

Funds Managed by:  
**AKD Investment Management Ltd.**

**Quarterly Report**  
**March 31, 2020**  
**(Un-audited)**



# quarterly report



**Partner with AKD**  
**Profit from the Experience**



**AKD Investment  
Management Ltd.**

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**MANAGEMENT COMPANY**

216-217, Continental Trade Centre, Block-8,  
Clifton, Karachi-74000

**BOARD OF DIRECTORS  
OF THE MANAGEMENT COMPANY**

**Chairman**  
Mr. Abdul Karim

**Director & Chief Executive Officer**  
Mr. Imran Motiwala

**Director**  
Ms. Anum Dhedhi  
Ms. Aysha Ahmed  
Mr. Ali Wahab Siddiqui  
Mr. Hasan Ahmed  
Mr. Saim Mustafa Zuberi

**HEAD OF INTERNAL AUDIT  
OF THE MANAGEMENT COMPANY**

Ms. Tayyaba Masoom Ali

**CHIEF OPERATING OFFICER AND COMPANY SECRETARY  
OF THE MANAGEMENT COMPANY**

Mr. Muhammad Yaqoob Sultan, CFA

**AUDIT COMMITTEE**

Mr. Ali Wahab Siddiqui (Chairman)  
Mr. Hasan Ahmed (Member)  
Mr. Saim Mustafa Zuberi (Member)  
Ms. Tayyaba Masoom Ali (Secretary)

**HUMAN RESOURCE AND  
REMUNERATION (HR & R) COMMITTEE**

Ms. Aysha Ahmed (Chairman)  
Mr. Abdul Karim (Member)  
Mr. Imran Motiwala (Member)  
Ms. Anum Dhedhi (Member)  
Mr. Saim Mustafa Zuberi (Member)  
Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

**RATING**

AKD Investment Management Limited  
AM3++ (AM Three Plus Plus) issued by PACRA

**CORPORATION  
INFORMATION**

## *Vision*

*To serve investors in Pakistan's  
capital markets with diligence,  
integrity and professionalism,  
thereby delivering consistent  
superior returns and  
unparalleled  
customer service.*

# *Mission Statement*

*AKD Fund shall continuously strive to:*

- *Keep primary focus on investing clients' interest*
- *Achieve highest standards of regulatory compliance and good governance*
- *Prioritize risk management while endeavoring to provide inflation adjusted returns on original investment*
- *Enable the investing public and clients to make AKDIML Funds a preferred part of their overall savings and investment management strategy*
- *Distinguish themselves and compete on the basis of unparalleled service quality while setting industry standards for professionalism, transparency and consistent superior performance*
- *Foster and encourage technical, professional, ethical development of human capital to provide our people the best opportunities and environment for their personal growth*

# AKD Islamic Income Fund



## MANAGEMENT COMPANY

AKD Investment Management Limited  
216-217, Continental Trade Centre, Block-8,  
Clifton, Karachi-74000

## TRUSTEE

MCB Financial Services Limited  
4th Floor, Perdesi House,  
2/1 R-Y Old Queens Road,  
Karachi-74200

## BANKERS

BankIslami Paskistan Limited  
Dubai Islamic Bank Pakistan Limited  
Summit Bank Limited (Islamic Banking)

## AUDITORS

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

## LEGAL ADVISER

Sattar & Sattar  
Attorneys - at - law  
3rd Floor, UBL Building,  
I.I Chundrigar Road,  
Karachi.

## REGISTRAR

AKD Investment Management Limited.  
216 - 217, Continental Trade Centre,  
Block-8, Clifton Karachi-74000  
UAN: 111-253-465 (111-AKDIML)

## DISTRIBUTORS

AKD Investment Management Limited  
Investomate (Private) Ltd.  
Investlink Advisor (Private) Limited  
Metro Capital (Private) Ltd.

## RATING

AKD Islamic Income Fund  
PACRA: A+(f) [A Plus(f)]

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of AKD Opportunity Fund (AKDOF), AKD Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF), AKD Islamic Stock Fund (AKDISSF), and Golden Arrow Stock Fund (GASF) - (Formerly: Golden Arrow Selected Stocks Fund Limited) is pleased to present its nine months report along with the Funds' reviewed financial statements for the period ended March 31, 2020.

## FUNDS' FINANCIAL PERFORMANCE

### AKD Opportunity Fund (AKDOF)

For the 9MFY20, the return of AKD Opportunity Fund stood at -18.07% compared to the benchmark KSE-100 Index return of -13.78%.

### AKD Index Tracker Fund (AKDITF)

For the 9MFY20, the return of AKD Index Tracker Fund stood at -14.65% compared to the benchmark KSE-100 Index return of -13.78%.

### AKD Cash Fund (AKDCF)

For the 9MFY20, the annualized return of AKD Cash Fund stood at 12.80% compared to benchmark return of 12.62%.

### AKD Aggressive Income Fund (AKDAIF)

For the 9MFY20, the annualized return of AKD Aggressive Income Fund stood at 14.14% compared to benchmark return of 13.58%.

### AKD Islamic Income Fund (AKDISIF)

For the 9MFY20, the annualized return of AKD Islamic Income Fund stood at 12.42% compared to benchmark return of 6.33%.

### AKD Islamic Stock Fund (AKDISSF)

For the 9MFY20, the return of AKD Islamic Stock Fund stood at -19.70% compared to the benchmark KMI-30 Index return of -16.75%.

Golden Arrow Stock Fund (GASF) - (Formerly: Golden Arrow Selected Stocks Fund Limited)

For the 9MFY20, the return of Golden Arrow Stock Fund (Formerly: Golden Arrow Selected Stocks Fund Limited) stood at -21.41% compared to the benchmark KSE-100 Index return of -13.78%.

## MACRO PERSPECTIVE:

The Current Account Deficit (CAD) for 9MFY20 stood at \$2.768 billion (1.3% of GDP) as compared to \$10.284 billion (4.7% of GDP) in the same period last year (SPLY), exhibiting a significant decline of 73.08% YoY. The considerable improved performance was on the back of a decline in import of goods and services by 16.35% YoY to \$39.624 billion from \$47.366 billion while exports of goods illustrated a modest increase of 1.14% YoY to \$18.256 billion during the 9MFY20. In addition, overseas Pakistanis also supported the CAD by remitting \$16.991 billion as compared to \$16.032 billion SPLY, up by 5.98%.

On the fiscal front, the Federal Board of Revenue (FBR) managed to collect PKR 3.050 trillion during the 9MFY20. The FBR missed tax revenue targets by a whopping PKR 470 billion during 9MFY20 against the revised target of 3.520tr. During the month of March, FBR collection fell by 12%YoY to 325 billion due to stalled economic activity amid lockdown precautions to arrest the spread of COVID-19 virus in the country. The Economic slowdown due to the Pandemic has further damped the prospects of the FBR to achieve its targets or any other relevant economic target for that matter. As per reports FBR expects to collect PKR 4.70 trillion by year end against its revised target of PKR 5.238 trillion.

