	56	25
Sale of securities having face value of Nil (2020: Rs. 700 million)	-	612,972
Purchase of securities having face value of Rs. 1,250 million (2020: 550 million)	1,213,999	504,096
<b>Arif Habib Limited - Subsidiary of Associated Company</b>		
Brokerage and settlement charges*	-	104
<b>17.3 Balances outstanding at year end:</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Management remuneration payable	588	1,223
Sindh Sales Tax on management remuneration payable	76	159
Payable against allocated expenses	63	146
Payable against marketing and selling expenses	291	911
Sales load payable	-	361
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	42	139
Sindh Sales Tax on remuneration of the trustee	5	18
<b>MCB Bank Limited - Parent of the Management Company</b>		
Bank balances	975	10,156
Profit receivable on bank deposits	-	-
Sales load payable	-	25

\* 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 18. 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 close of trading i.e. period end date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in

The following table shows financial instruments recognized at fair value 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).

The following table show the carrying amount and fair values of financial assets and financial liabilities including the levels in the fair value hierarchy.

June 30, 2021							
Carrying amount			Fair value				
Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)							
Financial assets measured at fair value							
Market treasury bills	372,397	-	372,397	-	372,397	-	372,397
Pakistan investment bonds FRB	191,092	-	191,092	-	191,092	-	191,092
Pakistan investment bonds	5,643	-	5,643	-	5,643	-	5,643
	569,132	-	569,132	-	569,132	-	569,132
Financial assets not measured at fair value							
Bank balances	-	776,052	776,052				
Profit receivable	-	7,790	7,790				
	-	783,842	783,842				
Financial liabilities not measured at fair value							
Payable to the Management Company	-	942	942				
Payable to the Trustee	-	42	42				
Accrued and other liabilities	-	498	498				
	-	1,482	1,482				

June 30, 2020							
Carrying amount			Fair value				
Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)							
Financial assets measured at fair value							
Market treasury bills	1,308,369	-	1,308,369	-	1,308,369	-	1,308,369
Pakistan investment bonds FRB	466,253	-	466,253	-	466,253	-	466,253
Pakistan investment bonds	5,874	-	5,874	-	5,874	-	5,874
	1,780,496	-	1,780,496	-	1,780,496	-	1,780,496
Financial assets not measured at fair value							
Bank balances	-	76,025	76,025				
Profit receivable	-	7,924	7,924				
Other receivables	-	1,717	1,717				
	-	85,666	85,666				
Financial liabilities not measured at fair value							
Payable to the Management Company	-	2,641	2,641				
Payable to the Trustee	-	139	139				
Payable against purchase of investments	-	-	-				
Accrued and other liabilities	-	620	620				
	-	3,400	3,400				

During the year ended June 30, 2021, there were no transfers between levels of fair value measurements, and no transfer into and out of level 3 fair value measurements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 19. FINANCIAL RISK MANAGEMENT

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

### 19.1 Market risk

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

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

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

#### 19.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

#### 19.1.2 Yield / Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2021, the Fund is exposed to such risks on bank balances and investments in government securities. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

As of June 30, 2021 details of Fund's interest bearing financial instruments were as follows:

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>Variable rate instruments (financial asset)</b>			
Bank balance	4	775,093	67,316
Pakistan investment bonds (FRB)	5.1.2	191,092	466,253
		<u>966,185</u>	<u>533,569</u>
<b>Fixed rate instruments (financial assets)</b>			
Pakistan investment bonds	5.1.1	5,643	5,874
Market treasury bills	5.1.3	372,397	1,308,369
		<u>378,040</u>	<u>1,314,243</u>

#### a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds Government securities which are variable rate instruments exposing the fund to cash flow interest rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs 9.66 million (2020: Rs 5.34 million).



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## b) Sensitivity analysis for fixed rate instruments

As at June 30, 2021, the Fund holds Market Treasury Bill and Pakistan Investment Bond (FRB) exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2021, the net income for the year and net assets would be lower / higher by Rs. 5.63 million (June 30, 2020: Rs. 13.14 million).

Yield / interest 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 investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2021 is not necessarily indicative of the impact on the Fund's net assets of further movements in interest rates.

