

LAKSON ASSET ALLOCATION DEVELOPED MARKETS FUND  
Annual Report 2019







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## ==== **Vision** ====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



## ==== **Mission** ====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

## Fund's Information

### Management Company

Lakson Investments Limited  
Head Office  
Lakson Square, Building No.2,  
Sarwar Shaheed Road,  
Karachi-74200, Pakistan.  
Phone: (9221) 3840.0000  
Fax: (9221) 3568.1653  
Web site: [www.li.com.pk](http://www.li.com.pk)  
E-mail: [info@li.com.pk](mailto:info@li.com.pk)

### Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman  
Mr. Babar Ali Lakhani - Chief Executive Officer  
Mr. Jamil Ahmed Mughal  
Mr. Amin Mohammed Lakhani  
Mr. Jacques John Visser  
Ms. Roxanne Davies (From April 22, 2019)  
Ms. Gaite Ali (From April 22, 2019)  
Ms. Kathleen Kennedy Townsend (From April 22, 2019)  
Mr. Daniel Scott Smaller (Upto April 22, 2019)  
Mr. Zahid Zakiuddin (Upto April 22, 2019)  
Mr. Mahomed J. Jaffer (Upto April 22, 2019)

### Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

### Audit Committee

Mr. Jacques John Visser - Chairman (From April 22, 2019)  
Mr. Amin Mohammed Lakhani  
Mr. Iqbal Ali Lakhani  
Mr. Jamil Ahmed Mughal  
Mr. Zahid Zakiuddin (Upto April 22, 2019)

### Human Resource and Remuneration Committee

Ms. Gaite Ali - Chairman (From April 22, 2019)  
Mr. Babar Ali Lakhani  
Mr. Daniel Scott Smaller (Upto April 22, 2019)

### Trustee

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

### Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.2,  
Beaumont Road,  
Karachi - 75530, Pakistan

**Bankers to the Fund**

Allied Bank Limited  
Bank Alfalah Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Habib Bank AG Zurich  
National Bank of Pakistan  
United Bank Limited

**Legal Adviser**

Fazleghani Advocates  
F-72/1, Block 8, KDA-5,  
Kehkashan, Clifton,  
Karachi, Pakistan.

**Registrar**

Lakson Investments Limited  
Lakson Square Building No.2,  
Sarwar Shaheed Road,  
Karachi-74200, Pakistan

**Distributor**

Rabia Fida  
BMA Capital Management Limited

**Rating**

5-Star (One Year)  
5-Star (Three Years)  
5-Star (Five Years)  
Fund Performance Ranking (By JCR-VIS)  
AM2+ : Asset Manager Rating by PACRA



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

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Asset Allocation Developed Markets Fund ('LAADMF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2019.

### **Fund Objective**

The investment objective of the Fund is to provide long-term capital appreciation by investing in a mix of domestic debt and Developed Markets Securities.

### **Principal activities**

LAADMF is an open-end asset allocation scheme and is listed on Pakistan Stock Exchange Limited. The Scheme is managed using an active investment management style which focuses on an analysis of the macro factors such as government policies, global economic data, commodities prices and supply/demand dynamics. The Scheme switches exposure between the domestic Government Securities and the Developed Markets securities based on the outlook of the Investments Team of the performance of the Developed Markets. The Scheme may overweight or underweight countries relative to its benchmark for Developed Markets investments, the MSCI World Index. Exposure of the Scheme in the fixed income securities is managed through duration and yield curve management by shifting between different maturities of the Government Securities.

### **Development and Performance Review**

Lakson Asset Allocation Developed Markets Fund generated an absolute return of 18.16% in the FY19 compared to the Benchmark return of 20.84%. The LAADMF has underperformed the benchmark by 2.68%. As of June 28, 2019, allocation in Developed Market Equities was 39% and remaining in cash (60%).

### **Earnings Per Unit (EPU)**

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

### **Income Distribution**

The Chief Executive Officer under the authority from Board of Directors of the Management Company during the year declared the interim payout of PKR 5.2625 per unit (5.2625% of face value of PKR 100/-) amounting to PKR 8.813 million distribution in cash for the year ended June 30, 2019.

### **Principal Risk and Uncertainties**

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

These aforementioned risks could push both the foreign and local investors to liquidate their investments, which may affect the financial market adversely and may affect the Fund's profitability as well.

### **Asset Manager and Fund Rating**

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM2+". The VIS Credit Rating Company Limited has given the one year, three years and five years performance rankings of "5-Star" to the LAADMF.

### **Additional Matters:**

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.

3. Proper books of accounts of the Fund have been maintained.
4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations'), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Fund's ability to continue as a going concern.
8. Key financial data has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. The pattern of unit holding as at June 30, 2019 is given in note No. 21.1 of the Financial Statements.
12. A performance table / key financial data is annexed to this annual report.

#### **External Auditor**

The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2020. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2020.

#### **ECONOMY REVIEW**

The economy continued to remain weak with large scale manufacturing index down 3.5% YoY in 11MFY19. The decline during the period was driven by food, beverages and tobacco sector followed by petroleum products, pharmaceuticals, automobiles and iron and steel products. The external position improved slightly through the year as imports were curtailed coming down to USD 54.5bn, down 9.9% YoY with steep declines in machineries and transport groups. Exports came down slightly as well decreasing 1% YoY to USD 23.0bn. Foreign exchange reserves remained under pressure throughout the year, slipping from USD 16.4bn at end of 2018 to USD 14.4bn at end of 2019. Rupee remained weak during the weak declining aggressively. It depreciated 24% during the year from PKR 121.50/USD at the end of 2018 to PKR 160.05/USD at the end of 2019.

Inflation also remained higher climbing month on month. It averaged 7.3% YoY during the year compared to 3.9% in fy18. And fiscal deficit continued to worsen with the 9MFY19 deficit recorded at 5.0% of GDP compared to 4.3% in 9MFY18 and 6.6% for the full year in 2018.

#### **Fixed Income Market Review**

SBP raised its policy rate by a cumulative 475bps in FY19 as large twin deficits and inflationary pressures called for aggressive monetary tightening, particularly stoked by IMF's pre-conditions for its US\$6bn loan program. PKR devalued by a further 24% in FY19 after losing 14% of its value against the USD in FY18. Gas/power tariff hikes, PKR devaluation and rising perishable food prices have contributed significantly to domestic inflation, with CPI for FY19 clocking in at 7.33% (Jun'19 CPI: 8.9%, NFNE: 7.2%), compared to 3.9% in FY18. Given the outlook on the exchange rate and inflation, further policy rate hike of 75-100bps are likely this year.

During FY19, market participation in T-Bills rose 7%yoy with continued Government borrowing from SBP and commercial banks. GoP raised cumulative PKR18.5 trillion vs. PKR17.3 trillion in the SPLY. The 475bps rise in interest rates translated in T-Bill cut off yields jumping by 376bps YoY on average to 9.8% in 3M tenor, 10.0% in 6M and 10.2% in 12M tenor (up 363bps, 376bps and 390bps respectively). Participation remained skewed towards 3M tenor due to persistent expectations of interest rate hikes. Interest in PIB auctions rose substantially with GoP raising a whopping PKR1.03tn in FY19 vs. PKR101bn in FY18. Cut-off yields rose 379bps on average to 11.22% in 3-year tenor, 11.62% in 5-year and 12.13% in 10-year (up 393bps, 376bp and 367bps respectively). The highest participation was witnessed in 3-yr tenor maturities. We expect robust participation in longer tenor maturity investments may continue, particularly under the stick of the IMF's loan program terms.

Broad Money (M2) growth rose to 11.26%yoy vs. 10.59%yoy in FY18 but lower from 13.69% in FY17. The growth was led by rising (i) currency in circulation (up 12.8%yoy) and deposits held by banks (up 10.6% yoy, specifically demand deposits). This compensated for drop in time deposits.

### **Developed Market Review**

MSCI's Europe, Australia and Far East Index (EAFE) was down 1.8% in FY19. New Zealand, Switzerland and Greece stock markets were the better performers during the year, all three posting double digit returns for FY19. Major underperformers included Ireland, Austria and Portugal.

USA's S&P 500 Index rallied 8.2% in FY19. First half of the year saw stock market underperforming given the US-China trade war. Goods worth over USD 250bn had tariffs imposed between 10%-25% with China retaliating and imposing similar tariffs. Despite multiple rounds of negotiations, trade war couldn't be ended. Subsequently, economic growth forecasts were revised downwards leading to increasing risks of a global economic recession. However, 3QFY19 saw S&P 500 posting a double-digit positive return as optimism on possible trade war resolution and pause in rate hikes by FED to support economic growth.

Japan's Nikkei Index was down 4.6% in FY19 to close at 21,276 points. Bank of Japan revised its economic growth down midway through the year as global economic slowdown concerns gained traction. Weak economic data from January to March 2019 prompted GDP forecast cuts for next year to 0.5% growth. However, Japanese stocks continue to trade at cheaper valuations compared to global peers. And despite a declining population, Japan's labor force is expanding driven by increasing female participation, increasing retirement age and increasing hiring, including expats. The resilience of the domestic economy has supported foreign investors increasing their buying in the stock market post March.

UK remained under pressure during the year with its economy continuing to show signs of slowing down and Brexit negotiations creating uncertainty. Confidence in the government to finalize Brexit by March 2019 weakened through the year keeping the British pound volatile. The original deadline was delayed from March 2019 to October 2019. Near the end of the year, British PM Theresa May resigned, unable to reach a deal. Boris Johnson was selected as the new PM in July and has been tasked to reach a satisfactory Brexit conclusion within 100 days.

Spain's IBEX Index gave a negative return of 4.4% in FY19. Germany's stock index was flattish, closing +0.8% while France was up +4.0% during FY19.

### **Future Outlook**

Since the end of the fiscal year the central bank has increased the policy rate by a further 100bps, where we do not expect further tightening given inflationary threats have been preemptively priced in SBP has guided for CPI to remain within 10-12% range in the 2HCY19). Bulk of the exchange rate correction has been achieved where real effective exchange rate (REER) stood at 102.6 (provisional) for May'19 (as per SBP) and is likely to have dropped below 100 post 12% PKR devaluation in Jun'19. We expect pace of devaluation to adopt a more modest pace of 5-6% p.a. hereon which should further narrow inflationary pressures going forward.

Economic growth is expected to remain weak in FY20 given high levels of interest rates and inflation. GDP growth rate is forecasted at 2.5% by the central bank.



Pakistan officially entered into the IMF program near the end of the fiscal year for Extended Fund Facility of USD 6bn which will help unlock USD 38bn in external borrowing and grants over the next few years and help support the fiscal position. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. Exports are likely to grow in FY20 on the back of a weaker currency compared to peers and measures to boost exports. Import growth will be contained on the back of higher duties on luxury goods.

Inflation is expected to increase to low double digits, 11-13% for FY20 according to various sources, before declining in FY21. Impact of rupee depreciation and pass on of the electricity and gas tariffs are key reasons behind the increase. Interest rates are expected to stay elevated and peak within the first half before declining in the second half of the fiscal year.

For FY19, the deficit is expected to cross 8%. This is expected to be curtailed next year with aggressive tax collection targets.

Early into FY20, the market's sentiment still remains depressed. However, as clarity emerges in the next few months on (i) interest rates, (ii) the FATF decision and (iii) relations with the US, it is possible that the stock market takes a sustainable turn for the positive from 2QFY20 onwards.

