



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2020

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



Vision

To become synonymous with Savings

Mission

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

Core Values

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



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MCB DCF INCOME FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
Board of Directors	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
Human Resource & Remuneration Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Chief Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Altaf Ahmad Faisal	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shakra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Silk 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 Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Members Firm of PWC Network) Sate Life Building 1-C, I.I Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
Rating	AM2++Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB DCF Income Fund accounts** review for the year ended June 30, 2020.

ECONOMY AND MONEY MARKET OVERVIEW

FY20 was a tale of two halves as macroeconomic consolidation process which was on track during the first half was seriously disrupted by the Covid'19 pandemics in the second half. Global cases topped 17 million, while more than 650,000 people became the morsel of death as the fatal outbreak continued to spread throughout the world. The pandemic wreaked havoc on the global economy as worldwide lockdowns lowered the overall consumption patterns along with causing massive unemployment. The IMF predicts that the global economy will shrink 4.9% this year, which would be the worst annual contraction after the Second World War.

On the local front, the economy was locked down at a large scale till May as the health infrastructure was overwhelmed with number of cases. As a result of the output gap, the forecasts for economic growth were lowered to -0.4%, compared to earlier growth expectations of 2.4%. Large Scale Manufacturing (LSM) and Services sector had to bear the major brunt resulting from lockdowns. LSM contracted by 10.3% during the first eleven months of FY20. Amongst the major industries, Automobiles and Iron & Steel witnessed a sharp downfall, declining by 44.8% and 17.0% respectively. Textile with the largest weight in LSM, also contracted by 11.0% after global lockdowns put a halt on exports. Moreover, the Agriculture sector also disappointed as the production of major crops (Cotton, Wheat and Sugar) remained well below the target levels.

Fiscal consolidation was seriously disrupted after the lockdowns caused massive shortfall in tax collection. FBR managed to collect PKR 4.0 trillion against the earlier envisaged target of PKR 4.8 trillion. Till Feb 2020, the tax collection was growing at a rate of ~16% YoY, however during the last four months of the fiscal year, the tax collection saw a massive contraction of ~20% YoY which resulted in a huge shortfall. Alongside, government rolled out a social safety program to insulate masses from vulnerabilities posed by lockdown, which resulted in more than desired expenditures. As a result of this, it is expected that fiscal deficit will fall north of 9.0% of GDP.

Lagged impacts of policy action in terms of monetary tightening and exchange rate adjustments continued to bear fruits as reflected in improvement in Balance of Payments position. The current account deficit during the year contracted by ~78% on Year on Year basis to USD 2.8 billion. A major portion of reduction in current account deficit was explained by decline in Imports of goods and services as it compressed by ~19%, translating into a reduction of USD ~12 billion. Remittances also remained resilient as they increased by ~6% during the year to USD 23.1 billion. Foreign Direct Investment (FDI) stood at USD ~2.5 billion, up 75% compared to last year as renewal of Telecom Licenses and onset of power sector projects fetched new investments. Debt related flows from IMF and multilateral institutions also kept the overall financial flows in the positive zone. Pakistan received USD 2.4 billion from IMF and more than USD ~5 billion were disbursed by the multilateral institutions for various programs. Overall, the financial account generated a surplus of USD ~7 billion. As a result, foreign exchange reserves of SBP grew by USD 4.9 billion during the year to close at USD 12.1 billion. While import cover improved from 1.7x to 2.6x, it is still below the accepted global benchmarks. PKR saw a nominal depreciation of 3.2% against USD during the year to close at 168.2.

Average CPI for FY20 clocked in at 10.8%, compared to 6.8% witnessed during the preceding year. Food inflation was prominent during the year averaging at 14.5%, after supply side weakness caused a spike in the prices of some essential commodities and perishable food items. Sugar prices increased by ~29%, while Wheat flour saw an increase of ~16% during the year. Among perishable items, onion and potatoes witnessed a hike of ~70% and ~65% respectively. However, the inflationary pressures have started trending downwards with inflation for June clocking in at 8.6% as lower petroleum prices along with easing food inflation have put a break on overall inflation. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 7.9% for the period.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

The MPC committee remained proactive throughout the calendar year and reduced the interest rates by record 625 bps to bring the policy rate at 7.0%. Recessionary pressures due to Covid'19 and lower expectation of inflation were the primary drivers behind the unprecedented move. Alongside, the central bank announced various schemes to lessen the burden of financial emergencies in the system. Nearly PKR 650 billion of loans were deferred by commercial banks for one year, while close to PKR 150 billion of loans were restructured.

Yield curve started to slope downward during the first half of FY20 before the monetary easing started, in anticipation of lower inflation. As the pandemic struck during the start of the calendar year and the recessionary pressures became imminent, central bank pursued aggressive monetary easing and reduced the policy rate by cumulative 625 bps in several meetings. As a result, the yield curve further shifted downwards during the period. 3Y, 5Y and 10Y bonds eased off by 632, 577 and 503 bps respectively during the year. The yield curve has again started to slope upwards as the market participants are expecting the interest rates to bottom out.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 11.69% as against its benchmark return of 13.04%. The WAM of the fund was increased to 2.8 years because of interest rate outlook which was on a declining trend. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 31.2% invested in Cash, 18.0% in TFCs and 20.4% in T-Bills. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2020 stood at Rs. 4,033 million as compared to Rs. 3,933 million as at June 30, 2019 registering an increase of 2.5%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 106.9649 as compared to opening NAV of Rs. 106.5542 per unit as at June 30, 2019 registering an increase of Rs. 0.4107 per unit.

FUTURE OUTLOOK

GDP growth for FY21 is projected at 2.0% by government and various institutions. Pakistan has essentially survived the first wave of pandemic, as number of daily cases (~1K) have reduced to one-sixth of the peak daily cases (~6K) witnessed during early June. While most of the sectors have been opened, few sectors are still virtually closed and operating below the potential capacity. Barring a second wave of Covid, we expect the economy to fully gear up by the second quarter of fiscal year. A potential vaccine by the end of the calendar year will also allow the global activities to fully resume in the next calendar year. With a lower base and various stimulus measures, we expect government to meet the annual target for GDP growth. Monetary stimulus announced by central bank will pave the way to revive the growth in cyclical industries. Moreover, government's construction package will also provide the much needed impetus to demand led growth.

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 fall of international oil prices to USD 40/BBL has come as a blessing in disguise. Global economy has started to recover and the news flow suggests that the exports are gaining momentum. Remittances have also been far above the general expectations and in fact 50% YoY growth in June has surprised everyone. Even accounting for a 10% decline in remittances, the overall situation will remain in comfortable zone. We expect CAD to settle at 1.6% of GDP in the FY21, which can be easily financed via flows from foreign investments and debt flows. Swift continuation of IMF program will be a key prerequisite to keep the financial account in positive zone. With the current scenario, we expect foreign exchange reserves to further increase by USD 2 billion during the next year, which will help alleviate any pressure on currency.

CPI is expected to tone down to an average of ~7.5% during the next year assuming average oil prices of USD 40/BBL. Central bank has already adjusted the policy rate to 7.0% in the wake of lower expected

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

inflation. The inflation trajectory would remain below 7.0% during the first half of the fiscal year due to lower petroleum prices, thus causing the policy rate to remain positive. However, during the second half as the impact of low base resumes, inflation will move above the policy rate, which means that central bank will be prompted to adjust the interest rates under the normal economic scenario. However, a better than expected scenario on the balance of payment side will allow central bank to continue the current policy rate.

Fiscal department will remain an Achilles heel for the government as it is expected to remain north of 7.0%. With limited expected growth in taxes, we believe government will not have much room to provide impetus via public development spending. Alongside, government reliance on borrowing via domestic sources will continue to crowd out private sector investment. In an environment where government muscles have been reined in, the importance of private sector will continue to dominate in reviving the overall economic growth.

From capital market perspective, particularly equities, we are getting a much clearer picture now. As covid curve continues to flatten out, the valuations are catching up with historical norms. Barring a second wave of the virus, we think equities have a lot to offer to the investors. Market cap to GDP ratio is at 17.5%, still at a discount of 33% from its historical average. Similarly, risk premiums are close to 4.0%, compared to historical average of 0.9% signifying decent upside for long term investors. We believe a micro view of sectors and stock will remain more important this year and investment selection should focus on companies which trade at a deep discount to their intrinsic value. Similarly, focus should also revert back to companies that are expected to exhibit stellar earnings growth over the medium term.

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

Corporate Governance

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

The Board consists of 1 female and 7 male directors. The details are as under:

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

* HR&R stands for Human Resource and Remuneration

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

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 what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2020, the Company is in compliance with the requirements of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2020:

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

1. Meeting of the Audit Committee.

During the year, eight (8) 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 (Former Chairman)*	8	5	4	1
2. Mirza Qamar Beg (Chairman)	8	8	8	0
3. Mr. Nasim Beg	8	8	8	0
4. Mr. Ahmed Jahangir	8	8	7	1
5. Mr. Kashif A. Habib	8	3	3	0
6. Syed Savail Meekal Hussain	8	3	3	0

* Mr. Haroun Rashid ceased to be chairmen/member of the committee effective February 07, 2020.

**Syed Savail Meekal Hussain and Ms. Mavra Adil Khan were elected on the Board on February 06, 2020.

2. Meeting of the Human Resource and Remuneration Committee.

During the year, four (4) meeting of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Mirza Qamar Beg	4	4	4	-
2. Mr. Haroun Rashid*	4	4	4	-
3. Mr. Ahmed Jahangir	4	4	4	-
4. Mr. Nasim Beg	4	4	4	-
5. Ms. Mavra Adil Khan**	4	-	-	-
6. Syed Savail Meekal Hussain**	4	-	-	-
7. Mr. Muhammad Saqib Saleem (CEO)	4	4	4	-

* Mr. Haroun Rashid ceased to be member of the committee effective February 07, 2020.

** Ms. Mavra Adil Khan and Syed Savail Meekal Hussain were appointed members of the committee post elections.

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Asif Mehdi Rizvi	Chief Financial Officer	6338.69	6338.69	

External Auditors

The fund's external auditors, **A.F.Ferguson & Co. Chartered Accountants** have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2021. The audit committee of the Board has recommended reappointment of **A.F.Ferguson & Co. Chartered Accountants** as auditors of the fund for the year ending June 30, 2021.

