



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2019

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



Vision

To become synonymous with Savings

Mission

To become a preferred Saving and Investment Manager in the domestic and regional markets while maximizing stakeholders' value

Core Values

The Company takes pride in its orientation towards client service. it believes that its key success factors include continuous investment in staff, systems and capacity building and its insistence on universal best practices at all times.

CONTENTS

01	MCB DCF Income Fund	03
02	Pakistan Income Fund	55
03	MCB Pakistan Sovereign Fund	109
04	Pakistan Income Enhancement Fund	162
05	Pakistan Cash Management Optimizer	211
06	MCB Cash Management Fund	259
07	MCB Pakistan Stock Market Fund	305
08	ALHAMRA Islamic Stock Fund	366
09	MCB Pakistan Asset Allocation Fund	424
10	Pakistan Capital Market Fund	486
11	ALHAMRA Islamic Asset Allocation Fund	540
12	ALHAMRA Islamic Income Fund	592
13	ALHAMRA Islamic Active Allocation Fund	647
14	MCB Pakistan Frequent Payout Fund	722
15	ALHAMRA Daily Dividend Fund	776

MCB DCF INCOME FUND

TABLE OF CONTENTS

1	Fund's Information	05
2	Report of the Director of the Management Company	06
3	Report of the Fund Manager	07
4	Trustee Report to the Unit Holders	18
5	Independent Auditor's Report to the Unit Holders	19
6	Statement of Assets and Liabilities	22
7	Income Statement	23
8	Statement of Other Comprehensive Income	24
9	Statement of Movement in Unit Holder's Fund	25
10	Cash Flow Statement	26
11	Notes to and Forming Part of the Financial Statements	27
12	Pattern of Units Holding by Size	53
13	Performance Table	54

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Syed Savail Meekal Hussain Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Mirza Qamar Beg Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Chief Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Amir Qadir	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shakra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Bank Al Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Silk Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Micro Finance Bank Limited National Bank of Pakistan	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Center point, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **MCB DCF Income Fund** accounts review for the year ended June 30, 2019.

ECONOMY AND MONEY MARKET OVERVIEW

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

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

The headline inflation as represented by Consumer Price Index (CPI) accelerated to an average of 7.3% in FY19 compared to 3.9% in the last year. Higher utility tariffs particularly a hike in gas prices (up ~64% YoY) and increased petroleum prices (up ~23% YoY) contributed to the rise in inflation. The regulator allowed for adjustments in utility tariffs as government eliminated the subsidies, while petroleum prices were adjusted after PKR depreciated by more than 30% against USD during the year. Similarly, the lagged impact of PKR depreciation resulted in more pronounced inflation in the second half which increased to an average of 8.6%, compared to 6.0% witnessed in the first half of the fiscal year. In order to control inflation and bring stability to the macroeconomic imbalances, the central bank continued its monetary tightening and increased the interest rates by 575 bps during the course of the year.

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

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

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

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

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

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 7.80% as against its benchmark return of 10.75%. The WAM of the fund reduced to 1.3 years because of interest rate outlook which was on a rising trend. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 0.7% invested in T-Bills, 67.1% in Cash and 29.3% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits. The Net Assets of the Fund as at June 30, 2019 stood at Rs. 3,933 million as compared to Rs. 4,872 million as at June 30, 2018 registering a decrease of 19.27%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs.106.5542 as compared to opening NAV of Rs. 111.3412 per unit as at June 30, 2018 registering a decrease of Rs. 4.787 per unit.

FUTURE OUTLOOK

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

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

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

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

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

Corporate Governance

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

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

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts whatsoever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.

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

- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2019, the Fund is in compliance with the requirement of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2019:

1. Meeting of the Audit Committee.

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

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

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

3. Meeting of Risk Management Committee.

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

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

- m. Nil 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.

External Auditors

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

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 13, 2019



Nasim Beg
Director / Vice Chairman

عزیز سرمایہ کار

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

معیشت اور بازار زر کا مجموعی جائزہ

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

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

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

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

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

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

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

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 7.80 فیصد تھا جبکہ مقررہ معیار 10.75 فیصد تھا۔ فنڈ کی ویڈیو ریت میچورٹی (WAM) کم ہو کر 1.3 سال ہو گئی کیونکہ انٹریسٹ کی شرحیں بلندی کی طرف گامزن تھیں۔ فنڈ کا زیادہ تر اختصاص زیر جائزہ مدت کے اختتام پر نقد اور ٹرم فنانس سرٹیفکیٹس (TFCs) میں رہا۔ اختتام مدت پر فنڈ کی 0.7 فیصد سرمایہ کاری ٹریڈری بلز (T-Bills) میں، 67.1 فیصد سرمایہ کاری نقد میں، اور 29.3 فیصد سرمایہ کاری TFCs میں تھی۔ نقد میں زیادہ شمولیت کی وجہ بینک میں رکھی گئی رقم پر انٹریسٹ کی پُرکشش تھیں۔

30 جون 2019ء کو فنڈ کے Inet اثاثہ جات 3,933 ملین روپے تھے جو 30 جون 2018ء (4,872 ملین روپے) کے مقابلے میں 19.27 فیصد کمی ہے۔

30 جون 2019ء کو Inet اثاثہ جاتی قدر (NAV) فی یونٹ 106.5542 روپے تھی جو 30 جون 2018ء کی ابتدائی NAV (111.3412) روپے فی یونٹ کے مقابلے میں 4.787 روپے فی یونٹ کمی ہے۔

مستقبل کا منظر

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

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

مالی سال 2020ء میں افراط زر کا اوسط متوقع طور پر 11.7 فیصد بڑھے گا جو سال گزشتہ کے دوران 7.3 فیصد تھا۔ افراط زر میں اس اضافے کے متعدد عوامل ہیں۔ اول، حکومت یوٹیلٹیز کی پوری لاگت وصول کرنے کا ارادہ کر رہی ہے جس کے نتیجے میں یوٹیلٹیز کی قیمت میں ترمیمات ہوں گی۔ دوم، متعدد صنعتوں کو فراہم کردہ ٹیکس استثنائات واپس لے لی گئی ہیں جس کے نتیجے میں قیمتوں میں اضافہ ہوا ہے۔ آخری یہ کہ ہم نے مالی سال کے اختتام تک 1 ڈالر کو 170 روپے کے برابر فرض کیا ہے جبکہ خام تیل کو 70 ڈالر فی BBL فرض کیا ہے جس سے مجموعی صارفین کی قیمت کا انڈیکس (CPI) بلند سطح پر رہے گا۔ علاوہ ازیں، ہمیں اُمید ہے کہ اشیائے خورد و نوش اور توانائی کے علاوہ والے شعبوں (NFNE) سے ظاہر ہونے والی بنیادی افراط زر کا اوسط زیر بحث سال

ڈائریکٹر ز پورٹ

کے لیے 10.0 فیصد ہوگا۔ ہم سمجھتے ہیں کہ انٹریسٹ کی موجودہ حقیقی شرح متوقع افراط زر کی ضرورت پوری کرنے کے لیے کافی ہوگی، چنانچہ، عمومی طور پر انٹریسٹ کی شرحوں میں مزید اضافہ متوقع نہیں ہے۔ تاہم توقع سے زیادہ افراط زر یا مالیاتی گوشواروں میں کسی تنزلی کے نتیجے میں مانیٹری پالیسی میں معمولی سختی عمل میں آسکتی ہے۔

مالیاتی جہت میں حکومت مالیاتی خسارے کو GDP کے 7.4 فیصد تک محدود کرنے کا ارادہ کر رہی ہے۔ اگرچہ مالیاتی خسارے کے حتمی ہدف میں ارتقاء ہو سکتا ہے لیکن حکومت کو بنیادی خسارے کو GDP کے 0.6 فیصد پر محدود کرنے کی آئی ایم ایف کی بنیادی شرط کو پورا کرنا ہے۔ اس مقصد کے لیے فیڈرل بورڈ آف ریونیو (FBR) 5.5 ٹریلین روپے (35 فیصد YoY زیادہ) ٹیکس وصولی کا عزم بلند کیے ہوئے ہے۔ پارلیمنٹ میں پیش کردی بجٹ میں 600 سے 700 بلین روپے کے ٹیکس اقدامات کی تجویز دی گئی ہے جبکہ باقی رقم FBR کی کوششوں اور معاشی ترقی پر منحصر رکھی گئی ہے۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات میں سادگی کے اقدامات کا عزم کر رہی ہے تاہم 7.1 ٹریلین روپے (40 فیصد YoY زیادہ) کے ایکسپینڈیچر (یعنی معاشی توسیع پر مبنی) پبلک سیلکٹڈ ویلپمنٹ پروگرام (PSDP) کا منصوبہ بنا رہی ہے۔ ہم ٹیکس وصولی کی ہدف کو بے حد مثبت خیالی پر مبنی سمجھتے ہوئے 300 سے 400 بلین روپے کی کمی کی توقع کر رہے ہیں جس کے نتیجے میں ترقیاتی خرچ پر ضرب پڑے گی۔