#### **Acknowledgment**

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

**For and on behalf of the Board**

**Chief Executive Officer**

**Director**

**Dated: September 03, 2019  
Karachi**



لیکسن ایسٹ ایلیوکیشن ڈیویڈنڈ مارکیٹس فنڈ  
30 جون 2019 کو ختم ہونے والے سال کے لیے  
میںجنت کھپنی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس ایلیوڈ کے بورڈ آف ڈائریکٹرز، لیکسن ایسٹ ایلیوکیشن ڈیویڈنڈ مارکیٹس فنڈ ("LAADMF" یا فنڈ) کی میںجنت کھپنی 30 جون 2019ء کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

#### فنڈ کا مقصد

لیکسن ایسٹ ایلیوکیشن ڈیویڈنڈ مارکیٹس فنڈ کی سرمایہ کاری کا مقصد، مختلف طرح کے ملکی قرضوں اور ڈیویڈنڈ مارکیٹس سیکورٹیز میں سرمایہ کاری کرتے ہوئے طویل مدت کے لیے اصل سرمائے کی قدر میں اضافہ کرنا ہے۔

#### نمایاں سرگرمیاں

LAADMF ایک اوپن اینڈ ایسٹ ایلیوکیشن اسکیم ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ اسکیم کو انویسٹمنٹ میںجنت کے ایک فعال انداز کو اختیار کرتے ہوئے چلا یا جائے گا جس میں بڑے عوام جیسے حکومتی پالیسیز، گلوبل اسٹاک ڈیبا، کموڈٹیز کی قیمتیں اور سپلائی / ڈیمانڈ ڈائنامکس کے تجزیوں کو پیش نظر رکھا جائے گا۔ اس اسکیم سے ڈومیسٹک گورنمنٹ سیکورٹیز اور ایسی ڈیویڈنڈ مارکیٹس سیکورٹیز کے درمیان تبدیلیوں کے ساتھ سرمایہ کاری کی جاتی ہے، جس کا ڈیویڈنڈ مارکیٹس کی سرمایہ کاری کے منظر نامے اور اپنی انویسٹمنٹس ٹیم کی پیشگوئیوں پر انحصار ہوتا ہے۔ یہ اسکیم ڈیویڈنڈ مارکیٹس کی سرمایہ کاری سے متعلق بیچ مارک MSCI World Index کے حوالے سے متعلق ممالک کو اور ریٹ یا انڈر ریٹ کر سکتی ہے۔ اسکیم کی سرمایہ کاری کو فکسڈ انکم سیکورٹیز میں اس کی مدت اور yield میںجنت کے ذریعے مختلف میچورٹیز اور حکومتی سیکورٹیز کے درمیان منتقل کرتے ہوئے منظم کیا جائے گا۔

#### پیش رفت اور کارکردگی کا جائزہ

LAADMF نے مالی سال 2019ء کے دوران بیچ مارک منافع 20.84% کے مقابلے میں 18.16% کا مطلق منافع حاصل کیا۔ فنڈ نے بیچ مارک کے مقابلے میں 2.68% کم تر کردگی کا مظاہرہ کیا ہے۔ 28 جون 2019 کے مطابق 39% ڈیویڈنڈ مارکیٹس سیکورٹیز میں جبکہ بقیہ فنڈ کیش (60%) میں مختص کیا گیا۔

#### فی یونٹ آمدنی (EPU)

فی یونٹ آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے تخمینہ شدہ اوسط یونٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔

## آمدنی کی تقسیم

چیف ایگزیکٹو آفیسر نے منجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز کی طرف سے اختیار کے تحت 30 جون 2019 کو رقم ہونے والے سال کے لیے فی یونٹ 5.2625 روپے (100 روپے کی فیس ویلیو کا 5.2625%)، کی عبوری نقد تقسیم کا اعلان کیا ہے جس کی مالیت 8.813 ملین روپے بنتی ہے۔

## اہم خطرات و خدشات

اقتصادی عدم استحکام، بڑھتا ہوا کرٹ اکانٹ خسارہ، زرمبادلہ کے کم ہونے و ذخائر، توقع سے زیادہ افراط زر، روپے کی قدر میں کمی، ایک طرفہ ادو طرفہ قرض فراہم کنندہ ایجنسیز، دونوں کی طرف سے توقع سے کم مالی امداد، مزید مالیاتی سختی اور گزرتے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے ایک خطرہ بنے ہوئے ہیں۔

مذکورہ بالا خطرات غیر ملکی اور مقامی سرمایہ کاروں، دونوں کو اپنی سرمایہ کاریاں تحلیل کرنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات پڑ سکتے ہیں اور فنڈ کی منافع کم آنے کی صلاحیت بھی متاثر ہو سکتی ہے۔

## ای سی ڈی منیجر اینڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے منجمنٹ کمیٹی کی ای سی ڈی منیجر ریٹنگ "AM2+" پر برقرار رکھی ہے۔ VIS کریڈٹ ریٹنگ کمیٹی لمیٹڈ نے LAADMF کو "15 اسٹار" کی ایک سالہ، تین سالہ اور پانچ سالہ پرفارمنس ریٹنگ دی ہے۔

## اضافی معاملات

- 1- منجمنٹ کمیٹی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- منجمنٹ کمیٹی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، یکیش فلووز اور یونٹ ہولڈرز کے فنڈ میں نقل و حرکت کی مصفاہ عکاسی کرتے ہیں۔
- 3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے اور شہادتاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (ایسی سی ڈی منیجر اینڈ ریٹنگ ایجنسی) کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹی پیئر ریگولیشنز، 2008 (NBFC ریگولیشنز)، ایکویٹی ریٹنگ ایجنسی کے تقاضوں اور فنڈ کی تشکیلی دستاویزات کے تقاضوں کی بیرونی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
- 6- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 7- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 8- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسیسر، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- پروڈیٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات بیجمنٹ کمپنی کی طرف سے برداشت کیے جاتے ہیں۔

11-30 جون 2019 کے مطابق یونٹ ہولڈنگ کا پیئرن مالیاتی گوشواروں کے نوٹ نمبر 21.1 میں دیا گیا ہے۔

12- کارکردگی کی جدول / اہم اقتصادی ڈیٹا سالانہ رپورٹ کے ساتھ منسلک ہے۔

### بیرونی آڈیٹر

موجودہ آڈیٹر میسرز KPMG ٹاٹیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بنیاد پر 30 جون 2020 کو ختم ہونے والے سال کیلئے بطور آڈیٹرز دوبارہ تقرری کے لیے اپنی رضامندی ظاہر کی ہے۔ آڈٹ کمپنی کی سفارش پر بورڈ آف ڈائریکٹرز نے میسرز KPMG ٹاٹیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 30 جون 2020 کو ختم ہونے والے سال کے لیے دوبارہ مقرر کر دیا ہے۔

### معاشی جائزہ

مالی سال 2019 کے 11 ماہ میں لارج اسکیل مینوفیکچرنگ انڈیکس میں سال بہ سال بنیاد پر 3.5% کمی کے ساتھ معیشت بدستور کمزور رہی۔ پیٹرول پر دؤکش، فارماسیوٹیکلز، آٹوموبائلز اور آئرن اور اسٹیل پر دؤکش اور ان کے بعد فوڈ، بیورٹیز اور ٹیکسٹائل کے دوران گراؤٹ کا محرک رہے۔ سال کے دوران بیرونی صورت حال قدرے بہتر ہوئی جیسا کہ درآمدات محدود رکھی گئیں جو 154.5 ارب امریکی ڈالر تک پہنچے آئیں، جیسا کہ مشینری اور ٹرانسپورٹ گروپس میں سالانہ بنیاد پر 9.9% کی زبردستی ہوئی۔ برآمدات میں بھی تھوڑی کمی ہوئی جو سال بہ سال بنیاد پر 1% گراؤٹ کے ساتھ 123.0 ارب امریکی ڈالر ہیں۔ زرمبادلہ کے ذخائر پورے سال کے دوران دباؤ میں رہے اور 2018 کے آخر میں 16.4 ارب امریکی ڈالر سے 2019 کے آخر میں 14.4 ارب امریکی ڈالر تک گر گئے۔ پاکستانی روپیہ کمزور رہا اور اس کی قدر میں تیزی سے کمی ہوئی۔ سال کے دوران سی کے قدر میں 2018 کے اختتام پر 121.50 روپے فی امریکی ڈالر سے 2019 کے آخر تک 160.05 روپے فی امریکی ڈالر تک کمی ہوئی۔ مہنگائی بھی مہینے میں زیادہ رہی اس سال کے دوران اس کی اوسط اوسط 7.3% فیصد ہے جو سال 18 کے 3.9% فیصد تھی۔ جب کہ مالیاتی خسارہ مسلسل بگڑتا رہا اور مالی سال 2018 کے 9 ماہ میں 4.3% اور 2018 کے پورے سال کے لیے 6.6% کے مقابلے میں 2019 کے پہلے 9 ماہ میں GDP کا 5.0% خسارہ ریکارڈ کیا گیا۔

### فلسفہ انکم مارکیٹ کا جائزہ

SBP نے مالی سال 2019 کے پہلے 9 ماہ میں اپنے پالیسی ریٹ میں مجموعی طور پر 475 بنیادی پوائنٹس کا اضافہ کیا جیسا کہ دو ہرے خسارے اور افراط زر کے دباؤ کا تقاضا تھا کہ جارحانہ مالیاتی سختی کی جائے، خصوصاً آئی ایم ایف کی طرف سے اپنے 6 ارب امریکی ڈالروں پر وگرام کے لیے عائد کردہ پیشگی شرائط کے تحت۔ مالی سال 2018 میں امریکی ڈالر کے خلاف اپنی 14% قدر رکھنے کے بعد پاکستانی روپیہ کی قدر میں مالی سال 2019 میں مزید 24% گراؤٹ آئی۔ گیس / بجلی کے نرخوں میں اضافے نے پاکستانی روپیہ کی قدر میں کمی اور قابل تلف خوراک کی قیمتوں میں اضافے کے ساتھ مل کر نکلی افراط زر میں اہم کردار ادا کیا ہے جس کا نتیجہ مالی سال 2018 میں 3.9% کے مقابلے میں مالی سال 2019 میں 7.33% کے PI کی شکل میں نکلا (جون 2019 میں CPI: +8.9%، NFNE: 7.2%)۔ زرمبادلہ شرح اور افراط زر کے پیش نظر اس سال پالیسی ریٹ میں 100-75 بنیادی پوائنٹس کے مزید اضافے کا امکان ہے۔

مالی سال 2019 میں حکومت پاکستان کی طرف سے SBP اور کمرشل بینکوں سے قرض حاصل کرنے کا سلسلہ جاری رہنے کے ساتھ ٹی بزنس مارکیٹ کی شمولیت میں سال بہ سال بنیاد پر 7% اضافہ ہوا۔ حکومت پاکستان نے گزشتہ سال اسی مدت میں 17.3 کھرب روپے کے مقابلے میں مجموعی طور پر طور پر 18.5 کھرب پاکستانی روپے حاصل کیے۔ شرح سود میں 475 بنیادی پوائنٹس اضافے کا نتیجہ ٹی بزنس کے حتمی منافع جات کے سال بہ سال بنیاد پر 376 بنیادی پوائنٹس تک جست لگا کر ماہی میعاد کی اوسط 9.8%، ششماہی میعاد کی اوسط 10.0% اور بارہ ماہ کی اوسط 10.2% تک پہنچنے کی صورت میں سامنے آیا۔ 9.8% (بالتزیب 363 بنیادی پوائنٹس، 376 بنیادی پوائنٹس اور 390 بنیادی پوائنٹس اضافہ)۔ شرح سود میں اضافے کی مسلسل توقعات کی وجہ سے سرمایہ کاری کا جھکاؤ سد ماہی میعاد کی طرف رہا۔

حکومت پاکستان کی طرف سے مالی سال 2018 میں 101 ارب روپے کے مقابلے میں مالی سال 2019 میں 1.03 کھرب روپے کی بھاری رقم اکٹھے کرنے کی وجہ سے PIB کی بنیادوں میں دل چسپی میں خاطر خواہ اضافہ ہوا۔ 3 سالہ مدت میں حتمی منافع جات میں 11.22% اور طور پر 379 بنیادی پوائنٹس، 5 سالہ میعاد میں 11.62% اور 10 سالہ میعاد میں 12.13% اضافہ ہوا (بالتزیب 393 بنیادی پوائنٹس، 376 بنیادی پوائنٹس اور 367 بنیادی پوائنٹس اضافہ)۔ سب سے زیادہ سرمایہ کاری 3 سالہ مدت کی پیپورٹیز میں دیکھے میں آئی۔ ہم توقع رکھتے ہیں طویل مدتی پیپورٹی والی سرمایہ کاریوں میں ٹیوش شمولیت جاری رہے گی، خصوصاً آئی ایم ایف۔ لون پروگرام کی شرائط کے دباؤ کے تحت۔