As per the Pakistan Bureau of Statistics (PBS), National Consumer Price Index (NCPI) for the month of March 2020 stood at 10.24% YoY which denotes the average inflation for 9MFY20 to 11.53% as compared to 6.31% SPLY. This significant increase in monthly inflation was primarily led by an increase in prices of Food and non- alcoholic beverages (weight 34.58%) by 14.69% YoY. Average Core Inflation (Non Food Non Energy) for Urban and Rural clocked in at 7.4% and 9.4% respectively in March 2020. In order to cushion the growth hampered by slowdown in economic activities, the State Bank of Pakistan (SBP) slashed the Target Policy Rate by 225 bps to 11 percent. Moreover the gap between Reverse repo rate and Target Policy rate has widened by 50bps to 100bps.

The Large Scale Manufacturing (LSM) witnessed a decline of 3.37% cumulatively for the 7MFY20 (July-January). Major decline was witnessed in sectors such as Automobiles (-36.07%), Coke & petroleum products (-10.59%), Pharmaceuticals (-5.77%), Iron & Steel products (-9.25%), and Electronics (-8.50%) during the period. On the other hand, there were some LSM related sectors that exhibited major positive growth which were Leather Products (11.15%), Fertilizers (4.53%), Paper & Board (6.77%), and Wood Products (25.07%).

During the 9MFY20, Pakistan was able to attract \$2.148 billion in Foreign Direct Investment (FDI) as compared to \$0.905 billion in the SPLY, exhibiting an increase of 137.34% YoY. Portfolio Investment in Pakistan's debt securities for 9MFY20 stood at \$331 million, which has shown an unprecedented increase due to attractive risk free yields offered during the period. During 3QFY20, the Pak rupee devalued against the US dollar by 6.84% to PKR 166.25 at the end of March against PKR 154.88 at the start of the year which was prompted by Net outflow from SCRA account. During March 2020, Pakistan witnessed a cumulative net outflow of \$1.872 billion from SCRA account as foreign investors squared their positions mainly from short term government securities it would seem on the back of expectations of a devaluation of the local currency following prospects of monetary easing.

The total liquid foreign exchange reserves of Pakistan stood at \$17.388 billion (\$6.202 billion net reserves with banks and \$11.186 billion net reserves with State Bank of Pakistan) as compared to \$17.417 billion SPLY. As per news reports the IMF in its support during the global pandemic has decided to provide one-year relief to support the country in its fight against spreading of the virus. The IMF Executive board has also approved the disbursement of \$1.386 billion to address COVID-19 Pandemic under a rapid financing instrument besides the facility already undertaken by Pakistan, which is expected to address fiscal/budget emergencies in the immediate term and shall not be subject to a comprehensive country wise reform program that undergoes reviews.

## **EQUITY REVIEW:**

As expected the equity markets witnessed an extreme volatile period where the index after a prolonged bearish spell preceding the last two years reversed its negative trend during 1HFY20 after bottoming out at its five year low of 28,765pts during August 2019. The KSE-100 index provided 20.2% return during 1HFY20 where the index touched its 6 months high of 43,468 in mid of Jan 2020 on compelling valuations and much improved prospects of an economic recovery, supported by unprecedented interest by foreigners in the government securities debt market. However, the KSE-100 index succumbed to selling pressure as volatility over stalled economic activity and hefty dollar outflows, as foreign institutions exited both the equity and debt markets. The stock market ended on a depressed note with the index sliding down by 28.24% during 3QFY20 eroding all the gains of 1HFY20 and taking the cumulative 9MFY20 loss to 13.78%.

Encouraging participation was witnessed during the period with average daily traded volumes rising 19.66%YoY for 9MFY20 to 194.1 million shares as compared to 162.2 million witnessed during 9MFY19. Investors flocked to main board or index heavyweights companies where the share of KSE-100 volumes in overall market volumes averaged to 69.5% during 9MFY20 as compared to 59.5% witnessed during SPLY. Higher participation in the main board stocks would suggest improved investor confidence and overall optimism of the economy, which was primarily led by the positive sentiments from Aug-Jan 2020. However, during 3QFY20 average daily turnover decreased by 20.27% QoQ to 211 million shares as investors remained sidelined due to uncertainty over revival of economic activity following wide country lockdowns to contain the virus after the first case was reported in late February.

Significant sectors hampering the index down during 9MFY20 included: 1) Commercial Banks (-21.67%), 2) Oil and Gas Exploration Companies (-35.87%), 3) Power Generation and Distribution (-18.53%), 4) Oil Marketing Companies (-24.93%) and 5) Tobacco (-37.97%). Commercial Banks and Exploration sectors remained in limelight due to monetary easing and declining international Oil Prices (Brent: \$22.74/bbl., FYTD: -65.1%). Moreover, some of the losses were compensated due to positive contribution from Cement (+8.50%), Pharmaceuticals (6.12%) and Leather and Tanneries (62.87%).

Foreign Portfolio Investors were net seller during the period with cumulative outflow of US\$130.2mn during 9MFY20, as compared to an outflow of \$138.2mn in 3QFY20. Amongst domestic investor flows, individuals were net buyers (US\$144.4mn) aided by Insurance Companies (US\$94.0mn) and other Organizations (US\$25.1mn). This outflow was led by Mutual Funds (US\$85.10mn), Banks/DFI (US\$48.0mn) and Broker Proprietary Trading (US\$8.6mn).

Going forward we expect a reversal in the trend in index as significant correction of the market has opened up valuations where KSE-100 is currently trading at a forward P/E multiple of 5.4x compared to Asia Pacific regional average of 10.3x. SBP in its last Monetary Policy has further slashed interest rates by 2% to 9%, taking the cumulative monetary easing to 4.25%. Much awaited monetary easing will provide impetus to the index, along with the upcoming result announcements for the quarter ending March which will further drive direction of the index. However, recent announcement of relaxation in debt payment and disbursement of \$1.4 billion cannot be overlooked. Furthermore, the recently bailout package for the construction industry with an underlying "amnesty" scheme of sorts will eventually lead to positive economic activity, while in the meantime investors will remain focused for now on the spread of the virus and eventual opening of the country for business, as we believe this is an opportune time to accumulate stocks.

## **MONEY MARKET REVIEW:**

During 9MFY20, twenty (20) T-Bill auctions were carried out by the SBP, where the Government successfully managed to raise PKR 12.44 trillion. Weighted average yield on the 3-month, 6-month, and 12-month period were 13.33%, 13.33%, and 13.20% respectively, as compared to 9.10%, and 9.41% respectively for same period last year. There was no participation recorded in the 12 month paper during 9MFY19. It is pertinent to note however that the yield curve has been on a declining trend since touching its high of 13.75%, 13.95% and 14.22% for 3-months, 6-months and 12-months T-bills respectively, depicting an inversion in the yield curve within the short tenure papers as well.

To further address demand for liquidity, the SBP conducted nine (9) auctions of Pakistan Investment Bonds (PIBs) and was successful in raising PKR 1,671.14 billion during 9MFY20 with weighted average maturity yield on 3-year, 5-year, and 10-year of 12.56%, 12.12%, and 11.98%, as compared to 9.07%, 10.29%, and 10.18% respectively, during the same period last year. It is pertinent to note that bids were received and accepted in 20-year tenure PIB with the weighted average yield of 11.80%, after a gap of more than 5 years. In the recent auction result held in mid of April, it was encouraging to note that the weighted average maturity yields for 5 year/ 10 years had fallen by 222.65bps/177.94bps to 8.7085%/ 8.9725% respectively.

