

LAKSON TACTICAL 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



Fund's Information

Bankers to the Fund

Allied Bank Limited
Bank Alfalah Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Habib Bank AG Zurich
JS Bank Limited
Telenor Microfinance Bank Limited
United Bank Limited
NRSP Microfinance Bank Limited
National Bank of Pakistan
Mobilink Microfinance Bank Limited
Silk Bank Limited
Sindh Bank Limited
Finca Microfinance Bank Limited
U 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

Distributor

Rabia Fida
BMA Capital Management Limited

Rating

1 Year : 3-Star
3 Year : 4-Star
5 Year : 3-Star
AM2+ : Asset Manager Rating by PACRA

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 Tactical Fund ("LTF") 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 Lakson Tactical Fund is to provide long-term capital appreciation by exclusively investing in a mix of securities comprising debt, equity and commodities future contracts.

Principal activities

LTF is an open-end asset allocation fund and is listed on Pakistan Stock Exchange Limited. The Fund is managed using an active investment management style which focuses on an analysis of macro factors such as government policies, interest rates, liquidity, exchange rates and economic growth. The Fund switches exposure between domestic debt securities and domestic equities based on the forward price to earnings multiple of the equity market. Asset allocation to different sectors and stocks will be made on the basis of earnings growth and management quality. Exposure of the scheme in fixed income securities is managed through duration and yield curve management. The Fund may overweight or underweight commodities relative to its benchmark for commodities investment.

Development and Fund performance

Lakson Tactical Fund generated an absolute return of 15.95% against the benchmark return of 16.92% in the 2QFY20. This pushed the 1HFY20 return to 13.52% for the fund vs. 15.92% for the benchmark for the same period. The fund has underperformed the benchmark by 2.4% during the year. As of December 31, 2019, LTF portfolio was invested 59% in Equities, 12% in TFCs/Sukuks and 25% in Cash. The Fund size of the LTF as of December 31, 2019 was PKR 752 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.

Equity Market Review

The year started on a weak note with the KSE-100 index hitting its 5-year low in Aug'19 (down 22% Jan-mid-Aug'19). Trading activity stalled with volumes hitting a 5-year low of 76.5mn in Jul'19 and daily turnover falling to a c. 7-year low of US\$17.5mn in Jul'19. However, the KSE-100 bounced back by a sharp 42% from its low in Aug'19 (45% in US\$ terms), emerging as the best performing market in Nov'19 to close the year at 40,735.08pts (up 9.9%yoy). In 6MFY20 the equity market recorded a return of 20%. The sharp recovery in 2H19 was primarily led by individuals and foreign buying which helped offset large redemptions from Mutual Funds. The re-rating was led by (i) successful entry into US\$6bn IMF Program which helped obtain much needed multi-lateral/bilateral aid, (ii) status quo decision in the Jul-Sep'19 Monetary Policy sparking expectation of rate cuts from 2020 (iii) marked improvement in Current account posting a US\$90mn surplus in Oct'19, (iv) hot money net inflows of c. US\$2.0bn in 2H19 supporting fx reserves (US\$10.9bn as at Dec'19), and (v) orderly transition to a market-determined exchange rate (which has remained stable at PKR155 in 2H19). The cumulative outflow since 2015 to-date stands at US\$1.6bn, depicting marginal reduction.

Commodities Review

Oil prices remained range-bound in the first five month of current fiscal year but significant gains were witnessed in December 2019 due to softening of stance by US and China on the trade war and decision by OPEC and its allies to increase their production cuts to 1.7mn barrels per day (bpd), up by 0.5mn bpd from initial cuts of 1.2mn bpd to reduce surplus supply. The start of the fiscal year saw conclusion of OPEC's meeting wherein the OPEC and allies decided to extend production cuts of 1.2mbpd for another nine months yet the higher production in August of 29.99mmcf and escalation in U.S-China trade war wherein the U.S announced additional tariff on approximately USD 300 billion Chinese imports dragged oil prices down by 6.1% MoM in August. For the first half of FY20, oil prices remained on a lower side compared to the corresponding period last year despite the supply disruption due to drone attacks on Saudi's largest oil refinery that produces 5.7mbpd of oil, 6% of global total oil supply, U.S sanctions on Iran and OPEC's production fall even before new deal taking effect from January 2020.

Richard bay coal prices jumped from USD 62.95 to USD 79.70 up 26.6% in first half of current fiscal year, without any logical explanation as there is neither supply shock for exports or sudden increase in demand for Richard Bay specifically. Average London's Steel scrap prices declined by 3.3% despite monthly gain of 9.3% and 9.6% in November and December. Similarly, Chinese steel prices also remained under pressure with average price of CRC and HRC during the 1HFY20 declining by 11.3% YoY and 10.5% YoY. PTA-Px margin slipped by 26.1% YoY as both Paraxylene and PTA prices were down by 30.2% and 29.5% YoY, respectively. PVC-Ethylene core delta improved by 28.6% YoY to USD 470/MT, as decline in Ethylene price by 27% YoY outpaced the 4.8% YoY drop in PVC price. Gold prices remained bullish during the first half of the fiscal year, recording a gain of 21.4% YoY.

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 1H FY20 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 1H FY20 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.

Following a strong rebound in 4QCY19 from multiyear low levels, we expect the KSE-100 to continue the rally into 2020, where the momentum in economic recovery and transition towards higher growth will both help the Index converge to its historical mean valuations and catalyze corporate profitability. We believe that market confidence on the present government's will and ability to eradicate long-standing structural issues and put the economy on a longer-term growth path (breaking away from the short-lived boom & bust cycles) is more important than the timing and pace of monetary easing. Even if monetary easing is delayed, we think the market will digest it so long as the medium-term inflation outlook of 5-7% remains intact.

Acknowledgment

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 ٹیکنیکل فنڈ

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

میٹجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن ٹیکنیکل فنڈ ("LTF") کی میٹجمنٹ کمپنی 31 دسمبر 2019ء کو ختم ہونے والے نصف سال کے لیے ایسی جائزہ رپورٹ مع عبوری مالیاتی گوشوارے سے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

فنڈ کا مقصد

لیکسن ٹیکنیکل فنڈ کی سرمایہ کاری کا مقصد، ڈیٹ (Debt)، ایکویٹی اور کموڈیٹیز فیوچر کنٹریبلز پر مشتمل مختلف طرح کی سیکیورٹیز میں سرمایہ کاری کرتے ہوئے سرمائے کی قدر میں طویل مدتی اضافہ کرنا ہے۔

اہم سرگرمیاں

LTF ایک ایسیٹ ایلیویشن اسکیم ہے جسے متعلقہ اثاثوں کی کلاسز کے متوقع منافع جات اور منجمنٹ کمپنی کی سوابدید کی بنیاد پر ڈیٹ (Debt)، ایکویٹی پر معنی انٹرنیشنل اور کموڈیٹیز کے درمیان سرمایہ کاری کے رد و بدل کی اجازت ہے اس سوابدید کا اطلاق اقتصادی ماحول کے تجربے کے بعد کیا جائے گا جس میں افراط زر، کرنسی کی قدر میں کمی، شرح سود، GDP کی نمو، حکومتی پالیسیز، عالمی اقتصادی ڈینا، کموڈیٹیز کی قیمتیں اور رسد/طلب کا تحریک شامل ہے۔ گلسڈ انکم سیکیورٹیز میں اسکیم کی سرمایہ کاری کا انتظام و انصرام کو حکومتی سیکیورٹیز کی مختلف میچورٹیز کے درمیان منتقلی کے ذریعے دورانیے اور yield curve میٹجمنٹ کے ذریعے کیا جائے گا۔