کارپوریٹ گورننس

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

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

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکوٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔

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

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

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

f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

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

h. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) کو مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔

ڈائریکٹرز رپورٹ

i. پراویڈنٹ / گریجویٹ فنڈ اور پنشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

j. 30 جون 2019 کے اختتام پر، ڈائریکٹرز ٹریننگ پروگرام کے حوالے سے جو مطالبات کوڈ کے regulation نمبر بیس میں درج ہیں، فنڈ اُس سے compliant ہے۔

k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔

l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2019ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

۱۔ آڈٹ کمیٹی کی میٹنگ

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

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

۲۔ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

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

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

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

ڈائریکٹرز رپورٹ

۳۔ رسک مینجمنٹ کمیٹی کی میٹنگ

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

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

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

خارجی آڈیٹرز

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

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر / وائس چیئر مین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
13 ستمبر 2019ء

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

Fund Type and Category

MCB DCF Income Fund (MCB DCFIF) is an open-end Income scheme, which falls under the category of Income Scheme.

Fund Benchmark

The benchmark for MCB DCFIF is Six(6) months KIBOR rates.

Investment Objective

To deliver superior fixed income returns by investing in an optimal mix of authorized debt instruments while taking into account capital security and liquidity consideration.

Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in medium to long term assets. The fund may also invest a portion of the Fund in money market and short term instruments in order to provide liquidity to Unit Holders at the same time.

Manager's Review

During the period under review, the fund generated an annualized return of 7.80% as against its benchmark return of 10.75%. The WAM of the fund reduced to 1.3 years because of interest rate outlook which was on a rising trend. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 0.7% invested in T-Bills, 67.1% in Cash and 29.3% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

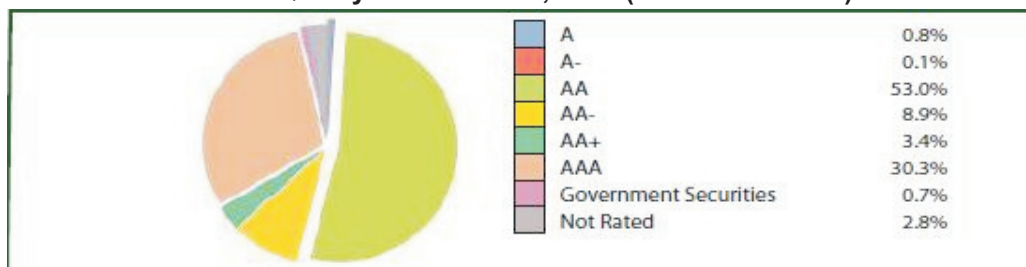
The Net Assets of the Fund as at June 30, 2019 stood at Rs. 3,933 million as compared to Rs. 4,872 million as at June 30, 2018 registering a decrease of 19.27%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs.106.5542 as compared to opening NAV of Rs. 111.3412 per unit as at June 30, 2018 registering a decrease of Rs. 4.787 per unit.

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

Particulars	Jun-19
Cash	67.1%
T-Bills	0.7%
TFCs	29.3%
Others including receivables	2.8%
Spread Transactions	0.1%

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



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 Shahr-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



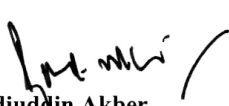
TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME 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 DCF Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the following:

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


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 18, 2019



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F.FERGUSON&CO.

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of MCB DCF Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MCB DCF Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to and forming part of 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, 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (NAV) (Refer notes 4 and 5 to the annexed financial statements) Balances with banks and Investments constitute the most significant component of the NAV. Balances with banks of the Fund as at June 30, 2019 aggregated to Rs 2,779.853 million and Investments amounted to Rs 1,244.532 million. The existence of balances with banks and the existence and proper valuation of Investments for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures included the following: <ul style="list-style-type: none">tested the design and operating effectiveness of the key controls for valuation of investments;obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2019 and reconciled them with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

2



A.F.FERGUSON & CO.

S. No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none">re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; andobtained bank reconciliation statements and tested reconciling items on a sample basis.

Other Matter

The financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated September 14, 2018.

Other Information

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

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

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

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

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

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

AFS

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

3



A.F. FERGUSON & CO.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors 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 board of directors 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Date: September 26, 2019

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2019

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
ASSETS			
Balances with banks	4	2,779,853	2,944,793
Investments	5	1,244,532	1,687,001
Mark-up, dividend and other receivables	6	48,566	44,738
Receivable against sale of investments		22,840	221,310
Receivable against margin trading system		-	1,893
Advances, deposits and prepayments	7	43,925	142,248
Total assets		4,139,716	5,041,983
LIABILITIES			
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	8	6,118	7,138
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	385	441
Payable to the Securities and Exchange Commission of Pakistan	10	2,939	4,114
Payable against redemption of units		-	4,739
Payable against purchase of investments		4,443	-
Accrued expenses and other liabilities	11	192,386	153,058
Total liabilities		206,271	169,490
NET ASSETS		3,933,445	4,872,493
Unit holders' fund (as per statement attached)		3,933,445	4,872,493
Contingencies and commitments	12		
NUMBER OF UNITS IN ISSUE			
		36,914,955	43,761,823
NET ASSET VALUE PER UNIT			
	3.7	106.5542	111.3412

The annexed notes from 1 to 27 form an integral part of these financial statements


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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	Note	For the year ended	
		June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
INCOME			
Net (loss) / gain on sale of investments classified as:			
- at fair value through profit or loss		(78,460)	2,595
- available-for-sale		-	49
Profit on bank deposits and term deposit receipts		172,289	187,322
Interest income from government securities classified as:			
- at fair value through profit or loss		59,657	18,424
- available-for-sale		-	54
Interest income from term finance and sukuk certificates classified as 'at fair value through profit or loss'		141,942	107,096
Dividend income		17,804	54,174
Net unrealised loss on re-measurement of investments classified as 'at fair value through profit or loss'	5.1.8	(13,626)	(17,285)
Income / (loss) from spread transactions - net	5.1.2.1	75,576	(23,119)
Profit mark-up on margin trading system		9,488	49,035
Other income		3,378	1,252
Reversal of provision against debt securities		-	446
Total income		388,048	380,043
EXPENSES			
Remuneration of MCB-Arif Habib Savings & Investments Limited - Management Company	8.1	(58,774)	(82,278)
Sindh sales tax on remuneration of the Management Company	8.2	(7,641)	(10,696)
Allocated expenses including indirect taxes	8.3	(3,918)	(6,198)
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	9.1	(4,180)	(5,424)
Sindh sales tax on remuneration of the Trustee	9.2	(544)	(705)
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	(2,939)	(4,114)
Auditors' remuneration	13	(771)	(757)
Brokerage, settlement and bank charges		(9,673)	(18,557)
Legal and professional charges		(206)	(165)
Fees and subscription		(627)	(506)
Printing and related costs		(51)	-
Total expenses		(89,324)	(129,400)
Net income from operating activities		298,724	250,643
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	(5,974)	(5,013)
Net income for the year before taxation		292,750	245,630
Taxation	14	-	-
Net income for the year after taxation		292,750	245,630
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		292,750	245,630
Income already paid on units redeemed		(42,854)	(63,238)
		249,896	182,392
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		-	-
- Excluding capital gains		249,896	182,392
		249,896	182,392

The annexed notes from 1 to 27 form an integral part of these financial statements

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



Chief Executive Officer



Chief Financial Officer



Director

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

	For the year ended	
	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Net income for the year after taxation	292,750	245,630
Other comprehensive loss for the year		
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	-	(13)
Total comprehensive income for the year	<u>292,750</u>	<u>245,617</u>

The annexed notes from 1 to 27 form an integral part of these financial statements

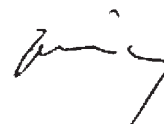
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