The Monetary Policy Committee (MPC) announced six (6) Monetary Policy Statements (MPS) in 9MFY20 where the committee cut the interest rate cumulatively by 225bps to 11.00%. In its recent emergency MPS held on March 25th 2020, the MPC decided to cut the policy rate further by 150bps amid the Covid-19 pandemic with an aim to cushion the slowdown in growth rate while maintaining its inflation outlook. The SBP conducted 93 Open Market Operations (OMO) in 9MFY20 of different maturities, in which it injected an average amount of PKR561.20 billion per OMO at an average cut-off yield of 13.19%, and mopped up an average amount of PKR214.01 billion per OMO at an average cut-off yield of 12.49%.

As per the auction calendar of the SBP, it will raise PKR330 billion by issuing 3 year to 20 year tenor Pakistan Investment Bonds (PIBs) and PKR2.30 trillion by issuing 3 months to 12-months tenor T-Bills to pay back the maturing debt of PKR1.98 trillion, in the next quarter. In addition, SBP will raise another PKR150 billion through the auction of a 10-Year Floating PIB, in the next quarter.

### **FUTURE OUTLOOK:**

Following the expectations of a contraction in the economy by various international organizations, the IMF estimates Pakistan's GDP to contract by 1.5% during FY20, a first in the country's history since its independence in 1947. The State Bank of Pakistan took an unorthodox step of curtailing the policy rate further by 200bps to 9% p.a. in its latest monetary policy in an attempt to support the ailing economy. The emergency rate cut came on back of improved inflation outlook following a plunge in commodity prices. Market positively reacted to the step taken by SBP and surged by 2,170 (6.93%) subsequent two days as the rate cut will provide much needed cushion primarily by reducing borrowing cost and debt service burden on individuals and firms, as well as maintain financial stability.

Like stock markets globally, commodities have been no exception and volatility in the international crude oil prices led by deteriorating fundamentals has pushed prices to historical lows and is expected to drive the local benchmark index as Oil and Gas exploration sector which represents 11.8% of the index weight with earnings linked to global crude prices. Monetary easing by the central bank is also expected to result in a decline in Net interest Income of the Banking sector (Index Weight: 25.4%). While on the one hand valuations remain compelling, investor sentiment will remain mixed to negative in the short term as index heavy weights absorb the new norm following the pandemic. With the upcoming result season, near term market performance will largely be guided by earnings reads and how well the market perceives that companies have performed during these testing times. The KSE-100 index currently trades at a forward Price-to-earnings (P/E) and Dividend Yield (DY) of 5.4x and 9.5% respectively as compared to Regional Markets P/E and DY of 10.3x and 3.3% respectively.

Reportedly, Pakistan has asked world lenders to provide debt relief to developing countries so that countries should focus on combating COVID-19 devastation efficiently where economic costs of containment remain substantial. Pakistan has paid \$7bn in first half of the Fiscal Year, whereas it is scheduled to pay another \$11.8bn, \$6.2bn, \$7.8bn and \$5.8bn during FY20-FY23 respectively. Pakistan is planning to renegotiate payment of some of its external debt which will help the country maintain its reserve positions and arrest volatility in the local currency. Recently the IMF announced the disbursement of \$1.4 billion to support Pakistan's efforts in containing the economic cost resulting from the virus, plus providing relaxation for repayment of loans for the upcoming year are significant positives, the impact of which will be much more visible as the country returns to normality. More importantly, the said incentives will support foreign exchange reserves and Current Account Deficit, while a stable Pak rupee will boost investor confidence and provide impetus to economic activity and in turn the stock market. On the Fixed Income side, In the recent auction result held in mid of April, weighted average maturity yields for 5 year/ 10 years had fallen by 222.65bps/177.94bps to 8.7085%/ 8.9725% respectively. This rapid decrease in short term and long term yields of Government bonds suggests a market consensus of a foreseeable decline in interest rates by the central bank. Recently Government of Pakistan has announced various fiscal measures to boost the economic

activity. The incentive offered include: PKR 200bn for labor unemployed due to Pandemic COVID, PKR 100bn tax refunds for Export Industry, Ehsas Program for Low income families, PKR 100bn and deferral of interest payment for SME, PKR 280 billion for procurement of Wheat, and deferent exemptions for construction sector. The said incentive may rejuvenate halted economic activity in the current crisis situation. Investor is closely watching the increase in cases of COVID-19 and resumptions of economic activity before making any investment decision.

For and on behalf of the board

**Imran Motiwala**  
Chief Executive Officer

**Abdul Karim Memon**  
Chairman

Karachi: April 29, 2020

## FUND MANAGER'S REPORT

**i) Description of the Collective Investment Scheme Category and types:**

Open - end Islamic Income scheme.

**ii) Statement of Collective Investment Scheme's Investment objective:**

AKD Islamic income fund (AKDISIF) is a fund that primarily focuses on Shariah compliant income securities and instruments. The objective of AKDISIF is to provide investors with an investment vehicle that strives to enhance capital coupled with regular halal income by investing in Shariah compliant income investments.

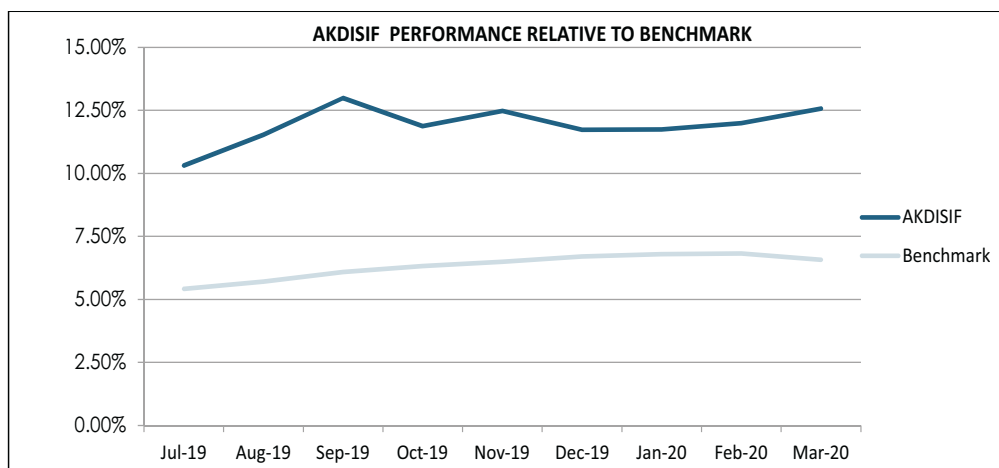
**iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:**

For the 9MFY20, the annualized return of AKD Islamic Income Fund stood at 12.42% compared to benchmark return of 6.33%.

**iv) Statement of benchmark (s) relevant to the Collective Investment Scheme:**

Six (6) months average deposit rates of three (3) A Rated Scheduled Islamic Banks or Islamic Windows of Conventional Banks as selected by MUFAP.

