



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2019

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



MCB PAKISTAN ASSET ALLOCATION FUND

TABLE OF CONTENTS

1	Fund's Information	426
2	Report of the Director of the Management Company	427
3	Report of the Fund Manager	440
4	Trustee Report to the Unit Holders	442
5	Independent Auditor's Report to the Unit Holders	443
6	Statement of Assets and Liabilities	447
7	Income Statement	448
8	Statement of Other Comprehensive Income	449
9	Statement of Movement in Unit Holder's Fund	450
10	Cash Flow Statement	451
11	Notes to and Forming Part of the Financial Statements	452
12	Pattern of Units Holding by Size	483
13	Performance Table	484
14	Proxy Issued by Fund	485

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 Shahra-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	Deloitte Yousuf Adil Chartered Accountant Cavish Court, A-35, Block-7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-75350.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Center point, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB Pakistan Asset Allocation 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 de nominated 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 compare to short term security papers.

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

EQUITIES MARKET OVERVIEW

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

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

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

FUND PERFORMANCE

The fund posted a return of -9.79% during the period under review against the benchmark return of 1.00%. The fund has gradually increased exposure in equities which reached to 57.0% by the end of June, 2019 and at the same time it decreased exposure in cash to 19.5% at the end of June, 2019. On the equity side, the fund was mainly invested in Commercial Banks and Oil & Gas Exploration Companies. On the fixed income side, exposure in TFCs stood at 12.6% while exposure in Commercial Paper was at 3.8%.

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

The Net Assets of the Fund as at June 30, 2019 stood at Rs. 2,048 million as compared to Rs. 3,213 million as at June 30, 2018 registering a decrease of 36.25%. The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 71.2294 as compared to opening NAV of Rs. 78.9595 per unit as at June 30, 2018 registering a decrease of 7.7301 per unit.

FUTURE OUTLOOK

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

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

Inflation is expected to pick up to an average of 11.7% in FY20 compared to 7.3% witnessed during the last year. Multiple 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.

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

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

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

Corporate Governance

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

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

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR 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.

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	-

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

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

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	MUHAMMAD ASIF MEHDI RIZVI	Chief Operating Officer/ Chief Financial Officer	18	18	-

External Auditors

The fund's external auditors, **Deloitte Yousuf Adil 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 **Deloitte Yousuf Adil Chartered Accountants** as auditors of the fund for the year ending June 30, 2020.

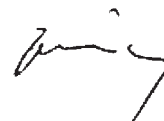
ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 13, 2019



Nasim Beg
Director / Vice Chairman

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019ء کو ختم ہونے والے سال کے لیے ایم سی بی پاکستان Asset ایلوکیشن 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 نمویں گراوٹ کے سبب زرعی ترقی بھی پسماندگی کا شکار ہوئی جس کا اظہار گتے، کپاس اور چاول کی پیداوار میں بالترتیب 19.4 فیصد، 17.5 فیصد اور 3.3 فیصد کمی سے ہوتا ہے۔ صنعتی ترقی بھی کمزوری کا شکار ہوئی کیونکہ بڑے پیمانے کی پیداوار (LSM) مرکزی بینک کی گلاں معاشیاتی استحکام کے حصول کے لیے اختیار کردہ کانٹریکشنری (حکومتی خرچ یا مالیاتی توسیع کی شرح میں کمی پر مبنی) پالیسیوں کا خمیازہ برداشت نہیں کر سکی۔ LSM میں 3.7 فیصد کمی ہوئی کیونکہ حکومتی خرچ اور درآمدات پر انحصار کرنے والی صنعتوں کو مانگ میں کمی کا سامنا ہوا۔ LSM کے اہم شعبہ جات میں گاڑیوں کے شعبے میں 11.7 فیصد اور لوہے اور اسٹیل کے شعبے میں 11.2 فیصد مانگ کا تضاد ہوا۔ تاہم سروسز کے شعبے نے معاشی ترقی کو کچھ حد تک ڈھال فراہم کی جس کا سہرہ فائننس اینڈ انشورنس (5.4 فیصد YoY ترقی) اور حکومتی سروسز (8.0 فیصد YoY ترقی) کے سر جاتا ہے۔ GDP کا ڈالر کے اعتبار سے حجم 280 بلین ڈالر تھا جو سال گزشتہ (315 بلین ڈالر) کے مقابلے میں 11 فیصد تضاد ہے۔

سال کے آغاز پر ہی پاکستان اپنی تاریخ کے سب سے بڑے ادائیگی کے توازن کے بحران کا شکار ہوا۔ اگرچہ اسے 19 بلین ڈالر کرنٹ اکاؤنٹ خسارے (CAD) اور 9 بلین ڈالر خارجی ادائیگی نو کا سامنا تھا لیکن یہ بحران شدت اختیار کر گیا کیونکہ غیر ملکی زرمبادلہ کے ذخائر صرف 10 بلین ڈالر رہ گئے تھے۔ مرکزی بینک کے بروقت پالیسی اقدام، خاص طور پر دوران سال روپے میں 32 فیصد ترمیم سے CAD پر قابو پانے میں مدد ملی۔ حقیقی مؤثر شرح مبادلہ (REER) جون 2018ء کے اصل سے زائد قدر کی سطح سے نیچے آئی اور اصل سے 10 فیصد کم قدر کی حامل ہو گئی۔ نتیجتاً CAD دوران سال 32.1 فیصد سکڑ کر 13.5 بلین ڈالر ہو گیا۔ اگرچہ برآمدات میں ترقی نہیں ہو سکی لیکن CAD میں بہتری کے اسباب تیل کے علاوہ والی اشیاء اور سروسز کی درآمدات میں 11.8 فیصد YoY (یور اور یور) کمی اور ترسیلات زر میں 9.7 فیصد YoY اضافہ ہے۔ پاکستان کے دوستانہ حلیفوں سے مادی آمدات زر (10 بلین ڈالر) حاصل کرنے میں کامیابی کے بعد ادائیگی قرض میں کوتاہی بھی 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۔ 2.6 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 یوٹیلٹیٹیز 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 ٹیلیٹی 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 گلاں 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 زیر مبادلہ کے خطیر 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 زیر مبادلہ 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 انٹرومنٹس 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 میچور 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۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

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

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

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

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا منافع - 9.79 فیصد تھا جبکہ مقررہ معیار 1.00 فیصد تھا۔ فنڈ کی ایکویٹیز میں شمولیت میں بتدریج اضافہ کیا گیا جو جون 2019ء کے اختتام تک 57.0 فیصد تک پہنچ گئی تھی، جبکہ نقد میں شمولیت میں کمی کی گئی جو جون 2019ء کے اختتام پر 19.5 فیصد تھی۔ ایکویٹی کے شعبے میں فنڈ کی اکثر سرمایہ کاری کمرشل بینکوں اور تیل اور گیس کی دریافت کی کمپنیوں میں کی گئی تھی۔ فیکسڈ انکم کے شعبے میں ٹرم فنانس سرٹیفکیٹس (TFCs) میں شمولیت 12.6 فیصد تھی جبکہ کمرشل پیپر میں شمولیت 3.8 فیصد تھی۔

30 جون 2019ء کو فنڈ کے net اثاثہ جات 2,048 ملین روپے تھے جو 30 جون 2018ء (3,213 ملین روپے) کے مقابلے میں 36.25 فیصد کمی ہے۔ 30 جون 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 71.2294 روپے تھی جو 30 جون 2018ء کی ابتدائی NAV (78.9595 روپے فی یونٹ) کے مقابلے میں 7.7301 روپے فی یونٹ کمی ہے۔

مستقبل کا منظر

مرکزی بینک کی طرف سے پالیسی میں ترمیمات کے نتیجے میں کلاں معاشیاتی یکجائی 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 شکوکہ 600 ملین ڈالر رہ گیا تھا۔ ہمارے بہت محتاط مفروضوں پر مبنی پیشن گوئی ہے کہ CAD کی سطح GDP کے 2.7 فیصد تک پہنچ کر رک جائے گی۔ ہم نے خام تیل کی قیمتیں 70 ڈالر فی BBL کی سطح پر فرض کی ہیں جو موجودہ طور پر 60 ڈالر فی BBL کے آس پاس ہے۔ ایک آئی ایم ایف پروگرام پر دستخط کرنے کے بعد پاکستان بین الاقوامی مواقع کو استعمال کر کے اپنی مجموعی مالیات کے لیے رقم فراہم کر سکے گا۔ سعودی عرب کی طرف سے تیل کی ملتی شدہ سہولت بھی غیر ملکی زرمبادلہ کے ذخائر کو مختصر المیعاد مطلوبہ توقف فراہم کرے گی۔ ہمیں توقع ہے کہ موجودہ مالی سال کے اختتام تک غیر ملکی زرمبادلہ کے ذخائر بڑھ کر 13 بلین ڈالر تک پہنچ جائیں گے (1.8 ضربے زیادہ)۔ روپے کے توازن کی سطحوں (جون 2019ء REER: 91) تک ہم آہنگ ہونے اور CAD کے پائیدار حد میں ہونے کی وجہ سے روپے کی قدر میں اس کے ماضی کے اوسط کی بنیاد پر اب معمولی کمی ہونی چاہیے۔