براؤنٹی (ایم 2) کی نمو مالی سال 2018 میں سال بہ سال بنیاد پر 10.59% کے مقابلے میں 11.26% تک بڑھی تاہم مالی سال 2017 میں 13.69% سے کم رہی۔ یہ شرح نمودار ذیل میں اضافے کا نتیجہ ہے (1) کرنسی کی گردش میں اضافہ (سال بہ سال بنیاد پر 12.8% اضافہ) اور بینکوں کے پاس رکھے ہوئے ذخائر (سال بہ سال بنیاد پر 10.6% اضافہ، خاص طور پر ڈیماٹڈ پارٹس)۔ اس نے تاہم ڈپازٹس میں کمی کی تلافی کی۔

#### ڈیویڈنڈ مارکیٹ کا جائزہ

مالی سال 2019 میں MSCI کے یورپ، آسٹریلیا اور فار ایسٹ انڈیکس (EAFE) میں 1.8% کمی ہوئی۔ سال کے دوران نیوزی لینڈ، سویٹزر لینڈ اور یونان کی اسٹاک مارکیٹس نے بہتر کارکردگی کا مظاہرہ کیا اور تینوں نے مالی سال 2019 کے لئے دوہرے ہندسوں میں منافع جات درج کرائے۔ کم تر کارکردگی دکھانے والے نمایاں ممالک میں آئر لینڈ، آسٹریا اور پرچکال شامل تھے۔

مالی سال 2019 میں امریکہ کے S&P 500 انڈیکس میں 8.2% فیصد اضافہ ہوا۔ سال کے پہلے نصف حصے میں امریکہ اور چین تجارتی جنگ کے پیش نظر اسٹاک مارکیٹ کی کارکردگی بہتر رہی۔ چین نے جوانی کارروائی کرتے ہوئے اسی طرح کے زخوں کو مسلط کرنے کے ساتھ 250 بلین ڈالر سے زائد مائت کے 10 فیصد سے 25 فی صد کے درمیان محصولات عائد کر دیے تھے۔ مذاکرات کے متعدد دور چلنے کے باوجود تجارتی جنگ ختم نہیں ہو سکی۔ اس کے بعد، معاشی نمو کی پیش گوئی میں نیچے کی طرف نظر ثانی کی گئی جس کے نتیجے میں عالمی معاشی کساد بازاری کے خطرات بڑھ گئے۔

تاہم، مالی سال 2019 کی تیسری سد ماہی میں S&P 500 کو دوہرے ہندسوں کی میں مثبت منافع مندرج کرتے دیکھا گیا جیسا کہ مکاتبت تجارتی جنگ کے حل اور FED کی طرف سے معاشی نمو کو سہارا دینے کے لیے شرح سود میں اضافہ دکنے کے حوالے سے خوش آمدی پائی گئی۔

جاپان Nikkei انڈیکس مالی سال 2019 میں 4.6 فیصد کم ہو کر 21,276 پوائنٹس پر بند ہوا۔ بینک آف جاپان نے سال کے وسط میں اپنی معاشی نمو پر نیچے کی طرف نظر ثانی کیونکہ عالمی معاشی سست روی کے خدشات زور پکڑ رہے ہیں۔ جنوری سے مارچ 2019 تک کے کمزور معاشی اعداد و شمار کے باعث اگلے سال کے لئے جی ڈی پی کی پیش گوئی میں شرح نمو میں 0.5 فیصد کٹوتی کر دی گئی۔ تاہم، جاپانی اسٹاکس مقابل ممالک کے مقابلہ میں ارزاقیوں پر فروخت ہوتے رہے۔ اور کم ہوتی آبادی کے باوجود، جاپان کی لیبر فورس خواتین کی شراکت میں اضافے، ریٹائرمنٹ کی عمر میں اضافے اور بشمول تاریکیوں

وطن ملازمتوں میں اضافے کے زور پر وسیع ہو رہی ہے۔ ملکی معیشت کی قوت مدافعت نے مارچ کے بعد غیر ملکی سرمایہ کاروں کو اسٹاک مارکیٹ میں اپنی خریداری میں اضافہ کے لیے معاونت فراہم کی ہے۔

سال کے دوران برطانیہ و باؤ کا شکار رہا جب تک کہ اس کی معیشت مندی ہو نیلے آثار نظر ہر کرتی رہی اور بریکسٹ مذاکرات غیر یقینی صورت حال پیدا کرتے رہے۔ مارچ 2019 تک بریکسٹ کو حتمی شکل دینے کے حوالے سے حکومت میں اعتماد کمزور ہونے سے سال کے دوران برطانوی پاؤنڈ اتار چڑھا ہے دو چار ہا۔ اصل ڈیڈ لائن مارچ 2019 میں اکتوبر 2019 تک تاخیر کی گئی تھی۔ سال کے اختتام کے قریب ہی برطانوی وزیر اعظم ٹھریا نے استعفیٰ دے دیا، جو معاہدہ کرنے میں ناکام رہی تھیں۔ بورس جانسن کو جولائی میں سننے وزیر اعظم کے طور پر منتخب کیا گیا تھا اور انہیں 100 دن میں بریکسٹ کو عملی بخش نتیجے پر پہنچانے کا کام سونپا گیا ہے۔

مالی سال 2019 میں اسپین کے IBEX انڈیکس نے 4.4 فی صد کے منفی نتائج پیش کیے۔ جرمنی کا اسٹاک انڈیکس نسبتاً صواریں ہا اور 0.8% پر بند ہوا جبکہ مالی سال 2019 کے دوران فرانس 4.0% بڑھ گیا تھا۔

### مستقبل کی توقعات

مالی سال کے اختتام کے بعد سے مرکزی بینک نے پالیسی ریٹ میں مزید 100 بنیادی پوائنٹس کا اضافہ کیا ہے، جہاں ہمیں افراط زر کے خطرات کے تحت ہم اسٹیٹ بینک آف پاکستان کی طرف سے پیٹنٹی مقرر کی گئی قیمتوں کے پیش نظر مزید تنجی کی توقع نہیں ہے، اسٹیٹ بینک نے موجودہ سال کے دوسرے نصف میں سی پی آئی کو 10 سے 12 فیصد کی حدود میں رکھنے کی ہدایت کی ہے۔ زرمبادلہ کی شرح میں اصلاح کا بڑا حصہ حاصل کر لیا گیا ہے جہاں حقیقی موثر زرمبادلہ کی شرح (REER) 19% کے لئے 102.6 (عبوری) پر موجود تھی (ایس پی بی کے مطابق) اور جون 2019 میں روپے کی قدر میں 12 فی صد کی کمی کے بعد اس کے 100 کے نیچے آنے کا امکان ہے۔ ہم توقع کرتے ہیں کہ قدر میں کمی کی رفتار 5 تا 6 فی صد سالانہ کی زیادہ معتدل رفتار اختیار کرے گی۔ جس سے افراط زر کے باؤ میں آئندہ مزید کمی آئے گی۔

شرح سود اور افراط زر کی بلند سطح کی وجہ سے مالی سال 2019 میں معاشی نمو کمزور رہنے کی توقع ہے۔ مرکزی بینک کی طرف سے بی ڈی پی کی شرح نمو 2.5 فی صد رہنے کی پیش گوئی کی گئی ہے۔

پاکستان 6 ارب ڈالر کی توسیع شدہ فنڈ کی سہولت کے لئے مالی سال کے اختتام کے قریب آئی ایم ایف کے پروگرام میں باضابطہ طور پر داخل ہوا ہے جس سے آئندہ چند سالوں میں بیرونی قرضے اور گرانٹ میں 38 ارب ڈالر کی آمد کاراستہ کھلنے میں مدد ملے گی اور مالیاتی حالات میں مدد ملے گی۔ مالیاتی صورت حال بدستور کمزور ہے ٹیکس کی بنیاد میں وسعت کے ذریعے ٹیکس آمدنی کی پیداوار میں اضافہ کے ہدف کے ساتھ ٹیکس اصلاحات کی بدولت اس میں بہتری کی توقع ہے۔

مقابلہ ممالک کے مقابلے میں کمزور کرنسی اور برآمدات کو فروغ دینے کے اقدامات کی بدولت مالی سال 2019 میں برآمدات بڑھنے کا امکان ہے۔ ایشیائی تقیش پر بھاری ڈیولپمنٹ کی بدولت درآمدی نمو محدود رہے گی۔

مختلف ذرائع کے مطابق مالی سال 2021 میں کمی سے قبل 2020 کے لئے افراط زر کی شرح میں نچلے دہرے ہندسوں، 11 تا 13 فیصد تک اضافہ متوقع ہے۔ روپے کی قدر میں کمی کے اثرات اور بجلی اور گیس کے نرخوں میں اضافے کی منتقلی اس اضافے کے پیچھے اہم وجوہات ہیں۔ مالی سال کے دوسرے نصف حصے میں کمی سے پہلے سود کی شرح بلند رہنے اور پہلے نصف کے اندر بلند ترین سطح چھو لینے کی توقع ہے۔

مالی سال 2019 کے لیے خسارہ 8 فی صد سے تجاوز کر جانے کی توقع ہے۔ ٹیکس جمع کرنے کے بارہا نہ اہداف کے ساتھ اگلے سال اس کے قابو میں آنے کی

توقع ہے۔

مالی سال 2019 کے ابتدا میں مارکیٹ بدستور مایوتی کے جذبات کا شکار ہے، تاہم آئندہ چند ماہ میں (i) شرح سود (ii) FATF کا فیصلہ (iii) امریکا کے ساتھ تعلقات کے حوالے سے صورت حال واضح ہونے پر یہ ممکن ہے کہ اسٹاک مارکیٹ مالی سال 2020 کی دوسری سہ ماہی کے بعد سے پائیدار بنیاد پر مثبت رخ پر چل پڑے۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈیپازٹری کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج لمیٹڈ کا، ان کے مسلسل تعاون اور مدد پر شکریہ ادا ہے۔ مینجمنٹ کمیٹی کے ڈائریکٹرز فنڈ کی ترقی اور دانش مندانہ نظام و انصرام کے لیے مینجمنٹ کمیٹی کی ٹیم کی محنت اور کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے و مخائب بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

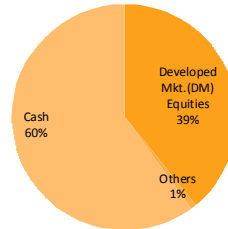
تاریخ: 3 ستمبر 2019

**REPORT OF THE FUND MANAGER  
FOR THE YEAR ENDED JUNE 30, 2019**

**Fund Facts**

Fund Type	Open-End
Category	Asset Allocation Fund
Net Assets (PKR Mil.)	562
NAV (28.06.2019)	150.8779
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	15% of the gross earnings of the Scheme, calculated on a daily basis. The fee is subject to a minimum of 1.25% and maximum of 2% of the average annual net assets of the Scheme. Current - 1.55%
Front End Load	2.50%
Back End Load	None
Launch Date	October 11, 2011
Benchmark	Weighted average daily return of 6M KIBOR and the MSCI World Index based on the Scheme's actual proportion in the debt securities and developed market securities
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (29.8.2019)

**Asset Allocation**



**QQQ ETF**

**As of June 2019**

Contry	Exposure
United States	96.5%
China	1.2%
Netherlands	0.6%
UK	0.5%

**VANGUARD S&P 500**

**As of June 2019**

Sectors	Exposure
United States	97.5%
Ireland	1.2%
United Kingdom	0.9%
Switzerland	0.5%

Fund Performance	LAADMF	Benchmark
FY19	18.16%	20.84%
June-19	5.27%	5.30%
2 Months	5.34%	6.29%
3 Months	7.61%	8.45%
6 Months	15.10%	15.88%
12 Months	18.16%	20.84%
CY19- YTD	14.76%	15.53%
3 Years	42.00%	50.72%
5 Years	69.67%	60.74%
Since Inception	118.53%	125.86%

the benchmark of the fund was changed in September 2016

**Investment Committee**

Babar Ali Lakhani	Chairman
Kashif Mustafa	
Mustafa O. Pasha, CFA	
Shahbaz Ashraf, CFA	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
Uzair Nasir Rasheed	

**Investment Objective**

The investment objective of the Lakson Asset Allocation Developed Markets Fund ("LAADMF") is to provide long-term capital appreciation by investing in a mix of domestic debt and Developed Markets securities.

