

Funds Managed by:
AKD Investment Management Ltd.

1st Quarter Report
September 30, 2018
(Un-audited)



quarterly report



Partner with AKD
Profit from the
Experience



**AKD Investment
Management Ltd.**

TABLE OF CONTENTS

03 Corporate Information

04 Vision

05 Mission Statement

06 Report of the Directors of the Management Company

11 AKD Opportunity Fund - Financial Statements First Quarter FY19

37 AKD Index Tracker Fund - Financial Statements First Quarter FY19

65 AKD Cash Fund - Financial Statements First Quarter FY19

87 AKD Aggressive Income Fund - Financial Statements First Quarter FY19

111 AKD Islamic Income Fund - Financial Statements First Quarter FY19

133 AKD Islamic Stock Fund - Financial Statements First Quarter FY19

MANAGEMENT COMPANY

AKD Investment Management Limited
216-217, Continental Trade Centre, Block-8,
Clifton, Karachi-74000

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Chairman

Mr. Abdul Karim

Director & Chief Executive Officer

Mr. Imran Motiwala

Directors

Ms. Anum Dhedhi

Mr. Ali Wahab Siddiqui

Mr. Hasan Ahmed

Mr. Saim Mustafa Zuberi

Ms. Aysha Ahmed

CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY

Mr. Muhammad Munir Abdullah

CHIEF OPERATING OFFICER AND COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Mr. Muhammad Yaqoob Sultan, CFA

HEAD OF COMPLIANCE OF THE MANAGEMENT COMPANY

Mr. Rashid Ahmed

AUDIT COMMITTEE

Mr. Ali Wahab Siddiqui (Chairman)

Mr. Hasan Ahmed (Member)

Mr. Saim Mustafa Zuberi (Member)

Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

HUMAN RESOURCE AND REMUNERATION (HR & R) COMMITTEE

Ms. Aysha Ahmed (Chairman)

Mr. Abdul Karim (Member)

Mr. Imran Motiwala (Member)

Ms. Anum Dhedhi (Member)

Mr. Saim Mustafa Zuberi (Member)

Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

RATING

AKD Investment Management Ltd. (AMC)
AM3++ (AM Three Plus Plus) issued by PACRA

**CORPORATE
INFORMATION**

Vision

*To serve investors in Pakistan's
capital markets with diligence,
integrity and professionalism,
thereby delivering consistent
superior returns and
unparalleled
customer service.*

Mission Statement

AKD Fund shall continuously strive to:

- *Keep primary focus on investing clients' interest*
- *Achieve highest standards of regulatory compliance and good governance*
- *Prioritize risk management while endeavoring to provide inflation adjusted returns on original investment*
- *Enable the investing public and clients to make AKDIML Funds a preferred part of their overall savings and investment management strategy*
- *Distinguish themselves and compete on the basis of unparalleled service quality while setting industry standards for professionalism, transparency and consistent superior performance*
- *Foster and encourage technical, professional, ethical development of human capital to provide our people the best opportunities and environment for their personal growth*

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of AKD Opportunity Fund (AKDOF), AKD Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF) and AKD Islamic Stock Fund (AKDISSF) is pleased to present its Quarterly report along with the Funds' unaudited financial statements for Quarter ended September 30, 2018.

FUNDS' FINANCIAL PERFORMANCE

AKD Opportunity Fund (AKDOF)

For the 1QFY19, the return of AKD Opportunity Fund stood at -4.74% compared to the benchmark KSE-100 Index return of -2.18%.

AKD Index Tracker Fund (AKDITF)

For the 1QFY19, the return of AKD Index Tracker Fund stood at -2.54% compared to the benchmark KSE-100 Index return of -2.18%.

AKD Cash Fund (AKDCF)

For the 1QFY19, the annualized return of AKD Cash Fund stood at 5.81% compared to benchmark return of 6.59%.

AKD Aggressive Income Fund (AKDAIF)

For the 1QFY19, the annualized return of AKD Aggressive Income Fund stood at 3.10% compared to benchmark return of 8.39%.

AKD Islamic Income Fund (AKDISIF)

For the 1QFY19, the annualized return of AKD Islamic Income Fund stood at 6.22% compared to benchmark return of 2.51%.

AKD Islamic Stock Fund (AKDISSF)

For the 1QFY19, the return of AKD Islamic Stock Fund stood at -3.72% compared to the benchmark KMI-30 Index return of -2.57%.

MACRO PERSPECTIVE

After achieving a growth rate of 5.8% in FY18 - the highest in 13 years and up from 5.3% in FY17, Gross Domestic Product (GDP) is likely to slow down to 5.0% in FY19 on the back of rising inflation, large twin deficits and lower output in the agriculture sector.

The challenges on the external front have increased to alarming levels in 1QFY19. The Current Account Deficit (CAD) reached USD 2.72 billion (5.3% of GDP) in 2MFY19 as opposed to USD 2.47 billion (4.6% of GDP) in the corresponding period last year. The primary reason for this deterioration is an upsurge in import bills by 10.92% to USD 9.95bn vs USD 8.97bn in the same period last year. Moreover, higher remittances (up by 13.44%) could not ease the Balance of Payment (BOP) issue. Consequently, foreign reserves have fallen to USD 14.89 billion (-9.23% YoY) by end of 1QFY19.

On the fiscal front, Federal Board of Revenue (FBR) collected total tax revenue of PKR 836 billion in 1QFY19 as against PKR 766 billion during the same period of the previous fiscal year. The tax collection has increased by 9.2% YoY, but fell short of first quarter target by PKR 56 billion. In

addition to disappointing collection results, the number of income tax filers also fell short of expectations due to which the Government announced a two-month extension in the deadline to file tax returns for FY18.

During 1QFY19, average Consumer Price Index (CPI) clocked in at 5.6% as compared to 3.4% in SPLY. The jump is even more pronounced in core inflation (up by 7.7% YoY) - a key measure reflecting the underlying inflationary pressures in the economy. Moreover, State Bank of Pakistan (SBP) has adjusted the average inflation (CPI) projections and inflation is now expected to fall in the revised forecast range of 6.5%-7.5% in FY19. This upward revision is due to following factors: (i) Higher than anticipated increase in international Oil Prices (Up 42.32% YoY). (ii) An upward revision in domestic gas prices (Up to 143%). (iii) Further increase in regulatory duties on imports (iv) 16.92% YoY depreciation of the PKR against USD.

Therefore to ensure macroeconomic stability, State Bank of Pakistan (SBP) raised the policy rate by 100bps to 8.5% in its monetary policy statement of September 2018.

Agriculture sector growth is expected to remain below its target in FY19 mainly due to the looming water crisis, which is likely to constrain agriculture production. In addition, as per latest information, cotton production is expected to miss its FY19 target of 14.4 million bales by ~4 million bales, which will further hinder agriculture growth.

The large scale manufacturing sector (LSM) which constitutes 80% of total manufacturing and 11% of the overall GDP, exhibited a marginal growth of 0.5% YoY during the first month of FY19, yet it decently grew by 6.99% MoM. The major sectors that showed growth included electronics (11.74%), engineering products (13.18%), automobiles (9.75%), and rubber products (8.31%).

On the other hand, the LSM sectors that showed negative growth were wood products (55.64% YoY), pharmaceuticals (10.80% YoY), fertilizers (6.81% YoY), and iron and steel products (2.77% YoY).

In our view, PKR-USD depreciation of 19.89% in 9MCY18 will relieve some pressure on the Current Account. Furthermore, a possible bailout by the IMF, financial assistance from friendly countries (China, UAE) with expected improvement in remittances from overseas Pakistanis may provide a much needed breather to the external account.