ایکویٹی میں سرمایہ کاری کا انتظام و انصرام ان بنیادی اقدار کے تعین کے لیے نیچے سے اوپر کی طرف تجربے کے ذریعے کیا جائے گا جو فنڈ کو پرکشش منافع کمانے کے قابل بنائیں۔ حکومتی سیکیورٹیز کی مختلف میچورٹیز کے درمیان منتقلی کے ذریعے دورانیے اور yield curve میٹجمنٹ کے ذریعے کیا جائے گا۔ فنڈ کموڈیٹیز میں سرمایہ کاری کے لیے پیچ مارک کو متعلقہ کموڈیٹیز کے مطابق اور روٹ یا انڈروٹ کر سکتا ہے۔

پیش رفت اور کارکردگی کا جائزہ

لیکسن ٹیکنیکل فنڈ نے مالی سال 2020ء کی دوسری سہ ماہی میں پیچ مارک منافع 16.92% کے مقابلے میں 15.95% مطلق منافع پیش کیا۔ اس سے مالی سال 2020 کے پہلے نصف کا منافع اسی مدت کے پیچ مارک منافع 15.92% کے مقابلے میں 13.52% تک پہنچ گیا۔ اس طرح فنڈ نے سال کے دوران پیچ مارک کے مقابلے میں 2.4% کم تر کارکردگی دکھائی۔ 31 دسمبر 2019 کے مطابق LTF پورٹ فولیو نے ایکویٹیز میں 59% TFCs، حکومتی میں 12% اور کرنس میں 25% سرمایہ کاری کی۔ 31 دسمبر 2019 کے مطابق LTF کے فنڈ کا حجم 752 ملین روپے تھا۔

فی شیئر آمدنی (EPU)

فی شیئر آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے موزوں اور وسطیہ ٹیکس کا تعین اور اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔



معاشی جائزہ

کوئی 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 تیل 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 بدانت کی ہے۔ تیل کی عالمی قیمتوں میں اتار چڑھاؤ، ایشیائے خور و نوش کی رسد میں خلل اور ریوٹیلٹی 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 جہتی / 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 رضا باقر نے جون 2019 میں حکومتی تمسکات میں غیر ملکی سرمایہ کاری کا آغاز کیا (مالی سال 2019 کے پہلے نصف میں 10.2 ملین 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)۔ ایس بی پی 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 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 ملین 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 مبالغہ 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 T بلو کی نیلامیوں سے 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، شش ماہی اور بارہ ماہی میعادوں کے لیے T بلو کی تخمینہ شدہ آمدنی نے اگست 2019 میں بائریٹیج 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 بولیوں میں ماہی سال 2019 میں 0.7 ٹریلین روپے کے مقابلے میں ماہی 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 تیز رفتاری کے ساتھ سال کا اختتام کیا۔

ایکویٹی مارکیٹ کا جائزہ

سال کی شروعات کمزور صورت حال سے ہوئیں جیسا کہ کے ایس ای 100 انڈیکس اگست 2019 میں 5 سال کی کم ترین سطح پر آ گیا (جنوری تا اوسط اگست 2019، 22% کمی ہوئی)۔ تجارتی سرگرمیاں ٹھپ رہیں جیسا کہ جولائی 2019 میں فروخت کا حجم 76.5 ملین ڈالر کے ساتھ 5 سال کی کم ترین سطح تک گر گیا اور جولائی 2019 میں یومیٹرن اور 17.5 ملین ڈالر کے ساتھ 7 سال کی کم ترین سطح تک گر گیا۔ تاہم، کے ایس ای 100 نے اگست 2019 میں اپنی پست ترین کارکردگی سے 42% کی تیز رفتاری بحالی کی (امریکی ڈالر کے اعتبار سے 45%) اور جو نومبر 2019 میں بہترین کارکردگی کا مظاہرہ کرنے والی مارکیٹ کے طور پر ابھر اور 40,735.08 پوائنٹس پر سال کا اختتام کیا (سال بہ سال بنیاد پر 9.9% اضافہ)۔ مالی سال 2020 کے 6 ماہ میں ایکویٹی مارکیٹ میں 20% منافع ریکارڈ کیا گیا۔

ماہی سال 2019 کے دوسرے نصف میں تیز رفتاری بحالی بنیادی طور پر افراط کی طرف سے اور غیر ملکی خریداری کا نتیجہ تھی جس نے مچل فنڈ سے بڑے پیمانے پر رقم نکالنے کے اثرات ختم کرنے میں مدد کی۔ اس دوبارہ ریٹنگ کے سرکردہ عوامل یہ ہیں (i) 6 ارب امریکی ڈالر کے آئی ایم اینف پروگرام میں کامیاب شمولیت کی وجہ سے ہوئی جس کی وجہ سے ضرورت سے زیادہ کثیر چستی / دو طرفہ امداد حاصل کرنے میں مدد ملی، (ii) جولائی ستمبر 2019 میں مائیکرو پالیسی میں صورت حال ہوں کی توں رکھنے کے فیصلے نے 2020 سے شرحوں میں کمی کی توقعات کو ختم دیا۔ (iii) اکتوبر 1919 میں 990 ملین ڈالر کا اضافہ درج کرانے کے ساتھ کرنٹ اکاؤنٹ میں نمایاں بہتری (iv) مالی سال 2019 کے دوسرے نصف میں 2 بلین امریکی ڈالر کے قلیل مدتی منافع کے لیے سرمایے کے خالص بہاؤ سے زرمبادلہ کے ذخائر کو تقویت ملی (بمطابق دسمبر 2019، 10.9 بلین امریکی ڈالر)، اور (v) مارکیٹ کی متعین کردہ شرح مبادلہ کی طرف قریبے کے ساتھ مشتعلی (جو مالی سال 2019 کے دوسرے نصف میں روپے پر مستحکم ہے)۔ 2015 سے لے کر اب تک سرمائے کا مجموعی اخراج 1.6 بلین امریکی ڈالر ہے جو معمولی کمی کو ظاہر کرتا ہے۔

کموڈیٹیز کا جائزہ

رواں ماہی سال کے پہلے پانچ مہینوں میں تیل کی قیمتیں اپنی حدود میں رہیں لیکن دسمبر 2019 میں تجارتی جنگ پر امریکہ اور چین کے موقف میں اور اوپیک اور اس کے اتحادیوں کی طرف سے اپنی اضافی سپلائی میں کمی کے لیے اپنی پیداواری کھوٹی 0.5 ملین بریل یومیہ (bpd) میں 1.2 ملین بریل یومیہ اضافے کے ساتھ 1.7 ملین بریل تک بڑھانے کی وجہ سے، نمایاں منافع جات دیکھنے میں آئے۔ مالی سال کے آغاز پر اوپیک کے اجلاس کا اختتام ہوا جس میں اوپیک اور اتحادیوں نے اگست میں پیداوار میں 1.2 ملین بریل یومیہ کھوٹی کومزید نو ماہ تک توسیع دینے کا فیصلہ کیا، اس کے باوجود اگست میں 29.99mmcf کی بلند پیداوار اور امریکا چین تجارتی جنگ میں تیزی کی وجہ سے، جس میں امریکہ نے چینی درآمدات



پر لگ بھگ 300 بلین امریکی ڈالر اضافی محصولات کا اعلان کیا، اگست میں تیل کی قیمتوں کو ماہ بہ ماہ بنیاد پر 6.1% فیصد کم کر دیا۔ سعودی عرب کی سب سے بڑی آئل ریفاٹری پر ڈرون حملوں کی وجہ سے سپلائی میں خلل، جو یومیہ 5.7 ملین بریل تیل پیدا کرتی ہے، جو عالمی سطح پر تیل کی سپلائی کا 6% ہے، ایران پر امریکی پابندیوں کے باوجود مالی سال 2020 کی پہلی ششماہی کے دوران، تیل کی قیمتیں پچھلے سال کے اسی عرصے کے مقابلے میں کم رہی، جنوری 2020 میں نئے معاہدے پر عمل درآمد سے بھی پہلے اوپیک کی پیداوار میں کمی واقع ہوئی۔

