



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2020

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



PAKISTAN CAPITAL MARKET FUND

TABLE OF CONTENTS

1	Fund's Information	487
2	Report of the Director of the Management Company	488
3	Report of the Fund Manager	501
4	Trustee Report to the Unit Holders	503
5	Independent Auditor's Report to the Unit Holders	504
6	Statement of Assets and Liabilities	507
7	Income Statement	508
8	Statement of Other Comprehensive Income	509
9	Statement of Movement in Unit Holder's Fund	510
10	Cash Flow Statement	511
11	Notes to and Forming Part of the Financial Statements	512
12	Pattern of Units Holding by Size	537
13	Performance Table	538
14	Proxy Issued by Fund	539

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 Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Allied Bank Limited Bank Al Habib Limited Habib Bank Limited National Bank of Pakistan JS Bank Limited Standard Chartered Bank Limited Zarai Traqiati Bank Limited Bank Al-Falah	
Auditors	A. F. Ferguson & Co. Chartered Accountants (A Member 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 **Pakistan Capital Market Fund's** 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 pandemic 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.

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

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

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.

EQUITIES MARKET OVERVIEW

Similar to economic story, the equity markets were also a tale of two halves. During the first half, investors cherished the gains posted by macroeconomic consolidation with the benchmark KSE-100 index rallying by 19.8%. However, as panic hit equity markets around the globe post novel coronavirus spread, KSE-100 Index was no different. The benchmark index plunged by ~16% in the second half of the fiscal year, reversing most of the gains of the fiscal year. Notwithstanding, the KSE-100 managed to post a nominal positive return of 1.5% for full year of FY20, breaking the streak of two successive years of negative returns. Foreigners selling remained unabated, as they sold USD 285 million of equities, remaining in the red zone for the fifth successive year. Individuals and Insurance companies remained net buyers adding USD 213 and USD 128 respectively to their positions. Daily traded volumes averaged at 194 mn shares (up 26.2% YoY), while daily traded value averaged PKR 7.2 bn (up 10.4% YoY) during the period.

Pharmaceuticals, Construction & Materials & Fertilizers were the major outperformers during the year, posting returns of ~45%, ~43% and ~23% respectively. Pharmaceutical companies were in limelight as Covid'19 unleashed the potential of the sector. Cement sector companies gained traction as interest rates were lowered and the marketing arrangement between the players strengthened. While, fertilizer plays had a decent run as dividend yielding stocks got highlighted after successive interest rate cuts. On the flip side, the major index heavy weights, Commercial Banks and E&P's underperformed the benchmark by posting negative returns of ~14% and ~10% respectively. Commercial banks underperformed as record monetary easing caused NIMS compression, while E&P's underperformance was explained by a slump in crude oil prices, after Saudi Arabia started a price war as an agreement wasn't reached between OPEC and Russia. Alongside, a weak global demand amidst the contagious virus added fuel to the fire.

FUND PERFORMANCE

During the period under review, the fund posted a return of 4.86% compared to the return of 2.25% posted by the benchmark.

On the equities front, the overall allocation stood at 59.4% while other exposure consisted of cash (20.6%) and T-bills (10.3%). The exposure was mainly held in Commercial Banks, Oil & Gas Exploration Companies and Cements.

The Net Assets of the Fund as at June 30, 2020 stood at Rs. 415 million as compared to Rs. 504 million as at June 30, 2019 registering a decrease of 17.7%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 10.15 as compared to opening NAV of Rs. 10.11 per unit as at June 30, 2019 showing an increase of Rs. 0.04 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

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

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 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:

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.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 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. Nil units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

External Auditors

The fund's external auditors, A.F.Ferguson & Co. Chartered Accountants have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 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.

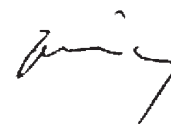
ACKNOWLEDGMENT

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

* 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، کمیٹی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے پوٹس کی کوئی خرید و فروخت نہیں کی۔

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۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

22 اگست 2020ء



نسیم بیگ

ڈائریکٹر اوکس چیئرمین

ڈائریکٹرز رپورٹ

30 جون 2020ء کو کمپنی کوڈ آف کارپورٹ گورننس کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریڈنگ 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۔

1. 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:

1- آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی آٹھ (8) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
1	4	5	8	1- جناب ہارون رشید (سابقہ چیئرمین)*
0	8	8	8	2- مرزا محمد قمر بیگ (چیئرمین)
0	8	8	8	3- جناب نسیم بیگ
1	7	8	8	4- جناب احمد جہانگیر
0	3	3	8	5- جناب کاشف اے حبیب
0	3	3	8	6- سید ساویل میکال حسین**

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

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

2- ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن 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	1- جناب مرزا قمر بیگ
-	4	4	4	2- جناب ہارون رشید*
-	4	4	4	3- جناب احمد جہانگیر
-	4	4	4	4- جناب نسیم بیگ
-	-	-	4	5- محترمہ ماوراء عادل خان**
-	-	-	4	6- سید ساویل میکال حسین**
-	4	4	4	7- جناب محمد ثاقب سلیم (سی ای او)

ڈائریکٹرز رپورٹ

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.	مخترمہ 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 میوزیشن

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 ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

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

c. مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا 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 انٹیلیجنٹ 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. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

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

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

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

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

ڈائریکٹرز رپورٹ

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 اول کے دوران افراط زر کی رفتار پٹرولیم کی کم 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 ڈھستی رگ بنا رہے گا 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 نظریے سے ہمیں اب کافی واضح صورتحال نظر آ رہی ہے۔ جہاں کووڈ کے خم کے ہموار ہونے کا سلسلہ جاری ہے وہاں valuations بتدریج پرانے رجحانات کے ساتھ ہم آہنگ ہو رہی ہیں۔ وائرس کی دوسری لہر کا سدباب کرتے ہوئے ہم سمجھتے ہیں کہ ایکویٹیز میں سرمایہ کاروں کے لیے بہت فوائد مضمّن ہیں۔ مارکیٹ کیپیٹلائزیشن کا جی ڈی پی کے ساتھ تناسب 17.5 فیصد ہے، جو اب بھی اپنے پرانے اوسط سے 33 فیصد کم ہے۔ اسی طرح رسک پریمیم 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 خورد تصویر 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 بلا 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 پرعزم 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:

ڈائریکٹرز رپورٹ

دوران سال دو سازی، تعمیرات اور مواد، اور کھاد کے شعبے بالترتیب 45 فیصد، 43 فیصد اور 23 فیصد منافع جات پوسٹ کر کے سبقت لے گئے۔ دو ساز کمپنیاں مرکز نگاہ تھیں کیونکہ کووڈ 19 نے اس شعبے کی استعداد میں اضافہ کر دیا تھا۔ سیمنٹ کے شعبے میں تحریک ہوئی جس کے اسباب انٹریسٹ کی شرحوں میں کمی اور فریقوں کے درمیان مارکیٹنگ انتظام کا استحکام تھے۔ کھاد کے شعبے نے قابل قبول کارکردگی کا مظاہرہ کیا کیونکہ انٹریسٹ کی شرح میں متواتر کمی کے بعد ڈیویڈنڈ دینے والے اسٹاکس منظر عام پر آ گئے۔ دوسری جانب کمرشل بینکوں اور دریافت اور پیداوار (ای اینڈ پی) کے شعبے کی کارکردگی انڈیکس کے مضبوط فریق ہونے کے باوجود بیچ مارک سے کم تھی۔ بالترتیب 14 فیصد اور 10 فیصد منفی منافع۔ کمرشل بینکوں کی کمزور کارکردگی کی وجہ اب تک کی سب سے زیادہ مالیاتی تسہیل کے باعث NIMS میں سنکڑن تھی، جبکہ ای اینڈ پی کی کمزور کارکردگی کی وجہ خام تیل کی قیمتوں میں گراوٹ تھی کیونکہ سعودی عرب نے اوپیک اور روس کے درمیان معاہدہ نہ ہونے پر قیمت کی ایک جنگ کا آغاز کر دیا۔ ساتھ ساتھ، بواء کے تناظر میں عالمی سطح پر مانگ میں کمی نے صورتحال کو ابتر کر دیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 4.86 فیصد منافع دیا جبکہ بیچ مارک منافع 2.25 فیصد تھا۔ ایکویٹیز کے شعبے میں مجموعی سرمایہ کاری 59.4 فیصد تھی جبکہ دیگر سرمایہ کاری 20.6 فیصد نقد میں اور 10.3 فیصد ٹریڈری بلز (ٹی بلز) میں تھی۔ اس سرمایہ کاری کا اکثر حصہ کمرشل بینکوں، تیل اور گیس کی دریافت کی کمپنیوں اور سیمنٹ کے شعبے میں تھی۔ 30 جون 2020ء کو فنڈ کے Inet اثاثہ جات 415 ملین روپے تھے جو 30 جون 2019ء کو 504 ملین روپے کے مقابلے میں 17.7 فیصد کمی ہے۔ 30 جون 2020ء کو Inet اثاثہ جاتی قدر (این اے وی) فی یونٹ 10.15 روپے تھی جو 30 جون 2019ء کو ابتدائی این اے وی 10.11 روپے فی یونٹ کے مقابلے میں 0.04 روپے فی یونٹ اضافہ ہے۔

