



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2020

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



MCB PAKISTAN SOVEREIGN FUND

TABLE OF CONTENTS

| | | |
|----|---|-----|
| 1 | Fund's Information | 117 |
| 2 | Report of the Director of the Management Company | 118 |
| 3 | Report of the Fund Manager | 129 |
| 4 | Trustee Report to the Unit Holders | 131 |
| 5 | Independent Auditor's Report to the Unit Holders | 132 |
| 6 | Statement of Assets and Liabilities | 136 |
| 7 | Income Statement | 137 |
| 8 | Statement of Other Comprehensive Income | 138 |
| 9 | Statement of Movement in Unit Holder's Fund | 139 |
| 10 | Cash Flow Statement | 140 |
| 11 | Notes to and Forming Part of the Financial Statements | 141 |
| 12 | Pattern of Units Holding by Size | 166 |
| 13 | Performance Table | 167 |

FUND'S INFORMATION

| | | |
|--|--|--|
| Management Company | MCB-Arif Habib Savings & Investments Limited Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi. | |
| Board of Directors | Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan | Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director |
| Audit Committee | Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain | Chairman Member Member Member Member |
| Human Resource & Remuneration Committee | Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem | Chairman Member Member Member Member Member |
| Chief Executive Officer | Mr. Muhammad Saqib Saleem | |
| Chief Operating Officer & Chief Financial Officer | Mr. Muhammad Asif Mehdi Rizvi | |
| Company Secretary | Mr. Altaf Ahmad Faisal | |
| Trustee | Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com | |
| Bankers | MCB Bank Limited Bank Al Habib Limited Habib Bank Limited Allied Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Metropolitan Bank Limited United Bank Limited Zarai Taraqati Bank Limited Js Bank Limited National Bank Of Pakistan | |
| Auditors | Deloittee Yousuf Adil Chartered Accountants Cavish Court, A-35, Block-7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-753550 | |
| Legal Advisor | Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi | |
| Transfer Agent | MCB-Arif Habib Savings & Investments Limited Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi. | |
| Rating | AM2++ Asset Manager Rating assigned by PACRA | |

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

Dear Investor,

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

ECONOMY AND MONEY MARKET OVERVIEW

FY20 was a tale of two halves as macroeconomic consolidation process which was on track during the first half was seriously disrupted by the Covid'19 pandemic in the second half. Global cases topped 17 million, while more than 650,000 people became the morsel of death as the fatal outbreak continued to spread throughout the world. The pandemic wreaked havoc on the global economy as worldwide lockdowns lowered the overall consumption patterns along with causing massive unemployment. The IMF predicts that the global economy will shrink 4.9% this year, which would be the worst annual contraction after the Second World War.

On the local front, the economy was locked down at a large scale till May as the health infrastructure was overwhelmed with number of cases. As a result of the output gap, the forecasts for economic growth were lowered to -0.4%, compared to earlier growth expectations of 2.4%. Large Scale Manufacturing (LSM) and Services sector had to bear the major brunt resulting from lockdowns. LSM contracted by 10.3% during the first eleven months of FY20. Amongst the major industries, Automobiles and Iron & Steel witnessed a sharp downfall, declining by 44.8% and 17.0% respectively. Textile with the largest weight in LSM, also contracted by 11.0% after global lockdowns put a halt on exports. Moreover, the Agriculture sector also disappointed as the production of major crops (Cotton, Wheat and Sugar) remained well below the target levels.

Fiscal consolidation was seriously disrupted after the lockdowns caused massive shortfall in tax collection. FBR managed to collect PKR 4.0 trillion against the earlier envisaged target of PKR 4.8 trillion. Till Feb 2020, the tax collection was growing at a rate of ~16% YoY, however during the last four months of the fiscal year, the tax collection saw a massive contraction of ~20% YoY which resulted in a huge shortfall. Alongside, government rolled out a social safety program to insulate masses from vulnerabilities posed by lockdown, which resulted in more than desired expenditures. As a result of this, it is expected that fiscal deficit will fall north of 9.0% of GDP.

Lagged impacts of policy action in terms of monetary tightening and exchange rate adjustments continued to bear fruits as reflected in improvement in Balance of Payments position. The current account deficit during the year contracted by ~78% on Year on Year basis to USD 2.8 billion. A major portion of reduction in current account deficit was explained by decline in Imports of goods and services as it compressed by ~19%, translating into a reduction of USD ~12 billion. Remittances also remained resilient as they increased by ~6% during the year to USD 23.1 billion. Foreign Direct Investment (FDI) stood at USD ~2.5 billion, up 75% compared to last year as renewal of Telecom Licenses and onset of power sector projects fetched new investments. Debt related flows from IMF and multilateral institutions also kept the overall financial flows in the positive zone. Pakistan received USD 2.4 billion from IMF and more than USD ~5 billion were disbursed by the multilateral institutions for various programs. Overall, the financial account generated a surplus of USD ~7 billion. As result, foreign exchange reserves of SBP grew by USD 4.9 billion during the year to close at USD 12.1 billion. While import cover improved from 1.7x to 2.6x, it is still below the accepted global benchmarks. PKR saw a nominal depreciation of 3.2% against USD during the year to close at 168.2.