رواں مالی سال کی پہلی ششماہی میں کسی بھی منطقی وضاحت کے بغیر رچرڈے کو لے کی قیمت 62.95 امریکی ڈالر سے بڑھ کر 79.70 امریکی ڈالر ہو گئی جیسا کہ نتو برآمدات کے لئے سپلائی کو کوئی اچا نکل جھٹکا لگا اور نہ ہی خاص طور پر رچرڈے کی طلب میں اچا نکل اضافہ ہوا۔ نومبر اور دسمبر میں 9.3% اور 9.6% ماہانہ اضافے کے باوجود لندن کے اسٹیل سکرپ کی قیمتوں میں اوسطاً 3.3% کمی واقع ہوئی ہے۔

اسی طرح، HRC اور CRC کی اوسط قیمتوں میں سال بہ سال بنیاد پر 11.3% اور 10.5% کمی کے ساتھ مالی سال 2020 کے پہلے نصف کے دوران چینی اسٹیل کی قیمتیں بھی دباؤ میں رہی۔ PTA-PX کے منافع جات میں 26.1% کمی آئی جیسا کہ Paraxylene اور PTA دونوں کی قیمتوں میں سال بہ سال بنیاد پر ہائیر تیب 30.2% اور 29.5% کمی واقع ہوئی۔ PVC-Ethylene کی بنیادی قیمت سال بہ سال بنیاد پر 28.6% بہتر کی ساتھ 470 امریکی ڈالر فی ٹن تک پہنچ گئی، جیسا کہ اتھیلین کی قیمت میں سال بہ سال بنیاد پر 27% کمی نے PVC کی قیمت میں 4.8% کمی کو پیچھے چھوڑ دیا۔ مالی سال کی پہلی ششماہی کے دوران سونے کے نرخوں میں تیزی رہی، جس میں سال بہ سال بنیاد پر 21.4% اضافہ ریکارڈ کیا گیا۔

مستقبل کی توقعات

افراط زر بدستور ایک چیلنج بنا رہے گا، پاکستان کی معیشت کے لئے اب تک کاسب سے بڑا چیلنج افراتزر ہے۔ مالی سال 2020 کے پہلے نصف میں سی پی آئی پر منفی افراتزر 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 افراتزر 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 بلین روپے کے مجوزہ ہدف کے مقابلے میں 118 بلین 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 مقابلے میں سست روی آسکتی ہے۔

برآمدات توقعات سے کم نمونہ کر سکیں 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 نمو کی 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 بہت 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 بلو کی آمدنی کم ہو سکتی ہے۔ کئی سال کی نجلی سطحوں سے مایہ سال 2019 کی چوتھی سہ ماہی میں زبردست واپسی کے بعد، ہم توقع کرتے ہیں کہ اے ایس ای 100 اپنی تیزی کو 2020 تک جاری رکھے گا، جہاں معاشی بحالی میں تیزی اور اعلیٰ نمو کی طرف منتقلی دونوں انڈیکس کو اپنی تاریخی اوسط قیمتوں کی طرف پلٹنے اور کارپوریٹ منافع کو فروغ دینے میں مدد فراہم کرے گی۔ ہم یقین رکھتے ہیں کہ موجودہ حکومت کے ارادوں اور دیرینہ ساختی مسائل کو ختم کرنے اور معیشت کو طویل المدت ترقی (تازہ چڑھاؤ کی مختصر مدتی گردشوں سے دامن چھڑانے) کی راہ پر گامزن کرنے کی صلاحیت پر مارکیٹ کا اعتماد مایہ ترقی کے اوقات اور رفتار سے زیادہ ہم ہے۔ یہاں تک کہ اگر مالیاتی نرمی میں تاخیر بھی ہو جاتی ہے تو، ہمارے خیال میں مارکیٹ اس وقت اسے برداشت کر لے گی جب تک کہ 5-7% تک کے وسط مدتی افراط زر کی توقع برقرار رہتی ہے۔

اظہار تشکر

یہ بورڈ اپنے قابل۔ قدر انویسٹرز، سیکورٹیز اینڈ ایڈیٹوریٹس کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینیٹرل ڈیپازٹری کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج لمیٹڈ کا، ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ منجمنٹ کمیٹی کے ڈائریکٹرز فنڈ کی ترقی اور دانش مند انتظام و انصرام کے لیے منجمنٹ کمیٹی کی ٹیم کی محنت اور کوششوں کا بھی اعتراف کرتے ہیں۔

برائے و مخائب بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 20 فروری 2020

**CENTRAL DEPOSITORY COMPANY
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TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON TACTICAL 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 Tactical 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 (NBFC Regulations) and the constitutive documents of the Fund.

For the purpose of information, we would like to draw the attention of unit holders towards the fact that Fund was non-compliant with respect to the requirement of Regulation 55(9) & 55(13) of NBFC Regulations, wherein the exposure taken by Fund in Commercial Bank Sector has breached the regulatory limit due to decline in the net assets of the fund and subsequently regularized on October 23, 2019 by selling the securities.


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 28, 2020



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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Lakson Tactical Fund ("the Fund") as at December 31, 2019 and the related condensed interim income statement and statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial information 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 approved accounting 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 quarter ended December 31, 2019 in the condensed interim income statement and statement of comprehensive income 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)
	Note	----- (Rupees) -----	
Assets			
Bank balances	6	187,580,184	85,286,659
Investments	7	564,182,664	670,368,027
Dividend receivables		16,286	875,703
Markup accrued	8	6,487,770	5,341,484
Advances, deposits, prepayments and other receivables	9	2,951,630	2,977,293
Total assets		<u>761,218,534</u>	<u>764,849,166</u>
Liabilities			
Payable to the Management Company	10	2,919,858	2,862,857
Remuneration payable to the Trustee		142,808	144,152
Annual fee payable to Securities and Exchange Commission of Pakistan		69,458	998,749
Accrued expenses and other liabilities	13	6,060,350	4,255,685
Total liabilities		<u>9,192,474</u>	<u>8,261,443</u>
Contingencies and commitments	15		
Net assets		<u>752,026,060</u>	<u>756,587,723</u>
Unit holders' fund		<u>752,026,060</u>	<u>756,587,723</u>
		(Number)	
Number of units in issue		<u>7,388,081</u>	<u>8,436,662</u>
		(Rupees)	
Net assets value per unit		<u>101.7890</u>	<u>89.6785</u>

