

LAKSON INCOME FUND
Half Yearly Report (December 31, 2019)



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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 E-mail: 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 Ms. Gaite Ali Ms. Kathleen Kennedy Townsend
Chief Financial Officer & Company Secretary of the Management Company	Mr. Salman Shafiq Hashmi
Audit Committee	Mr. Jacques John Visser - Chairman Mr. Amin Mohammed Lakhani Mr. Iqbal Ali Lakhani Mr. Jamil Ahmed Mughal
Human Resource and Remuneration Committee	Ms. Gaite Ali - Chairman Mr. Babar Ali Lakhani Mr. Iqbal Ali Lakhani
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

AlBaraka Bank Pakistan limited
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Faysal Bank Limited
FINCA Microfinance Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
National Bank of Pakistan
MCB Bank Limited
Silk Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Telenor Microfinance Bank Limited
United Bank Limited
U Microfinance Bank Limited
NRSP Microfinance Bank Limited
Mobilink Microfinance Bank Limited

Legal Adviser

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

Registrar

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

Distributors

Adam Securities
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BMA Capital Management Limited
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Pyramid Financial Consultants

Rating by PACRA

A+(f) : Fund Stability Rating
AM2+ : Asset Manager Rating

Review Report of the Directors of the Management Company For the half year ended December 31, 2019

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Income Fund ("LIF") is pleased to submit its review report together with Condensed Interim Financial Statements for the half year ended December 31, 2019.

Fund Objective

The investment objective of the Scheme is to provide competitive total returns through investment in a diversified portfolio of fixed income securities. The Scheme shall invest in various fixed income securities with a mix of short term, medium term, and longer term maturities depending on the assessment by the Management Company of interest rate trends and prospective returns.

Principal activities

The Fund is an open-end income fund and is listed on Pakistan Stock Exchange Limited. LIF invests in Investment-grade Debt Securities, Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts, and other fixed income instruments. The overall duration of the portfolio is kept below 4 years while at least 25 % of Net Assets are kept in the form of cash or Treasury Bills of maximum 90 days maturity. LIF is managed through a team-driven, top-down process utilizing active sector rotation, duration and yield curve management. Economic conditions are constantly monitored to forecast interest rate changes. The added value for LIF comes from identifying opportunities to shift investments between various maturities and between different instruments. LIF is allowed to borrow up to 15% of Net Assets to meet redemptions however LIF did not utilize this facility during the period under review.

Development and Fund performance

The LIF yielded an annualized return of 14.16% in the 1hFY20 against the benchmark return of 14.14% p.a. The LIF outperformed by 2bps. As of December 31, 2019, the LIF portfolio was invested 39.6% in cash, 16.6% in TFCs, 17.8% in PIBs, 6.7% in Sukuks and 2.0% in Commercial paper while the weighted average maturity of the LIF portfolio stood at 990 days. The fund size of the LIF as of December 31, 2019 is PKR 2,372 million.

Earning per Unit (EPU)

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

Economic Review

Pakistan formally entered a fresh US\$6bn IMF bailout program in 2H19, after successful implementation of pre-conditions followed by rigorous structural reforms. These included reigning in fiscal slippages via reduction in circular debt, rise in power (7%) and gas tariffs (c. 31%) and removal of power sector subsidies to recover costs. These led to inflationary pressures in 2H while food supply disruptions and a weak crop cycle (on heavy rainfall and pest infestation) led to much volatility with national inflation rising from under 8% in 2HFY19 to c. 11% in 1HFY20. However, 6MFY20 general inflation (national) of 11.1% still remains below the CPI target set by SBP for 11-12% through FY20. SBP has guided to commence monetary easing when disinflation is firmly entrenched. This may be delayed due to volatility in global oil prices, supply disruptions in food items and rising utility tariffs which may feed into current account and inflation.

Formal entry into the IMF program gave confidence to multilateral/bi-lateral creditors to extend fresh financing, allowing the PKR to find firm footing in 1HFY20 (3% appreciation in Jul-Dec'19 following 13% slippage in 2HFY19). This was further supported by external market-based borrowing (hot money flows) as SBP Governor Reza Baqir opened up foreign investment in Government papers in Jun'19 (SCRA net inflow of US\$1.86bn in 2H19, vs. net outflow of US\$10.2mn in 1H19). SBP foreign exchange reserves have climbed from a low of US\$7.3bn in Jun'19 (pre-IMF program) to US\$11.5bn as at Dec'19. Sharp PKR devaluation has led a substantial decline in imports (down 18% yoy in 1HFY20) with Pakistan posting a Current Account surplus of US\$99mn in Oct'19 after a gap of four years (1HFY20 CAD:

US\$1.8bn, down 73%yoy). On the flip side, this has proved counterproductive for export growth which has decelerated to 4%yoy in 1HFY20.

Fixed Income Market Review

GoP raised cumulative PKR10.8tn in T-Bill auctions during 1HFY20 vs. PKR8.5tn in 2HFY19. During the period, yields began to invert sharply after peaking in Aug'19, Weighted average T-Bill yields for 3M, 6M and 12M tenors peaked at 13.7%, 13.9% and 14.1% in Aug'19 to close the year at 13.4%, 13.35% and 13.1% in Dec'19.

With interest rates seemingly peaked in 2019, participation in PIB auctions picked up significantly, with bids accepted by SBP rising to PKR1.5tn in 1HFY20 vs. PKR0.7tn in 2HFY19. Longer tenor papers understandably witnessed a sharper inversion in yields curve, down c.200bps in Aug-Dec'19. Weighted average cut-off yields peaked at 14.0%, 13.5% and 13.3% for 3-year, 5-year and 10-year duration, to sharply close the year at 11.6%, 11.0% and 11.1% respectively.

Future Outlook

Inflation to remain a challenge: One of the main challenges for Pakistan's economy is inflation. CPI based inflation in 1HFY20 stands at 11.11% compared to 5.96% in SPLY. In CY20 we expect CPI to remain in the range of 11.00%-12.00%, as upward adjustment in utility and gas tariff hikes has been committed to the IMF. Unless inflation starts to decline the SBP will not be able to boost economic activity by cutting interest rates. No expect inflationary pressures to ease in 4QCY20 at which point the SBP can commence its monetary easing cycle.

Fiscal side to remain a weak point: The weak point for the government remains managing fiscal side. We view fiscal deficit which is targeted at 7.1% for FY20 will be difficult to maintain based on 1HFY20 provisional revenue collection of PKR2.08trn against the envisaged target of Rs2,198 billion, witnessing a shortfall of Rs118 billion. Fiscal deficit for FY20 may stand between 7.5-8.0% compared to 8.9% in FY19. Resultantly economy will have to deal with reduced development budget this year around in which may slowdown infrastructure spending against market expectations.