**v) Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmark:**



Monthly yield (annualized)	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
<b>AKDISIF</b>	10.32%	11.54%	12.99%	11.87%	12.48%	11.73%	11.74%	12.00%	12.57%
<b>Benchmark</b>	5.42%	5.71%	6.09%	6.32%	6.50%	6.70%	6.80%	6.82%	6.58%

**vi) Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance:**

AKD Islamic income fund is an open - end Islamic Income scheme. The returns of the fund are generated through investment in high quality Shariah complaint securities and Islamic bank deposit. AKDISIF is fully complied with the relevant policies and procedures as per fund's regulatory requirements.

vii) **Disclosure of Collective Investment Scheme's asset allocation as the date of report and particulars of significant changes in asset allocation since the last report (if applicable):**

Asset Allocation (% of Total Asset)	31-Mar-20	31-Dec-19
Cash and Cash Equivalents	75.45%	85.81%
Sukuk	17.26%	12.44%
Islamic Commercial Paper	5.66%	-
Other Assets Including Receivables	1.64%	1.75%

viii) **Analysis of the Collective Investment Scheme's performance:**

9MFY20 Return	12.42%
Benchmark (annualized)	6.33%

ix) **Changes in NAV and NAV per unit since the last reviewed period:**

Net Asset Value			NAV Per Unit	
31-Mar-20	31-Dec-19	Change	31-Mar-20	31-Dec-19
(Rupees In "000")			Rs.	
293,750	214,780	36.77%	54.83	53.21

x) **Disclosure on the markets that the Collective Investment Scheme has invested in including review of the market (s) invested in and return during the period:**

**MACRO PERSPECTIVE:**

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During the 9MFY20, Pakistan was able to attract \$2.148 billion in Foreign Direct Investment (FDI) as compared to \$0.905 billion in the SPLY, exhibiting an increase of 137.34% YoY. Portfolio Investment in Pakistan's debt securities for 9MFY20 stood at \$331 million, which has shown an unprecedented increase due to attractive risk free yields offered during the period.

During 3QFY20, the Pak rupee devalued against the US dollar by 6.84% to PKR 166.25 at the end of March against PKR 154.88 at the start of the year which was prompted by Net outflow from SCRA account. During March 2020, Pakistan witnessed a cumulative net outflow of \$1.872 billion from SCRA account as foreign investors squared their positions mainly from short term government securities it would seem on the back of expectations of a devaluation of the local currency following prospects of monetary easing.

The total liquid foreign exchange reserves of Pakistan stood at \$17.388 billion (\$6.202 billion net reserves with banks and \$11.186 billion net reserves with State Bank of Pakistan) as compared to \$17.417 billion SPLY. As per news reports the IMF in its support during the global pandemic has decided to provide one-year relief to support the country in its fight against spreading of the virus. The IMF Executive board has also approved the disbursement of \$1.386 billion to address COVID-19 Pandemic under a rapid financing instrument besides the facility already undertaken by Pakistan, which is expected to address fiscal/budget emergencies in the immediate term and shall not be subject to a comprehensive country wise reform program that undergoes reviews.

#### **MONEY MARKET REVIEW:**

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To further address demand for liquidity, the SBP conducted nine (9) auctions of Pakistan Investment Bonds (PIBs) and was successful in raising PKR 1,671.14 billion during 9MFY20 with weighted average maturity yield on 3-year, 5-year, and 10-year of 12.56%, 12.12%, and 11.98%, as compared to 9.07%, 10.29%, and 10.18% respectively, during the same period last year. It is pertinent to note that bids were received and accepted in 20-year tenure PIB with the weighted average yield of 11.80%, after a gap of more than 5 years.

In the recent auction result held in mid of April, it was encouraging to note that the weighted average maturity yields for 5 year/ 10 years had fallen by 222.65bps/177.94bps to 8.7085%/ 8.9725% respectively.

The Monetary Policy Committee (MPC) announced six (6) Monetary Policy Statements (MPS) in 9MFY20 where the committee cut the interest rate cumulatively by 225bps to 11.00%. In its recent emergency MPS held on March 25th 2020, the MPC decided to cut the policy rate further by 150bps amid the Covid-19 pandemic with an aim to cushion the slowdown in growth rate while maintaining its inflation outlook. The SBP conducted 93 Open Market Operations (OMO) in 9MFY20 of different maturities, in which it injected an average amount of PKR561.20 billion per OMO at an average cut-off yield of 13.19%, and mopped up an average amount of PKR214.01 billion per OMO at an average cut-off yield of 12.49%.

As per the auction calendar of the SBP, it will raise PKR330 billion by issuing 3 year to 20 year tenor Pakistan Investment Bonds (PIBs) and PKR2.30 trillion by issuing 3 months to 12-months tenor T-Bills to pay back the maturing debt of PKR1.98 trillion, in the next quarter. In addition, SBP will raise another PKR150 billion through the auction of a 10-Year Floating PIB, in the next quarter.

### **FUTURE OUTLOOK:**

Following the expectations of a contraction in the economy by various international organizations, the IMF estimates Pakistan's GDP to contract by 1.5% during FY20, a first in the country's history since its independence in 1947. The State Bank of Pakistan took an unorthodox step of curtailing the policy rate further by 200bps to 9% p.a. in its latest monetary policy in an attempt to support the ailing economy. The emergency rate cut came on back of improved inflation outlook following a plunge in commodity prices. Market positively reacted to the step taken by SBP and surged by 2,170 (6.93%) subsequent two days as the rate cut will provide much needed cushion primarily by reducing borrowing cost and debt service burden on individuals and firms, as well as maintain financial stability.

Like stock markets globally, commodities have been no exception and volatility in the international crude oil prices led by deteriorating fundamentals has pushed prices to historical lows and is expected to drive the local benchmark index as Oil and Gas exploration sector which represents 11.8% of the index weight with earnings linked to global crude prices. Monetary easing by the central bank is also expected to result in a decline in Net interest Income of the Banking sector (Index Weight: 25.4%). While on the one hand valuations remain compelling, investor sentiment will remain mixed to negative in the short term as index heavy weights absorb the new norm following the pandemic. With the upcoming result season, near term market performance will largely be guided by earning reads and how well the market perceives that companies have performed during these testing times. The KSE-100 index currently trades at a forward Price-to-earnings (P/E) and Dividend Yield (DY) of 5.4x and 9.5% respectively as compared to Regional Markets P/E and DY of 10.3x and 3.3% respectively.

Reportedly, Pakistan has asked world lenders to provide debt relief to developing countries so that countries should focus on combating COVID-19 devastation efficiently where economic costs of containment remain substantial. Pakistan has paid \$7bn in first half of the Fiscal Year, whereas it is scheduled to pay another \$11.8bn, \$6.2bn, \$7.8bn and \$5.8bn during FY20-FY23 respectively. Pakistan is planning to renegotiate payment of some of its external debt which will help the country maintain its reserve positions and arrest volatility in the local currency. Recently the IMF announced the disbursement of \$1.4 billion to support Pakistan's efforts in containing the economic cost resulting from the virus, plus providing relaxation for repayment of loans for the upcoming year are significant positives, the impact of which will be much more visible as the country returns to normality. More importantly, the said incentives will support foreign exchange reserves and Current Account Deficit, while a stable Pak rupee will boost investor confidence and provide impetus to economic activity and in turn the stock market.

On the Fixed Income side, In the recent auction result held in mid of April, weighted average maturity yields for 5 year/ 10 years had fallen by 222.65bps/177.94bps to 8.7085%/8.9725% respectively. This rapid decrease in short term and long term yields of Government bonds suggests a market consensus of a foreseeable decline in interest rates by the central bank.