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

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

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

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

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

کارپوریٹ گورننس

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

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

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

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

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

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار (پاکستان میں اطلاق کی حد تک)، نان بینکنگ فنانس کمپنیز (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. انٹرئل کنٹرول کا نظام مستحکم خطوط پر استوار اور موثر انداز میں نافذ کیا گیا ہے اور اس کی موثر 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۔

ڈائریکٹرز رپورٹ

- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے۔
- h. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) کو مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. 30 جون 2019 کے اختتام پر، ڈائریکٹرز ٹریننگ پروگرام کے حوالے سے جو مطالبات کوڈ کے regulation نمبر بیس میں درج ہیں، فنڈ اس سے compliant ہے۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔
- l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2019ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:
- ۱۔ آڈٹ کمیٹی کی میٹنگ
- دوران سال آڈٹ کمیٹی کی نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
2	7	9	9	۱۔ جناب ہارون رشید (چیئر مین)
-	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 ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن 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 (چیئر مین)*
-	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 محمد قمر بیگ ممبر کے طور پر شامل کیا گیا اور کمیٹی کے چیئر مین 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				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
-	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 انٹرنل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے یونٹس کی خرید و فروخت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	واپسی	ڈیویڈنڈ کی تقسیم
یونٹس کی تعداد					
۱	محمد آصف مہدی رضوی	چیف آپریٹنگ آفیسر / چیف فنانشل آفیسر	18	18	-

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے 30 جون 2020ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2020ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر 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 TO THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2019

Fund Type and Category

MCB Pakistan Asset Allocation Fund MCB-PAAF is an Open-End Asset Allocation Scheme for which SECP categorization in process.

Fund Benchmark

Weighted average of 70% of three (3) months PKRV rates + 30% of three (3) months average deposit rates of three (3) AA rated commercial banks as selected by MUFAP and six (6) month KIBOR and KSE-100 index based on the actual proportion of the scheme in Money market, Fixed income and equity securities

Investment Objective

MCB Pakistan Asset Allocation Fund is an asset allocation fund and its objective is to aim to provide a high absolute return by investing in equity and debt markets.

Investment Strategy

The fund will aim to achieve the above-mentioned objective by investing up to 100% in equity securities or up to 100% in debt securities according to the market conditions.

Manager's Review

The fund posted a return of -9.79% during the period under review against the benchmark return of 1.00%. The fund has gradually increased exposure in equities which reached to 57.0% by the end of June, 2019 and at the same time it decreased exposure in cash to 19.5% at the end of June, 2019.

On the equity side, the fund was mainly invested in Commercial Banks and Oil & Gas Exploration Companies. On the fixed income side, exposure in TFCs stood at 12.6% while exposure in Commercial Paper was at 3.8 %.

The Net Assets of the Fund as at June 30, 2019 stood at Rs. 2,048 million as compared to Rs. 3,213 million as at June 30, 2018 registering a decrease of 36.25%. The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 71.2294 as compared to opening NAV of Rs. 78.9595 per unit as at June 30, 2018 registering a decrease of 7.7301 per unit.

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

Particulars	Jun-19
Others including receivables	7.1%
Cash	19.5%
TFCs	12.6%
Commercial Paper	3.8%
Stocks/Equities	57.0%

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

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



Syed Abid Ali
Fund Manager

TRUSTEE REPORT TO THE HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Asset Allocation 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



Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahr-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To The Unit Holders of MCB Pakistan Asset Allocation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MCB Pakistan Asset Allocation 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 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 and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit 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.

S. No.	Key audit matter	How the matter was addressed in our audit
1	Valuation and existence of investments As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss (FVTPL) amounted to Rs. 1,569.805 million as at June 30, 2019, consisting of equity securities, term finance certificates, sukuk certificates and commercial paper, which represent significant item of the statement of assets and liabilities of the Fund.	We performed the following steps during our audit of investments: <ul style="list-style-type: none">evaluated design and implementation of controls in place related to purchases and sales of investments;independently tested valuations to ensure that the investments are valued as per the

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

S. No.	Key audit matter	How the matter was addressed in our audit
	Considering the above, the existence and valuation are significant areas during our audit due to which we have considered this as a Key Audit Matter.	<p>valuation methodology disclosed in the accounting policies;</p> <ul style="list-style-type: none">independently matched the number of term finance certificates and sukuk certificates and commercial paper held by the Fund with the Central Deposit Company's account statement;tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities; andany differences identified during our testing that were over our acceptable threshold were investigated further.

Other Matter

The financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who through their report dated September 24, 2018, expressed an unmodified opinion thereon.

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

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

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

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

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

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

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

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

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

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

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

Deloitte Yousuf Adil
Chartered Accountants

Date: September 23, 2019
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2019

		June 30, 2019	June 30, 2018
	Note	----- (Rupees in '000) -----	
ASSETS			
Bank balances	4	416,769	1,375,000
Investments	5	1,569,805	1,896,981
Dividend and profit receivable	6	13,402	9,542
Receivable against sale of investments		130,769	37,069
Receivable from National Clearing Company of Pakistan Limited		3,737	3,315
Advances, deposits, prepayments and other receivables	7	3,133	4,519
Total assets		2,137,615	3,326,426
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	7,257	11,168
Payable to Central Depository Company of Pakistan Limited - Trustee	9	312	385
Payable to the Securities and Exchange Commission of Pakistan	10	2,765	3,065
Payable against redemption of units		32,370	41
Payable against purchase of investments		-	50,906
Accrued expenses and other liabilities	11	47,066	48,212
Total liabilities		89,770	113,777
NET ASSETS		2,047,845	3,212,649
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		2,047,845	3,212,649
CONTINGENCIES AND COMMITMENTS	12		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		28,749,977	40,687,318
		(Rupees)	
NET ASSET VALUE PER UNIT		71.2294	78.9595

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

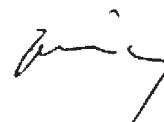
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
INCOME			
Markup / Return on Investments	13	76,788	64,426
(Loss) / Gain on sale of investments - net		(73,350)	82,502
Markup on deposits with banks		46,580	57,083
Dividend income		83,318	63,644
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	5.2	(313,196)	(218,428)
Impairment loss on investment in equity securities classified as available-for-sale		-	(6,118)
Other income		1,130	56
Total income		(178,730)	43,165
EXPENSES			
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	8.1	58,209	64,526
Sindh Sales Tax on remuneration of Management Company	8.2	7,567	8,388
Allocated expenses and related taxes	8.3	2,910	3,645
Selling and marketing expenses	8.4	11,641	12,904
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	3,910	4,227
Sindh Sales Tax on remuneration of Trustee	9.2	508	549
Annual fee to Securities and Exchange Commission of Pakistan	10	2,765	3,065
Brokerage and settlement charges		12,835	20,327
Auditors' remuneration	14	851	980
Other expenses		682	793
Total operating expenses		101,878	119,404
Net loss for the year before taxation		(280,608)	(76,239)
Taxation	16	-	-
Net loss for the year after taxation		(280,608)	(76,239)
Allocation of net income for the year			
Income already paid on units redeemed		-	-
Accounting income available for distribution			
Relating to capital gains		-	-
Excluding capital gains		-	-
Earnings per unit	3.15		

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

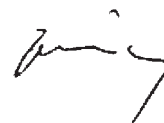
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

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

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
Net loss for the year after taxation	(280,608)	(76,239)
Other comprehensive income for the year		
Item that may be reclassified to income statement in subsequent period:		
Unrealised diminution on re-measurement of investments classified as available-for-sale	-	(5,810)
Total comprehensive loss for the year	(280,608)	(82,049)

