



MCB-ARIF HABIB  
Savings and Investments Limited

# ANNUAL REPORT 2020

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



# **PAKISTAN INCOME FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	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
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Altaf Ahmad Faisal	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> 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	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Silk Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Silk Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
<b>Auditors</b>	<b>Deloitte Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block-7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-753550.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
<b>Rating</b>	AM2++Asset Manager Rating assigned by PACRA	

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

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Dear Investor,

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

## **ECONOMY AND MONEY MARKET OVERVIEW**

FY20 was a tale of two halves as macroeconomic consolidation process which was on track during the first half was seriously disrupted by the Covid-19 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.

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

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

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

### FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 13.96% as against its benchmark return of 13.04%. At period end, the fund was 34.4% invested in TFCs and 46.1% in Cash. WAM of the fund stood at 1.6 years.

The Net Assets of the Fund as at June 30, 2020 stood at Rs. 2,076 million as compared to Rs. 1,392 million as at June 30, 2019 registering an increase of 49.1%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 54.2070 as compared to opening NAV of Rs. 53.8234 per unit as at June 30, 2019 registering an increase of Rs. 0.3836 per unit.

### FUTURE OUTLOOK

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

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

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

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

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**

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Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan , provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2020, the Company is in compliance with the requirements of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2020:

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

### 1. Meeting of the Audit Committee.

During the year, eight (8) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid (Former Chairman)*	8	5	4	1
2. Mirza Qamar Beg (Chairman)	8	8	8	0
3. Mr. Nasim Beg	8	8	8	0
4. Mr. Ahmed Jahangir	8	8	7	1
5. Mr. Kashif A. Habib	8	3	3	0
6. Syed Savail Meekal Hussain	8	3	3	0

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

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

### 2. Meeting of the Human Resource and Remuneration Committee.

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

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

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

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

- m. 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.

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

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### External Auditors

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



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**Muhammad Saqib Saleem**  
Chief Executive Officer  
August 22, 2020



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**Nasim Beg**  
Director / Vice Chairman

## ڈائریکٹرز رپورٹ

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

\* جناب ہارون رشید 07 فروری 2020ء سے کمیٹی کے چیئرمین اراکن 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 فنانس آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے یونٹس کی کوئی خرید و فروخت نہیں کی۔

### خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے 30 جون 2021ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 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 ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ  
ڈائریکٹر / اوکس چیئرمین



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
22 اگست 2020ء

## ڈائریکٹرز رپورٹ

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 شہات نہیں ہیں۔

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

h. واجب الاداء ٹیکسز، ڈیویڈنڈس، حصص اور چارجز کو (اگر کوئی ہیں 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 میجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

j. 30 جون 2020ء کو کمپنی کوڈ آف کارپوریٹ گورننس کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کی شرائط پر تعمیل پیرا ہے۔

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

l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2020ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

۱۔ آڈٹ کمیٹی کی میٹنگ

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

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

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

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

## ڈائریکٹرز رپورٹ

فیصد کم ہے۔ اسی طرح رسک پر بیہیم 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 و 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:

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

\* ایچ آر اینڈ آر : جیو من ریسورس اینڈ رمیو نیشن

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:

- 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۔
- فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔

حکومت اور مختلف اداروں کے مطابق مالی سال 2020-21ء کے لیے مجموعی ملکی پیداوار (جی ڈی پی) میں متوقع ترقی 2.0 فیصد ہے۔ پاکستان و بآہ پہلی لہر سے نمٹنے میں کامیاب ہوا ہے اور متاثرہ افراد کی یومیہ تعداد (ایک ہزار) ماہ جون کے اوائل میں بلند ترین یومیہ تعداد (چھ ہزار) کا چھٹا حصہ رہ گئی ہے۔ اگرچہ اکثر شعبے کھول دیئے گئے ہیں لیکن کچھ تاحال بالکل بند ہیں اور کچھ استعداد سے کم کام کر رہے ہیں۔ کووڈ کی دوسری لہر کا سدباب 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 محرز کا نہ اقدامات کے ساتھ جی ڈی پی میں ترقی کا سالانہ ہدف حاصل کر سکے گی۔ مرکزی بینک کا اعلان کردہ مالیاتی محرک گزشتہ صنعتوں میں ترقی بحال کرنے کی راہ ہموار کرے گا۔ علاوہ ازیں، حکومت کے تعمیرات سے متعلق پیکیج سے مانگ پر مبنی ترقی کو مطلوبہ محرک حاصل ہوگا۔

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

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

مالیاتی محکمہ حکومت کے لیے دکھتی 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 آرہی 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 مضمر ہیں۔ مارکیٹ کیپیٹلائزیشن کا جی ڈی پی کے ساتھ تناسب 17.5 فیصد ہے، جو اب بھی اپنے پرانے اوسط سے 33

## ڈائریکٹرز رپورٹ

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

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

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

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 13.96 فیصد منافع دیا جبکہ بیچ مارک منافع 13.04 فیصد تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری 34.4 فیصد ٹرم فائنانس سرٹیفکیٹس (ٹی ایف سی) میں اور 46.1 فیصد نقد میں تھی۔ فنڈ کی ویڈیو ریتج میچورٹی (WAM) 1.6 سال کی سطح پر تھی۔

30 جون 2020ء کو فنڈ کے net اثاثہ جات 2,076 ملین روپے تھے جو 30 جون 2019ء کو 1,392 ملین روپے کے مقابلے میں 49.1 فیصد اضافہ ہے۔ 30 جون 2020ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 54.2070 روپے تھی جو 30 جون 2019ء کو ابتدائی این اے وی 53.8234 روپے فی یونٹ کے مقابلے میں 0.3836 روپے فی یونٹ اضافہ ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان انکم فنڈ کے گوشواروں برائے مدتِ محتممہ 30 جون 2020ء کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار زر کا مجموعی جائزہ

مالی سال 2020ء کے نصف اول کی صورتحال نصفِ آخر کے حالات سے کافی مختلف تھی۔ گلاں معاشیاتی یکجائی، جو نصف اول میں صحیح راہ پر گامزن تھی، کو وڈ ۱۹ کے باعث نصفِ آخر میں شدید متاثر ہوئی۔ اس قاتل و بآء سے جہاں عالمی سطح پر 17 ملین سے زائد افراد متاثر ہوئے اور 650,000 سے زائد لقمہء 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 جنگِ عظیم کے بعد ایک سال کے دوران بدترین تنزلی ہے۔

مقامی سطح پر معیشت میں ماہِ مئی تک بڑے پیمانے پر لاک ڈاؤن رہا اور صحتِ 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 کا پروگرام شروع کیا لیکن اس میں مطلوبہ سے زیادہ اخراجات ہو گئے جس کے نتیجے میں مالیاتی خسارے کا مجموعی ملکی پیداوار (جی ڈی پی) سے 9.0 فیصد زیادہ ہونا متوقع ہے۔

پالیسی اقدام کے سست رفتار اثرات بحوالہ مالیاتی سختی اور زرمبادلہ کی شرح میں ترمیم کے ثمرات حاصل ہونے کا سلسلہ جاری رہا جس کی عکاسی ادائیگیوں کے توازن کی صورتحال میں بہتری میں ہوئی۔ کرنٹ اکاؤنٹ خسارہ دوران سال 78 فیصد YoY بنیاد پر سکڑ کر 2.8 بلین ڈالر ہو گیا۔ کرنٹ اکاؤنٹ خسارے میں کمی کی بڑی وجہ اشیاء کی درآمدات میں کمی ہے جو 19 فیصد سکڑ گئیں جس کے نتیجے میں 12 بلین ڈالر کی کمی ہوئی۔ ترسیلاتِ 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 کثیرالجبہتی 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 کثیرالجبہتی اداروں نے مختلف منصوبوں کے لیے 5 بلین ڈالر سے زائد جاری کیے۔ مجموعی طور پر مالی اکاؤنٹ نے 7 بلین 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

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

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### Fund Type and Category

Pakistan Income Fund— (PIF) is an open end mutual fund and comes under income scheme. The fund primarily invests in money market and other short term instruments which includes short term corporate debt and government securities. The fund may also invest in medium term assets in order to provide higher returns to unit holders.