Lastly, CPEC investments will continue to play a major role in attracting investment in Pakistan and provide support to the deteriorating external account. Furthermore, the circular debt situation in the power sector has again reached alarming levels and concrete steps are required. However, given the limited fiscal space, any one-off settlement seems unlikely. Overall, clarity about the economic policies and reforms of the Current government will remain a key determinant of macro performance.

EQUITY MARKET REVIEW

During 1QFY19, KSE-100 index started the fiscal year at 41,910 points and ended the period at 40,999, exhibiting a decline of 2.18%. Gains seen in the first week after elections (+5%) have reversed in the last two months of 1QFY19. This decline can be largely attributed to faltering investor confidence stemming from lack of policy clarity (Increase in gas prices and budgetary amendments regarding tax filers) and growing economic concerns (BOP, currency movement) which worsened SBP's forex reserves that fell below US\$10bn (Two-month import cover). Owing to this, Moody's downgraded outlook on Pakistan to negative and continuous foreign selling from emerging market (US \$189mn net outflow from the Pakistani stock market) resulted in reduced trading volumes.

Moving ahead, we believe that drastic and unprecedented economic reforms are on the cards under the Incumbent government. Austerity measures (curb in PSDP and unproductive spending),

strict steps against rampant corruption, call for across the board accountability, radical efforts to expand the tax base and focus on addressing core issues (health, education, justice, and unemployment) will determine the overall performance of the economy and the direction of equity markets. Furthermore, sector specific policies such as those for cements (Dam, PSDP), autos (interest rate, auto policy), fertilizer (subsidy), and steel (import duties) among others, will set the tone of the market. Recovering of wealth parked abroad and the role of overseas Pakistanis will remain a key component of government policy.

These above reforms announced by current government were unprecedented in political history of Pakistan and likely to slow down the economic growth in FY19. However, development on reforms will have positive impact in the long term.

The increasing level of inflation is expected to warrant further hikes in discount rates, where we expect another hike of 100bps in the upcoming Monetary Policy Statement (MPS). We believe this will have a negative impact on the market as investors will realign their portfolios from equity market to debt market for higher yield. However, the KSE-100 index currently trades at a forward PE of ~6.94x with a dividend yield of 7.09%, which offers a significant discount compared to MSCI Emerging Markets Index and regional economies.

MONEY MARKET REVIEW

During 1QFY19, The State Bank of Pakistan (SBP) carried out 7 T-bills auctions where the government managed to raise PKR 4.61 trillion. During this period, weighted average yield on 3, and 6 months T-bills were at 7.60% and 7.85% respectively up from 5.84% and 5.88% during the corresponding period last year.

SBP conducted auctions of PIBs and managed to raise PKR 20.59 billion during 1QFY19. The PIBs auction maintained an upward trend where weighted average maturities yield on 5-year PIB increased to 9.25%, up from 6.89% in the corresponding period of last year.

The Government announced Monetary Policy Statement on September 29, 2018, where the committee decided to change the policy rate by 100bps to 8.5%. State Bank of Pakistan conducted 15 open market operations (OMOs) of different maturities and injected average amount of PKR 855.06 billion per OMO at an average cut-off yield of 7.43%.

State Bank of Pakistan (SBP) will raise Rs 4.9 trillion by sale of three to 20-year Pakistan Investment Bonds (PIBs) and three to 12-month treasury bills during 2QFY19 to pay back the maturing debt of Rs 4.44 trillion. In addition, SBP will raise another Rs 150 billion through the auction of 10-year PIBs at a floating rate.

FUTURE OUTLOOK

Overall, we believe that the economic outlook for FY19 remains challenging. Real growth is expected to slow down its momentum as average inflation is expected to remain above its target due to recent PKR depreciation. It is also likely that an IMF program with stringent conditions will remain a major issue to deal with for the current Government. Current account deficit remains a grave concern and needs urgent remedial measures to boost foreign inflow and control unproductive imports. Key risks can stem from any increase in international oil prices and uncertainty in emerging market. There is hope that Overseas Pakistanis might support the incumbent government and increasing remittances will provide some respite. Pakistan has managed to get US\$6bn support package from Saudi Arabia. The support package comprises i) US\$3bn for balance of payment support and ii) deferred payment facility up to US\$3bn for oil imports. Aforementioned financial assistance from KSA will ease pressure to some extent pertaining to the external account in the near term. The impact of measures being announced by the Government is yet to be seen and will majorly influence any possible improvement in the economy.

Continuous surge rise in oil price and aggressive stance on interest rates in upcoming monetary policy meeting will keep the market heavy weighted sectors (Banks, Exploration & Production) in the limelight.

We believe a significant reversal in equity market will be more dependent on liquidity rather than valuations (The KSE-100 Index trading at a Price-to-earnings (P/E) and Dividend Yield (DY) of 6.94x and 7.09% respectively as compared to Emerging Market P/E and DY of 13.32x and 2.70% respectively).

On the fixed income side, the rapid surge in interest rates has made the situation severe. Yields on 6 Month T-Bills have surged from under 6% in 2017 to around 9% currently and are likely to be in double digits by the end of 2018. Therefore, equity markets will have to offer more to entice investors as competing asset classes (Pakistan Investment Bonds, Income Funds, National Saving Certificates and Bank Deposit) are beginning to offer attractive yields.

For and on behalf of the Board

Imran Motiwala
Chief Executive Officer

Abdul Karim
Chairman

Karachi: October 27, 2018

AKD Aggressive Income Fund

Financial Statements - First Quarter FY19

Contents

- 88 Fund Information**
- 89 Fund Manager's Report**
- 93 Condensed Interim Statement of Assets and Liabilities**
- 94 Condensed Interim Income Statement**
- 95 Condensed Interim Statement of Comprehensive Income**
- 96 Condensed Interim Cash Flow Statement**
- 97 Condensed Interim Statement of Movement in Unit Holders' Fund**
- 98 Notes to the Condensed Interim Financial Statements**

AKD Aggressive Income Fund



MANAGEMENT COMPANY

AKD Investment Management Limited
216-217, Continental Trade Centre, Block-8,
Clifton, Karachi-74000

TRUSTEE

Central Depository Company
of Pakistan Limited
CDC House 99-B, Block-B
S.M.C.H.S.,
Main Shahr-e-Faisal,
Karachi.

BANKERS

Apna Microfinance Bank Limited
Askari Bank Limited
Bank Alfalah Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Moblink Microfinance Bank Limited
MCB Bank Limited
NRSP Microfinance Bank Limited
Summit Bank Limited
Telenor Microfinance Bank Limited
U Microfinance Bank Limited

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road, P.O. Box 4716
Karachi-74000

LEGAL ADVISER

Sattar & Sattar Attorneys -at -law
3rd Floor, UBL Building,
I.I. Chundrigar Road, Karachi

REGISTRAR

AKD Investment Management Limited.
216 - 217, Continental Trade Centre,
Block-8, Clifton Karachi-74000
UAN: 111-253-465 (111-AKDIML)

DISTRIBUTORS

AKD Investment Management Limited
AKD Securities Limited
BIPL Securities Limited
BMA Capital Management Limited
Finox (Pvt.) Limited
First Street Capital (Pvt.) Limited
IGI Investment Bank Limited
Savings Lounge (Pvt.) Limited
4 Sight Investments

RATING

AKD Aggressive Income Fund
PACRA: A-(f) [A minus(f)]

FUND MANAGER'S REPORT

i) Description of the Collective Investment Scheme Category and type:

Open - end Aggressive Fixed Income Scheme

ii) Statement of Collective Investment Scheme's investment objective:

AKDAIF is a dedicated fund that focuses primarily on fixed income securities and instruments. The objective of AKDAIF is to offer investors a convenient vehicle to invest in a diversified portfolio of fixed income securities / instruments that provide consistent returns with concern for preservation of capital over the longer term.