The LAADMF achieved its investment objective by investing in a mix of risk free PIBs, T-Bills and Exchange Traded Funds ("ETFs") that tracked the performance of the MSCI World Index. The domestic debt component provides investors with long term capital protection; whereas the international portion aims to provide long term capital appreciation and a powerful currency hedge.

### **Investment Strategy**

The Fund maintained concentration to Developed Market exposure in US markets like the S&P and NASDAQ during the year. The domestic debt component of the LAADMF portfolio was constructed by investing in liquid and risk free instruments like PIBs and T-Bills, which were trimmed at intervals when the market allowed for booking hefty gains. The exposure in T-Bills was managed based on the relative yield analysis of these instruments and our yield curve expectations. High exposure in cash enabled the fund to benefit from lower marked to market volatility, while maintaining liquidity and meeting all its obligations in a timely manner.

As of 30th June 2019, the Fund had the following asset allocation; Developed Market Equities (39.2%), Cash (60%) and others (0.7%).

### **Economic Review**

The economy continued to remain weak with large scale manufacturing index down 3.5% YoY in 11MFY19. The decline during the period was driven by food, beverages and tobacco sector followed by petroleum products, pharmaceuticals, automobiles and iron and steel products. The external position improved slightly through the year as imports were curtailed coming down to USD 54.5bn, down 9.9% YoY with steep declines in machineries and transport groups. Exports came down slightly as well decreasing 1% YoY to USD 23.0bn. Foreign exchange reserves remained under pressure throughout the year, slipping from USD 16.4bn at end of 2018 to USD 14.4bn at end of 2019. Rupee remained weak during the weak declining aggressively. It depreciated 24% during the year from PKR 121.50/USD at the end of 2018 to PKR 160.05/USD at the end of 2019.

Inflation also remained higher climbing month on month. It averaged 7.3% YoY during the year compared to 3.9% in fy18. And fiscal deficit continued to worsen with the 9MFY19 deficit recorded at 5.0% of GDP compared to 4.3% in 9MFY18 and 6.6% for the full year in 2018.

### **Outlook**

Economic growth is expected to remain weak in FY20 given high levels of interest rates and inflation. GDP growth rate is forecasted at 2.5% by the central bank.

Pakistan officially entered into the IMF program near the end of the fiscal year for Extended Fund Facility of USD 6bn which will help unlock USD 38bn in external borrowing and grants over the next few years and help support the fiscal position. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. Exports are likely to grow in FY20 on the back of a weaker currency compared to peers and measures to boost exports. Import growth will be contained on the back of higher duties on luxury goods. Inflation is expected to increase to low double digits, 11-13% for FY20 according to various sources, before declining in FY21. Impact of rupee depreciation and pass on of the electricity and gas tariffs are key reasons behind the increase. Interest rates are expected to stay elevated and peak within the first half before declining in the second half of the fiscal year.

For FY19, the deficit is expected to cross 8%. This is expected to be curtailed next year with aggressive tax collection targets.

### **Developed Markets Review**

MSCI's Europe, Australia and Far East Index (EAFE) was down 1.8% in FY19. New Zealand, Switzerland and Greece stock markets were the better performers during the year, all three posting double digit returns for FY19. Major underperformers included Ireland, Austria and Portugal.

USA's S&P 500 Index rallied 8.2% in FY19. First half of the year saw stock market underperforming given the US-China trade war. Goods worth over USD 250bn had tariffs imposed between 10%-25% with China retaliating and imposing similar tariffs. Despite multiple rounds of negotiations, trade war couldn't be ended. Subsequently, economic growth forecasts were revised downwards leading to increasing risks of a global economic recession. However, 3QFY19 saw S&P 500 posting a double-digit positive return as optimism on possible trade war resolution and pause in rate hikes by FED to support economic growth.

Japan's Nikkei Index was down 4.6% in FY19 to close at 21,276 points. Bank of Japan revised its economic growth down midway through the year as global economic slowdown concerns gained traction. Weak economic data from January to March 2019 prompted GDP forecast cuts for next year to 0.5% growth. However, Japanese stocks continue to trade at cheaper valuations compared to global peers. And despite a declining population, Japan's labor force is expanding driven by increasing female participation, increasing retirement age and increasing hiring, including expats. The resilience of the domestic economy has supported foreign investors increasing their buying in the stock market post March.

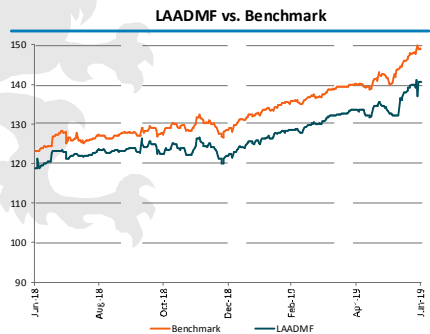
UK remained under pressure during the year with its economy continuing to show signs of slowing down and Brexit negotiations creating uncertainty. Confidence in the government to finalize Brexit by March 2019 weakened through the year keeping the British pound volatile. The original deadline was delayed from March 2019 to October 2019. Near the end of the year, British PM Theresa May resigned, unable to reach a deal. Boris Johnson was selected as the new PM in July and has been tasked to reach a satisfactory Brexit conclusion within 100 days.

Spain's IBEX Index gave a negative return of 4.4% in FY19. Germany's stock index was flattish, closing +0.8% while France was up +4.0% during FY19.

### Fund Performance

Lakson Asset Allocation Developed Markets Fund generated an absolute return of 18.16% in the FY19 compared to the Benchmark return of 20.84%. The LAADMf has underperformed the benchmark by 2.68%. As of June 28, 2019, allocation in Developed Market Equities was 39% and remaining in cash (60%).

Performance Table	FY19	FY18
Net Assets - Beginning (PKR Mil.)	278	227
Net Assets - Ending (PKR Mil.)	562	278
Highest Offer Price (PKR)	161.3447	138.8550
Lowest Offer Price (PKR)	135.1807	121.8366
Highest Redemption Price (PKR)	157.4094	135.4682
Lowest Redemption Price (PKR)	131.8836	118.8649
Beginning NAV - Ex-Div. (PKR)	134.4997	118.9544
Interim Distributions (PKR)	5.2625	-
Final Distribution (PKR)	-	2.3801
Ending NAV - Ex-Div. (PKR)	150.9151	132.1196
Return	18.18%	13.06%
Net Income / (Loss) (PKR Mil.)	38.00	32.00
Distributions	FY19	FY18
Interim Distribution	5.2625	-
Final Distribution	-	2.3801
NAV before Distribution	157.4094	134.4997
NAV after Distribution	152.1469	132.1196
Distribution Date	27-Jun-19	03-Jul-18



### Future Outlook

Since the end of the fiscal year the central bank has increased the policy rate by a further 100bps, where we do not expect further tightening given inflationary threats have been preemptively priced in SBP has guided for CPI to remain within 10-12% range in the 2HCY19). Bulk of the exchange rate correction has been achieved where real effective exchange rate (REER) stood at 102.6 (provisional) for May'19 (as per SBP) and is likely to have dropped below 100 post 12% PKR devaluation in Jun'19. We expect pace of devaluation to adopt a more modest pace of 5-6% p.a. hereon which should further narrow inflationary pressures going forward.

Economic growth is expected to remain weak in FY20 given high levels of interest rates and inflation. GDP growth rate is forecasted at 2.5% by the central bank.

Pakistan officially entered into the IMF program near the end of the fiscal year for Extended Fund Facility of USD 6bn which will help unlock USD 38bn in external borrowing and grants over the next

few years and help support the fiscal position. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. Exports are likely to grow in FY20 on the back of a weaker currency compared to peers and measures to boost exports. Import growth will be contained on the back of higher duties on luxury goods.

Inflation is expected to increase to low double digits, 11-13% for FY20 according to various sources, before declining in FY21. Impact of rupee depreciation and pass on of the electricity and gas tariffs are key reasons behind the increase. Interest rates are expected to stay elevated and peak within the first half before declining in the second half of the fiscal year.

For FY19, the deficit is expected to cross 8%. This is expected to be curtailed next year with aggressive tax collection targets.

Early into FY20, the market's sentiment still remains depressed. However, as clarity emerges in the next few months on (i) interest rates, (ii) the FATF decision and (iii) relations with the US, it is possible that the stock market takes a sustainable turn for the positive from 2QFY20 onwards.

#### **Income Distribution**

The Chief Executive Officer under the authority from Board of Directors of the Management Company during the year declared the interim payout of PKR 5.2625 per unit (5.2625%) of face value of PKR 100/- amounting to PKR 8.813 million distribution in cash for the year ended June 30, 2019.

#### **Circumstances Materially Affecting Interests of Unit Holders**

PACRA maintained the Asset manager Rating of Lakson Investments to 'AM2+' during FY19.

As of June 30, 2019 the LAADMF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 2.48mn. If the same were not made the NAV per unit of the LAADMF would be higher by PKR 0.6814 and the return of the LAADMF for FY19 would be higher by 0.27%.

#### **Other Disclosures**

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2019 the LAADMF does not employ any leverage.

#### **Breakdown of Unit Holding by Size**

<b>Units Range</b>	<b>No. of Clients</b>	<b>Units Held</b>
1 - 100	3	123
101 - 500	3	392
501 - 1,000	2	1,575
1,001 - 5,000	6	15,441
5,001 - 10,000	0	-
10,001 - 50,000	9	191,980
50,001 - 100,000	3	184,746
100,001 - 500,000	6	1,610,256
500,001 - 1,000,000	1	629,694
1,000,001 - 5,000,000	1	1,091,716
5,000,001 - above	0	-
	34	3,725,923

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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S.M.C.H.S. Main Shakra-e-Faisal  
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Email: info@cdcpak.com



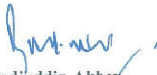
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**LAKSON ASSET ALLOCATION DEVELOPED MARKETS 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 Lakson Asset Allocation Developed Markets Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the following:

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



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

Karachi: September 20, 2019



**INDEPENDENT AUDITORS' REPORT**

To the Unit holders of Lakson Asset Allocation Developed Markets Fund

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

**Opinion**

We have audited the annexed financial statements of Lakson Asset Allocation Developed Markets Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2019, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including 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 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Following is the Key audit matter:**

S.#	Key audit matters	How the matter was addressed in our audit
1	<p>Valuation of Investments</p> <p>Refer to note 7 to the financial statements for the details of investments and the accounting policy in note 5.1 to the financial statements.</p> <p>At 30 June 2019, the Fund had investments in foreign equity of Rs. 224.526 million classified as at "Fair value through profit or loss". It represents 39.93% of net assets value of the Fund as of that date.</p> <p>We identified the valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures to assess the valuation of investments included the following:</p> <ul style="list-style-type: none"> <li>obtained an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and</li> <li>assessed on a sample basis whether the investments were valued at fair value based on the rates quoted at Bloomberg as at 30 June 2019.</li> </ul>

### **Other Information**

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

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

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

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

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

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

Those charged with governance 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 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, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 responsible for the audit resulting in this independent auditor's report is Amyn Pirani.