Recently Government of Pakistan has announced various fiscal measures to boost the economic activity. The incentive offered include: PKR 200bn for labor unemployed due to Pandemic COVID, PKR 100bn tax refunds for Export Industry, Ehsas Program for Low

income families, PKR 100bn and deferral of interest payment for SME, PKR 280 billion for procurement of Wheat, and deferent exemptions for construction sector. The said incentive may rejuvenate halted economic activity in the current crisis situation. Investor is closely watching the increase in cases of COVID-19 and resumptions of economic activity before making any investment decision.

**xi) Description and explanation of any significant changes in the state of the affairs of the Collective Investment Scheme during the period and up till the date of Fund Manager's report, not otherwise disclosed in the financial statements:**

There was no significant change in the state of affairs during the period under review.

**xii) Break down of unit holding by size:**

Range (Units)	No. of Investors
0.1 - 9,999	345
10,000 - 49,999	30
50,000 - 99,999	7
100,000 - 499,999	5
500,000 and above	3
	<b>390</b>

**xiii) Disclosure on unit split (if any), comprising:**

There were no unit splits during the period.

**xiv) Disclosure of circumstances that materially affect any interest of unit holders:**

Investments are subject to credit and market risk.

**xv) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker (s) or dealers by virtue of transaction conducted by the Collective Investment Scheme:**

No soft commission has been received by the AMC from its broker or dealer by virtue of transactions conducted by the Collective Investment Scheme.

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2020

		(Un-audited) March 31, 2020	(Audited) June 30, 2019
	Note	----- (Rupees in '000) -----	
<b>Assets</b>			
Bank balances	4	223,763	178,015
Investments	5	67,966	46,554
Profit receivable on bank deposits and sukuk and commercial papers		3,625	2,623
Deposits, prepayments and other receivables	6	402	259
Preliminary expenses and floatation cost	7	829	1,044
<b>Total assets</b>		<b>296,585</b>	<b>228,495</b>
<b>Liabilities</b>			
Payable to the Management Company	8	1,341	1,350
Payable to the Trustee	9	35	25
Payable to Securities and Exchange Commission of Pakistan	10	37	124
Accrued expenses and other liabilities	11	1,422	1,408
<b>Total liabilities</b>		<b>2,835</b>	<b>2,907</b>
<b>Net assets</b>		<b>293,750</b>	<b>225,588</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>293,750</b>	<b>225,588</b>
<b>Contingencies and commitments</b>	12	Number of units	
<b>Number of units in issue</b>		<b>5,357,099</b>	<b>4,497,935</b>
		----- Rupees -----	
<b>Net assets value per unit</b>		<b>54.8338</b>	<b>50.1537</b>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**For AKD Investment Management Limited  
(Management Company)**

\_\_\_\_\_  
**Imran Motiwala**  
Chief Executive Officer

\_\_\_\_\_  
**Muhammad Munir Abdullah**  
Chief Financial Officer

\_\_\_\_\_  
**Anum Dhedhi**  
Director

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020

Income	Note	For the nine months ended		For the quarter ended	
		March 31,		March 31,	
		2020	2019	2020	2,019
-----('Rupees in '000) -----					
Net unrealised (diminution) / appreciation on remeasurement of investments 'at fair value through profit or loss'	5.1	388	(348)	417	(351)
Income from sukuk certificates and commercial papers		4,415	2,720	1,393	1,121
Profit on bank deposits		19,802	6,790	7,017	3,126
<b>Total income</b>		<b>24,605</b>	<b>9,162</b>	<b>8,827</b>	<b>3,896</b>
<b>Expenses</b>					
Remuneration of the Management Company	8.1	508	-	262	-
Sales tax on the remuneration of the Management Company	8.2	66	-	34	-
Remuneration of the Trustee	9.1	224	131	79	51
Sales tax on the Trustee remuneration	9.2	29	17	10	6
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	37	82	13	32
Expenses allocated by the Management Company	8.3	186	109	65	43
Auditors' remuneration		134	106	44	44
Settlement and bank charges		66	99	25	69
Amortisation of preliminary expenses and floatation costs		215	215	71	70
Fee and subscription		156	144	57	48
Printing and related cost		113	87	38	39
Legal and professional charges		235	168	78	73
Provision against Sindh Workers' Welfare Fund		453	160	161	68
<b>Total expenses</b>		<b>2,422</b>	<b>1,318</b>	<b>937</b>	<b>543</b>
<b>Net income for the period before taxation</b>		<b>22,183</b>	<b>7,844</b>	<b>7,890</b>	<b>3,353</b>
Taxation	14	-	-	-	-
<b>Net income for the period after taxation</b>		<b>22,183</b>	<b>7,844</b>	<b>7,890</b>	<b>3,353</b>
<b>Allocation of net income for the period</b>					
Net income for the period after taxation		22,183	7,844	7,890	3,353
Income already paid on units redeemed		(8,311)	(1,973)	(4,537)	(633)
		<b>13,872</b>	<b>5,871</b>	<b>3,353</b>	<b>2,720</b>
<b>Accounting income available for distribution</b>					
Relating to capital gains		388	-	417	-
Excluding capital gains		13,484	5,871	2,936	2,720
		<b>13,872</b>	<b>5,871</b>	<b>3,353</b>	<b>2,720</b>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**For AKD Investment Management Limited  
(Management Company)**

\_\_\_\_\_  
**Imran Motiwala**  
Chief Executive Officer

\_\_\_\_\_  
**Muhammad Munir Abdullah**  
Chief Financial Officer

\_\_\_\_\_  
**Anum Dhedhi**  
Director

## Akd Islamic Income Fund - Quarterly Report March 2020

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020

	For the nine months ended March 31,		For the quarter ended March 31,	
	2020	2019	2020	2019
	-----('Rupees in '000) -----			
<b>Net income for the period after taxation</b>	<b>22,183</b>	7,844	<b>7,890</b>	3,353
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>22,183</b>	7,844	<b>7,890</b>	3,353

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**For AKD Investment Management Limited  
(Management Company)**