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
August 22, 2020



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

اظہارِ تشکر

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

من جانب ڈائریکٹرز،



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

22 اگست 2020ء



نسیم یگ

ڈائریکٹر اوائس چیئرمین

ڈائریکٹرز رپورٹ

۲۔ ہیومن ریسورس اینڈ میونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ میونریشن کمیٹی کی چار (4) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	4	4	4	۱۔ جناب مرزا قمر بیگ
-	4	4	4	۲۔ جناب ہارون رشید*
-	4	4	4	۳۔ جناب احمد جہانگیر
-	4	4	4	۴۔ جناب نسیم بیگ
-	-	-	4	۵۔ محترمہ ماوراء عادل خان**
-	-	-	4	۶۔ سید ساویل میکال حسین**
-	4	4	4	۷۔ جناب محمد ثاقب سلیم (سی ای او)

* جناب ہارون رشید 07 فروری 2020ء سے کمیٹی کے چیئرمین اراکین نہیں ہیں۔

** محترمہ ماوراء عادل خان اور سید ساویل میکال حسین کی بعد از انتخابات کمیٹی کے رکن کی حیثیت سے تقرری کی گئی۔

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

نمبر شمار	نام	عہدہ	سرمایہ کاری	والیسی	ڈیویڈنڈ کی تقسیم
			پونٹس کی تعداد		
۱	محمد آصف مہدی رضوی	چیف فنانسئل آفیسر	6338.69	6338.69	

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 30 جون 2021ء 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 2021ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

ڈائریکٹر رپورٹ

- b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔
- c. مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا باقاعدگی کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
- d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار (پاکستان میں اطلاق کی حد تک)، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) 2003ء اور نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انتظامیہ ریگولیشنز 2008ء کی دفعات، متعلقہ ٹرسٹ ڈیڈز کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔
- f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شبہات نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے۔
- h. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز کو (اگر کوئی ہیں تو) 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 بلکہ مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹر رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. 30 جون 2020ء کو کمپنی کوڈ آف کارپورٹ گورننس کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹر ٹریننگ پروگرام کی شرائط پر تعمیل پیرا 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 2020ء 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 آٹھ (8) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
1	4	5	8	۱۔ جناب ہارون رشید (سابقہ چیئر مین)*
0	8	8	8	۲۔ مرزا محمد قمر بیگ (چیئر مین)
0	8	8	8	۳۔ جناب نسیم بیگ
1	7	8	8	۴۔ جناب احمد جہانگیر
0	3	3	8	۵۔ جناب کاشف اے حبیب
0	3	3	8	۶۔ سید ساویل میکال حسین**

* جناب ہارون رشید 07 فروری 2020ء سے کمیٹی کے چیئر مین اراکین نہیں ہیں۔

** سید ساویل میکال حسین کا 06 فروری 2020ء کو بورڈ میں انتخاب ہوا۔

ڈائریکٹرز رپورٹ

فیصد کم ہے۔ اسی طرح رسک پریمئیم 0.4 فیصد کے قریب ہیں جو اپنے پرانے اوسط 0.9 فیصد کے مقابلے میں طویل المیعاد سرمایہ کاروں کے لیے قابل قبول بہتری ہے۔ ہم سمجھتے ہیں کہ سیکٹرز اور اسٹاک کی خوردقصور اس سال زیادہ اہم رہے گی اور سرمایہ کاری کے انتخاب کا انحصار ایسی کمپنیوں پر ہونا چاہیے جو اپنی اندرونی قدر میں گہری رعایت پر تجارت کرتی ہیں۔ اسی طرح ایسی کمپنیوں کی طرف بھی توجہ دوبارہ مرکوز ہونی چاہیے جن کی درمیانی مدت کی آمدنی میں زبردست ترقی متوقع ہے۔

Debt حاملین کے لیے ہم توقع کرتے ہیں کہ بازار زر کے فنڈ پالیسی شرحوں کی عکاسی پلا رکاوٹ سال بھر جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز دوران سال پہلے ہی کچھ حد تک متوقع مالیاتی تسہیل میں کردار ادا کر چکے ہیں۔ ہم بانڈز کے منافعوں کی موجودہ سطحوں کے حوالے سے محتاط ہیں اور ڈیٹا کے نکات کی نگرانی جاری رکھیں گے تاکہ مواقع سے فائدہ اٹھایا جاسکے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ چار (4 Non) ایگزیکٹو ڈائریکٹرز، تین (3) خود مختار ڈائریکٹرز اور ایک (1) ایگزیکٹو ڈائریکٹر کے ساتھ بورڈ، مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے، عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ بورڈ 1 خاتون اور 7 حضرات ڈائریکٹرز پر مشتمل ہے۔ تفصیلات درج ذیل ہیں:

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

* ایچ آر اینڈ آر : ہیومن ریسورس اینڈ ریمونریشن

انتظامیہ بہترین طریقوں، خاص طور پر Non ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے کارپوریٹ گورننس کے ضابطہء اخلاق کی دفعات کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔

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

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

حکومت اور مختلف اداروں کے مطابق مالی سال 2020-21ء کے لیے مجموعی ملکی پیداوار (جی ڈی پی) میں متوقع ترقی 2.0 فیصد ہے۔ پاکستان و بآہ کی پہلی لہر سے نمٹنے میں کامیاب ہوا ہے اور متاثرہ افراد کی یومیہ تعداد (ایک ہزار) ماہ جون کے اوائل میں بلند ترین یومیہ تعداد (چھ ہزار) کا چھٹا حصہ رہ گئی ہے۔ اگرچہ اکثر شعبے کھول دیئے گئے ہیں لیکن کچھ تاحال بالکل بند ہیں اور کچھ استعداد سے کم کام کر رہے ہیں۔ کووڈ کی دوسری لہر کا سد باب کرتے ہوئے ہم پُر اُمید ہیں کہ مالی سال کی دوسری سہ ماہی تک معیشت مکمل بحال ہو جائے گی۔ علاوہ ازیں، متوقع طور پر دسمبر تک ویکسین کے منظر عام پر آ جانے سے جنوری سے عالمی سطح پر سرگرمیاں بھی مکمل بحال ہو جائیں گی۔ ہم اُمید کرتے ہیں کہ حکومت کم تر base اور مختلف محکمہ کا نہ اقدامات کے ساتھ جی ڈی پی میں ترقی کا سالانہ ہدف حاصل کر سکے گی۔ مرکزی بینک کا اعلان کردہ مالیاتی محرک گردش صنعتوں میں ترقی بحال کرنے کی راہ ہموار کرے گا۔ علاوہ ازیں، حکومت کے تعمیرات سے متعلق پیکیج سے مانگ پر مبنی ترقی کو مطلوبہ محرک حاصل ہوگا۔

ادائیگی کے توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ کرنٹ اکاؤنٹ خسارہ مرکزی حکومت کے پالیسی اقدامات کے بعد معقول سطح تک آ گیا ہے۔ تیل کی بین الاقوامی قیمتوں کا 40 ڈالر فی بیرل تک کم ہو جانا زحمت کے بھیس میں رحمت ثابت ہوا ہے۔ عالمی معیشت بحال ہونا شروع ہو گئی ہے اور جو خبریں گردش میں ہیں اُن کے مطابق برآمدات میں تیزی آرہی ہے۔ ترسیلات زر بھی عمومی متوقع سطح سے کافی زیادہ ہوئی ہیں، بلکہ ماہ جون میں 50 فیصد YoY ترقی نے سب کو حیران کر دیا ہے۔ ترسیلات زر میں 10 فیصد کمی کو شامل کرنے کے باوجود مجموعی صورتحال قابل قبول رہے گی۔ ہمیں اُمید ہے کہ کرنٹ اکاؤنٹ کا خسارہ مالی سال 2020-21ء میں مجموعی ملکی پیداوار کے 1.6 فیصد پر رُکے گا، اور اس کے لیے غیر ملکی سرمایہ کاریوں اور قرضہ جاتی آمدات سے باسانی رقم فراہم کی جاسکتی ہے۔ مالی اکاؤنٹ کو مثبت حدود میں رکھنے کے لیے آئی ایم ایف پروگراموں کا سبک رفتاری کے ساتھ جاری رہنا کلیدی شرط ہے۔ موجودہ صورتحال میں ہمیں اُمید ہے کہ غیر ملکی زرمبادلہ کے ذخائر میں اگلے سال کے دوران 2 بلین ڈالر کا مزید اضافہ ہوگا جس سے روپے پر کسی قسم کے دباؤ کو ختم کرنے میں مدد ملے گی۔

اگلے سال کے دوران تیل کی قیمتوں کے اوسط 40 فی بی بی ایل کے مفروضے پر صارفی قیمت کے انڈیکس (سی پی آئی) کا متوقع اوسط 7.5 فیصد ہوگا۔ مرکزی بینک نے افراط زر میں متوقع کمی کے تناظر میں پہلے ہی پالیسی شرح میں ترمیم کر کے اسے 7.0 فیصد کر دیا ہے۔ مالی سال کے نصف اوّل کے دوران افراط زر کی رفتار پٹرولیم کی کم تر قیمتوں کے باعث 7.0 فیصد سے کافی کم رہے گی اور پالیسی شرح کو مثبت رکھنے میں کردار ادا کرے گی۔ تاہم نصف آخر کے دوران چونکہ کم تر base کا اثر بحال ہوگا چنانچہ افراط زر پالیسی شرح سے اوپر جائے گی، جس کا مطلب ہے کہ عمومی معاشی صورتحال کے تحت مرکزی بینک کو انٹریسٹ کی شرحوں میں ترمیم کرنا ہوگی۔ تاہم اگر ادائیگیوں کے توازن کی صورتحال متوقع سے بہتر ہوگئی تو مرکزی بینک موجودہ پالیسی شرح کو جاری رکھ سکے گا۔

مالیاتی محکمہ حکومت کے لیے دُکھتی رگ بن رہا ہے کیونکہ اس کا 7.0 فیصد کے شمال میں رہنا متوقع ہے۔ ٹیکسوں میں محدود متوقع اضافے کے باعث ہم سمجھتے ہیں کہ حکومت کے پاس عوامی ترقیاتی خرچ کے ذریعے محرک فراہم کرنے کی زیادہ گنجائش نہیں ہوگی۔ ساتھ ساتھ، مقامی ذرائع سے حصول قرض پر حکومتی انحصار سے پرائیویٹ سیکٹر میں سرمایہ کاری متاثر ہوگی۔ حکومت پر بڑھتے ہوئے بوجھ کے ماحول میں مجموعی معاشی ترقی کی تجدید کے لیے پرائیویٹ سیکٹر کی اہمیت بدستور حاوی رہے گی۔

کیپیٹل مارکیٹ، خصوصاً ایکویٹیز، کے نظریئے سے ہمیں اب کافی واضح صورتحال نظر آ رہی ہے۔ جہاں کووڈ کے غم کے ہموار ہونے کا سلسلہ جاری ہے وہاں valuations بتدریج پرانے رجحانات کے ساتھ ہم آہنگ ہو رہی ہیں۔ وائرس کی دوسری لہر کا سد باب کرتے ہوئے ہم سمجھتے ہیں کہ ایکویٹیز میں سرمایہ کاروں کے لیے بہت فوائد مضمر ہیں۔ مارکیٹ کیپیٹلائزیشن کا جی ڈی پی کے ساتھ تناسب 17.5 فیصد ہے، جواب بھی اپنے پرانے اوسط سے 33

ڈائریکٹر زریورٹ

ڈالر منافع حاصل کیا۔ نتیجتاً اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر دوران سال 4.9 بلین ڈالر بڑھ کر 12.1 بلین ڈالر تک پہنچ گئے۔ اگرچہ درآمدات کے cover میں بہتری آئی، یعنی 1.7x سے 2.6x، لیکن یہ اب بھی مقبول عالمی معیارات سے کم ہے۔ ڈالر کے مقابلے میں روپے کی قدر دوران سال 3.2 فیصد کم ہو کر 168.2 ہو گئی۔

مالی سال 2020ء کے لیے صارفی قیمت کے انڈیکس (سی پی آئی) کا اوسط 10.8 فیصد جبکہ دوران سال گزشتہ 6.8 فیصد تھا۔ دوران سال اشیائے خورد و نوش کا افراط زر نمایاں تھا جس کا اوسط 14.5 فیصد تھا کیونکہ رسد کی جہت میں کمزوری کے باعث کچھ ضروری اشیاء اور جلد خراب ہو جانے والی اشیاء کی قیمتوں میں اضافہ ہو گیا۔ چینی کی قیمتوں میں دوران سال 29 فیصد جبکہ گندم کے آٹے کی قیمت میں 16 فیصد اضافہ ہوا۔ جلد خراب ہو جانے والی اشیاء میں پیاز اور آلو کی قیمتوں میں بالترتیب 70 فیصد اور 65 فیصد اضافہ ہوا۔ تاہم افراط زر کے دباؤ میں کمی آغاز ہو گیا ہے اور جون میں افراط زر 8.6 فیصد تھی کیونکہ پٹرولیم کی کم تر قیمتوں کے ساتھ ساتھ اشیائے خورد و نوش کی افراط زر میں تسہیل سے مجموعی افراط زر رک گئی۔ بہر حال، اہم ترین افراط زر، جس کی پیمائش اشیائے خورد و نوش اور توانائی کے شعبے کے علاوہ ہوتی ہے، پھر بھی محدود تھی اور زیر جائزہ مدت کے لیے اس کا اوسط 7.9 فیصد تھا۔