The annexed notes from 1 to 20 form an integral part of these 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		Quarter ended	
		December 31, 2019	2018	December 31, 2019	2018
Income					
Gain / (loss) on sale of investments held at fair value through profit or loss - net		1,874,808	(2,575,955)	10,250,505	(6,954,877)
Unrealized gain / (loss) on revaluation of investments held at fair value through profit or loss - net	7.1 to 7.4	60,719,322	(75,364,280)	81,734,696	(67,732,057)
		62,594,130	(77,940,235)	91,985,201	(74,686,934)
Dividend income on investments held at fair value through profit or loss		13,064,828	18,412,950	7,099,088	9,754,476
Return / Mark up on:					
- bank balances and term finance deposit - at amortised cost		16,611,729	16,747,686	9,159,582	5,516,536
- Government and other debt securities (at fair value through profit or loss)		3,110,476	5,640,346	1,219,258	5,209,882
		19,722,205	22,388,032	10,378,840	10,726,418
Exchange gain / (loss) on foreign currency deposits - at amortised cost		(26,276)	90,824	(7,719)	76,430
Total income / (loss)		95,354,887	(37,048,429)	109,455,410	(54,129,610)
Expenses					
Remuneration to the Management Company	10.1	4,793,604	7,506,026	2,574,993	3,474,412
Sindh Sales tax on remuneration to the Management Company	10.2	623,169	975,783	334,750	451,673
Remuneration to the Trustee		784,875	1,227,660	403,780	592,447
Annual fee to the Securities and Exchange Commission of Pakistan		69,458	553,267	35,733	258,691
Auditors' remuneration		181,949	174,488	92,410	101,211
Fees and subscription		359,646	606,343	178,850	311,420
Printing charges		-	15,255	-	914
Brokerage, custody, settlement and bank charges		965,183	818,002	647,498	392,519
SECP Supervisory Fee		1,257	1,260	629	630
Total expenses		7,779,141	11,878,084	4,268,643	5,583,917
Net income / (loss) from the operating activities		87,575,746	(48,926,513)	105,186,767	(59,713,527)
Sindh Workers' Welfare Fund (SWWF)	13.1	(1,751,515)	-	(1,751,515)	-
Net income / (loss) from the period before taxation		85,824,231	(48,926,513)	103,435,252	(59,713,527)
Taxation	16	-	-	-	-
Net income / (loss) from the period after taxation		85,824,231	(48,926,513)	103,435,252	(59,713,527)
Allocation of net income for the period after taxation					
Net income for the period after taxation		85,824,231	-	103,435,252	-
Income already paid on units redeemed		-	-	-	-
		85,824,231	-	103,435,252	-
Accounting income available for distribution					
- Relating to capital gains		62,594,130	-	91,985,201	-
- Excluding capital gains		23,230,101	-	11,450,051	-
		85,824,231	-	103,435,252	-

The annexed notes from 1 to 20 form an integral part of these 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,		Quarter ended December 31,	
	2019	2018	2019	2018
	------(Rupees)-----			
Net income / (loss) for the period after taxation	85,824,231	(48,926,513)	103,435,252	(59,713,527)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>85,824,231</u>	<u>(48,926,513)</u>	<u>103,435,252</u>	<u>(59,713,527)</u>

The annexed notes from 1 to 20 form an integral part of these 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	
	Capital value	Undistributed income	Capital value	Undistributed income
	----- (Rupees) -----			
Net assets at beginning of the period	850,911,523	(94,323,800)	756,587,723	1,210,315,259
Issuance of 666,643 units (2018: 111,101 units)				
- Capital value	59,783,557	-	59,783,557	11,179,149
- Element of income / (loss)	6,532,708	-	6,532,708	304,590
Total proceeds on issuance of units	66,316,265	-	66,316,265	11,483,739
Redemption of 1,715,224 units (2018: 1,896,038 units)				
- Capital value	(156,702,159)	-	(156,702,159)	(190,782,188)
- Element of (income) / loss	(156,702,159)	-	(156,702,159)	(955,339)
Total payments on redemption of units	(313,404,318)	-	(313,404,318)	(1,146,121,527)
Total comprehensive income/(loss) for the period	-	85,824,231	85,824,231	(48,926,513)
Net assets as at end of the period	<u>760,525,629</u>	<u>(8,495,569)</u>	<u>752,026,060</u>	<u>1,030,061,472</u>
Undistributed income brought forward:				
- Realized income at beginning of the period	19,456,897	-	19,456,897	78,903,373
- Unrealized (loss) / income at beginning of the period	(113,780,697)	-	(113,780,697)	(69,098,906)
Accounting income available for distribution:				
Relating to capital gains	62,594,130	-	62,594,130	-
Excluding capital gains	23,230,101	-	23,230,101	-
	<u>85,824,231</u>	<u>-</u>	<u>85,824,231</u>	<u>-</u>
Total comprehensive income for the period	-	-	-	(48,926,513)
Undistributed loss at end of the period	<u>(8,495,569)</u>	<u>-</u>	<u>(8,495,569)</u>	<u>(39,122,046)</u>
Represented by:				
- Realized income at end of the period	(69,218,891)	-	(69,218,891)	36,242,234
- Unrealized loss at end of the period	60,719,322	-	60,719,322	(75,364,280)
Undistributed loss at end of the period	<u>(8,495,569)</u>	<u>-</u>	<u>(8,495,569)</u>	<u>(39,122,046)</u>
Net assets value per unit at beginning of the period	<u>89.6785</u>	<u>-</u>	<u>89.6785</u>	<u>100.6215</u>
Net assets value per unit at end of the period	<u>101.7890</u>	<u>-</u>	<u>101.7890</u>	<u>95.8273</u>

The annexed notes from 1 to 20 form an integral part of these 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 loss for the period	85,824,231	(48,926,513)
Adjustments for:		
Unrealized loss on revaluation of investment at fair value through profit and loss - net	(60,719,322)	75,364,280
	25,104,909	26,437,767
(Increase) / decrease in assets		
Investments	166,904,685	(196,433,049)
Markup accrued	(1,146,286)	(1,358,444)
Dividend receivables	859,417	926,175
Receivable against sale of investments	-	(590,355)
Advances, deposits, prepayments and other receivables	25,663	(114,846)
	166,643,479	(197,570,519)
(Decrease) / increase in liabilities		
Remuneration payable to the Management Company	57,001	(386,560)
Remuneration payable to the Trustee	(1,344)	(13,387)
Annual fee payable to Securities and Exchange Commission of Pakistan	(929,291)	(597,644)
Payable against the purchase of equity investments	-	12,253,550
Accrued expenses and other liabilities	1,804,665	93,746
	931,031	11,349,705
Net cash flows from operating activities	192,679,419	(159,783,047)
CASH FLOWS FROM FINANCING ACTIVITIES		
Received on issuance of units	66,316,265	11,483,739
Paid against redemption of units	(156,702,159)	(202,628,209)
Net cash generated from financing activities	(90,385,894)	(191,144,470)
Net (decrease) / increase in cash and cash equivalents during the period	102,293,525	(350,927,517)
Cash and cash equivalents at beginning of the period	85,286,659	583,923,987
Cash and cash equivalents at end of the period	187,580,184	232,996,470

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer	Chief Financial Officer	Director
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**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

- 1.1 The Lakson Tactical Fund (the "Fund") was established under the Trust Deed executed on 30 May 2011 between the Lakson Investments Limited as its Management Company, a company incorporated under the repealed Companies ordinance 1984 (now Companies Act, 2017) and the Central Depository Company of Pakistan Limited (CDC) as its Trustee, also incorporated under the repealed Companies ordinance 1984 (now Companies Act, 2017). 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.
- 1.3 The Fund is an open end mutual fund and is listed on the Pakistan Stock Exchange. 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 limits as mentioned in the offering documents of the fund in listed equity securities, Government securities, debt securities, deposits with banks, preference shares, placement of funds with financial institutions, reverse repo, margin trading system, money market placement, commercial paper, unlisted equity securities only if an application for listing of such securities has been accepted by the stock exchange, future contract of equity and commodity both and any other instruments authorized by the SECP 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 Pakistan Credit Rating Company Limited (PACRA) has maintained the rating of the Management Company of the Fund to the scale AM2+' (stable outlook) vide its report dated 29 August 2019 (2018: AM2+ as on 28 August 2018).

On December 31, 2019: VIS Credit Rating Company assigned following rankings to the Fund based on the performance review for the period ended 30 June 2019:

1 Year ranking : MFR 3-Star
3 Year ranking : MFR 4-Star
5 Year ranking : MFR 3-Star

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 2019 has been extracted from the audited financial statements of the Company for the year ended 30 June 2019, 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 2018 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 investment are stated at fair values.