### Fund Benchmark

The benchmark for the fund is Six(6) months KIBOR rates.

### Investment Objective

The objective of the Fund is to deliver returns primarily from debt and fixed income investments without taking excessive risk.

### Manager's Review

During the period under review, the fund generated an annualized return of 13.96% as against its benchmark return of 13.04%. At period end, the fund was 34.4% invested in TFCs and 46.1% in Cash. WAM of the fund stood at 1.6 years.

The Net Assets of the Fund as at June 30, 2020 stood at Rs. 2,076 million as compared to Rs. 1,392 million as at June 30, 2019 registering an increase of 49.1%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 54.2070 as compared to opening NAV of Rs. 53.8234 per unit as at June 30, 2019 registering an increase of Rs. 0.3836 per unit.

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

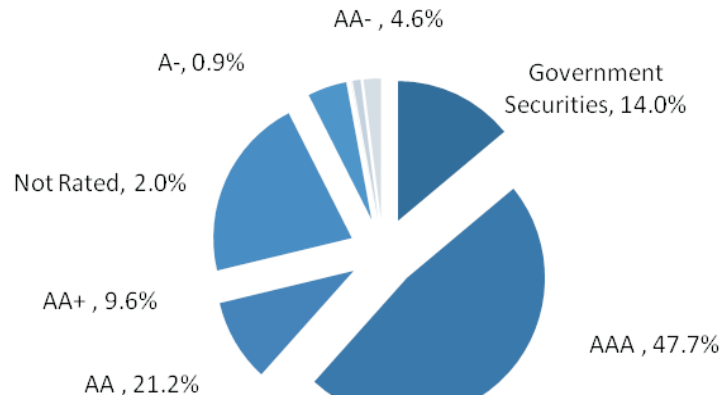
Asset Allocation (%age of Total Assets)	Jun-20
Cash	46.1%
TFCs	34.4%
T-Bills	14.0%
Commercial Papers	3.5%
PIBs	0.0%
Others including receivables	2.0%

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

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



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**Usama Iqbal**  
Fund Manager

# TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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



## TRUSTEE REPORT TO THE UNIT HOLDERS

### PAKISTAN INCOME FUND

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

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

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

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 17, 2020



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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

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## INDEPENDENT AUDITOR'S REPORT

**To the Unit Holders of Pakistan Income Fund**

**Report on the Audit of the Financial Statements**

### Opinion

We have audited the financial statements of **Pakistan Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

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

S. No.	Key audit matter	How the matter was addressed in our audit
1	<b>Valuation and existence of investments</b>  As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss amounted to Rs. 1,090.474 million as at June 30, 2020, consisting of Market Treasury Bills, Pakistan Investment Bonds, term finance certificates, sukuk certificates and commercial papers which represent significant item of the statement of assets and liabilities of the Fund.	We performed the following procedures during our audit of investments: <ul style="list-style-type: none"><li>evaluated design and implementation of controls in place related to purchases and sales of investments;</li><li>independently tested valuations to ensure that the investments are valued as per the</li></ul>

Member of  
**Deloitte Touche Tohmatsu Limited**

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil  
Chartered Accountants

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

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

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

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

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

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

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

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

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Member of  
Deloitte Touche Tohmatsu Limited

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil  
Chartered Accountants

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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Member of  
Deloitte Touche Tohmatsu Limited

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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# Deloitte.

Deloitte Yousuf Adil  
Chartered Accountants

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

## Report on Other Legal and Regulatory Requirements

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

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

*Deloitte Yousuf Adil*  
Chartered Accountants

Place: Karachi

Date: September 17, 2020

Member of  
Deloitte Touche Tohmatsu Limited

**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2020**

	Note	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019
<b>ASSETS</b>			
Bank balances	4	970,246	899,104
Investments	5	1,090,474	492,339
Profit receivable	6	26,113	19,976
Advances, deposits, prepayments and other receivables	7	16,515	15,933
<b>Total Assets</b>		<b>2,103,348</b>	1,427,352
<b>LIABILITIES</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	2,901	1,767
Payable to Central Depository Company of Pakistan Limited - Trustee	9	149	191
Payable to the Securities and Exchange Commission of Pakistan	10	327	1,121
Payable against redemption of units		47	47
Dividend payable		-	14,367
Accrued expenses and other liabilities	11	23,729	18,328
<b>Total liabilities</b>		<b>27,153</b>	35,821
<b>NET ASSETS</b>		<b>2,076,195</b>	1,391,531
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>2,076,195</b>	1,391,531
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>38,301,258</b>	25,853,633
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<b>54.2070</b>	53.8234

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

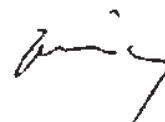
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019
<b>INCOME</b>			
Markup / return on Investments	13	160,352	70,555
Gain / (loss) on sale of investments - net		56,353	(1,331)
Markup on deposits with banks		44,432	73,946
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	5.2	(6,567)	(8,382)
Income on spread and margin trading system transactions		-	7,461
Other income		823	1,169
<b>Total income</b>		<b>255,393</b>	<b>143,418</b>
<b>EXPENSES</b>			
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	8.1	27,031	14,625
Sindh sales tax on remuneration of the Management Company	8.2	3,514	1,901
<b>Allocated expenses</b>	8.3	<b>1,640</b>	<b>1,495</b>
Marketing and selling expenses	8.4	2,128	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	1,227	2,121
Sindh sales tax on remuneration of Trustee	9.2	160	276
Annual fee of Securities and Exchange Commission of Pakistan	10.1	327	1,121
Provision against Sindh Workers' Welfare Fund	11.1	4,327	2,375
Brokerage expense		719	81
Legal, professional and other charges		225	189
Settlement and bank charges		683	1,518
Fees and subscription		675	639
Auditors' remuneration	14	677	645
Printing and related costs		42	51
<b>Total operating expenses</b>		<b>43,375</b>	<b>27,037</b>
<b>Net income for the year before taxation</b>		<b>212,018</b>	<b>116,381</b>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<b>212,018</b>	<b>116,381</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		212,018	116,381
Income already paid on units redeemed		(48,645)	(35,933)
		<b>163,373</b>	<b>80,448</b>
<b>Accounting income available for distribution</b>			
Relating to capital gains		39,208	-
Excluding capital gains		124,165	80,448
		<b>163,373</b>	<b>80,448</b>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