**Date: September 30, 2019**

**Karachi**

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**KPMG Taseer Hadi & Co.  
Chartered Accountants**

**Statement of Assets and Liabilities  
As at June 30, 2019**

	Note	2019 (Rupees)	2018
<b>Assets</b>			
Bank balances	6	345,797,093	184,316,259
Investments	7	224,526,020	100,190,600
Dividend receivable		631,812	271,511
Accrued mark-up and other receivable	8	495,291	340,041
<b>Total assets</b>		<u>571,450,216</u>	<u>285,118,411</u>
<b>Liabilities</b>			
Payable to the Management Company	9	5,658,676	5,211,244
Remuneration payable to the Trustee	10	197,535	65,016
Annual fee payable to Securities and Exchange Commission of Pakistan	11	320,403	242,137
Accrued expenses and other liabilities	12	2,975,288	1,585,504
<b>Total liabilities</b>		<u>9,151,902</u>	<u>7,103,901</u>
<b>Contingencies and commitments</b>	14		
<b>Net assets</b>		<u>562,298,314</u>	<u>278,014,510</u>
<b>Unit holders' fund (as per attached statement)</b>		<u>562,298,314</u>	<u>278,014,510</u>
		(Number)	
<b>Number of units in issue</b>	15	<u>3,725,923</u>	<u>2,067,026</u>
		(Rupees)	
<b>Net assets value per unit</b>		<u>150.9151</u>	<u>134.4997</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited  
(Management Company)**

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

**Income Statement  
For the year ended June 30, 2019**

	Note	2019	2018
		(Rupees)	
<b>Income</b>			
Capital (loss) / gain on sale of investments held at fair value through profit or loss - net		(86,452)	387,304
Unrealized gain on revaluation of investments at fair value through profit or loss - net		49,323,080	26,385,787
		<u>49,236,628</u>	<u>26,773,091</u>
Dividend income on investments at fair value through profit or loss		1,609,226	944,537
Markup on bank balances - at amortised cost		7,928,087	2,962,949
Markup on Government securities (at fair value through profit or loss)		12,158,645	7,684,046
Exchange gain on foreign currency deposits - at amortised cost		5,696,700	627,755
		<u>76,629,286</u>	<u>38,992,378</u>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	5,217,485	3,924,644
Sindh Sales Tax on remuneration of the Management Company	9.2	678,273	510,204
Remuneration of the Trustee	10	860,277	791,002
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	11	320,404	242,138
Auditors' remuneration	16	289,101	289,101
Custody charges		263,723	173,958
Fees and subscription		1,038,700	158,500
Credit rating fee		210,663	170,000
Printing charges		16,235	97,954
Brokerage, settlement and bank charges		325,442	128,289
SECP supervisory fee		2,500	2,500
<b>Total expenses</b>		<u>9,222,803</u>	<u>6,488,290</u>
<b>Net income from operating activities</b>		<u>67,406,483</u>	<u>32,504,088</u>
Provision for Sindh workers' welfare fund (SWWF)	12.1	(1,348,130)	(650,082)
<b>Net income for the year before taxation</b>		<u>66,058,353</u>	<u>31,854,006</u>
Taxation	18	-	-
<b>Net income for the year after taxation</b>		<u>66,058,353</u>	<u>31,854,006</u>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		66,058,353	31,854,006
Income already paid on units redeemed		(28,294,486)	(19,107,852)
		<u>37,763,867</u>	<u>12,746,154</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains - net		28,668,381	10,687,500
- Excluding capital gains		9,095,486	2,058,654
		<u>37,763,867</u>	<u>12,746,154</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited  
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Comprehensive Income  
For the year ended June 30, 2019**

	2019	2018
	(Rupees)	
Net income for the year after taxation	66,058,353	31,854,006
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>66,058,353</u></u>	<u><u>31,854,006</u></u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



**For Lakson Investments Limited  
(Management Company)**

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

**Statement of Movement in Unit Holders' Fund  
For the year ended June 30, 2019**

	Capital value	Year ended 2019 Undistributed income	Total	Capital value	Year ended 2018 Undistributed income	Total
<b>Net assets at beginning of the year</b>	229,040,147	48,970,363	278,010,510	191,111,582	36,224,209	227,335,791
<b>Issuance of 3,627,197 units (2018: 1,825,205 units) including additional units 89,229 issued at nil value as capital refund</b>						
- Capital value	487,856,908	-	487,856,908	217,116,187	-	217,116,187
- Element of income	54,011,829	-	54,011,829	23,436,500	-	23,436,500
Total proceeds on issuance of units	541,868,737	-	541,868,737	240,553,087	-	240,553,087
<b>Redemption of 1,968,301 units (2018: 1,665,295 units)</b>						
- Capital value	(264,735,894)	-	(264,735,894)	(198,569,983)	-	(198,569,983)
- Element of loss	(6,710,142)	(28,294,486)	(35,004,628)	(4,050,539)	(19,107,852)	(23,158,391)
Total payments on redemption of units	(271,446,036)	(28,294,486)	(299,740,522)	(202,620,522)	(19,107,852)	(221,728,373)
Final distribution during the year is Rs. 2,380.1 per unit for the year ended 30 June 2018 on 03 July 2018 (2018: nil)	(2,957,629)	(1,962,059)	(4,919,688)	-	-	-
Interim cash distribution during the year is Rs. 5,262.5 per unit on 27 June 2019 (2018: nil)	(10,169,955)	(8,813,125)	(18,983,081)	-	-	-
Total comprehensive income for the year	-	66,058,353	66,058,353	-	31,854,006	31,854,006
<b>Net assets as at end of the year</b>	<b>486,339,263</b>	<b>75,959,051</b>	<b>562,298,314</b>	<b>229,044,147</b>	<b>46,870,363</b>	<b>275,914,510</b>
<b>Undistributed income brought forward:</b>						
- Realized income at the beginning of the year	38,428,117				21,307,544	
- Unrealized income at the beginning of the year	10,542,247				10,916,665	
	48,970,363				36,224,209	
<b>Accounting income available for distribution:</b>						
Relating to capital gains	28,668,381				10,687,500	
Excluding capital gains	9,095,486				2,058,654	
	37,763,867				12,746,154	
Final distribution during the year is Rs. 2,380.1 per unit for the year ended 30 June 2018 on 03 July 2018 (2018: nil)	(1,962,059)				-	
Interim cash distribution during the year is Rs. 5,262.5 per unit on 27 June 2019 (2018: nil)	(8,813,125)				-	
<b>Undistributed income at end of the year</b>	<b>75,959,051</b>				<b>46,870,363</b>	
<b>Represented by:</b>						
- Realized income at the end of the year	43,867,223				38,428,117	
- Unrealized income at the end of the year	32,091,829				10,542,247	
<b>Undistributed income at end of the year</b>	<b>75,959,051</b>				<b>46,870,363</b>	
Net assets value per unit at beginning of the year		134,4997				118,9546
Net assets value per unit at end of the year		150,9151				134,4997

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited  
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Cash Flow  
For the year ended June 30, 2019**

	2019	2018
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	66,058,353	31,854,006
<b>Adjustments for:</b>		
Unrealized gain on revaluation of investments at fair value through profit or loss - net	(49,323,080)	(26,385,787)
Dividend income on investments at fair value through profit or loss	(1,609,226)	(944,537)
Markup on bank balances and Government securities - at amortized cost	(20,086,732)	(10,646,995)
	<u>(4,960,684)</u>	<u>(6,123,313)</u>
<b>(Increase) / decrease in assets</b>		
Investments	(75,012,340)	121,667,104
Prepayment	(167,587)	43,910
	<u>(75,179,927)</u>	121,711,014
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	447,432	68,557
Remuneration payable to the Trustee	132,519	(67,179)
Annual fee payable to Securities and Exchange Commission of Pakistan	78,266	(27,160)
Accrued expenses and other liabilities	1,389,784	405,734
	<u>2,048,001</u>	379,952
Dividend income received on investment at fair value through profit or loss	1,248,925	890,490
Markup received on bank balances and Government securities - at amortized cost	20,099,069	12,356,347
<b>Net cash flows from operating activities</b>	<u>(56,744,617)</u>	129,214,490
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units (net of re-investment)	528,741,152	240,553,087
Payments on redemption of units	(299,740,522)	(221,728,373)
Distribution to unit holders' in cash	(10,775,179)	-
<b>Net cash flows from financing activities</b>	<u>218,225,452</u>	18,824,713
<b>Net increase in cash and cash equivalents</b>	<u>161,480,834</u>	148,039,203
Cash and cash equivalents at beginning of the year	184,316,259	36,277,056
<b>Cash and cash equivalents at end of the year</b>	<u>345,797,093</u>	<u>184,316,259</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited  
(Management Company)**

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

## **Notes to the Financial Statements For the year ended June 30, 2019**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 The Lakson Asset Allocation Developed Markets Fund (the "Fund") was established under the Trust Deed executed on 30 May 2011 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on 7 July 2011 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2 The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore, while the head office is in the Lakson Square Building No. 2, Karachi.
- 1.3 The Fund is an open end mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Asset Allocation Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and is authorised to invest within the prescribed limit mentioned in the offering document of the fund in Government securities, deposits and foreign currency deposits with local or foreign banks etc. in Pakistan. Further, as allowed by SECP and State Bank of Pakistan, the Fund can invest abroad up to 30% of the aggregated funds mobilized (including foreign currency funds) subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities / debt with exposure in the commodities, index tracker funds tracking different commodities indices, actively managed commodities based funds, equities and debt securities of companies with exposure in commodities, future contracts of different commodities and foreign currency deposits etc.

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

- 1.4 The Pakistan Credit Rating Company Limited (PACRA) has maintained asset manager rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) dated 27 February 2019 (AM2+ as on 28 August 2018).

On 16 April 2019, VIS Credit Rating Company Limited (JCR-VIS) has assessed the fund performance rankings for the one, three and five year periods ended 31 December 2018. Following are the star rankings for period end 31 December 2018:

1-year ranking: MFR 5-Star  
3-year ranking: MFR 5-Star  
5-year ranking: MFR 5-Star

### **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
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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 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 and the NBFC Regulations have been followed.

## **2.2 Basis of measurement**

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

## **2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency. All amount have been rounded off to the nearest of rupees, unless otherwise indicated.

## **2.4 Critical accounting estimates and judgments**

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) classification of financial assets (Note 5.1.1 / 5.1.2)
- (b) impairment of financial assets (Note 5.1.7 / 5.1.8)
- (c) provisions (Note 5.8)
- (d) element of income (Note 5.6)

## **3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Funds's financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of the standard is not likely to have any impact on Fund's financial statements.
- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Fund's financial statements.
- 'Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of amendments is not likely to have an impact on Fund's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Fund's financial statements.

#### **4. CHANGES IN ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to periods presented except for the change in accounting policy as described below.

SECP vide SRO 229(1)/2019 has deferred the applicability of IFRS 9 for reporting period / year ending on or after 30 June 2019. However, the said SRO has also allowed early adoption of IFRS 9 for companies that wish to do so. Thus as allowed under the above mentioned SRO, the Fund has early adopted IFRS 9 'Financial Instruments' from 01 July 2018. The Fund also adopted IFRS 15 Revenue from contracts with customers' from 01 July 2018. A number of other new standards are effective from 01 July 2018 but they do not have a material effect on the Fund's Financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / markup calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the fund. Accordingly, there is no impact on comparative information either.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The impact of adopting the standard is set out in note 5.12.

**i) Classification and measurement of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Therefore its adoption did not have a significant effect on the Fund's accounting policies relating to the liabilities.

**ii) Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated 24 October 2012.

**iii) Transition**

The change in accounting policy resulting from the adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets and liabilities of the comparative period.

As the Fund presents the movement in Unitholders Fund on net assets basis, there is no impact of the changes on net assets of the Funds. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.12.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5.1 Financial assets**

**5.1.1 Classification (Policies applicable before 1 July 2018)**

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

**a) Loans and receivables**

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

**b) Financial assets at fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

**5.1.2 Classification (Policies applicable after 1 July 2018)**

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Business model assessment**

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit "margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

**The Fund has determined that it has two business models.**

- Held-to-collect business model: this includes cash and cash equivalents and debt securities. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**5.1.3 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

**5.1.4 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

**5.1.5 Subsequent measurement (Policies applicable before 1 July 2018)**

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

**a) Basis of valuation of Debt Securities (other than government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. 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 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.

**b) Basis of valuation of Government Securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the 'income statement'.

**c) Loans and receivables**

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest rate method.

**5.1.6 Subsequent measurement (Policies applicable after 1 July 2018)**

The following accounting policies apply to the subsequent measurement of financial assets:

**Financial assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

**Financial assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. 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 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.

**b) Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**5.1.7 Impairment of financial assets (Policies applicable before 1 July 2018)**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

**a) Debt securities**

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular 33 of 2012 dated 24 October 2012 issued by SECP.

As allowed under circular no. 13 of 2009 dated 4 May 2009 and circular 33 of 2012 dated 24 October 2012 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

**b) Loans and receivables**

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

**5.1.8 Impairment of financial assets (Policies applicable after 1 July 2018)**

**Financial assets at amortised cost**

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debt securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

**5.1.9 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

#### **5.1.10 Offsetting of financial assets and financial liabilities**

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

#### **5.1.11 Cash and cash equivalents**

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

#### **5.1.12 Trade date accounting**

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

#### **5.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

#### **5.3 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 / Management Company during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the 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 assets value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

#### **5.4 Net assets value per unit**

The net assets value per unit 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.