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

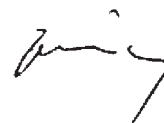
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

	For year ended June 30,							
	2019				2018			
	(Rupees in '000)							
	Capital Value	Accumulated Losses	Unrealised appreciation on available-for-sale investments	Total	Capital Value	Accumulated Losses	Unrealised appreciation on available-for-sale investments	Total
Net assets at beginning of the year	4,098,606	(886,757)	800	3,212,649	4,242,708	(810,518)	6,610	3,438,800
Adoption of IFRS 9	-	800	(800)	-	-	-	-	-
Issue of 5,459,359 units (2018: 14,713,908 units)								
- Capital value (at net asset value per unit at the beginning of the year)	431,068	-	-	431,068	1,192,213	-	-	1,192,213
- Element of loss	(7,930)	-	-	(7,930)	(9,645)	-	-	(9,645)
	423,138	-	-	423,138	1,182,568	-	-	1,182,568
Redemption of 17,396,699 units (2018: 25,210,685 units)								
- Capital value (at net asset value per unit at the beginning of the year)	(1,373,635)	-	-	(1,373,635)	(1,334,270)	-	-	(1,334,270)
- Element of income	66,301	-	-	66,301	7,600	-	-	7,600
	(1,307,334)	-	-	(1,307,334)	(1,326,670)	-	-	(1,326,670)
Total comprehensive loss for the year	-	(280,608)	-	(280,608)	-	(76,239)	(5,810)	(82,049)
Net assets at end of the year	3,214,410	(1,166,565)	-	2,047,845	4,098,606	(886,757)	800	3,212,649
Undistributed loss brought forward								
- Realised		(668,329)				(705,678)		
- Unrealised		(218,428)				(104,840)		
		(886,757)				(810,518)		
Adoption of IFRS 9		800						
Net (loss) / income for the year after taxation		(280,608)				(76,239)		
Undistributed loss carried forward		(1,166,565)				(886,757)		
Undistributed loss carried forward								
- Realised		(853,369)				(668,329)		
- Unrealised		(313,196)				(218,428)		
		(1,166,565)				(886,757)		
		(Rupees)				(Rupees)		
Net assets value per unit at beginning of the year		78.9595				81.0263		
Net assets value per unit at end of the year		71.2294				78.9595		

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

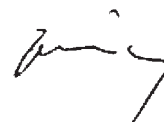
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(280,608)	(76,239)
Adjustments for:		
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	313,196	218,428
Impairment loss on investment in equity securities classified as available-for-sale	-	6,118
	<u>32,588</u>	<u>148,307</u>
(Increase) / decrease in assets		
Investments - net	13,980	(364,560)
Dividend and profit receivable	(3,860)	5,894
Receivable against sale of investments	(93,700)	165,452
Receivable from National Clearing Company of Pakistan Limited	(422)	19,818
Advances, deposits and prepayments	1,386	(28)
	<u>(82,616)</u>	<u>(173,424)</u>
(Decrease) / increase in liabilities		
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	(3,911)	2,244
Payable to Central Depository Company of Pakistan Limited - Trustee	(73)	2
Payable to the Securities and Exchange Commission of Pakistan	(300)	781
Payable against redemption of units	32,329	-
Payable against purchase of investments	(50,906)	32,656
Accrued expenses and other liabilities	(1,146)	(23,906)
	<u>(24,007)</u>	<u>11,777</u>
Net cash used in operating activities	<u>(74,035)</u>	<u>(13,340)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received against issuance of units	423,138	1,182,568
Amount paid against redemption of units	(1,307,334)	(1,326,670)
Net cash used in financing activities	<u>(884,196)</u>	<u>(144,102)</u>
Net decrease in cash and cash equivalents during the year	<u>(958,231)</u>	<u>(157,442)</u>
Cash and cash equivalents at beginning of the year	1,375,000	1,532,442
Cash and cash equivalents at end of the year	<u>416,769</u>	<u>1,375,000</u>

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

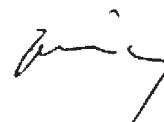
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



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

MCB Pakistan Asset Allocation Fund (the Fund) was established under a Trust Deed dated November 22, 2007 executed between MCB Asset Management Company Limited as the Management Company and the Central Depository Company of Pakistan Limited as the Trustee. Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investments Limited, the name of the Management has been changed from MCB Asset Management Company Limited to MCB–Arif Habib Savings and Investments Limited with effect from June 27, 2011. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the 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.

The Fund is an open-end collective investment scheme categorised as an "Asset Allocation" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the asset manager a rating of "AM2++" (2018: AM2++) on April 08, 2019. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures and impact of IFRS 9 as disclosed in note 3.1.

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

	Effective from accounting period
- IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
- IFRS 15 'Revenue from Contract with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
- IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
- Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
- Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

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

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

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

	Effective from accounting period beginning on or after:
- IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
- Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
- Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier
- Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020
- Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019

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

**Effective from
accounting period
beginning on or after:**

- IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.4 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgements and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are documented in the following accounting policies, notes and relate primarily to:

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

- Classification and valuation of investments (notes 3.1 and 5)
- Impairment of financial assets (note 3.1)
- Taxation (notes 3.8 and 16)

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

2.5 Basis of measurement

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

2.6 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as explained in note 3.1 to these financial statements.

3.1 Impact of initial application of IFRS 9 Financial Instruments

- 3.1.1** During the current financial year, the Fund has applied IFRS 9 Financial Instruments issued in July 24, 2017 and the related consequential amendments to other IFRS Standards that are effective for an annual period ending on or after June 30, 2019 based on adoption date communicated by Securities and Exchange Commission of Pakistan. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

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

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to undistributed income directly.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

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

- there is no change in the measurement of the Fund's investments in sukuk certificates and term finance certificates that were held for trading under IAS 39; those instruments were and continue to be measured in the same manner under the new classification of IFRS 9 i.e. at FVTPL;
- there is no change in the measurement of the Fund's investments in government securities that were held for trading under IAS 39; those instruments were and continue to be measured in the same manner under the new classification of IFRS 9 i.e. at FVTPL;
- there is no change in the measurement of the Fund's investments in equity shares that were held for trading under IAS 39; those instruments were and continue to be measured in the same manner under the new classification of IFRS 9 i.e. at FVTPL;
- the Fund's investment in government securities that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the securities. The change in the fair value on these securities will be recorded in the income statement;
- the Fund's investment in government securities that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the securities. The change in the fair value on these securities will be recorded in the income statement;
- financial assets classified loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost using effective interest rate method under the new classification of IFRS 9 "Amortised Cost" as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund is performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors is in the form of net asset value (NAV). The investment portfolio of financial assets is also managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

None of the other reclassifications of financial assets have had any impact on the Fund's statement of assets and liabilities, income statement, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

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

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

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

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

(c) Classification and measurement of financial liabilities

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

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

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

(d) Disclosures in relation to the initial application of IFRS 9

The table below shows impact of change in accounting policies due to adoption of IFRS 9:

Financial assets and financial liabilities	Original classification as per IAS 39	New classification as per IFRS 9	Carrying amount as per IAS 39 as on June 30, 2018	Carrying amount on initial adoption of IFRS 9 on July 01, 2018	Effect on July 01, 2018 on Retained Earnings
----- Rupees in '000-----					
Financial assets					
Bank balances	LR	AC	1,375,000	1,375,000	-
Listed equity securities	HFT	FVTPL	1,650,953	1,650,953	-
Listed equity securities	AFS	FVTPL	17,131	17,131	801
Listed debt securities - Term Finance Certificates	HFT	FVTPL	10,036	10,036	-
Unlisted debt securities - Term Finance Certificates	HFT	FVTPL	105,900	105,900	-
Listed debt securities - Sukuk Certificates	HFT	FVTPL	100,065	100,065	-
Government securities - Market Treasury Bills	HFT	FVTPL	9,889	9,889	-
Government securities - Pakistan Investment Bonds	AFS	FVTPL	3,007	3,007	(1)
Profit receivable	LR	AC	9,542	9,542	-
Receivable against sale of investments	LR	AC	37,069	37,069	-
Receivable against NCCPL	LR	AC	3,315	3,315	-
Other receivables	LR	AC	17	17	-
Financial liability					
Payable to the Management Company	OFL	AC	10,496	10,496	-
Payable to the Trustee	OFL	AC	341	341	-
Payable against purchase of investments	OFL	AC	41	41	-
Payable against purchase of investments	OFL	AC	50,906	50,906	-
Accrued expenses and other liabilities	OFL	AC	2,939	2,939	-

- "LR" is loans and receivables
- "AC" is amortised cost
- "HFT" is held for trading
- "FVTPL" is fair value through profit or loss
- "OFL" is other financial liabilities

3.1.2 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of government securities:

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

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

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

3.1.3 Transition to IFRS 9 Financial Instruments

Accounting policies applied to financial instruments prior to July 01, 2018.