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	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019 -----
Net income for the year after taxation	212,018	116,381
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>212,018</b>	<b>116,381</b>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	For year ended June 30,						
	2020			2019			
	(Rupees in '000)						
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Unrealised (diminution) / appreciation on available-for-sale investments	Total
Net assets at beginning of the year	1,266,750	124,781	1,391,531	1,354,270	164,570	38	1,518,878
Adoption of IFRS 9	-	-	-	-	38	(38)	-
Issue of 46,317,913 units (2019: 52,167,972 units)							
- Capital value (at net asset value per unit at the beginning of the year)	2,492,988	-	2,492,988	2,805,521	-	-	2,805,521
- Element of income	213,665	-	213,665	88,521	-	-	88,521
	2,706,653	-	2,706,653	2,894,042	-	-	2,894,042
Redemption of 33,870,288 units (2019: 53,278,391 units)							
- Capital value (at net asset value per unit at the beginning of the year)	(1,823,013)	-	(1,823,013)	(2,865,237)	-	-	(2,865,237)
- Amount paid out of element of income	(116,255)	(48,645)	(164,900)	(63,475)	(35,933)	-	(99,408)
- Relating to 'Net income for the year after taxation'	(1,939,268)	(48,645)	(1,987,913)	(2,928,712)	(35,933)	-	(2,964,645)
Final distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs. 2.5511 per unit (Declared on July 04, 2018)	-	-	-	(25,134)	(43,654)	-	(68,788)
Final distribution for the year ended June 30, 2019 (including additional units) at the rate of Rs. 4.3249 per unit (Declared on June 27, 2019)	-	212,018	212,018	(27,716)	(76,621)	-	(104,337)
Total comprehensive income for the year	-	212,018	212,018	-	116,381	-	116,381
Final distributions for the year ended June 30, 2020 (including additional units) at the rate of Rs. 7.1414 per unit (Declared on June 26, 2020)	(89,957)	(156,137)	(246,094)	-	-	-	-
Net (loss) / income for the year less distribution	(89,957)	55,881	(34,076)	(52,850)	(3,894)	-	(56,744)
<b>Net assets at end of the year</b>	<b>1,944,178</b>	<b>132,017</b>	<b>2,076,195</b>	<b>1,266,750</b>	<b>124,781</b>	<b>-</b>	<b>1,391,531</b>
Undistributed income brought forward							
- Realised		133,163			166,783		
- Unrealised		(8,382)			(2,213)		
		124,781			164,570		
Adoption of IFRS 9		-			38		
Accounting income available for distribution							
- Relating to capital gains		39,208			-		
- Excluding capital gains		124,165			80,448		
		163,373			80,448		
Distributions during the year		(156,137)			(120,275)		
<b>Undistributed income carried forward</b>		<b>132,017</b>			<b>124,781</b>		
Undistributed income carried forward							
- Realised		138,584			133,163		
- Unrealised		(6,567)			(8,382)		
		132,017			124,781		
		(Rupees)			(Rupees)		
Net assets value per unit at beginning of the year	53.8234			56.3297			
Net assets value per unit at end of the year	54.2070			53.8234			

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

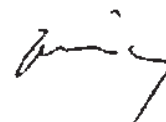
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	212,018	116,381
<b>Adjustments for:</b>		
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	6,567	8,382
Provision against Sindh Workers' Welfare Fund	4,327	2,375
	222,912	127,138
<b>(Increase) / decrease in assets</b>		
Investments - net	(604,702)	79,935
Profit receivable	(6,137)	(2,575)
Receivable against margin trading system	-	242,107
Advances, deposits, prepayments and other receivables	(582)	64,792
	(611,421)	384,259
<b>Increase / (decrease) in liabilities</b>		
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	1,134	354
Payable to Central Depository Company of Pakistan Limited - Trustee	(42)	(7)
Payable to the Securities and Exchange Commission of Pakistan	(794)	(3)
Dividend payable	(14,367)	14,367
Accrued expenses and other liabilities	1,074	531
	(12,995)	15,242
<b>Net cash (used in) / generated from operating activities</b>	(401,504)	526,639
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issuance of units	2,706,653	2,894,042
Amount paid against redemption of units	(2,077,870)	(3,017,495)
Distributions made during the year	(156,137)	(120,275)
<b>Net cash generated from / (used in) financing activities</b>	472,646	(243,728)
<b>Net increase in cash and cash equivalents during the year</b>	71,142	282,911
Cash and cash equivalents at the beginning of the year	899,104	616,193
<b>Cash and cash equivalents at the end of the year</b>	970,246	899,104

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

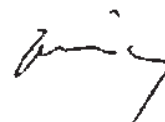
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

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## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Income Fund (the Fund) was established under a Trust Deed executed between MCB - Arif Habib Savings and Investments Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 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 The Fund is an open-end collective investment scheme categorised as an "Income" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The units of the Fund were initially offered for public subscription at a par value of Rs 50 per unit. Thereafter, the units are being offered for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.4 The Fund primarily invests in money market and other short-term placements/instruments which include short-term corporate debt, government securities, margin trading system transactions and spread transactions. The Fund may also invest a portion of its assets under management in medium term assets in order to provide higher return to the unit holders.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has maintained asset manager rating of "AM2++" dated October 08, 2019, to the Management Company and the stability rating of A+(f) to the Fund dated May 06, 2020.
- 1.6 The 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 (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

### 2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

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

	<b>Effective from accounting period beginning on or after:</b>
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

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

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

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

	<b>Effective from accounting period beginning on or after:</b>
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2022
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

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

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## 2.4 Critical accounting estimates and judgements

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

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

- Classification and valuation of investments (notes 3.1.1 and 5)
- Impairment of financial assets (note 3.1.1.3)
- Taxation (notes 3.4 and 16)
- Classification and measurements of financial liabilities (notes 3.1.2)

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

## 2.5 Basis of measurement

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

## 2.6 Functional and presentation currency

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 3.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

#### 3.1.1 Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### 3.1.1.1 Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them.

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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. For purposes of subsequent measurement, financial assets are classified in following categories:

## **Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Fund elected not to classify any of the debt instruments under this category on initial recognition.

## **Financial assets at fair value through other comprehensive income (debt instruments)**

For debt instruments at fair value through other comprehensive income (OCI), interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is reclassified to the income statement.

The Fund elected not to classify any of the debt instruments under this category on initial recognition.

## **Financial assets at fair value through profit or loss (debt instruments)**

Debt instruments that do not meet the amortised cost criteria or the fair value through other comprehensive income criteria are classified as at fair value through profit or loss. In addition, debt instruments that meet either the amortised cost criteria or the fair value through other comprehensive income criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund has designated all of debt instruments as at fair value through profit or loss.

### **3.1.1.2 Fair value measurement principles**

The fair value of financial instruments is determined as follows:

#### **Basis of valuation of government securities:**

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

#### **Basis of valuation of debt securities:**

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

### **3.1.1.3 Impairment of financial assets**

The Fund assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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

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

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

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

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

### 3.1.1.4 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of assets and liabilities) when:

- the rights to receive cash flows from the asset have expired; or
- the Fund has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of the asset;

### 3.1.2 Financial liabilities

#### 3.1.2.1 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss. The Fund does not have any financial liabilities designated as fair value through profit or loss.

#### 3.1.2.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

### 3.1.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 3.2 Cash and cash equivalents

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

### 3.3 Provisions

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

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

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## 3.4 Taxation

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

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

## 3.5 Dividend distribution and appropriations

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

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

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

## 3.6 Issue and redemption of units

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

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

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

## 3.7 Net asset value per unit

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

## 3.8 Revenue recognition

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

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

### 3.9 Expenses

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

### 3.10 Earnings per unit

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

### 3.11 Margin Trading System

Transactions of purchase under Margin Trading System (MTS) of marketable securities are entered into at contracted rates for specified periods of time. Securities purchased under MTS are not recognised in the Statement of Assets and Liabilities. The amount paid under such agreements is recognised as receivable in respect of MTS. Profit is recognised on an accrual basis. Cash releases are adjusted against the receivable as a reduction in the amount of receivable. The maximum maturity of an MTS contract is 60 calendar days out of which 25 percent exposure is automatically released at expiry of every 15th day from the date of contract.

4. BANK BALANCES	Note	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019
In savings accounts	4.1	946,313	885,953
In current accounts	4.2	<u>23,933</u>	<u>13,151</u>
		<u>970,246</u>	<u>899,104</u>

4.1 These carry profit at the rates ranging between 5.50% to 7.83% (2019: 10% to 13%) per annum and include Rs 5.83 million (2019: Rs 3.022 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 5.50% (2019: 10.25%) per annum.