Exports to deliver growth less than expectations: Pakistan economy has been under a boom and bust cycle and we view the main reason for this is no or stagnant export numbers. In 1HFY20 exports have delivered a growth of 3.7% to USD11.5bn. In FY20 export target is USD24bn, however if we need to boost growth in excess of 4.0% and above and conserve our FX reserves we need to increase our exports because currently imports have bottomed out, we view. The government should focus on incentivizing exports sector to revive growth and to keep USD PKR parity under control.

Inflation and policy rates have peaked out; thus, we view long term tenor papers yields have bottomed out, however short-term rates have declined but have remained downward sticky thus we view T-bill yields might come down from July 2020 onwards.

Acknowledgement

The Board is thankful to its valued investors, the Securities and 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: February 20, 2020



لیکسن انکم فنڈ

31 دسمبر 2019ء کو ختم ہونے والے نصف سال کے لیے

میںجٹ کھپنی کے ڈائریکٹرز کی جائزہ رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کا بورڈ آف ڈائریکٹرز، لیکسن انکم فنڈ ("LIF") کی میںجٹ کھپنی 31 دسمبر 2019ء کو ختم ہونے والے نصف سال کے لیے اپنی جائزہ رپورٹ مع عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

فنڈ کا مقصد

اس اسکیم کی انویسٹمنٹ کا مقصد فیکسڈ انکم سیکورٹیز کے متنوع پورٹ فولیو میں انویسٹمنٹ کے ذریعے مساہتی مجموعی منافع جات فراہم کرنا ہے۔ یہ اسکیم میںجٹ کھپنی کی طرف سے انٹرسٹ ریٹ ٹرینڈز اور ممکنہ منافع جات کے حوالے سے میںجٹ کھپنی کی تشخیص کے لحاظ سے مختصر مدتی، وسط مدتی اور طویل مدتی میچ ریٹز کے امتزاج کے ساتھ مختلف فیکسڈ انکم سیکورٹیز میں سرمایہ کاری کرے گی۔

فنڈ کا تعارف

LIF ایک اوپن اینڈ انکم فنڈ ہے جو انویسٹ گریڈ ڈیٹ سیکورٹیز، گورنمنٹ سیکورٹیز، سرٹیفکیٹس آف انویسٹمنٹس، Clean Placements، ٹرم ڈپازٹس اور ریٹائرمنٹ اور دیگر فیکسڈ انکم انسٹرومنٹس میں سرمایہ کاری کرتا ہے۔ پورٹ فولیو کا مجموعی دورانیہ 4 سال سے کم رکھا جاتا ہے اور خالص اثاثوں کا کم از کم 25% کی بیش یا زیادہ سے زیادہ 90 دن کی میچرٹی والے ٹریڈری بلو کی شکل میں رکھا جاتا ہے۔ LIF کا نظم و نسق ٹیم کے مل پر پیش قدمی کرنے والی، اوپر سے نیچے تک شعبوں کی توازن سے استعمال کے عمل کو استعمال کرنے والی، دورانیے اور پیداوار میں توازن پر مبنی رکھنے والی میںجٹ چلاتی ہے۔ انٹرسٹ ریٹ میں تبدیلیوں کی پیش گوئی کے لیے معاشی صورت حال کی مسلسل نگرانی کی جاتی ہے۔ LIF کی قدر و قیمت میں اصل اضافہ مختلف میچ ریٹز اور مختلف انسٹرومنٹس کے درمیان انویسٹمنٹس کی منتقلی کے مواقع کی شناخت سے آتا ہے۔ LIF کو ریڈیمپشن کی تکمیل کے لیے خالص اثاثوں کے 15 فی صد تک قرض لینے کی اجازت ہے، تاہم LIF نے اس سہولت کو زیر جائزہ مدت کے دوران استعمال نہیں کیا۔

پیش رفت اور کارکردگی کا جائزہ

LIF نے سالانہ پیچ مارک منافع 14.14% کے مقابلے میں مالی سال 2020 کے پہلے نصف میں 14.16% سالانہ منافع پیش کیا۔ LIF کی کارکردگی 2 بنیادی پوائنٹس بہتر رہی۔ 31 دسمبر 2019 کے مطابق LIF پورٹ فولیو نے کمیشن میں 39.6% TFCs، 16.6% PIBs، 17.8% ہسٹوک میں 6.7% ورتھارتی تمسکات میں 2.0% سرمایہ کاری کی۔ جبکہ LIF پورٹ فولیو کی تخمینہ شدہ اوسط میچرٹی 990 دن ہے۔ 31 دسمبر 2019 کے مطابق LIF کے فنڈ کا حجم 2,372 ملین روپے ہے۔

فی شیر آمدنی (EPU)

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



معاشی جائزہ

کروڑی ساختی اصلاحات پر عمل درآمد کے بعد پیشگی شرائط کے کامیاب نفاذ کے بعد، پاکستان نے مالی سال 2019 کے دوسرے نصف میں 6 ارب امریکی ڈالر کے آئی ایم ایف ہیل آؤٹ پروگرام میں باضابطہ شمولیت اختیار کی۔ ان اصلاحات میں گردش قرضوں میں کمی، بجلی (7%) اور گیس (31%) کے نرخوں میں اضافے لاکٹوں کی وصولی کے لئے بجلی کے شعبے کی سبسڈی ختم کرنے کے ذریعے مالیاتی زوال پر قابو پانا شامل ہے۔ اس کے نتیجے میں مالی سال کے دوسرے نصف میں افراط زر کا دباؤ پیدا ہوا جبکہ خوراک کی فراہمی میں خلل اور فصلوں کی پیداوار میں کمی (بھاری بارشوں اور کیڑا لگنے کی وجہ سے) کے نتیجے میں قومی سطح پر افراط زر کا فی اتار چڑھاؤ کا شکار رہا اور مالی سال 2019 کے دوسرے نصف میں 8% سے بڑھ کر مالی سال 2020 کے پہلے نصف میں 11% تک پہنچ گیا۔ تاہم مالی سال 2020 کے 6 ماہ کا 11.1% عمومی افراط زر (قومی) اب بھی مالی سال 2020 کے دوران اسٹیٹ بینک کے طے کردہ CPI ہدف 12%-11% سے کم رہا۔

اسٹیٹ بینک نے افراط زر میں کمی کے مستحکم ہونے کے بعد مالیاتی نرمی کے آغاز کی ہدایت کی ہے۔ تیل کی عالمی قیمتوں میں اتار چڑھاؤ، ایشیائی خورد و نوش کی رسد میں خلل اور یوٹیلٹی کے نرخوں میں اضافے کی وجہ سے، جو کرنٹ اکاؤنٹ اور افراط زر میں اضافے کا سبب بن سکتا ہے، اس میں تاخیر ہو سکتی ہے۔

آئی ایم ایف پروگرام میں باضابطہ شمولیت سے کثیر جتنی / دو طرفہ قرض دہندگان کو تازہ مالی اعانت فراہم کرنے کا اعتماد ملا، جس سے پاکستانی روپے کو مالی سال 2020 کے پہلے نصف میں قدم جمانے میں مدد ملی (مالی سال 2019 کے دوسرے نصف میں 13% گراؤٹ کے بعد جولائی دسمبر 2019 میں 3% فیصد اضافہ)۔