	June 30, 2019				June 30, 2018			
	Capital value	Undistrib- uted income	Net unrealised appreciation/ (diminuti-on) on available- for-sale investments	Total	Capital value	Undistrib- uted income	Net unrealised appreciation/ (diminuti-on) on available- for-sale investments	Total
(Rupees in '000)								
Net assets at beginning of the year	4,299,274	573,226	(7)	4,872,493	5,798,921	390,834	6	6,189,761
Change in accounting policy - note 2.3	-	(7)	7	-	-	-	-	-
Net assets at the beginning of the year - restated	4,299,274	573,219	-	4,872,493	5,798,921	390,834	6	6,189,761
Issuance of 25,581,471 units (2018: 14,593,537 units)								-
- Capital value (at ex-net assets value per unit at the beginning of the year)	2,723,477	-	-	2,723,477	1,553,181	-	-	1,553,181
- Element of income	106,602	-	-	106,602	39,218	-	-	39,218
	2,830,079	-	-	2,830,079	1,592,399	-	-	1,592,399
Redemption of 32,428,339 units (2018: 28,990,093 units)								
- Capital value (at ex-net assets value per unit at the beginning of the year)	3,452,414	-	-	3,452,414	3,085,398	-	-	3,085,398
- Element of loss	69,568	42,854	-	112,422	6,648	63,238	-	69,886
	3,521,982	42,854	-	3,564,836	3,092,046	63,238	-	3,155,284
Total comprehensive income / (loss) for the year	-	292,750	-	292,750	-	245,630	(13)	245,617
Final distribution for the year ended June 30, 2018 @ Rs 4.8783 per unit on July 4, 2018	-	(182,392)	-	(182,392)	-	-	-	-
Final distribution for the year ended June 30, 2019 @ Rs 8.2013 per unit on June 28, 2019	-	(246,469)	-	(246,469)	-	-	-	-
Refund of Capital for the year ended June 30, 2018	(31,091)	-	-	(31,091)	-	-	-	-
Refund of Capital for the year ended June 30, 2019	(37,089)	-	-	(37,089)	-	-	-	-
Total distributions during the year	(68,180)	(428,861)	-	(497,041)	-	-	-	-
Net assets at end of the year	3,539,191	394,254	-	3,933,445	4,299,274	573,226	(7)	4,872,493
Undistributed income brought forward								
- Realised	590,511				390,834			
- Unrealised	(17,285)				-			
	573,226				390,834			
Change in accounting policy - note 2.3		(7)				-		
Undistributed income brought forward - restated		573,219				390,834		
Accounting income available for distribution:								
- Relating to capital gains	-				-			
- Excluding capital gains	249,896				182,392			
	249,896				182,392			
Distributions during the year	428,861				-			
Undistributed income carried forward	394,254				573,226			
Undistributed income carried forward:								
- Realised	407,880				590,511			
- Unrealised	(13,626)				(17,285)			
	394,254				573,226			
				(Rupees)				(Rupees)
Net asset value per unit at the beginning of the year	111.3412				106.4294			
Net asset value per unit at the end of the year	106.5542				111.3412			

The annexed notes from 1 to 27 form an integral part of these financial statements

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

Note	For the year ended	
	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	292,750	245,630
Adjustments for:		
Net loss / (gain) on sale of investments classified as:		
- at fair value through profit or loss	78,460	(2,595)
- available-for-sale	-	(49)
Dividend income	(17,804)	(54,174)
Net unrealised loss on revaluation of investments classified as		
'at fair value through profit or loss'	13,626	17,285
(Income) / loss from spread transactions - net	(75,576)	23,119
Reversal of provision against debt securities	-	(446)
Provision for Sindh Workers' Welfare Fund (SWWF)	5,974	5,013
	<u>297,430</u>	<u>233,783</u>
Decrease / (increase) in assets		
Investments	307,133	604,093
Mark-up, dividend and other receivables	(3,939)	21,947
Receivable against margin trading system	1,893	67,219
Receivable against sale of investments	198,470	(221,310)
Advances, deposits and prepayments	98,323	(114,048)
	<u>601,880</u>	<u>357,901</u>
(Decrease) / increase in liabilities		
Payable to MCB-Arif Habib Savings & Investments Limited - Management	(1,021)	(1,131)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(56)	(122)
Payable to the Securities and Exchange Commission of Pakistan (SECP)	(1,175)	(1,017)
Payable against redemption of units	(4,739)	(14,225)
Payable against purchase of investments	4,443	(196,209)
Accrued expenses and other liabilities	33,354	(20,990)
	<u>30,806</u>	<u>(233,694)</u>
Dividends received	17,916	54,697
Net cash generated from operating activities	<u>948,032</u>	<u>412,687</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units - net of refund of capital	2,761,899	1,592,399
Net payments on redemption of units	(3,564,836)	(3,155,284)
Dividend paid	(428,861)	-
Net cash used in financing activities	<u>(1,231,798)</u>	<u>(1,562,885)</u>
Net decrease in cash and cash equivalents during the year	<u>(283,766)</u>	<u>(1,150,198)</u>
Cash and cash equivalents at beginning of the year	3,093,159	4,243,357
Cash and cash equivalents at end of the year	<u>15</u> <u>2,809,393</u>	<u>3,093,159</u>

The annexed notes from 1 to 27 form an integral part of these financial statements

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



Chief Executive Officer



Chief Financial Officer



Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB DCF Income Fund (the Fund) was established under a Trust Deed dated November 20, 2006 executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme vide its letter dated on November 7, 2006 consequent to which the trust deed was executed on November 10, 2006 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3** The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.4** The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.5** The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2++' dated April 08, 2019 to the Management Company and a rating of "AA-(f)" dated June 27, 2019 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which are measured at fair value.

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

2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:

Effective from July 01, 2018, the Fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities. Furthermore, the ECL has an impact on all other assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund other than debt securities (for which there is a separate criteria as mentioned above) that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of the ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

IFRS 9 has provided a criteria for debt securities whereby debt securities are either classified as (a) amortised cost or (b) at fair value through other comprehensive income (FVOCI) or (c) at fair value through profit or loss (FVPL) based on the business model of the entity. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Furthermore, the collection of contractual cash flows for debt securities is only incidental to achieving the Fund's business model's objective.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as FVPL. The management considers its investment in debt securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio is classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. The Funds investment in Pakistan Investment Bonds (PIB) which were previously classified as "Available-for-sale" under IAS 39 have been classified as 'at fair value through profit or loss' and carried at fair value under level 2.

The Fund has adopted modified retrospective restatement approach for adopting IFRS-9 and accordingly, all changes arising on adoption of IFRS-9 have been adjusted at the beginning of the current year.

The effect of this change in accounting policy is as follows:

	As at June 30, 2018 (as previously stated)	Change	As at July 1, 2018 (Restated)	As at June 30, 2019
-----Rupees in '000-----				
Impact on Statement of Assets and Liabilities				
Investments - 'Available for sale'	713	(713)	-	-
Investments - 'At fair value through profit or loss'	1,686,288	713	1,687,001	1,244,532
Impact on Statement of Unit holders' fund				
Net unrealised diminution				
on 'Available-for-sale' investments	(7)	7	-	-
Undistributed income	573,226	(7)	573,219	394,254

There is no impact of this change in accounting policy on the income statement, statement of comprehensive income and statement of cash flows as a result of adoption of IFRS - 9.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on July 1, 2018 that have a material effect on the financial statements of the Fund.

2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

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

Amendments	Effective date (accounting periods beginning on or after)
- IFRS 9 - 'Financial instruments' (amendment)	January 1, 2019
- IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

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

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

There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2019 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

2.5 Critical accounting estimates and judgements

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

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5), provision for SWWF (note 11.1), provision for FED (note 11.2) and provision for taxation (notes 3.12 and 14).

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years except for the change in accounting policy as explained in note 2.3 to these financial statements.

3.2 Cash and cash equivalents

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

3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Debt instruments

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

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

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore, the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

3.3.1.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognised in the "Income Statement", except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

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

The dividend income for equity securities classified under FVPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.

3.3.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments as per Circular 33 of 2012) carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

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

3.3.2.1 Impairment loss on debt securities

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

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

3.3.3 Regular way contracts

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

3.3.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.5 Derecognition

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

3.3.6 Derivatives

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

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

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

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

3.6 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption applications during business hours on that date. The redemption price represents the NAV per unit as on the close of business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

Element of income represents the difference between net asset value per unit on the issuance or redemption date, as the case may be, of units and the net asset 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.

3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on saving account with banks is recognised on an accrual basis using the effective yield method.
- Interest income on government securities is recognised on an accrual basis using the effective yield method.
- Income on debt securities (including term finance certificates and sukuks) is recognised on an accrual basis using the effective yield method, except for the securities which are classified as non-performing asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.
- Dividend income is recognised when the Fund's right to receive the same is established.
- Profit on margin trading system is recognised on an accrual basis using the effective yield method.
- Other income is recognised on an accrual basis using the effective yield method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the year in which these arise.