4.2 These are maintained with MCB Bank Limited, a connected person / related party.

5. INVESTMENTS	Note	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019
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#### Financial assets 'at fair value through profit or loss' - net

Government securities - Market Treasury Bills & Pakistan Investment Bonds	5.1.1	294,370	-
Term finance certificates - listed	5.1.2	48,862	34,607
Term finance certificates - unlisted	5.1.3	306,537	263,125
Sukuks certificates - listed	5.1.4	136,920	114,654
Sukuks certificates - unlisted	5.1.5	230,647	79,953
Commercial paper	5.1.6	73,138	-
Government securities - Government of Pakistan (GoP) Ijara sukuks	5.1.7	-	-
		<u>1,090,474</u>	<u>492,339</u>

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

## 5.1 Financial assets 'at fair value through profit or loss' - net

### 5.1.1 Government securities - Market Treasury Bills & Pakistan Investment Bonds

#### 5.1.1.1 Market treasury bills

Particulars	Issue Date	Face value			As at June 30, 2020			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying value	Market value		
---- (Rupees in '000) ----									
Treasury bills - 3 months	18-Jul-19	-	2,400,000	2,400,000	-	-	-	-	-
Treasury bills - 3 months	01-Aug-19	-	1,050,000	1,050,000	-	-	-	-	-
Treasury bills - 3 months	16-Aug-19	-	2,060,000	2,060,000	-	-	-	-	-
Treasury bills - 3 months	10-Oct-19	-	450,000	450,000	-	-	-	-	-
Treasury bills - 3 months	24-Oct-19	-	825,000	825,000	-	-	-	-	-
Treasury bills - 3 months	07-Nov-19	-	1,400,000	1,400,000	-	-	-	-	-
Treasury bills - 3 months	21-Nov-19	-	380,000	380,000	-	-	-	-	-
Treasury bills - 3 months	05-Dec-19	-	75,000	75,000	-	-	-	-	-
Treasury bills - 3 months	19-Dec-19	-	725,000	725,000	-	-	-	-	-
Treasury bills - 3 months	02-Jan-20	-	1,570,000	1,570,000	-	-	-	-	-
Treasury bills - 3 months	30-Jan-20	-	750,000	750,000	-	-	-	-	-
Treasury bills - 3 months	27-Feb-20	-	750,000	750,000	-	-	-	-	-
Treasury bills - 3 months	12-Mar-20	-	450,000	450,000	-	-	-	-	-
Treasury bills - 3 months	26-Mar-20	-	500,000	500,000	-	-	-	-	-
Treasury bills - 3 months	09-Apr-20	-	250,000	250,000	-	-	-	-	-
Treasury bills - 3 months	23-Apr-20	-	750,000	750,000	-	-	-	-	-
Treasury bills - 3 months	21-May-20	-	225,000	225,000	-	-	-	-	-
Treasury bills - 6 months	18-Jul-19	-	1,225,000	1,225,000	-	-	-	-	-
Treasury bills - 6 months	01-Aug-19	-	100,000	100,000	-	-	-	-	-
Treasury bills - 6 months	12-Sep-19	-	200,000	200,000	-	-	-	-	-
Treasury bills - 6 months	10-Oct-19	-	500,000	500,000	-	-	-	-	-
Treasury bills - 6 months	24-Oct-19	-	500,000	500,000	-	-	-	-	-
Treasury bills - 6 months	07-Nov-19	-	1,250,000	1,250,000	-	-	-	-	-
Treasury bills - 6 months	05-Dec-19	-	125,000	125,000	-	-	-	-	-
Treasury bills - 6 months	02-Jan-20	-	250,000	250,000	-	-	-	-	-
Treasury bills - 6 months	30-Jan-20	-	250,000	250,000	-	-	-	-	-
Treasury bills - 6 months	12-Mar-20	-	250,000	250,000	-	-	-	-	-
Treasury bills - 6 months	26-Mar-20	-	600,000	600,000	-	-	-	-	-
Treasury bills - 6 months	09-Apr-20	-	350,000	350,000	-	-	-	-	-
Treasury bills - 6 months	23-Apr-20	-	750,000	750,000	-	-	-	-	-
Treasury bills - 6 months	07-May-20	-	650,000	650,000	-	-	-	-	-
Treasury bills - 6 months	21-May-20	-	250,000	250,000	-	-	-	-	-
Treasury bills - 6 months *	04-Jun-20	-	600,000	500,000	100,000	96,867	97,093	226	4.68
Treasury bills - 12 months	29-Aug-19	-	3,500,000	3,500,000	-	-	-	-	-
Treasury bills - 12 months *	12-Sep-19	-	2,000,000	1,800,000	200,000	196,997	197,277	280	9.50
Treasury bills - 12 months	26-Sep-19	-	900,000	900,000	-	-	-	-	-
Treasury bills - 12 months	10-Oct-19	-	1,500,000	1,500,000	-	-	-	-	-
Treasury bills - 12 months	24-Oct-19	-	500,000	500,000	-	-	-	-	-
Treasury bills - 12 months	07-Nov-19	-	500,000	500,000	-	-	-	-	-
Treasury bills - 12 months	02-Jan-20	-	500,000	500,000	-	-	-	-	-
Treasury bills - 12 months	30-Jan-20	-	1,200,000	1,200,000	-	-	-	-	-
Treasury bills - 12 months	27-Feb-20	-	500,000	500,000	-	-	-	-	-
Treasury bills - 12 months	12-Mar-20	-	250,000	250,000	-	-	-	-	-
Treasury bills - 12 months	09-Apr-20	-	350,000	350,000	-	-	-	-	-
Treasury bills - 12 months	23-Apr-20	-	375,000	375,000	-	-	-	-	-
<b>Total as at June 30, 2020</b>						<b>293,864</b>	<b>294,370</b>	<b>506</b>	
<b>Total as at June 30, 2019</b>						-	-	-	

\* These carry effective yield ranging from 7.63% to 7.85% (2019: Nil) per annum and will mature within 6 months.

#### 5.1.1.2 Pakistan investment bonds

Particulars	Issue Date	Face value			As at June 30, 2020			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2019	Purchased during the year	Sold during the year	As at June 30, 2020	Carrying value	Market value		
---- (Rupees in '000) ----									
Pakistan Investment Bond - 3 years	12-Jul-18	-	400,000	400,000	-	-	-	-	-
Pakistan Investment Bond - 3 years	19-Sep-19	-	1,258,000	1,258,000	-	-	-	-	-
Pakistan Investment Bond - 5 years	12-Jul-18	-	150,000	150,000	-	-	-	-	-
Pakistan Investment Bond - 5 years	19-Sep-19	-	953,500	953,500	-	-	-	-	-
Pakistan Investment Bond - 10 years	12-Jul-18	-	137,500	137,500	-	-	-	-	-
Pakistan Investment Bond - 10 years	19-Sep-19	-	50,000	50,000	-	-	-	-	-
<b>Total as at June 30, 2020</b>						-	-	-	
<b>Total as at June 30, 2019</b>						-	-	-	

#### 5.1.2 Listed debt securities - term finance certificates

	Note	June 30,	June 30,
		2020	2019
----- (Rupees in '000) -----			
Market value as at June 30	5.1.2.1	148,633	134,378
Less: Provision as at July 1			
- Pace Pakistan Limited	5.3	(49,940)	(49,940)
- Telecard Limited		(31,088)	(31,088)
- Trust Investment Bank Limited		(18,743)	(18,743)
		(99,771)	(99,771)
Less: Provision charged during the year			
- Charge against face value receivable		-	-
- Reversal against carrying value matured		-	-
		-	-
		<b>48,862</b>	<b>34,607</b>

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

## 5.1.2.1 Listed debt securities - Term finance certificates

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

Name of investee company	Number of certificates				As at June 30, 2020			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying value	Market value	Unrealised diminution			
----- (Rupees in '000) -----										
----- (%) -----										
<b>Commercial Bank</b>										
Bank Alfalah Limited	6,938	-	6,938	-	-	-	-	-	-	-
Habib Bank Limited *	-	500	-	500	49,745	48,862	(883)	2.35	4.48	0.48
<b>Investment Banks / Investment Companies / Securities Companies</b>										
Trust Investment Bank Limited - Due but not received (Note 5.3)	10,000	-	-	10,000	18,743	18,743	-	-	-	-
<b>Miscellaneous</b>										
Pace Pakistan Limited - Due but not received (Note 5.3)	10,000	-	-	10,000	49,940	49,940	-	-	-	-
<b>Technology &amp; Communication</b>										
Telecard Limited - Due but not received (Note 5.3)	19,975	-	-	19,975	31,088	31,088	-	-	-	-
<b>Total as at June 30, 2020</b>					<b>149,516</b>	<b>148,633</b>	<b>(883)</b>			
<b>Total as at June 30, 2019</b>					<b>134,572</b>	<b>134,378</b>	<b>(194)</b>			

\* Face value of the certificate is Rs. 100,000.