اس سے بیرونی منڈی پر معنی قرض (قلیل مدتی منافع کے لیے سرمایے کے بہاؤ) کو مزید معاونت حاصل ہوئی جیسا کہ اسٹیٹ بینک کے گورنر رضاباقر نے جون 2019 میں حکومتی تمسکات میں غیر ملکی سرمایہ کاری کا آغاز کیا (مالی سال 2019 کے پہلے نصف میں 10.2 بلین امریکی ڈالر کے خالص اخراج کے مقابلے میں مالی سال 2019 کے دوسرے نصف میں 1.86 بلین امریکی ڈالر کے SCRA کی خالص آمد)۔ اس نئی پٹی کے زرمبادلہ کے ذخائر جون 2019 (قبل از آئی ایم ایف پروگرام) میں 7.3 بلین امریکی ڈالر سے بڑھ کر بمطابق دسمبر 2019 11.5 بلین امریکی ڈالر ہو گئے۔

پاکستانی روپے کی قدر میں تیز رفتاری کمی کی وجہ سے درآمدات میں نمایاں کمی واقع ہوئی ہے (مالی سال 2020 کے پہلے نصف میں سال بہ سال بنیاد پر 18% فیصد کمی) جیسا کہ پاکستان نے چار سال کے وقفے کے بعد اکتوبر 2019 میں 99 بلین امریکی ڈالر کا کرنٹ اکاؤنٹ اضافہ درج کر لیا (مالی سال 2020 کا پہلا نصف CAD: 1.8 ارب امریکی ڈالر، سال بہ سال بنیاد پر 73% کمی)۔ جب کہ اس کے برعکس یہ برآمدی نمونے لئے معنی بنانے کا سبب بنا جس میں مالی سال 2020 کے پہلے نصف میں سال بہ سال بنیاد پر 4% تک کمی ہو چکی ہے۔

فلسڈ انکم مارکیٹ کا جائزہ

حکومت پاکستان نے مالی سال 2019 کے دوسرے نصف میں 8.5 ٹریلین روپے کے مقابلے میں مالی سال 2020 کے پہلے نصف میں 10.8 ٹریلین روپے کے مجموعی طور پر 10.8 ٹریلین روپے اکٹھے کیے۔ اس مدت کے دوران، اگست 2019 میں بلند ترین سطح پر پہنچنے کے بعد آمدنی میں تیزی سے کمی آئی۔ سہ ماہی، سش ماہی اور بارہ ماہی معیادوں کے لیے Tہلڑکی تخمینہ شدہ آمدنی نے اگست 2019 میں بازتیب 13.7%، 13.9% اور 14.1% کی بلند ترین سطح پر پہنچنے کے بعد دسمبر 2019 میں 13.4%، 13.35% اور 13.1% پر سال کا اختتام کیا۔



2019 میں سود کی شرح کے بظاہر بلند ترین سطح چھونے کے ساتھ، PIB کی نیلامیوں میں سرمایہ کاری میں نمایاں اضافہ ہوا، جیسا کہ ایس بی پی کی طرف سے قبول کی گئی یو ایو میں مالی سال 2019 میں 0.7 ٹریلین روپے کے مقابلے میں مالی سال 2020 کے پہلے نصف میں 1.5 ٹریلین روپے تک اضافہ ہوا۔ دس سالہ تمسکات کی آمدنی (Yeilds Curve) میں قابل فہم طور پر زیادہ تیزی سے واپسی دیکھنے میں آئی جن میں اگست دسمبر 2019 میں 200 بنیادی پوائنٹس کی کمی ہوئی۔ 3 سالہ، 5 سالہ اور 10 سالہ میعادوں کے لیے تخمینہ شدہ اوسط حتمی آمدنی نے بالترتیب 14.0%، 13.5% اور 13.5% کی بلند ترین سطح چھونے کے بعد 11.6%، 11.0% اور 11.1% تک تیر رفتار کمی کے ساتھ سال کا احتتام کیا۔

مستقبل کی توقعات

افراط زر بدستور ایک چیلنج بنا رہا ہے گا، پاکستان کی معیشت کے لئے اب تک کاسب سے بڑا چیلنج افراط زر ہے۔ مالی سال 2020 کے پہلے نصف میں ہی پی آئی پر مبنی افراط زر 11.11% پر موجود ہے جبکہ اس کے مقابلے میں یہ گزشتہ سال اسی مدت میں 5.96% تھا۔ موجودہ سال 2020 میں ہم 12% - 11% کی حد میں رہنے کی توقع کرتے ہیں، تاہم یوٹیلٹی اور گیس کے نرخوں میں اضافہ آئی ایم ایف سے وابستہ کیا گیا ہے۔ جب تک مہنگائی میں کمی نہیں آتی، SBP سود کی شرح میں کمی کر کے معاشی سرگرمیوں کو فروغ نہیں دے سکے گی۔ کوئی توقع نہیں کی جاسکتی ہے کہ افراط زر کے دباؤ میں 4QCY20 میں آسانی ہوگی جس وقت SBP اپنی مانیٹری پالیسی میں نرمی کر سکتا ہے۔

مالیاتی پہلو ایک کمزور نکتہ رہے گا۔ مالیاتی پہلو سنبھالنا حکومت کے لیے بدستور ایک کمزور نکتہ ہے۔ 2,198 ٹریلین روپے کے مجوزہ ہدف کے مقابلے میں 118 ٹریلین روپے کی کمی کے ساتھ 2.08 ٹریلین روپے کی عبوری آمدنی کی وصولی کی بنیاد پر ہم دیکھتے ہیں کہ مالی سال 2020 کے لئے % 7.1 کا مالیاتی خسارے کا ہدف برقرار رکھنا مشکل ہوگا۔ مالیاتی سال 2020 میں مالیاتی خسارہ 7.5% - 8.0 کے درمیان رہ سکتا ہے جبکہ مالی سال 2019 میں یہ 8.9% تھا۔ اس کے نتیجے میں معیشت کو رواں سال کم ترقیاتی بجٹ سے نمٹنا ہوگا جس سے انفراسٹرکچر پر اخراجات میں مارکیٹ کی توقعات کے مقابلہ میں سست روی آسکتی ہے۔