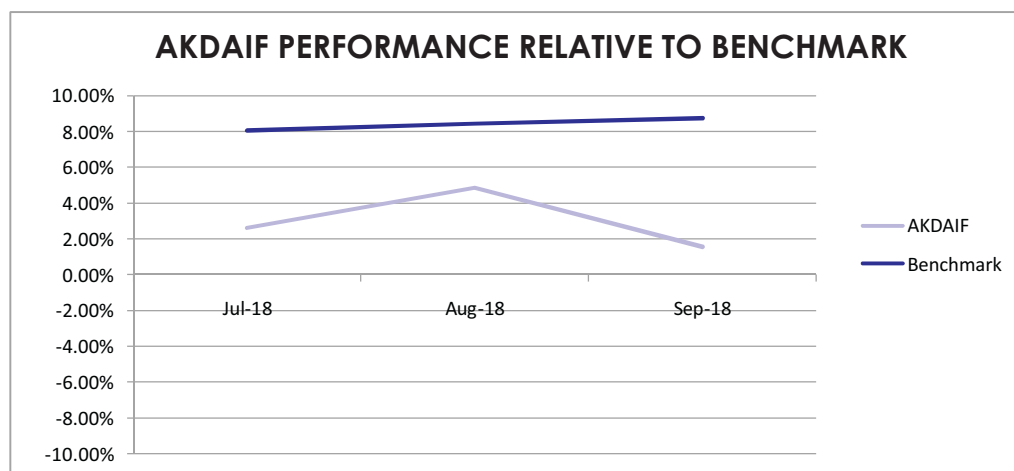
iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:

For the 1QFY19, the annualized return of AKD Aggressive Income Fund stood at 3.10% as compared to the benchmark return of 8.39%.

iv) Statement of benchmark (s) relevant to the Collective Investment Scheme:

1 Year KIBOR

v) Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmark:



| Monthly yield (annualized) | Jul-18 | Aug-18 | Sep-18 |
|----------------------------|--------|--------|--------|
| AKDAIF | 2.62% | 4.87% | 1.59% |
| Benchmark | 8.05% | 8.45% | 8.77% |

vi) Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance:

AKD Aggressive Income Fund is an open end aggressive fixed income schemes, the return of the funds are generated through investment in T-bills, Margin Trading System, Spread transaction and corporate debt instruments. AKDAIF is fully complied with the relevant policies and procedures as per fund's regulatory requirement.

- vii) Disclosure of Collective Investment Scheme's asset allocation as the date of the report and particulars of significant changes in asset allocation since the last report (if applicable):

| Asset Allocation (% of Total Asset) | 30-Sep-2018 | 30-June-2018 |
|-------------------------------------|-------------|--------------|
| Cash and cash equivalent | 36.48% | 41.58% |
| Commercial paper | - | 5.68% |
| Placement with Banks and NBFCs | - | 9.03% |
| TFCs / SUKUK | 32.35% | 33.30% |
| Spread Transaction (Cost) | 12.80% | 7.65% |
| Other assets including receivables | 18.37% | 2.76% |

- viii) Non-Compliant Investment

| Name of Non Compliant Investment | Type of Investment | Value of Investment before Provision | Provision made during the period | Value of Investment after Provision | Percentage of Net Assets | Percentage of Gross Assets |
|----------------------------------|--------------------|--------------------------------------|----------------------------------|-------------------------------------|--------------------------|----------------------------|
| -----Rupees in '000----- | | | | | | |
| Silk Bank Limited | TFC | 92,303 | Nil | 92,303 | 12.37% | 11.16% |
| TPL Corp. Limited | TFC | 78,070 | Nil | 78,070 | 10.46% | 9.44% |

- ix) Analysis of the Collective Investment Scheme's performance:

| | |
|----------------------------|-------|
| 1QFY19 Return (annualized) | 3.10% |
| Benchmark (annualized) | 8.39% |

- x) Changes in total NAV and NAV per unit since the last reviewed period:

| Net Asset Value | | | NAV per Unit | |
|------------------|--------------|--------|--------------|-----------|
| 30-Sep-2018 | 30-June-2018 | Change | 30-Sep-2018 | 30-Jun-18 |
| (Rupees in '000) | | | (Rs.) | |
| 746,076 | 728,864 | 2.36% | 51.7431 | 53.5418 |

- xi) Disclosure on the markets that the Collective Investment Scheme has invested in including reviews of the market (s) invested in and return during the period:

MACRO PERSPECTIVE

After achieving a growth rate of 5.8% in FY18 - the highest in 13 years and up from 5.3% in FY17, Gross Domestic Product (GDP) is likely to slow down to 5.0% in FY19 on the back of rising inflation, large twin deficits and lower output in the agriculture sector.

The challenges on the external front have increased to alarming levels in 1QFY19. The Current Account Deficit (CAD) reached USD 2.72 billion (5.3% of GDP) in 2MFY19 as opposed to USD 2.47 billion (4.6% of GDP) in the corresponding period last year. The primary reason for this deterioration is an upsurge in import bills by 10.92% to USD 9.95bn vs USD 8.97bn in the same

period last year. Moreover, higher remittances (up by 13.44%) could not ease the Balance of Payment (BOP) issue. Consequently, foreign reserves have fallen to USD 14.89 billion (-9.23% YoY) by end of 1QFY19.

On the fiscal front, Federal Board of Revenue (FBR) collected total tax revenue of PKR 836 billion in 1QFY19 as against PKR 766 billion during the same period of the previous fiscal year. The tax collection has increased by 9.2% YoY, but fell short of first quarter target by PKR 56 billion. In addition to disappointing collection results, the number of income tax filers also fell short of expectations due to which the Government announced a two-month extension in the deadline to file tax returns for FY18.

During 1QFY19, average Consumer Price Index (CPI) clocked in at 5.6% as compared to 3.4% in SPLY. The jump is even more pronounced in core inflation (up by 7.7% YoY) - a key measure reflecting the underlying inflationary pressures in the economy. Moreover, State Bank of Pakistan (SBP) has adjusted the average inflation (CPI) projections and inflation is now expected to fall in the revised forecast range of 6.5%-7.5% in FY19. This upward revision is due to following factors: (i) Higher than anticipated increase in international Oil Prices (Up 42.32% YoY). (ii) An upward revision in domestic gas prices (Up to 143%). (iii) Further increase in regulatory duties on imports (iv) 16.92% YoY depreciation of the PKR against USD.

Therefore to ensure macroeconomic stability, State Bank of Pakistan (SBP) raised the policy rate by 100bps to 8.5% in its monetary policy statement of September 2018.

Agriculture sector growth is expected to remain below its target in FY19 mainly due to the looming water crisis, which is likely to constrain agriculture production. In addition, as per latest information, cotton production is expected to miss its FY19 target of 14.4 million bales by ~4 million bales, which will further hinder agriculture growth.