مانیٹری پالیسی کمیٹی (ایم پی سی) سارا سال متحرک رہی اور اس نے انٹریسٹ کی شرحوں میں 625 بیس پوائنٹس (بی پی ایس) کی ریکارڈ کمی کر کے پالیسی کی شرح کو 7.0 فیصد تک پہنچا دیا۔ کووڈ 19 کے باعث مندی کے دباؤ اور افراط زر کی کم تر توقع اس اہم اقدام کے بنیادی اسباب تھے۔ ساتھ ساتھ مرکزی بینک نے نظام میں مالیاتی ہنگامی صورتحال کے بوجھ کو کم کرنے کے لیے مختلف اسکیموں کا اعلان کیا۔ کمرشل بینکوں نے تقریباً 650 بلین روپے کے قرضہ جات ایک سال کے لیے ملتوی کیے، جبکہ تقریباً 150 بلین ڈالر کے قرضہ جات کی تسہیل نو کی گئی۔

مالی سال 2020ء کے نصف اول کے دوران مالیاتی تسہیل سے قبل کم تر افراط زر کی توقعات کے باعث پیداواری خم میں جھکاؤ آنا شروع ہو گیا۔ سال کے آغاز کے دوران وباء کے سر اٹھانے کے باعث مندی کے دباؤ قریب الورد ہو گئے اور مرکزی بینک نے متحرک انداز میں مالیاتی تسہیل کر کے متعدد میٹنگز میں پالیسی شرح کو 625 بی پی ایس کم کر دیا۔ اس کے نتیجے میں پیداواری خم دوران مدت مزید نیچے ہو گیا۔ تین سالہ، پانچ سالہ اور دس سالہ بانڈ میں دوران سال بالترتیب 632، 577 اور 503 بی پی ایس کی تسہیل ہوئی۔ پیداواری خم دوبارہ بلندی کی طرف جانا شروع ہو گیا ہے کیونکہ بازار کے فریق انٹریسٹ کی شرحوں کے کم ترین سطح تک جانے کی توقع کر رہے ہیں۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 11.69 فیصد منافع دیا جبکہ بنچ مارک منافع 13.04 فیصد تھا۔ فنڈ کی ویڈیو ریت میچورٹی (WAM) کو انٹریسٹ کی شرحوں میں کمی کے رجحان کے پیش نظر بڑھا کر 2.8 سال کر دیا گیا۔ زیر جائزہ مدت کے اختتام پر فنڈ کی سرمایہ کاری زیادہ تر نقد اور ٹرم فنانس سرٹیفکیٹس (ٹی ایف سی) میں تھی، جو بالترتیب 31.2 فیصد اور 18.0 فیصد تھی، جبکہ ٹریڈری بلز (ٹی بلز) میں 20.4 فیصد تھی۔ نقد میں زیادہ سرمایہ کاری کا سبب بینک ڈپازٹس پر پُرکشش شرحیں تھیں۔

30 جون 2020ء کو فنڈ کے net اثاثہ جات 4,033 ملین روپے تھے جو 30 جون 2019ء کو 3,933 ملین روپے کے مقابلے میں 2.5 فیصد اضافہ ہے۔ 30 جون 2020ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 106.9649 روپے تھی جو 30 جون 2019ء کو ابتدائی این اے وی 106.5542 روپے فی یونٹ کے مقابلے میں 0.4107 روپے فی یونٹ اضافہ ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی ڈی سی ایف انکم فنڈ کے گوشواروں برائے مدتِ مختتمہ 30 جون 2020ء کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

مالی سال 2020ء کے نصف اول کی صورتحال نصف آخر کے حالات سے کافی مختلف تھی۔ گلاں معاشیاتی یکجائی، جو نصف اول میں صحیح راہ پر گامزن تھی، کو وڈ 19ء کے باعث نصف آخر میں شدید متاثر ہوئی۔ اس قاتل وباء سے جہاں عالمی سطح پر 17 ملین سے زائد افراد متاثر ہوئے اور 650,000 سے زائد لقمہ اجل بنے وہیں عالمی معیشت بھی تباہی سے دوچار ہوئی کیونکہ دنیا بھر میں لاک ڈاؤن کے باعث صرفی رجحان میں کمی ہوئی اور بڑے پیمانے پر بے روزگاری پھیلی۔ انٹرنیشنل مانیٹری فنڈ (آئی ایم ایف) کے مطابق اس سال عالمی معیشت 4.9 فیصد سکڑ جائے گی جو دوسری جنگ عظیم کے بعد ایک سال کے دوران بدترین تنزلی ہے۔

مقامی سطح پر معیشت میں ماہ مئی تک بڑے پیمانے پر لاک ڈاؤن رہا اور صحت عامہ کے شعبے میں متاثر افراد کا دھور رہا۔ ماحصل میں فرق کے نتیجے میں معاشی ترقی میں 0.4 فیصد تک کمی کی پیش گوئی کی گئی بالمقابل سابقہ متوقع ترقی کے جو 2.4 فیصد تھی۔ بڑے پیمانے کی مینوفیکچرنگ (ایل ایس ایم) اور خدمات کے شعبے لاک ڈاؤن سے سب سے زیادہ متاثر ہوئے۔ ایل ایس ایم مالی سال 2020ء کے پہلے گیارہ ماہ کے دوران 10.3 فیصد سکڑ گیا۔ بڑی صنعتوں میں گاڑیوں اور لوہے اور اسٹیل کی صنعتیں سنگین متاثر ہوئیں اور ان میں بالترتیب 44.8 فیصد اور 17.0 فیصد تنزلی ہوئی۔ ایل ایس ایم کی سب سے بڑی فریق ٹیکسٹائل صنعت بھی عالمی لاک ڈاؤن کے نتیجے میں برآمدات رُک جانے کے باعث 11.0 فیصد سکڑ گئی۔ مزید برآں، زراعت کے شعبے کی کارکردگی بھی مایوس کن رہی کیونکہ اہم فصلوں (کپاس، گندم اور گنا) ہدف سے کافی پست سطح پر رہیں۔

لاک ڈاؤن کے باعث ٹیکس وصولی میں سنگین کمی کے نتیجے میں مالی یکجائی شدید متاثر ہوئی۔ فیڈرل بورڈ آف ریونیو (ایف بی آر) سابقہ متوقع ہدف 4.8 ٹریلین روپے کے مقابلے میں 0.4 ٹریلین روپے جمع کر سکا۔ فروری 2020ء تک ٹیکس وصولی 16 فیصد سال در سال (YoY) کی شرح سے بڑھ رہی تھی، تاہم مالی سال کے آخری چار ماہ کے دوران 20 فیصد YoY کی خطرناک شرح سے سکڑ گئی جس کے نتیجے میں شدید کمی پیدا ہو گئی۔ مزید برآں، حکومت نے لاک ڈاؤن سے پیدا ہونے والے خطرات سے عوام کی حفاظت کے مقصد سے ایک سماجی تحفظ کا پروگرام شروع کیا لیکن اس میں مطلوبہ سے زیادہ اخراجات ہو گئے جس کے نتیجے میں مالیاتی خسارے کا مجموعی ملکی پیداوار (جی ڈی پی) سے 9.0 فیصد زیادہ ہونا متوقع ہے۔

پالیسی اقدام کے سبب رفتار اثرات بحوالہ مالیاتی سختی اور زرمبادلہ کی شرح میں ترمیم کے ثمرات حاصل ہونے کا سلسلہ جاری رہا جس کی عکاسی ادائیگیوں کے توازن کی صورتحال میں بہتری میں ہوئی۔ کرنٹ اکاؤنٹ خسارہ دوران سال 78 فیصد YoY بنیاد پر سکڑ کر 2.8 بلین ڈالر ہو گیا۔ کرنٹ اکاؤنٹ خسارے میں کمی کی بڑی وجہ اشیاء کی درآمدات میں کمی ہے جو 19 فیصد سکڑ گئیں جس کے نتیجے میں 12 بلین ڈالر کی کمی ہوئی۔ ترسیلات زر بھی لچکدار رہیں اور دوران سال 6 فیصد بڑھ کر 23.1 بلین ڈالر ہو گئیں۔ غیر ملکی براہ راست سرمایہ کاری (ایف ڈی آئی) 2.5 بلین ڈالر کی سطح پر تھی جو سال گزشتہ کے مقابلے میں 75 فیصد زیادہ ہے کیونکہ ٹیلی کام لائسنسوں کی تجدید اور بجلی کے شعبے میں منصوبوں کے آغاز کی بدولت نئی سرمایہ کاریاں آئیں۔ آئی ایم ایف اور کثیر الجہتی اداروں سے قرضوں سے متعلقہ آمدات نے بھی مجموعی مالیاتی آمدات کو مثبت سمت میں قائم رکھا۔ پاکستان کو آئی ایم ایف سے 2.4 بلین روپے موصول ہوئے اور کثیر الجہتی اداروں نے مختلف منصوبوں کے لیے 5 بلین ڈالر سے زائد جاری کیے۔ مجموعی طور پر مالی اکاؤنٹ نے 7 بلین

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2020

Fund Type and Category

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

Fund Benchmark

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

Investment Objective

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

Investment Strategy

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

Manager's Review

During the period under review, the fund generated an annualized return of 11.69% as against its benchmark return of 13.04%. The WAM of the fund reduced to 1.3 years because of interest rate outlook which was on a rising trend. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 20.4% invested in T-Bills, 31.2% in Cash and 18.0% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2020 stood at Rs. 4,033 million as compared to Rs. 3,933 million as at June 30, 2019 registering an increase of 2.5%.

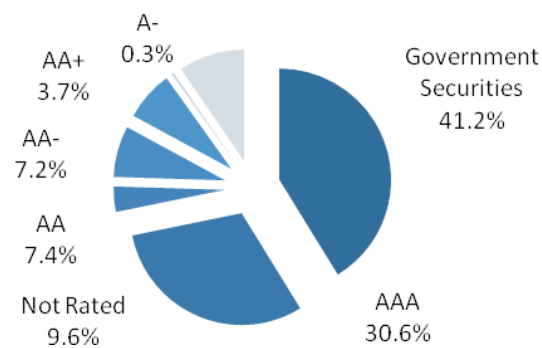
The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs.106.9649 as compared to opening NAV of Rs. 106.5542 per unit as at June 30, 2019 registering an increase of Rs. 0.4107 per unit.