\_\_\_\_\_  
**Imran Motiwala**  
Chief Executive Officer

\_\_\_\_\_  
**Muhammad Munir Abdullah**  
Chief Financial Officer

\_\_\_\_\_  
**Anum Dhedhi**  
Director

# Akd Islamic Income Fund - Quarterly Report March 2020

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	For the nine months ended March 31, 2020			For the nine months ended March 31, 2019		
	Rupees in '000			Rupees in '000		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
<b>Net assets at beginning of the period</b>	<b>224,936</b>	<b>652</b>	<b>225,588</b>	228,503	1,869	230,372
Issue of 7,442,132 units (2019: 7,049,982 units)						
- Capital value (net asset value per unit at beginning of the period)	373,250	-	373,250	352,540	-	352,540
- Element of income	18,839	-	18,839	11,720	-	11,720
Total proceeds on issuance of units	392,089	-	392,089	364,260	-	364,260
Redemption of 6,582,968 units (2019: 7,432,215 units)						
- Capital value (net asset value per unit at beginning of the period)	330,160	-	330,160	371,653	-	371,653
- Amount paid out of element of income	-	8,311	8,311	-	1,973	1,973
- Element of income	7,639	-	7,639	5,892	-	5,892
Total payments on redemption of units	337,799	8,311	346,110	377,545	1,973	379,518
Total comprehensive income for the period	-	22,183	22,183	-	7,844	7,844
Distribution during the period	-	-	-	-	(1,869)	(1,869)
Refund of capital	-	-	-	(1,674)	-	(1,674)
Net income for the period less distribution	-	22,183	22,183	(1,674)	5,975	4,301
<b>Net assets at end of the period</b>	<b>279,226</b>	<b>14,524</b>	<b>293,750</b>	213,544	5,871	219,415
Undistributed income brought forward						
- Realised income	-	864	864	-	2,033	2,033
- Unrealised loss	-	(212)	(212)	-	(164)	(164)
	-	652	652	-	1,869	1,869
Accounting income available for distribution						
- Relating to capital gains	-	388	388	-	-	-
- Excluding capital gains	-	13,484	13,484	-	5,871	5,871
	-	13,872	13,872	-	5,871	5,871
Distribution during the period Re. Nil ( 2019 : Re. 0.78101 per unit i.e. 1.56% of the par value)	-	-	-	-	(1,869)	(1,869)
Undistributed income carried forward	-	14,524	14,524	-	5,871	5,871
Undistributed income carried forward						
- Realised income	-	14,136	14,136	-	6,219	6,219
- Unrealised gain / (loss)	-	388	388	-	(348)	(348)
	-	14,524	14,524	-	5,871	5,871
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period			<u>50.1537</u>			<u>50.7868</u>
Net assets value per unit at end of the period			<u>54.8338</u>			<u>52.8223</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

### For AKD Investment Management Limited (Management Company)

**Imran Motiwala**  
Chief Executive Officer

**Muhammad Munir Abdullah**  
Chief Financial Officer

**Anum Dhedhi**  
Director

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020

	Note	For the nine months ended		For the quarter ended	
		March 31, 2020	2019	March 31, 2020	2019
-----('Rupees in '000) -----					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income for the period before taxation		22,183	7,844	7,890	3,353
<b>Adjustments</b>					
Amortisation of preliminary expenses and floatation costs		215	215	71	70
Net unrealised diminution / (appreciation) on remeasurement of investments 'at fair value through profit	5.3	(388)	348	(417)	351
		<b>22,010</b>	<b>8,407</b>	<b>7,544</b>	<b>3,774</b>
<b>(Increase) / decrease in assets</b>					
Profit receivable on bank deposits and sukuk and commercial papers		(1,002)	(1,070)	(912)	(1,015)
Deposits, prepayments and other receivables		(143)	47,937	(212)	(3,834)
		<b>(1,145)</b>	<b>46,867</b>	<b>(1,124)</b>	<b>(4,849)</b>
<b>(Decrease) / increase in liabilities</b>					
Payable to the Management Company		(9)	(362)	97	(92)
Payable to the Trustee		10	5	10	13
Payable against redemption of units		-	(1,250)	-	-
Payable to Securities and Exchange Commission of Pakistan		(87)	39	13	32
Accrued expenses and other liabilities		14	86	296	54
		<b>(72)</b>	<b>(1,482)</b>	<b>416</b>	<b>7</b>
Investment-net		(21,024)	(15,000)	(40,524)	(15,000)
<b>Net cash generated from / (used in) operating activities</b>		<b>(231)</b>	<b>38,792</b>	<b>(33,688)</b>	<b>(16,068)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Amount received on issue of units		392,089	362,586	217,307	198,022
Payment against redemption of units		(346,110)	(379,518)	(146,226)	(109,057)
Dividend paid		-	(1,869)	-	-
<b>Net cash used in financing activities</b>		<b>45,979</b>	<b>(18,801)</b>	<b>71,081</b>	<b>88,965</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>45,748</b>	<b>19,991</b>	<b>37,393</b>	<b>72,897</b>
Cash and cash equivalents at beginning of the period		178,015	144,188	186,370	91,282
<b>Cash and cash equivalents at end of the period</b>	4	<b>223,763</b>	<b>164,179</b>	<b>223,763</b>	<b>164,179</b>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

### For AKD Investment Management Limited (Management Company)

**Imran Motiwala**  
Chief Executive Officer

**Muhammad Munir Abdullah**  
Chief Financial Officer

**Anum Dhedhi**  
Director

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020

### 1. LEGAL STATUS AND NATURE OF BUSINESS

AKD Islamic Income Fund (the Fund) was established under a Trust Deed, dated August 30, 2017, executed between AKD Investment Management Limited (AKDIML) as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on May 30, 2017. The initial Public Offering (IPO) of the Fund was made during the period from February 19, 2018 to February 20, 2018 and the Fund commenced operations from February 21, 2018.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 216-217, Continental Trade Centre, Block-8, Clifton, Karachi, in the province of Sindh.

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The Fund is categorised as an open end Shariah Complaint (Islamic) Income Scheme in accordance with Circular 7 of 2009, issued by the Securities and Exchange Commission of Pakistan (SECP). Al-Hilal Shariah Advisors (Private) Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.

Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager Rating of 'AM3++' to the Management Company dated February 8, 2020. PACRA has also assigned fund stability rating of "A+(f)" to the fund dated October 30, 2019.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

- Provisions of and directives issued under the Companies Act, 2017; 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) and requirements of the Trust Deed.

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

**2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2019.

**2.1.3** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2020.

## **2.2 Basis of measurement**

This condensed interim financial information has been prepared under the historical cost convention, except that certain investments are measured at fair value.

## **2.3 Functional and presentation currency**

This condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

## **3. SIGNIFICANT ACCOUNTING POLICIES, RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENTS AND CHANGES THEREIN**

**3.1** The accounting policies adopted in the preparation of this condensed interim financial information is consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2019.

**3.2** The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements of the Fund for the year ended June 30, 2019.

**3.3** There are certain new and amended standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in this condensed interim financial information.

## Akd Islamic Income Fund - Quarterly Report March 2020

		(Unaudited) March 31, 2020	(Audited) June 30, 2019
<b>4. BANK BALANCES</b>	<b>Note</b>	----- (Rupees in '000) -----	
In saving accounts	4.1	<b>223,763</b>	178,015

4.1 Mark-up rates on these accounts range between 11.25% to 12% per annum (June 30, 2019 6.50% to 12.25% per annum).

		(Unaudited) March 31, 2020	(Audited) June 30, 2019
<b>5. INVESTMENTS</b>	<b>Note</b>	----- (Rupees in '000) -----	
<b>At fair value through profit and loss'</b>			
- Listed sukuk certificates	5.1	<b>26,191</b>	31,554
- Unlisted sukuk certificates		<b>25,000</b>	15,000
- Islamic Commercial Paper	5.2	<b>16,775</b>	-
		<b>67,966</b>	46,554

### 5.1 Debt securities - Sukuk Certificates

Name of investee company	Rate of return (per annum)	Number of Units				Carrying value as at March 31, 2020	Market value as at March 31, 2020	Unrealised (diminution) / appreciation as at March 31, 2020	Market value as a percentage of net assets	Market value as a percentage of total investments
		Opening	Purchased during the period	Sold/matured during the period	As at March 31, 2020					
----- Rupees in '000 -----										
----- % -----										