The large scale manufacturing sector (LSM) which constitutes 80% of total manufacturing and 11% of the overall GDP, exhibited a marginal growth of 0.5% YoY during the first month of FY19, yet it decently grew by 6.99% MoM. The major sectors that showed growth included electronics (11.74%), engineering products (13.18%), automobiles (9.75%), and rubber products (8.31%). On the other hand, the LSM sectors that showed negative growth were wood products (55.64% YoY), pharmaceuticals (10.80% YoY), fertilizers (6.81% YoY), and iron and steel products (2.77% YoY).

In our view, PKR-USD depreciation of 19.89% in 9MCY18 will relieve some pressure on the Current Account. Furthermore, a possible bailout by the IMF, financial assistance from friendly countries (China, UAE) with expected improvement in remittances from overseas Pakistanis may provide a much needed breather to the external account.

Lastly, CPEC investments will continue to play a major role in attracting investment in Pakistan and provide support to the deteriorating external account. Furthermore, the circular debt situation in the power sector has again reached alarming levels and concrete steps are required. However, given the limited fiscal space, any one-off settlement seems unlikely. Overall, clarity about the economic policies and reforms of the Current government will remain a key determinant of macro performance.

MONEY MARKET REVIEW

During 1QFY19, The State Bank of Pakistan (SBP) carried out 7 T-bills auctions where the government managed to raise PKR 4.61 trillion. During this period, weighted average yield on 3, and 6 months T-bills were at 7.60% and 7.85% respectively up from 5.84% and 5.88% during the corresponding period last year.

SBP conducted auctions of PIBs and managed to raise PKR 20.59 billion during 1QFY19. The PIBs auction maintained an upward trend where weighted average maturities yield on 5-year PIB increased to 9.25%, up from 6.89% in the corresponding period of last year.

The Government announced Monetary Policy Statement on September 29, 2018, where the committee decided to change the policy rate by 100bps to 8.5%. State Bank of Pakistan conducted 15 open market operations (OMOs) of different maturities and injected average amount of PKR 855.06 billion per OMO at an average cut-off yield of 7.43%.

State Bank of Pakistan (SBP) will raise Rs 4.9 trillion by sale of three to 20-year Pakistan Investment Bonds (PIBs) and three to 12-month treasury bills during 2QFY19 to pay back the maturing debt of Rs 4.44 trillion. In addition, SBP will raise another Rs 150 billion through the auction of 10-year PIBs at a floating rate.

xii) Description and explanation of any significant changes in the state of the affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements:

There were no significant changes in the state of affairs during the period under review.

xiii) Disclosure on unit split (if any), comprising:

There were no unit splits during the period.

xiv) Breakup of unit holding by size:

| Range (Units) | No. of Investors |
|-------------------|------------------|
| 0.1 - 9,999 | 83 |
| 10,000 - 49,999 | 24 |
| 50,000 - 99,999 | 4 |
| 100,000 - 499,999 | 4 |
| 500,000 and above | 5 |
| | 120 |

xv) Disclosure of circumstances that materially affect any interest of unit holders:

Investments are subject to credit and market risk.

xvi) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker (s) or dealers by virtue of transaction conducted by the Collective Investment Scheme:

No soft commissions have been received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2018

| | | (Unaudited) September 30 2018 | (Audited) June 30 2018 |
|---|------|-------------------------------------|------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| Bank balances | 4 | 231,869 | 241,122 |
| Investments | 5 | 437,247 | 555,185 |
| Profit receivable | 6 | 5,682 | 8,244 |
| Other receivables | | 5,980 | 48 |
| Deposits and prepayments | 7 | 67,191 | 13,362 |
| Receivable against sale of securities | | 78,787 | 1,081 |
| Total assets | | 826,756 | 819,042 |
| LIABILITIES | | | |
| Payable to AKD Investment Management Limited - Management Company | 8 | 5,335 | 5,853 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | 131 | 123 |
| Payable to the Securities and Exchange Commission of Pakistan | 10 | 139 | 621 |
| Payable against purchase of securities | | 65,146 | 62,661 |
| Accrued expenses and other liabilities | 11 | 9,929 | 9,526 |
| Payable against redemption of units | | - | 11,394 |
| Total liabilities | | 80,680 | 90,178 |
| NET ASSETS | | 746,076 | 728,864 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 746,076 | 728,864 |
| CONTINGENCIES AND COMMITMENTS | 12 | | |
| NUMBER OF UNITS IN ISSUE | | 14,418,858 | 13,612,982 |
| NET ASSET VALUE PER UNIT | | 51.7431 | 53.5418 |
| FACE VALUE PER UNIT | | 50 | 50 |

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

For AKD Investment Management Limited
(Management Company)

Abdul Karim
Chairman

Muhammad Munir Abdullah
Chief Financial Officer

Imran Motiwala
Chief Executive Officer

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

| | Note | Quarter ended September 30 | |
|---|------|-------------------------------|---------|
| | | 2018 | 2017 |
| (Rupees in '000) | | | |
| INCOME | | | |
| Income from spread transactions | | 1,860 | 718 |
| Capital loss on sale of investments - net | | (23) | (857) |
| Profit on bank deposits | | 3,665 | 4,136 |
| Income from Government securities | | 2,064 | 2,020 |
| Income from Term Finance Certificates and Sukuk Certificates | | 6,125 | 5,889 |
| Income from Term Deposit Receipts | | 1,371 | 3,732 |
| Income from Commercial Paper | | 430 | 449 |
| | | 15,492 | 16,087 |
| Unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net | 5.3 | (10,994) | 299 |
| Unrealised (diminution) / appreciation in the fair value of future contracts | | 5,952 | (6,809) |
| Total Income | | 10,450 | 9,577 |
| EXPENSES | | | |
| Remuneration of the Management Company - net | 13 | 2,743 | 3,523 |
| Sindh sales tax on remuneration of the Management Company | | 362 | 458 |
| Remuneration of the Trustee | | 316 | 399 |
| Sindh sales tax on remuneration of the Trustee | | 41 | 52 |
| Annual fee to the Securities and Exchange Commission of Pakistan | | 139 | 176 |
| Security transaction costs | | 440 | 240 |
| Provision against Sindh Workers' Welfare Fund | | 115 | 83 |
| Auditors' remuneration | | 95 | 95 |
| Settlement and bank charges | | 38 | 15 |
| Fees and subscriptions | | 114 | 106 |
| Legal and professional | | 172 | 861 |
| Allocated expenses | | 186 | (556) |
| Printing and related costs | | 51 | 50 |
| Total Expenses | | 4,812 | 5,502 |
| Net income from operating activities | | 5,638 | 4,075 |
| Net income for the period before taxation | | 5,638 | 4,075 |
| Taxation | 14 | - | - |
| Net income for the period after taxation | | 5,638 | 4,075 |
| Allocation of net income for the period | | | |
| Net income for the period after taxation | | 5,638 | 4,075 |
| Income already paid on units redeemed | | (500) | (1,120) |
| | | 5,138 | 2,955 |
| Accounting income available for distribution | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | 5,138 | 2,955 |
| | | 5,138 | 2,955 |

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

**For AKD Investment Management Limited
(Management Company)**

Abdul Karim
Chairman

Muhammad Munir Abdullah
Chief Financial Officer

Imran Motiwala
Chief Executive Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018**

| | Quarter ended September 30 | |
|--|-------------------------------|--------------|
| | 2018 | 2017 |
| | ----- (Rupees in '000) ----- | |
| Net income for the period after taxation | 5,638 | 4,075 |
| Other comprehensive income for the period | - | - |
| Total comprehensive income for the period | 5,638 | 4,075 |