Asset Allocation as on June 30, 2020 (% of total assets)

Asset Allocation (%age of Total Assets)	Jun-20
Cash	31.2%
TFCs	18.0%
Government Backed / Guaranteed Securities	9.5%
GOP Ijara Sukuk	3.6%
PIBS	7.7%
T-Bills	20.4%
Spread Transactions	6.1%
Others including receivables	3.5%

Asset Quality as of June 30, 2020 (% of total assets)

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2020



Mr. Saad Ahmed
Fund Manager

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

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



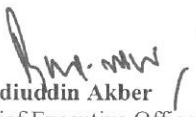
TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME FUND

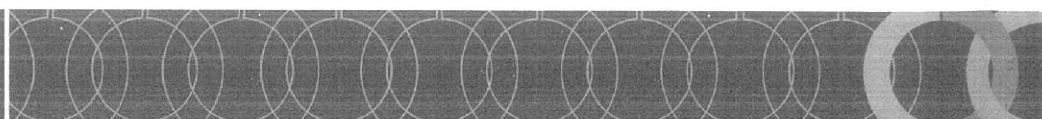
Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB DCF Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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 17, 2020



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of MCB DCF Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MCB DCF Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, 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, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (NAV) (Refer notes 4 and 5 to the annexed financial statements) Balances with banks and Investments constitute the most significant components of the NAV. Balances with banks of the Fund as at June 30, 2020 aggregated to Rs 1,643.631 million and Investments amounted to Rs 3,437.545 million. The existence of balances with banks and the existence and proper valuation of Investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore, we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none">tested the design and operating effectiveness of the key controls for valuation of investments;obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020 and traced them to the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


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

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

Report on Other Legal and Regulatory Requirements

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

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


Chartered Accountants
Karachi
Date: September 21, 2020

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
ASSETS			
Balances with banks	4	1,643,631	2,779,853
Investments	5	3,437,545	1,244,532
Mark-up, dividend and other receivables	6	33,893	48,566
Receivable against sale of investments		-	22,840
Advances, deposits and prepayments	7	145,206	43,925
Total assets		5,260,275	4,139,716
LIABILITIES			
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	8	11,493	6,118
Payable to Central Depository Company of Pakistan Limited - Trustee	9	317	385
Payable to the Securities and Exchange Commission of Pakistan	10	887	2,939
Payable against purchase of investments		1,046,022	4,443
Accrued and other liabilities	11	168,781	192,386
Total liabilities		1,227,500	206,271
NET ASSETS		<u>4,032,775</u>	<u>3,933,445</u>
Unit holders' fund (as per statement attached)		<u>4,032,775</u>	<u>3,933,445</u>
Contingencies and commitments	12		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		<u>37,701,847</u>	<u>36,914,955</u>
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT	3.7	<u>106.9649</u>	<u>106.5542</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

		For the year ended	
	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
INCOME			
Net gain / (loss) on sale of investments		69,071	(78,460)
Profit on bank deposits and term deposit receipts		113,700	172,289
Income from government securities		239,956	59,657
Income from term finance certificates and sukuk certificates		174,674	141,942
Dividend income		36,584	17,804
(Loss) / income from spread transactions - net	5.1.2.1	(23,335)	75,576
Profit on margin trading system		—	9,488
Unrealised diminution on re-measurement of investments classified as ' financial assets at fair value through profit or loss' - net	5.1.8	(10,929)	(13,626)
Other income		3,413	3,378
Total income		603,134	388,048
EXPENSES			
Remuneration of MCB-Arif Habib Savings & Investments Limited - Management Company	8.1	66,559	58,774
Sindh sales tax on remuneration of the Management Company	8.2	8,653	7,641
Allocated expenses	8.3	4,437	3,918
Selling and marketing expenses	8.4	13,977	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	3,328	4,180
Sindh sales tax on remuneration of the Trustee	9.2	433	544
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	887	2,939
Auditors' remuneration	13	857	771
Brokerage, settlement and bank charges		7,356	9,673
Legal and professional charges		94	206
Fees and subscription		662	627
Printing and related costs		41	51
Total expenses		(107,284)	(89,324)
Net income from operating activities		495,850	298,724
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	(9,917)	(5,974)
Net income for the year before taxation		485,933	292,750
Taxation	14	-	-
Net income for the year after taxation		485,933	292,750
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		485,933	292,750
Income already paid on units redeemed		(85,981)	(42,854)
		399,952	249,896
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		48,304	-
- Excluding capital gains		351,648	249,896
		399,952	249,896

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

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended	
	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019 -----
Net income for the year after taxation	485,933	292,750
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>485,933</u>	<u>292,750</u>

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


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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020			June 30, 2019			
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Net unrealised appreciation/ (diminution) on available-for-sale investments	Total
(Rupees in '000)							
Net assets at beginning of the year	3,539,191	394,254	3,933,445	4,299,274	573,226	(7)	4,872,493
Effect of adoption of IFRS 9	-	-	-	-	(7)	7	-
Net assets at beginning of the year - adjusted	3,539,191	394,254	3,933,445	4,299,274	573,219	-	4,872,493
Issuance of 130,749,577 units (2019: 25,581,471 units)							-
- Capital value (at ex-net assets value per unit at the beginning of the year)	13,931,922	-	13,931,922	2,723,477	-	-	2,723,477
- Element of income	1,094,770	-	1,094,770	106,602	-	-	106,602
	15,026,692	-	15,026,692	2,830,079	-	-	2,830,079
Redemption of 129,962,685 units (2019: 32,428,339 units)							
- Capital value (at ex-net assets value per unit at the beginning of the year)	13,848,075	-	13,848,075	3,452,414	-	-	3,452,414
- Element of income	1,062,922	85,981	1,148,903	69,568	42,854	-	112,422
	14,910,997	85,981	14,996,978	3,521,982	42,854	-	3,564,836
Total comprehensive income for the year	-	485,933	485,933	-	292,750	-	292,750
Final distribution for the year ended June 30, 2020 @ Rs 12.0476 per unit on June 30, 2020	(31,237)	(385,080)	(385,080)				
Refund of Capital for the year ended June 30, 2020		-	(31,237)				
Final distribution for the year ended June 30, 2019 @ Rs 8.2013 per unit on June 28, 2019	-	-	-	-	(246,469)	-	(246,469)
Refund of Capital for the year ended June 30, 2019	-	-	-	(37,089)	-	-	(37,089)
Final distribution for the year ended June 30, 2018 @ Rs 4.8783 per unit on July 4, 2018	-	-	-	-	(182,392)	-	(182,392)
Refund of Capital for the year ended June 30, 2018	-	-	-	(31,091)	-	-	(31,091)
Total distributions during the year	(31,237)	(385,080)	(416,317)	(68,180)	(428,861)	-	(497,041)
Net assets at end of the year	3,623,649	409,126	4,032,775	3,539,191	394,254	-	3,933,445
Undistributed income brought forward comprising of:							
- Realised	407,880			590,511			
- Unrealised	(13,626)			(17,285)			
	394,254			573,226			
Effect of adoption of IFRS 9	-			(7)			
Undistributed income brought forward	394,254			573,219			
Accounting income available for distribution:							
- Relating to capital gains	48,304			-			
- Excluding capital gains	351,648			249,896			
	399,952			249,896			
Distributions during the year	(385,080)			(428,861)			
Undistributed income carried forward	409,126			394,254			
Undistributed income carried forward comprising of:							
- Realised	420,055			407,880			
- Unrealised	(10,929)			(13,626)			
	409,126			394,254			
	(Rupees)			(Rupees)			
Net asset value per unit at the beginning of the year	106.5542			111.3412			
Net asset value per unit at the end of the year	106.9649			106.5542			

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

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

Note	For the year ended	
	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	485,933	292,750
Adjustments for:		
Dividend income	(36,584)	(17,804)
Provision for Sindh Workers' Welfare Fund (SWWF)	9,917	5,974
Loss / (income) from spread transactions - net	23,335	(75,576)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	10,929	13,626
	<u>493,530</u>	<u>218,970</u>
Decrease / (increase) in assets		
Investments - net	(1,259,535)	385,593
Mark-up, dividend and other receivables	14,100	(3,939)
Receivable against margin trading system	-	1,893
Receivable against sale of investments	22,840	198,470
Advances, deposits and prepayments	(101,281)	98,323
	<u>(1,323,876)</u>	<u>680,340</u>
(Decrease) / increase in liabilities		
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	5,375	(1,021)
Payable to Central Depository Company of Pakistan Limited - Trustee	(68)	(56)
Payable to the Securities and Exchange Commission of Pakistan (SECP)	(2,052)	(1,175)
Payable against redemption of units	-	(4,739)
Payable against purchase of investments	1,041,579	4,443
Accrued and other liabilities	(33,523)	33,354
	<u>1,011,311</u>	<u>30,806</u>
Dividends received	<u>37,158</u>	<u>17,916</u>
Net cash generated from operating activities	<u>218,123</u>	<u>948,032</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units - net of refund of capital	14,995,455	2,761,899
Net payments on redemption of units	(14,996,978)	(3,564,836)
Dividend paid	(385,080)	(428,861)
Net cash used in financing activities	<u>(386,603)</u>	<u>(1,231,798)</u>
Net decrease in cash and cash equivalents during the year	<u>(168,480)</u>	<u>(283,766)</u>
Cash and cash equivalents at beginning of the year	2,809,393	3,093,159
Cash and cash equivalents at end of the year	<u>2,640,913</u>	<u>2,809,393</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB DCF Income Fund (the Fund) was established under a Trust Deed dated November 20, 2006 executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme on November 7, 2006 consequent to which the trust deed was executed on November 10, 2006 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.4 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of its funds in medium term assets in order to provide higher return to unitholders.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated October 08, 2019 to the Management Company and a stability rating of 'AA-(f)' dated May 06, 2020 to the Fund .
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.2 Accounting convention

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

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3.3.1.2 Equity instruments

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

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

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

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

3.3.2 Impairment

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

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

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

3.3.2.1 Impairment loss on debt securities

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

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

3.3.3 Regular way contracts

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

3.3.4 Initial recognition and measurement

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

3.3.5 Derecognition

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

3.3.6 Derivatives

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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

There are certain new standards and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2020. However, these will not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

2.5 Critical accounting estimates and judgements

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

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.2 Cash and cash equivalents

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

3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Debt instruments

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3.4 Financial liabilities

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

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

3.5 Offsetting of financial assets and financial liabilities

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

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

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

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

3.10 Revenue recognition

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3.11 Expenses

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

3.12 Taxation

Current

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

Deferred

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

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

3.13 Earnings / (loss) per unit

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

3.14 Distribution to units holders

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

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

3.15 Foreign currency translation

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

	Note	June 30, 2020	June 30, 2019
4. BALANCES WITH BANKS		----- (Rupees in '000) -----	
Current accounts		21,598	3,509
Savings accounts	4.1	1,622,033	2,776,344
	4.2	<u>1,643,631</u>	<u>2,779,853</u>

4.1 These carry profit at the rates ranging from 4.5% to 14.45% per annum (2019: 3.75% to 13.10% per annum).

4.2 This includes balances with related parties of Rs. 22.634 million (2019: Rs. 5.72 million) maintained with MCB Bank Limited and Rs. 0.011 million (2019: Nil) maintained with MCB Islamic Bank Limited.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5. INVESTMENTS	Note	June 30, 2020	June 30, 2019
5.1 Investments at fair value through profit or loss		----- (Rupees in '000) -----	
Government securities	5.1.1	2,167,473	29,540
Listed equity securities	5.1.2	325,426	3,965
Listed debt securities	5.1.3	333,290	651,178
Unlisted debt securities	5.1.4	614,897	559,978
Future stock contracts		(3,541)	(129)
		<u>3,437,545</u>	<u>1,244,532</u>
5.1.1 Government securities			
Market Treasury Bills	5.1.1.1	1,073,409	29,540
Pakistan Investment Bonds	5.1.1.2	406,133	-
Government Debt securities	5.1.1.3	687,931	-
		<u>2,167,473</u>	<u>29,540</u>
5.1.1.1 Market Treasury Bills			