Classification

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

(a) Investments as 'at fair value through profit or loss'

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in Income Statement.

(b) Loans and receivables

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

(c) Available for sale

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned above.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as financial assets 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the Income Statement. The changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to Income Statement through other comprehensive income.

Financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at amortised cost using the effective interest rate method.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value.

3.6 Financial liabilities

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

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

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

3.7 Offsetting of financial assets and liabilities

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

3.8 Provisions

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

3.8 Taxation

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.9 Dividend distribution and appropriations

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

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

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

3.10 Issue and redemption of units

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

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

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

3.11 Net asset value per unit

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

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

3.12 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Dividend income is recognised when the right to receive the dividend is established.
- Income / profit from bank balances, investments in term finance certificates / sukuks, government securities and commercial paper is recognised on a time proportionate basis using effective interest rate method.

3.14 Transaction Cost

Transaction costs incurred to acquire assets at FVTPL are immediately recognised as expense in the Income Statement.

3.13 Expenses

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

3.15 Earnings per unit

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

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
4. BANK BALANCES			
In saving accounts	4.1	414,480	1,370,957
In current accounts	4.2	2,289	4,043
		416,769	1,375,000

4.1 These carry profit at the rates ranging between 10.25% to 13% (2018: 3.75% to 8.10%) per annum. It includes bank balance of Rs 0.311 million (2018: Rs 0.20 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 10.25% (2018: 3.75%) per annum and Rs. 0.876 million (2018: Rs.385.112 million) maintained with Silkbank Limited (a related party) which carries profit at the rate of 10.25% (2018: 7.25%) per annum.

4.2 This represents bank balance maintained with MCB Bank Limited, (a related party).

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
5. INVESTMENTS			

Financial assets 'at fair value through profit or loss'

Listed equity securities	5.1.1	1,218,575	1,668,084
Listed debt securities - Term Finance Certificates	5.1.2	9,976	10,036
Unlisted debt securities - Term Finance Certificates	5.1.3	104,953	105,900
Listed debt securities - Sukuk Certificates	5.1.4	154,890	100,065
Government securities - Market Treasury Bills	5.1.5	-	9,889
Commercial Papers	5.1.6	81,411	-
Government securities - Pakistan Investment Bonds	5.1.7	-	3,007
		1,569,805	1,896,981

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

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

5.1.1 Listed equity securities

Ordinary shares have a face value of Rs. 10 each unless stated otherwise

Name of investee company	As at July 1, 2018	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2019	As at June 30, 2019			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)			
(Rupees in '000)											
Automobile Assembler											
Honda Atlas Cars (Pakistan) Limited	8,850	-	-	8,850	-	-	-	-	-	-	-
Indus Motor Company Limited	-	5,900	-	5,900	-	-	-	-	-	-	-
Cable and Electrical Goods											
Pak Elektron Limited	-	3,782,000	-	3,782,000	-	-	-	-	-	-	-
Cement											
Cherat Cement Company Limited	-	596,700	-	234,300	362,400	28,116	11,220	(16,896)	0.55	0.71	0.21
D.G. Khan Cement Company Limited*	432,500	140,000	-	572,500	-	-	-	-	-	-	-
Fauji Cement Company Limited	1,211,000	-	-	1,211,000	-	-	-	-	-	-	-
Lucky Cement Limited	270,950	139,100	-	410,000	50	25	19	(6)	-	-	0.00
Maple Leaf Cement Factory Limited	994,000	925,000	-	1,919,000	-	-	-	-	-	-	-
Dewan Cement Limited	1,135,500	-	-	92,000	1,043,500	18,783	8,150	(10,633)	0.40	0.52	0.22
						46,924	19,389	(27,535)			
Commercial Banks											
Askari Bank Limited	-	3,016,500	-	1,741,000	1,275,500	30,994	24,120	(6,874)	1.18	1.54	0.10
Bank Al-Falah Limited	1,427,000	2,435,000	251,450	1,657,000	2,456,450	115,437	107,077	(8,360)	5.23	6.82	0.14
Bank Al-Habib Limited	-	1,373,000	-	273,500	1,099,500	89,096	86,179	(2,917)	4.21	5.49	0.10
Bank Of Punjab Limited	3,280,500	13,713,500	-	16,107,500	886,500	11,178	8,111	(3,067)	0.40	0.52	0.03
Faysal Bank Limited	34,100	2,422,000	-	362,500	2,093,600	51,521	45,054	(6,467)	2.20	2.87	0.14
Habib Bank Limited	1,156,500	-	-	1,156,500	-	-	-	-	-	-	-
Habib Metropolitan Bank Limited	-	700,000	-	123,000	577,000	23,542	20,818	(2,724)	1.02	1.33	0.06
MCB Bank Limited*	307,900	1,172,800	-	1,001,400	479,300	92,452	83,614	(8,838)	4.08	5.33	0.04
United Bank Limited	-	4,184,600	-	4,184,600	-	-	-	-	-	-	-
						414,220	374,973	(39,247)			
Engineering											
Mughal Iron and Steel Industries Limited*	-	350,000	-	170,500	179,500	7,808	4,516	(3,292)	0.22	0.29	0.07
Crescent Steel & Allied Products Limited	125,800	-	-	75,000	50,800	4,631	1,919	(2,712)	0.09	0.12	0.07
International Industries Limited	214,200	-	-	-	214,200	49,757	16,508	(33,249)	0.81	1.05	0.18
						62,196	22,943	(39,253)			
Fertilizer											
Engro Fertilizers Limited	-	2,168,500	-	1,590,000	578,500	40,515	37,007	(3,508)	1.81	2.36	0.04
Engro Corporation Limited	99,000	301,200	15,990	240,300	175,890	51,349	46,716	(4,633)	2.28	2.98	0.03
Fauji Fertilizer Company Limited	-	247,500	-	-	247,500	25,692	21,582	(4,110)	1.05	1.37	0.02
						117,556	105,305	(12,251)			
Food & Personal Care Products											
National Foods Limited	-	124,500	24,900	-	149,400	33,225	27,514	(5,711)	1.34	1.75	0.24
Shezan International Limited	4,650	-	465	-	5,115	2,651	2,161	(490)	0.11	0.14	0.06
						35,876	29,675	(6,201)			