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

**For AKD Investment Management Limited
(Management Company)**

Abdul Karim
Chairman

Muhammad Munir Abdullah
Chief Financial Officer

Imran Motiwala
Chief Executive Officer

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

| | Note | Quarter ended September 30 2018 (Rupees in '000) | 2017 |
|---|------|---|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net income for the period before taxation | | 5,638 | 4,075 |
| Adjustments for non-cash and other items | | | |
| Unrealised diminution in fair value of investments classified as 'financial assets at fair value through profit or loss' - net | | 10,994 | 6,809 |
| Unrealised appreciation in the fair value of future contracts | | (5,952) | - |
| Capital loss / (gain) on sale of investments | | 23 | 857 |
| Provision against Sindh Workers' Welfare Fund | | 115 | - |
| | | 10,818 | 11,741 |
| (Increase) / decrease in assets | | | |
| Investments - net | | 9,159 | 33,918 |
| Profit receivable | | 2,562 | (18) |
| Other receivables | | (5,932) | (261) |
| Receivable from the Management Company | | - | 224 |
| Receivable against sale of securities | | (77,706) | 110,559 |
| Deposits and prepayments | | (53,829) | 11,048 |
| | | (125,746) | 155,470 |
| Increase / (decrease) in liabilities | | | |
| Payable to AKD Investment Management Limited - Management Company | | (518) | (497) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 8 | - |
| Payable to Securities and Exchange Commission of Pakistan | | (482) | (595) |
| Payable against purchase of securities | | 2,485 | 12,901 |
| Payable on redemption of units | | (11,394) | (24,750) |
| Accrued expenses and other liabilities | | 288 | (7,585) |
| | | (9,613) | (20,526) |
| Net cash (used in) / generated from operating activities | | (124,541) | 146,685 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Receipts/ (Payments) on issuance/redemptions of units-net | | 37,760 | (73,869) |
| Cash distributions paid during the period | | (26,186) | - |
| Net cash (used in) / generated from financing activities | | 11,574 | (73,869) |
| Net (decrease) / increase in cash and cash equivalents during the period | | (112,967) | 72,816 |
| Cash and cash equivalents at beginning of the period | | 414,544 | 446,701 |
| Cash and cash equivalents at end of the period | 16 | 301,577 | 519,517 |

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

**For AKD Investment Management Limited
(Management Company)**

Abdul Karim
Chairman

Muhammad Munir Abdullah
Chief Financial Officer

Imran Motiwala
Chief Executive Officer

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

| | 2018 | | | 2017 | | |
|--|------------------|-------------------------------|----------------|----------------|-------------------------------|----------------|
| | (Rupees in '000) | | | | | |
| | Capital Value | Undistributed income / (loss) | Total | Capital Value | Undistributed income / (loss) | Total |
| Net assets at beginning of the period | 675,004 | 53,860 | 728,864 | 901,942 | 32,707 | 934,649 |
| Issue of 8,717,750 units (2017: 11,600,933 units) | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the period) | 447,585 | - | 447,585 | 599,655 | - | 599,655 |
| - Element of income | 1,687 | - | 1,687 | 1,971 | - | 1,971 |
| Total proceeds on issuance of units | 449,272 | - | 449,272 | 601,626 | - | 601,626 |
| Redemption of 7,911,873 units (2017: 13,023,672 units) | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the period) | 406,210 | - | 406,210 | 673,336 | - | 673,336 |
| - Element of loss | 1,039 | 500 | 1,539 | 1,039 | 1,120 | 2,159 |
| Total payments on redemption of units | 407,249 | 500 | 407,749 | 674,375 | 1,120 | 675,495 |
| Total comprehensive income for the period | - | 5,638 | 5,638 | - | 4,075 | 4,075 |
| Refund of Capital | (3,763) | - | (3,763) | - | - | - |
| Distribution during the period | - | (26,186) | (26,186) | - | - | - |
| Net income for the period less distribution | (3,763) | (20,548) | (24,311) | - | 4,075 | 4,075 |
| Net assets at end of the period | 713,264 | 32,812 | 746,076 | 829,193 | 35,662 | 864,855 |
| Undistributed income brought forward | | | | | | |
| - Realised | | 60,136 | | | 28,842 | |
| - Unrealised | | (6,276) | | | 3,865 | |
| | | <u>53,860</u> | | | <u>32,707</u> | |
| Accounting income available for distribution | | | | | | |
| - Relating to capital gains | | - | | | - | |
| - Excluding capital gains | | 5,138 | | | 2,955 | |
| | | <u>26,186</u> | | | <u>-</u> | |
| Distribution for the period | | <u>32,812</u> | | | <u>35,662</u> | |
| Undistributed income carried forward | | | | | | |
| Undistributed income carried forward | | | | | | |
| - Realised income | | 37,854 | | | 42,172 | |
| - Unrealised (loss) / income | | (5,042) | | | (6,510) | |
| | | <u>32,812</u> | | | <u>35,662</u> | |
| | | | (Rupees) | | | (Rupees) |
| Net assets value per unit at beginning of the period | | <u>53.5418</u> | | | | <u>51.6902</u> |
| Net assets value per unit at end of the period | | <u>51.7431</u> | | | | <u>51.9151</u> |

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

**For AKD Investment Management Limited
(Management Company)**

Abdul Karim
Chairman

Muhammad Munir Abdullah
Chief Financial Officer

Imran Motiwala
Chief Executive Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

AKD Aggressive Income Fund (the Fund) was established under a Trust Deed executed between AKD Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Securities and Exchange Commission of Pakistan (SECP) authorised constitution of the trust deed on September 11, 2006 and it was executed on October 2, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund commenced operations from March 23, 2007.

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 216-217, Continental Trade Centre, Block 8, Clifton, Karachi, in the province of Sindh.

The Fund is an open ended mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund.

The Fund is classified as an 'Aggressive Fixed Income Scheme'. The principal activity of the Fund is to make investments in government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), certificate of mushrakas (COM), TDRs, commercial paper, reverse repo, TFC/Sukuk, spread transactions and transactions under Margin Trading System.

The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager rating of "AM3++" to the Management Company dated August 10, 2018. PACRA has also assigned fund stability rating of "A-(f)" to the Fund dated June 30, 2018.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

These condensed interim financial statements are unaudited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the published financial statements of the Fund for the year ended June 30, 2018 except the following.

During the current period IFRS-9 became applicable, according to the standard, all equity investments are to be measured at fair value in the statement of financial position with value change recognized in profit or loss. Standard also retains an option in respect of equity investments (other than held for trading) for which the entity may elect to report value change in 'other comprehensive income'. For the purpose of measurement of debt instruments, SECP vide its letter to MUFAP dated November 21, 2017 relaxed the applicability of IFRS-9 impairment requirements for debt securities on mutual funds and deferred it till further instructions. As at September 30, 2018 all the investment of the Fund were classified in 'Financial assets at fair value through profit or loss'.

| 4 | BANK BALANCES | Note | (Un-audited) September 30 2018 | (Audited) June 30 2018 |
|----------------------------|---------------------|------|--------------------------------------|------------------------------|
| ---- (Rupees in '000) ---- | | | | |
| | In savings accounts | 4.1 | 231,802 | 241,055 |
| | In current accounts | | 67 | 67 |
| | | | 231,869 | 241,122 |