Name of security	Note	Date of issue	Face Value				As at June 30, 2020			Market value as a percentage of	
			As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying Value	Market value	Unrealised gain / (loss)	Net assets	Total investments
<div></div> <div>(Rupees in '000)</div> <div>%</div>											
Market Treasury Bills		May 23, 2019	30,000	-	30,000	-	-	-	-	-	-
- 3 months		August 1, 2019	-	75,000	75,000	-	-	-	-	-	-
- 3 months		January 30, 2020	-	1,750,000	1,750,000	-	-	-	-	-	-
- 3 months		August 16, 2019	-	3,430,000	3,430,000	-	-	-	-	-	-
- 3 months		February 27, 2020	-	1,750,000	1,750,000	-	-	-	-	-	-
- 3 months		November 21, 2019	-	1,000,000	1,000,000	-	-	-	-	-	-
- 3 months		December 5, 2019	-	500,000	500,000	-	-	-	-	-	-
- 3 months		December 19, 2019	-	1,150,000	1,150,000	-	-	-	-	-	-
- 3 months		April 9, 2020	-	1,700,000	1,700,000	-	-	-	-	-	-
- 3 months		September 26, 2019	-	500,000	500,000	-	-	-	-	-	-
- 3 months		April 23, 2020	-	3,000,000	2,000,000	1,000,000	996,979	997,282	303	24.73%	29.01%
- 3 months		September 12, 2019	-	700,000	700,000	-	-	-	-	-	-
- 3 months		June 4, 2020	-	250,000	250,000	-	-	-	-	-	-
- 3 months		July 18, 2019	-	9,850,000	9,850,000	-	-	-	-	-	-
- 3 months		October 24, 2019	-	2,725,000	2,725,000	-	-	-	-	-	-
- 3 months		October 10, 2019	-	1,400,000	1,400,000	-	-	-	-	-	-
- 3 months		January 2, 2020	-	2,000,000	2,000,000	-	-	-	-	-	-
- 3 months		August 29, 2019	-	2,405,000	2,405,000	-	-	-	-	-	-
- 3 months		March 26, 2020	-	2,000,000	2,000,000	-	-	-	-	-	-
- 3 months		November 7, 2019	-	3,975,000	3,975,000	-	-	-	-	-	-
- 3 months		May 21, 2020	-	250,000	250,000	-	-	-	-	-	-
- 3 months		March 12, 2020	-	375,000	375,000	-	-	-	-	-	-
Market Treasury Bills		September 12, 2019	-	1,700,000	1,700,000	-	-	-	-	-	-
- 6 months		December 19, 2019	-	2,500,000	2,500,000	-	-	-	-	-	-
- 6 months		July 18, 2019	-	6,050,000	6,050,000	-	-	-	-	-	-
- 6 months		April 9, 2020	-	2,200,000	2,200,000	-	-	-	-	-	-
- 6 months		October 24, 2019	-	500,000	500,000	-	-	-	-	-	-
- 6 months		March 12, 2020	-	1,250,000	1,250,000	-	-	-	-	-	-
- 6 months		June 4, 2020	-	250,000	250,000	-	-	-	-	-	-
- 6 months		November 7, 2019	-	2,700,000	2,700,000	-	-	-	-	-	-
- 6 months		August 1, 2019	-	325,000	325,000	-	-	-	-	-	-
- 6 months		January 2, 2020	-	650,000	650,000	-	-	-	-	-	-
- 6 months		October 10, 2019	-	1,375,000	1,375,000	-	-	-	-	-	-
- 6 months		May 21, 2020	-	250,000	250,000	-	-	-	-	-	-
- 6 months		January 30, 2020	-	1,750,000	1,750,000	-	-	-	-	-	-
- 6 months		April 23, 2020	-	2,625,000	2,625,000	-	-	-	-	-	-
- 6 months		September 26, 2019	-	500,000	500,000	-	-	-	-	-	-
- 6 months		December 5, 2019	-	350,000	350,000	-	-	-	-	-	-
- 6 months		May 7, 2020	-	3,550,000	3,550,000	-	-	-	-	-	-
Balance carried forward							996,979	997,282	303		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Name of security	Note	Date of issue	Face Value				As at June 30, 2020			Market value as a percentage of	
			As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying Value	Market value	Unrealised gain / (loss)	Net assets	Total investments
<div>(Rupees in '000) %</div>											
Balance brought forward							996,979	997,282	303		
Market Treasury Bills		September 26, 2019	-	2,200,000	2,200,000	-	-	-	-	-	-
-12 months		January 30, 2020	-	2,300,000	2,300,000	-	-	-	-	-	-
-12 months		April 23, 2020	-	1,850,000	1,850,000	-	-	-	-	-	-
-12 months		October 24, 2019	-	1,000,000	1,000,000	-	-	-	-	-	-
-12 months		December 19, 2019	-	3,239,000	3,239,000	-	-	-	-	-	-
-12 months		January 2, 2020	-	1,100,000	1,100,000	-	-	-	-	-	-
-12 months		November 7, 2019	-	2,000,000	2,000,000	-	-	-	-	-	-
-12 months		October 10, 2019	-	3,500,000	3,500,000	-	-	-	-	-	-
-12 months		March 12, 2020	-	580,000	530,000	50,000	46,292	47,671	1,379	1.18%	1.39%
-12 months		August 29, 2019	-	2,550,000	2,550,000	-	-	-	-	-	-
-12 months		September 12, 2019	-	4,500,000	4,500,000	-	-	-	-	-	-
-12 months		February 27, 2020	-	1,200,000	1,200,000	-	-	-	-	-	-
-12 months		July 18, 2019	-	1,000,000	1,000,000	-	-	-	-	-	-
-12 months		April 9, 2020	-	1,300,000	1,270,000	30,000	28,455	28,456	1	0.71%	0.83%
Total as at June 30, 2020 5.1.1.1.1							1,071,726	1,073,409	1,683		
Total as at June 30, 2019							29,543	29,540	(3)		

5.1.1.1.1 These will mature latest by April 09, 2021 (2019: August 30, 2019) and carries effective yield at the rates ranging from 7.14% to 13.09% per annum (2019: 6.74% per annum).

5.1.1.2 Pakistan Investment Bonds

Name of security	Note	Date of issue	Face Value				As at June 30, 2020			Market value as a percentage of	
			As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying Value	Market value	Unrealised gain / (loss)	Net assets	Total investments
----- (Rupees in '000) ----- % -----											
Pakistan Investment Bonds											
- 03 years		July 12, 2018	-	711,000	700,000	11,000	10,425	11,020	595	0.27%	0.32%
- 03 years		September 19, 2019	-	1,574,000	1,555,000	19,000	17,757	19,625	1,868	0.49%	0.57%
- 03 years		June 18, 2020	-	375,000	-	375,000	375,000	375,488	488	9.31%	10.92%
Pakistan Investment Bonds											
- 05 years		July 12, 2018	-	496,900	496,900	-	-	-	-	-	-
- 05 years		September 19, 2019	-	675,000	675,000	-	-	-	-	-	-
Pakistan Investment Bonds											
- 10 years		March 26, 2015	-	920,000	920,000	-	-	-	-	-	-
- 10 years		July 12, 2018	-	37,500	37,500	-	-	-	-	-	-
- 10 years		September 19, 2019	-	50,000	50,000	-	-	-	-	-	-
Total as at June 30, 2020 5.1.1.2.1							403,182	406,133	2,951		
Total as at June 30, 2019							-	-	-		

5.1.1.2.1 These will mature latest by June 18, 2023 (2019: Nil) and carries effective yield at the rates ranging from 8.27% to 13.09% per annum (2019: Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5.1.1.3 Government Debt securities

Particulars	Profit rate	Number of certificates				Balance as at June 30, 2020			Market value as a percentage of	
		As at July 01, 2019	Purchased during the year	Sold during the year	As at June 30, 2020	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----										
Pakistan Energy Sukuk - 10 years (see note 5.1.1.3.1)	6M KIBOR + 0.1%		100,000	-	100,000	500,000	500,000	-	12.40%	14.55%
GOP Ijara - 5 years (June-24, 2020 - June 24, 2025)	7.38%	-	1,875,000	-	1,875,000	187,500	187,931	431	4.66%	5.47%
GOP Ijara - 5 years (April-30, 2020 - April-30, 2025)		-	2,375,000	2,375,000	-	-	-	-	-	-
GOP Ijara - 5 years (May-29, 2020 - May-29, 2025)		-	1,875,000	1,875,000	-	-	-	-	-	-
Total as at June 30, 2020						687,500	687,931	431		
Total as at June 30, 2019						-	-	-		

5.1.1.3.1 Pakistan Energy Sukuk certificates are carried at their cost as they are not valued by MUFAP.

5.1.2 Listed equity securities

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

Name of investee company	Number of shares				Balance as at June 30, 2020			Market value as a percentage of		Percentage in relation to paid-up capital of the investee company
	As at July 01, 2019	Purchased during the year	Sold during the year	As at June 30, 2020	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
----- (Rupees in '000) ----- % -----										
Automobile Assembler										
Ghandhara Industries Limited	-	41,500	41,500	-	-	-	-	-	-	-
Pak Suzuki Motors Company Limited	-	170,000	170,000	-	-	-	-	-	-	-
Automobile parts & accessories										
General Tyre & Rubber Company Limited	-	32,500	32,500	-	-	-	-	-	-	-
Cable & electrical goods										
Pak Elektron Limited****	5,000	5,044,000	3,335,000	1,714,000	39,557	39,302	(255)	0.97%	1.14%	0.34%
					39,557	39,302	(255)	0.97%	1.14%	0.34%
Cement										
Cherat Cement Company Limited	500	-	500	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited**	-	1,927,000	1,412,500	514,500	41,728	43,902	2,175	1.09%	1.28%	0.12%
Fauji Cement Company Limited	-	4,459,500	4,139,000	320,500	5,161	5,410	249	0.13%	0.16%	0.02%
Kohat Cement Limited	-	3,000	3,000	-	-	-	-	-	-	-
Lucky Cement Limited	-	136,500	104,000	32,500	14,585	15,001	416	0.37%	0.44%	0.01%
Maple Leaf Cement Factory Limited****	-	2,480,000	1,398,500	1,081,500	27,543	28,097	555	0.70%	0.82%	0.10%
Pioneer Cement Limited	-	37,000	37,000	-	-	-	-	-	-	-
					89,017	92,410	3,394	2.29%	2.69%	0.25%
Chemicals										
Engro Polymer and Chemicals Limited	-	937,000	799,500	137,500	3,655	3,435	(220)	0.09%	0.10%	0.02%
Lotte Chemical Pakistan Limited	-	14,210,000	13,839,000	371,000	3,805	3,691	(113)	0.09%	0.11%	0.02%
					7,460	7,126	(333)	0.18%	0.21%	0.04%
Engineering										
Amreli Steels Limited	-	11,500	11,500	-	-	-	-	-	-	-
International Industries Limited***	-	148,500	146,500	2,000	185	183	(2)	0.00%	0.01%	0.00%
International Steels Limited	-	2,223,000	2,130,500	92,500	4,765	4,778	12	0.12%	0.14%	0.02%
Mughal Iron & Steel Industries Limited	-	605,000	605,000	-	-	-	-	-	-	-
					4,950	4,961	11	0.12%	0.14%	0.02%
Fertilizer										
Engro Fertilizer Limited	-	1,155,500	1,155,500	-	-	-	-	-	-	-
Engro Corporation Limited	-	603,000	553,000	50,000	14,521	14,646	125	0.36%	0.43%	0.01%
Fauji Fertilizer Bin Qasim Limited***	15,000	4,568,500	4,555,000	28,500	461	455	(6)	0.01%	0.01%	0.00%
Fauji Fertilizer Company Limited	1,000	1,061,500	908,500	154,000	16,702	16,938	236	0.42%	0.49%	0.01%
					31,684	32,039	356	0.79%	0.93%	0.02%
Balance carried forward					172,668	175,838	3,173			