مستقبل کا منظر نامہ

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 بواء کی پہلی لہر سے سنٹنے میں کامیاب ہوا ہے اور متاثر 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 تا حال بالکل بند ہیں اور کچھ استعداد سے کم کام کر پارہے ہیں۔ کووڈ کی دوسری لہر کاسڈ 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 محرکات کے 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 پیکج سے مانگ پر مبنی ترقی کو مطلوبہ محرک حاصل ہوگا۔

ادائیگی کے توازن کی پریشانیوں نے 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 ان کے مطابق برآمدات میں تیزی آرہی ہے۔ ترسیلات زر بھی عمومی متوقع سطح سے کافی زیادہ ہوئی ہیں، بلکہ ماہ جون میں 50 فیصد Y-o-Y 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

ڈائریکٹرز رپورٹ

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 ہوجانے 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 ہوجانے 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 6.8 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 پیسے 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 تشکیل ٹوکی 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 میننگلز 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۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

معاشی صورتحال کی طرح ایکویٹیز مارکیٹوں کی صورتحال بھی سال کے نصف اول اور نصف آخر کے دوران بہت مختلف تھی۔ نصف اول کے دوران سرمایہ کاروں نے گلاں معاشی یکجائی کے حاصل کردہ منافع جات کا خیر مقدم کیا اور بیچ مارک KSE-100 انڈیکس میں 19.8 فیصد کا زبردست اضافہ ہوا۔ تاہم کورونا وائرس کے وُرد کے بعد ایکویٹی مارکیٹیں بد حالی سے دوچار ہو گئیں اور KSE-100 انڈیکس بھی متاثر ہوا۔ بیچ مارک انڈیکس مالی سال کے نصف آخر میں 16 فیصد گر گیا جس سے نصف اول میں حاصل کیے گئے منافع جات بے اثر ہو گئے۔ بہر حال KSE-100 نے مجموعی طور پر پورے سال کے لیے 1.5 فیصد معمولی منافع پوسٹ کیا اور گزشتہ دو متواتر سالوں سے منفی منافعوں کا رجحان ختم ہوا۔ غیر ملکیوں کی جانب سے ہونے والی ایکویٹیز کی فروخت کمی سے محفوظ رہی اور 285 ملین ڈالر مالیت کی ایکویٹیز کی فروخت کے ساتھ پانچویں متواتر سال ریڈ زون میں رہی۔ افراد اور بیمہ کمپنیاں بالترتیب 213 ڈالر اور 128 ڈالر مالیت کی ایکویٹیز خرید کر net خریدار رہے۔ خرید و فروخت کے یومیہ حجم کا اوسط دوران مدت 194 ملین حصص تھا (26.2 فیصد YoY اضافہ)، جبکہ یومیہ قدر کا اوسط 7.2 بلین روپے (10.4 فیصد YoY اضافہ) تھا۔

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان کینیڈیل مارکیٹ 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 ۱۹ 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 دُور 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 خطیر 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 کارپروگرام 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 سست رفتار اثرات بحوالہ مالیاتی سختی اور زر مبادلہ 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

Pakistan Capital Market Fund (PCMF) is an Open-End Balanced Scheme

Fund Benchmark

The benchmark for Pakistan Capital Market Fund is KSE 100 Index and Six (6) months KIBOR rates on the basis of actual proportion held by the Scheme

Investment Objective

The objective of the Fund is to maximize returns available from Pakistan's capital market by investing the Fund Property in equity as well as debt instruments while diversifying the risk within the market.

Investment Strategy

Pakistan Capital Market Fund (PCM) is an open-end balanced fund that invests in a range of asset classes such as equity and debt in Pakistani market. The asset allocation to equities and debt is made on the basis of relative attractiveness of each asset class. The investment process is driven by fundamental research. For equities investment, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. For debt investment, interest rate outlook is the key determining factor and allocation to this segment is increased when the yields are comparatively higher compared to the total returns on equities. Investment is made in corporate bonds (investment grade) and government bonds. Cash is kept in deposits with highly rated banks. PCM is a long only Fund and cannot undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

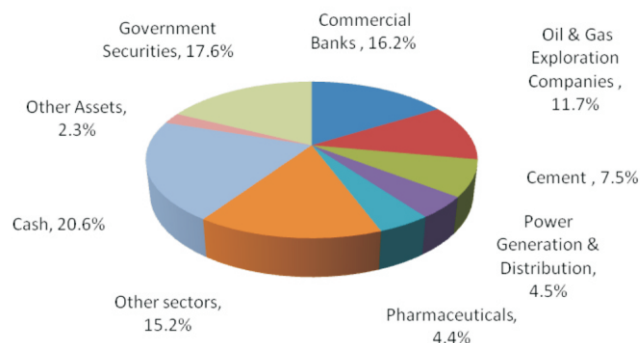
Manager's Review

During the period under review, the fund posted a return of 4.86% compared to the return of 2.25% posted by the benchmark.

On the equities front, the overall allocation stood at 59.4% while other exposure consisted of cash (20.6%) and T-bills (10.3%). The exposure was mainly held in Commercial Banks, Oil & Gas Exploration Companies and Cements.

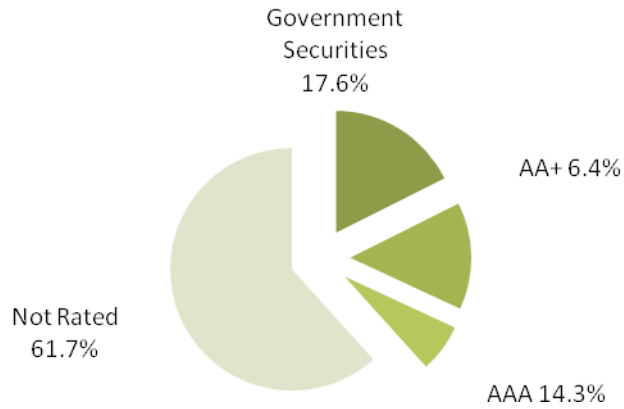
The Net Assets of the Fund as at June 30, 2020 stood at Rs. 415 million as compared to Rs. 504 million as at June 30, 2019 registering a decrease of 17.7%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 10.15 as compared to opening NAV of Rs. 10.11 per unit as at June 30, 2019 showing an increase of Rs. 0.04 per unit.

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



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

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



**Syed Abid Ali
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 Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CAPITAL MARKET 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

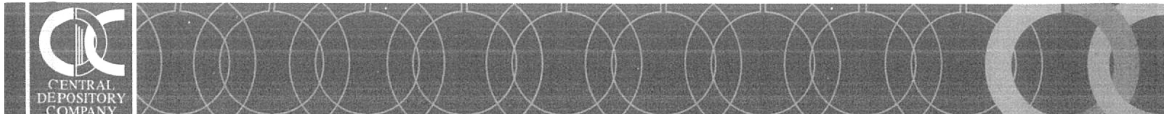
We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Capital Market Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30,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

A handwritten signature in black ink, appearing to read 'Badiuddin Akber', is written over a light grey background.