4.1 These accounts carry markup at rates ranging from 5.50% to 7.75% (2018: 4.50% to 7.75%) per annum.

| 5 | INVESTMENTS | Note | (Un-audited) September 30 2018 | (Audited) June 30 2018 |
|----------------------------|--|---------------|--------------------------------------|------------------------------|
| ---- (Rupees in '000) ---- | | | | |
| | Financial assets 'at fair value through profit or loss' | | | |
| | - Debt securities - Term Finance Certificates | 5.1.1 & 5.2.1 | 267,464 | 272,716 |
| | - Government securities - Market Treasury Bills | 5.1.3 | 69,708 | 99,422 |
| | - Listed equity securities | 5.1.4 | 100,075 | 62,535 |
| | | | 437,247 | 434,673 |
| | Loans and receivables | | | |
| | -Term deposit receipts (TDR) | | - | 74,000 |
| | - Commercial Papers | | - | 46,512 |
| | | | - | 120,512 |
| | | | 437,247 | 555,185 |

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

5.1.1 Debt securities - Term Finance Certificates

| Name of Investee Company | Face value per certificate | Number of certificates | | | Balance as at September 30, 2018 | | Unrealised appreciation/ (diminution) as at September 30, 2018 | Market value as a percentage of total investments | Market value as a percentage of Net Assets | Investment as a percentage of total issue size | |
|---|----------------------------|------------------------|-----------------------------|-----------------------------------|----------------------------------|----------------|--|---|--|--|--------------|
| | | As at July 1, 2018 | Purchased during the period | Sold / redeemed during the period | As at September 30, 2018 | Carrying value | | | | | Market value |
| Rupees | | | | | | | | | | | |
| Term finance certificates - listed | | | | | | | | | | | |
| Summit Bank Limited | 5,000 | 5,000 | - | - | 5,000 | 25,008 | 24,947 | (61) | 5.71 | 3.34 | 1.66 |
| Worldcall Telecom Limited | 5,000 | 20,000 | - | - | 20,000 | - | - | - | - | - | - |
| Dewan Cement Limited-(note 5.1.1.2) | 5,000 | 20,000 | - | - | 20,000 | - | - | - | - | - | - |
| Pace Pakistan Limited | 5,000 | 115 | - | - | 115 | - | - | - | - | - | - |
| Term finance certificates - unlisted | | | | | | | | | | | |
| TPL Corporation Limited | 100,000 | 780 | - | - | 780 | 78,144 | 78,070 | (74) | 17.85 | 10.46 | 6.50 |
| (formerly TPL Trakker Limited) | 5,000 | 20,000 | - | - | 20,000 | 92,917 | 92,303 | (614) | 21.11 | 12.37 | 5.00 |
| Silk Bank Limited | 100,000 | 750 | - | - | 750 | 76,637 | 72,144 | (4,493) | 16.50 | 9.67 | 3.00 |
| The Bank of Punjab | | | | | | 272,706 | 267,464 | (5,242) | | | |
| Total - September 30, 2018 | | | | | | 272,706 | 267,464 | (5,242) | | | |
| Total - June 30, 2018 | | | | | | 278,850 | 272,716 | (6,134) | | | |

5.1.1.1 Significant terms and conditions of term finance certificates outstanding as at September 30, 2018 are as follows:

| Name of the issuer | Mark-up rate (per annum) | Issue date | Maturity date | Rating |
|--------------------------------|--------------------------|-------------|---------------|--------|
| Summit Bank Limited | 6 months KIBOR + 3.25% | 27-Oct-2011 | 27-Oct-18 | A- |
| TPL Corporation Limited | 3 months KIBOR + 1.50% | 19-Dec-17 | 19-Dec-19 | AA- |
| (formerly TPL Trakker Limited) | 6 months KIBOR + 1.00% | 23-Dec-16 | 23-Dec-26 | AA- |
| The Bank of Punjab | 6 months KIBOR + 1.85% | 10-Aug-17 | 10-Aug-25 | A- |
| Silk Bank Limited | | | | |

5.1.1.2 The Fund had advanced an amount of Rs 100 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). Dewan Cement Limited (DCL) failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit for the said period. As a matter of prudence, the Fund has made provision for the amount of the investment in accordance with the provisioning criteria specified in circular no. 1 of 2009 dated January 6, 2009 issued by the SECP.

5.1.3 Government securities - Market Treasury Bills

| Tenor | Face Value | | | Balance as at September 30, 2018 | | Market value as a percentage of net assets |
|-----------------------------------|-----------------|-----------------------------|----------------------------------|----------------------------------|----------------|--|
| | At July 1, 2018 | Purchased during the period | Sold / matured during the period | As at September 30, 2018 | Carrying Value | |
| 3 months | 100,000 | 215,000 | 245,000 | 70,000 | 69,720 | 15.94 |
| | 100,000 | 215,000 | 245,000 | 70,000 | 69,708 | 9.34 |
| Total - September 30, 2018 | | | | | 69,720 | 69,708 |
| Total - June 30, 2018 | | | | | 99,458 | 99,422 |

On July 24, 2018, the Fund transferred Market Treasury Bills of Rs. 25 million (face value) into National Clearing Company Limited (NCCPL) Exposure margin account maintained with Bank Al-Falah Limited in respect of Exposure Margin and Mark-to-Market losses in Ready Market.

5.1.3.1

5.1.4 Listed equity securities (spread transactions)

Ordinary shares have a face value of Rs. 10 each except share of K-Electric which have a face value of Rs. 3.5 per share.

| Name of Investee Company | Number of Shares | | | | Balance as at September 30, 2018 | | Appreciation/ (Diminution) | Market value as a percentage of total investments | Market value as a percentage of net assets | Investment as a percentage of total issue size |
|--|--------------------|-----------------------------|---------------------------------------|------------------------|----------------------------------|----------------|----------------------------|---|--|--|
| | As at July 1, 2018 | Purchased during the period | Bonus / right issue during the period | Sold during the period | As at September 30, 2018 | Carrying value | | | | |
| Aisha Steel Mills Limited | - | 234,500 | - | 234,500 | - | - | - | - | - | - |
| Descon Oxychem Limited | 64,500 | 87,000 | - | 151,500 | - | - | - | - | - | - |
| Fauji Fertilizer Bin Qasim | 1,488,500 | 3,985,000 | - | 4,473,500 | 1,000,000 | 36,720 | 490 | 8.51 | 4.99 | 0.40 |
| Fauji Cement Company Limited | 110,500 | 285,500 | - | 396,000 | - | - | - | - | - | - |
| Lotte Chemical Pakistan | - | 81,000 | - | 81,000 | - | - | - | - | - | - |
| K-Electric Limited | 118,000 | 37,000 | - | 155,000 | - | - | - | - | - | - |
| Pak Elektron Limited | 500 | 55,000 | - | 55,500 | - | - | - | - | - | - |
| Pakistan International Bulk Terminal Limited | - | - | - | - | 500 | 5 | - | - | - | - |
| Pakistan Telecommunication Company Limited | 40,000 | - | - | 40,000 | - | - | - | - | - | - |
| Sui Northern Gas Pipelines Limited | - | 32,500 | - | 32,500 | - | - | - | - | - | - |
| Sui Southern Gas Company Limited | 5,000 | - | - | 5,000 | - | - | - | - | - | - |
| Treet Corporation Limited | - | 5,000 | - | 5,000 | - | - | - | - | - | - |
| Unity Foods Limited | - | 2,400,000 | - | 400,000 | 2,000,000 | 69,090 | (6,230) | 14.38 | 8.43 | 3.72 |
| Total - September 30, 2018 | | | | | | 105,815 | 100,075 | (5,740) | | |
| Total - June 30, 2018 | | | | | | 62,661 | 62,535 | (126) | | |

5.1.4.1 The cost of investment in listed equity securities amounted to Rs 105.815 million (2018: Rs 62.661 million).

5.1.4.2 The above equity securities were purchased in the ready market and simultaneously sold in the future market, resulting in spread income due to difference in ready and future stock prices.