** These transactions relating to shares of related parties

*** Nil figures due to rounding off

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Name of investee company	Number of shares				Balance as at June 30, 2020			Market value as a percentage of		Percentage in relation to paid-up capital of the investee company
	As at July 01, 2019	Purchased during the year	Sold during the year	As at June 30, 2020	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
Balance brought forward					172,668	175,838	3,173			
Food & personal care products										
FrieslandCampina Engro Pakistan Limited	-	78,000	78,000	-	-	-	-	-	-	-
Fauji Foods Limited	-	2,389,000	2,389,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Oil & Gas Exploration Companies										
Oil & Gas Development Company Limited***	-	5,294,500	5,237,500	57,000	6,183	6,213	30	0.15%	0.18%	0.00%
Pakistan Oilfields Limited	-	725,000	725,000	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	1,072,000	429,500	642,500	57,595	55,756	(1,839)	1.38%	1.62%	0.02%
					63,778	61,969	(1,809)	1.54%	1.80%	0.02%
Oil And gas marketing companies										
Hascol Petroleum Limited	-	24,500	24,500	-	-	-	-	-	-	-
Pakistan State Oil Company Limited.	-	1,557,500	1,271,000	286,500	43,609	45,313	1,704	1.12%	1.32%	0.06%
Sui Southern Gas Company Limited	40,500	3,518,000	3,439,000	119,500	1,571	1,594	24	0.04%	0.05%	0.01%
					45,180	46,907	1,727	1.16%	1.36%	0.07%
Pharmaceuticals										
The Searle Company Limited	-	1,272,500	1,246,000	26,500	5,328	5,280	(48)	0.13%	0.15%	0.01%
					5,328	5,280	(48)	0.13%	0.15%	0.01%
Power generation & distribution										
Hub Power Company Limited***	-	69,000	67,500	1,500	113	109	(4)	0.00%	0.00%	0.00%
Kot Addu Power Co. Limited	2,000	3,928,000	3,845,500	84,500	1,891	1,703	(189)	0.04%	0.05%	0.01%
K-Electric Limited*	541,000	7,159,000	7,699,000	1,000	3	3	(0)	0.00%	0.00%	0.00%
					2,007	1,815	(193)	0.05%	0.05%	0.01%
Refinery										
Attock Refinery Limited	-	357,000	153,500	203,500	18,378	18,177	(201)	0.45%	0.53%	0.19%
National Refinery Limited	-	283,000	265,500	17,500	1,953	1,877	(76)	0.05%	0.05%	0.02%
					20,331	20,054	(277)	0.50%	0.58%	0.21%
Technology & Communications										
Avanceon Limited	-	243,500	198,000	45,500	1,686	1,609	(77)	0.04%	0.05%	0.02%
Netsol Technologies	-	235,000	217,000	18,000	904	895	(7)	0.02%	0.03%	0.02%
Trg Pakistan	-	536,000	536,000	-	-	-	-	-	-	-
					2,590	2,504	(84)	0.06%	0.07%	0.04%
Textile Composite										
Gul Ahmed Textile Mills Limited	-	362,000	313,500	48,500	1,449	1,389	(60)	0.03%	0.04%	0.01%
Nishat Chunian Power Limited**	4,500	467,500	472,000	-	-	-	-	-	-	-
Nishat Mills Limited**	500	512,000	448,500	64,000	4,897	4,993	95	0.12%	0.15%	0.02%
					6,346	6,382	35	0.16%	0.19%	0.03%
Transport										
Pakistan International Bulk Terminal Limited	-	5,103,000	4,571,500	531,500	4,847	4,677	(173)	0.12%	0.14%	0.03%
					4,847	4,677	(173)	0.12%	0.14%	0.03%
Vanaspati & Allied Industries										
Unity Foods Limited	-	4,144,000	4,144,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Total as at June 30, 2020					323,075	325,426	2,351			
Total as at June 30, 2019					3,799	3,965	166			

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

** These transactions relating to shares of related parties

*** Nil figures due to rounding off

**** Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by SECP:

Name of security	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Number of shares)		(Rupees in '000)	
Pak Elektron Limited	1,000,000	-	22,930	-
Maple Leaf Cement Factory Limited	900,000	-	23,382	-

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Particulars	Number of certificates				Balance as at June 30, 2020			Market value as a percentage of	
	As at July 01, 2019	Purchased during the year	Matured during the year	As at June 30, 2020	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----									
Commercial banks									
Bank Alfalah Limited-V (February 20, 2013)	65,581	-	65,581	-	-	-	-	-	-
Habib Bank Limited - TFC (February 19, 2016)*	-	425	-	425	42,283	41,533	(750)	1.03%	1.21%
					42,283	41,533	(750)	0	0
Fertilizer									
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017) *	2,500	-	-	2,500	174,424	176,738	2,314	4.38%	5.14%
Dawood Hercules Corporation Limited - Sukuk (March 1, 2018) * (see note 5.1.5)	1,000	412	-	1,412	112,800	115,019	2,219	2.85%	3.35%
					287,224	291,757	4,533	7.23%	8.49%
Financial services									
Saudi Pak Leasing Company Limited (March 13, 2010)	10,000	-	-	10,000	27,548				
Less: Provision for impairment (see note 6.1)					(27,548)				
					-	-	-	-	-
Total as at June 30, 2020					329,507	333,290	3,783		
Total as at June 30, 2019					654,473	651,178	(3,295)		

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

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

Particulars	Number of certificates				Balance as at June 30, 2020			Market value as a percentage of	
	As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying value	Market value	Unrealised loss	Net assets	Total investments
----- (Rupees in '000) ----- % -----									
Commercial banks									
Askari Bank Limited IV - TFC (September 30, 2014)	39,000	-	-	39,000	189,522	185,022	(4,500)	4.59%	5.38%
Askari Bank Limited VII - TFC (March 17, 2020) (see note 5.1.4.1)**	-	50	-	50	50,000	50,000	-	1.24%	1.45%
The Bank of Punjab Limited - TFC I * (December 23, 2016)	950	250	-	1,200	118,513	117,580	(933)	2.92%	3.42%
The Bank of Punjab Limited - TFC II * (April 23, 2018)	850	-	-	850	80,354	74,091	(6,263)	1.84%	2.16%
Bank ALHabib Limited - TFC II (March 17, 2016) (see note 5.1.5)	10,480	-	-	10,480	51,793	49,026	(2,767)	1.22%	1.43%
					490,182	475,719	(14,463)	11.8%	13.8%
Chemical									
Ghani Gases Limited - Sukuk * (February 02, 2017)	500	-	-	500	22,971	19,350	(3,621)	0.48%	0.56%
Investment bank									
Jahangir Siddiqui & Company Limited - TFC (July 18, 2017) (see note 5.1.5)	10,000	-	-	10,000	30,951	30,548	(403)	0.76%	0.89%
Jahangir Siddiqui & Company Limited - TFC (March 06, 2018)	14,000	4,000	-	18,000	89,380	89,280	(100)	2.21%	2.60%
					120,331	119,828	(503)	2.97%	3.49%
Household goods									
New Allied Electronics Industries (Private) Limited - TFC (May 15, 2007)	10,400	-	-	10,400	21,983				
Less: Provision for impairment (see note 6.1)					(21,983)				
					-				
New Allied Electronics Industries (Private) Limited - Sukuk (July 25, 2007)	112,000	-	-	112,000	35,063				
Less: Provision for impairment (see note 6.1)					(35,063)				
					-				
Total as at June 30, 2020					633,484	614,897	(18,587)		
Total as at June 30, 2019					570,343	559,978	(10,365)		

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

** Face value of this sukuk certificate is Rs. 1,000,000 per certificate.

5.1.4.1 Askari Bank Limited - Term Finance certificates are carried at their cost as they are not valued by MUFAP.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5.1.5 Circular No. 33 of 2012 allows the asset manager to apply a mark up / mark down within available limit for valuation of any specific debt security. Exercising the discretionary power, the above mentioned term finance certificates of Jahangir Siddiqui & Company Limited, Bank Al-Habib Limited and Dawood Hercules Corporation Limited has been valued at a discretionary rate of 97.7540, 93.7110 and 101.8224 respectively when the reported market rate on MUFAP valuation sheet as at June 30, 2020 was 97.7540, 91.7752 and 101.8224 respectively.

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

Name of security	Number of certificates	Face value per certificate	Face value / redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
Listed debt securities							
Dawood Hercules Corporation Limited - Sukuk	2,500	100,000	70,000	3M KIBOR+1%	November 16, 2022	Secured	AA
Dawood Hercules Corporation Limited - Sukuk	1,412	100,000	80,000	3M KIBOR+1%	March 1, 2023	Unsecured	AA
Habib Bank Limited - TFC (February 19, 2016)	425	100,000	99,840	6M KIBOR+0.5%	February 19, 2026	Unsecured	AAA
Unlisted debt securities							
Askari Bank Limited IV - TFC	39,000	5,000	4,989	6M KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Askari Bank Limited VII - TFC	50	1,000,000	1,000,000	3M KIBOR + 1.2%	March 17, 2030	Unsecured	AA
The Bank of Punjab Limited - TFC I	1,200	100,000	99,860	6M KIBOR+1%	December 23, 2026	Unsecured	AA-
The Bank of Punjab Limited - TFC II	850	100,000	99,920	6M KIBOR+1.25%	April 23, 2028	Unsecured	AA-
Bank ALHabib Limited - TFC II	10,480	5,000	4,992	6M KIBOR+0.75%	March 17, 2026	Unsecured	AA
Ghani Gases Limited - Sukuk	500	100,000	45,833	3M KIBOR+1%	February 2, 2023	Unsecured	A-
Jahangir Siddiqui & Company Limited - TFC	10,000	5,000	3,125	6M KIBOR+1.4%	July 18, 2022	Secured	AA+
Jahangir Siddiqui & Company Limited - TFC	18,000	5,000	5,000	6M KIBOR+1.4%	March 6, 2023	Secured	AA+

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

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

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2020, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by the respective issuer at the time of repayment of coupon due on the respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of total investments
----- Rupees in '000 -----						
Listed debt securities						
Saudi Pak Leasing Company Limited	TFC	27,548	(27,548)	-	-	-
Unlisted debt securities						
New Allied Electronics Industries (Private) Limited	TFC	21,983	(21,983)	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	35,063	(35,063)	-	-	-

	Note	June 30, 2020	June 30, 2019
----- (Rupees in '000) -----			
5.1.8 Net unrealised loss on re-measurement of Investments classified as financial assets 'at fair value through profit or loss'			
Market value of investments	5.1.1.1, 5.1.1.2, 5.1.1.3, 5.1.2, 5.1.3 & 5.1.4	3,437,545	1,244,532
Less: Carrying value of investments	5.1.1.1, 5.1.1.2, 5.1.1.3, 5.1.2, 5.1.3 & 5.1.4	3,448,474	1,258,158
		(10,929)	(13,626)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
6 MARK-UP, DIVIDEND AND OTHER RECEIVABLES			
Mark-up on:			
- Pakistan investment bonds		1,959	-
- GOP Ijara Sukuk		265	-
- Term finance certificates		52,393	60,686
- Deposit accounts		5,119	13,030
Dividend receivable		-	573
Other receivables		-	120
		<u>59,736</u>	<u>74,409</u>
Less: provision for impairment	6.1	<u>(25,843)</u>	<u>(25,843)</u>
		<u>33,893</u>	<u>48,566</u>

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

	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
7 ADVANCES, DEPOSITS AND PREPAYMENTS			
Security deposits / margin with:			
- National Clearing Company of Pakistan Limited (NCCPL)	7.1	17,750	17,750
- Central Depository Company of Pakistan Limited		200	200
Exposure deposit with the National Clearing Company Pakistan Limited against spread transactions		125,359	24,099
Prepaid stability rating fee - PACRA		290	272
Advance tax	7.2	<u>1,607</u>	<u>1,604</u>
		<u>145,206</u>	<u>43,925</u>

7.1 This includes a deposit of Rs. 2.75 million (2019: Rs. 2.75 million) and a margin of Rs. 15 million (2019: Rs. 15 million) with NCCPL in respect of trading in Margin Trading System.