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 Pakistan Capital Market Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pakistan Capital Market 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 99.855 million and Investments amounted to Rs 374.107 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;

Affc6

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

■ KARACHI ■ LAHORE ■ ISLAMABAD

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F.FERGUSON&CO.

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

Other 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

3



A.F.FERGUSON & CO.

- 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	99,855	192,760
Investments	5	374,107	316,053
Dividend and profit receivables	6	2,077	1,157
Advances, deposits and other receivables	7	5,073	5,086
Receivable against sale of investments		4,238	4,655
Total assets		485,350	519,711
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	2,266	1,521
Payable to Central Depository Company of Pakistan Limited - Trustee	9	79	95
Payable to the Securities and Exchange Commission of Pakistan	10	93	490
Payable against purchase of investment		53,999	-
Payable against redemption of units		216	216
Accrued and other liabilities	11	14,118	13,753
Total liabilities		70,771	16,075
NET ASSETS		<u>414,579</u>	<u>503,636</u>
Unit holders' fund (as per statement attached)		<u>414,579</u>	<u>503,636</u>
Contingencies and commitments	12	(Number of units)	
NUMBER OF UNITS IN ISSUE		<u>40,862,716</u>	<u>49,824,042</u>
----- (Rupees) -----			
NET ASSET VALUE PER UNIT	3.6	<u>10.15</u>	<u>10.11</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	Note	For the year ended	
		June 30, 2020	June 30, 2019
----- (Rupees in '000) -----			
INCOME			
Dividend income		17,008	20,833
Income from government securities		7,935	11,036
Capital gain / (loss) on sale of investments - net		33,699	(13,971)
Income from unlisted debt security		102	103
Profit on bank deposits		11,189	7,812
Income on deposit with NCCPL against exposure margin		160	31
Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	5.5	(27,469)	(60,007)
Other income		-	230
Total income / (loss)		<u>42,624</u>	<u>(33,933)</u>
EXPENSES			
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	8.1	9,338	11,538
Sindh Sales tax on remuneration of the Management Company	8.2	1,214	1,500
Allocated expenses	8.3	467	577
Selling and marketing expenses	8.4	5,382	2,308
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	934	1,154
Sindh Sales tax on remuneration of the trustee	9.2	121	150
Annual Fee to the Securities and Exchange Commission of Pakistan	10	93	490
Securities transaction costs		2,129	1,265
Settlement and bank charges		627	511
Fees and subscription		39	51
Auditors' remuneration	13	606	564
Printing and related costs		45	52
Legal and professional charges		78	184
Total expenses		<u>(21,073)</u>	<u>(20,344)</u>
Net income / (loss) from operating activities		<u>21,551</u>	<u>(54,277)</u>
Provision for Workers' Welfare Fund (SWWF)		(431)	-
Net income / (loss) for the year before taxation		<u>21,120</u>	<u>(54,277)</u>
Taxation	14	-	-
Net income / (loss) for the year after taxation		<u>21,120</u>	<u>(54,277)</u>
Earning / (Loss) per unit	3.13	-	-
Allocation of net income for the year:			
Net income for the year		21,120	-
Income already paid on units redeemed		(1,928)	-
		<u>19,192</u>	<u>-</u>
Accounting income available for distribution:			
- Relating to capital gains		4,295	-
- Excluding capital gains		14,897	-
Accounting income available for distribution		<u>19,192</u>	<u>-</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	For the year ended	
	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
Net income / (loss) for the year after taxation	21,120	(54,277)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	21,120	(54,277)

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	For the year ended June 30, 2020			For the year ended June 30, 2019			
	Capital value	Undistributed income / accumulated loss	Total	Capital value	Undistributed income / (accumulated loss)	Unrealised appreciation / (diminution) on 'available for sale' investments	Total
(Rupees in '000)							
Net assets at beginning of the year	512,914	(9,278)	503,636	573,580	42,884	2,115	618,579
Effect of adoption of IFRS 9	-	-	-	-	2,115	(2,115)	-
Net assets at beginning of the year - adjusted	512,914	(9,278)	503,636	573,580	44,999	-	618,579
Issuance of 5,652,589 units (2019: 2,803,162 units)							
- Capital value (at net asset value per unit at the beginning of the year)	57,149	-	57,149	31,283	-	-	31,283
- Element of income / (loss)	3,299	-	3,299	(346)	-	-	(346)
Total proceeds from issuance of units	60,448	-	60,448	30,937	-	-	30,937
Redemption of 14,613,915 units (2019: 8,391,853 units)							
- Capital value (at net asset value per unit at the beginning of the year)	147,746	-	147,746	93,653	-	-	93,653
- Element of loss / (income)	3,038	1,928	4,966	(2,050)	-	-	(2,050)
Total payments on redemption of units	150,784	1,928	152,712	91,603	-	-	91,603
Total comprehensive loss / (income) for the year	-	21,120	21,120	-	(54,277)	-	(54,277)
Final distribution for the year ended June 30, 2020 @ Re 0.4533 per unit on June 29, 2020	-	(17,521)	(17,521)	-	-	-	-
Refund of capital for the year ended June 30, 2020	(392)	-	(392)	-	-	-	-
Net assets at end of the year	422,186	(7,607)	414,579	512,914	(9,278)	-	503,636
(Accumulated loss) / undistributed income brought forward comprising of:							
- Realised	50,729			67,904			
- Unrealised	(60,007)			(25,020)			
	(9,278)			42,884			
Effect of adoption of IFRS 9	-			2,115			
(Accumulated loss) / undistributed income	(9,278)			44,999			
Accounting income available for distribution							
- Relating to capital gains	4,295			-			
- Excluding capital gains	14,897			-			
	19,192			-			
Net loss for the year after taxation	-			(54,277)			
Distribution made during the year	17,521			-			
Accumulated loss carried forward	(7,607)			(9,278)			
Accumulated loss carried forward comprising of:							
- Realised	19,862			50,729			
- Unrealised	(27,469)			(60,007)			
	(7,607)			(9,278)			
	(Rupees)			(Rupees)			
Net asset value per unit at beginning of the year	10.11			11.16			
Net asset value per unit at end of the year	10.15			10.11			

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

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	Note	For the year ended	
		June 30, 2020	June 30, 2019
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year before taxation		21,120	(54,277)
Adjustments for:			
Dividend income		(17,008)	(20,833)
Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net		27,469	60,007
Provision for Workers' Welfare Fund (SWWF)		431	-
		32,012	(15,103)
(Increase) / decrease in assets			
Investments		(85,523)	46,868
Dividend and profit receivables		(1,269)	211
Advances, deposits and prepayments		13	(19)
Receivable against sale of investment		417	(4,655)
		(86,362)	42,405
Increase / (decrease) in liabilities			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		745	149
Payable to Central Depository Company of Pakistan Limited - Trustee		(16)	(24)
Payable to the Securities and Exchange Commission of Pakistan		(397)	(46)
Payable against purchase of investment		53,999	(6,325)
Accrued expenses and other liabilities		(66)	(275)
		54,265	(6,521)
Dividend received		17,357	21,887
Net cash generated from operating activities		17,272	42,668
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issuance of units net of refund of capital		60,056	30,937
Payment against redemption of units		(152,712)	(91,603)
Dividend paid		(17,521)	-
Net cash used in financing activities		(110,177)	(60,666)
Net decrease in cash and cash equivalents during the year		(92,905)	(17,998)
Cash and cash equivalents at beginning of the year		192,760	210,758
Cash and cash equivalents at end of the year	4	99,855	192,760

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Capital Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB - Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter dated September 30, 2003 consequent to which the Trust Deed was executed on October 27, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 Pakistan Capital Market Fund as a closed-end scheme was authorized by the SECP on November 5, 2003. During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund has been categorised as "Balanced Scheme" and offers units for public subscription on continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.4 The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities, secured debt securities, money market transactions and reverse re-purchase transactions.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated October 09, 2019 to the Management Company.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited 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), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the 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 the 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 certain investments which have been marked to market and carried 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

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

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

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

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

There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are 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 area where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies primarily related to classification, valuation and impairment of financial assets (notes 3.2 and 5), provision for SWWF (note 11.1), provision for Federal Excise Duty (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 Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

3.1 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 and subject to insignificant risk of changes in value.