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

5.2.1 Debt securities - Sukuk Certificates

| Name of Investee Company | Face value per certificate | Number of Certificates | | | Balance as at September 30, 2018 | | Market value as a percentage of total investments | Market value as a percentage of net assets | Investment as a percentage of total issue size |
|--|----------------------------|------------------------|-----------------------------|-----------------------------------|----------------------------------|----------------|---|--|--|
| | | As at July 1, 2018 | Purchased during the period | Sold / redeemed during the period | As at September 30, 2018 | Carrying value | | | |
| Rupees | | | | | | | | | |
| Sukuk certificates - unlisted | | | | | | | | | |
| New Allied Electronics Industries (Private) Limited (25-07-07) | 312.50 | 96,000 | - | - | 96,000 | 30,000 | 30,000 | - | - |
| | | | | | (30,000) | (30,000) | | | |
| Less: Impairment recognised in the income statement in prior years | | | | | | | | | |
| | | | | | 30,000 | 30,000 | | | |
| Total - September 30, 2018 | | | | | - | - | | | |
| Total - June 30, 2018 | | | | | - | - | | | |

5.2.1.1 New Allied Electronics Industries (Private) Limited defaulted on the amount of principal and mark-up due on the scheduled redemption dates i.e. October 25, 2008, January 25, 2009, April 25, 2009, July 25, 2009, October 25, 2009, January 25, 2010 and April 25, 2010. Hence, the Fund has provided for the amount of the investment by 100% in accordance with the requirements of circular no. 1 of 2009 dated January 6, 2009.

AKD Aggressive Income Fund - Quarterly Report September 2018

| | Note | (Un-audited) September 30 2018 | (Audited) June 30 2018 |
|----------------------------|--|---|------------------------------|
| ---- (Rupees in '000) ---- | | | |
| 5.3 | Unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net | | |
| | Market value of securities | 5.1.1 & 5.1.2 & 5.1.3 & 5.1.4 437,247 | 434,673 |
| | Less: carrying value of securities | 5.1.1 & 5.1.2 & 5.1.3 & 5.1.4 (448,241) | (440,969) |
| | | (10,994) | (6,296) |
| 6 | PROFIT RECEIVABLE | | |
| | Profit receivable on: | | |
| | - Term Finance and Sukuk Certificates | 4,354 | 3,984 |
| | - Term Deposit Receipts | - | 46 |
| | - Commercial Paper | - | 3,058 |
| | - Bank deposits | 1,328 | 1,156 |
| | | 5,682 | 8,244 |
| 7 | DEPOSITS AND PREPAYMENTS | | |
| | Security deposit with National Clearing Company of Pakistan Limited - (NCCPL) | 67,070 | 13,262 |
| | Security deposit with Central Depository Company of Pakistan Limited - (CDC) | 100 | 100 |
| | | 67,170 | 13,362 |
| | Prepayment - PSX Annual fee | 21 | - |
| | | 67,191 | 13,362 |
| 8 | PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY | | |
| | Federal Excise Duty on management remuneration | 8.1 4,141 | 4,141 |
| | Management remuneration payable - net | 8.2 & 8.2.1 886 | 758 |
| | Sindh sales tax payable on management remuneration | 8.3 120 | 123 |
| | Payable against allocated expenses | 8.4 186 | 828 |
| | Sales load payable | - | 1 |
| | Others | 2 | 2 |
| | | 5,335 | 5,853 |

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

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

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.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2018 amounting to Rs 4.14 million (2018: Rs 4.14 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2018 would have been higher by Re 0.2872 per unit (2018: Re 0.3042 per unit).

- 8.2** The Management Company has charged remuneration at the rate of 1.5 % per annum based on the daily net assets of the Fund. The amount of remuneration is being paid monthly in arrears.

| | (Un-audited) September 30 | (Audited) June 30 |
|------|------------------------------|----------------------|
| Note | 2018 | 2017 |
| | ---- (Rupees in '000) ---- | |

8.2.1 Management remuneration payable - net

| | | | |
|---|----|------------|------------|
| Management remuneration payable | | 931 | 956 |
| Less: reimbursement from the management company | 13 | 45 | 198 |
| Receivable from / (Payable to) the Management Company - net | | 886 | 758 |

- 8.3** During the year, Sindh Sales Tax on management remuneration has been charged at the rate of 13% (2018: 13%).

- 8.4** In accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the period.

| | (Un-audited) September 30 | (Audited) June 30 |
|------|------------------------------|----------------------|
| Note | 2018 | 2018 |
| | ---- (Rupees in '000) ---- | |

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

| | | | |
|---|-----|------------|------------|
| Trustee remuneration payable | 9.1 | 106 | 108 |
| Settlement charges payable to the trustee | | 10 | 1 |
| Sindh Sales Tax payable on trustee remuneration and CDS charges | 9.2 | 15 | 14 |
| | | 131 | 123 |

AKD Aggressive Income Fund - Quarterly Report September 2018

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

| Net Assets Value (NAV) | Tariff per annum |
|---|---|
| Up to Rs 1,000 million | 0.17% per annum of Net Assets |
| On an amount exceeding Rs 1,000 million upto Rs 5,000 million | Rs 1.7 million plus 0.085% per annum of Net Assets exceeding Rs 1,000 million |
| On an amount exceeding Rs 5,000 million | Rs 5.1 million plus 0.07% per annum of Net Assets exceeding Rs 5,000 million |

- 9.2 During the period, Sindh Sales Tax on trustee remuneration has been charged at the rate of 13% (2018: 13%).

- 9.3 The remuneration is paid to the Trustee on a monthly basis in arrears.

| | Note | (Un-audited) September 30 2018 | (Audited) June 30 2018 |
|--|------|--------------------------------------|------------------------------|
| 10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP) | | ---- (Rupees in '000) ---- | |
| Annual fee payable to the SECP | 10.1 | <u>139</u> | <u>621</u> |

- 10.1 Under the provisions of the NBFC Regulations, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

| | Note | (Un-audited) September 30 2018 | (Audited) June 30 2018 |
|--|------|--------------------------------------|------------------------------|
| 11 ACCRUED EXPENSES AND OTHER LIABILITIES | | ---- (Rupees in '000) ---- | |
| Auditors' remuneration | | 324 | 337 |
| NCCPL clearing charges payable | | 35 | 30 |
| Withholding tax payable | | 73 | 21 |
| Provision against Sindh Workers Welfare Fund | 11.1 | 2,805 | 2,690 |
| Others | | 6,692 | 6,448 |
| | | <u>9,929</u> | <u>9,526</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 a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken

up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2018 would have been higher by Re 0.19 per unit (2018: Re 0.20 per unit)

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at September 30, 2018 and June 30, 2018 except as disclosed below.

| | (Un-audited) September 30 2018 | (Audited) June 30 2018 |
|--|--------------------------------------|------------------------------|
| Note | ---- (Rupees in '000) ---- | |
| 12.1 Commitments | | |
| Sale of listed equity securities in future (for spread transactions) | 105,968 | 63,116 |
| 13 REMUNERATION OF THE MANAGEMENT COMPANY - NET (FOR THE PERIOD/YEAR) | | |
| Remuneration of the Management Company | 2,788 | 12,419 |
| Less: re-imbursement from the Management Company | (45) | (198) |
| | 2,743 | 12,221 |
| 14 TAXATION | | |

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management intends to distribute the required minimum percentage of income earned by the Fund for the period ended September 30, 2018 to the unit holders in the manner as explained above, no provision for taxation has been made in these condensed interim financial statements during the period.