برآمدات توقعات سے کم نمونہ اہم کریں گی: پاکستان کی معیشت عروج و زوال کی گردش میں چلی آ رہی ہے اور ہم برآمداتی اعداد و شمار کی عدم موجودگی یا انجماد کو اس کی بڑی وجہ سمجھتے ہیں کہ برآمدی تعداد غیر منقولہ ہے۔ مالی سال 2020 کے پہلے نصف میں برآمدات 3.7% اضافے سے 11.5 بلین ڈالر تک پہنچ گئی۔ مالی سال 2020 میں برآمدات کا ہدف 24 بلین ڈالر ہے، تاہم، اگر ہمیں نمونہ کو 4.0% یا اس سے زیادہ کی شرح تک بڑھانا اور اپنے زرمبادلہ کے ذخائر محفوظ رکھنے ہیں تو ہمیں اپنی برآمدات میں اضافہ کرنے کی ضرورت ہے کیونکہ ہم دیکھ سکتے ہیں کہ اس وقت درآمدات میں آخری حد تک کمی ہو چکی ہے۔ حکومت کو چاہئے کہ وہ نمونہ بحالی کے لئے برآمدات کے شعبے کو ترغیبات دینے پر توجہ دے اور امریکی ڈالر اور پاکستانی روپے کی شرح مبادلہ پر قابو رکھے۔

افراط زر اور پالیسی ریٹس اپنی بلند ترین سطح چھو چکے ہیں۔ لہذا، ہماری رائے میں طویل مدتی تمسکات کی آمدنی اپنی پست ترین سطح تک پہنچ چکی ہے، تاہم قلیل مدتی شرح میں کمی آئی ہے لیکن وہ پستی کی طرف مائل رہی ہے اس طرح ہم دیکھتے ہیں کہ جولائی 2020 سے T بلاز کی آمدنی کم ہو سکتی ہے۔



اظہار تشکر

یہ بورڈ اپنے قابل۔ قدر انویسٹرز، سکیورٹیز اینڈ اینڈ چینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج لمیٹڈ کا ان کے مسلسل تعاون اور مدد پر شکرگزار ہے۔ منجھٹ کمپنی کے ڈائریکٹرز، فنڈ کی ترقی اور دانش مند انتظام و انصرام کے لیے منجھٹ کمپنی کی ٹیم کی محنت اور کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے و معیاب بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 20 فروری 2020

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Income 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 six months period ended December 31, 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 Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2020



Independent Auditor's Review Report to the unit holders of Lakson Income Fund

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Lakson Income Fund ("the Fund") as at December 31, 2019 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim statement cash flow and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the three months period ended December 31, 2019 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them. The engagement partner on the engagement resulting in this independent auditor's review report is Aryn Pirani.

Date: February 29, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Aryn Pirani

**Condensed Interim Statement of Assets and Liabilities
As at December 31, 2019**

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
Assets	Note	----- (Rupees) -----	
Bank balances	6	963,094,533	1,319,573,643
Investments	7	1,371,634,992	922,901,205
Mark-up receivable	8	59,503,346	32,594,236
Deposits, prepayments and other receivables	8.1	17,598,213	15,619,200
Total assets		2,411,831,084	2,290,688,284
Liabilities			
Payable to the Management Company	9	21,935,809	21,806,364
Payable to the Trustee	10	161,929	257,267
Annual fee payable to Securities and Exchange Commission of Pakistan	11	240,842	2,425,288
Accrued expenses and other liabilities	12	17,911,778	15,119,214
Total liabilities		40,250,358	39,608,133
Net assets		2,371,580,726	2,251,080,151
Unit holders' fund (as per statement of movement in Unit Holders' Fund)		2,371,580,726	2,251,080,151
Contingencies and commitments	14		
(Number of units)			
Number of units in issue		21,961,590	22,284,408
(Rupees)			
Net assets value per unit		107.9876	101.0159

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**Condensed Interim Income Statement (Unaudited)
For the half year and quarter ended December 31, 2019**

	Note	Half year ended December 31,		Quarter ended December 31,	
		2019	2018	2019	2018
----- (Rupees) -----					
Income					
Mark-up income		170,740,114	155,579,548	85,418,431	73,380,694
Income from Margin Trading System		-	8,141,343	-	480,669
Capital gain / (loss) on sale of investments - net		14,397,546	(682,422)	14,306,456	(500,660)
Unrealised gain / (loss) on re-measurement of investments classified as financial asset at fair value through profit or loss'-net	7.1, 7.2, 7.3, 7.4, 7.5, 7.6	594,382	(7,229,223)	(9,488,622)	(2,018,883)
		185,732,042	155,809,246	90,236,265	71,341,820
Expenses					
Remuneration to the Management Company		18,063,192	27,856,663	9,003,485	11,392,424
Sindh Sales tax on remuneration to the Management Company		2,348,215	3,621,366	1,170,453	1,481,015
Remuneration to the Trustee		1,020,570	2,267,952	501,657	971,593
Annual fee to the Securities and Exchange Commission of Pakistan		240,843	1,392,834	120,047	569,622
SECP Supervisory Fee		1,256	1,260	627	630
Auditors' remuneration		150,190	166,742	76,810	73,371
Fees and subscription		688,890	707,248	445,050	445,050
Printing charges		-	18,645	-	13,604
Brokerage, custody, settlement and bank charges		326,261	1,295,648	168,520	258,670
		22,839,417	37,328,358	11,486,649	15,205,979
Net income from operating activities		162,892,625	118,480,888	78,749,616	56,135,841
Sindh Workers' Welfare Fund		(3,257,853)	(2,369,618)	(1,122,729)	(1,122,729)
Net income for the period before taxation		159,634,773	116,111,270	77,626,887	55,013,112
Taxation	15	-	-	-	-
Net income for the period after taxation		159,634,773	116,111,270	77,626,887	55,013,112
Allocation of net income for the period					
- Net income for the period after taxation		159,634,773	116,111,270	77,626,887	55,013,112
- Less: Income already paid on units redeemed		(8,743,531)	(24,540,095)	(4,307,916)	(13,532,030)
		150,891,242	91,571,175	73,318,971	41,481,082
Accounting income available for distribution					
- Relating to capital gains		13,713,296	-	4,190,621	-
- Excluding capital gains		137,177,946	91,571,175	69,128,350	41,481,082
Accounting income available for distribution		150,891,242	91,571,175	73,318,971	41,481,082

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Chief Financial Officer

Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)
For the half year and quarter ended December 31, 2019**

	Half year ended December 31, 2019	2018	Quarter ended December 31, 2019	2018
------(Rupees)-----				
Net income for the period	159,634,773	116,111,270	77,626,887	55,013,112
Other comprehensive income				
Total comprehensive income for the period	<u>159,634,773</u>	<u>116,111,270</u>	<u>77,626,887</u>	<u>55,013,112</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Chief Financial Officer

Director

Condensed Interim Statement Of Movement In Reserve Or Unit Holders' Fund (Unaudited)
For the half year ended December 31, 2019