#### **5.5 Revenue recognition**

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

**5.6 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

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 same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

**5.7 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 among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

**5.8 Provisions**

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

**5.9 Dividend distribution**

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

**5.10 Other assets**

Other assets are stated at cost less impairment losses, if any.

**5.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the conversion of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the income statement.

**5.12 Earnings per unit (EPU)**

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.

**5.13 Formation cost**

This represents expenses incurred on the formation of the Fund. As permitted in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, these expenses are being amortised to the income statement over a period of not less than five years i.e. effective from 11 October 2011.

**5.14 Financial assets and financial liabilities**

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Fund's financial assets as at 1 July 2018.

		Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<b>Financial assets</b>	<b>Note</b>				
Bank balances *	Loans and receivables		Amortised cost	184,316,259	184,316,259
Accrued mark-up on bank balances*	Loans and receivables		Amortised cost	340,041	340,041
Dividend receivables *	Loans and receivables		Amortised cost	271,511	271,511
Investments **	Held for trading		Fair value through profit and loss	100,190,600	100,190,600
				<u>285,118,411</u>	<u>285,118,411</u>

\*These financial assets classified as 'loans and receivables' have been classified as amortised cost.

\*\*These financial assets classified as 'Held for trading' have been classified as Fair value through profit and loss.

6. BANK BALANCES	Note	2019 (Rupees)	2018
<b>Local currency</b>			
Current accounts		7,874	7,874
Profit and loss sharing accounts	6.1	<b>344,816,406</b>	178,749,002
<b>Foreign currency</b>			
In current account	6.2	<b>972,814</b>	5,559,383
		<u><b>345,797,093</b></u>	<u>184,316,259</u>

6.1 These carry mark-up rates ranging from 9.25% to 13.20% (30 June 2018: from 4.00% to 7.30%) per annum.

6.2 This represents USD denominated current account maintained in a foreign country amounting to USD 6,078 (2018: USD 45,757).

## 7. INVESTMENTS

At fair value through profit or loss

Government Securities

- Market Treasury Bills	7.1	-	-
Exchange Traded Funds (foreign investments)	7.2	<b>224,526,020</b>	100,190,600
		<u><b>224,526,020</b></u>	<u>100,190,600</u>

### 7.1 Government securities - Market Treasury Bills - at fair value through profit or loss

Name of Investee Company	Date of Maturity	-----Number certificates-----				Balance as at June 30, 2019			Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)
		Holding as at 01 July 2018	Purchases during the period	Disposed / matured during the period	Holding as at 30 June 2019	Carrying value as of the year ended 30 June 2019 before revaluation	Market value as of the year ended 30 June 2019 (After revaluation)	Unrealised gain		
		----- (Number of Certificates) -----				----- (Rupees) -----				
3 month Treasury Bills	11-Oct-18	-	1,760	1,760	-	-	-	-	-	
3 month Treasury Bills	2-Aug-18	-	1,750	1,750	-	-	-	-	-	
3 month Treasury Bills	3-Jan-19	-	1,760	1,760	-	-	-	-	-	
3 month Treasury Bills	9-May-19	-	2,320	2,320	-	-	-	-	-	
3 month Treasury Bills	28-May-19	-	1,820	1,820	-	-	-	-	-	
3 month Treasury Bills	15-Aug-19	-	2,700	2,700	-	-	-	-	-	
<b>Total as at 30 June 2019</b>										
<b>Cost as at 30 June 2019</b>										
Total as at 30 June 2018										
Cost as at 30 June 2018										

**7.2 Exchange Traded Funds (foreign investment) - at fair value through profit or loss**

Particulars	Number of units			Balance as at June 30, 2019			Market value as % of total investments	Market value as % of net assets	
	Holding as at 01 July 2018	Purchases during the year	Disposal during the year	Holding as at 30 June 2019	Carrying value as of the year ended 30 June 2019 before revaluation	Market value as of the year ended 30 June 2019 (After revaluation)			Unrealised gain - net
Powershares QQQ Trust Series 1 (7.2.1)	2,420	1,360	-	3,780	87,570,956	112,977,128	25,406,172	50.32%	20.09%
Vanguard Funds Plc Vanguard S&P 700 UCITS of Exchange Trade Funds USD shares (7.2.2)	7,870	4,655	-	12,525	87,631,983	111,548,892	23,916,909	49.68%	19.84%
<b>Total as at 30 June 2019</b>					<b>175,202,939</b>	<b>224,526,020</b>	<b>49,323,080</b>	<b>100.00%</b>	<b>39.93%</b>
<b>Cost as at 30 June 2019</b>					<b>136,537,868</b>				
Total as at 30 June 2018					73,804,813	100,190,600	26,385,787		
Cost as at 30 June 2018					61,525,529				

**7.2.1** Powershares QQQ Trust Series 1 is an Exchange Traded Fund incorporated in the USA. It tracks the performance of the Nasdaq 100 Index and holds large cap U.S. stocks. Its investments exclude the financial sector and therefore, tend to be focused on the technology and consumer sector. These are valued at the rate quoted on a daily basis by NASDAQ 100 Index. Total value of the units at USD 186.74 per unit as at the year-end amounted to USD 705,877 (2018: USD 415,393).

**7.2.2** Vanguard S&P 500 is also an Exchange Traded Fund, incorporated in Ireland. The Fund seeks to track the performance of the S&P 500 Index, comprising of the stocks of large U.S. companies. These are valued at the rates quoted on a daily basis by the London Stock Exchange. Total value of the units at USD 55.65 per unit as at the year-end amounted to USD 696,954 (2018: USD 409,240).

**7.2.3** Above units are held by Habib Bank AG Zurich as a custodian.

	Note	2019	2018
		(Rupees)	
<b>8. ACCRUED MARK-UP AND OTHER RECEIVABLE</b>			
Markup Receivable on:			
- Profit and loss sharing bank balances		327,704	340,041
Withholding tax recoverable		167,587	-
		<u>495,291</u>	<u>340,041</u>

**9. PAYABLE TO THE MANAGEMENT COMPANY**

Remuneration payable to the Management Company	9.1	736,652	340,695
Sales tax payable on remuneration to the Management Company	9.2	734,655	683,180
Federal excise duty payable on remuneration to the Management Company	9.3	4,184,410	4,184,410
Sales load payable to the Management Company		2,959	2,959
		<u>5,658,676</u>	<u>5,211,244</u>

9.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 2% per annum of the average annual net assets of the Fund. However, the Management Company is currently charging fee at 15% of the gross earnings of the scheme for the year ended 30 June 2019. The fee is subject to a minimum of 1.25% and maximum of 2% of the average annual net assets of the Fund. The effective management fee rate for the year ended 30 June 2019 is 1.55% of the average net assets. Remuneration is paid to the Management company in arrears on a monthly basis.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (till 30 June 2018: 13%) on Management Company's remuneration. Above liability includes Rs. 638,891 (2018: Rs. 638,891) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 9.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.17 (2018: Re. 0.31) per unit. This amount is payable to the management company for the onwards payment to the government

9.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period up to 30 June 2016 aggregating to Rs. 4.184 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2019 would have been higher by Rs. 1.12 (2018: Rs. 2.02) per unit.

The amount is payable to the management company, if any, for onwards payment to the Government

9.4 As per the clause 60(s) of the Non-Banking Finance Companies and Notified Entities Regulation, 2008 fees and expenses for registrar services, accounting, operation and valuation services relating to the Fund up to a maximum of 0.1% of the average annual net assets of the Fund or actual expenses, whichever is less, shall be charged to the Fund by the Management Company.

However, above mentioned expenses have not been charged by the Management Company to the Fund during the period under audit. Had the above expenses been charged to the Fund, these would not have been material.

## 10. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed as follows:

- Net assets ranging from Rs. 1 million to Rs. 1 billion	Rs. 0.7 million or 0.20% per annum of the daily average net assets of the Fund, which ever is higher.
- Net assets exceeding Rs. 1 billion	Rs. 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs. 1 billion.

The remuneration is paid to the trustee in arrears on monthly basis.

**11. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.095% of the average daily net assets of the Fund.

		2019	2018
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>		<b>(Rupees)</b>	
	Sindh Workers' Welfare Fund	12.1	<b>2,538,715</b>
	Withholding tax payable (subsequent paid)		1,190,585
	Auditors' remuneration		<b>52,604</b>
	Custody fee payable		14,359
	Rating fee payable		<b>194,656</b>
	Other charges payable		198,937
			<b>46,064</b>
			38,953
			<b>117,950</b>
			121,987
			<b>25,299</b>
			20,683
		<u><b>2,975,288</b></u>	<u><b>1,585,504</b></u>

12.1 Provision for Sindh Workers' Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in the definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from 01 July 2014).

Total provision for SWWF till 30 June 2019 is Rs. 2.539 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.68 (2018: Re. 0.58 per unit.)

12.2 Furthermore on 10 November 2016, Honourable Supreme Court of Pakistan (SCP) passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition with the SCP against the said judgment, which is pending hearing. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the Sindh High Court (SHC), the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Above decisions regarding the reversal and the recognition of WWF and SWWF were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective. Accordingly, the Fund has recorded these adjustments in its books on 12 January 2017.

Pursuant to above and on recommendation of MUFAP the entire provision of Rs. 2.659 million against WWF held by the CISs till 30 June 2015, had been reversed on 12 January 2017.

**13. TOTAL EXPENSE RATIO**

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, require that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2019 is 3.13% which includes 0.74% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc). As per the NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 4% (excluding the government levies).

**14. CONTINGENCIES AND COMMITMENTS**

The Fund had no contingency or commitment at the period end except as those mentioned elsewhere in these financial statements elsewhere.

		2019	2018
	Note	(Number)	
<b>15. NUMBER OF UNITS IN ISSUE</b>			
Total outstanding as of 1 July		<b>2,067,026</b>	1,911,116
Issued during the year	15.1	<b>3,627,197</b>	1,825,205
Redemptions during the year	15.2	<b>(1,968,301)</b>	(1,669,295)
Total units in issue as of 30 June		<u><b>3,725,923</b></u>	<u>2,067,026</u>

15.1 Includes 0.99 million (2018: 0.97 million) units on the conversion of units from the related funds.

15.2 Includes 0.20 million (2018: 0.31 million) units on the conversion of units to the related funds.

		2019	2018
		(Rupees)	
<b>16. AUDITORS' REMUNERATION</b>			
Annual audit fee		<b>150,000</b>	150,000
Fee for the review of half yearly financial statements		<b>52,500</b>	52,500
Report on the statement of income and expenses and agreed upon procedures		<b>35,000</b>	35,000
Out of pocket and sales tax expenses		<b>51,601</b>	51,601
		<u><b>289,101</b></u>	<u>289,101</u>

**17. TAXATION**

17.1 The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required 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 during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements. Refer note 20.6 to these financial statement.

17.2 During the year ended 30 June 2014, FBR had issued show cause notices to the Fund under section 122(9) for proceeding u/s 122(5A) of the Income Tax Ordinance, 2001 for the amendment of assessment on the grounds that exemption from tax claimed under clause 99 of Part-I of the Second Schedule is not as per law. Total tax including Workers' Welfare Fund payable as per the amended assessment is Rs. 7.203 million and Rs 19.001 million for the tax years 2012 and 2013 respectively. A suit has been in the High Court of Sindh for declaration and permanent injunction for which a stay order has been granted by the Sindh High Court. The management expects a favourable outcome and, accordingly, no provision has been recorded in respect of this matter.

**18. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Habib Bank AG Zurich Switzerland being the Custodian, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company and the holding company, key management personnel, other funds being managed by the Management Company and entities having holding 10% or more in the units of the Fund as at 30 June 2019. It also includes staff retirement funds of the above related parties / connected persons.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

**18.1 Details of balance with related parties / connected persons at the year end**

	2019	2018
	(Rupees)	
<b>Lakson Investments Limited - Management Company of the Fund</b>		
Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty amounting to Rs. 4.919 million (2018: Rs. 4.867 million)) *	18.4 <u>5,655,717</u>	<u>5,208,285</u>
Sales load payable	<u>2,959</u>	<u>2,959</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration payable (including Sindh Sales tax of Rs. 22,725 (2018: Rs. 7,478))*	18.4 <u>197,535</u>	<u>65,016</u>
<b>Habib Bank AG Zurich - Custodian</b>		
Bank Deposits	<u>972,814</u>	<u>5,559,383</u>
Custodian fee payable	<u>46,064</u>	<u>38,953</u>

\*Sales tax is paid / payable to the management company for onwards payment to the Government.