Particulars	As at June 30, 2021					
	Effective yield / rate	Exposed to yield / interest risk			Not exposed to yield rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%					(Rupees in '000)

(Rupees in '000)

### On-balance sheet financial instruments

#### Financial assets

Bank balances	5.5 to 11.25	775,093	-	-	959	776,052
Investments	6.30 to 14.06	-	-	196,735	372,397	569,132
Profit receivable		-	-	-	7,790	7,790
Other receivables		-	-	-	-	-
<b>Sub total</b>		<b>775,093</b>	<b>-</b>	<b>196,735</b>	<b>381,146</b>	<b>1,352,974</b>

#### Financial liabilities

Payable to the Management Company		-	-	-	942	942
Payable to the Trustee		-	-	-	42	42
Payable against purchase of investments		-	-	-	569,468	569,468
Accrued expenses and other liabilities		-	-	-	498	498
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>570,950</b>	<b>570,950</b>

### On-balance sheet gap

<b>775,093</b>	<b>-</b>	<b>196,735</b>	<b>(189,804)</b>	<b>782,024</b>
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### Total profit rate sensitivity gap

<b>775,093</b>	<b>-</b>	<b>196,735</b>	<b>(189,804)</b>	<b>782,024</b>
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### Cumulative profit rate sensitivity gap

<b>775,093</b>	<b>775,093</b>	<b>971,828</b>
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Particulars	As at June 30, 2020					
	Effective yield / rate	Exposed to yield / interest risk			Not exposed to yield rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%					(Rupees in '000)

(Rupees in '000)

### On-balance sheet financial instruments

#### Financial assets

Bank balances	5.5 to 7.83	67,316	-	-	8,709	76,025
Investments	7.25 to 14.05	1,236,294	72,075	472,127	-	1,780,496
Profit receivable		-	-	-	7,924	7,924
Other receivables		-	-	-	1,717	1,717
<b>Sub total</b>		<b>1,303,610</b>	<b>72,075</b>	<b>472,127</b>	<b>18,350</b>	<b>1,866,162</b>

#### Financial liabilities

Payable to the Management Company		-	-	-	2,641	2,641
Payable to the Trustee		-	-	-	139	139
Payable against purchase of investments		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	620	620
<b>Sub Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,400</b>	<b>3,400</b>

### On-balance sheet gap

<b>1,303,610</b>	<b>72,075</b>	<b>472,127</b>	<b>14,950</b>	<b>1,862,762</b>
------------------	---------------	----------------	---------------	------------------

### Total profit rate sensitivity gap

<b>1,303,610</b>	<b>72,075</b>	<b>472,127</b>	<b>14,950</b>	<b>1,862,762</b>
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### Cumulative profit rate sensitivity gap

<b>1,303,610</b>	<b>1,375,685</b>	<b>1,847,812</b>
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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 19.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the Fund is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

## 19.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on bank balances and other financial assets at amortised cost. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Pakistan investment bond and market treasury bills are government backed and hence considered as secured.

The Fund has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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 minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The Fund's maximum exposure to credit risk is the carrying amounts of following financial assets.

	June 30, 2021		June 30, 2020	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	776,052	776,052	76,025	76,025
Investments	569,132	-	1,780,496	-
Profit receivable	7,790	1,642	7,924	2,275
Other receivables	-	-	1,717	1,717
	<b>1,352,974</b>	<b>777,694</b>	<b>1,866,162</b>	<b>80,017</b>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in Government securities of Rs. 569,132 (June 30, 2020: Rs. 1,780.496 million) and profit receivable on government securities of Rs. 6.148 million (June 30, 2020: Rs. 0.032 million)

The analysis below summaries the credit rating quality of the Fund's financial assets with banks as at June 30, 2021.

### Bank Balances by rating category

Rating	June 30, 2021		June 30, 2020	
	Rupees in '000	%	Rupees in '000	%
AAA	774,601	99.81	71,282	93.76
AA+	1,343	0.17	4,710	6.20
AA-	26	-	11	0.01
AA	82	0.01	22	0.03
	<b>776,052</b>	<b>100</b>	<b>76,025</b>	<b>100</b>

Above ratings are on the basis of available ratings assigned by PACRA and VIS Credit Rating Company Limited (Formerly JCR-VIS Credit Rating Company Limited) as of June 30, 2021.

### Investment in fixed income securities

Investments in market treasury bills and Pakistan investment bonds do not expose the Fund to credit risk as the counter party to the investment is the Government of Pakistan and management does not expect to incur any credit loss on such investment.

### Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## 19.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Funds. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive documents and guidelines laid down by the SECP.