3.11 Expenses

All expenses including management fee, trustee fee, Securities and Exchange Commission of Pakistan fee and allocated expenses are recognised in the Income Statement on accrual basis.

3.12 Taxation

Current

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

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

Deferred

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

The income of the Fund is exempt from income tax under clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

3.13 Earnings / (loss) per unit

Earnings / (loss) per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.14 Distribution to units holders

Distributions to the unit holders are recognised upon declaration and approval 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.

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

3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

	Note	June 30, 2019	June 30, 2018
4. BALANCES WITH BANKS		----- (Rupees in '000) -----	
Current accounts		3,509	3,153
Savings accounts	4.1	<u>2,776,344</u>	<u>2,941,640</u>
		<u>2,779,853</u>	<u>2,944,793</u>
4.1	This includes balance of Rs. 5.72 million (2018: Rs. 3.24 million) maintained with MCB Bank Limited (a related party) that carries profit at 4.5% per annum (2018: 3.75% per annum). Other saving accounts of the Fund carry profit rates ranging from 3.75% to 13.10% per annum (2018: 3.75% to 9.5% per annum).		
5. INVESTMENTS		June 30, 2019	June 30, 2018
5.1 Investments at fair value through profit or loss		----- (Rupees in '000) -----	
Government securities	5.1.1	29,540	148,366
Listed equity securities	5.1.2	3,965	117,007
Listed debt securities	5.1.3	651,178	383,026
Unlisted debt securities	5.1.4	559,978	1,038,946
Future stock contracts		(129)	(1,057)
Available for sale			
Government securities - Pakistan investment bonds	2.3	<u>-</u>	<u>713</u>
		<u>1,244,532</u>	<u>1,687,001</u>

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

5.1.1 Government securities

Name of security	Note	Date of issue	Face Value				As at June 30, 2019			Market value as a percentage of	
			As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019	Carrying Value	Market value	Unrealised gain / (loss)	Net assets	Total investments
(Rupees in '000)							%				
Market Treasury Bills - 3 months		June 7, 2018	150,000	-	150,000	-	-	-	-	-	-
		August 2, 2018	-	2,300,000	2,300,000	-	-	-	-	-	-
		October 11, 2018	-	250,000	250,000	-	-	-	-	-	-
		December 6, 2018	-	970,000	970,000	-	-	-	-	-	-
		January 3, 2019	-	200,000	200,000	-	-	-	-	-	-
		February 14, 2019	-	2,200,000	2,200,000	-	-	-	-	-	-
		May 9, 2019	-	6,325,000	6,325,000	-	-	-	-	-	-
		May 23, 2019	-	12,650,000	12,620,000	30,000	29,543	29,540	(3)	0.75%	2.37%
Pakistan Investment Bonds - 05 years		March 26, 2015	500	-	500	-	-	-	-	-	-
		July 18, 2013	200	-	200	-	-	-	-	-	-
Total as at June 30, 2019	5.1.1.1						29,543	29,540	(3)		
Total as at June 30, 2018							148,356	148,366	10		

5.1.1.1 This will mature latest by August 30, 2019 (2018: August 30, 2018) and carries effective yield at the rate of 6.74% (2018: 6.70%) per annum.

5.1.2 Listed equity securities

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

Name of investee company	Number of shares				Balance as at June 30, 2019			Market value as a percentage of		Percentage in relation to paid-up capital of the investee company
	As at July 01, 2018	Purchased during the year	Sold during the year	As at June 30, 2019	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
----- (Rupees in '000) ----- % -----										
Automobile parts & accessories										
Loads Limited	33,000	100,000	133,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Cable & electrical goods										
Pak Elektron Limited ***	86,500	8,541,500	8,623,000	5,000	107	100	(6)	-	0.01%	3.31%
					107	100	(6)	-	0.01%	3.31%
Cement										
Cherat Cement Company Limited ***	2,500	500	2,500	500	16	15	(0)	-	-	0.28%
D.G. Khan Cement Company Limited	25,000	4,329,000	4,354,000	-	-	-	-	-	-	-
Fauji Cement Company Limited	270,000	2,078,000	2,348,000	-	-	-	-	-	-	-
Lucky Cement Limited	2,500	196,000	198,500	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	42,000	4,133,500	4,175,500	-	-	-	-	-	-	-
Pioneer Cement Limited	31,000	12,000	43,000	-	-	-	-	-	-	-
					16	15	(0)	-	-	0.28%
Chemicals										
Descon Oxychem Limited	284,500	6,727,500	7,012,000	-	-	-	-	-	-	-
Engro Polymer and Chemicals Limited	33,500	11,876,000	11,909,500	-	-	-	-	-	-	-
Ghani Gases Limited	-	5,000	5,000	-	-	-	-	-	-	-
Nimir Resins Limited	-	5,000	5,000	-	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	1,272,500	22,330,500	23,603,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Commercial banks										
United Bank Limited	-	50,000	50,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Engineering										
International Industries Limited	7,000	1,000	8,000	-	-	-	-	-	-	-
International Steels Limited	9,000	11,000	20,000	-	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited	500	-	500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Fertilizer										
Engro Corporation Limited	500	317,500	318,000	-	-	-	-	-	-	-
Engro Fertilizer Limited	200,500	727,000	927,500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	12,500	11,737,500	11,735,000	15,000	276	273	(3)	0.01%	0.02%	1.61%
Fauji Fertilizer Company Limited ***	14,500	1,022,500	1,036,000	1,000	94	87	(7)	-	0.01%	0.08%
					370	360	(10)	0.01%	0.03%	1.68%
Balance carried forward					492	476	(17)	0.01%	0.04%	5.27%

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

Name of investee company	Number of shares				Balance as at June 30, 2019			Market value as a percentage of		Percentage in relation to paid-up capital of the investee company
	As at July 01, 2018	Purchased during the year	Sold during the year	As at June 30, 2019	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
----- (Rupees in '000) ----- % -----										
Balance brought forward					492	476	(17)	0	0.04%	5.27%
Food & personal care products										
FrieslandCampina Engro Pakistan Limited (formerly: Engro Foods Limited)	1,000	658,500	659,500	-	-	-	-	-	-	-
Fauji Foods Limited	-	1,113,500	1,113,500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Glass & Ceramics										
Shabbir Tiles & Ceramics Limited **	28,000	3,844,500	3,872,500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Insurance										
Adamjee Insurance Company Limited	7,000	59,000	66,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Miscellaneous										
Siddiqsons Tin Plate Limited	-	3,207,500	3,207,500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Oil & Gas Exploration Companies										
Oil & Gas Development Company Limited	12,500	599,500	612,000	-	-	-	-	-	-	-
Pakistan Oilfields Limited	1,500	71,000	72,500	-	-	-	-	-	-	-
Pakistan Petroleum Limited	5,500	41,000	46,500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Oil And gas marketing companies										
Pakistan State Oil Company Limited	6,000	300,000	306,000	-	-	-	-	-	-	-
Sui Northern Gas Company Limited	153,500	4,113,500	4,267,000	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	188,000	3,579,500	3,727,000	40,500	793	838	45	0.02%	0.07%	4.60%
					793	838	45	0.02%	0.07%	4.60%
Pharmaceuticals										
The Searle Company Limited	2,000	455,000	457,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Power generation & distribution										
K-Electric Limited *	2,547,500	18,128,500	20,135,000	541,000	2,234	2,374	140	0.06%	0.19%	1.96%
Kot Addu Power Company Limited ***	21,000	80,500	99,500	2,000	71	73	2	-	0.01%	0.23%
The Hub Power Company Limited	8,500	106,500	115,000	-	-	-	-	-	-	-
					2,305	2,447	142	0.06%	0.20%	2.19%
Real Estate Investment Trust										
Dolmen City REIT	-	3,500	3,500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Refinery										
Attock Refinery Limited	-	429,000	429,000	-	-	-	-	-	-	-
Byco Petroleum Pakistan Limited	80,500	1,604,500	1,685,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Technology & Communications										
Pakistan Telecommunication Company Limited	30,500	4,128,000	4,158,500	-	-	-	-	-	-	-
TRG Pakistan Limited	-	84,500	84,500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Textile Composite										
Gul Ahmed Textile Mills Limited	-	148,500	148,500	-	-	-	-	-	-	-
Nishat (Chunian) Limited ***	34,000	2,773,000	2,802,500	4,500	161	158	(3)	-	-	1.87%
Nishat Mills Limited ***	13,500	206,500	219,500	500	48	47	(1)	-	-	0.14%
					209	205	(4)	-	-	2.02%
Transport										
Pakistan International Bulk Terminal Limited	601,500	9,611,000	10,212,500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Total as at June 30, 2019					3,799	3,965	166	0.09%	0.30%	14.07%
Total as at June 30, 2018					118,378	117,007	(1,371)			

* These have a face value of Rs.3.5 per share

** These have a face value of Rs.5 per share

*** Nil figures due to rounding off

5.1.2.1 The movement in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income / (loss) due to difference in ready and future stock prices.