3.2 Financial assets

3.2.1 Classification and subsequent measurement

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 FVTPL. The Fund is primarily focused on fair value 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 FVTPL.

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

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 FVTPL. Accordingly, the irrevocable option has not been considered.

The dividend income from equity securities classified under FVTPL is recognised in the Income Statement.

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

3.2.2 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

3.2.2.1 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 the 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.

3.2.3 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.

3.2.4 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.

3.2.5 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.

3.2.6 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured at 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

3.3 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortised cost using effective interest method. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement. Financial liabilities include payable to the Management Company and other liabilities.

3.4 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.

3.5 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.

3.6 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.

3.7 Issue and redemption of units

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

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption applications during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.8 Distribution to units holders fund

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.

3.9 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 assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to 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

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income from government securities is recognised on an accrual basis using effective interest rate method.
- Income on debt securities (including Sukuks) is recognised on an accrual basis using the effective interest rate 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 income is recorded on cash basis.

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

- Profit on bank deposits, income on government securities, unlisted debt securities and term deposit receipts is recognised on an accrual basis using effective interest rate method.
- Unrealised appreciation / (diminution) arising on remeasurement of investments classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the Fund's right to receive the same is established.
- Income on deposit with NCCPL against exposure margin is recognised on accrual basis using the effective yield method.

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 an 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 utilized. Deferred tax is calculated at the rates that are expected to apply to the period 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% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders in cash. Provided that, for the purpose of determining distribution of at least 90% 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 Distributions to unitholders

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
		(Rupees in '000)	
4. BALANCES WITH BANKS			
In current accounts		11,530	6,193
In deposit accounts	4.1	88,325	186,567
	4.2	99,855	192,760

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

- 4.1 These accounts carry profit at the rate ranging from 5.50% to 14.45% (2019: 3.75% to 13.00%) per annum.
- 4.2 These include balance of Rs. 9.838 million (2019: Rs. 4.017 million) maintained with MCB Bank Limited (a related party) that carries profit at the rate of 5.50% (2019: 3.75%).

5. INVESTMENTS	Note	June 30, 2020	June 30, 2019
(Rupees in '000)			
Investments at fair value through profit or loss			
Listed equity securities	5.1	288,361	315,145
Government securities	5.2	85,162	-
Unlisted debt security	5.3	584	908
		374,107	316,053

5.1 Listed equity securities

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

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2020	As at June 30, 2020			Market value as a percentage of		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
						Carrying Value	Market value	Unrealised apprecia- tion / (diminution)	Net assets	Total invest- ments	
-----Number of shares-----						-----Rupees in '000-----			-----%-----		
Automobile Assembler											
Atlas Honda Limited	23,160	-	-	23,160	-	-	-	-	-	-	-
Millat Tractors Limited	-	7,200	-	7,200	-	-	-	-	-	-	-
Automobile Parts And Accessories											
Thal Limited	-	36,500	-	3,400	33,100	11,178	10,756	(422)	2.59%	2.88%	0.04%
						11,178	10,756	(422)	0.03%	0.03%	0.04%
Cable & Electrical Goods											
Pak Elektron Limited	90,000	390,000	-	290,000	190,000	4,333	4,357	24	1.05%	1.16%	0.04%
						4,333	4,357	24	1.05%	1.16%	0.04%
Cement											
Cherat Cement Company Limited	-	82,000	-	82,000	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited**	-	138,000	-	138,000	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	770,000	-	240,000	530,000	8,789	8,946	157	2.16%	2.39%	0.04%
Kohat Cement Limited	110,500	-	-	110,500	-	-	-	-	-	-	-
Lucky Cement Limited	-	84,400	-	34,000	50,400	20,131	23,264	3,133	5.61%	6.22%	0.02%
Maple Leaf Cement Factory	-	731,000	-	571,000	160,000	4,150	4,157	7	1.00%	1.11%	0.01%
Pioneer Cement Limited	-	108,000	-	108,000	-	-	-	-	-	-	-
						33,070	36,367	3,297	8.77%	9.72%	0.07%
Chemicals											
Engro Polymer & Chemicals Limited	336,187	220,000	-	278,500	277,687	7,642	6,937	(705)	1.67%	1.85%	0.03%
Lotte Chemical Pakistan Limited	182,500	552,000	-	734,500	-	-	-	-	-	-	-
						7,642	6,937	(705)	1.67%	1.85%	0.03%
Commercial Banks											
Allied Bank Limited	49,000	74,900	-	28,000	95,900	9,560	7,344	(2,216)	1.77%	1.96%	0.01%
Askari Bank Limited	484,500	-	-	484,500	-	-	-	-	-	-	-
Bank Al Falah Limited	807,950	-	-	807,950	-	-	-	-	-	-	-
Bank Al Habib Limited*	151,500	354,219	-	313,500	192,219	12,858	10,053	(2,805)	2.42%	2.69%	0.00%
Bank Of Punjab Limited	-	200,000	-	-	200,000	2,569	1,680	(889)	0.41%	0.45%	0.01%
Faysal Bank Limited* (note 5.1.1)	8,500	-	-	250	8,250	178	115	(63)	0.03%	0.03%	0.00%
Habib Bank Limited	-	237,000	-	80,700	156,300	23,761	15,141	(8,620)	3.65%	4.05%	0.01%
Habib Metropolitan Bank Limited	200,000	249,000	-	-	449,000	16,429	12,487	(3,942)	3.01%	3.34%	0.04%
MCB Bank Limited**	109,600	118,000	-	144,600	83,000	11,663	13,452	1,789	3.24%	3.60%	0.01%
National Bank of Pakistan	15,500	-	-	15,500	-	-	-	-	-	-	-
United Bank Limited	67,000	340,202	-	230,200	177,002	19,974	18,295	(1,679)	4.41%	4.89%	0.01%
						96,992	78,567	(18,425)	18.95%	21.00%	0.09%
Balance carried forward						153,215	136,984	(16,231)			