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 TOTAL EXPENSE RATIO

In accordance with regulation 60 (5) of the amended NBFC regulations 2008 the Total Expense Ratio (excluding government levies) of an aggressive fixed income fund is to be capped at 2% of the daily average net assets of the fund during the period. The Total Expense Ratio of

AKD Aggressive Income Fund - Quarterly Report September 2018

the Fund for the period ended September 30, 2018 was 2.59% (annualised) which included 0.40% (annualised) representing government levies and SECP fee. Accordingly this has been capped at 2.19% (annualised). The total expense ratio (excluding government levies and SECP fee) exceeds the 2% capping by Rs 0.045 million which has been recorded as a receivable from the Management Company and adjusted against the remuneration of the Management Company.

| | Note | (Un-audited) September 30 2018 | (Audited) June 30 2018 |
|--|-------|--------------------------------------|------------------------------|
| ---- (Rupees in '000) ---- | | | |
| 16 CASH AND CASH EQUIVALENTS | | | |
| Bank balances | 4 | 231,869 | 241,122 |
| Market Treasury Bills (having original maturity upto 3 months) | 5.1.3 | 69,708 | 99,422 |
| Term deposit receipts (having original maturity upto 3 months) | | - | 74,000 |
| | | 301,577 | 414,544 |

17 TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

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

17.1 Details of transactions with related parties / connected persons during the period are as follows:

| | (Un-audited) Quarter ended September 30, 2018 | 2017 |
|---|--|-------|
| ---- (Rupees in '000) ---- | | |
| AKD Investment Management Limited - Management Company | | |
| Management remuneration - net | 2,743 | 3,523 |
| Sindh sales tax on management remuneration | 362 | 458 |
| Sales load | 1 | - |
| Allocated expenses | 186 | 235 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Trustee remuneration | 316 | 399 |
| Sindh sales tax on trustee remuneration | 41 | 52 |

AKD Aggressive Income Fund - Quarterly Report September 2018

| | (Un-audited) | |
|---|----------------------------|---------|
| | Quarter ended | |
| | September 30, | |
| | 2018 | 2017 |
| | ---- (Rupees in '000) ---- | |
| AKD Investment Management Limited - Staff Provident Fund | | |
| Purchase of units 3,498 (2017: 6,749) | 180 | 350 |
| Redemption of units 11,741 (2017: 9,951) | 600 | 515 |
| Issue of 185 Capital Refund Units | 9 | - |
| Dividend paid | 180 | - |
| Key Management Personnel, Director of the Management Company and their close relatives Chief Financial Officer | | |
| Dividend paid | 27 | - |
| Head of HR and Administration | | |
| Purchase of units: Nil (2017: 4,796) | - | 249 |
| Unit holder holding 10% or more of the units in issue | | |
| National Bank of Pakistan - Employees Pension Fund | | |
| Purchase of units : 283,489 (2017: 354,780) | 14,555 | - |
| Dividend paid | 18,836 | - |
| TPL Insurance Limited (formerly TPL Direct Insurance Limited)* | | |
| Purchase of units : 19,765, (2017: Nil) | 1,015 | - |
| Dividend paid | 1,194 | - |
| Askari General Insurance Company Limited** | | |
| Purchase of units: 21,989 (2017: 2,362,057) | 1,129 | 122,582 |
| Redemption of units: Nil (2017: 3,333,224) | - | 172,988 |
| Issue of 40,538 Capital Refund Units | 2,081 | - |
| Dividend paid | 1,328 | - |

*current period connected party, prior period figures not shown

** prior period connected party, current period figures not shown

AKD Aggressive Income Fund - Quarterly Report September 2018

| | (Un-audited) September 30, 2018 ---- (Rupees in '000) ---- | (Audited) June 30, 2018 |
|---|---|-------------------------------|
| 17.2 Details of balances with related parties / connected persons as at period end | | |
| AKD Investment Management Limited - Management Company | | |
| Payable to the Management Company-net | 886 | 758 |
| Federal excise duty on management fee payable | 4,141 | 4,141 |
| Sales tax on management fee payable | 120 | 123 |
| Sales load payable | - | 1 |
| Payable against allocated expenses | 186 | 828 |
| Others | 2 | 2 |
| AKD Investment Management Limited - Staff Provident Fund | | |
| Units held 77,891 (2018: 85,950) | 4,030 | 4,602 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Trustee remuneration payable | 106 | 108 |
| Settlement charges payable | 10 | 1 |
| Sindh Sales Tax payable on trustee remuneration and CDS charges | 15 | 14 |
| Security deposit | 100 | 100 |
| Chief Financial Officer | | |
| Units held 12,283 (2018: 12,283) | 636 | 658 |
| Unit holder holding 10% or more of the units in issue | | |
| National Bank of Pakistan Employees Pension Fund | | |
| Units held 8,033,595 (2018: 7,783,338) | 415,683 | 416,734 |
| Askari General Insurance Company Limited | | |
| Units held 1,612,271 (2018: 1,549,744) | 83,424 | 82,976 |

18 FAIR VALUE MEASUREMENT

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.

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.

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 price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- 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);
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

AKD Aggressive Income Fund - Quarterly Report September 2018

As at September 30, 2018 and June 30, 2018, the Fund held the following assets measured at fair values:

| | September 30, 2018 | | | |
|---|--------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| At fair value through profit or loss | (Rupees in '000) | | | |
| - Debt securities - Term Finance Certificates | - | 267,464 | - | 267,464 |
| - Government securities - Market Treasury Bills | - | 69,708 | - | 69,708 |
| - Listed equity securities | 100,075 | - | - | 100,075 |
| | | | | |
| | June 30, 2018 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| At fair value through profit or loss | (Rupees in '000) | | | |
| - Debt securities - Term Finance Certificates | - | 272,716 | - | 272,716 |
| - Government securities - Market Treasury Bills | - | 99,422 | - | 99,422 |
| - Listed equity securities | 62,535 | - | - | 62,535 |

19 GENERAL

19.1 Figures have been rounded off to the nearest thousand Rupees.

20 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 27, 2018 by the Board of Directors of the Management Company.

**For AKD Investment Management Limited
(Management Company)**

Abdul Karim
Chairman

Muhammad Munir Abdullah
Chief Financial Officer

Imran Motiwala
Chief Executive Officer



**AKD Investment
Management Ltd.**

Head Office:

216-217, Continental Trade Centre, Block-8, Clifton, Karachi-74000
U.A.N : 92-21-111 AKDIML (111-253-465) | Fax : 92-21-35303125

Gulshan-e-Iqbal Branch:

Bungalow No. FL-3/12,
Ground Floor Block No. 5, KDA,
Scheme No. 24, Gulshan-e-Iqbal, Karachi.
Contact # 92-21-34823003-7

Abbottabad Branch:

Office No. 1 & 2, 2nd Floor, Zaman Plaza,
Near Complex Hospital,
Main Mansehra Road, Abbottabad.
Contact # 099-2381431-2

Lahore Branch:

Plaza # 250, 2nd Floor, Phase IV,
Block-FF, D.H.A., Lahore Cantt.
Contact # 0333-0342762-4

E-mail : info@akdinvestment.com
Website : www.akdinvestment.com