	Half year ended 31 December 2019		Half year ended 31 December 2018		Total
	Capital value	Undistributed income	Capital value	Undistributed income	
	------(Rupees)-----				
Net assets at beginning of the period (audited)	2,217,147,832	33,932,319	2,251,080,151	4,511,068,619	182,180,526
Issuance of 4,769,584 units (2018: 2,005,898 units)					4,693,249,145
- Capital value (at net asset value per unit at the beginning of the period)	479,777,638	-	479,777,638	202,473,934	202,473,934
- Element of income	11,634,173	-	11,634,173	15,498	15,498
	491,411,791	-	491,411,791	202,489,432	202,489,432
Redemption of 5,072,402 units (2018: 18,779,170 units)					
- Capital value (at net asset value per unit at the beginning of the period)	(512,393,203)	-	(512,393,203)	(1,895,556,224)	(1,895,556,224)
- Element of income	(9,409,255)	(8,743,531)	(18,152,786)	(5,429)	(24,540,095)
	(521,802,458)	(8,743,531)	(530,545,989)	(1,895,561,653)	(1,920,101,748)
Total comprehensive income for the period Distribution during the period:					
- Nil (2018: Rs. 5,002/per unit declared on 03 July 2018)	-	159,634,773	159,634,773	-	116,111,270
Net income for the period less distribution	-	-	-	(71,668,853)	(21,620,396)
Net assets at end of the period (un-audited)	2,186,757,165	184,823,561	2,371,580,726	2,746,327,545	105,509,126
Undistributed income brought forward					
- Realised gain	48,989,915	-	48,989,915	194,319,292	-
- Unrealised (loss)	(15,057,596)	-	(15,057,596)	(12,138,766)	-
	33,932,319	-	33,932,319	182,180,526	-
Accounting income available for distribution					
- Relating to capital gains	13,713,296	-	13,713,296	91,571,175	-
- Excluding capital gains	137,177,946	-	137,177,946	91,571,175	-
	150,891,242	-	150,891,242	(49,951,549)	-
Distribution during the period:					
- Nil (2018: Rs. 5,002/per unit declared on July 03,2018)	-	-	-	123,800,158	-
Undistributed income carried forward	184,823,561	-	184,823,561	-	-
Undistributed income carried forward comprises of:					
- Realised income	184,229,179	-	184,229,179	131,029,381	-
- Unrealised gain	594,382	-	594,382	(7,229,223)	-
	184,823,561	-	184,823,561	123,800,158	-
					(Rupees)
Net assets value per unit at beginning of the period					105,9420
Net assets value per unit at end of the period					104,2663

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Chief Financial Officer

Director

**Condensed Interim Statement of Cash Flows (Unaudited)
For the half year ended December 31, 2019**

	Half year ended December 31,	
	2019	2018
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	159,634,773	116,111,270
Adjustments for non-cash charges and other items:		
Unrealised (diminution) on re-measurement of investments classified as financial asset at 'fair value through profit or loss'-net	(594,382)	7,229,223
	159,040,391	123,340,493
Decrease / (increase) in assets		
Investments - net	(448,139,405)	519,208,471
Receivable against Margin Trading System	-	49,017,877
Mark-up receivable	(26,909,110)	32,558,144
Deposits, prepayments and other receivables	(1,979,013)	(48,472,323)
	(477,027,528)	552,312,169
Increase / (decrease) in liabilities		
Payable to the Management Company	129,445	(5,687,513)
Payable to the Trustee	(95,338)	(128,820)
Annual fee payable to Securities and Exchange Commission of Pakistan	(2,184,446)	(2,058,102)
Accrued expenses and other liabilities	2,792,564	2,589,756
	642,225	(5,284,679)
Net cash (used in) / generated from operating activities	(317,344,912)	670,367,983
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units	491,411,791	130,820,578
Cash paid on redemption of units	(530,545,988)	(1,920,101,748)
Cash dividend paid	-	(149,951,543)
Net cash (used in) / generated from financing activities	(39,134,198)	(1,939,232,713)
Net (decrease) in cash and cash equivalent during the period	(356,479,110)	(1,268,864,730)
Cash and cash equivalent at the beginning of the period	1,319,573,643	3,336,896,309
Cash and cash equivalent at the end of the period	963,094,533	2,068,031,579

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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

Chief Executive Officer

Chief Financial Officer

Director

**Notes to and forming part of the Condensed Interim
Financial Information (Unaudited)
For the half year ended December 31, 2019**

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Income Fund (the "Fund") was established under the Trust Deed executed on August 18, 2009 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 September 18, 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). 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.

The Fund is an open end mutual fund and is listed on 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 "Income Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and it primarily invests in Government securities, certificates of investment, certificates of deposits, term deposit receipts, commercial papers, reverse repo, preference shares, spread transactions and corporate debt securities, etc. subject to the guidelines issued by SECP from time to time.

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

The Pakistan Credit Rating Agency Limited (PACRA) has maintained A+(f) (Fund Stability Rating) to the Fund on October 24, 2019 and has also maintained asset manager rating of the Company to AM2+ (stable outlook), on February 27, 2019 (2018: AM2+ as on August 28, 2018).

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34 'Interim Financial Reporting issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- 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).

In case where requirements differ, 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 The comparative balance sheet presented in these condensed interim financial information as at 31 December 2018 has been extracted from the audited financial statements of the Company for the year ended 30 June 2018, whereas the comparative income statement, statement of comprehensive income, the cash flow statement and statement of movement in unitholders' fund for the six months period ended 31 December 2017 have been extracted from the unaudited condensed interim financial information for the period then ended.
- 2.3 These condensed interim financial information do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the latest annual financial statements as at and for the year ended 30 June 2019. However, selected explanatory notes are included to explain events and transactions that are significant.
- 2.4 These condensed interim financial information are being submitted to the unit holders as required under Regulation 38(2)(f) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and are unaudited. However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause 5.19.13 of the Pakistan Stock Exchange Limited (PSX) Rule Book.

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company declare that these condensed interim financial information give a true and fair view of the state of the Fund's affairs as at 31 December 2019.

2.5 Basis of measurement

These condensed interim financial statement have been prepared under the historical cost convention, except that investments are stated at fair values.

2.6 Functional and presentation currency

These condensed interim financial information are presented in Pak Rupees, which is fund's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies applied in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the fund for the year ended June 30, 2019.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the Management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June, 2019

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2019.



6. BANK BALANCES	Note	December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
		(Rupees)	
In local currency			
In profit and loss sharing accounts	6.1	963,087,059	1,319,566,169
In current accounts		7,474	7,474
		<u>963,094,533</u>	<u>1,319,573,643</u>

6.1 These represent profit and loss account maintained with banks carrying profit rates ranging from 11.25% to 14.85% (June 30, 2019: 10.25% to 13.50%) per annum.