* Nil figures due to rounding off

** These represents transactions in shares of related parties

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

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2020	As at June 30, 2020			Market value as a percentage of		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
						Carrying Value	Market value	Unrealised appreciation / (diminution)	Net assets	Total investments	
-----Number of shares-----						-----Rupees in '000'-----			-----%		
Balance brought forward						153,215	136,984	(16,231)			
Engineering											
International Industries Limited	900	-	-	900	-	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited	-	111,000	-	111,000	-	-	-	-	-	-	-
Fertilizer											
Engro Fertilizer Limited	279,000	210,000	-	489,000	-	-	-	-	-	-	-
Engro Corporation Limited	-	77,000	-	77,000	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited**	216,000	-	-	216,000	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited (FFBL)	-	260,000	-	-	260,000	5,205	4,150	(1,055)	1.00%	1.11%	0.03%
Fauji Fertilizer Company Limited	262,000	209,200	-	328,500	142,700	15,050	15,696	646	3.79%	4.20%	0.01%
						20,255	19,846	(409)	4.79%	5.30%	0.04%
Food & Personal Care Products											
Al-Shaheer Corporation* (note 5.1.1)	805	-	-	-	805	10	9	(1)	0.00%	0.00%	0.00%
National Foods Limited*	13,200	-	2,640	13,200	2,640	405	661	256	0.16%	0.18%	0.00%
At-Tahur Limited	-	270,000	-	-	270,000	3,942	4,652	710	1.12%	1.24%	0.17%
Shezan International Limited	2,860	-	-	-	2,860	1,208	640	(568)	0.15%	0.17%	0.03%
						5,565	5,962	397	1.44%	1.59%	0.21%
Glass & Ceramics											
Tariq Glass Industries Limited	26,000	-	-	26,000	-	-	-	-	-	-	-
Insurance											
Adamjee Insurance Company Limited**	-	250,000	-	-	250,000	9,488	8,278	(1,210)	2.00%	2.21%	0.07%
						9,488	8,278	(1,210)	2.00%	2.21%	0.07%
Leather & Tanneries											
Bata (Pakistan) Limited	3,750	-	-	3,750	-	-	-	-	-	-	-
Service Industries Limited	9,750	3,450	2,437	9,850	5,787	3,474	4,721	1,247	1.14%	1.26%	0.04%
						3,474	4,721	1,247	1.14%	1.26%	0.04%
Oil & Gas Exploration Company											
Mari Petroleum Limited*	-	11,460	526	9,920	2,066	2,191	2,555	364	0.62%	0.68%	0.00%
Oil & Gas Development Company Limited****	242,500	166,000	-	140,000	268,500	31,041	29,267	(1,774)	7.06%	7.82%	0.01%
Pakistan Oilfields Limited	21,660	107,500	-	98,660	30,500	10,188	10,694	506	2.58%	2.86%	0.01%
Pakistan Petroleum Limited	175,879	245,000	35,175	290,000	166,054	20,274	14,410	(5,864)	3.48%	3.85%	0.01%
						63,694	56,926	(6,768)	13.73%	15.22%	0.03%
Oil & Gas Marketing Companies											
Hi-tech Lubricants Limited	-	171,500	-	171,500	-	-	-	-	-	-	-
Attock Petroleum Limited	-	15,500	-	15,500	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	23,500	-	-	23,500	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	68,000	127,000	-	45,000	150,000	10,852	8,190	(2,662)	1.98%	2.19%	0.02%
						10,852	8,190	(2,662)	1.98%	2.19%	0.02%
Pharmaceuticals											
ABBOT Laboratories	-	25,500	-	-	25,500	10,077	16,907	6,830	4.08%	4.52%	0.03%
AGP Limited	15	-	-	15	-	-	-	-	-	-	-
Ferozsons Laboratories Limited	-	19,500	-	19,500	-	-	-	-	-	-	-
Highnoon Laboratories Pakistan Limited	-	8,500	-	-	8,500	4,323	4,261	(62)	1.03%	1.14%	0.02%
The Searle Company Limited (note 5.1.1)	596	-	-	385	211	31	42	11	0.01%	0.01%	0.01%
						14,431	21,210	6,779	5.12%	5.67%	0.06%
Power Generation And Distribution											
Hub Power Company Limited****	285,851	360,500	-	415,851	230,500	22,322	16,710	(5,612)	4.03%	4.47%	0.02%
Kot Addu Power Co. Limited	-	80,000	-	-	80,000	2,360	1,611	(749)	0.39%	0.43%	0.01%
K-Electric Limited***	-	1,100,000	-	-	1,100,000	5,156	3,310	(1,846)	0.80%	0.88%	0.01%
						29,838	21,631	(8,207)	5.22%	5.78%	0.04%
Balance carried forward						310,812	283,748	(27,064)			

* Nil figures due to rounding off

** These represents transactions in shares of related parties

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

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

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2020	As at June 30, 2020			Market value as a percentage of		Paid-up value of shares held as a percentage of total paid-up capital of the investee company	
						Carrying Value	Market value	Unrealised appreciation / (diminution)	Net assets	Total investments		
						-----Rupees in '000'-----			----- % -----			
Balance brought forward						310,812	283,748	(27,064)				
Real Estate Investment & Distribution												
Dolmen City REIT	249,500	174,000	-	-	423,500	4,639	4,612	(27)	1.11%	1.23%	0.02%	
						4,639	4,612	(27)	1.11%	1.23%	0.02%	
Technology & Communication												
Hum Network Limited	700,000	-	-	700,000	-	-	-	-	-	-	-	
Textile Composite												
Gul Ahmed Textile Mills Limited	320,500	82,000	65,500	468,000	-	-	-	-	-	-	-	
Interloop Limited	134,005	-	-	134,005	-	-	-	-	-	-	-	
Kohinoor Textile Mills Limited*	153,700	-	-	153,659	41	1	1	-	0.00%	0.00%	0.00%	
Nishat Mills Limited**	600	-	-	600	-	-	-	-	-	-	-	
						1	1	-	0.00%	0.00%	0.00%	
Total at June 30, 2020						315,452	288,361	(27,091)				
Total at June 30, 2019						375,145	315,145	(60,000)				

* Nil figures due to rounding off

** These represents transactions in shares of related parties

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

**** 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) -----	
Oil & Gas Development Company Limited	100,000	400,000	10,900	17,416
HUB Power Company Limited	50,000	105,000	3,625	13,789
	150,000	505,000	14,525	31,205

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

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

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

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

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

As at June 30, 2020, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 0.165 million (2019: Rs. 0.218 million).

	Note	June 30, 2020	June 30, 2019
----- (Rupees in '000) -----			
5.2 Government securities			
Market Treasury Bills	5.2.1	49,864	-
Pakistan Investment Bonds	5.2.2	35,298	-
Sukuk Certificate	5.2.3	-	-
		85,162	-

5.2.1 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	Net assets

----- (Rupees in '000) ----- % -----										
Market Treasury Bills										
- 3 months		July 18, 2019	-	550,000	550,000	-	-	-	-	-
- 3 months		August 16, 2019	-	160,000	160,000	-	-	-	-	-
- 3 months		August 29, 2019	-	100,000	100,000	-	-	-	-	-
- 3 months		October 10, 2019	-	170,000	170,000	-	-	-	-	-
- 3 months		October 24, 2019	-	565,000	565,000	-	-	-	-	-
- 3 months		November 7, 2019	-	730,000	730,000	-	-	-	-	-
- 3 months		December 19, 2019	-	100,000	100,000	-	-	-	-	-
- 3 months		January 2, 2020	-	50,000	50,000	-	-	-	-	-
- 3 months		January 30, 2020	-	500,000	500,000	-	-	-	-	-
- 3 months		February 27, 2020	-	300,000	300,000	-	-	-	-	-
- 3 months		March 12, 2020	-	375,000	375,000	-	-	-	-	-
- 3 months		April 9, 2020	-	50,000	50,000	-	-	-	-	-
- 3 months	5.2.1.1	April 23, 2020	-	550,000	500,000	50,000	49,849	49,864	15	12.03% 13.33%

Market Treasury Bills

- 6 months		July 18, 2019	-	65,000	65,000	-	-	-	-	-
- 6 months		September 12, 2019	-	235,000	235,000	-	-	-	-	-
- 6 months		October 10, 2019	-	500,000	500,000	-	-	-	-	-
- 6 months		October 24, 2019	-	525,000	525,000	-	-	-	-	-
- 6 months		November 7, 2019	-	575,000	575,000	-	-	-	-	-
- 6 months		December 5, 2019	-	125,000	125,000	-	-	-	-	-
- 6 months		January 2, 2020	-	150,000	150,000	-	-	-	-	-
- 6 months		March 12, 2020	-	250,000	250,000	-	-	-	-	-
- 6 months		April 9, 2020	-	100,000	100,000	-	-	-	-	-
- 6 months		April 23, 2020	-	375,000	375,000	-	-	-	-	-
- 6 months		May 7, 2020	-	1,250,000	1,250,000	-	-	-	-	-
- 6 months		May 21, 2020	-	150,000	150,000	-	-	-	-	-
- 6 months		June 4, 2020	-	100,000	100,000	-	-	-	-	-

Market Treasury Bills

- 12 months		September 26, 2019	-	500,000	500,000	-	-	-	-	-
- 12 months		October 10, 2019	-	500,000	500,000	-	-	-	-	-
- 12 months		October 24, 2019	-	650,000	650,000	-	-	-	-	-
- 12 months		November 7, 2019	-	550,000	550,000	-	-	-	-	-
- 12 months		December 19, 2019	-	250,000	250,000	-	-	-	-	-
- 12 months		January 2, 2020	-	250,000	250,000	-	-	-	-	-
- 12 months		January 30, 2020	-	125,000	125,000	-	-	-	-	-
- 12 months		March 12, 2020	-	250,000	250,000	-	-	-	-	-
- 12 months		April 9, 2020	-	100,000	100,000	-	-	-	-	-
- 12 months		April 23, 2020	-	375,000	375,000	-	-	-	-	-

Total as at June 30, 2020

49,849 49,864 15

Total as at June 30, 2019

- - -

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

5.2.1.1 This will mature on July 16, 2020 (2019: Nil) and carries effective yield at the rate of 7.92% (2019 : Nil) per annum.