Average CPI for FY20 clocked in at 10.8%, compared to 6.8% witnessed during the preceding year. Food inflation was prominent during the year averaging at 14.5%, after supply side weakness caused a spike in the prices of some essential commodities and perishable food items. Sugar prices increased by ~29%, while Wheat flour saw an increase of ~16% during the year. Among perishable items, onion and potatoes witnessed a hike of ~70% and ~65% respectively. However, the inflationary pressures have started trending downwards with inflation for June clocking in at 8.6% as lower petroleum prices along with easing food inflation have put a break on overall inflation. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 7.9% for the period.

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

Yield curve started to slope downward during the first half of FY20 before the monetary easing started, in anticipation of lower inflation. As the pandemic struck during the start of the calendar year and the recessionary pressures became imminent, central bank pursued aggressive monetary easing and reduced the policy rate by cumulative 625 bps in several meetings. As a result the yield curve further shifted downwards during the period. 3Y, 5Y and 10Y bonds eased off by

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

632, 577 and 503 bps respectively during the year. The yield curve has again started to slope upwards as the market participants are expecting the interest rates to bottom out.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 16.39% as against its benchmark return of 12.86%. At period-end, the fund was invested 70.0% in T-Bills and 25.3% PIBs.

The Net Assets of the Fund as at June 30, 2020 stood at Rs. 1,816 million as compared to Rs. 630 million as at June 30, 2019 registering an increase of 188.25%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 53.27 as compared to opening NAV of Rs. 53.13 per unit as at June 30, 2019 registering an increase of Rs. 0.14 per unit.

FUTURE OUTLOOK

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

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

CPI is expected to tone down to an average of ~7.5% during the next year assuming average oil prices of USD 40/BBL. Central bank has already adjusted the policy rate to 7.0% in the wake of lower expected inflation. The inflation trajectory would remain below 7.0% during the first half of the fiscal year due to lower petroleum prices, thus causing the policy rate to remain positive. However, during the second half as the impact of low base resumes, inflation will move above the policy rate, which means that central bank will be prompted to adjust the interest rates under the normal economic scenario. However, a better than expected scenario on the balance of payment side will allow central bank to continue the current policy rate.

Fiscal department will remain an Achilles heel for the government as it is expected to remain north of 7.0%. With limited expected growth in taxes, we believe government will not have much room to provide impetus via public development spending. Alongside, government reliance on borrowing via domestic sources will continue to crowd out private sector investment. In an environment where government muscles have been reined in, the importance of private sector will continue to dominate in reviving the overall economic growth.

From capital market perspective, particularly equities, we are getting a much clearer picture now. As covid curve continues to flatten out, the valuations are catching up with historical norms. Barring a second wave of the virus, we think equities have a lot to offer to the investors. Market cap to GDP ratio is at 17.5%, still at a discount of 33% from its historical average. Similarly, risk premiums are close to 4.0%, compared to historical average of 0.9% signifying decent upside for long term investors. We believe a micro view of sectors and stock will remain more important this year and investment selection should focus on companies which trade at a deep discount to their intrinsic value. Similarly, focus should also revert back to companies that are expected to exhibit stellar earnings growth over the medium term.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. On the other hand, government bonds have priced in the anticipated yield curve. We remain cautious at the current levels of bond yields and would continue to monitor the data points to capitalize on opportunities.

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

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With four (4) Non-Executive Directors, three (3) Independent Directors and one (1) Executive Director on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance.

The Board consists of 1 female and 7 male directors. The details are as under:

| Sr. No. | Name | Status | Membership in other Board Committees |
|---------|----------------------------|------------------------|---|
| 1. | Mr. Haroun Rashid | Non-Executive Director | None |
| 2. | Mr. Nasim Beg | Non-Executive Director | (i) Audit Committee; and (ii) HR&R* Committee |
| 3. | Mr. Ahmed Jahangir | Non-Executive Director | (i) Audit Committee; and (ii) HR&R* Committee. |
| 4. | Mr. Kashif A. Habib | Non-Executive Director | Audit Committee |
| 5. | Syed Savail Meekal Hussain | Independent Director | HR&R* Committee |
| 6. | Mr. Mirza Qamar Beg | Independent Director | (i) Audit Committee (Chairman); and (ii) HR&R* Committee (Chairman). |
| 7. | Ms. Mavra Adil Khan | Independent Director | HR&R* Committee |
| 8. | Mr. Muhammad Saqib Saleem | Executive Director | HR&R* Committee |