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

5.1.3 Listed debt securities - Term Finance Certificates (TFCs) (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates				Balance as at June 30, 2019			Market value as a percentage of	
	As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----									
Commercial banks									
Bank Alfalah Limited-V (February 20, 2013)	65,581	-	-	65,581	328,958	327,118	(1,840)	8.32%	26.28%
Fertilizer									
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017) *	3,500	-	1,000	2,500	225,450	224,260	(1,190)	5.70%	18.02%
Dawood Hercules Corporation Limited - Sukuk (March 18, 2018) **	1,000	-	-	1,000	100,065	99,800	(265)	2.54%	8.02%
					325,515	324,060	(1,455)	8.24%	26.04%
Financial services									
Saudi Pak Leasing Company Limited (March 13, 2010)	10,000	-	-	10,000	27,548				
Less: Provision for impairment (see note 5.1.5)					(27,548)				
					-	-	-	-	-
Total as at June 30, 2019					654,473	651,178	(3,295)		
Total as at June 30, 2018					391,558	383,026	(8,532)		

* Face value of these term finance certificates is Rs. 90,000 per certificate.

** Face value of these term finance certificates is Rs.100,000 per certificate.

5.1.4 Unlisted debt securities - Term Finance Certificates (TFCs) and Sukuks (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates				Balance as at June 30, 2019			Market value as a percentage of	
	As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----									
Commercial banks									
Askari Bank Limited IV - TFC (September 30, 2014)	39,000	-	-	39,000	194,723	189,598	(5,125)	4.82%	15.23%
The Bank of Punjab Limited - TFC I * (December 23, 2016)	550	400	-	950	93,495	93,980	485	2.39%	7.55%
The Bank of Punjab Limited - TFC II * (April 23, 2018)	-	850	-	850	84,966	80,387	(4,579)	2.04%	6.46%
Bank ALHabib Limited - TFC II (March 17, 2016)	52,500	-	42,020	10,480	52,260	51,813	(447)	1.32%	4.16%
					425,444	415,778	(9,666)	10.57%	33.41%
Chemical									
Ghani Gases Limited - Sukuk ** (February 02, 2017)	500	-	-	500	31,222	31,323	101	0.80%	2.52%
Fertilizer									
Engro Fertilizers Limited - Sukuk (July 09, 2014)	15,800	-	15,800	-	-	-	-	-	-
Investment bank									
Jahangir Siddiqui & Company Limited - TFC (July 18, 2017)	-	10,000	-	10,000	43,641	43,332	(309)	1.10%	3.48%
Jahangir Siddiqui & Company Limited - TFC (March 06, 2018)	10,000	4,000	-	14,000	70,036	69,545	(491)	1.77%	5.59%
					113,677	112,877	(800)	2.87%	9.07%
Household goods									
New Allied Electronics Industries (Private) Limited - TFC (May 15, 2007)	10,400	-	-	10,400	22,337				
Less: Provision for impairment (see note 5.1.5)					(22,337)				
					-	-	-	-	-
New Allied Electronics Industries (Private) Limited - Sukuk (July 25, 2007)	112,000	-	-	112,000	35,063				
Less: Provision for impairment (see note 5.1.5)					(35,063)				
					-	-	-	-	-
Total as at June 30, 2019					570,343	559,978	(10,365)		
Total as at June 30, 2018					1,045,281	1,038,946	(6,335)		

* Face value of this sukuk certificate is Rs. 100,000 per certificate.

** Face value of this sukuk certificate is Rs. 62,500 per certificate.

Total as at June 30, 2018

1,045,281 1,038,946 (6,335)

* Face value of this sukuk certificate is Rs. 100,000 per certificate.

** Face value of this sukuk certificate is Rs. 62,500 per certificate.

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

5.1.5 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investments as non-performing debt securities. The Fund has suspended further accrual of mark-up there against.

5.1.6 Significant terms and conditions of term finance certificates and other securities outstanding at the year end are as follows:

Name of security	Number of certificates	Face value per certificate	Face value / redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
------------------	------------------------	----------------------------	--	-------------------------	----------	---------------------	--------

Listed debt securities

Bank Alfalah Limited V - TFC	65,581	5,000	4,988	6M KIBOR+1.25%	February 20, 2021	Unsecured	AA
Dawood Hercules Corporation Limited - Sukuk	2,500	100,000	90,000	3M KIBOR+1%	November 16, 2022	Unsecured	AA
Dawood Hercules Corporation Limited - Sukuk	1,000	100,000	100,000	3M KIBOR+1%	March 1, 2023	Unsecured	AA

Unlisted debt securities

Askari Bank Limited IV - TFC	39,000	5,000	4,991	6M KIBOR+1.2%	September 30, 2024	Unsecured	AA-
The Bank of Punjab Limited - TFC	950	100,000	99,900	6M KIBOR+1%	December 23, 2026	Unsecured	AA-
The Bank of Punjab Limited - TFC II	850	100,000	99,960	6M KIBOR+1.25%	April 23, 2028	Unsecured	AA-
Bank ALHabit Limited - TFC II	10,480	5,000	4,994	6M KIBOR+0.75%	March 17, 2026	Unsecured	AA
Ghani Gases Limited - Sukuk	500	100,000	62,500	3M KIBOR+1%	February 2, 2023	Unsecured	A
Jahangir Siddiqui & Company Limited - TFC	10,000	5,000	4,375	6M KIBOR+1.4%	July 18, 2022	Secured	AA+
Jahangir Siddiqui & Company Limited - TFC II	14,000	5,000	5,000	6M KIBOR+1.4%	March 6, 2023	Secured	AA+

The term finance certificates and sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

5.1.7 Details of non-compliant investments with the investment criteria as specified by the SECP

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2019, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by the MUFAP on default by the respective issuer at the time of repayment of coupon due on the respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of total investments
----------------------------------	--------------------	--------------------------------------	------------------------	-------------------------------------	--------------------------	---------------------------------

Listed debt securities

Saudi Pak Leasing Company Limited	TFC	27,548	(27,548)	-	-	-
-----------------------------------	-----	--------	----------	---	---	---

Unlisted debt securities

New Allied Electronics Industries (Private) Limited	TFC	22,337	(22,337)	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	35,063	(35,063)	-	-	-

	Note	June 30, 2019	June 30, 2018
5.1.8 Net unrealised loss on re-measurement of investments classified as 'at fair value through profit or loss'		----- (Rupees in '000) -----	
Market value of investments	5.1.1, 5.1.2, 5.1.3 & 5.1.4	1,244,532	1,686,288
Less: Carrying value of investments	5.1.1, 5.1.2, 5.1.3 & 5.1.4	1,258,158	1,703,573
		<u>(13,626)</u>	<u>(17,285)</u>

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

	Note	June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
6 MARK-UP, DIVIDEND AND OTHER RECEIVABLES			
Mark-up on:			
- Pakistan investment bonds		-	23
- Term finance certificates		60,686	52,807
- Deposit accounts		13,030	16,979
- Margin trading system (MTS)		-	37
Dividend receivable		573	685
Other receivables		120	50
		<u>74,409</u>	<u>70,581</u>
Less: provision for impairment	5.1.5	<u>(25,843)</u>	<u>(25,843)</u>
		<u>48,566</u>	<u>44,738</u>

7 ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposits / margin with:			
- National Clearing Company of Pakistan Limited (NCCPL)	7.1	17,750	17,750
- Central Depository Company of Pakistan Limited		200	200
Exposure deposit with the National Clearing Company Pakistan Limited against MTS		24,099	37,695
Advance against subscription of Privately Placed Term Finance Certificates		-	85,000
Prepaid stability rating fee - PACRA		272	-
Advance tax	7.2	<u>1,604</u>	<u>1,603</u>
		<u>43,925</u>	<u>142,248</u>

7.1 This includes a deposit of Rs. 2.75 million (2018: Rs. 2.75 million) and a margin of Rs. 15 million (2018: Rs. 15 million) with NCCPL in respect of trading on listed securities.