## 5.1.2.2 Significant terms and conditions of term finance certificates outstanding as at June 30, 2020 are as\* follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
<b>Commercial Bank</b>				
Habib Bank Limited	6 months KIBOR + 0.50%	19-Feb-16	19-Feb-26	AAA

## 5.1.3 Unlisted debt securities - Term finance certificates

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of certificates				As at June 30, 2020			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying value	Market value	Unrealised appreciation / (diminution)			
----- (Rupees in '000) -----										
----- (%) -----										
<b>Commercial Banks</b>										
Askari Bank Limited - IV	19,000	-	-	19,000	92,332	90,139	(2,193)	4.34	8.27	2.25
Askari Bank Limited - VII	-	30	-	30	30,000	30,000	-	1.44	2.75	0.75
Bank AL Habib Limited	-	15,028	-	15,028	73,708	70,302	(3,406)	3.39	6.45	1.76
The Bank of Punjab	650	-	570	80	7,563	6,976	(587)	0.34	0.64	0.17
<b>Investment Banks / Investment Companies / Securities Companies</b>										
Jahangir Siddiqui & Company Limited	22,000	-	-	22,000	109,285	109,120	(165)	5.26	10.01	1.47
<b>Total as at June 30, 2020</b>					<b>312,888</b>	<b>306,537</b>	<b>(6,351)</b>			
<b>Total as at June 30, 2019</b>					<b>269,835</b>	<b>263,125</b>	<b>(6,710)</b>			

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

5.1.3.1 Significant terms and conditions of term finance certificates outstanding as at June 30, 2020 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
<b>Commercial Banks</b>				
Askari Bank Limited - IV	6 months KIBOR + 1.20%	30-Sep-14	30-Sep-24	AA-
Askari Bank Limited - VII	3 months KIBOR + 1.20%	17-Mar-20	17-Mar-30	AA+
Bank AL Habib Limited	6 months KIBOR + 0.75%	17-Mar-16	17-Mar-26	AA
The Bank of Punjab	6 months KIBOR + 1.25%	23-Apr-18	23-Apr-28	AA-
<b>Investment Banks / Investment Companies / Securities Companies</b>				
Jahangir Siddiqui & Company Limited	6 months KIBOR + 1.40%	6-Mar-18	6-Mar-23	AA+

## 5.1.4 Listed debt securities - Sukuk certificates

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 net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying value	Market value	Unrealised appreciation / (diminution)			
					----(Rupees in '000)-----			----- (%) -----		
<b>Investment Banks / Investment Companies / Securities Companies</b>										
Dawood Hercules Corporation Limited	1,000	-	-	1,000	69,770	70,695	925	3.41	6.48	0.02
Dawood Hercules Corporation Limited	250	563	-	813	65,000	66,225	1,225	3.19	6.07	0.02
<b>Total as at June 30, 2020</b>					<b>134,770</b>	<b>136,920</b>	<b>2,150</b>			
<b>Total as at June 30, 2019</b>					<b>115,196</b>	<b>114,654</b>	<b>(542)</b>			

5.1.4.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2020 are as follow s:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Dawood Hercules Corporation Limited	3 months KIBOR + 1.00%	16-Nov-17	16-Nov-22	AA
Dawood Hercules Corporation Limited	3 months KIBOR + 1.00%	1-Mar-18	1-Mar-23	AA

## 5.1.5 Unlisted debt securities - Sukuk certificates

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 net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying value	Market value	Unrealised appreciation / (diminution)			
					----(Rupees in '000)-----			----- (%) -----		
<b>Chemical</b>										
Ghani Gases Limited	480	-	-	480	22,052	18,576	(3,476)	0.89	1.70	0.04
<b>Oil and Gas</b>										
Byco Petroleum Pakistan Limited	10	-	-	10	578	585	7	0.03	0.05	0.00
<b>Miscellaneous</b>										
International Brands Limited	500	-	-	500	35,006	35,382	376	1.70	3.24	0.02
<b>Bank</b>										
Meezan Bank Limited *	-	100	-	100	100,000	101,104	1,104	4.87	9.27	0.00
<b>Power</b>										
The Hub Power Company Limited	-	750	-	750	75,000	75,000	-	3.61	6.88	0.03
<b>Total as at June 30, 2020</b>					<b>232,636</b>	<b>230,647</b>	<b>(1,989)</b>			
<b>Total as at June 30, 2019</b>					<b>80,888</b>	<b>79,953</b>	<b>(935)</b>			

\* Face value of the certificate is Rs. 1,000,000.

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

5.1.5.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2020 are as follow s:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
<b>Chemical</b>				
Ghani Gases Limited	3 months KIBOR + 1.00%	2-Feb-17	2-Feb-23	A-
<b>Oil and Gas</b>				
Byco Petroleum Pakistan Limited	3 months KIBOR + 1.05%	18-Jan-17	18-Jan-22	AAA
<b>Miscellaneous</b>				
International Brands Limited	12 months KIBOR + 0.50%	15-Nov-17	15-Nov-21	AA
<b>Bank</b>				
Meezan Bank Limited	6 months KIBOR + 0.90%	9-Jan-20	9-Jul-30	AA
<b>Power</b>				
The Hub Power Company Limited	6 months KIBOR + 1.50%	19-May-20	19-Nov-20	AA+

### 5.1.6 Commercial paper

Particulars	Issue date	Maturity date	Profit rate	Face value	Carrying value	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
				---(Rupees in '000)---		----- (%) -----	
K - Electric - III	10-Mar-20	10-Sep-20	13.64%	75,000	73,138	3.52	6.71
<b>Total as at June 30, 2020</b>				75,000	73,138		
<b>Total as at June 30, 2019</b>				-	-		

### 5.1.7 Government securities - Government of Pakistan (GoP) Ijara sukuks

Name of investee company	Face Value				As at June 30, 2020			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying value	Market value	Unrealised appreciation / (diminution)			
---(Rupees in '000)---										
GoP Ijarah Sukuks	-	100,000	100,000	-	-	-	-	-	-	-
<b>Total as at June 30, 2020</b>					-	-	-			
<b>Total as at June 30, 2019</b>					-	-	-			

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

	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
<b>5.2 Net unrealised diminution in value of investments at fair value through profit or loss</b>			
Market value as at June 30 - net of provision	5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.1.5 & 5.1.7	1,117,107	492,339
Carrying value as at June 30 - net of provision	5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.1.5 & 5.1.7	<u>(1,123,674)</u>	<u>(500,721)</u>
		<u>(6,567)</u>	<u>(8,382)</u>

### 5.3 Status of non compliance as per circular 16 of 2010 issued by the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan (SECP), vide its circular no. 16 dated July 7, 2010 has prescribed certain disclosures for non-compliances, either with the minimum investment criteria specified for the category assigned to the collective investment schemes or with the investment requirements of their constitutive documents.

Name of non-compliant investments	Note	Type of Instrument	Value of Investment before provision	Provision held if any	Value of Investment after provision	% of net assets	% of gross assets
Trust Investment Bank Limited	5.1.2.1	TFC	18,743	(18,743)	-	-	-
Telecard Limited	5.1.2.1	TFC	31,088	(31,088)	-	-	-
Pace Pakistan Limited	5.1.2.1	TFC	49,940	(49,940)	-	-	-

Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing. The Fund has recognised full provision against outstanding principal in accordance with applicable provisioning circular issued by the Securities and Exchange Commission of Pakistan and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. The Fund has suspended further accrual of mark-up there against.