2.6 Functional and presentation currency

These condensed interim financial information are presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest of rupees.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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.

4. SIGNIFICANT ACCOUNTING POLICIES

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.



5. FINANCIAL RISK MANAGEMENT

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

6. BANK BALANCES	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		----- (Rupees) -----	
Local Currency			
In profit and loss sharing accounts	6.1	186,792,274	84,472,405
In current account		8,572	8,640
Foreign Currency			
In current account	6.2	779,338	805,614
		<u>187,580,184</u>	<u>85,286,659</u>

6.1 These represent profit and loss sharing accounts maintained with banks carrying mark-up rates ranging from 11.25% to 14.45% (30 June 2019: 9.25% to 13.50%) per annum.

6.2 This represents USD denominated current account maintained in a foreign country amounting to USD 5,033 (30 June 2019: USD 5,033).

7. INVESTMENTS

At fair value through profit or loss

Term finance certificates	7.1	44,278,522	84,770,083
Sukuk certificates	7.2	43,762,940	48,789,439
Government securities	7.3	25,185,000	68,959,500
Listed equity securities	7.4	450,956,202	467,849,005
		<u>564,182,664</u>	<u>670,368,027</u>

7.1 Term Finance Certificates At fair value through profit or loss

Note	Date of Maturity	Mark-up rate	Holding as at 01 July 2019	Purchases during the period	Disposed / matured during the period	Holdings as at December 31, 2019	Carrying value before revaluation as of 31 December 2019	Market value as of the year ended 31 December 2019 (after revaluation)	Unrealised (diminution)	Credit rating (Long term)	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue
Silk Bank Limited	7.1.1	10-Aug-25 6 months KIBOR + 1.85%	8,000	-	-	8,000	34,776,084	34,282,522	(493,562)	A- (dated 20 Nov 2018)	6.08%	4.56%	2.00%
Bank Al-Habib Limited	7.1.2	6-Dec-28 6 months KIBOR + 1.00%	10,000	-	8,000	2,000	9,996,000	9,996,000	-	AA (dated 28 June 2019)	1.77%	1.33%	0.25%
			Total as at 31 December 2019				44,772,084	44,278,522	(493,562)		7.85%	5.89%	2.25%
			Total cost as at 31 December 2019				49,800,000						
			Total as at 30 June 2019				85,359,022	84,770,083	(588,939)				
			Total cost as at 30 June 2019				89,978,000						

7.1.1 This represents investments in Term Finance Certificates of Silk Bank Limited carrying an effective profit rate of 6 months Karachi Inter Bank Offered Rates (KIBOR) per annum plus 1.85% receivable semi-annually in arrears. The instrument is structured to redeem 0.14% of the issue amount during the first 7 years of issue while the remaining 99.86% in the last 2 equal semi annual instalments of 49.93% each from 10 February 2018 to 10 August 2025. These are secured by first pari passu charge on the bank's assets with 25% margin. Total face value of the individual investment is Rs. 5,000 (Rs. 40 million in total), whereas at the year end total face value of the principal amount was Rs. 39.99 million.



7.1.2 This represents investments in Term Finance Certificates of Bank Al-Habib Limited carrying an effective profit rate of 6 months Karachi Inter Bank Offered Rates (KIBOR) per annum plus 1.00% receivable semi-annually in arrears. The instrument is structured to redeem 0.36% of the issue amount during the first 9 years of issue while the remaining 99.64% in the last 2 equal semi annual instalments of 49.82% each from 06 June 2019 to 06 December 2028. These are secured by first pari passu charge on the bank's assets with 25% margin. Total face value of the individual investment is Rs. 5,000 (Rs. 50 million in total).

7.2 Sukuk certificates
At fair value through profit or loss

Note	Date of Maturity	Mark-up rate	Holding as at 01 July 2019	Purchases during the period	Disposed / matured during the period	Holdings as at December 31, 2019	Carrying value before revaluation as of 31 December 2019	Market value as of the year ended 31 December 2019 (after revaluation)	Unrealised (diminution)	Credit rating (Long term)	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue		
														Number certificates	
Dawood Hercules Corporation Limited	7.2.1	15-Nov-22	3 months KIBOR + 1.00%	110.0	-	-	110	8,767,439	8,777,120	9,681	AA (dated 28 Jun 2019)	1.56%	1.17%	1.83%	
Dawood Hercules Corporation Limited	7.2.2	01-Mar-23	3 months KIBOR + 1.00%	390.0	-	-	390	35,022,000	34,985,820	(36,180)	A- (dated 28 Jun 2019)	6.20%	4.65%	6.50%	
Total as at 31 December 2019							43,789,439	43,762,940	(26,499)			7.76%	5.82%	8.33%	
Total Cost as at 31 December 2019							43,900,000								
Total as at 30 June 2019							48,947,194	48,789,439	(157,755)						
Total Cost as at 30 June 2019							48,900,000								

7.2.1 This represents investment in sukuk certificates of Dawood Hercules Corporation Limited carrying an effective profit rate of 3 months Karachi Inter-bank Offer Rate (KIBOR) per annum plus margin of 1.0% per annum receivable quarterly in arrears. The principal is redeemable in eight semi-annual instalments starting from the eighteenth (18th) month from the date of issue, i.e. from May 2019 to November 2022 in the six semi-annual instalments of Rs 1.1 million each and the last two semi-annual instalments on May 2022 and November 2022 at Rs. 2.2 million each. These sukuk certificates are secured by way of first pari passu charge against ordinary shares of Engro Corporation Limited with 50% margin and charge over all of the assets of investee company with a 25% margin.

7.2.2 This represents investment in sukuk certificates of Dawood Hercules Corporation Limited carrying an effective profit rate of 3 months Karachi Inter-bank Offer Rate (KIBOR) per annum plus margin of 1.0% per annum receivable quarterly in arrears. The principal is redeemable in eight semi-annual instalments starting from the eighteenth (18th) month from the date of issue, i.e. from September 2019 to March 2023 in the six semi-annual instalments of Rs 3.9 million each and the last two semi-annual instalments on September 2022 and March 2023 at Rs. 7.8 million each. These sukuk certificates are secured by way of first pari passu charge against ordinary shares of Engro Corporation Limited with 50% margin and charge over all of the assets of investee company with a 25% margin.

7.3 Government securities
At fair value through profit or loss

Note	Date of Maturity	Mark-up rate	Holding as at 01 July 2019	Purchases during the period	Disposed / matured during the period	Holdings as at December 31, 2019	Carrying value as of the year ended 31 December 2019 before revaluation	Market value as of the year ended 31 December 2019	Unrealised diminution	Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)	
												Number certificates
10 years Pakistan Investment Bond	7.3.1	31-May-28	13.78%	250,000	-	-	250,000	24,542,500	25,185,000	642,500	4.46%	3.35%
03 years Pakistan Investment Bond		12-Jul-21	7.25%	500,000	-	500,000	-	-	-	-	0.00%	0.00%
Total as at 31 December 2019							24,542,500	25,185,000	642,500	4.46%	3.35%	
Total Cost as at 31 December 2019							25,000,000					
Total as at 30 June 2019							70,824,760	68,959,500	(1,865,260)			
Total Cost as at 30 June 2019							70,119,700					

7.3.1 This represents investments in 10 years Pakistan Investment Bond carrying an effective profit rate of 13.78% and having maturity on 31 May 2028. The face value of Pakistan Investment Bond as at 31 December 2019 amounted to Rs. 25 million.