7. INVESTMENTS

Financial assets classified as at fair value through profit or loss

Government securities			
- Market Treasury Bills	7.1	-	47,603,709
- Pakistan Investment Bonds - Fixed rate	7.2	204,040,289	198,904,134
- Pakistan Investment Bonds - Floating rate	7.3	125,925,000	122,712,500
Term Finance Certificates - Listed	7.4	136,797,881	238,302,895
Term Finance Certificates - Unlisted	7.5	264,590,293	134,988,291
Sukuk Certificates - Listed	7.6	161,793,979	180,389,676
		<u>893,147,442</u>	<u>922,901,205</u>

Financial assets classified as at amortized cost

Commercial Papers	7.7	48,487,550	-
Term Deposit Receipts	7.8	430,000,000	-
		<u>478,487,550</u>	<u>-</u>
		<u>1,371,634,992</u>	<u>922,901,205</u>

7.1 Market Treasury Bills

	Number of treasury bills				Balance as at December 31, 2019			Market value as percentage of net assets of the Fund	Market value as percentage of total investment
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized (diminution)		
Treasury Bills - 03 months (face value of Rs. 100,000 each)	500	5,000	5,500	-	-	-	-	-	-
Total as at 31 December 2019					-	-	-	-	-
Total as at 30 June 2019					47,660,942	47,603,709	(57,233)	2.11%	5.16%

7.2 Pakistan Investment Bonds - Fixed Rate

	Note	Number of Pakistan Investment Bond				Balance as at December 31, 2019			Market value as percentage of net assets of the Fund	Market value as percentage of total investment
		Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized (diminution)		
3 years Pakistan Investment Bond (face value of Rs. 100,000 each)		960	2,446	3,406	-	-	-	-	-	
5 years Pakistan Investment Bond (face value of Rs. 100,000 each)		950	-	950	-	-	-	-	-	
10 years Pakistan Investment Bond (face value of Rs. 100,000 each)	7.2.1	474	2,000	474	2,000	204,106,395	204,040,289	(66,359)	9.06%	
Total as at December 31, 2019						<u>204,106,395</u>	<u>204,040,289</u>	<u>(66,359)</u>	<u>9.06%</u>	
Total as at June 30, 2019						208,677,584	198,904,134	(9,773,450)	8.84%	



7.2.1 This represent the Pakistan Investment Bond (PIB) with fixed rate coupon carry a rate of 8.75% (30 June 2019: 8.75%) per annum and having maturity on 12 July 2028. The coupon will be paid semi-annually. The face value of PIB - Fixed rate is Rs. 200 million (30 June 2019: 47.4 million).

7.3 Pakistan Investment Bonds - Floating Rate

Note	-----Number of Pakistan Investment Bond-----				Balance as at December 31, 2019			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized appreciation			
5 years Pakistan Investment Bond (face value of Rs. 100,000 each)	7.3.1	1,250	-	-	1,250	122,712,500	125,925,000	3,212,500	5.31%	9.18%
Total as at 31 December 2019					122,712,500	125,925,000	3,212,500	5.31%	9.18%	
Total as at 30 June 2019					124,475,000	122,712,500	(1,762,500)	5.45%	13.30%	

7.3.1 This represent the Pakistan Investment Bond (PIB) with floating rate coupon carry a rate of 9.35% (June 30, 2018: 6.85%) per annum and having maturity on May 31, 2028. The coupon will be paid and reset semi-annually. The face value of PIB - Floating rate is Rs. 125 million (June 30, 2019: 125 million)

7.4 Term Finance Certificates - listed

Name of Security	Note	-----Number of certificates-----				Balance as at December 31, 2019			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized (diminution)/ appreciation			
Commercial Banks		----- (Rupees) -----									
Bank Alfalah Limited - (V) (face value of Rs. 5,000 each)	7.4.1	12,950	-	-	12,950	64,581,650	64,581,650	-	2.72%	4.71%	1.30%
HBL Tier-II TFCs 10 years (face value of Rs. 100,000 each)	7.4.2	750	-	-	750	73,713,295	72,216,231	(1,497,064)	3.05%	5.26%	0.75%
Total as at 31 December 2019					138,294,945	136,797,881	(1,497,064)	5.77%	9.97%	2.05%	
Total as at 30 June 2019					238,911,404	238,302,895	(608,509)	10.59%	25.82%	2.07%	

7.4.1 These represents listed term finance certificates and carry rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 1.25% receivable semi-annually in arrears with no floor or cap and will mature in February 2021. The principal repayment for all the units shall be Rs. 12,950 per six months, except in case of the last six monthly installment, where it shall be Rs. 64.556 million. These term finance certificates are unsecured. The rating of the instrument is AA-.

7.4.2 These represent listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 0.50% . These term finance certificates are unsecured and the rating of the instrument is AA+.

7.5 Term Finance Certificates - Un-listed

Name of Security	Note	-----Number of certificates-----				Balance as at December 31, 2019			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized (diminution)/ appreciation			
Commercial Bank		----- (Rupees) -----									
Silk Bank Limited PPTFC - 08 years (face value of Rs. 5,000 each)	7.5.1	16,000	-	-	16,000	69,552,166	68,565,043	(987,123)	2.89%	5.00%	4.00%
BAHL Tier-II TFCs 10 years (face value of Rs. 5,000 each)	7.5.2	20,000	8,000	-	28,000	139,944,000	139,944,000	-	5.90%	10.20%	0.00%
Investment Company		----- (Rupees) -----									
Jahangir Siddiqui Company Limited PPTFC (face value of Rs. 5,000 each)	7.5.3	15,000	-	-	15,000	56,053,125	56,081,250	28,125	2.36%	4.09%	5.00%
Total as at 31 December 2019					265,549,291	264,590,293	(958,998)	11.17%	19.29%	9.00%	
Total as at 30 June 2019					137,257,493	134,988,291	(2,269,202)	6.00%	14.63%	9.00%	



- 7.5.1 This represents unlisted term finance certificates issued by Silk Bank Limited. Total size of the issue is Rs. 2,000 million and the term of the TFCs is eight years commencing from the date of issue of TFCs which was August 2017 and ending on August 2025. Profit on the instrument shall be payable semi-annually in arrears on the outstanding balance and the first such profit payment shall fall due 6 months from the issue date and subsequently every six months thereafter. Profit rate shall be the average six months KIBOR + 1.85% per annum. The instrument will be structured to redeem 0.14% of the issue amount during the first 7 years and remaining 99.86% in the last two semi annual instalments of 49.93% each. The instrument is unsecured and subordinated to all other indebtedness of the Bank. The rating of the instrument is BBB+.
- 7.5.2 This represent unlisted term finance certificates and carry rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum (plus margin of 1.40%) receivable semi-annually in arrears with no floor or cap and will mature in July 2022. The principal shall be redeemed in 8 equal semi annually installments. These term finance certificates are secured. The rating of the instrument is AA+.
- 7.5.3 This represent unlisted term finance certificates and carry rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum (plus margin of 1.40%) receivable semi-annually in arrears with no floor or cap and will mature in July 2022. The principal shall be redeemed in 8 equal semi annually installments. These term finance certificates are secured. The rating of the instrument is AA.