7.2 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend, profit on bank deposits, profit on markup on margin trading system and profit on debt securities paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on profit on debt, profit on bank deposits and dividends amounts to Rs. 1.607 million (2019: Rs. 1.604 million).

For this purpose, Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividend, profit on bank deposits, profit on margin trading system and profit on debt securities has been shown as other receivables as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

8	PAYABLE TO MCB-ARIF HABIB SAVINGS & INVESTMENTS LIMITED - MANAGEMENT COMPANY	Note	June 30, 2020	June 30, 2019
			----- (Rupees in '000) -----	
	Management remuneration payable	8.1	5,612	4,779
	Sindh Sales Tax payable on remuneration of the Management Company	8.2	730	621
	Allocated expenses payable	8.3	374	319
	Selling and marketing expenses payable	8.4	4,721	-
	Sales load payable		56	399
			<u>11,493</u>	<u>6,118</u>

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of the management fee as disclosed in the Offering Document subject to the total expense ratio limit. The Management Company has charged its remuneration at the rate of 1.5% per annum (2019: 1.5% per annum) of the average net assets of the Fund during the year ended June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 8.653 million (2019: Rs 7.641 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 8.544 million (2019: Rs. 7.753 million) has been paid to the Management Company which acts as a collecting agent.

8.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense. These expenses have also been approved by the Board of Directors of the Management Company.

8.4 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.

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

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

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	June 30, 2020	June 30, 2019
			----- (Rupees in '000) -----	
	Remuneration payable	9.1	281	341
	Sindh Sales Tax on remuneration payable	9.2	36	44
			<u>317</u>	<u>385</u>

9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the year, the tariff was revised effective from July 09, 2019 as follows:

Existing Tariff		Revised Tariff
Net Assets (Rs.)	Fee	
-Up to Rs.1 billion	Rs.0.6 million or 0.17% per annum of net assets, whichever is higher	0.075%
- Rs.1 billion to Rs.5 billion	Rs.1.7 million plus 0.085% per annum of net assets exceeding Rs.1 billion	p.a. of net assets
- Over Rs.5 billion	Rs.5.1 million plus 0.07% per annum of net assets exceeding Rs.5 billion	

Accordingly the Fund has charged Trustee Fee at the rate 0.075% per annum of net assets of the Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

- 9.2** During the year, an amount of Rs 0.433 million (2019: Rs. 0.544 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.441 million (2019: Rs. 0.551 million) was paid to the Trustee which acts as a collecting agent.

	Note	June 30, 2020	June 30, 2019
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)		(Rupees in '000)	
Annual fee	10.1	887	2,939

- 10.1** In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs, Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year. Previously, the rate of annual fee applicable to income scheme was 0.075% of the average annual net assets of the Fund.

	Note	June 30, 2020	June 30, 2019
11 ACCRUED AND OTHER LIABILITIES		----- (Rupees in '000) -----	
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	37,629	27,711
Provision for Federal Excise Duty payable on remuneration of the Management Company	11.2	99,060	99,060
Federal Excise Duty payable on sales load	11.2	27,933	27,933
Sale load payable to MCB Bank Limited (a related party)		390	512
Auditors' remuneration payable		535	486
Withholding tax payable		1,464	316
Brokerage payable		1,209	1,181
Dividend payable		2	34,851
Other payables		559	336
		<u>168,781</u>	<u>192,386</u>

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2019, the net asset value of the Fund as at June 30, 2020 would have been higher by Re.1 (2019: Re.0.75) per unit.

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

With effect from July 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and FED on sales load with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 126.993 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2020 would have been higher by Rs.3.37 (2019: Rs.3.44) per unit.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There were no contingencies as at June 30, 2020 and June 30, 2019.

12.2 Commitments

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

June 30, 2020	June 30, 2019
----- (Rupees in '000) -----	
323,536	22,840

13 AUDITORS' REMUNERATION

Annual audit fee
Half yearly review fee
Other certifications and services
Out of pocket expenses

350	350
189	189
100	100
218	132
857	771

14 TAXATION

The income of the Fund is exempt from income tax under clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2020 to the unitholders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

15 CASH AND CASH EQUIVALENTS

Balances with banks
Treasury bills maturing within 3 months

June 30, 2020	June 30, 2019
----- (Rupees in '000) -----	
1,643,631	2,779,853
997,282	29,540
2,640,913	2,809,393

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 2.64% (2019: 2.37%) which includes 0.45% (2019: 0.37%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, annual fee to SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

	For the year ended June 30, 2020	For the year ended June 30, 2019
	----- (Rupees in '000) -----	
17.1 Details of transactions with connected persons are as follows:		
MCB-Arif Habib Savings and Investment Limited - Management Company		
Remuneration (including indirect taxes)	75,212	66,415
Selling and marketing expenses	13,977	-
Allocated expenses	4,437	3,918
Central Depository Company of Pakistan Limited - Trustee		
Remuneration (including indirect taxes)	3,761	4,724
Settlement charges	148	460
Group / associated companies		
MCB Bank Limited		
Mark-up on deposit accounts	556	71
Bank charges	29	32
Sale of Securities Face Value Rs. 246,900,000 (2019: Nil)	233,426	-
Silk Bank Limited**		
Mark-up on deposit accounts	-	63,243
Bank charges	-	109
Sale of government securities having face value Nil (2019: Rs. 1,825,000,000)	-	1,790,926
Arif Habib Limited - Brokerage House		
Brokerage and settlement charges *	18	-
Next Capital Limited - Brokerage House		
Brokerage and settlement charges *	83	504
Adamjee Insurance Company Limited		
Purchase of Nil (2019: 59,000) shares	-	2,758
Sale of Nil (2019: 66,000) shares	-	2,791
Dividend income	-	-

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

** No longer related party.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended June 30, 2020	For the year ended June 30, 2019
	----- (Rupees in '000) -----	
Nishat Chunian Power Limited		
Purchase of 467,500 (2019: 2,773,000) shares	16,990	138,658
Sale of 472,000 (2019: 2,802,500) shares	16,816	137,888
Dividend income	378	1,394
D.G. Khan Cement Company Limited		
Purchase of 1,927,000 (2019: 4,329,000) shares	150,776	383,002
Sale of 1,412,500 (2019: 4,354,000) shares	109,993	382,990
Dividend income	-	1,680
Nishat Mills Limited		
Purchase of 512,000 (2019: 1,029,000) shares	45,137	28,391
Sale of 448,500 (2019: 1,067,000) shares	40,012	28,646
Dividend income	740	
	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
17.2 Amounts outstanding at year end		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	5,612	4,779
Sindh sales tax payable on remuneration payable	730	621
Sales load payable	50	353
Sales tax payable on sales load	6	46
Allocated expenses payable	374	319
Marketing and Selling payable	4721	
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	200	200
Remuneration payable (including indirect taxes)	317	385
Group / associated companies		
MCB Bank Limited		
Balances with bank	22,634	5,718
Sales load payable	390	512
MCB Islamic Bank Limited		
Balances with bank	11	-
Next Capital Limited - Brokerage House		
Brokerage and settlement charges payable*	-	73
Nishat Chunian Power Limited		
Nil (2019: 4,500) shares held	-	158
D.G. Khan Cement Company Limited		
514,500 (2019: Nil) shares held	43,902	-
Nishat Mills Limited		
64,000 (2019: 500) shares held	4,993	47

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	June 30, 2020							
	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020
	Units				(Rupees in '000)			
Group / associated companies								
MCB-Arif Habib Savings & Investment Limited	-	3,794,369	3,794,369	-	-	442,543	446,650	-
MCB Employees' Provident Fund	1,414,434	159,222	-	1,573,656	150,714	17,040	-	168,326
MCB Employees' Pension Fund	1,414,434	159,222	-	1,573,656	150,714	17,040	-	168,326
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	4,254	479	-	4,733	453	51	-	506
Mandate under discretionary portfolio services	-	106,279,129	106,268,845	10,284	-	12,305,755	12,324,452	1,100
Key management personnel*	-	31.200	31.200	-	-	3.411	3.425	-

*This reflects the position of related party / connected persons status as at June 30, 2020

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

18 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2020		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
Financial Assets		
Balances with banks	1,643,631	-
		1,643,631
Investments	-	3,437,545
		3,437,545
Mark-up, dividend and other receivables	33,893	-
		33,893
Receivable against sale of investments	-	-
		-
Deposits and others	143,309	-
		143,309
	<u>1,820,833</u>	<u>3,437,545</u>
		<u>5,258,378</u>
Financial Liabilities		
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	11,493	-
		11,493
Payable to Central Depository Company of Pakistan Limited - Trustee	317	-
		317
Payable against purchase of investments	1,046,022	-
		1,046,022
Accrued and other liabilities	2,695	-
		2,695
	<u>1,060,527</u>	<u>-</u>
		<u>1,060,527</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	As at June 30, 2019		
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial Assets			
Balances with banks	2,779,853	-	2,779,853
Investments	-	1,244,532	1,244,532
Mark-up, dividend and other receivables	48,566	-	48,566
Receivable against sale of investments	22,840	-	22,840
Deposits and others	42,049	-	42,049
	<u>2,893,308</u>	<u>1,244,532</u>	<u>4,137,840</u>

	As at June 30, 2019		
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial Liabilities			
Payable to MCB-Arif Habib Savings & Investments Limited			
- Management Company	6,118	-	6,118
Payable to Central Depository Company of Pakistan Limited - Trustee	385	-	385
Payable against purchase of investments	4,443	-	4,443
Accrued and other liabilities	37,366	-	37,366
	<u>48,312</u>	<u>-</u>	<u>48,312</u>

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

19.1 Market risk

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

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

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

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks, investments in sukuk certificates, term finance certificates, market treasury bills and Pakistan Investment Bonds. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing term finance and sukuk certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.9.482 million (2019: Rs.12.111 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Fund holds Term Finance Certificates and Sukuks classified as 'fair value through profit or loss' exposing the Fund to interest rate fair value risk. In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2020, the net assets of the Fund would increase / decrease by Rs. 44.91 million (2019: Rs.60.56) million, as a result of reduction / increase in unrealised gains / (losses) respectively.