7.2 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend, profit on bank deposits and profit on debt paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on profit on debt, profit on bank deposits and dividends amounts to Rs. 1.604 million (2018: Rs. 1.603 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends, profit on bank deposits and profit on debt has been shown as other receivables as at June 30, 2019 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
8 PAYABLE TO MCB-ARIF HABIB SAVINGS & INVESTMENTS LIMITED - MANAGEMENT COMPANY			
Management remuneration payable	8.1	4,779	5,638
Sindh Sales Tax payable on remuneration of the Management Company	8.2	621	733
Allocated expenses including indirect taxes	8.3	319	376
Sales load payable		399	364
Back end load payable		-	27
		<u>6,118</u>	<u>7,138</u>

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

- 8.1** The Management Company has charged remuneration at the rate of 1.5% (2018: 1.5%) of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears. As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 1.5% of the average annual net assets in case of an Income Scheme.
- 8.2** During the year, an amount of Rs. 7.641 million (2018: Rs 10.696 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 7.753 million (2018: Rs. 10.844 million) has been paid to the Management Company which acts as a collecting agent.
- 8.3** Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the Management Company continued to charge expenses at the rate 0.1% of the average annual net assets of the Fund for both the periods i.e. from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

9 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
Remuneration payable	9.1	341	390
Sindh Sales Tax on remuneration payable	9.2	<u>44</u>	<u>51</u>
		<u>385</u>	<u>441</u>

- 9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff structure specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of the trustee fee is as follows:

Average net asset value	Tariff per annum
Up to Rs.1 billion	Rs.0.6 million or 0.17% p.a. of net assets, whichever is higher
Rs.1 billion to Rs.5 billion	Rs.1.7 million plus 0.085% p.a. of net assets exceeding Rs.1 billion
Over Rs.5 billion	Rs.5.1 million plus 0.07% p.a. of net assets exceeding Rs.5 billion

- 9.2** During the year, an amount of Rs 0.544 million (2018: Rs. 0.705 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.551 million (2018: Rs. 0.719 million) was paid to the Trustee which acts as a collecting agent.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)	Note	June 30, 2019	June 30, 2018
		(Rupees in '000)	
Annual fee	10.1	<u>2,939</u>	<u>4,114</u>

- 10.1** Under the provisions of the NBFC Regulations, the Fund is required to pay as an annual fee to the SECP, an amount equal to 0.075 percent (2018: 0.075 percent) of the average annual net assets of the Fund.

11 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	27,711	21,737
Federal Excise Duty on remuneration to the Management Company	11.2	99,060	99,060
Federal Excise Duty and related taxes payable on sales load	11.2	27,933	27,933
Sale load payable to MCB Bank Limited (a related party)		512	6
Auditors' remuneration		486	505
Withholding tax payable		316	241
Brokerage payable		1,181	887
Dividend payable		34,851	-
Others		<u>336</u>	<u>2,689</u>
		<u>192,386</u>	<u>153,058</u>

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

- 11.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, the MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re.0.75 (2018: Re.0.50) per unit.

- 11.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from July 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, 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.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which as at June 30, 2019 aggregates to Rs. 126.993 million (2018: Rs. 126.993 million). Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2019 would have been higher by Rs.3.44 (2018: Rs.2.90) per unit.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

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

12.2 Commitments

Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at year end

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
	<u>22,840</u>	<u>116,691</u>
Margin Trading System (MTS) transactions entered into by the Fund which have not been settled as at year end:		
- Sale transactions	<u>-</u>	<u>949</u>

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

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
13 AUDITORS' REMUNERATION		
Annual audit fee	350	350
Half yearly review fee	189	189
Other certifications and services	100	100
Out of pocket expenses	132	118
	<u>771</u>	<u>757</u>

14 TAXATION

The income of the Fund is exempt from income tax under clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2019 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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.

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
15 CASH AND CASH EQUIVALENTS		
Balances with banks	2,779,853	2,944,793
Treasury bills maturing within 3 months	29,540	148,366
	<u>2,809,393</u>	<u>3,093,159</u>

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 2.37% (2018: 2.45%) which includes 0.37% (2018: 0.39%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% (2018: 2%) prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

17 TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration to the Management Company of the Fund is determined in accordance with the provision of the NBFC Regulations and the Trust Deed.

Remuneration to the Trustee of the Fund is determined in accordance with the provision of the Trust Deed.

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

The details of transactions and balances at year end with related parties / connected persons are as follows:

	For the year ended June 30, 2019	For the year ended June 30, 2018
	----- (Rupees in '000) -----	
17.1 Details of transactions with connected persons are as follows:		
MCB-Arif Habib Savings and Investment Limited - Management Company		
Remuneration (including indirect taxes)	66,415	92,974
Allocated expenses including indirect taxes	3,918	6,198
Central Depository Company of Pakistan Limited - Trustee		
Remuneration (including indirect taxes)	4,724	6,129
Settlement charges	460	1,691
Group / associated companies		
MCB Bank Limited		
Mark-up on deposit accounts	71	161
Bank charges	32	47
Silk Bank Limited		
Mark-up on deposit accounts	63,243	-
Bank charges	109	-
Sale of government securities having face value of Rs.1,825,000,000 (2018: Rs. Nil)	1,790,926	-
Arif Habib Limited - Brokerage House		
Brokerage and settlement charges *	-	8
Next Capital Limited - Brokerage House		
Brokerage and settlement charges *	504	410
Fatima Fertilizer Company Limited		
Purchase of Nil (2018: 8,500) shares	-	270
Sale of Nil (2018: 8,500) shares	-	272
Dividend income	-	-
Aisha Steel Mills Limited		
Purchase of Nil (2018:1,877,000) shares	-	39,328
Sale of Nil (2018: 1,877,000) shares	-	39,584
Adamjee Insurance Company Limited		
Purchase of 59,000 (2018: 84,000) shares	2,758	4,795
Sale of 66,000 (2018: 77,000) shares	2,791	4,484
Dividend income	-	6
Nishat (Chunian) Limited		
Purchase of 2,773,000 (2018: 3,857,000) shares	138,658	203,373
Sale of 2,802,500 (2018: 4,075,000) shares	137,888	201,943
Dividend income	1,394	930
D.G. Khan Cement Company Limited		
Purchase of 4,329,000 (2018: 5,088,000) shares	383,002	733,975
Sale of 4,354,000 (2018:5,063,000) shares	382,990	716,878
Dividend income	1,680	18,094

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

		For the year ended June 30, 2019	For the year ended June 30, 2018
		----- (Rupees in '000) -----	
Nishat Mills Limited			
Purchase of 206,500 (2018: 1,029,000) shares		28,391	149,025
Sale of 219,500 (2018: 1,067,000) shares		28,646	146,999
Dividend income		-	1,050
Power Cement Limited			
Purchase of Nil (2018: 40,000) shares		-	355
Sale of Nil (2018: 40,000) shares		-	357
Mughal Iron & Steel Industries Limited			
Purchase of Nil (2018: 73,500) shares		-	5,325
Sale of Nil (2018: 73,000) shares		-	5,340
		June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
17.2 Amounts outstanding at year end			
MCB-Arif Habib Savings and Investments Limited - Management Company			
Remuneration payable		4,779	5,638
Sales tax payable on remuneration payable		621	733
Sales load payable		353	322
Sales tax payable on sales load		46	42
Back end load payable		-	27
Allocated expenses payable		319	376
Central Depository Company of Pakistan Limited - Trustee			
Security deposit		200	200
Remuneration payable (including indirect taxes)		385	441
Group / associated companies			
MCB Bank Limited			
Balances with bank		5,718	3,242
Sales load payable		512	6
Silk Bank Limited			
Balances with bank		5,265	1,674,650
Profit Receivable		17	11,771
Next Capital Limited - Brokerage House			
Brokerage and settlement charges payable*		73	136
Nishat (Chunian) Limited			
4,500 (2018: 34,000) shares held		158	1,614
D.G. Khan Cement Company Limited			
Nil (2018: 25,000) shares held		-	2,862
Nishat Mills Limited			
500 (2018: 13,500) shares held		47	1,902
Mughal Iron & Steel Industries Limited			
Nil (2018: 500) shares held		-	31
Adamjee Insurance Company Limited			
Nil (2018: 7,000) shares held		-	341