7.4 At fair value through profit or loss
Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of investee company	Balance as at December 31, 2019									
	Holding as at July 01, 2019	Purchased during the period	Bonus shares / letter of right received during the period	Disposed during the period	Holding as at December 31, 2019	Carrying value revaluation as of December 31, 2019	Market value as of 31 December 2019 (after revaluation)	Unrealised gain / (loss) - net	Market value as a percentage of total investments	Par value of shares held as a percentage of the total capital of the investee company
Commercial Banks										
Askari Bank Limited	903,700	-	-	555,100	348,600	6,592,026	6,463,044	(128,982)	1.15	0.86
Bank of Punjab	1,561,584	-	-	223,000	1,338,584	12,248,044	15,166,113	2,918,113	2.69	2.02
Bank of Soan Limited	865,691	42,500	-	125,500	532,691	2,349,856	2,349,856	1,804,153	4.31	5.24
Bank of Sindh Limited - 7.4.1	1,000,000	71,400	-	1,000,000	2,684,900	31,093,623	42,820,973	10,727,350	7.79	5.2
MCB Bank Limited	128,526	-	-	126,526	218,000	15,068,660	16,602,880	1,534,220	2.94	2.21
Bank Al Habib Limited	-	218,000	-	-	218,000	15,068,660	16,602,880	1,534,220	2.94	2.21
United Bank Limited	252,898	25,500	-	84,600	193,798	28,364,359	31,879,771	3,515,412	5.65	4.24
Insurance										
Adanijee Insurance Company Limited	-	364,300	-	-	364,300	14,178,795	15,133,303	954,508	2.72	3.04
Chemicals										
ICI Pakistan Limited	6,643	4,000	-	2,250	8,393	4,520,025	5,664,016	1,143,991	1.00	0.75
Engro Polymer & Chemicals Limited	480,678	88,000	-	30,600	538,078	14,905,388	17,869,570	2,964,182	3.17	2.38
Lotte Chemical Pakistan Limited	910,000	-	-	910,000	-	-	-	-	-	-
Fertilizers										
Engro Corporation Limited - 7.4.1	113,395	76,912	-	33,200	157,107	42,332,618	54,241,192	11,908,574	9.61	7.21
Buaji Fertilizer Bin Qasim Limited	143,250	-	-	143,250	-	-	-	-	-	-
Buaji Fertilizers Company Limited	218,098	122,000	-	87,000	253,098	22,662,435	25,688,854	3,019,419	4.55	3.42
Engro Fertilizers Limited	115,206	81,500	-	34,000	162,706	10,723,142	11,947,502	1,224,360	2.12	1.59
Pharma & Bio Tech										
The Searl Company Limited - 7.4.2	79	-	-	-	79	11,578	14,910	3,332	0.00	0.00
Taxi/Composite										
Nisbat Mills Limited	117,487	9,200	-	65,400	61,287	5,830,837	6,505,002	674,165	1.15	0.86
Cement										
Good Cement Company Limited	-	45,500	-	45,500	38,500	2,233,135	3,057,300	824,165	0.54	0.41
Lucky Cement Company Limited	52,207	24,600	-	52,207	24,600	10,430,903	10,538,640	107,737	1.87	1.40
Maple Leaf Cement Factory Limited	255,049	275,000	-	530,049	-	-	-	-	-	-
Power Generation & Distribution										
Hub Power Company Limited - 7.4.1	126,136	61,000	-	187,136	-	-	-	-	2.41	1.81
Oil and Gas Exploration Companies										
Marel Petroleum Company Limited	17,424	4,000	2,142	6,140	17,426	15,583,711	22,829,803	7,246,092	4.05	3.04
Oil and Gas Development Company Limited - 7.4.1	366,693	45,200	-	207,000	204,893	26,750,726	29,147,563	2,396,837	5.17	3.88
Pakistan Oilfield Limited	36,745	39,900	-	7,000	69,645	27,508,790	31,111,814	3,603,024	5.51	4.14
Pakistan Petroleum Limited	256,068	73,000	46,753	138,800	237,011	28,774,009	32,505,000	3,730,991	5.76	4.32
						96,537,236	113,936,230	17,007,004	20.49	15.37

Name of investee company	Number of shares						Rupees				Market value as a percentage of total investments	Market value of net assets	Par value of shares held as a percentage of total paid up capital of investee company	
	Holding as at July 01, 2019	Purchased during the period	Bonus shares / letter of right received during the period	Disposed during the period	Holding as at December 31, 2019	Carrying value before revaluation as at December 31, 2019	Market value as of 31 December 2019 (after revaluation)	Unrealised gain/(loss) net	Market value as a percentage of total investments					
Oil and Gas Marketing Companies														
Pakistan State Oils Limited - 7.4.2	15,336	643	135	15,200	814	101,544	155,995	53,451	0.03	0.02	0.02%			
Altocak Petroleum Limited	19,781	-	-	19,781	-	3,925,080	3,487,680	(437,400)	0.62	0.46	0.01%			
Hitech Lubricants Limited	-	112,000	-	16,500	283,997	20,054,426	22,085,072	2,030,646	3.92	2.94	0.00%			
Sul Northern Gas Pipeline Limited	210,997	95,500	-	16,500	283,997	24,030,930	23,732,747	2,998,183	4.96	3.44				
Food & Personal Care Products														
Fajji Foods Limited	194,590	-	-	194,590	-	-	-	-	-	-	-			
Technology and Communication Systems Limited														
Systems Limited	67,237	-	-	52,000	15,237	1,462,295	1,939,958	431,663	0.34	0.25	0.15%			
Automobile Parts & Accessories														
Agrasiva Industries Limited	29,900	-	-	6,500	23,400	4,679,063	4,680,000	937	0.83	0.62	0.00%			
Engineering														
International Steels Limited	14,500	-	-	142,000	-	10,014,350	10,579,350	(565,000)	1.67	1.41	0.01%			
International Industries Limited	66,347	258,000	4,964	71,311	258,000	10,914,250	10,570,260	(343,990)	1.87	1.41				
Migdal Iron & Steel Industries Limited	-	-	-	-	-	-	-	-	-	-	-			
Automobile & Parts														
Thal Limited (Face value of Rs. 5 each)	14,531	-	-	-	14,531	5,290,155	4,914,820	(375,335)	0.87	0.65	0.02%			
Paper and board														
Chem Packaging Company Limited	105,070	-	216	103,206	-	-	-	-	-	-	-			
Total as at 31 December 2019						390,359,319	450,956,202	60,596,883	79.93	59.97				
Total cost as at 31 December 2019						443,034,217								
Totals as at 30 June 2019						579,037,748	467,849,005	(111,165,743)	69.79	61.84				
Total cost as at 30 June 2019						593,495,677								

7.4.1 Following shares have been pledged with National Clearing Company of Pakistan Limited:

	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	(Number of shares)		(Rupees)	
Engro Corporation Limited	20,000	20,000	6,905,000	5,312,000
Habib Bank Limited	50,000	50,000	7,871,000	5,663,000
Oil and gas Development Company Limited	75,000	-	10,674,000	-
The Hub Power Company Limited	-	100,000	-	7,875,000
	145,000	170,000	25,450,000	18,850,000

7.4.2 Finance Act, 2014 had introduced tax on bonus shares issued by the companies. Most of the equity funds including the Fund have challenged the applicability of withholding tax provision on bonus shares before the Honourable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. In the Fund's case, tax in the shape of 79 shares in case of The Searl Company Limited and 814 shares in the case of Pakistan State Oils Limited have been withheld by CDC. Market value of these shares as at 31 December 2019 amounted to Rs. 14,910 and Rs. 155,995 respectively, and are included in the Fund's investments in these financial statements.

Above provision regarding the taxation of bonus shares have since been deleted vide the Finance Act, 2018.