18.2	Details of transaction with related parties / connected persons during the year	
	2019	2018
	(Rupees)	
	<b>Lakson Investments Limited - Management</b>	
	<b>Company of the Fund</b>	
	Remuneration for the year	3,924,644
	Sindh sales tax on remuneration of Management Company *	510,204
	<b>678,273</b>	
	<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>	
	Remuneration for the year (including Sindh Sales tax of Rs. 98,970 (2018: 91,002))*	791,002
	<b>860,277</b>	
	<b>Habib Bank AG Zurich - Custodian</b>	
	Brokerage and settlement charges	65,246
	Custody charges	173,958
	<b>217,191</b>	
	<b>250,463</b>	
	<b>Directors, Chief Executive and their spouse and minors</b>	
	Dividend paid	-
	<b>5,462,444</b>	
	<b>Lakson Investments Limited</b>	
	Dividend paid	-
	<b>7,500,697</b>	
	<b>Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust</b>	
	Dividend paid	-
	<b>8,299</b>	
	<b>Lakson Investments Limited - Employees Contributory Provident Fund Trust</b>	
	Dividend paid	-
	<b>22,429</b>	
	<b>GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust</b>	
	Dividend paid	-
	<b>437,999</b>	
	<b>SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust</b>	
	Dividend paid	-
	<b>312,640</b>	
	<b>Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust</b>	
	Dividend paid	-
	<b>1,899,441</b>	
	<b>Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund</b>	
	Dividend paid	-
	<b>1,847,771</b>	
	<b>Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust</b>	
	Dividend paid	-
	<b>793,159</b>	

	2019	2018
<b>Accuracy Surgicals Limited - Employees Contributory Provident Fund Trust</b>	<b>(Rupees)</b>	
Dividend paid	<u>206,754</u>	<u>-</u>
<b>Merit Packaging Limited - Employees Contributory Provident Fund Trust</b>		
Dividend paid	<u>334,559</u>	<u>-</u>
<b>Merit Packaging Limited - Employees Gratuity Fund</b>		
Dividend paid	<u>137,983</u>	<u>-</u>
<b>Century Paper &amp; Board Mills Limited - Employees Contributory Provident Fund Trust</b>		
Dividend paid	<u>2,085,458</u>	<u>-</u>
<b>Century Paper &amp; Board Mills Limited - Employees Gratuity Fund</b>		
Dividend paid	<u>1,686,289</u>	<u>-</u>
<b>Century Insurance Company Limited - Employees Contributory Provident Fund Trust</b>		
Dividend paid	<u>145,314</u>	<u>-</u>
<b>Sybrid Private Limited - Employees Contributory Provident Fund Trust</b>		
Dividend paid	<u>157,586</u>	<u>-</u>
<b>Century Insurance Company Limited - Employees Gratuity Fund</b>		
Dividend paid	<u>107,542</u>	<u>-</u>
<b>Princeton Travels Private Limited - Employees Contributory Provident Fund Trust</b>		
Dividend paid	<u>19,079</u>	<u>-</u>
<b>Siza Services Private Limited - Employees Contributory Provident Fund Trust</b>		
Dividend paid	<u>81,902</u>	<u>-</u>
<b>Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust</b>		
Dividend paid	<u>58,460</u>	<u>-</u>

\*Sales tax is paid / payable to the management company for onwards payment to the Government.

**18.3 Details of units held, issued and redeemed by the related parties / connected persons.**

	Year ended June 30, 2019					Balance at the year end 30 June 2019 (Investment at current NAV)		
	Number of Units		Rupees		Balance as at July 01, 2018			
	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2019	Units issued during the year		Units redeemed during the year		
Directors, Chief Executive and their spouse and minors Other key management personnel	611,427	171,444	1,869	-	764,741	84,329,563	24,446,500	118,429,204
<b>Associated companies / undertakings of the Management Company</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>151</b>
Lakson Investments Limited	816,972	1,283,839	46,719	1,055,814	1,091,716	109,882,469	195,760,925	163,188,017
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust	1,073	1,095	53	1,092	1,129	144,304	169,244	168,758
Lakson Investments Limited - Employees Contributory Provident Fund Trust	2,899	2,962	141	2,951	3,051	389,959	457,789	456,117
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust	23,793	120,928	2,652	72,469	74,904	3,200,191	18,321,236	11,200,897
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust	17,102	35,358	1,002	-	53,462	2,300,173	5,201,116	-
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust	-	721,878	11,078	360,939	372,017	-	108,677,402	55,787,192
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust	102,609	206,771	5,871	-	315,252	13,800,921	30,391,409	47,576,299
Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust	40,895	93,344	2,557	-	136,796	5,500,420	13,718,896	-
Accuracy Surgicals Limited - Employees Contributory Provident Fund Trust	11,887	55,816	1,255	33,907	35,060	1,600,104	8,457,882	5,240,786
Merit Packaging Limited - Employees Contributory Provident Fund Trust	20,076	35,257	1,045	-	56,379	2,700,247	5,182,674	-
Merit Packaging Limited - Employees Gratitude Fund Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust	8,105	14,797	433	-	23,335	1,090,168	2,174,970	-
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust	118,967	228,769	6,591	-	354,326	16,001,002	33,625,624	-
Century Paper & Board Mills Limited - Employees Gratitude Fund Century Insurance Company Limited - Employees Contributory Provident Fund Trust	35,174	186,470	5,341	-	285,986	12,800,936	27,808,009	43,310,503
Sybird Private Limited - Employees Contributory Provident Fund Trust	-	27,613	462	-	28,075	-	3,985,954	4,236,949
Sybird Private Limited - Employees Gratitude Fund Century Insurance Company Limited - Employees Contributory Provident Fund Trust	-	59,890	919	29,945	30,864	-	8,963,572	4,628,357
Princeton Travels Private Limited - Employees Contributory Provident Fund Trust	-	21,002	351	210	21,142	-	3,040,103	31,105
Sita Services Private Limited - Employees Contributory Provident Fund Trust	-	7,820	111	4,195	3,737	-	1,166,749	645,214
Hasanati Karabial Foundation - Employees Contributory Provident Fund Trust	-	15,836	266	-	16,102	-	2,299,022	2,429,994
Princeton Travels Private Limited - Employees Contributory Provident Fund Trust	-	22,218	341	11,109	11,450	-	3,322,067	1,727,951



- 18.4 Remuneration payable to the Management Company and the Trustee have been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.
- 18.5 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are at agreed rates.
- 19. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT**

**Introduction and overview**

The Fund has exposure to the following risks from financial instruments:

- credit risk (refer note 19.1)
- liquidity risk (refer note 19.2)
- market risk (refer note 19.3)
- Operational Risk (refer note 19.4)

**Risk management framework**

The Fund's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup based on the limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

**19.1 Credit risk**

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and financial institutions, investments in equity traded funds and as a result of dividend receivable on equity securities.

**Management of credit risk**

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations and guidelines from SECP from time to time. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Credit risk on dividend receivable is minimal due to statutory protection.

**Exposure to credit risk**

The maximum exposure to credit risk as at 30 June 2019 was as follows:

	2019		2018	
	Balance as per the Statement of Asset and Liabilities	Maximum exposure	Balance as per the Statement of Asset and Liabilities	Maximum exposure
	----- (Rupees) -----		----- (Rupees) -----	
Bank balances (including profit due)	<b>346,124,797</b>	<b>346,124,797</b>	184,656,300	184,656,300
Investments	<b>224,526,020</b>	<b>224,526,020</b>	100,190,600	100,190,600
Dividend receivable	<b>631,812</b>	<b>631,812</b>	271,511	271,511
	<b><u>571,282,629</u></b>	<b><u>571,282,629</u></b>	<u>285,118,411</u>	<u>285,118,411</u>

**Bank balances**

The Fund's cash and cash equivalents at 30 June 2019 with banks had following credit ratings:

Rating	2019	2018	2019	2018
	AAA	<b>830,698</b>	170,324,334	<b>0.24</b>
AA+	<b>344,321,285</b>	8,772,583	<b>99.48</b>	4.75
Other*	<b>972,814</b>	5,559,383	<b>0.28</b>	3.01
Total balance	<b><u>346,124,797</u></b>	<u>184,656,300</u>	<b><u>100.00</u></b>	<u>100.00</u>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS.

\* The reported balance is in Habib Bank AG Zurich Switzerland. Rating of the bank is not available, however, the management consider that this is a reputable bank of good credit standing.

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2019		2018	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks	346,124,797	60.59%	184,656,300	64.76
Exchange Trade Funds - USA	113,149,759	19.81%	50,546,704	17.73
Exchange Trade Funds - Ireland	112,008,072	19.61%	49,915,407	17.51
	<u>571,282,628</u>	<u>100.00%</u>	<u>285,118,411</u>	<u>100.00</u>

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2019.

#### 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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## 19.2

### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. 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 net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

#### Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment with in 90 days of such borrowings. No such borrowing were made during the year.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, during the period no such option was exercised or considered necessary.

**Maturity analysis for financial liabilities**

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	<b>2019</b>	
	<b>Contractual cash flows</b>	
	<b>Carrying amount</b>	<b>Less than 3 month</b>
	----- (Rupees) -----	
<b>Non-derivative financial liabilities (excluding unit holders' fund)</b>		
Payable to the Management Company *	739,611	739,611
Remuneration payable to the Trustee	197,535	197,535
Accrued expenses and other liabilities *	383,969	383,969
	<u>1,321,115</u>	<u>1,321,115</u>
Unit holders' fund	<u>562,298,314</u>	<u>562,298,314</u>
	<b>2018</b>	
	<b>Contractual cash flows</b>	
	<b>Carrying amount</b>	<b>Less than 3 month</b>
	----- (Rupees) -----	
<b>Non-derivative financial liabilities (excluding unit holders' fund)</b>		
Payable to the Management Company *	343,654	343,654
Remuneration payable to the Trustee	65,016	65,016
Accrued expenses and other liabilities *	380,560	380,560
	<u>789,230</u>	<u>789,230</u>
Unit holders' fund	<u>278,014,510</u>	<u>278,014,510</u>

\* excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, annual fee payable to the Securities and Exchange Commission of Pakistan and Sindh Sales Tax payable on Management Company's remuneration.

**Above financial liabilities do not carry any mark-up.**

**19.3 Market risk**

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Management of market risks**

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to currency risk, interest rate risk and equity price risk.

**19.3.1 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 has a bank balance and investments in foreign exchange traded funds which are exposed to foreign exchange risk. The fund has no foreign currency denominated liability.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

The Fund's total exposure to foreign exchange at 30 June are as follows:

	2019	
	(Rupees)	(USD)
<b>Financial Assets</b>		
Bank balance	972,814	6,078
Exchange Traded Funds (foreign investments)	225,157,832	1,406,778
On balance sheet gap in foreign currency exposure	<u>226,130,645</u>	<u>1,412,856</u>
	2018	
	(Rupees)	(USD)
<b>Financial Assets</b>		
Bank balance	5,559,383	45,757
Exchange Traded Funds (foreign investments)	100,462,111	826,868
On balance sheet gap in foreign currency exposure	<u>106,021,494</u>	<u>872,625</u>
	Average rates	
	2019	2018
Rupees / US Dollars	<u>136.17</u>	<u>110.00</u>
	Balance sheet date rate	
	2019	2018
	<u>160.05</u>	<u>121.50</u>

A five percent strengthening of Pakistani Rupee against US dollar would have decreased the net assets of the fund by Rs. 11.307 million (2018: Rs. 5.301 million). This analysis assumes that all other variables in particular interest rate remain constant. Weakening of Pakistani Rupee by the same percentage would have a vice versa impact.