* 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, 2019

17.3 Transactions during the period with connected persons / related parties in units of the Fund:

	June 30, 2019							
	As at July 01, 2018	Issued for cash	Redeemed	As at June 30, 2019	As at July 01, 2018	Issued for cash	Redeemed	As at June 30, 2019
	Units				(Rupees in '000)			
Group / associated companies								
MCB-Arif Habib Savings & Investment Limited	-	5,996,050	5,996,050	-	-	672,374	672,884	-
MCB Employees' Provident Fund	1,255,728	158,706	-	1,414,434	139,814	16,896	-	150,714
MCB Employees' Pension Fund	1,255,728	158,706	-	1,414,434	139,814	16,896	-	150,714
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	477	-	4,254	421	51	-	453
Nishat Power Limited Employees' Provident Funds Trust	86,109	3,946	90,055	-	9,587	439	9,607	-
Mandate under discretionary portfolio services	1,554,330	157,899	1,712,229	-	173,061	9,383	182,817	-
Key management personnel	-	2,248	2,248	-	-	254	255	-

	June 30, 2018							
	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018
	Units				(Rupees in '000)			
Group / associated companies								
MCB Employees' Provident Fund	1,255,728	-	-	1,255,728	133,646	-	-	139,814
MCB Employees' Pension Fund	1,255,728	-	-	1,255,728	133,646	-	-	139,814
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	-	-	3,777	402	-	-	421
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	27,549	-	27,549	-	2,932	-	3,067	-
Nishat Power Limited Employees' Provident Funds Trust	-	86,109	-	86,109	-	9,587	-	9,587
Mandate under discretionary portfolio services	331,381	2,085,856	862,907	1,554,330	35,269	232,188	94,396	173,061
Key management personnel	-	5	5	-	-	575	560	-

18

FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL INSTRUMENTS OF CATEGORY 1

As at June 30, 2019			
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial Assets			
Balances with banks	2,779,853	-	2,779,853
Investments	-	1,244,532	1,244,532
Mark-up, dividend and other receivables	48,566	-	48,566
Receivable against sale of investments	22,840	-	22,840
Deposits and others	42,049	-	42,049
	<u>2,893,308</u>	<u>1,244,532</u>	<u>4,137,840</u>
As at June 30, 2019			
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial Liabilities			
Payable to MCB-Arif Habib Savings & Investments Limited			
- Management Company	6,118	-	6,118
Payable to Central Depository Company of Pakistan Limited - Trustee	385	-	385
Payable against redemption of units	-	-	-
Payable against purchase of investments	4,443	-	4,443
Accrued expenses and other liabilities	37,366	-	37,366
	<u>48,312</u>	<u>-</u>	<u>48,312</u>

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

Financial Assets

Balances with banks
Investments
Mark-up, dividend and other receivables
Receivable against sale of investments
Receivable against margin trading system
Deposits and others

As at June 30, 2018		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
2,944,793	-	2,944,793
-	1,687,001	1,687,001
44,738	-	44,738
221,310	-	221,310
1,893	-	1,893
140,645	-	140,645
3,353,379	1,687,001	5,040,380

Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Accrued expenses and other liabilities

As at June 30, 2018		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
7,138	-	7,138
441	-	441
4,739	-	4,739
4,087	-	4,087
16,405	-	16,405

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the 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 the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

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

(i) 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. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(ii) 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, 2019, the Fund is exposed to such risk on its balances held with banks, investments in sukuk certificates, term finance certificates, market treasury bills and Pakistan Investment Bonds. 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.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2019, the Fund holds KIBOR based interest bearing term finance and sukuk certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.12.11 million (2018: Rs.15.07 million).

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

The fund holds Term Finance Certificates classified as 'fair value through profit or loss' exposing the Fund to interest rate fair value risk. In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2019, the net assets of the Fund would increase / decrease by Rs. 32.58 (2018: Rs.19.51) million, as a result of reduction / increase in unrealised gains / (losses).

The Fund also holds KIBOR based bank deposits exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets of the Fund and net income for the year would be higher / lower by Rs 27.76 million (2018: Rs 29.42 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2019, the Fund holds Market treasury bills and Pakistan investment bonds which are classified 'at fair value through profit or loss', 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, 2019, with all other variables held constant, total comprehensive income for the year and net assets would be lower / higher by Rs.0.29 million (2018: Rs.1.49 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2019 can be determined as follows:

June 30, 2019					
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----					

On-balance sheet financial instruments

Financial Assets

Balances with banks 5.30% to 11.30% 2,779,853 - - - 2,779,853

Investments classified as:

At fair value through profit or loss

- Government securities -

- Market treasury bills

- Listed debt securities

- Unlisted debt securities

- Listed equity securities

- Future stock contracts

6.74%	29,540	-	-	-	29,540
3M KIBOR+1% to 6M KIBOR+1.25%	-	-	651,178	-	651,178
6M KIBOR+0.75% to 6M KIBOR+6%	-	-	559,978	-	559,978
	-	-	-	3,965	3,965
	-	-	-	(129)	(129)
	29,540	-	1,211,156	3,836	1,244,532
Mark-up, dividend and other receivables	-	-	-	48,566	48,566
Receivable against sale of investments	-	-	-	22,840	22,840
Deposits and others	-	-	-	42,049	42,049
	2,809,393	-	1,211,156	117,291	4,137,840

Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments

Limited - Management Company

Payable to Central Depository Company of Pakistan

Limited - Trustee

Payable against purchase of investments

Accrued expenses and other liabilities

-	-	-	6,118	6,118
-	-	-	385	385
-	-	-	4,443	4,443
-	-	-	37,366	37,366
-	-	-	48,312	48,312

On-balance sheet gap (a)

2,809,393	-	1,211,156	68,979	4,089,528
-----------	---	-----------	--------	-----------

Off-balance sheet financial instruments

-	-	-	(22,840)	-
---	---	---	----------	---

Off-balance sheet gap (b)

-	-	-	(22,840)	-
---	---	---	----------	---

Total profit rate sensitivity gap (a+b)

2,809,393	-	1,211,156		
-----------	---	-----------	--	--

Cumulative profit rate sensitivity gap

2,809,393	2,809,393	4,020,549		
-----------	-----------	-----------	--	--

June 30, 2018					
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial Assets					
Balances with banks	3.75% - 9.50%	2,944,793	-	-	2,944,793
Investments classified as:					
At fair value through profit or loss					
- Government securities -					
Market treasury bills	6.7%	148,366	-	-	148,366
- Listed debt securities	6M KIBOR+1% to 6M KIBOR+1.25%	-	-	383,026	383,026
- Unlisted debt securities	6M KIBOR+0.75% to 6M KIBOR+1.75%	-	-	1,038,946	1,038,946
- Listed equity securities		-	-	117,007	117,007
- Future stock contracts		-	-	(1,057)	(1,057)
Available-for-sale					
- Government securities -					
Pakistan investment bonds	9.25% - 11.50%	-	-	713	713
		148,366	-	1,422,685	1,687,001
Mark-up, dividend and other receivables		-	-	44,738	44,738
Receivable against sale of investments		-	-	221,310	221,310
Receivable against margin trading system (MTS)		-	-	1,893	1,893
Deposits and others		-	-	140,645	140,645
		3,093,159	-	524,536	5,040,380
Financial Liabilities					
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company		-	-	7,138	7,138
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	441	441
Payable against redemption of units		-	-	4,739	4,739
Accrued expenses and other liabilities		-	-	4,087	4,087
		-	-	16,405	16,405
On-balance sheet gap (a)		3,093,159	-	508,131	5,023,975
Off-balance sheet financial instruments					
		-	-	(117,640)	-
Off-balance sheet gap (b)		-	-	(117,640)	-
Total profit rate sensitivity gap (a+b)		3,093,159	-	1,422,685	
Cumulative profit rate sensitivity gap		3,093,159	3,093,159	4,515,844	

(iii) **Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from 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.

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments and their fair values exposed to price risk as at the year end are concentrated in the sectors given in note 5.1.2.

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

46
MCB DCF INCOME FUND

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

	June 30, 2019	June 30, 2018
	---- (Rupees in '000) ----	
Investments	198	5,850
Income statement	198	5,850

19.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

The Fund is exposed to counter party credit risks on investment (other than treasury bills and PIBs), balances with banks and other receivables. The credit risk on the Fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Treasury bills and Pakistan Investment Bonds are government backed and hence considered as secured.

The Fund has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, 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 by financial department 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 table below analyses the Fund's maximum exposure to credit risk:

	2019		2018	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
	----- (Rupees in '000) -----			
Balances with banks	2,779,853	2,779,853	2,944,793	2,944,793
Investments in government securities	29,540	-	149,079	-
Investments in debt securities	1,211,156	1,211,156	1,421,972	1,421,972
Investments in equity securities	3,965	-	117,007	-
Investments in future stock contracts	(129)	-	(1,057)	-
Mark-up, dividend and other receivables	48,566	48,566	44,738	44,738
Receivable against sale of investments	22,840	22,840	221,310	221,310
Receivable against margin trading system	-	-	1,893	1,893
Deposits	42,049	42,049	140,645	140,645
	<u>4,137,840</u>	<u>4,104,464</u>	<u>5,040,380</u>	<u>4,775,351</u>

The analysis below summaries the credit rating quality of the Fund's financial assets.