	December 31, 2019	June 30, 2019
	(Unaudited)	(Audited)
	----- (Rupees) -----	
8. MARKUP ACCRUED		
Markup accrued on :		
- Term deposit receipt	-	-
- Profit and loss sharing bank accounts	2,971,673	308,398
- Term finance certificates & Sukuk certificates	3,214,966	3,048,349
- Government securities	301,131	1,984,737
	6,487,770	5,341,484

9. DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES

Security deposit to:		
- Central Depository Company of Pakistan Limited	100,000	100,000
- National Clearing Company of Pakistan Limited	2,500,000	2,500,000
Prepayments	13,674	61,643
Withholding tax recoverable	327,136	304,830
Other receivable	10,820	10,820
	2,951,630	2,977,293



		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
		----- (Rupees) -----	
10.	PAYABLE TO THE MANAGEMENT COMPANY		
	Remuneration payable to the Management Company	10.1 862,118	811,675
	Sales tax payable on remuneration to the Management Company	10.2 368,704	362,146
	Federal excise duty payable on remuneration to the Management Company	10.3 1,686,556	1,686,556
	Sale load payable to the Management Company	2,480	2,480
		<u>2,919,858</u>	<u>2,862,857</u>

10.1 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 a fee at the rate of 10% of the gross earnings of the scheme for the period ended 31 December 2019. The fee is subject to a minimum of 1% and maximum of 2% of the average annual net assets of the Fund. Currently the effective rate of Management Company remuneration for the half year ended December 2019 is 1.38% of the average annual net assets. Remuneration is paid to the Management company in arrears on a monthly basis.

10.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) on Management Company's remuneration. Above liability includes Rs. 256,629 (30 June 2019: Rs. 256,629) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 10.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at 31 December 2018 would have been higher by Re. 0.03 (30 June 2019: 0.03) per unit.

10.3 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. 1.686 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.23 (30 June 2019: Re. 0.20) per unit.



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

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

However, the above mentioned expenses were not charged by the Management Company to the Fund. Above expenses for the period, had it been charged to the Fund, would not have been material.

11. 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 as under:

Net assets up to 1 billion	0.20% per annum of the daily average net assets of the Fund, which ever is higher.
Net assets exceeding Rs. 1 billion	0.10% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

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	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.

12 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. Currently 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, at the rate of 0.095% per annum of the average daily net assets of the fund.

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
	Note	----- (Rupees) -----	
13	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Payable to Sindh Workers' Welfare Fund	5,364,377	3,612,862
	Brokerage charges payable	150,425	167,414
	Auditors' remuneration	182,159	186,078
	Fee payable National Clearing Company of Pakistan	207,330	125,528
	Fee payable to Central Depository Company Limited	36,439	23,739
	Other liabilities	119,620	30,000
	Withholding income tax payable		110,063
		<u>6,060,350</u>	<u>4,255,685</u>

- 13.1 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 December 2019 is Rs. 5.36 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 31 December would have been higher by Re. 0.73 (30 June 2019: Re. 0.43) per unit.

14 TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, required 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 half year ended 31 December 2019 is 2.74% (Dec 31, 2018: 2.04%) which includes 0.59% (Dec 31, 2018: 1.72%) representing government levies (comprising of Sindh Workers Welfare Fund and SECP fee, etc.). As per NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 4.5% (Dec 31, 2018: 4%) (excluding government levies).

15 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.

16 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.

17 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 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 31 December 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:

17.1 Details of balances with related parties / connected persons at the period end

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
	Note	----- (Rupees) -----	
Lakson Investments Limited - Management Company of the Fund			
Remuneration and other payables (including the Sindh sales tax and federal excise duty amounting to Rs. 2.06 million (30 June 2019: Rs. 2.05 million)*)	17.4	<u>2,917,378</u>	<u>2,860,377</u>
Sales load payable	17.4	<u>2,480</u>	<u>2,480</u>
Central Depository Company Limited - Trustee of the Fund			
Remuneration payable (including Sindh sales tax amounting to Rs. 16,427 (30 June 2019: Rs. 16,583))	17.4	<u>142,808</u>	<u>144,152</u>
Security deposit		<u>100,000</u>	<u>100,000</u>
Settlement charges payable		<u>36,439</u>	<u>23,739</u>
Habib Bank AG Zurich - Custodian Bank deposits		<u>779,338</u>	<u>805,614</u>



		Half year ended December 31,		
		2019	2018	
		----- (Unaudited) -----	----- (Rupees) -----	
17.2	Details of transactions with related parties / connected persons at the period end			
	Lakson Investments Limited - Management Company of the Fund			
	Remuneration for the period	17.4	<u>4,793,604</u>	<u>7,506,026</u>
	Sindh sales tax on remuneration of Management Company *		<u>623,169</u>	<u>975,783</u>
	Central Depository Company Limited - Trustee of the Fund			
	Remuneration for the period	17.4	<u>784,875</u>	<u>1,227,660</u>
	Settlement charges		<u>36,386</u>	<u>24,109</u>

* Sales tax and FED is paid / payable to the management company for onward payment to the Government.

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

	Period ended December 31, 2019				Rupees			
	Number of units as at 01 July 2019	Units issued during the period	Units redeemed during the period	Number of units as at 31 December 2019	Balance as at 01 July 2019	Units issued during the period	Units redeemed during the period	Balance as at 31 December 2019
Directors, Chief Executive and their spouse and minors	144,776	-	39,810	104,966	12,983,295	-	3,600,000	10,684,367
Other key management personnel	17,558	-	-	17,558	1,574,551	-	-	1,787,184
Lakson Investments Limited – Management Company	1,500,388	-	-	1,500,388	134,552,545	-	-	152,722,994
Associated companies / undertakings of the Management Company								
Lakson Business Solutions Limited Employees Contributory Provident Fund Trust	5,258	-	-	5,258	471,530	-	-	535,207
Princeton Travels (Private) Limited Employees Contributory Provident Fund Trust	5,729	-	-	5,729	513,753	-	-	583,132
Lakson Investments Limited Employees Contributory Provident Fund Trust	2,838	-	-	2,838	254,508	-	-	288,877
Century Insurance Company Limited Employees Contributory Provident Fund Trust	43,994	1,491	-	45,486	3,945,325	130,000	-	4,629,932
GAM Corporation (Private) Limited Employees Contributory Provident Fund Trust	117,549	17,898	-	135,446	10,541,594	1,560,000	-	13,786,962
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust	82,849	14,341	-	97,190	7,429,768	1,250,000	-	9,892,881
Hasanali Karabhai Foundation Employees Contributory Provident Fund Trust	18,089	-	-	18,089	1,622,179	-	-	1,841,243
Colgate Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust	572,438	-	-	572,438	51,335,351	-	-	58,267,857
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	485,844	-	-	485,844	43,569,767	-	-	49,453,582
SIZA Services (Private) Limited Employees Contributory Provident Fund Trust	25,674	-	-	25,674	2,302,449	-	-	2,613,379
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust	210,848	19,619	-	230,466	18,908,504	1,710,000	-	23,458,941
Merit Packaging Limited Employees Contributory Provident Fund Trust	88,628	-	-	88,628	7,948,034	-	-	9,021,365
Merit Packaging Limited Employees Gratuity Fund	35,632	1,491	-	37,123	3,195,380	130,000	-	3,778,712
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust	546,488	23,118	-	569,606	49,006,214	2,015,000	-	57,979,606
Century Paper & Board Mills Limited Employees Gratuity Fund	442,122	32,755	-	474,877	39,648,818	2,855,000	-	48,337,250
Century Insurance Company Limited	1,387,758	545,374	1,387,758	545,375	124,452,025	55,746,265	127,746,265	55,513,130
Premier Fashions (Private) Limited	975,107	-	-	975,107	87,446,133	-	-	99,255,166
Siza Commodities (Private) Limited	1,062,202	-	-	1,062,202	95,256,682	-	-	108,120,479
Sybird (Private) Limited Employees Contributory Provident Fund Trust	47,917	4,704	-	52,620	4,297,089	410,000	-	5,356,187
Century Insurance Company Limited Gratuity Fund	32,663	5,851	-	38,515	2,929,208	510,000	-	3,920,365
Accuracy Surgical Limited –Employees Contributory Provident Fund Trust	53,443	-	-	53,443	4,792,689	-	-	5,439,911

Above related parties / connected person held 67% of the unites of the fund (30 June 2019: 68%).