7.6 Sukuk Certificates

Name of Security	-----Number of certificates-----				Balance as at December 31, 2019			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized (diminution)/ appreciation			
Investment Company	----- (Rupees) -----									
Dawood Hercules Corporation Limited (face value of Rs. 100,000 each)	420	-	-	420	33,475,676	33,512,640	36,964	1.41%	2.44%	0.70%
Dawood Hercules Corporation Limited - 05 Years (Face value of 100,000 each)	1,430	-	-	1,430	128,414,000	128,281,339	(132,661)	5.41%	9.35%	2.38%
Total as at 31 December 2019					161,889,676	161,793,979	(95,697)	6.82%	11.80%	3.08%
Total as at 30 June 2019					180,976,378	180,389,676	(586,702)	8.01%	19.55%	3.08%

- 7.6.1 This represent sukuk certificates having face value 100,000 issued by Dawood Hercules Corporation Limited having issue size of Rs. 6,000 million and tenor shall be 05 years which is from November 2017 to November 2022. The profit rate shall be paid on quarterly basis and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 1.00% per annum. Principal amount shall be redeemed in 08 equal semi-annual installments starting from 18th month from the issue date. The rating of the instrument is AA.
- 7.6.2 This represent sukuk certificates having face value of Rs. 100,000 each issued by Dawood Hercules Corporation Limited having issue size of Rs. 6,000 million and tenor of 05 years which is from February 2018 to February 2023. The profit rate shall be paid on quarterly basis and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 1.00% per annum. Principal amount shall be redeemed in 08 equal semi-annual installments starting from 18th month from the issue date. The rating of the instrument is AA.

7.7 Commercial Paper

Name of Security	----- (Number of Commercial Papers) -----				Balance as at December 31, 2019			Market value as percentage of net assets of the Fund	Market value as percentage of total investment
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized (diminution)		
Note	----- (Rupees) -----								
K-Electric CP-3 (6 Months)	500,000	-	-	500,000	48,487,550	48,487,550	-	2.04%	3.54%
Total as at 31 December 2019					48,487,550	48,487,550	-	2.04%	3.54%
Total as at 30 June 2019					-	-	-	-	-



7.7.1 This represents 6 month commercial papers of K-Electric-I carrying mark up rate of 15.23% (June 30, 2019: Nil) per annum and having maturity on March 19, 2020. The placement amounts of commercial papers are Rs. 48.488 million (June 30, 2019: Nil). The rating of the instruments is A-2.

7.8 These carries mark up at the rate ranging from 14.25% to 15.00% (June 30, 2019: nil) per annum. These will mature on Oct 21, 2020 to Oct 27, 2021.

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
	Note	(Rupees)	
8. MARK-UP RECEIVABLE			
Mark-up / return receivable on:			
Term Deposit Receipts		11,786,302	-
Profit and loss sharing accounts		13,276,320	5,839,989
Term Finance Certificates		18,036,308	14,372,074
Government securities - Pakistan Investment Bonds		14,190,158	10,147,220
Sukuk certificates		2,214,258	2,234,953
		-	-
		<u>59,503,346</u>	<u>32,594,236</u>

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	9.1	3,000,400	2,885,847
Sindh Sales Tax on remuneration to Management Company	9.2	2,758,334	2,743,442
Federal Excise Duty on remuneration to Management Company	9.3	16,177,075	16,177,075
		<u>21,935,809</u>	<u>21,806,364</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 1.5% per annum of the average annual net assets of the Fund. However, the Management Company is currently charging a fee at the rate of 1.5% of the average daily net assets of the fund. Remuneration is paid to 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 2019: 13%) on Management Company's remuneration. Above liability includes Rs. 2,368,285 (30 June 2018: Rs. 2,368,285) 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 31 December 2019 would have been higher by 0.1078 (30 June 2019: 0.1063 per unit. This amount is payable to management company for onward payment to the Government.

9.3 There is no change in the status of the appeal pending in the Supreme Court of Pakistan against of the decision of Sindh High Court as more fully disclosed in the annual financial statements for the year ended 30 June 2018 regarding the FED on management's remuneration. The Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs.16.177 million. Had the provision not been made, Net asset Value per unit of the Fund as at 31 December 2019 would have been higher by Re. 0.74 (30 June 2019: Re. 0.73) per unit.

However, above mentioned expenses were not charged by the Management Company to the Fund during the period under audit. Had the above expenses for the period, 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. Effective from 01 July 2019 the Trustee has revised the trustee fee which is 0.075% per annum of the net assets.

Upto 30 June 2019 the Trustee was entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the following rates:

Net assets up to 1 billion	0.17% per annum of the daily average net assets of the Fund,
Net assets ranging between Rs. 1 billion to Rs. 5 billion	Rs. 1.70 million plus 0.085% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.
Net assets exceeding 5 billion	Rs. 5.1 million plus 0.07% per annum of the daily average net assets of the Fund exceeding Rs 5 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 SECP in accordance with the NBFC Regulations. Effective from 01 July 2019 the SECP has revised the Annual SECP fee as under:

The Company is required to pay SECP an amount at the rate of 0.02% per annum of the average daily net assets of the fund.

Upto 30 June 2019 the SECP was entitled for annual fee payable in accordance with the regulation 62 of the NBFC Regulation 2008, as per the following rates:

The Company is required to pay SECP an amount at the rate of 0.075% per annum of the average daily net assets of the fund.

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
		(Rupees)	
12. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		139,303	140,313
Payable to Sindh Workers' Welfare Fund	12.1	17,365,470	14,107,617
Brokerage payable		98,755	39,221
NCCPL payable		54,794	21,308
Printing and stationary payable		20,550	20,550
Withholding tax payable		20,161	780,548
Others		212,745	9,657
		<u>17,911,778</u>	<u>15,119,214</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 certain 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 31 Dec 2019 is Rs. 17.365 million (June 30, 2019 :Rs.14.108 million).Had the provision unit of the Fund as at 31 Dec 2019 would have been higher by Re. 0.7907 (30 June 2019: Re. 0.6331) per unit.

This has been fully explained in 30 June 2019 financial statements.

13. TOTAL EXPENSE RATIO

As per the SECP circular vide direction no. 23 dated July 20, 2016 and as referred in Regulations 60(5) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations"), Total Expense Ratio (TER) calculated inclusive of Sindh Sales Tax and SECP fee is 2.17% as of December 31, 2019 (December 31, 2018: 2.14%) and this includes 0.50% (December 31, 2018: 0.42%) representing Sindh Sales tax and SECP fee.

14. CONTINGENCIES AND COMMITMENTS

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

15. TAXATION

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the 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. The management intends to distribute at least 90% of the income earned (if any) during the year by the Fund to the unit holders.

16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee and the custodian, SIZA services (Private) Limited being holding company of the management company, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company, key management personnel and other funds being managed by the Management Company, staff retirement benefits of related parties and other entities having more than 10% holding in the units of the Fund as at December 31, 2019. funds of the above related parties / connected persons.