The Fund also holds KIBOR based bank deposits exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets of the Fund and net income for the year would be higher / lower by Rs 16.22 million (2019: Rs 27.76 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund holds Market treasury bills and Pakistan investment bonds which are classified 'at fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2020, with all other variables held constant, net income for the year and net assets would be lower / higher by Rs.14.795 million (2019: Rs.0.295 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:

June 30, 2020					
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		

(Rupees in '000)

On-balance sheet financial instruments

Financial Assets

Balances with banks	4.5% to 14.45%	1,622,033	-	-	21,598	1,643,631
Investments						
- Market Treasury Bills	7.14% to 13.09%	997,282	76,127	-	-	1,073,409
- Pakistan Investment Bonds	8.27% to 13.09%	-	-	406,133	-	406,133
- Government Debt Securities	6M KIBOR + 0.1% and 7.38%	-	-	687,931	-	687,931
- Listed debt securities	3M KIBOR+1% to 6M KIBOR+1.25%	291,757	-	41,533	-	333,290
- Unlisted debt securities	3M KIBOR+1% to 6M KIBOR+1.4%	69,350	-	545,547	-	614,897
- Listed equity securities		-	-	-	325,426	325,426
- Future stock contracts		-	-	-	(3,541)	(3,541)
		1,358,389	76,127	1,681,144	321,885	3,437,545
Mark-up, dividend and other receivables		-	-	-	33,893	33,893
Deposits and others		-	-	-	143,309	143,309
		2,980,422	76,127	1,681,144	520,685	5,258,378

Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company		-	-	-	11,493	11,493
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	317	317
Payable against purchase of investments		-	-	-	1,046,022	1,046,022
Accrued expenses and other liabilities		-	-	-	2,695	2,695
		-	-	-	1,060,527	1,060,527

On-balance sheet gap (a)

2,980,422	76,127	1,681,144	(539,842)	4,197,851
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Off-balance sheet financial instruments

-	-	-	(323,536)	-
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Off-balance sheet gap (b)

-	-	-	(323,536)	-
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Total profit rate sensitivity gap (a+b)

2,980,422	76,127	1,681,144		
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Cumulative profit rate sensitivity gap

2,980,422	3,056,549	4,737,693		
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

----- (Rupees in '000) -----

On-balance sheet financial instruments

Financial Assets

Balances with banks	3.75% to 13.10%	2,776,344	-	-	3,509	2,779,853
Investments classified as:						

At fair value through profit or loss

- Government securities -

Market treasury bills 6.74%

- Listed debt securities	3M KIBOR+1% to 6M KIBOR+1.25%	29,540	-	-	-	29,540
- Unlisted debt securities	6M KIBOR+0.75% 'to 6M KIBOR+6%	324,060	-	327,118	-	651,178
- Listed equity securities		31,323	-	528,655	-	559,978
- Future stock contracts		-	-	-	3,965	3,965
		-	-	-	(129)	(129)

Mark-up, dividend and other receivables

Receivable against sale of investments

Deposits and others

	384,923	-	855,773	3,836	1,244,532
	-	-	-	48,566	48,566
	-	-	-	22,840	22,840
	-	-	-	42,049	42,049
	<u>3,161,267</u>	<u>-</u>	<u>855,773</u>	<u>120,800</u>	<u>4,137,840</u>

Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments

Limited - Management Company

Payable to Central Depository Company of Pakistan

Limited - Trustee

Payable against redemption of units

Payable against purchase of investments

Accrued expenses and other liabilities

	-	-	-	6,118	6,118
	-	-	-	385	385
	-	-	-	-	-
	-	-	-	4,443	4,443
	-	-	-	37,366	37,366
	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,312</u>	<u>48,312</u>

On-balance sheet gap (a)

	<u>3,161,267</u>	<u>-</u>	<u>855,773</u>	<u>72,488</u>	<u>4,089,528</u>
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Off-balance sheet financial instruments

	-	-	-	(22,840)	-
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Off-balance sheet gap (b)

	-	-	-	(22,840)	-
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Total profit rate sensitivity gap (a+b)

	<u>3,161,267</u>	<u>-</u>	<u>855,773</u>		
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Cumulative profit rate sensitivity gap

	<u>3,161,267</u>	<u>3,161,267</u>	<u>4,017,040</u>		
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(iii) Price risk

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

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

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

	June 30, 2020	June 30, 2019
	---- (Rupees in '000) ----	
Investments	16,271	198
Income statement	16,271	198

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

19.2 Credit risk

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

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

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

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

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

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- (Rupees in '000) -----				
Balances with banks	1,643,631	1,643,631	2,779,853	2,779,853
Investments in government securities	2,167,473	-	29,540	-
Investments in debt securities	948,187	948,187	1,211,156	1,211,156
Investments in equity securities	325,426	-	3,965	-
Investments in future stock contracts	(3,541)	-	(129)	-
Mark-up, dividend and other receivables	33,893	27,165	48,566	48,566
Receivable against sale of investments	-	-	22,840	22,840
Deposits and others	143,309	143,309	42,049	42,049
	<u>5,258,378</u>	<u>2,762,292</u>	<u>4,137,840</u>	<u>4,104,464</u>

Difference in the balance as per statement of asset and liabilities and maximum exposure is due to the fact that investments in government securities, equity securities, future stock contracts and profit receivable from government securities amounting to Rs 2,167.473 (2019: Rs 29.540) million, Rs 325.426 (2019: Rs 3.965) million, Rs (3.541) {2019: Rs (0.129)} million and Rs 6.728 million (2019: Nil) respectively is not exposed to credit risk.

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

Bank balances by rating category	June 30, 2020	June 30, 2019
	----- % -----	-----
AAA	95.31	46.03
AA+	4.69	0.07
AA*	-	53.60
AA-*	-	0.09
A+*	-	0.02
A*	-	-
A-*	-	0.19
	<u>100.00</u>	<u>100.00</u>

* Nil figures due to rounding off

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The analysis below summarizes the credit quality of the Fund's investment in term finance certificates, sukuks and government securities as at June 30, 2020 and June 30, 2019:

Investments by rating category	June 30, 2020	June 30, 2019
	----- % -----	
Government securities	43.37	2.39
AAA, AA, AA-, AA+	55.41	95.09
A, A-, A+	7.22	2.52
	<u>100.00</u>	<u>100.00</u>

Concentration of credit risk

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

Settlement risk

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

19.3 Liquidity risk

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

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

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

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

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

June 30, 2020						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

Financial liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company

Payable to Central Depository Company of Pakistan Limited - Trustee

Payable against purchase of investments

Accrued and other liabilities

11,493	-	-	-	-	-	11,493
317	-	-	-	-	-	317
1,046,022	-	-	-	-	-	1,046,022
2,695	-	-	-	-	-	2,695
<u>1,060,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,060,527</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

June 30, 2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

Financial liabilities

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

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

20

FAIR VALUE MEASUREMENTS

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

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

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

Fair value hierarchy

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

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

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

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

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

June 30, 2020			
Fair value			
Level 1	Level 2	Level 3	Total

(Rupees in '000)

Financial assets measured at fair value through profit or loss

Market treasury bills	-	1,073,409	-	1,073,409
Pakistan investment bonds	-	406,133	-	406,133
Government Debt securities	-	687,931	-	687,931
Listed equity securities	325,426	-	-	325,426
Listed debt securities	-	333,290	-	333,290
Unlisted debt securities	-	614,897	-	614,897
Future stock contracts	(3,541)	-	-	(3,541)
	321,885	3,115,660	-	3,437,545

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	----- June 30, 2019-----			
	Fair value			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets measured at fair value through profit or loss				
Market treasury bills	-	29,540	-	29,540
Listed equity securities	3,965	-	-	3,965
Listed debt securities	-	651,178	-	651,178
Unlisted debt securities	-	559,978	-	559,978
Future stock contracts	(129)	-	-	(129)
	3,836	1,240,696	-	1,244,532

21 UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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

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

22 PATTERN OF UNITHOLDINGS

PATTERN OF UNITHOLDINGS

----- June 30, 2020-----				
	Number of unitholders	Number of units held	Investment Amount	Percentage of total investments
	(Rupees in '000)			
Individuals	2,200	28,578,791	3,056,928	75.80%
Associated companies	3	3,152,046	337,157	8.36%
Retirement funds	26	3,298,016	352,772	8.75%
Others	83	2,672,994	285,918	7.09%
	<u>2,312</u>	<u>37,701,847</u>	<u>4,032,775</u>	<u>100%</u>

----- June 30, 2019-----				
	Number of unitholders	Number of units held	Investment Amount	Percentage of total investments
	(Rupees in '000)			
Individuals	2,272	28,380,872	3,024,102	76.88%
Associated companies	3	2,833,122	301,881	7.67%
Banks / DFIs	1	225,236	24,000	0.61%
Retirement funds	29	5,122,803	545,856	13.88%
Others	51	352,922	37,606	0.96%
	<u>2,356</u>	<u>36,914,955</u>	<u>3,933,445</u>	<u>100%</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

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

	June 30, 2020 (Percentage)
1 Adam Securities Private Limited	25.33%
2 Efg Hermes Pakistan Limited	16.18%
3 Mra Securities Limited	14.80%
4 Top Line Securities Private Limited	12.36%
5 Invest One Markets Private Limited	5.13%
6 Continental Exchange Private Limited	4.55%
7 Multiline Securities Private Limited	4.35%
8 Alfalah Cisa Securities Private Limited	4.17%
9 C & M Management Private Limited	1.94%
10 Paramount Capital Private Limited	1.91%

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

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 151st, 152nd, 153rd, 154th, 155th and 156th meetings of the Board of Directors were held on August 1, 2019, September 13, 2019, October 24, 2019, February 06, 2020, February 21, 2020 and April 20, 2020 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*	Former Chairman	6	4	1	3	151st, 153rd & 154th
Mr. Haroun Rashid	Chairman	6	6	5	1	154th
Mr. Nasim Beg	Director	6	6	6	-	-
Mr. Ahmed Jahangir	Director	6	6	6	-	-
Mr. Samad A. Habib*	Director	6	4	1	3	151st, 153rd & 154th
Mr. Mirza Qamar Beg	Director	6	6	6	-	-
Syed Savail Meekal Hussain****	Director	6	5	5	-	-
Mr. Kashif A. Habib**	Director	6	2	1	1	156th
Ms. Mavra Adil Khan**	Director	6	2	2	-	-
Mr. Muhammad Saqib Saleem (CEO)	Chief Executive Officer	6	6	6	-	-

* Retired on completion of term on February 06, 2020.

** New Directors elected on the Board of Directors on February 06, 2020.

*** An election of Directors was held in an EOGM held on February 06, 2020 wherein all retiring directors except for Mian Muhammad Mansha and Mr. Samad A. Habib were re-elected.

**** Appointed on September 04, 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22.5
2	Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	17
3	Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	8.8
4	Mr. Saad Ahmed	Head of Fixed Income	MBA	14.3
5	Syed Mohammad Usama Iqbal	Fund Manager	Graduate	16.3

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

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

26 GENERAL

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

26.2 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- c) The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- d) Time period to ensure compliance with minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased from 3 months to 180 days for Open End Schemes;
- e) Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

26.3 Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 18, 2020 by the Board of Directors of the Management Company.


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



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2020**

No. of Unit Holders	Unit Holdings	Total Units Held
629	001-10,000	11,825
360	10,001 – 100,000	127,477
764	100,001 – 1000,000	3,205,714
559	1000,001+	34,356,832
2312		37,701,847

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2020

Performance Information	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	4,032.7759	3933.4452	4,872	6,190
Net Assets value per unit – Rupees	106.9649	106.5542	111.3412	106.43
Closing Offer Price	108.778	108.3603	113.2284	108.23
Closing Repurchase Price	103.3388	106.5542	111.3412	106.43
Highest offer price per unit	121.0894	116.6078	113.3493	114.78
Lowest offer price per unit	108.3913	108.2969	108.2995	107.64
Highest Redemption price per unit	119.0711	114.6642	111.3412	112.87
Lowest Redemption price per unit	106.5847	106.4919	105.0384	105.82
Distribution per unit – Rs. *	12.0476	13.0796	-	6.50
Average Annual Return - %				
One year	11.69	7.80	4.62	6.50
Two year	9.75	6.21	5.56	6.37
Three year (inception date Mar 01, 2007)	8.04	6.31	5.78	8.46
Net Income for the year – Rs. in million	433.0223	292.75	245.63	289.032
Distribution made during the year – Rs. in million	416.3177	497.041	-	259.451
Accumulated Capital Growth – Rs. in million	16.704606	(204.29)	245.63	29.58
Weighted average Portfolio Duration (years)	2.8	1.3	1.4	1.6

*** Date of Distribution**

2020	
Date	Rate
26-Jun-20	12.0476

2019	
Date	Rate
4-Jul-19	4.8783
28-Jun-19	8.2013

2018	
Date	Rate
Nil	

2017	
Date	Rate
June 21, 2017	6.50

Disclaimer

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

MCB-Arif Habib Savings and Investments Limited

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