	Period ended December 31, 2018							
	Number of Units			Rupees				
	Number of units as at 01 July 2018	Units issued during the period	Units redeemed during the period	Number of units as at 31 December 2018	Balance as at 01 July 2018	Units issued during the period	Units redeemed during the period	Balance as at 31 December 2018
Directors, Chief Executive and their spouse and minors	144,776	-	-	144,776	14,567,578	-	-	13,873,493
Other key management personnel	14,611	2,947	-	17,558	1,470,181	300,000	-	1,682,536
Lakson Investments Limited - Management Company	1,500,388	-	-	1,500,388	150,971,291	-	-	143,778,131
Associated companies / undertakings of the Management Company								
Lakson Business Solutions Limited Employees	5,258	-	-	5,258	529,068	-	-	503,860
Princeton Travels (Private) Limited Employees	21,343	-	-	21,343	2,147,565	-	-	2,045,242
Lakson Investments Limited Employees	2,838	-	-	2,838	285,564	-	-	271,958
Century Insurance Company Limited Employees	64,630	-	-	64,630	6,503,168	-	-	6,193,318
GAM Corporation (Private) Limited Employees	210,746	-	-	210,746	21,205,579	-	-	20,195,220
SIZA Foods (Private) Limited Employees	152,205	-	-	152,205	15,315,095	-	-	14,585,394
Hasnali Karabhai Foundation Employees	30,824	-	-	30,824	3,101,557	-	-	2,953,781
Colgate Palmolive (Pakistan) Limited Employees	1,217,641	-	-	1,217,641	122,520,864	-	-	116,683,249
Colgate Palmolive (Pakistan) Limited Employees	715,637	-	-	715,637	72,008,468	-	-	68,577,561
SIZA Services (Private) Limited Employees	46,005	-	-	46,005	4,629,092	-	-	4,408,535
Cyber Internet Services (Private) Limited Employees	297,954	-	-	297,954	29,980,578	-	-	28,552,127
Merit Packaging Limited Employees	61,819	-	-	61,819	6,220,321	-	-	5,923,948
Merit Packaging Limited Employees	24,353	-	-	24,353	2,450,435	-	-	2,810,940
Century Paper & Board Mills Limited Employees	651,094	-	-	651,094	65,514,055	-	-	62,392,580
Century Paper & Board Mills Limited Employees	603,363	-	-	603,363	60,711,290	-	-	57,818,647
Clover Pakistan Limited Employees	2,078,238	-	-	1,387,758	209,115,425	-	-	132,985,069
Century Insurance Company Limited	975,107	-	690,480	975,107	98,116,729	-	70,000,000	93,441,871
Premier Fashions (Private) Limited	1,062,202	-	-	1,062,202	106,880,359	-	-	101,787,950
Sybird (Private) Limited Employees	63,224	-	-	63,224	6,361,694	-	-	6,058,585
Proident Fund Trust	40,390	-	-	40,390	4,064,102	-	-	3,870,465
Century Insurance Company Limited	418,428	-	418,428	-	42,102,853	-	43,022,447	-
Century Insurance Company Limited Gratitude Fund	-	15,372	-	15,372	-	1,585,634	-	1,473,055
Siza Private Limited	-	-	-	-	-	-	-	-
Accuracy Surgical Limited - Employees	-	-	-	-	-	-	-	-
Proident Fund Trust	-	-	-	-	-	-	-	-

- 17.4 Remuneration payable to the Management Company and the Trustee has been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.
- 17.5 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.

18 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 including their levels in the fair value hierarchy.

		31 December 2019						
		Carrying amount			Fair Value			
		Mandatory at fair value through profit or loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Total
		(Rupees)						
On-balance sheet financial instruments								
Financial assets measured at fair value								
		44,278,522	-	-	44,278,522	-	44,278,522	44,278,522
		43,762,940	-	-	43,762,940	-	43,762,940	43,762,940
		25,185,000	-	-	25,185,000	-	25,185,000	25,185,000
		450,956,202	-	-	450,956,202	450,956,202	-	450,956,202
		<u>564,182,664</u>	<u>-</u>	<u>-</u>	<u>564,182,664</u>	<u>450,956,202</u>	<u>113,226,462</u>	<u>564,182,664</u>
Financial assets not measured at fair value								
	18.1	-	187,580,184	-	187,580,184	-	-	-
		-	6,487,770	-	6,487,770	-	-	-
		-	-	-	-	-	-	-
		-	2,610,820	-	2,610,820	-	-	-
		-	16,286	-	16,286	-	-	-
		-	<u>196,695,060</u>	<u>-</u>	<u>196,695,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
	18.1	-	-	864,598	864,598	-	-	-
		-	-	142,808	142,808	-	-	-
		-	-	695,973	695,973	-	-	-
		-	-	-	-	-	-	-
		-	<u>-</u>	<u>1,703,379</u>	<u>1,703,379</u>	<u>-</u>	<u>-</u>	<u>-</u>



30 June 2019							
On-balance sheet financial instruments	Carrying amount			Fair Value			
	Mandatory at fair value through profit or loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Total
(Rupees)							
Financial assets measured at fair value							
Term finance certificates	84,770,083	-	-	84,770,083	-	84,770,083	84,770,083
Sukuk certificates	48,789,439	-	-	48,789,439	-	48,789,439	48,789,439
Government securities	68,959,500	-	-	68,959,500	-	68,959,500	68,959,500
Listed equity securities	467,849,005	-	-	467,849,005	467,849,005	-	467,849,005
	<u>670,368,027</u>	<u>-</u>	<u>-</u>	<u>670,368,027</u>	<u>467,849,005</u>	<u>202,519,022</u>	<u>670,368,027</u>
Financial assets not measured at fair value							
Term deposit receipts - Held at amortised cost	-	-	-	-	-	-	-
Bank balances - Held at amortised cost	-	85,286,659	-	85,286,659	-	-	-
Dividend receivables	-	875,703	-	875,703	-	-	-
Markup accrued	-	5,341,484	-	5,341,484	-	-	-
Security deposit	-	2,610,820	-	2,610,820	-	-	-
Receivable against sale of investments	-	-	-	-	-	-	-
	-	<u>94,114,666</u>	-	<u>94,114,666</u>	-	-	-
Financial liabilities not measured at fair value							
Payable to the Management Company	-	-	814,155	814,155	-	-	-
Remuneration payable to the Trustee	-	-	144,152	144,152	-	-	-
Accrued expenses and other liabilities	-	-	642,822	642,822	-	-	-
Payable against redemption of units	-	-	-	-	-	-	-
Payable against the purchase of equity investments	-	-	-	-	-	-	-
	-	-	<u>1,601,129</u>	<u>1,601,129</u>	-	-	-

18.1 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.

19 GENERAL

Figures have been rounded off to the nearest rupee.

20 DATE OF AUTHORIZATION OF ISSUE

These condensed interim financial information were authorised 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

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