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

Name of investee company	As at July 1, 2018	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2019	As at June 30, 2019			Market value as percentage of net assets	Market value as percentage of total Investments (%)	Par value as percentage of issued capital of the investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)			
(Number of shares)											
Glass & Ceramics											
Tariq Glass Industries Limited	-	260,400	-	-	260,400	24,256	19,954	(4,302)	0.97	1.27	0.35
Insurance											
Pakistan Reinsurance Company Limited	472,500	-	-	50,000	422,500	13,892	10,546	(3,346)	0.51	0.67	0.14
Adamjee Insurance Company Limited *	295,000	-	-	-	295,000	14,375	10,340	(4,035)	0.50	0.66	0.08
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	45,340	-	4,534	49,860	14	19	14	(5)	-	-	0.00
Oil and Gas Development Company Limited	974,100	117,000	-	164,900	926,200	143,020	121,785	(21,235)	5.95	7.76	0.02
Pakistan Oilfields Limited	99,400	392,650	37,780	304,300	225,530	105,945	91,540	(14,405)	4.47	5.83	0.08
Pakistan Petroleum Limited	-	1,086,700	12,555	546,000	553,255	94,587	79,907	(14,680)	3.90	5.09	0.02
Oil and Gas Marketing Companies											
Hi-Tech Lubricants Limited	180,400	414,000	-	68,500	525,900	40,196	14,546	(25,650)	0.71	0.93	0.45
Pakistan State Oil Company Limited	-	308,100	23,840	208,500	123,440	31,568	20,939	(10,629)	1.02	1.33	0.03
Sui Northern Gas Pipelines Limited	781,300	1,498,500	-	1,931,500	348,300	26,182	24,203	(1,979)	1.18	1.54	0.05
Pharmaceuticals											
The Searle Company Limited	1,790	-	268	-	2,058	608	302	(306)	0.01	0.02	0.00
AGP Limited	48	-	-	-	48	4	3	(1)	-	-	0.00
Power Generation and Distribution											
Hub Power Company Limited	175,000	896,789	-	345,000	726,789	62,452	57,235	(5,217)	2.79	3.65	0.06
Hub Power Company Limited - Right Issue	-	-	96,800	96,800	-	-	-	-	-	-	-
K-Electric Limited (face value of Rs 3.5 per share)	4,370,000	-	-	4,370,000	-	-	-	-	-	-	-
Technology and Communication											
Hum Network Limited	-	1,150,000	-	-	1,150,000	8,337	3,645	(4,692)	0.18	0.23	1.22
Systems Limited	390,500	-	9,750	293,000	107,250	9,869	10,293	424	0.50	0.66	0.09
TRG Pakistan Limited	936,500	-	-	936,500	-	-	-	-	-	-	-
Netsol Technologies Limited	-	181,500	-	181,500	-	-	-	-	-	-	-
Textile Composite											
Gul Ahmed Textile Mills Limited	1,892,000	1,715,000	-	1,826,000	1,781,000	90,205	83,921	(6,284)	4.10	5.35	0.50
Interloop Limited	-	776,313	-	499,000	277,313	12,784	12,277	(507)	0.60	0.78	0.03
Kohinoor Textile Mills Limited	652,280	-	-	-	652,280	35,869	16,341	(19,528)	0.80	1.04	0.22
Nishat Chunian Limited	-	250,000	-	-	250,000	14,405	8,755	(5,650)	0.43	0.56	0.10
Nishat Mills Limited *	732,400	210,000	-	941,300	1,100	148	103	(45)	0.01	0.01	0.00
Leather & Tanneries											
Service Industries Limited	1,420	-	355	-	1,775	1,115	876	(239)	0.04	0.06	0.01
						1,115	876	(239)			

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

Name of investee company	As at July 1, 2018	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2019	As at June 30, 2019			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)			
(Number of shares)											
(Rupees in '000)											
(%)											
Chemicals											
Engro Polymer & Chemicals Limited - Right Issue	960,036	-	-	960,036	-	-	-	-	-	-	-
Engro Polymer and Chemicals Limited	3,095,000	3,462,036	-	4,782,000	1,775,036	64,496	47,855	(16,641)	2.34	3.05	0.20
Lotte Chemical Pakistan Limited	-	4,956,000	-	4,956,000	-	-	-	-	-	-	-
						64,496	47,855	(16,641)			
Investment Banks / Investment Companies / Securities Companies											
Arif Habib Limited *	330,000	-	52,000	70,000	312,000	15,860	9,868	(5,992)	0.48	0.63	0.47
						15,860	9,868	(5,992)			
Transport											
Pakistan National Shipping Corporation Limited	130,700	-	-	55,000	75,700	6,202	4,832	(1,370)	0.24	0.31	0.06
						6,202	4,832	(1,370)			
Miscellaneous											
Synthetic Products Enterprises Limited	730,500	-	-	-	730,500	37,329	16,210	(21,119)	0.79	1.03	0.86
						37,329	16,210	(21,119)			
Total as at June 30, 2019						1,530,495	1,218,575	(311,920)			
Total as at June 30, 2018						1,868,160	1,650,953	(217,207)			

* These denote related parties / connected persons.

5.1.1.1 Investments include shares with market value aggregating to Rs 52,560 million (2018: Rs 89,698 million) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

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

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

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 1.03 million.

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

5.1.2 Listed debt securities - Term Finance Certificates

Certificates having a face value of Rs. 5,000 each unless stated otherwise

Tenor	Face value				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)			
(Rupees in 000)								%		
Commercial Banks										
Bank Alfalah Limited-V	2,000	-	-	2,000	10,032	9,976	(56)	0.49	0.64	0.04
Total as at June 30, 2019					10,032	9,976	(56)			
Total as at June 30, 2018					10,265	10,036	(229)			

5.1.2.1 Significant terms and conditions of term finance certificates outstanding as at June 30, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Alfalah Limited-V	6 months KIBOR + 1.25%	20-Feb-13	20-Feb-21	AA

5.1.3 Unlisted debt securities - Term Finance Certificates

Certificates having a face value of Rs. 5,000 each unless stated otherwise

Tenor	Face value				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2018	Purchase d during the year	Sold / matured during the year	As at June 30, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)			
(Rupees in 000)								%		
Commercial Banks										
Bank Al Habib Limited-II	21,228	-	-	21,228	105,858	104,953	(905)	5.13	6.69	0.53
Total as at June 30, 2019					105,858	104,953	(905)			
Total as at June 30, 2018					106,957	105,900	(1,057)			

5.1.3.1 Significant terms and conditions of term finance certificates outstanding as at June 30, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Al Habib Limited-II	6 months KIBOR + 0.75%	17-Mar-16	17-Mar-26	AA

5.1.4 Listed debt securities - Sukuk Certificates

Certificates having a face value of Rs. 100,000 each unless stated otherwise

Tenor	Face value				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2018	Purchase d during the year	Sold / matured during the year	As at June 30, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)			
(Rupees in 000)									%	
Dawood Hercules Corporation Limited	1,000	552	-	1,552	155,205	154,890	(315)	7.56%	9.87%	0.03%
Total as at June 30, 2019					155,205	154,890	(315)			
Total as at June 30, 2018					100,000	100,065	65			

5.1.4.1 Significant terms and conditions of term finance certificates outstanding as at June 30, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Dawood Hercules Corporation Limited	3 months KIBOR + 1%	1-Mar-18	1-Mar-23	AA

5.1.4.2 The cost of investments as at June 30, 2019 amounted to Rs 100 million (2018: Rs 100 million). These carry profit at the rate of 7.80% (2018: 7.80%) per annum.

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

5.1.5 Government securities - Market Treasury Bills

Tenor	Issue date	Face value				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)		
----- (Rupees in 000) ----- % -----										
Treasury bills - 3 months	7-Jun-2018	10,000	-	10,000	-	-	-	-	-	-
Treasury bills - 3 months	10-May-18	-	100,000	100,000	-	-	-	-	-	-
Treasury bills - 3 months	19-Jul-18	-	100,000	100,000	-	-	-	-	-	-
Treasury bills - 3 months	19-Jul-18	-	80,000	80,000	-	-	-	-	-	-
Treasury bills - 3 months	10-May-18	-	770,000	770,000	-	-	-	-	-	-
Treasury bills - 3 months	10-May-18	-	25,000	25,000	-	-	-	-	-	-
Treasury bills - 3 months	10-May-18	-	400,000	400,000	-	-	-	-	-	-
Treasury bills - 3 months	2-Aug-18	-	1,250,000	1,250,000	-	-	-	-	-	-
Treasury bills - 3 months	19-Jul-18	-	375,000	375,000	-	-	-	-	-	-
Treasury bills - 3 months	2-Aug-18	-	1,300,000	1,300,000	-	-	-	-	-	-
Treasury bills - 3 months	2-Aug-18	-	175,000	175,000	-	-	-	-	-	-
Treasury bills - 3 months	2-Aug-18	-	1,000,000	1,000,000	-	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	650,000	650,000	-	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	1,000,000	1,000,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	1,200,000	1,200,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	850,000	850,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	700,000	700,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	850,000	850,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	1,000,000	1,000,000	-	-	-	-	-	-
Treasury bills - 3 months	3-Jan-19	-	650,000	650,000	-	-	-	-	-	-
Treasury bills - 3 months	3-Jan-19	-	600,000	600,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	1,000,000	1,000,000	-	-	-	-	-	-
Treasury bills - 3 months	3-Jan-19	-	750,000	750,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	900,000	900,000	-	-	-	-	-	-
Treasury bills - 3 months	3-Jan-19	-	150,000	150,000	-	-	-	-	-	-
Treasury bills - 3 months	14-Feb-19	-	950,000	950,000	-	-	-	-	-	-
Treasury bills - 3 months	14-Feb-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	14-Feb-19	-	1,400,000	1,400,000	-	-	-	-	-	-
Treasury bills - 3 months	14-Feb-19	-	150,000	150,000	-	-	-	-	-	-
Treasury bills - 3 months	14-Feb-19	-	140,000	140,000	-	-	-	-	-	-
Treasury bills - 3 months	9-May-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	9-May-19	-	50,000	50,000	-	-	-	-	-	-
Treasury bills - 3 months	9-May-19	-	600,000	600,000	-	-	-	-	-	-
Treasury bills - 3 months	23-May-19	-	550,000	550,000	-	-	-	-	-	-
Treasury bills - 3 months	23-May-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	23-May-19	-	500,000	500,000	-	-	-	-	-	-
Total as at June 30, 2019						-	-	-		
Total as at June 30, 2018						9,889	9,889	-		