5.2.2 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 loss	Net assets	Total investments
----- (Rupees in '000) ----- % -----											
Pakistan Investment Bonds											
- 03 years		July 12, 2018	-	250,000	250,000	-	-	-	-	-	-
- 03 years		September 19, 2019	-	800,000	800,000	-	-	-	-	-	-
Pakistan Investment Bonds											
- 05 years		July 12, 2018	-	275,000	275,000	-	-	-	-	-	-
- 05 years		September 19, 2019	-	775,000	775,000	-	-	-	-	-	-
Pakistan Investment Bonds											
- 10 years		July 12, 2018	-	37,500	37,500	-	-	-	-	-	-
- 10 years	5.2.2.1	August 22, 2019	-	35,000	-	35,000	35,698	35,298	(400)	8.51%	9.44%
Total as at June 30, 2020							<u>35,698</u>	<u>35,298</u>	<u>(400)</u>		
Total as at June 30, 2019							<u>-</u>	<u>-</u>	<u>-</u>		

5.2.2.1 This will mature on August 22, 2029 (2019: Nil) and carries effective yield at the rate of 13.63% (2019: Nil) per annum.

5.2.3 Sukuk Certificate

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) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----									
GOP Ijara - Sukuk - 5 years (April-30, 2020 - April-30, 2025)	-	100,000	100,000	-	-	-	-	-	-
Total as at June 30, 2020					<u>-</u>	<u>-</u>	<u>-</u>		
Total as at June 30, 2019					<u>-</u>	<u>-</u>	<u>-</u>		

5.3 Unlisted debt security

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates					As at June 30, 2020			Market value as a percentage of	
	As at July 1, 2019	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2020	Carrying value	Market Value	Appreciation / (diminution)	Net assets	Total investment
----- (Rupees in '000) -----										
Byco Petroleum Pakistan Limited - Sukuk (January 18, 2017)	10	-	-	-	10	577	584	7	0.14%	0.16%
Total as at June 30, 2020						<u>577</u>	<u>584</u>	<u>7</u>		
Total as at June 30, 2019						<u>915</u>	<u>908</u>	<u>(7)</u>		

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

5.4 Significant terms and conditions of sukuk certificates 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
Byco Petroleum Pakistan Limited - Sukuk	10	100,000	91,667	3M KIBOR+1.05%	January 18, 2022	Unsecured	AAA

5.5 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	Note	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019
Market value of investments	5.1, 5.2 & 5.3	374,108	316,053
Carrying value of investments	5.1, 5.2 & 5.3	401,577	376,060
		<u>(27,469)</u>	<u>(60,007)</u>

6. DIVIDEND AND PROFIT RECEIVABLES

Profit on:

- Pakistan investment bonds	1,756	-
- Term finance certificates	12	23
- Deposit accounts	309	785
Dividends receivable	-	349
	<u>2,077</u>	<u>1,157</u>

7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advance tax	7.1	466	466
Security deposits:			
- National Clearing Company of Pakistan Limited		4,293	4,293
- Central Depository Company of Pakistan Limited		300	300
Other receivables		14	27
		<u>5,073</u>	<u>5,086</u>

7.1 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 sale of shares, profit on bank balances and dividends 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 12 May 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 withholder. The tax withheld on profit against sale of shares, profit on bank balances and dividends amounts Rs 0.466 million (2019: Rs 0.466 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on profit against sale of shares, profit on bank balances and dividends 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 THE MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY	Note	June 30, 2020	June 30, 2019
			----- (Rupees in '000) -----	
	Management fee payable	8.1	700	844
	Sindh sales tax on management fee	8.2	91	110
	Allocated expenses payable	8.3	35	42
	Selling and marketing expenses payable	8.4	1,439	523
	Sale load payable		1	2
			2,266	1,521

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets of the Fund as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, The Management Company has charged its remuneration at the rate of 2% per annum (2019: 2% annum) of the average annual net assets of the Fund during the year ended June 30, 2020. The remuneration is payable to the Management Company on monthly in arrears.

8.2 During the year, an amount of Rs 1.214 million (2019: Rs 1.500 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 1.233 million (2019: Rs. 1.526 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, which has 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 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 Board of Directors of the Management Company.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	June 30, 2020	June 30, 2019
			----- (Rupees in '000) -----	
	Trustee fee payable	9.1	70	84
	Sindh sales tax on trustee fee	9.2	9	11
			79	95

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

Average net asset value
- up to Rs. 1,000 million
- over Rs. 1,000 million

Tariff per annum
Rs. 0.7 million or 0.20% p.a. of net assets, whichever is higher
Rs. 2 million plus 0.10% p.a. of net assets exceeding Rs. 1,000 million

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 0.121 million (2019: Rs 0.150 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 0.123 million (2019: Rs 0.153 million) was paid to the Trustee which acts as a collecting agent.

	Note	June 30, 2020	June 30, 2019
----- (Rupees in '000) -----			
10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	10.1	93	490

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 year. Previously, the rate of annual fee applicable to balanced scheme was 0.085%.

	Note	June 30, 2020	June 30, 2019
----- (Rupees in '000) -----			
11. ACCRUED AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	11.1	4,331	3,900
Provision for Federal Excise Duty	11.2		
- On management fee		5,872	5,872
- Sales load		393	393
Legal and professional charges payable		12	67
Withholding tax payable		1	-
Dividend payable		2,784	2,784
Auditors' remuneration payable		405	368
Brokerage payable		280	328
Other payable		40	41
		14,118	13,753

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 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, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.11 (2019: Re 0.08) 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 with effect from July 1, 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 6.265 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 assets value of the Fund as at June 30, 2020 would have been higher by Re 0.15 (2019: Re 0.13) per unit.

12. CONTINGENCIES AND COMMITMENTS

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

13. AUDITORS' REMUNERATION

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
Annual audit fee	291	291
Half yearly review fee	145	145
Other certification and services	50	-
Out of pocket expenses	120	128
	606	564

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. TOTAL EXPENSE RATIO

The Total Expense Ratio of the Fund as at June 30, 2020 is 4.61%, which includes 0.41% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4.5% of average net assets as prescribed under the NBFC Regulations for a collective investment scheme categorised as an balanced fund.

16. 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 payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations and constitutive documents of the Fund respectively.

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

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	For the year ended	
	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
16.1 Details of transaction with connected persons are as follows:		
MCB - Arif Habib Savings and Investments Limited - Management Company		
Remuneration including indirect taxes	10,552	13,038
Allocated Expenses	467	577
Selling and marketing expenses	5,382	2,308
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes	1,055	1,304
CDS charges	58	40
Arif Habib Limited		
Brokerage *	92	92
Next Capital Limited		
Brokerage *	23	14
Silk Bank Limited**		
Sale of securities having Nil value (2019: Rs.225 million)	-	219,732
MCB Bank Limited		
Bank charges	17	3
Dividend income	836	2,018
Mark-up income	97	63
Sale of securities face value of Rs. Nil (2019: Rs.200 million)	-	198,468
Purchase of 118,000 (2019: Nil) shares	16,359	-
Sale of 144,600 shares (2019: 33,000) shares	24,738	6,874
Nishat Mills Limited		
Dividend income	-	3
Sale of 600 shares (2019: 140,000) shares	45	18,458
Nishat (Chunian) Mills Limited		
Dividend income	-	150
Purchase of Nil (2019: 100,000) shares	-	5,762
D.G. Khan Cement Limited		
Purchase of 138,000 (2019: Nil) shares	9,758	-
Sale of 138,000 (2019: Nil) shares	8,570	-
Dolmen City REIT**		
Dividend income	-	322
Fatima Fertilizer Company Limited		
Sale of 216,000 (2019: Nil) shares	5,771	-
Adamjee Insurance Company Limited		
Purchase of shares 250,000 (2019: Nil) shares	9,488	-
Mughal Iron and Steel Industries Limited**		
Dividend income	-	-
Purchase of Nil (2019: 70,000) shares	-	2,625
Sale of Nil (2019: 156,000) shares	-	7,478

* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them 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

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
16.2 Amount outstanding at the year end		
MCB - Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	700	844
Sindh sales tax payable on management fee	91	110
Allocated expense payable	35	42
Selling and marketing expenses payable	1,439	523
Sales load payable	1	2
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	300	300
Trustee fee payable	70	84
Sindh sales tax payable on trustee fee	9	11
MCB Bank Limited		
Balance with Bank	9,838	4,017
Profit receivable on bank deposit	35	35
83,000 shares (2019: 109,600 shares) held	13,452	19,119
Arif Habib Limited		
Brokerage payable	44	9
Next Capital (Private) Limited		
Brokerage payable	23	48
Adamjee Insurance Company Limited		
Purchase of shares 250,000 (2019: Nil) shares	8,278	-
Fatima Fertilizer Company Limited		
Nil (2019: 216,000) shares held	-	6,448
Dolmen City REIT**		
Nil (2019: 249,500) shares held	-	2,537
Nishat Mills Limited		
Nil (June 30, 2019: 600) shares held	-	56

** No longer related party

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

June 30, 2020							
As at July 01, 2019	Issued for cash / conversion in / transferred in	Redeemed/ conversion out / transfer out	As at June 30, 2020	As at July 01, 2019	Issued for cash / conversion in / transferred in	Redeemed/ conversion out / transfer out	Amount outstanding as at June 30, 2020
(Units)				(Rupees in '000)			

Associated Companies:

Asghari Beg Memorial Trust	26,988	-	26,987	-	273	-	279	-
Key management personnel*	85	3	-	88	1	32	-	1
Mandate Under Discretionary Portfolio	-	33,548	33,548	-	-	331	327	-

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

June 30, 2019							
As at July 01, 2018	Issued for cash / conversion in / transferred in	Redeemed/ conversion out / transfer out	As at June 30, 2019	As at July 01, 2018	Issued for cash / conversion in / transferred in	Redeemed/ conversion out / transfer out	Amount outstanding as at June 30, 2019
(Units)				(Rupees in '000)			

Associated Companies:

Asghari Beg Memorial Trust	31,961	27	5,000	26,988	357	1	56	273
Key management personnel	94	38	47	85	1	0	1	1
Mandate Under Discretionary Portfolio	-	-	-	-	-	-	-	-

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

17. FINANCIAL INSTRUMENTS BY CATEGORY

June 30, 2020		
At amortised cost	Assets at fair value through profit or loss	Total

(Rupees in '000)

Financial Assets

Balances with banks	99,855	-	99,855
Investments	-	374,107	374,107
Dividend and profit receivables	2,077	-	2,077
Security deposits and other receivable	4,607	-	4,607
Receivable against sale of investments	4,238	-	4,238
	<u>110,777</u>	<u>374,107</u>	<u>484,884</u>

June 30, 2020		
Assets at fair value through profit or loss	At amortised cost	Total

(Rupees in '000)

Financial Liabilities

Payable to the MCB-Arif Habib Savings & Investments Limited - Management Company	-	2,266	2,266
Payable to Central Depository Company of Pakistan Limited- Trustee	-	79	79
Payable against purchase of investment	-	53,999	53,999
Payable against redemption of units	-	216	216
Accrued and other liabilities	-	3,521	3,521
	<u>-</u>	<u>60,081</u>	<u>60,081</u>

June 30, 2019		
At amortised cost	Assets at fair value through profit or loss	Total

(Rupees in '000)

Financial Assets

Balances with banks	192,760	-	192,760
Investments	-	316,053	316,053
Dividend and profit receivables	1,157	-	1,157
Security deposits and other receivable	4,620	-	4,620
Receivable against sale of investments	4,655	-	4,655
	<u>203,192</u>	<u>316,053</u>	<u>519,245</u>

June 30, 2019		
Assets at fair value through profit or loss	At amortised cost	Total

(Rupees in '000)

Financial Liabilities

Payable to the MCB-Arif Habib Savings & Investments Limited - Management Company	-	1,521	1,521
Payable to Central Depository Company of Pakistan Limited- Trustee	-	95	95
Payable against redemption of units	-	216	216
Accrued and other liabilities	-	3,588	3,588
	<u>-</u>	<u>5,420</u>	<u>5,420</u>

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

18. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and 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.

18.1 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 .

18.1.1 Currency risk

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

18.1.2 Yield / Interest rate risk

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

a) Sensitivity analysis of 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 profit / (loss) for the year would have been higher / lower by Rs.0.006 million (2019: Rs.0.009 million).

The fund holds Sukuk certificates classified as 'fair value through profit or loss' exposing the Fund to interest rate fair value risk. In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2020, the net assets of the Fund and net profit / (loss) would have been higher/lower by Rs. 0.029 million (2019: Rs.0.045) million, as a result of reduction / increase in unrealised gains / (losses).

The Fund also holds KIBOR based bank deposits exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets of the Fund and net profit/(loss) for the year would be higher / lower by Rs 4.417 million (2019: Rs 9.328 million).

b) Sensitivity analysis of 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. 851.620 million (2019: Nil).

The composition of the fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association of Pakistan 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.

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

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
	Up to three months	More than three months and up to one year	More than one year		

----- Rupees in '000 -----

On-balance sheet financial instruments

Financial Assets

Balances with banks	5.50% to 14.45%	88,325	-	-	11,530	99,855
Investments						
at fair value through profit or loss						
- Listed equity securities		-	-	-	288,361	288,361
- Market Treasury Bills	7.92%	49,864	-	-	-	49,864
- Pakistan Investment Bonds	13.63%	-	-	35,298	-	35,298
- Unlisted debt security	9.89%	-	584	-	-	584
Dividend and profit receivables		-	-	-	2,077	2,077
Security deposits and other receivable		-	-	-	4,607	4,607
Receivable against sale of investments		-	-	-	4,238	4,238
		138,189	584	35,298	310,813	484,884

Financial Liabilities

Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	2,266	2,266
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	79	79
Payable against purchase of investment		-	-	-	53,999	53,999
Payable against redemption of units		-	-	-	216	216
Accrued and other liabilities		-	-	-	3,521	3,521
		-	-	-	60,081	60,081
		138,189	584	35,298	250,732	424,803

On-balance sheet gap (a)

Off-balance sheet financial instruments

Off-balance sheet gap (b)

Total profit rate sensitivity gap (a+b)

Cumulative profit rate sensitivity gap

138,189	584	35,298	250,732	424,803
-	-	-	-	-
-	-	-	-	-
138,189	584	35,298		
138,189	138,773	174,071		

June 30 2019					
Yield / effective interest rate (%)	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rupees in '000 -----

On-balance sheet financial instruments

Financial Assets

Balances with banks	3.75% to 13.00%	186,567	-	-	6,193	192,760
Investments						
at fair value through profit or loss						
- Listed equity securities		-	-	-	315,145	315,145
- Unlisted debt security	12.15%	-	908	-	-	908
Dividend and profit receivables		-	-	-	1,157	1,157
Security deposits and other receivable		-	-	-	4,620	4,620
Receivable against sale of investments		-	-	-	4,655	4,655
		186,567	908	-	331,770	519,245

Financial Liabilities

Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	1,521	1,521
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	95	95
Payable against redemption of units		-	-	-	216	216
Accrued and other liabilities		-	-	-	3,588	3,588
		-	-	-	5,420	5,420
		186,567	908	-	326,350	513,825

On-balance sheet gap (a)

Off-balance sheet financial instruments

Off-balance sheet gap (b)

Total profit rate sensitivity gap (a+b)

Cumulative profit rate sensitivity gap

186,567	908	-	326,350	513,825
-	-	-	-	-
-	-	-	-	-
186,567	908	-		
186,567	187,475	187,475		

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

18.1.3 Price risk

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

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	14,418	15,757
Income statement	14,418	15,757

18.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

	June 30, 2020		June 30, 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	99,855	99,855	192,760	192,760
Listed equity securities	288,361	-	315,145	-
Government securities	85,162	-	-	-
Unlisted debt security	584	584	908	908
Dividend and profit receivable	2,077	321	1,157	1,157
Security deposits and other receivable	4,607	4,607	4,620	4,620
Receivable against sale of investments	4,238	4,238	4,655	4,655
	484,884	109,605	519,245	204,100

Difference in the balance as per statement of asset and liabilities and maximum exposure is due to the fact that investments in equity securities and government securities of Rs. 373.523 million (2019: Rs. 315.145 million) and profit receivable from government securities of Rs. 1.756 million (2019: Nil) is not exposed to credit risk.