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

	December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
	(Rupees)	
16.1 Details of balances with related parties / connected persons at the period end		
Lakson Investments Limited - Management Company of the Fund		
Remuneration for the period	<u>3,000,400</u>	<u>2,885,847</u>
Sindh sales tax and Federal Excise Duty on remuneration of Management Company	<u>18,935,409</u>	<u>18,920,517</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the period	<u>161,929</u>	<u>257,267</u>
Security Deposit	<u>100,000</u>	<u>100,000</u>
16.2 Other transactions during the period		
Lakson Investments Limited - Management Company of the Fund		
Remuneration for the period	<u>18,063,192</u>	<u>27,856,663</u>
Sindh sales tax and Federal Excise Duty on remuneration of Management Company	<u>2,348,215</u>	<u>3,621,366</u>
Dividend Paid	<u>13,637</u>	<u>13,637</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the period	<u>1,020,570</u>	<u>2,267,952</u>
Settlement charges	<u>171,357</u>	<u>171,357</u>

16.3 Details of transactions and balances with directors, key management personnel, employees, associated company/ undertakings of the Management Company and connected person are as follows:

	Half Year ended December 31, 2019							
	Number of Units			Rupees				
	Number of units as at July 01, 2019	Units issued during the period	Units redeemed during the period	Number of units as at December 31, 2019	Balance as at July 01, 2019	Units issued during the period	Units redeemed during the period	Balance as at Dec 31, 2019 (Investment at current NAV)
Lakson Investments Limited - Management Company	905,336	-	-	905,336	91,453,292	-	-	97,765,020
Directors, Chief Executive and their spouse and minors	7,677,422	1,842,238	1,886,162	7,633,498	775,541,693	188,000,000	197,585,769	824,323,089
Associated companies								
SIZA (Private) Limited	860,228	15,386	-	875,614	86,896,734	1,606,295	-	94,555,495
Premier Fashions (Private) Limited	739,077	9,962	-	749,039	74,658,512	1,040,042	-	80,886,925
Alan (Private) Limited	22,692	-	-	22,692	2,292,231	-	-	2,450,432
Colgate Palmolive (Pakistan) Limited	3,770,174	-	-	3,770,174	380,847,511	-	-	407,132,032
Hasanali & Gulbano Lakhani Foundation	384,768	-	-	384,768	38,867,663	-	-	3,945,473
SIZA Services (Private) Limited	992,415	-	348,231	36,536	100,249,708	-	35,500,000	107,168,528
Sybird (Private) Limited	536	-	-	536	54,194	-	-	57,934
Lakson Business Solution Limited-ECPFT	4,617	-	-	4,617	466,423	-	-	498,614
Connected person due to holding more than 10% units								
English Biscuit Manufacturers (Private) Limited	3,819,644	-	-	3,819,644	385,844,776	-	-	412,474,188
Coronet Foods (Private) Limited	2,539,888	-	-	2,539,888	256,569,072	-	-	274,276,409

*Holding increased above 10% due to investment of Unit holder/ divestment from other Unit holders.



	Number of Units				Rupees			
	Number of units as at July 01, 2018	Units issued during the period	Units redeemed during the period	Number of units as at December 31, 2018	Balance as at July 01, 2018	Units issued during the period	Units redeemed during the period	Balance as at December 31, 2018
Lakson Investments Limited - Management Company	1,089,737	135	-	1,143,720	115,448,674	13,637	-	119,251,453
Directors, Chief Executive and their spouse and minors	5,330,393	225,830	-	5,562,314	564,712,495	28,700,506	-	579,961,900
Associated companies / undertakings of the Management Company								
SIZA (Private) Limited	1,059,782	44,646	291,377	813,051	112,275,427	4,506,506	30,000,000	84,773,823
Premier Fashions (Private) Limited	637,714	26,862	242,739	421,839	67,560,654	2,711,431	25,300,000	43,983,626
Alan (Private) Limited	20,460	862	-	21,322	2,167,535	86,999	-	2,223,128
Colgate Palmolive (Pakistan) Limited	9,442,006	2,440	6,367,012	3,542,523	1,000,304,957	246,281	650,000,000	369,365,743
Hasanali & Gulbano Lakhani Foundation	532,009	241	-	558,334	56,362,112	24,315	-	58,215,434
SIZA Services (Private) Limited	3,002,299	126,478	2,196,929	931,848	318,069,599	12,766,662	223,000,000	97,160,343
Sybird (Private) Limited	837,838	20,100	875,312	504	88,762,309	2,028,838	89,900,000	52,519
Lakson Business Solution Limited-ECPFT	4,091	203	-	4,496	433,400	60	-	447,669
*Gul Ahmed Energy Limited (10% or more holding)	5,117,282	125,506	5,348,753	3,743,327	542,135,090	12,668,523	548,463,969	390,302,901
*Atlas Honda Limited (10% or more holding)	-	-	-	-	-	-	-	-
*English Biscuit Manufactures Private Limited (10% or more holding)	-	-	-	3,589,005	-	-	-	374,212,308

*Holding increased above 10% due to investment of Unit holder / divestment from other Unit holders.

17. 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 (that is, as prices) or indirectly (that is, derived from prices) (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.

		December 31, 2019 (Un-Audited)					
		Carrying amount			Fair Value		
		Mandatory at Fair Value through profit or loss	Amortized cost	Other Financial Liabilities	Level 1	Level 2	Total
		(Rupees)					
On-balance sheet financial instruments	Note						
Financial assets measured at fair value							
Investments		893,147,442	-	893,147,442	-	893,147,442	893,147,442
Financial assets not measured at fair value							
Bank balances		-	963,094,533	963,094,533	-	-	-
Mark-up receivable		-	59,503,346	59,503,346	-	-	-
Investments		-	478,487,550	478,487,550	-	-	-
Financial liabilities not measured at fair value							
Payable to the Management Company		-	21,935,809	21,935,809	-	-	-
Payable to the Trustee		-	161,929	161,929	-	-	-
Accrued expenses and other liabilities		-	526,147	526,147	-	-	-
		-	22,623,885	22,623,885	-	-	-
		June 31, 2019 (Audited)					
		Carrying amount			Fair Value		
		Mandatory at Fair Value through profit or loss	Amortized cost	Other Financial Liabilities	Level 1	Level 2	Total
		(Rupees)					
On-balance sheet financial instruments	Note						
Financial assets measured at fair value							
Investments		922,901,205	-	922,901,205	-	922,901,205	922,901,205
Financial assets not measured at fair value							
Bank balances		-	1,319,573,643	1,319,573,643	-	-	-
Mark-up receivable		-	32,594,236	32,594,236	-	-	-
Financial liabilities not measured at fair value							
Payable to the Management Company		-	21,806,364	21,806,364	-	-	-
Payable to the Trustee		-	257,267	257,267	-	-	-
Accrued expenses and other liabilities		-	231,049	231,049	-	-	-
		-	22,294,680	22,294,680	-	-	-



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

18. GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

19. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 20, 2020 by the Board of Directors of the Management Company.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



A Lakson Group Company

Lakson Investments Limited
Lakson Square, Building No. 2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan
T +92.21 3840.0000
F +92.21 3568.1653

Lakson Investments (DIFC) Limited
Level 15, Gate Building
DIFC, P.O. Box 507054
Dubai, U.A.E.
T +971.4 401.9284
F +971.4 401.9578
(Regulated by the DFSA)