Units of the Fund are redeemable on demand at the holder's option, however, the Fund does not anticipate significant redemption of units.

The table below analyses the Fund's financial assets and 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.

2021	Within 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 5 years	More than 5 years	Total
	(Rupees in '000')					

### Financial assets

Bank balances	776,052	-	-	-	-	776,052
Investments	-	372,397	-	5,643	191,092	569,132
Profit receivable	7,790	-	-	-	-	7,790
Other receivables	-	-	-	-	-	-
	783,842	372,397	-	5,643	191,092	1,352,974

### Financial liabilities

Payable to the Management Company	942	-	-	-	-	942
Payable to the Trustee	42	-	-	-	-	42
Payable against purchase of investments	-	-	-	-	-	-
Accrued expenses and other liabilities	498	-	-	-	-	498
	1,482	-	-	-	-	1,482
	782,360	372,397	-	5,643	191,092	1,351,492

2020	Within 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 5 years	Over 1 to 5 years	Total
	(Rupees in '000')					

### Financial assets

Bank balances	76,025	-	-	-	-	76,025
Investments	-	1,236,294	72,075	381,362	90,765	1,780,496
Profit receivable	7,924	-	-	-	-	7,924
Other receivables	1,717	-	-	-	-	1,717
	85,666	1,236,294	72,075	381,362	90,765	1,866,162

### Financial liabilities

Payable to the Management Company	2,641	-	-	-	-	2,641
Payable to the Trustee	139	-	-	-	-	139
Payable against purchase of investments	-	-	-	-	-	-
Accrued expenses and other liabilities	620	-	-	-	-	620
	3,400	-	-	-	-	3,400
	82,266	1,236,294	72,075	381,362	90,765	1,862,762

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22.5
Muhammad Asim	Chief Investment Officer	MBA & CFA	17
Awais Abdul Sattar	Head of Research	MBA & CFA	11
Jawad Naeem	Head of Islamic Equity	MBA & CFA	12
Muhammad Aitazaz Farooqi	Senior Analyst	MBA & CFA	13
Saad Ahmed	Head of Fixed Income	MBA	16
Syed Abid Ali	Head of Equities	MBA	13
Usama Iqbal	Fund Manager	B.Com	17

### 20.1 Mr. Saad Ahmed is the fund manager. Details of the other funds being managed by him are as follows:

- Alhamra Daily Dividend Fund;
- MCB Cash Management Optimizer Fund;
- Pakistan Cash Management Fund;
- MCB DCF Income Fund; and
- Pakistan Income Enhancement Fund.

## 21. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2021 (Percentage)
1 Continental Exchange (Private) Limited	49.27%
2 Invest One Markets (Private) Limited	11.01%
3 C And M Management (Private) Limited	9.19%
4 Paramount Capital (Private) Limited	8.99%
5 Bipl Securities Limited	7.73%
6 Pearl Securities Limited	3.68%
7 Bright Capital (Private) Limited	2.48%
8 Js Global Capital Limited	2.48%
9 Optimas Capital Management	2.48%
10 Magenta Capital Limited	1.65%
	June 30, 2020 (Percentage)
1 Continental Exchange (Private) Limited	31.01%
2 Invest One Markets (Private) Limited	19.36%
3 C and M Management (Private) Limited	7.43%
4 Paramount Capital (Private) Limited	6.59%
5 Arif Habib Limited	6.29%
6 Bright Capital (Private) Limited	5.36%
7 ICON Securities (Private) Limited	5.34%
8 Js Global Capital Limited	2.90%
9 Optimas Capital Management	2.88%
10 Currency Market Associate	2.37%

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 22. PATTERN OF UNIT HOLDINGS

As at June 30, 2021				
	Number of unit holders	Number of units	Investment amount	Percentage investment
			(Rupees in '000)	%
Foreign Individual	1	2	-	0.00%
Other Corporates	5	704,526	37,567	5.09%
Retirement Fund	16	3,792,542	202,229	27.40%
Associated Company	2	105,840	5,644	0.76%
Others	6	274,087	14,615	1.98%
Individual	784	8,961,926	477,875	64.77%
	<b>814</b>	<b>13,838,923</b>	<b>737,930</b>	<b>100.00%</b>