**19.3.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

**Exposure to interest rate risk**

The interest rate profile of the Fund's interest-bearing financial instruments is as follows:

	2019	2018
	(Rupees)	
<b>Variable-rate instrument</b>		
Financial assets (bank balances)	<u>344,816,406</u>	<u>178,749,002</u>

**Cash flow sensitivity analysis for variable rate instruments**

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 3,448,164 (2018: Rs. 1,787,490). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity. None of the other assets and Fund's liabilities are exposed to interest rate risk.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

		June 30, 2019		
		Exposed to interest rate risk no later than one month	Not exposed to interest rate risk	Total
<b>Financial assets</b>	<b>Note</b>			
Investments				
- Exchange Trade Units		-	224,526,020	224,526,020
Dividend receivables		-	631,812	631,812
Bank balances (including profit due)	6.1	344,816,406	1,308,392	346,124,797
		<u>344,816,406</u>	<u>226,466,223</u>	<u>571,282,629</u>
		----- Rupees -----		
		June 30, 2018		
		Exposed to interest rate risk no later than one month	Not exposed to interest rate risk	Total
<b>Financial assets</b>	<b>Note</b>			
Investments				
- Exchange Trade Units		-	100,190,600	100,190,600
Dividend receivables		-	271,511	271,511
Bank balances (including profit due)	6.1	178,749,002	5,907,298	184,656,300
		<u>178,749,002</u>	<u>106,369,409</u>	<u>285,118,411</u>

**19.3.3 Market price risk**

Price risk is the risk of unfavorable changes in the fair value of Exchange Traded Funds and units of mutual funds as the result of changes in the levels of respective indices and the value of individual securities. This arises from the investment held by the Fund for which prices in the future are uncertain. The Fund is exposed to price risk because of investments held by the Fund in the Exchange Traded Funds.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

**Sensitivity analysis - Equity price risk**

The Fund's listed equity investments are listed Nasdaq Index and London Stock Exchange. For such investments classified as at fair value through income statement the impact on income statement and unit holders' fund, to a 5% increase or decrease in the fair values of the equity investments, would have been an increase or decrease of Rs. 11,226,301 (2018: Rs. 5,009,530).

#### **19.4 Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

#### **19.5 Unit holder's fund risk management**

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

#### **19.6 Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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

		2019						
		Carrying amount			Fair Value			
		Fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Total
<b>On-balance sheet financial instruments</b>		(Rupees)						
<b>Financial assets measured at fair value</b>								
Exchange traded funds (Investments)	7	224,526,020	-	-	224,526,020	224,526,020	-	224,526,020
		<u>224,526,020</u>	<u>-</u>	<u>-</u>	<u>224,526,020</u>	<u>224,526,020</u>	<u>-</u>	<u>224,526,020</u>
<b>Financial assets not measured at fair value</b>								
Bank balances - Held at amortized cost	6	-	345,797,093	-	345,797,093	-	-	-
Dividend receivables		-	631,812	-	631,812	-	-	-
Accrued mark-up and other receivable	8	-	327,704	-	327,704	-	-	-
		<u>-</u>	<u>346,756,609</u>	<u>-</u>	<u>346,756,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	9	-	-	739,611	739,611	-	-	-
Remuneration payable to the Trustee	10	-	-	197,535	197,535	-	-	-
Accrued expenses and other liabilities	12	-	-	383,969	383,969	-	-	-
		<u>-</u>	<u>-</u>	<u>1,321,115</u>	<u>1,321,115</u>	<u>-</u>	<u>-</u>	<u>-</u>
		(Rupees)						
		Carrying amount			Fair Value			
		Fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Total
<b>On-balance sheet financial instruments</b>		(Rupees)						
<b>Financial assets measured at fair value</b>								
Exchange traded funds	7	100,190,600	-	-	100,190,600	100,190,600	-	100,190,600
		<u>100,190,600</u>	<u>-</u>	<u>-</u>	<u>100,190,600</u>	<u>100,190,600</u>	<u>-</u>	<u>100,190,600</u>
<b>Financial assets not measured at fair value</b>								
Bank balances	6	-	184,316,259	-	184,316,259	-	-	-
Dividend receivables		-	271,511	-	271,511	-	-	-
Markup accrued	8	-	340,041	-	340,041	-	-	-
		<u>-</u>	<u>184,927,811</u>	<u>-</u>	<u>184,927,811</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	9	-	-	343,654	343,654	-	-	-
Remuneration payable to the Trustee	10	-	-	65,016	65,016	-	-	-
Accrued expenses and other liabilities	12	-	-	380,560	380,560	-	-	-
		<u>-</u>	<u>-</u>	<u>789,230</u>	<u>789,230</u>	<u>-</u>	<u>-</u>	<u>-</u>

19.6.1 The Fund has not disclosed the fair values for the financial assets and financial liabilities (other than investments), as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.

## 20. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Payable against dividend	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----			
<b>Opening balance as at 1 July 2018</b>	-	-	-	-
Receivable against issuance of units	-	(528,741,152)	-	(528,741,152)
Payable against redemption of units	-	-	299,740,522	299,740,522
Dividend payable	10,775,179	-	-	10,775,179
	10,775,179	(528,741,152)	299,740,522	(218,225,452)
Amount received on issuance of units	-	528,741,152	-	528,741,152
Amount paid on redemption of units	-	-	(299,740,522)	(299,740,522)
Dividend paid	(10,775,179)	-	-	(10,775,179)
	(10,775,179)	528,741,152	(299,740,522)	218,225,452
Closing balance as at 30 June 2019	-	-	-	-

## 21. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

### 21.1 Unit holding pattern of the Fund

Category	2019		
	No. of unit holders	Investment amount	% of total
	----- (Rupees) -----		
Individuals	12	3,833,011	0.68
Associated Companies and Directors	21	393,708,848	70.02
Banks and DFIs	-	-	-
NBFC's (Management Company)	1	164,756,454	29.30
Retirement Funds	-	-	-
Other corporates	-	-	-
	<b>34</b>	<b>562,298,314</b>	<b>100.00</b>
Category	2018		
	No. of unit holders	Investment amount	% of total
	----- (Rupees) -----		
Individuals	10	1,670,832	0.60
Associated Companies and Directors	14	166,461,209	59.88
Banks and DFIs	-	-	-
NBFC's (Management Company)	1	109,882,469	39.52
Retirement Funds	-	-	-
Other corporates	-	-	-
	<b>25</b>	<b>278,014,510</b>	<b>100.00</b>

**21.2 List of top ten brokers by percentage of commission paid**

Broker Name	2019	2018
	Commission paid (Percentage)	
Habib Bank AG Zurich	94.82%	91.14%
Invest Finance Securities (Private) Limited	2.66%	3.42%
Invest Capital Management Limited	2.51%	-
Vector Securities	-	5.44%

**21.3 Particulars of the Investment Committee and Fund manager**

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani - (Chairman Investment Committee)
- Mr. Kashif Mustafa
- Mr. Mustafa O. Pasha
- Mr. Shahbaz Ashraf
- Mr. Uzair Nasir Rasheed
- Mr. Hassan Bin Nasir (Fund Manager)
- Mr. Junaid Arshad

**Mr. Babar Ali Lakhani - Chief Executive Officer**

Mr. Lakhani has over nineteen years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

**Mr. Kashif Mustafa – Executive Director and COO**

Mr. Mustafa has more than eleven years of experience working in the financial markets of Pakistan with local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Before Lakson Investments, Mr. Mustafa worked for Askari Investments and Crosby Securities Pakistan Limited as Vice President and Head of Sales & Business Development respectively. He frequently appears on the media and has been featured on Express, Business Plus, CNBC, GEO, PTV, Aaj TV, Sindh TV & KTN. Mr. Mustafa did his graduation in Mathematics and Masters in Economics.

**Mr. Mustafa O. Pasha, CFA – Chief Investment Officer**

Mr. Pasha has over eleven years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. He is managing following funds:

- Lakson Equity Fund
- Lakson Islamic Tactical Fund
- Lakson Tactical Fund

**Mr. Muhammad Shahbaz Ashraf**

Mr. Ashraf has approximately 11 years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

**Mr. Uzair Nasir Rasheed - Risk Management Professional**

Mr Uzair Nasir has approximately 3 years of experience and is a risk management professional at Lakson Investments. His responsibility is to ensure Effective & sound management of the various risks in the Investment portfolio. Prior to joining Lakson he was associated with the National Bank of Pakistan as Team Leader, Business Risk Review (BRR). He is a member of ACCA (UK) and a finalist of both CFA & FRM programs.

**Mr. Hassan Bin Nasir - Fund Manager**

Mr. Hassan Bin Nasir has over ten years of experience and currently holds positions of Vice President – Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is also managing the following funds:

- Lakson Income Fund
- Lakson Money Market Fund

**Mr. Junaid Arshad**

Mr. Arshad an ACCA member, having over eleven years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules & Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

**21.4 Directors meeting attendance**

2019

Name of directors	Meeting Attended	July 03, 2018	August 15, 2018	October 13, 2018	February 21, 2019	April 22, 2019
Mr. Iqbal Ali Lakhani	2	✓	✓	X	X	X
Mr. Babar Ali Lakhani	5	✓	✓	✓	✓	✓
Mr. Mahomed J. Jaffer	3	X	✓	✓	✓	N/A
Mr. Jacques John Vesser	4	X	✓	✓	✓	✓
Mr. Daniel Scott Smaller	1	X	X	X	✓	N/A
Mr. Zahid Zakiuddin	2	X	✓	✓	X	N/A
Mr. Amin Mohammed Lakhani	4	✓	X	✓	✓	✓
Mr. Jamil Ahmed Mughal	5	✓	✓	✓	✓	✓
Ms. Gaithe Ali	1	N/A	N/A	N/A	N/A	✓
Ms. Kathleen Kennedy Townsend	0	N/A	N/A	N/A	N/A	X
Ms. Roxanne Davies	0	N/A	N/A	N/A	N/A	X
		4	6	6	6	5

**21.5 Rating of the Fund and the management company**

Details of the ratings of the Fund and the management company are given in note 1.4.

**22. GENERAL**

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 03, 2019.

**For Lakson Investments Limited  
(Management Company)**

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

Performance Table	FY19	FY18	FY17	FY16	FY15	FY14
Net Assets - Beginning (PKR Mil.)	278	227	290	321	598	541
Net Assets - Ending (PKR Mil.)	562	278	227	290	321	598
Net Asset value per share	150.9151	134.4997	118.9544	113.2854	114.9738	106.6908
Selling Price for units	154.6880	137.8622	121.9283	116.1176	117.8482	109.3581
Repurchase Price for units	150.9151	134.4997	118.9544	113.2854	114.9738	106.6908
Highest Offer Price (PKR)	161.3447	138.855	127.2001	127.5054	118.7873	116.9237
Lowest Offer Price (PKR)	135.1807	121.8366	116.2507	107.5162	108.4261	106.8714
Highest Redemption Price (PKR)	157.4094	135.4682	124.0976	124.3955	115.8900	114.0719
Lowest Redemption Price (PKR)	131.8836	118.8649	113.4153	104.3846	105.7815	104.2647
Beginning NAV - Ex-Div. (PKR)	134.4997	118.9544	113.2854	115.0565	-	104.0389
Interim Distributions (PKR)	5.2625	Nil	4.5573	10.8068	-	-
Final Distribution (PKR)	Nil	2.3801	-	-	-	7.3744
Ending NAV - Ex-Div. (PKR)	150.9151	132.1196	119.5012	112.4897	-	106.6975
Return	18.18%	13.06%	9.01%	8.00%	7.76%	9.64%
Net Income (PKR Mil.)	38	13	8	14	4	54
Income Distribution	9	2	6	22	-	70
Accumulated Capital Growth	76	46	35	33	41	37
Average Annual return of the Fund						
One Year	18.18%	13.07%	9.03%	8.00%	7.76%	9.64%
Two year	33.62%	23.25%	8.85%	8.18%	9.07%	10.58%
Three year	45.66%	33.11%	8.95%	9.19%	10.19%	
Since inception	118.59%	84.97%	11.11%	10.59%	10.46%	10.63%
<b>Distributions</b>						
Interim Distribution	5.2625	Nil	4.5573	10.8068	Nil	7.3744
Final Distribution		Nil			Nil	-
NAV before Distribution	157.4094	Nil	124.0585	123.2965	Nil	114.0719
NAV after Distribution	152.1469	Nil	119.5012	112.4897	Nil	106.6975
Distribution Date	27-Jun-19	Nil	22-Jun-17	27-Jun-16	N/A	25-Jun-14

**Disclaimer**

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.



A Lakson Group Company

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