The analysis below summarizes the credit rating quality of the Fund's financial assets as at June 30, 2020 and June 30, 2019:

	2020	2019
	%	
Bank balances by rating category		
AAA	68.83	96.65
AA+	31.15	3.15
AA-	0.02	0.20
	100	100

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

	2020	2019
	----- % -----	
Investments by rating category		
Government Securities	0.99	-
AAA	0.01	100.00

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

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets except for government securities and shares held. None of these assets are impaired nor past due.

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.

18.3 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.

The Fund is exposed to daily settlement of equity securities and daily redemptions 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. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per the NBFC Regulations, 2008, 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 balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. The maturity profile of the Fund's liabilities based on contractual maturities is given below:

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 and Investments Limited - Management Company	2,266	-	-	-	-	-	2,266
Payable to Central Depository Company of Pakistan Limited - Trustee	79	-	-	-	-	-	79
Payable against purchase of investment	53,999	-	-	-	-	-	53,999
Payable against redemption of units	216	-	-	-	-	-	216
Accrued and other liabilities	3,521	-	-	-	-	-	3,521
	60,081	-	-	-	-	-	60,081

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 and Investments Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Accrued and other liabilities

1,521	-	-	-	-	-	1,521
95	-	-	-	-	-	95
216	-	-	-	-	-	216
3,588	-	-	-	-	-	3,588
5,420	-	-	-	-	-	5,420

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 assets or liability that are not based on observable market data (i.e. unobservable inputs).

June 30, 2020			
Level 1	Level 2	Level 3	Total

Rupees

Financial assets at fair value through profit or loss

Listed equity securities	288,361	-	-	288,361
Government securities	-	85,162	-	85,162
Unlisted debt securities	-	584	-	584
	<u>288,361</u>	<u>85,746</u>	<u>-</u>	<u>374,107</u>

June 30, 2019			
Level 1	Level 2	Level 3	Total

Rupees

Financial assets at fair value through profit or loss

Listed equity securities	315,145	-	-	315,145
Government securities	-	-	-	-
Unlisted debt securities	-	908	-	908
	<u>315,145</u>	<u>908</u>	<u>-</u>	<u>316,053</u>

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

20. 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 requirements 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 18, 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.

21. 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	Mr. Muhammad Aitazaz Farooqui	Senior Analyst	MBA & CFA	7
6	Mr. Syed Abid Ali	Head of Equities	MBA	12

21.1 Syed Abid Ali is the Fund Manager. Details of the other funds being managed by him are as follows:

- MCB Pakistan Asset Allocation Fund
- MCB Pakistan Stock Market Fund
- Pakistan Pension Fund
- Alhamra Islamic Active Allocation Plan-I & Plan-II

22. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID *

		2020 (Percentage) %
1	Foundation Securities Limited	10.27%
2	Ismail Iqbal Securities (Private) Limited	8.01%
3	Top Line Securities (Private) Limited	6.47%
4	Js Global Capital Limited	6.42%
5	Khadim Ali Shah Bukhari Securities	6.29%
6	Efg Hermes Pakistan Limited	5.31%
7	Arif Habib Limited	4.91%
8	BMA Capital Management Limited	4.46%
9	Djm Securities (Private) Limited	4.24%
10	Taurus Securities Limited	4.13%
		2019 (Percentage) %
1	Invest One Markets (Private) Limited	31.39%
2	Continental Exchange (Private) Limited	18.50%
3	Vector Capital Private Limited	11.91%
4	BMA Capital Management Limited	9.80%
5	C & M Management (Private) Limited	7.94%
6	Pearl Securities Limited	7.72%
7	Magenta Capital Limited	7.28%
8	BIPL Securities Limited	5.46%

* The Fund has only used eight brokers during the year ended June 30, 2019

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

23. PATTERN OF UNITHOLDING

As at June 30, 2020				
Number of unitholders	Number of Units held	Investment amount (Rupees in '000)	Percentage Investment %	
Individuals	2,423	38,809,848	393,751	95%
Insurance company	1	119,631	1,214	-
NBFCs	1	17,020	173	-
Others	65	1,916,218	19,441	5%
	<u>2,490</u>	<u>40,862,716</u>	<u>414,579</u>	<u>100%</u>

As at June 30, 2019				
Number of unitholders	Number of Units held	Investment amount (Rupees in '000)	Percentage Investment %	
Individuals	2,561	46,118,246	466,177	93%
Associated company	1	26,988	273	-
Insurance companies	1	115,239	1,165	-
NBFCs	1	16,502	167	-
Others	39	3,547,066	35,854	7%
	<u>2,603</u>	<u>49,824,042</u>	<u>503,636</u>	<u>100%</u>

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	
Mr. 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 Mr Mian Muhammad Mansha and Mr. Samad A. Habib were re-elected.

****Appointed on September 04, 2019

25. DATE OF AUTHORIZATION OF ISSUE

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

26. GENERAL

26.1 Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

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.

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

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.

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
291	001-10,000	107,850
1556	10,001 – 100,000	5,015,026
571	100,001 – 1000,000	15,616,880
72	1000,001+	20,122,960
2490		40,862,716

**PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2020**

Performance Information	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	414.5787	503.636	619	675
Net Assets value per unit – Rupees	10.15	10.11	11.16	11.53
Closing Offer Price	10.38	10.34	11.41	11.79
Closing Repurchase Price	10.15	10.11	11.16	11.53
Highest offer price per unit	12.22	11.82	12.36	14.70
Lowest offer price per unit	9.27	10.05	10.66	10.99
Highest Redemption price per unit	11.95	11.71	12.09	14.38
Lowest Redemption price per unit	9.07	9.96	10.42	10.74
Distribution per unit – Rs. *	0.4533	0	0	1.85
Average Annual Return - %				
One year	4.86	(9.41)	(3.21)	25.36
Two year	(2.28)	(6.31)	11.08	15.27
Three year	(2.59)	4.25	9.11	20.55
Net Income for the year – Rs. in million	21.1207	(54.28)	(25.12)	145.507
Distribution made during the year – Rs. in million	17.9137	-	-	92.819
Accumulated Capital Growth – Rs. in million	3.21	(54.28)	(25.12)	52.688

*** Date of Distribution**

2020	
Date	Rate
June 29, 2020	0.4533

2019	
Date	Rate
Nil	

2018	
Date	Rate
Nil	

2017	
Date	Rate
June 21, 2017	1.85

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.

**PROXY ISSUED BY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

The Board of Directors of MCB - Arif Habib Savings and Investments Limited (the Management Company of the fund) has the overall responsibility for the implementation of Proxy Voting Policy and Procedures, which is available on Management Company's website (www.mcbah.com). Based on the threshold defined by the investment committee of the Management Company, the Management Company, on behalf of the Company, decided to attend and vote in the Annual General Meetings / Extra Ordinary General Meetings of certain companies and details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	15	15	0	0	-
(%ages)	100	100	0	0	-

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

MCB-Arif Habib Savings and Investments Limited

Head Office: 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH)
URL: www.mcbah.com, Email: info@mcbah.com