5.1.6 Commercial papers

Particulars	Profit / mark-up rates	Issue date	Maturity date	Face value	Amortised cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
--- (Rupees in '000) --- % -----							
K Electric Limited	11.75%	1-Mar-19	2-Sep-19	83,000	81,411	3.98	5.19
Total as at June 30, 2019				83,000	81,411		
Total as at June 30, 2018				-	-		

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

5.1.7 Pakistan investment bonds

Particulars	Issue date	Face value				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019	Carryin g value	Market value	Unrealised appreciation / (diminution)		
----- (Rupees in 000) ----- % -----										
Pakistan Investment Bond - 5 years	18-Jul-13	3,000	-	3,000	-	-	-	-	-	-
Pakistan Investment Bond - 5 years	18-Jul-13	-	500,000	500,000	-	-	-	-	-	-
Pakistan Investment Bond - 3 years	12-Jul-18	-	25,000	25,000	-	-	-	-	-	-
Pakistan Investment Bond - 3 years	12-Jul-18	-	25,000	25,000	-	-	-	-	-	-
Pakistan Investment Bond - 3 years	12-Jul-18	-	50,000	50,000	-	-	-	-	-	-
Pakistan Investment Bond - 10 years	21-Feb-19	-	50,000	50,000	-	-	-	-	-	-
Total as at June 30, 2019						-	-	-		
Total as at June 30, 2018						3,008	3,007	(1)		

5.2 Unrealised diminution on re-measurement of investments at fair value through profit or loss - net

	Note	June 30, 2019	June 30, 2018
----- (Rupees in '000) -----			
Market value as at June 30	5.1.1, 5.1.2, 5.1.3, 5.1.4 & 5.1.5	1,569,805	1,876,843
Carrying value as at June 30	5.1.1, 5.1.2, 5.1.3, 5.1.4 & 5.1.5	(1,883,001)	(2,095,271)
		(313,196)	(218,428)

6. DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable	2,848	-
Profit receivable on:		
Term finance certificates	5,769	3,139
Government securities	-	156
Deposits with banks	4,785	6,247
	13,402	9,542

7. ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

Security deposit with National Clearing Company of Pakistan Limited	2,500	3,934
Security deposit with Central Depository Company of Pakistan Limited	100	100
Advance tax and prepayments	395	395
Other receivables	50	17
Prepayments	88	73
	3,133	4,519

8. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY

Management remuneration payable	8.1	3,868	5,173
Sindh sales tax payable on management remuneration	8.2	503	672
Sales load payable		164	1,879
Payable against allocated expenses	8.3	193	259
Payable against selling and marketing expenses	8.4	2,529	3,185
		7,257	11,168

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 a rate of 2% per annum of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 8.2** During the year, Sindh Sales Tax on management fee has been charged at 13% (2018: 13%).
- 8.3** Up till June 19, 2019, in accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), 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 no. 639 (I)/2019 dated June 20, 2019, has removed the maximum cap of 0.1%. Accordingly, the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund, from July 01, 2018 to June 19, 2019 and actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.
- 8.4** The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund at the rate of 0.4% of its net assets, being lower than the actual expenses incurred during the year.

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 ----- (Rupees in '000) -----
9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN			
Trustee remuneration payable	9.1	276	341
Sindh Sales Tax payable on trustee remuneration	9.2	36	44
		<u>312</u>	<u>385</u>

- 9.1** Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears as per the following tariff structure. There has been no change in the tariff structure during the year

Net Assets Value (NAV)	Tariff per annum
Up to Rs 1,000 million	Rs 0.7 million or 0.20% per annum of Net Assets, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs 2 million plus 0.10% per annum of Net Assets exceeding Rs 1,000 million

- 9.2** Sales tax on remuneration of the Trustee has been charged at the rate of 13% (2018: 13%).

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 ----- (Rupees in '000) -----
10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee payable to the SECP	10.1	2,765	3,065

- 10.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as Asset Allocation Scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average daily net assets of the Fund.

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

11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
Provision against Sindh Workers' Welfare Fund	11.1	9,073	9,073
Provision for Federal Excise Duty and related tax on			
- Management fee	11.2	19,027	19,027
- Sales load		16,173	16,173
Withholding tax payable (deducted on capital gains)		2	8
Auditors' remuneration payable		508	562
Brokerage payable		2,222	2,033
Sindh sales tax payable on allocated expenses		-	992
Others		61	344
		47,066	48,212

11.1 Provision for Sindh Workers' Welfare Fund (SWWF)

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

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

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

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP instructed to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The aggregate balance of SWWF provision in the book of accounts of the Fund as on June 30, 2019 is Rs. 9.073 million. Had this provision not been made, the NAV of the Fund would have been higher by Re.0.3156 per unit (June 30, 2018: Re.0.2230 per unit).

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

11.2 Federal Excise Duty and related tax payable

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

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

On July 16, 2016, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

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

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and Sales Load with effect from July 1, 2016. However, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2019 aggregates to Rs. 19.027 (2018: Rs. 19.027) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2019 would have been higher by Re. 0.6618 per unit (2018: Re. 0.4676 per unit).

12. CONTINGENCIES AND COMMITMENTS

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

13. MARKUP / RETURN ON INVESTMENTS

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Term deposit receipts	211	7,090
Government securities	50,619	40,838
Term finance certificates	22,882	10,852
Clean placements	-	4,749
Commercial paper	3,076	897
	<u>76,788</u>	<u>64,426</u>

14. AUDITORS' REMUNERATION

Annual audit fee	420	420
Half yearly review fee	236	236
Other certifications	50	110
Out of pocket expenses	145	214
	<u>851</u>	<u>980</u>

15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2019 is 3.47% (2018: 3.64%) which includes 0.34% (2018: 0.37%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4.5% (2018: 4%) prescribed under the NBFC Regulations for a collective investment scheme categorised as an Asset Allocation scheme.

16. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income available for distribution by the Fund to the unit holders in cash in the manner as explained above accordingly, no provision for taxation has been made in these financial statements.

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

For the year ended June 30, 2018(Rupees in '000) -

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

17.2 Details of transactions with related parties / connected persons during the year

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company (including indirect taxes)	65,776	72,914
Allocated expenses and related taxes	2,910	3,645
Selling and marketing expenses	11,641	12,904
Sales Load	-	11,332
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee (including indirect taxes)	4,418	4,776
CDC settlement charges	327	590
MCB Bank Limited - Holding Company of the Management Company		
Purchase of shares 2019:1,172,800 (2018: 1,542,100)	228,945	326,752
Sale of shares 2019: 1,001,400 (2018: 1,234,200)	202,454	259,421
Dividend income	1,770	6,730
Profit on bank balances	13	133
Bank charges	7	44
Sale of securities face value 2019: 850,000,000 (2018: 80,000,000)	842,722	79,030
Load	-	326
Aisha Steel Mills Limited - Group Company of Associated Company		
Sale of Shares 2019:Nil (2018: 1,000,000)	-	23,488
Silkbank Limited - Common Directorship		
Profit on bank balances	11,463	8,976
Bank charges	45	25
Purchase of securities face value 2019: Nil (2018: 1,485,865,000)	-	1,467,302
Sale of securities face value 2019:3,750,000,000 (2018: 2,823,000,000)	3,692,898	4,157,230
D. G. Khan Cement Company Limited - Group Company of Parent Company		
Purchase of Shares 2019: 140,000 (2018: 1,875,000)	15,427	265,971
Sale of Shares 2019:572,500 (2018: 1,817,896)	57,248	284,913
Dividend income	-	3
Adamjee Insurance Company Limited - Group Company of Parent Company		
Purchase of Shares 2019: Nil (2018: 295,000)	-	17,034
Dividend income	738	145
Arif Habib Limited - Subsidiary of Associated Company		
Purchase of Shares 2019: Nil (2018: 100,000)	-	6,109
Sale of Shares 2019: 70,000 (2018: Nil)	4,824	-
Dividend income	-	2,300
Brokerage expense *	746	15,235
Next Capital Limited - Joint Venture of MCB Bank Limited & Arif Habib Corporation Limited		
Brokerage expense *	209	1,277
Nishat Mills Limited - Group Company of Parent Company		
Purchase of Shares 2019:210,000 (2018: 1,279,000)	28,310	199,278
Sale of Shares 2019: 941,300 (2018: 546,600)	133,708	84,911
Dividend income	0.475	1,796
Mughal Iron and Steel Industries Limited		
Purchase of Shares 2019:350,000 (2018: 310,000)	15,225	21,695
Sale of Shares 2019:170,500 (2018: 381,000)	5,708	25,127
Dividend income	-	157
Synthetic Products Enterprises Limited		
Purchase of Shares 2019: Nil (2018: 730,500)	-	32,209
Dividend income	731	-