#### Sukuk certificates - listed

#### Investment banks / investment companies / securities companies

Dawood Hercules Corporation Limited	14.51%	200	-	-	200	15,941	16,116	175	5.49	23.71
<b>Oil and gas</b>										
BYCO Petroleum Pakistan Limited	14.59%	150	-	-	150	9,862	10,075	213	3.43	14.82
						<b>25,803</b>	<b>26,191</b>	<b>388</b>		

#### Sukuk certificates - Unlisted

#### Power generation and distribution

The Hub Power Company Limited	0.00%	3000	-	3000	-	-	-	-	-	-
The Hub Power Company Limited	14.18%	-	250	-	250	25,000	25,000	-	8.51	36.78
						<b>25,000</b>	<b>25,000</b>	<b>-</b>		

#### Total debt securities as at March 31, 2020

						<b>50,803</b>	<b>51,191</b>	<b>388</b>		
--	--	--	--	--	--	---------------	---------------	------------	--	--

#### Total debt securities as at June 30, 2019

						46,766	46,554	(212)		
--	--	--	--	--	--	--------	--------	-------	--	--

## Akd Islamic Income Fund - Quarterly Report March 2020

### 5.1.1 Significant terms and conditions of sukuk certificates are as follows:

Name of security	Face value per certificate	Redeemed Face value per certificate	Mark-up rate (per annum)	Maturity	Secured / Unsecured	Rating
----- Rupees -----						
Dawood Hercules Corporation Limited	100,000	80,000	3 months KIBOR + 1.00%	November 16, 2022	Secured	AA
BYCO Petroleum Pakistan Limited	100,000	66,667	3 months KIBOR + 1.05%	January 18, 2022	Secured	AAA
The Hub Power Company Limited	100,000	100,000	1 year KIBOR + 1.90%	March 19, 2024	Secured	AA+

### 5.2 Islamic Commercial Paper

Name of Investee Company	Rate of return per annum	----- Face value -----				Carrying value	Maturity	Rating	Face Value as percentage of total investments	Face Value as percentage of net assets
		As at July 01, 2019	Purchased during the period	Matured / sold during the period	As at March 31, 2020					
----- Rupees in '000' -----										
K-Electric Limited	14.64%	-	18,000	-	18,000	16,775	13-Aug-20	A1+	24.68	5.71
<b>Total - March 31, 2020</b>					<b>18,000</b>	<b>16,775</b>				
Total - June 30, 2019					-	-				

(Unaudited) (Audited)  
March 31, June 30,  
2020 2019

Note ----- (Rupees in '000) -----

### 5.3 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

Market value of investments	5.1 & 5.2	<b>67,966</b>	46,554
Carrying amount of investments	5.1 & 5.2	<b>(67,578)</b>	(46,766)
		<b>388</b>	(212)

### 6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits with Central Depository Company of Pakistan Limited		<b>100</b>	100
Prepaid Shairah Advisor fee		<b>241</b>	105
Prepaid PSX Annual listing fee		<b>7</b>	-
Advance tax	6.1	<b>54</b>	54
		<b>402</b>	259

6.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2019, withholding tax on profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder.

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For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on profit on debt has been shown as other receivables as at March 31, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

		(Unaudited) March 31, 2020	(Audited) June 30, 2019
		----- (Rupees in '000) -----	
<b>7. PRELIMINARY EXPENSES AND FLOATATION COST</b>	<b>Note</b>		
Preliminary expenses and floatation cost		<b>1,044</b>	1,331
Amortised during the period	7.1	<b>(215)</b>	(287)
		<b>829</b>	1,044

**7.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.

		(Unaudited) March 31, 2020	(Audited) June 30, 2019
		----- (Rupees in '000) -----	
<b>8. PAYABLE TO MANAGEMENT COMPANY</b>	<b>Note</b>		
Remuneration	8.1	<b>102</b>	-
Sales tax on management fees	8.2	<b>13</b>	-
Expenses allocated by the management company	8.3	<b>168</b>	19
Formation cost		<b>1,044</b>	1,331
Sales load payable		<b>14</b>	-
		<b>1,341</b>	1,350

**8.1** The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the amended SRO 639(I) 2019 NBFC Regulations dated June 20, 2019, within allowed expense ratio and applicable as per offering documents. The Management Company had charged 0% management fees with effect from July 1, 2019 till September 30, 2019. Thereafter, the management has start charging 0.4% p.a. this is applicable uptill June 30, 2020.

- 8.2** Sindh sales tax at the rate of 13% (June 30, 2019: 13%) on gross value of management fee under the provisions of Sindh Sales Tax on Services Act, 2011.
- 8.3** Up till June 19, 2019, in accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the period, SECP, vide SRO no. 639 (I)/2019 dated June 20, 2019, has removed the maximum cap of 0.1%. Accordingly, the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund from June 20, 2019.

However, the management continued to charge expenses at the rate of 0.1 percent of the average annual net assets of the Fund for the periods i.e. from July 1, 2019 to March 31, 2020, being lower than actual expenses.

		(Unaudited) March 31, 2020	(Audited) June 30, 2019
	Note	----- (Rupees in '000) -----	
<b>9. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	9.1	31	22
Sindh Sales Tax and settlement charges	9.2	4	3
		<b>35</b>	25

- 9.1** The Trustee was entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff specified therein, based on 0.12% of the daily net assets value of the Fund.
- 9.2** Sindh sales tax at the rate of 13% (June 30, 2019: 13%) on gross value of trustee fee under the provisions of Sindh Sales Tax on Services Act, 2011.

		(Unaudited) March 31, 2020	(Audited) June 30, 2019
	Note	----- (Rupees in '000) -----	
<b>10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)</b>			
Annual fee payable to SECP	10.1	<b>37</b>	124

- 10.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a Collective Investment Scheme categorised as a income scheme was required to pay an annual fee, to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. However, as per S.R.O. 685(j) / 2019 dated June 28, 2019, effective from July 01, 2019, all categories of Collective Investment Schemes are now required to pay annual fee at an amount equal to 0.02 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

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	(Unaudited) March 31, 2020	(Audited) June 30, 2019
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>	----- (Rupees in '000) -----	
Auditor's remuneration	133	118
Printing charges payable	147	100
Provision for Sindh Workers' Welfare Fund	785	333
Withholding tax payable	211	833
Others	146	24
	<b>1,422</b>	<b>1,408</b>

- 11.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.5 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial information of the Fund for the period from July 01, 2019 to Mar 31, 2020, the net asset value of the Fund as at Mar 31, 2020 would have been higher by Re. 0.1465 per unit (June 30, 2019: Re.0.074 per unit).

### 12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at March 31, 2020 and June 30, 2019.

### 13. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the maximum limit is to be capped at 2.5% (March 31, 2019: 2.0%) at daily average net assets of Fund, prescribed under NBFC Regulations of collective investment scheme categorised as Sharia Compliant Islamic Income Scheme. The total expense ratio of the Fund for the period ended March 31, 2020 is 0.98% (March 31, 2019: 0.91%), which includes 0.24% (March 31, 2019: 0.19%) representing Government levies, Provision for SWWF and SECP fee.

### 14. TAXATION

The income of the fund is exempt from income tax under Clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than

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90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause I I A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001. Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 48 of Income Tax Ordinance, 2001). The management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for current and deferred tax has been made in this condensed financial information.