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
<b>6. PROFIT RECEIVABLE</b>		
Profit receivable on:		
Deposits with banks	2,586	3,782
Term finance certificates and sukuk certificates	<u>23,527</u>	<u>16,194</u>
	<u>26,113</u>	<u>19,976</u>

### 7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance tax	4,187	4,183
Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited	200	200
Receivable from National Clearing Company of Pakistan Limited	8,664	8,664
Prepayments	401	380
Others	563	6
	<u>16,515</u>	<u>15,933</u>

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

	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
<b>8. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY</b>			
Management remuneration payable	8.1	1,511	1,410
Sindh sales tax payable on management remuneration	8.2	196	184
Sales load payable		404	58
Payable against allocated expenses	8.3	176	115
Payable against marketing and selling expenses	8.4	614	-
		<u>2,901</u>	<u>1,767</u>

**8.1** As per amendment in the offering document, the management company with effective from August 08, 2019 charged management fee at the rate of up to 10% of the gross earnings of the scheme, calculated on a daily basis. Provided that fund is subject to a minimum fee of 0.25% of the average daily net assets of the scheme.

**8.2** Sindh Sales Tax on management fee has been charged at 13% (2019: 13%).

**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).

Till 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 BOD of the Management Company.

	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
<b>9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee remuneration payable	9.1	132	169
Sindh sales tax on remuneration of the Trustee	9.2	17	22
		<u>149</u>	<u>191</u>

**9.1** From July 01, 2019, the Trustee is entitled to a remuneration at the rate of 0.075% per annum of the net assets to be paid monthly in arrears. Previously, the Trustee remuneration was based on the following tariff structure :

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

**9.2** Sindh Sales Tax at 13% (2019: 13%) is charged on Trustee fee.

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

	Note	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019
<b>10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable to the SECP	10.1	<u>327</u>	<u>1,121</u>

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

	Note	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision against Sindh Workers' Welfare Fund	11.1	<b>10,961</b>	6,633
Provision for Federal Excise Duty and related tax on			
- Management fee	11.2	<b>9,210</b>	9,210
- Sales load		<b>239</b>	239
Legal and professional charges		<b>21</b>	75
Withholding tax on capital gains		<b>1,391</b>	146
Auditors' remuneration		<b>410</b>	372
Brokerage		<b>75</b>	70
Others		<b>1,422</b>	1,583
		<u><b>23,729</b></u>	<u>18,328</u>

**11.1 Provision for Sindh Workers' Welfare Fund (SWWF)**

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

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

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

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP instructed to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The aggregate balance of SWWF provision in the book of accounts of the Fund as on June 30, 2020 is Rs. 10.961 million (2019: 6.633 million). Had this provision not been made, the NAV of the Fund would have been higher by Re. 0.2861 per unit (June 30, 2019 Re. 0.2566 per unit).

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

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

## 11.2 Federal Excise Duty and related tax payable

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

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2020 aggregates to Rs. 9.210 million (2019: Rs. 9.210 million). Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2020 would have been higher by Re. 0.2404 (2019: Re. 0.3563) per unit.

## 12. CONTINGENCIES AND COMMITMENTS

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

## 13. MARKUP / RETURN ON INVESTMENTS

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
Government securities	79,332	11,583
Term finance certificates	48,377	36,714
Sukuk certificates	29,680	22,258
Commercial papers	2,963	-
	<b>160,352</b>	<b>70,555</b>
	<b>160,352</b>	<b>70,555</b>

## 14. AUDITORS' REMUNERATION

Annual audit fee	318	318
Half yearly review fee	181	181
Other certification and services	50	50
Out of pocket expenses	128	96
	<b>677</b>	<b>645</b>
	<b>677</b>	<b>645</b>

## 15. TOTAL EXPENSE RATIO

SECP, vide SRO no. 639 (I)/2019 dated June 20, 2019 enhanced the Total Expense Ratio from 2.0% to 2.5%. The total expense ratio of the Fund for the year is 2.65% and this includes 0.52% representing government levy, Sindh Worker's Welfare Fund, SECP fee etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a Collective Investment Scheme categorized as income scheme.

## 16. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. 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. Since the Management Company has distributed the income earned by the Fund to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

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

## 17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

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

	For the year ended June 30, 2020							
	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020
	----- Units ----- (Rupees in '000)							
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	85,750	11,282	-	97,032	4,615	612	-	5,260
MCB - Arif Habib Savings And Investments Limited	-	3,271,834	3,271,834	-	-	199,476	200,746	-
Nishat Mills Limited	-	1,587,251	1,587,251	-	-	96,789	97,101	-
Directors and key management personnel of the Management Company	-	211,689	211,689	-	-	11,852	11,869	-
Mandate under discretionary portfolio services	27,245	-	-	27,245	1,466	-	-	1,476
	----- Units ----- (Rupees in '000)							
	As at July 01, 2018	Issued for cash	Redeemed	As at June 30, 2019	As at July 01, 2018	Issued for cash	Redeemed	As at June 30, 2019
Adamjee Life Assurance Company Limited - Employees Gratuity Fund		165,117	79,367	85,750	-	8,882	4,612	4,615
Nishat Mills Limited		6,283,645	6,283,645	-	-	342,400	344,723	-
Directors and key management personnel of the Management Company	4,294	56,858	61,152	-	242	3,219	3,506	-
Mandate under discretionary portfolio services	307,168	7,808,722	8,088,645	27,245	17,303	438,896	456,349	1,466

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

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

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration including indirect taxes	30,545	16,526
Allocated expenses	1,640	1,495
Marketing and selling expense	2,128	-
Issue of 3,271,834 units (2019: Nil units)	199,476	-
Redemption of 3,271,834 units (2019: Nil units)	200,746	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration including indirect taxes	1,387	2,397
CDS charges	23	196
<b>Arif Habib Limited - Subsidiary of Associated Company</b>		
Brokerage expense *	62	-
<b>MCB Bank Limited - Parent of the Management Company</b>		
Profit on bank balances	324	445
Bank charges	37	35
<b>Next Capital Limited - Joint Venture of MCB Bank Limited &amp; Arif Habib Corporation Limited</b>		
Brokerage expense *	121	5
<b>Silk Bank Limited - Common Directorship **</b>		
Profit on bank balances	3,183	44,309
Bank charges	-	62

### 17.3 Details of balances with related parties / connected persons as at year end

<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Management remuneration payable	1,511	1,410
Sindh sales tax payable on management remuneration	196	184
Sales load payable	404	58
Payable against allocated expenses	176	115
Payable against marketing and selling expenses	614	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	132	169
Sindh sales tax payable on Trustee remuneration	17	22
Security deposit	200	200
<b>MCB Bank Limited - Parent of the Management Company</b>		
Bank balance	29,774	16,173
Profit receivable on bank balances	11	167
Sales load payable	758	1,068
Other receivable	548	15
<b>Silk Bank Limited - Common Directorship **</b>		
Bank balance	-	4,780
Profit receivable on bank balances	-	33
<b>Next Capital Limited - Joint Venture of MCB &amp; Arif Habib</b>		
Brokerage payable *	-	5
<b>Adamjee Life Assurance Company Limited - employees gratuity fund</b>		
<b>- Group Company of Parent Company</b>		
Outstanding 97,032 units (2019: 85,750 units)	5,260	4,615
<b>Mandate under discretionary portfolio</b>		
Outstanding 27,245 units (2019: 27,245 units)	1,476	1,466

\* The amount disclosed represents the amount of brokerage expense or brokerage payable to connected persons and not the purchase or sale value of securities transacted through them as the ultimate counter parties are not connected persons.