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

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
Nishat (Chunian) Limited - Group Company of Parent Company		
Purchase of Shares 2019: 250,000(2018: Nil)	14,405	-
Dividend income	375	-
17.3 Details of balances with related parties / connected persons as at year end		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management remuneration payable	3,868	5,173
Sindh sales tax payable on management remuneration	503	672
Sales load payable	164	1,879
Payable against allocated expenses	193	259
Payable against selling and marketing expenses	2,529	3,185
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration payable	276	341
Sindh Sales Tax payable on trustee remuneration	36	44
Security deposits	100	100
MCB Bank Limited - Parent of the Management Company		
Bank balances	2,600	4,062
Sale load payable	-	16
Shares held by the Fund 2019: 479,300 (2018: 307,900 shares)	83,614	60,893
Adamjee Insurance Company Limited - Group Company of Parent Company		
295,000 shares held by the Fund (2018: 295,000 shares)	10,340	14,375
Arif Habib Limited - Subsidiary of Associated Company		
Shares held by the Fund 2019: 312,00 (2018: 330,000 shares)	9,869	20,130
Brokerage expense *	43	108
Next Capital Limited - Joint Venture of MCB Bank Limited & Arif Habib Corporation Limited		
Brokerage expense *	9	250
Nishat Mills Limited - Group Company of Parent Company		
1,100 shares held by the Fund (2018: 732,400 shares)	103	103,210
D. G. Khan Cement Company Limited - Group Company of Parent Company		
Nil shares held by the Fund (2018: 432,500 shares)	-	49,517
Mughal Iron & Steel		
179,500 shares held by the Fund (2018: 732,400 shares)	4,516	-
Silkbank Limited - Common Directorship		
Bank balance	876	385,112
Profit receivable on bank balance	237	2,265
Synthetic Products Enterprises Limited		
730,500 shares held by the Fund (2018: 730,500 shares)	16,210	37,329

* The amount disclosed represents the amount of brokerage expense or brokerage payable to related parties / 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 related parties / connected persons.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows financial instruments recognized at fair value based on:

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

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

Financial assets not measured at fair valueFinancial liabilities not measured at fair value

Payable to the Management Company
Payable to the Trustee
Payable against redemption of units
Accrued expenses and other liabilities

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

	June 30, 2018			
	Carrying amount		Fair Value	
	Loans and receivables / other financial liabilities	Fair value through profit or loss'	Available-for-sale	Total
	(Rupees in '000)			
Financial assets measured at fair value				
Listed equity securities	-	1,650,953	17,131	1,668,084
Term Finance Certificates	-	115,936	-	115,936
Sukuk Certificates	-	100,065	-	100,065
Market Treasury Bills	-	9,889	-	9,889
Pakistan Investment Bonds	-	-	3,007	3,007
	-	1,876,843	20,138	1,896,981
Financial assets not measured at fair value				
Bank balances	1,375,000	-	-	1,375,000
Profit receivable	9,542	-	-	9,542
Receivable against sale of investments	37,069	-	-	37,069
Receivable from National Clearing Company of Pakistan Limited	3,315	-	-	3,315
Other receivables	17	-	-	17
	1,424,943	-	-	1,424,943
Financial liabilities not measured at fair value				
Payable to the Management Company	10,496	-	-	10,496
Payable to the Trustee	341	-	-	341
Payable against redemption of units	41	-	-	41
Payable against purchase of investments	50,906	-	-	50,906
Accrued expenses and other liabilities	2,939	-	-	2,939
	64,723	-	-	64,723

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

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

19. FINANCIAL RISK MANAGEMENT

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

19.1 Market risk

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

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

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

19.1.1 Currency risk

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

19.1.2 Yield / Interest rate risk

Yield / 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 balances held with banks, investments in term finance certificates and sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

As of June 30, 2019 details of Fund's interest bearing financial instruments were as follows:

	Note	June 30, 2019	June 30, 2018
		-----Rupees-----	
Variable rate instrument (financial asset)			
Bank balance	4.	414,480	1,374,993
Term finance certificates	5.1.2, 5.1.3	114,929	115,936
Sukuk certificates	5.1.4	154,890	100,065
		684,299	1,590,994
Fixed rate instruments (financial assets)			
Government securities - Market Treasury Bills	5.1.5	-	9,889
Government securities - Pakistan Investment Bonds	5.1.7	-	3,007
		-	12,896

a) Sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the reporting date would have increased / decreased profit before taxation and total comprehensive income by Rs 6.84 million (2018: Rs 15.91 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

b) Fair value sensitivity analysis for fixed rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the profit before taxation and total comprehensive income by Rs. Nil (2018: 0.13 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

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

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 financial instruments is based on 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:

Particulars	As at June 30, 2019					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest risk	
		Upto three months	More than three months and up to one year	More than one year		
----- % ----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	10.25 to 13	414,480	-	-	2,289	416,769
Investments classified as:						
'at fair value through profit or loss'	11.58 to 13.87	81,411	-	269,819	1,218,575	1,569,805
Dividend and profit receivable		-	-	-	13,402	13,402
Receivable against sale of investments		-	-	-	130,769	130,769
Receivable from National Clearing Company of Pakistan Ltd.		-	-	-	3,737	3,737
Other receivables		-	-	-	50	50
Sub total		495,891	-	269,819	1,368,822	2,134,532
Financial liabilities						
Payable to the Management Company Ltd.		-	-	-	6,754	6,754
Payable to the Trustee		-	-	-	276	276
Payable against redemption of units		-	-	-	32,370	32,370
Accrued expenses and other liabilities		-	-	-	2,791	2,791
Sub total		-	-	-	42,191	42,191
On-balance sheet gap		495,891	-	269,819	1,326,631	2,092,341
Total interest rate sensitivity gap		495,891	-	269,819	1,326,631	2,092,341
Cumulative interest rate sensitivity gap		495,891	495,891	765,710		

Particulars	As at June 30, 2018					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		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						
Bank balances	3.75 to 8.10	1,370,957	-	-	4,043	1,375,000
Investments	6.64 to 11.5	12,896	-	216,001	1,668,084	1,896,981
Profit receivable		-	-	-	9,542	9,542
Receivable against sale of investments		-	-	-	37,069	37,069
Receivable from National Clearing Company of Pakistan Limited		-	-	-	3,315	3,315
Other receivables		-	-	-	17	4,034
Sub total		1,383,853	-	216,001	1,722,070	3,325,941
Financial liabilities						
Payable to the Management Company Ltd.		-	-	-	10,496	11,168
Payable to the Trustee		-	-	-	341	385
Payable against redemption of units		-	-	-	41	41
Payable against purchase of investments		-	-	-	50,906	50,906
Accrued expenses and other liabilities		-	-	-	2,939	2,939
Sub Total		-	-	-	64,723	65,439
On-balance sheet gap		1,383,853	-	216,001	1,657,347	3,260,502
Total interest rate sensitivity gap		1,383,853	-	216,001	1,657,347	3,260,502
Cumulative interest rate sensitivity gap		1,383,853	1,383,853	1,599,854		

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

19.1.3 Price risk

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

A reasonably possible change of 5% increase or decrease in fair values at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 60.93 million (2018: Rs 83.40 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

19.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on investments in term finance certificates and sukuk certificates, bank balances and other financial assets at amortised cost. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

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

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

	2019		2018	
	Balance as per statement of assets and	Maximum exposure	Balance as per statement of assets	Maximum exposure
	(Rupees in '000)			
Bank balances	416,769	416,769	1,375,000	1,375,000
Investments	1,569,805	1,569,805	1,896,981	219,008
Dividend and profit receivable	13,402	13,402	9,542	9,386
Receivable against sale of investments	130,769	130,769	37,069	37,069
Receivable from National Clearing Company of Pakistan Limited	3,737	3,737	3,315	—
Advances, deposits, prepayments and other	3,133	3,133	4,034	4,034
	2,137,615	2,137,615	3,325,941	1,644,497

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

Bank Balances by rating category

Rating	2019		2018	
	Rupees in '000	%	Rupees in '000	%
AAA	405,662	97.33%	4,502	0.33%
AA+	8,839	2.12%	384,666	27.98%
AA-	1,223	0.29%	600,657	43.68%
AA	25	0.01%	14	0.00%
A+	117	0.03%	23	0.00%
A-	876	0.21%	385,112	28.01%
A	27	0.01%	26	0.00%
	416,769	100.00%	1,375,000	100.00%

Above ratings are on the basis of available ratings assigned by PACRA and VIS Credit Rating Company Limited (Formerly JCR-VIS Credit Rating Company Limited) as of June 30, 2019.