### 15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include AKD Investment Management Limited, being the Management MCB Financial Services Limited, being the Trustee, Aqeel Karim Dhedhi Securities (Private) Limited, AKD Securities Limited, directors, officers and other connected persons of the Management Company, and directors of the Company and their connected persons.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates. Details of transactions and balances with connected persons are as follows:

	(Unaudited) For the nine month ended March 31,	
	2020	2019
	----- (Rupees in '000) -----	
<b>15.1 Transactions during the period</b>		
<b>AKD Investment Management Limited - Management Company</b>		
Remuneration to Management Company	508	-
Sales Tax Provincial on Management Remuneration	66	-
Expenses allocated by the Management Company	186	109
Issue of units Nil (2019: 4,814)	-	245
Redemption of units 56 (2019: 4,814)	3	247
<b>MCB Financial Services Limited - Trustee</b>		
Trustee remuneration	224	131
Sindh Sales Tax on trustee remuneration	29	17
<b>AKD Investment Management Limited - Staff Provident Fund</b>		
Issue of units 104,250 (2019: Nil)	5,543	-
Redemption of units 104,250 (2019: Nil)	5,613	-
<b>Chief Financial Officer of the Management Company</b>		
Issue of Nil capital refund units (2019: 44)	-	2
Dividend paid	-	3
<b>Company Secretary and Chief Operating Officer of the Management Company</b>		
Issue of Nil units (2019: 660 units)	-	34
Redemption of Nil units (2019: 645 units)	-	33
Issue of Nil capital refund units (2019: 229 units)	-	11
Dividend paid	-	1

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(Unaudited)  
For the nine month ended  
March 31,  
2020                      2019  
----- (Rupees in '000) -----

<b>Fund Manager of AKDITF and AKDISSF</b>		
Issue of Nil units (2019: 8)	-	-
Issue of Nil capital refund units (2019: 9)	-	1
Redemption of Nil units (2019: 1,133)	-	58
<b>TPL Insurance Limited* - Connected person due to holding of more than 10% units</b>		
Issue of units (2019: 6,656)	-	333
Dividend paid	-	392
<b>Chief Executive Officer of the Management Company</b>		
Issue of units 79,113 (2019: 16,293)	<b>4,265</b>	820
Redemption of Nil units (2019: 16,293)	-	825
<b>Spouse of the Chief Executive Officer of the Management Company</b>		
Issue of units 3,050,067 (2019: 85,876 units)	<b>163,955</b>	4,330
Redemption of units 1,745,485 (2019: 85,876)	<b>93,287</b>	4,341
<b>Hina Aqeel - Close relative of the Sponsor of the Management Company</b>		
Issue of Nil units (2019: 38,089)	-	1,917
Redemption of Nil units (2019: 38,089)	-	1,942
<b>Afsheen Aqeel Dhedhi- Close relative of the Sponsor of the Management Company</b>		
Issue of Nil units (2019: 19,045)	-	959
Redemption of Nil units (2019: 19,045)	-	971
<b>Muhammad Farid Alam - Key Management Personnel of Associated Company</b>		
Issue of Nil units (2019: 72)	-	4
<b>Askari General Insurance Co. Ltd.* - Connected person due to holding of more than 10% units</b>		
Issue of units (2019: 483,216)	-	25,000
<b>Silk Bank Limited Employees Provident Fund - Connected person due to holding of more than 10% units</b>		
Issue of Nil units (2019: 833,061)	-	43,723

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	(Un-audited) March 31, 2020	(Audited) June 30, 2019
	----- (Rupees in '000) -----	
<b>15.2 Balances outstanding at the period / year end</b>		
<b>AKD Investment Management Limited - Management Company</b>		
Payable against expenses allocated by the Management Company	168	19
Payable against formation cost	1,044	1,331
Remuneration payable	102	
Sales Tax Provincial on Management Remuneration	13	-
Sales load payable	14	-
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration payable	31	22
Sindh Sales Tax on trustee remuneration payable	4	3
<b>AKD Investment Management Limited - Staff Provident Fund</b>		
Outstanding Nil units (June 2019: Nil units)	-	-
<b>Chief Executive Officer of the Management Company</b>		
Outstanding 79,135 units (June 2019: 22 units)	4,339	1
<b>Spouse of the Chief Executive Officer of the Management Company</b>		
Outstanding 1,521,035 units (June 2019: 216,453 units)	83,404	10,856
<b>Chief Financial Officer of the Management Company</b>		
Outstanding 6,809 units (June 2019: 6,809 units)	373	342
<b>Company Secretary and Chief Operating Officer of the Management Company</b>		
Outstanding 17,156 units (June 2019: 17,156 units)	941	860
<b>Muhammad Farid Alam - Key Management Personnel of Associated Company</b>		
Outstanding 28,072 units (June 2019: 28,072 units)	1,539	1,408
<b>Afshen Aqeel Dhedhi - Close relative of the Sponsor of the Management Company</b>		
Outstanding 25 units (June 2019: 25 units)	1	1
<b>TPL Insurance Limited* - Connected person due to holding of more than 10% units</b>		
Outstanding Nil units (June 2019: 543,070 units)	-	27,237
<b>Askari General Insurance Co. Ltd.* - Connected person due to holding of more than 10% units</b>		
Outstanding units (June 2019: 519,087 units)	-	26,034
<b>Attock Cement Pakistan Ltd. Employees Provident Fund* - Connected party due to more than 10% holding</b>		
Outstanding units (June 2019: Nil units)	-	-
<b>Silk Bank Employee Provident Fund - Connected person due to holding of more than 10% units*</b>		
Outstanding 900,731 units (June 2019: 900,731 units)	49,391	45,175

\* Prior period connected party, current figures not shown

## 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets (i.e. listed securities) are based on the quoted market prices at the close of trading on the reporting date. The quoted market price 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:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

	March 31, 2020 (Un-audited)						
	Carrying amount			Fair Value			
	Fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
<b>Financial assets measured at fair value</b>							
Investments	67,966	-	67,966	-	67,966	-	67,966
<b>Financial assets not measured at fair value</b>							
Bank balances	-	223,763	223,763				
Profit receivable on bank deposits and sukuk and commercial papers	-	3,625	3,625				
Deposits	-	100	100				
		<b>227,488</b>	<b>227,488</b>				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	1,341	1,341				
Payable to the Trustee	-	35	35				
Accrued expenses and other liabilities	-	426	426				
		<b>1,802</b>	<b>1,802</b>				

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	June 30, 2019 (Audited)						
	Carrying amount			Fair Value			
	Fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)						
<b>Financial assets measured at fair value</b>							
Investments	46,554	-	46,554	-	46,554	-	46,554
<b>Financial assets not measured at fair value</b>							
Bank balances	-	178,015	178,015				
Profit receivable on bank deposits and sukuk certificates	-	2,623	2,623				
Deposits		100	100				
	-	180,738	180,738				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	1,350	1,350				
Payable to Trustee	-	25	25				
Accrued expenses and other liabilities	-	242	242				
	-	1,617	1,617				

### 17. GENERAL

**17.1** Figures have been rounded off to the nearest thousand Rupees.

**17.2** This condensed interim financial information is unaudited.

**17.3** Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

### 18. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 29, 2020 by the Board of Directors of the Management Company.



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Management Ltd.**

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