\*\* This was a related party from July 01, 2019 to September 05, 2019.

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

## 18 FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the close of trading i.e. period end date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in nature.

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

**Level 1:** quoted prices in active markets for identical assets or liabilities;

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

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

The following table shows the carrying amounts of fair values of financial assets and financial liabilities including the levels in the fair value hierarchy:

	June 30, 2020							
	Carrying amount		Fair Value					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total	Total			
					Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
<b>Financial assets measured at fair value</b>								
Government securities	294,370	-	-	294,370	-	294,370	-	294,370
Term Finance Certificates-listed	48,862	-	-	48,862	-	48,862	-	48,862
Term Finance Certificates- Unlisted	306,537	-	-	306,537	-	306,537	-	306,537
Sukuks Certificates - Listed	136,920	-	-	136,920	-	136,920	-	136,920
Sukuks Certificates -Unlisted	230,647	-	-	230,647	-	230,647	-	230,647
Commercial papers	73,138	-	-	73,138	-	-	73,138	73,138
	1,090,474	-	-	1,090,474	-	1,017,336	73,138	859,827

### Financial assets not measured at fair value

Bank balances	-	-	970,246	970,246
Profit receivable	-	-	26,113	26,113
Advances, deposits and other receivables	-	-	11,927	11,927
	-	-	1,008,286	1,008,286

### Financial liabilities not measured at fair value

Payable to the Management Company	-	-	3,463	3,463
Payable to the Trustee	-	-	132	132
Payable against redemption of units	-	-	47	47
Accrued expenses and other liabilities	-	-	1,170	1,170
	-	-	4,812	4,812

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

## 19. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and other price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mentioned risks. The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

### 19.1 Market risk

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

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

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

#### 19.1.1 Currency risk

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

#### 19.1.2 Yield / Interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on bank balances, investments in term finance certificates, government securities and sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

As of June 30, 2020 details of Fund's interest bearing financial instruments were as follows:

	Note	June 30, 2020	June 30, 2019
		-----Rupees-----	
<b>Variable rate instrument (financial asset)</b>			
Bank balance	4	946,313	885,953
Term finance certificates	5.1.2 & 5.1.3	355,399	297,732
Sukuks certificates	5.1.4 & 5.1.5	367,567	194,607
		<b>1,669,279</b>	1,378,292
<b>Fixed rate instruments (financial assets)</b>			
Government securities - Market treasury bills & Pakistan investment bonds	5.1.1	294,370	-
Commercial papers	5.1.6	73,138	-
		<b>367,508</b>	-

#### a) Sensitivity analysis for variable rate instrument

Presently, the Fund holds KIBOR based term finance and sukuks certificates and balances with banks which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs 16.39 million (2019: Rs 13.78 million).

#### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund holds government securities which are fixed rate instruments 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, the net income for the year and net assets would be lower / higher by Rs. 2.94 million (2019: Rs. Nil).

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

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the Fund investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

Particulars	As at June 30, 2020					
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%	----- (Rupees in '000) -----				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5.50 to 7.83	946,313	-	-	23,933	970,246
Investments	7.63 to 14.44	197,277	172,093	647,966	73,138	1,090,474
Profit receivable		-	-	-	26,113	26,113
Advances, deposits and other receivables		-	-	-	11,927	11,927
<b>Sub total</b>		<b>1,143,590</b>	<b>172,093</b>	<b>647,966</b>	<b>135,111</b>	<b>2,098,760</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	2,705	2,705
Payable to the Trustee		-	-	-	132	132
Payable against redemption of units		-	-	-	47	47
Accrued expenses and other liabilities		-	-	-	1,928	1,928
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,812</b>	<b>4,812</b>
<b>On-balance sheet gap</b>		<b>1,143,590</b>	<b>172,093</b>	<b>647,966</b>	<b>130,299</b>	<b>2,093,948</b>
<b>Total interest rate sensitivity gap</b>		<b>1,143,590</b>	<b>172,093</b>	<b>647,966</b>	<b>130,299</b>	<b>2,093,948</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>1,143,590</b>	<b>1,315,683</b>	<b>1,963,649</b>		

Particulars	As at June 30, 2019					
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%	----- (Rupees in '000) -----				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	10 to 13	885,953	-	-	13,151	899,104
Investments:	11.03 to 12.50	-	-	492,339	-	492,339
Profit receivable		-	-	-	19,976	19,976
Deposits and other receivables		-	-	-	11,370	11,370
<b>Sub total</b>		<b>885,953</b>	<b>-</b>	<b>492,339</b>	<b>44,497</b>	<b>1,422,789</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	1,583	1,583
Payable to the Trustee		-	-	-	169	169
Payable against redemption of units		-	-	-	47	47
Accrued expenses and other liabilities		-	-	-	2,100	2,100
<b>Sub Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,899</b>	<b>3,899</b>
<b>On-balance sheet gap</b>		<b>885,953</b>	<b>-</b>	<b>492,339</b>	<b>40,598</b>	<b>1,418,890</b>
<b>Total interest rate sensitivity gap</b>		<b>885,953</b>	<b>-</b>	<b>492,339</b>	<b>40,598</b>	<b>1,418,890</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>885,953</b>	<b>885,953</b>	<b>1,378,292</b>		

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FOR THE YEAR ENDED JUNE 30, 2020**

	June 30, 2019							
	Carrying amount			Fair Value				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)								
<b>Financial assets measured at fair value</b>								
Government securities	-	-	-	-	-	-	-	-
Term Finance Certificates-Listed	34,607	-	-	34,607	-	-	-	34,607
Term Finance Certificates-Unlisted	263,125	-	-	263,125	-	263,125	-	263,125
Sukuks Certificates-Listed	114,654	-	-	114,654	-	114,654	-	114,654
Sukuks Certificates-Unlisted	79,953	-	-	79,953	-	79,953	-	79,953
	492,339	-	-	492,339	-	492,339	-	492,339
<b>Financial assets not measured at fair value</b>								
Bank balances	-	-	899,104	899,104				
Receivable against margin trading system	-	-	-	-				
Profit receivable	-	-	19,976	19,976				
Deposits and other receivables	-	-	11,370	11,370				
	-	-	930,450	930,450				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	-	-	1,583	1,583				
Payable to the Trustee	-	-	169	169				
Payable against redemption of units	-	-	47	47				
Accrued expenses and other liabilities	-	-	2,100	2,100				
	-	-	3,899	3,899				

During the year ended June 30, 2020, there were no transfers between levels fair value measurements, and no transfer into and out of level 3 fair value measurements.

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

## 19.1.3 Price risk

Price 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 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. Since the Fund is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

## 19.2 Credit risk

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

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

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

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

	June 30, 2020		June 30, 2019	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	970,246	970,246	899,104	899,104
Investments	1,090,474	796,104	492,339	492,339
Profit receivable	26,113	26,113	19,976	19,976
Advances, deposits and other receivables	11,927	11,927	11,370	11,370
	<b>2,098,760</b>	<b>1,804,390</b>	<b>1,422,789</b>	<b>1,422,789</b>

The analysis below summaries the credit rating quality of the Fund's financial assets with banks as at June 30, 2020.