	June 30, 2019	June 30, 2018
	----- % -----	
Bank balances by rating category		
AAA	46.03%	13.52%
AA+	0.07%	4.02%
AA	53.60%	-
AA-	0.09%	3.40%
A+	0.02%	11.09%
A	-	11.10%
A-	0.19%	56.87%
	<u>100%</u>	<u>100%</u>

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

The analysis below summarizes the credit quality of the Fund's investment in term finance certificates, sukuks and government securities as at June 30, 2019 and June 30, 2018:

	June 30, 2019	June 30, 2018
	----- % -----	
Investments by rating category		
Government securities	2.39%	9.49%
AA, AA-, AA+	95.09%	87.99%
A, A-, A+	2.52%	2.52%
	<u>100.00%</u>	<u>100%</u>

Concentration of credit risk

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

Settlement risk

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

19.3 Liquidity risk

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

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

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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

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

2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

Financial liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investments
Accrued expenses and other liabilities

6,118	-	-	-	-	-	6,118
385	-	-	-	-	-	385
4,443	-	-	-	-	-	4,443
37,366	-	-	-	-	-	37,366
48,312	-	-	-	-	-	48,312

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

2018						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

Financial liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Accrued expenses and other liabilities

7,138	-	-	-	-	-	7,138
441	-	-	-	-	-	441
4,739	-	-	-	-	-	4,739
4,087	-	-	-	-	-	4,087
16,405	-	-	-	-	-	16,405

20 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

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

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

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

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

The Fund held the following financial instruments measured at fair values:

June 30, 2019			
Fair value			
Level 1	Level 2	Level 3	Total

(Rupees in '000)

Financial assets measured at fair value

through profit or loss

Market treasury bills	-	29,540	-	29,540
Pakistan investment bonds	-	-	-	-
Listed equity securities	3,965	-	-	3,965
Listed debt securities	-	651,178	-	651,178
Unlisted debt securities	-	559,978	-	559,978
Future stock contracts	(129)	-	-	(129)
	3,836	1,240,696	-	1,244,532

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

June 30, 2018			
Fair value			
Level 1	Level 2	Level 3	Total

(Rupees in '000)

Financial assets measured at fair value through profit or loss

Market treasury bills	-	148,366	-	148,366
Pakistan investment bonds	-	713	-	713
Listed equity securities	117,007	-	-	117,007
Listed debt securities	-	383,026	-	383,026
Unlisted debt securities	-	1,038,946	-	1,038,946
Future stock contracts	(1,057)	-	-	(1,057)
	<u>115,950</u>	<u>1,571,051</u>	<u>-</u>	<u>1,687,001</u>

21 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

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

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

22 PATTERN OF UNIT HOLDINGS

June 30, 2019			
Number of unit holders	Number of units held	Investment Amount	Percentage of total investments

(Rupees in '000)

Individuals	2,272	28,380,872	3,024,102	76.88%
Associated companies	3	2,833,122	301,881	7.67%
Banks / DFIs	1	225,236	24,000	0.61%
Retirement funds	29	5,122,803	545,856	13.88%
Others	51	352,922	37,606	0.96%
	<u>2,356</u>	<u>36,914,955</u>	<u>3,933,445</u>	<u>100%</u>

June 30, 2018			
Number of unit holders	Number of units held	Investment Amount	Percentage of total investments

(Rupees in '000)

Individuals	2,381	28,435,002	3,165,987	64.98%
Associated companies / directors	3	2,515,233	280,049	5.75%
Banks / DFIs	1	221,750	24,690	0.50%
Retirement funds	35	3,845,296	428,140	8.79%
Others	66	8,744,542	973,628	19.98%
	<u>2,486</u>	<u>43,761,823</u>	<u>4,872,493</u>	<u>100%</u>

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

23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

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

	June 30, 2019 (Percentage)
1 Invest One Markets (Private) Limited	34.17%
2 Js Global Capital Limited	21.30%
3 Continental Exchange (Private) Limited	18.50%
4 Bma Capital Management Limited	10.50%
5 Next Capital Limited	10.14%
6 Currency Market Associates (Private) Limited	2.83%
7 Al Hoqani Securities (Private)	1.28%
8 BIPL Securities Limited	0.47%
9 Vector Capital (Private) Limited	0.28%
10 Paramount Capital (Private) Limited	0.21%

	June 30, 2018 (Percentage)
1 Adam Securities (Private) Limited	23.74%
2 Mutiline Securities (Private) Limited	22.62%
3 Aba Ali Habib Securities Limited	8.15%
4 MRA Securities Limited	8.12%
5 Al Falah Securities (Private) Limited	5.84%
6 Next Capital Limited	5.32%
7 Top Line Securities (Private) Limited	5.06%
8 EFG Hermes Pakistan Limited	4.28%
9 Intermarket Securities Limited	3.91%
10 First Capital Securities Limited	3.74%

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of persons attending the meetings	Designation	Number of meetings held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave granted	
Mr. Mian Mohammad Mansha	Chairman	8	8	2	6	143rd, 145th, 146th, 147th, 149th & 150th
Mr. Nasim Beg	Director	8	8	8	-	-
Dr. Syed Salman Ali Shah*	Director	8	6	6	-	-
Mr. Haroun Rashid	Director	8	8	5	3	143rd, 145th & 149th
Mr. Ahmed Jahangir	Director	8	8	8	-	-
Mr. Samad A. Habib	Director	8	8	6	2	145th & 150th
Mr. Saqib Saleem	Chief Executive Officer	8	8	8	-	-
Mr. Mirza Qamar Beg	Director	8	8	8	-	-

*Resigned on June 10, 2019

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

25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22
2	Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	16
3	Mr. Saad Ahmed	Head of Fixed Income	MBA	14
4	Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	8
5	Syed Muhammad Usama Iqbal	Fund Manager	B.Com & MBA	16

25.1 Mr. Saad Ahmed is the Fund Manager. Details of the other funds being managed by him are as follows:

- Pakistan Income Enhancement Fund
- Pakistan Cash Management Fund
- MCB Pakistan Sovereign Fund
- Alhamra Daily Dividend Fund

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

26 GENERAL

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

27 DATE OF AUTHORISATION FOR ISSUE

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


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



Chief Executive Officer



Chief Financial Officer



Director

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

No. of Unit Holders	Unit Holdings	Total Units Held
1841	0-10000	4,179,286
468	10001 – 100000	12,061,152
41	100001 – 1000000	11,590,885
6	1000001 - onwards	9,083,633
2356		36,914,955

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2019

Performance Information	2019	2018	2017	2016	2015
Total Net Assets Value – Rs. in million	3933.4452	4,872	6,190	6,848.67	11,272.81
Net Assets value per unit – Rupees	106.5542	111.3412	106.43	106.04	105.60
Closing Offer Price	108.3603	113.2284	108.23	108.19	107.76
Closing Repurchase Price	106.5542	111.3412	106.43	106.04	105.60
Highest offer price per unit	116.6078	113.3493	114.78	114.35	116.26
Lowest offer price per unit	108.2969	108.2995	107.64	107.82	103.19
Highest Redemption price per unit	114.6642	111.3412	112.87	112.08	113.93
Lowest Redemption price per unit	106.4919	105.0384	105.82	105.68	101.13
Distribution per unit – Rs. *	13.0796	-	6.50	6.15	8.27
Average Annual Return - %					
One year	7.80	4.62	6.50	6.23	12.64
Two year	6.21	5.56	6.37	9.44	11.72
Three year (inception date Mar 01, 2007)	6.31	5.78	8.46	9.89	11.08
Net Income for the year – Rs. in million	292.75	245.63	289.032	414.66	1,104.77
Distribution made during the year – Rs. in million	497.041	-	259.451	365.80	727.46
Accumulated Capital Growth – Rs. in million	(204.29)	245.63	29.58	48.86	377.31
Weighted average Portfolio Duration (years)	1.3	1.4	1.6	2.8	2.2

* Date of Distribution

2019		2017	
Date	Rate	Date	Rate
4-Jul-18	4.8783	June 21, 2017	6.50
27-Jun-19	8.2013		

2016		2015	
Date	Rate	Date	Rate
June 27, 2016	6.15	June 22, 2015	7.27
		June 23, 2015	1.00

Disclaimer

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

MCB-Arif Habib Savings and Investments Limited

Head Office: 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,
URL: www.mcbah.com, Email: info@mcbah.com