As at June 30, 2020				
	Number of unit holders	Number of units	Investment amount	Percentage investment
			(Rupees in '000)	%
Individuals	889	24,546,381	1,307,645	71.99%
Associated company	2	100,252	5,340	0.30%
Insurance Companies	2	248,750	13,252	0.73%
Retirement funds	25	6,306,059	335,939	18.49%
Others	19	2,894,820	154,214	8.49%
	<b>937</b>	<b>34,096,262</b>	<b>1,816,390</b>	<b>100.00%</b>

### 23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 157th, 158th, 159th, 160th, 161st, 162nd, 163rd, 164th, 165th 166th and 167th meeting of the Board of Directors were held on July 27, 2020, August 10, 2020, August 18, 2020, October 23, 2020, November 17, 2020, December 14, 2020, February 08, 2021, April 16, 2021, May 04, 2021, June 02, 2021 and June 28, 2021 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

Name of persons attending the meetings	Designation	Number of Meetings Held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave Granted	
Mr. Haroun Rashid	Chairman	11	11	11	-	-
Mr. Nasim Beg	Director	11	11	11	-	-
Mr. Ahmed Jahangir	Director	11	11	11	-	-
Mr. Mirza Qamar Beg	Director	11	11	11	-	-
Syed Savail Meekal Hussain	Director	11	11	11	-	-
Mr. Kashif A. Habib	Director	11	11	10	1	165
Ms. Mavra Adil Khan	Director	11	11	8	3	159,163 & 167
Mr. Muhammad Saqib Saleem	Chief Executive Officer	11	11	11	-	-

### 24. 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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 endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

### 25 IMPACT OF COVID-19

A novel strain of coronavirus (COVID-19) was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown. During the lockdown that lasted from March to May 2020, the funds continued their activity, as the Pakistan Stock Exchange and the money markets continued trading. Management Company is of the view that while COVID-19 and its resulting containment measures have affected the economy, investors' confidence and adequate steps from the government and regulators have spearheaded recovery and subsequent events reflect that in due course, things would be normalised.

### 26 DATE OF AUTHORISATION FOR ISSUE

These Financial Statements were authorized for issue on by the Board of Directors on August 09, 2021 and amended on September 15, 2021 to incorporate the subsequent event as disclosed in note 11.1 to these financial statements.

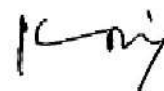
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE  
FOR THE YEAR ENDED JUNE 30, 2021**

No. of Unit Holders	Unit Holdings	Total Units Held
380	001-10,000	13,726
157	10,001 – 100,000	117,799
141	100,001 – 1,000,000	1,208,386
136	1,000,001+	12,498,950
<b>814</b>		<b>13,838,923</b>



## PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2021

Performance Information	2021	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	737.9300	1,816.3907	630.0000	585.0000	1,351.0000
Net Assets value per unit – Rupees	53.3200	53.2700	53.1300	55.8300	53.1300
Closing Offer Price	54.2200	54.1700	54.0300	56.7800	54.0300
Closing Repurchase Price	51.5100	51.4600	51.3300	55.8300	53.1300
Highest offer price per unit	57.2100	62.8500	58.1800	56.7800	57.2000
Lowest offer price per unit	54.1800	54.0700	53.3400	54.0300	53.9600
Highest Redemption price per unit	56.2600	61.8000	57.2100	55.8300	56.2500
Lowest Redemption price per unit	53.2800	53.1700	53.1000	53.1300	53.0600
Distribution per unit – Rs. *	2.9700	8.5558	6.8800	-	3.2000
<b>Average Annual Return - %</b>					
One year	5.67	16.39	7.88	5.08	5.89
Two year	11.03	12.14	6.48	5.49	6.60
Three year	9.98	9.78	6.28	6.09	9.92
Net Income for the year – Rs. in million	66.0990	321.3320	48.9000	48.8546	56.9680
Distribution made during the year – Rs. in million	66.1360	276.1570	74.3600	-	62.2130
Accumulated Capital Growth – Rs. in million	(0.0370)	45.1750	(25.4600)	48.8546	(5.2450)
Weighted average Portfolio Duration (days)	803.0000	438.0000	47.0000	123.0000	65.0000

\* Date of Distribution

2021	
Date	Rate
June 25, 2021	2.97

2020	
Date	Rate
June 26, 2020	8.5558

2019	
Date	Rate
July 04, 2018	2.75
June 27, 2019	4.13

2018	
Date	Rate
Nil	

2017	
Date	Rate
June 21, 2017	3.20

### Disclaimer

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

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