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

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

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

Concentration of credit risk

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

All of the Fund's concentration of credit risk at the end of financial year 2019 and 2018 are with commercial banks.

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

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

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

	Within 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 5 years	More than 5 years	Total
Rupees in "000"						
2019						
Financial assets						
Bank balances	416,769	-	-	-	-	416,769
Investments	1,218,575	81,411	-	164,866	104,953	1,569,805
Dividend and profit receivable	13,402	-	-	-	-	13,402
Receivable against sale of investments	130,769	-	-	-	-	130,769
Receivable from National Clearing Company of Pakistan Limited	3,737	-	-	-	-	3,737
Advances and deposits	50	-	-	-	-	50
	1,783,302	81,411	-	164,866	104,953	2,134,532

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

2019

	Within 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 5 years	More than 5 years	Total
----- Rupees in '000 -----						
Financial liabilities						
Payable to the Management Company	6,754	-	-	-	-	6,754
Payable to the Trustee	276	-	-	-	-	276
Payable against redemption of units	32,370	-	-	-	-	32,370
Accrued expenses and other liabilities	2,791	-	-	-	-	2,791
	42,191	-	-	-	-	42,191
	1,741,111	81,411	-	164,866	104,953	2,092,341

2018

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

Financial assets

Bank balances	1,375,000	-	-	-	-	1,375,000
Investments	1,671,091	9,889	-	216,001	-	1,896,981
Dividend and profit receivable	9,542	-	-	-	-	9,542
Receivable against sale of investments	37,069	-	-	-	-	37,069
Receivable from National Clearing Company of Pakistan Limited	3,315	-	-	-	-	3,315
Advances and deposits	4,519	-	-	-	-	4,519
	3,100,536	9,889	-	216,001	-	3,326,426

Financial liabilities

Payable to the Management Company	10,496	-	-	-	-	10,496
Payable to the Trustee	341	-	-	-	-	341
Payable against redemption of units	41	-	-	-	-	41
Payable against purchase of investments	50,906	-	-	-	-	50,906
Accrued expenses and other liabilities	2,939	-	-	-	-	2,939
	64,723	-	-	-	-	64,723
	3,035,813	9,889	-	216,001	-	3,261,703

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

20. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

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

20.1 Mr. Syed Abid Ali is the fund manager. Details of the other funds being managed by him are as follow s:

- MCB Pakistan Frequent Payout Fund;
- Pakistan Capital Market Fund;
- MCB Pakistan Stock Market Fund;
- Pakistan Pension Fund;
- Alhamra Islamic Stock Fund;
- Alhamra Islamic Active Allocation Plan-I and Plan-II;
- Alhamra Islamic Pension Fund; and
- Alhamra Islamic Asset Allocation Fund.

21. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2019 (Percentage)
1 Foundation Securities Limited	9.79
2 Arif Habib Limited	7.40
3 Js Global Capital Limited	7.37
4 Ismail Iqbal Securities Private Limited	6.03
5 Top Line Securities Private Limited	5.86
6 EFG Hermes Pakistan Limited	5.83
7 AKD Securities Limited	5.74
8 Al-Falah Securities Private Limited	5.59
9 DIM Securities Private Limited	5.51
10 Taurus Securities Limited	5.41
	June 30, 2018 (Percentage)
1 JS Global Capital Limited	9.41
2 Arif Habib Limited	9.15
3 Elixir Securities Pakistan (Private) Limited	7.63
4 EFG Hermes Pakistan Limited	6.45
5 Foundation Securities (Private) Limited	6.38
6 Next Capital Limited	6.31
7 BMA Capital Management Limited	5.14
8 Intermarket Securities Limited	4.66
9 Topline Securities (Private) Limited	4.6
10 AKD Securities Limited	4.31

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

22. PATTERN OF UNIT HOLDING

Following is the holding patterns of the Fund as at June 30, 2019 and June 30, 2018.

As at June 30, 2019				
	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage investment %
Individuals	1,574	16,689,741	1,188,800	58.05
Associated companies	4	5,903,130	420,477	20.53
Retirement funds	29	5,111,910	364,119	17.78
Others	8	1,045,196	74,449	3.64
	1,615	28,749,977	2,047,845	100

As at June 30, 2018				
	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage investment %
Individuals	1,787	24,271,094	1,916,433	59.65
Insurance company	1	3,745,546	295,746	9.21
Retirement funds	32	8,452,947	667,440	20.78
Trust	2	14,120	1,115	0.03
Associated companies	5	2,660,549	210,076	6.54
Others	13	1,543,062	121,839	3.79
	1,840	40,687,318	3,212,649	100

23. ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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	
Mian Muhammad Mansha	Chairman	8	8	2	6	143 rd , 145 th , 146 th , 147 th , 149 th & 150 th
Nasim Beg	Director	8	8	8	-	-
Ahmed Jahangir	Director	8	8	8	-	-
Samad A Habib	Director	8	8	6	2	145 th , 150 th
Syed Salman Shah *	Director	8	6	6	-	-
Haroun Rashid	Director	8	8	5	3	143 rd , 145 th , 149 th
Mirza Qamar Beg	Director	8	8	8	-	-
Muhammad Saqib Saleem	Chief Executive	8	8	8	-	-

* Resigned on June 10, 2019

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

24. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

25. CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated 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 were made in these financial statements, other than those resulting from changes as disclosed in the note 3.1.

26. DATE OF AUTHORISATION FOR ISSUE

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

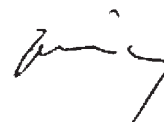
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

No. of Unit Holders	Unit Holdings	Total Units Held
1229	0-10000	1,945,138
343	10001 – 100000	9,261,057
40	100001 – 1000000	9,410,525
3	1000001 - onwards	8,133,256
<u>1,615</u>		<u>28,749,977</u>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2019

Performance Information	2019	2018	2017	2016	2015
Total Net Assets Value – Rs. in million	2,048	3,213	3,439	2,718	2,640
Net Assets value per unit – Rupees	71.2294	78.9595	81.03	79.06	77.38
Closing Offer Price	73.6441	81.6362	83.7731	82.3217	80.6043
Closing Repurchase Price	68.8147	78.9595	81.03	79.06	77.38
Highest offer price per unit	83.6050	88.3454	98.54	84.55	90.26
Lowest offer price per unit	71.8670	77.9099	82.13	79.12	74.66
Highest Redemption price per unit	80.8637	85.4487	90.77	81.19	86.65
Lowest Redemption price per unit	69.5106	75.3554	79.35	75.98	71.67
Distribution per unit – Rs. *	Nil	Nil	5.50	0.80	8.50
Average Annual Return - %					
One year	-9.79	-2.55	9.54	3.21	19.41
Two year (inception date Mar 11, 2008)	-6.17	3.50	6.38	11.31	15.68
Three year	-0.93	3.40	10.72	11.52	16.85
Net Income / (loss) for the period – Rs. in million	(280.60)	(76.24)	331.04	24.88	394.75
Distribution made during the year – Rs. in million	-	-	209.24	21.61	215.63
Accumulated Capital Growth – Rs. in million	(280.60)	(84.09)	121.80	3.27	179.12

* Date of Distribution

2019	
Date	Rate
—	Nil

2018	
Date	Rate
—	Nil

2017	
Date	Rate
June 21, 2017	5.50

2016	
Date	Rate
June 27, 2016	0.80

2015	
Date	Rate
June 22, 2015	8.50

Disclaimer

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

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

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

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	26	26	0	0	-
(%ages)	100	100	0	0	-

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

MCB-Arif Habib Savings and Investments Limited

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