### Bank Balances by rating category

Rating	June 30, 2020		June 30, 2019	
	Rupees in '000	%	Rupees in '000	%
AAA	952,453	98.17	883,439	98.26
AA+	17,488	1.80	7,752	0.86
AA-	24	-	2,352	0.26
AA	24	-	12	-
A+	67	0.01	640	0.07
A-	49	0.01	4,780	0.53
A	141	0.01	129	0.02
	<b>970,246</b>	<b>100.00</b>	<b>899,104</b>	<b>100.00</b>

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

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

### 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

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

## Settlement risk

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

## 19.3 Liquidity risk

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

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

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

June 30, 2020	Within 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 5 years	More than 5 years	Total
	----- Rupees in '000 -----					
<b>Financial assets</b>						
Bank balances	970,246	-	-	-	-	970,246
Investments	-	270,415	172,093	390,722	227,244	1,090,474
Profit receivable	26,113	-	-	-	-	26,113
Advances, deposits and other receivables	11,927	-	-	-	-	11,927
	<u>1,008,286</u>	<u>270,415</u>	<u>172,093</u>	<u>390,722</u>	<u>227,244</u>	<u>2,098,760</u>
<b>Financial liabilities</b>						
Payable to the Management Company	3,463	-	-	-	-	3,463
Payable to the Trustee	132	-	-	-	-	132
Payable against redemption of units	47	-	-	-	-	47
Accrued expenses and other liabilities	1,170	-	-	-	-	1,170
	<u>4,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,812</u>
	<u>1,003,474</u>	<u>270,415</u>	<u>172,093</u>	<u>390,722</u>	<u>227,244</u>	<u>2,093,948</u>
June 30, 2019	Within 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 5 years	More than 5 years	Total
	----- Rupees in '000 -----					
<b>Financial assets</b>						
Bank balances	899,104	-	-	-	-	899,104
Investments	-	-	-	338,499	153,840	492,339
Receivable against marginal trading system	-	-	-	-	-	-
Profit receivable	19,976	-	-	-	-	19,976
Deposits and other receivables	11,370	-	-	-	-	11,370
	<u>930,450</u>	<u>-</u>	<u>-</u>	<u>338,499</u>	<u>153,840</u>	<u>1,422,789</u>
<b>Financial liabilities</b>						
Payable to the Management Company	1,583	-	-	-	-	1,583
Payable to the Trustee	169	-	-	-	-	169
Payable against redemption of units	47	-	-	-	-	47
Accrued expenses and other liabilities	2,100	-	-	-	-	2,100
	<u>3,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,899</u>
	<u>926,551</u>	<u>-</u>	<u>-</u>	<u>338,499</u>	<u>153,840</u>	<u>1,418,890</u>

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

## 20. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

Name	Designation	Experience in years	Qualification
Muhammad Saqib Saleem	Chief Executive Officer	23	FCA & FCCA
Muhammad Asim	Chief Investment Officer	17	MBA & CFA
Awais Abdul Sattar	Head of Research	9	MBA & CFA
Saad Ahmed	Head of Fixed Income	15	MBA
Syed Mohammad Usama Iqbal	Fund Manager	17	B.Com & Master in Economics

20.1 Syed Mohammad Usama Iqbal is the Manager of the Fund who also manages Alhamra Islamic Income Fund.

## 21. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2020 (Percentage)
1 Invest One Markets Private Limited	28.33
2 Continental Exchange Private Limited	22.81
3 Next Capital Limited	15.91
4 Bright Capital Private Limited	10.64
5 Arif Habib Limited	8.24
6 Icon Securities Private Limited	4.23
7 Paramount Capital Private Limited	2.41
8 C And M Management Private Limited	1.76
9 JS Global Capital Limited	1.67
10 BMA Capital Management Limited	1.54
	June 30, 2019 (Percentage)
1 JS Global Capital Limited	49.06
2 Invest One Markets (Private) Limited	20.05
3 Continental Exchange (Private) Limited	11.4
4 BMA Capital Management Limited	10.9
5 Next Capital Limited	8.08
6 BIPL Securities Limited	0.51

## 22. PATTERN OF UNIT HOLDING

	As at June 30, 2020			
	Number of unit holders	Number of units	Investment amount	Percentage investment
	(Rupees in '000)			%
Individuals	1,259	22,181,520	1,202,393	57.91
Associated company	1	97,032	5,260	0.25
Insurance companies	12	5,854,717	317,366	15.29
Retirement funds	41	4,051,806	219,636	10.58
Others	103	6,116,183	331,540	15.97
	<b>1,416</b>	<b>38,301,258</b>	<b>2,076,195</b>	<b>100</b>
	As at June 30, 2019			
	Number of unit holders	Number of units	Investment amount	Percentage investment
	(Rupees in '000)			%
Individuals	1,160	16,717,034	899,768	64.66
Associated company	1	85,750	4,615	0.33
Insurance companies	10	4,551,052	244,953	17.6
Retirement funds	40	2,577,369	138,723	9.97
Others	48	1,922,428	103,472	7.44
	<b>1,259</b>	<b>25,853,633</b>	<b>1,391,531</b>	<b>100</b>

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

### 23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 151<sup>st</sup>, 152<sup>nd</sup>, 153<sup>rd</sup>, 154<sup>th</sup>, 155<sup>th</sup>, and 156<sup>th</sup> meeting of the Board of Directors were held on August 01, 2019, September 13, 2019, October 24, 2019, February 06, 2020, February 21, 2020 and April 20, 2020 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

Name of persons attending the meetings	Designation	Number of Meetings Held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave Granted	
Mian Muhammad Mansha *	Former Chairman	6	4	1	3	151, 153 & 154
Mr. Haroun Rashid	Chairman	6	6	5	1	154
Mr. Nasim Beg	Director	6	6	6	-	-
Mr. Ahmed Jahangir	Director	6	6	6	-	-
Mr. Samad A. Habib *	Director	6	4	1	3	151, 153 & 154
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	156
Ms. Mavra Adil Khan **	Director	6	2	2	-	-
Mr. Muhammad Saqib Saleem	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 conducted on February 06, 2020 wherein all retiring directors except for Mian Muhammad Mansha and Mr. Samad A. Habib were re-elected.

\*\*\*\* New Director appointed on the Board of Directors on September 04, 2019.

### 24. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

### 25. CORRESPONDING FIGURES

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

### 26. IMPACT OF COVID-19

A novel strain of Coronavirus (COVID-19) was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown. During the lockdown that lasted from March to May 2020, the funds continued their activity, as the Pakistan Stock Exchange and the money markets continued trading. Management Company is of the view that while COVID-19 and its resulting containment measures have affected the economy, investors' confidence and adequate steps from the government and regulators have spearheaded recovery and subsequent events reflect that in due course, things would be normalised.

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

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**27. DATE OF AUTHORISATION FOR ISSUE**

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

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No. of Unit Holders	Unit Holdings	Total Units Held
522	001-10,000	22,006
259	10,001 – 100,000	173,471
350	100,001 – 1000,000	2,637,529
285	1000,001+	35,468,252
<b>1416</b>		<b>38,301,258</b>

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

Performance Information	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	2076.195	1,392	1,519	1,722
Net Assets value per unit – Rupees	54.207	53.8234	56.3297	53.7626
Closing Offer Price	55.4321	55.0398	57.6028	54.9776
Closing Repurchase Price	54.207	53.8234	56.3297	53.7626
Highest offer price per unit	62.8085	59.4166	57.6028	58.5767
Lowest offer price per unit	55.058	55.0086	54.9843	54.75
Highest Redemption price per unit	61.4204	58.1035	56.3297	57.22
Lowest Redemption price per unit	53.8412	53.7929	53.7691	53.51
Distribution per unit – Rs. *	7.1414	4.3249		3.54
<b>Average Annual Return - %</b>				
One year	13.96	8.13	4.77	6.90
Two year	11.05	6.45	5.84	6.52
Three year	8.95	6.60	5.94	8.12
Net Income for the year – Rs. in million	212.02	116.38	69.70	69.019
Distribution made during the year – Rs. in million	246.0934	173.12	-	65.255
Accumulated Capital Growth – Rs. in million	12.778	(56.740)	69.698	3.764
Weighted average Portfolio Duration ( years )	1.6	1.5	1.9	1.0

**\* Date of Distribution**

2020	
Date	Rate
June 26, 2020	7.1414

2019	
Date	Rate
June 27, 2019	4.3249
July 4, 2018	2.5511

2018	
Date	Rate
NIL	

2017	
Date	Rate
June 19, 2017	3.54

**Disclaimer**

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

**MCB-Arif Habib Savings and Investments Limited**

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