* HR&R stands for Human Resource and Remuneration

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

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

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

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

- j. As at June 30, 2020, the Company is in compliance with the requirements of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2020:

1. Meeting of the Audit Committee.

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

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

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

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

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

- m. Nil units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

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

External Auditors

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

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
August 22, 2020



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

۲۔ ہیومن ریورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریورس اینڈ ریویژن کمیٹی کی چار (4) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

| میٹنگز کی تعداد | | میٹنگز کی تعداد | | |
|-----------------|-------|-----------------|------------------------|-----------------------------------|
| منظور شدہ رخصت | حاضری | مطلوبہ حاضری | منعقدہ میٹنگز کی تعداد | نام |
| - | 4 | 4 | 4 | ۱۔ جناب مرزا قمر بیگ |
| - | 4 | 4 | 4 | ۲۔ جناب ہارون رشید* |
| - | 4 | 4 | 4 | ۳۔ جناب احمد جہانگیر |
| - | 4 | 4 | 4 | ۴۔ جناب نسیم بیگ |
| - | - | - | 4 | ۵۔ محترمہ ماوراء عادل خان** |
| - | - | - | 4 | ۶۔ سید ساویل میکان حسین** |
| - | 4 | 4 | 4 | ۷۔ جناب محمد ثاقب سلیم (سی ای او) |

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

** محترمہ ماوراء عادل خان اور سید ساویل میکان حسین کی بعد از انتخابات کمیٹی کے رکن کی حیثیت سے تقرری کی گئی۔

m. دوران سال مینجمنٹ کمیٹی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے پوٹس کی کوئی خرید و فروخت نہیں کی۔

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے 30 جون 2021ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2021ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر اولس چیئرمین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
22 اگست 2020ء

ڈائریکٹرز رپورٹ

c. مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا باقاعدگی کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار (پاکستان میں اطلاق کی حد تک)، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) 2003ء اور نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز 2008ء کی دفعات، متعلقہ ٹرسٹ ڈیڈز کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شہات نہیں ہیں۔

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

h. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز کو (اگر کوئی ہیں تو) مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔

i. پراویڈنٹ / گریجویٹ فنڈ اور پنشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں بلکہ میجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

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

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

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

۱۔ آڈٹ کمیٹی کی میٹنگ

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

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

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

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

ڈائریکٹرز رپورٹ

فیصد کم ہے۔ اسی طرح رسک پریکٹس 0.4 فیصد کے قریب ہیں جو اپنے پرانے اوسط 0.9 فیصد کے مقابلے میں طویل المیعاد سرمایہ کاروں کے لیے قابل قبول بہتری ہے۔ ہم سمجھتے ہیں کہ سیکٹرز اور اسٹاک کی خورد و تصویر اس سال زیادہ اہم رہے گی اور سرمایہ کاری کے انتخاب کا انحصار ایسی کمپنیوں پر ہونا چاہیے جو اپنی اندرونی قدر میں گہری رعایت پر تجارت کرتی ہیں۔ اسی طرح ایسی کمپنیوں کی طرف بھی توجہ دوبارہ مرکوز ہونی چاہیے جن کی درمیانی مدت کی آمدنی میں زبردست ترقی متوقع ہے۔

Debt حاملین کے لیے ہم توقع کرتے ہیں کہ بازار زر کے فنڈ پالیسی شروحوں کی عکاسی بلا رکاوٹ سال بھر جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز دوران سال پہلے ہی کچھ حد تک متوقع مالیاتی تسہیل میں کردار ادا کر چکے ہیں۔ ہم بانڈز کے منافعوں کی موجودہ سطحوں کے حوالے سے محتاط ہیں اور ڈیٹا کے نکات کی نگرانی جاری رکھیں گے تاکہ مواقع سے فائدہ اٹھایا جاسکے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پرعزم ہے۔ چار (4 Non) ایگزیکٹو ڈائریکٹرز، تین (3) خود مختار ڈائریکٹرز اور ایک (1) ایگزیکٹو ڈائریکٹر کے ساتھ بورڈ، مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے، عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ بورڈ 1 خاتون اور 7 حضرات ڈائریکٹرز پر مشتمل ہے۔ تفصیلات درج ذیل ہیں:

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

* ایچ آر اینڈ آر : ہیومن ریسورس اینڈ رمیو نیشن

انتظامیہ بہترین طریقوں، خاص طور پر Non ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے کارپوریٹ گورننس کے ضابطہء اخلاق کی دفعات کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

- مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔

حکومت اور مختلف اداروں کے مطابق مالی سال 2020-21ء کے لیے مجموعی ملکی پیداوار (جی ڈی پی) میں متوقع ترقی 2.0 فیصد ہے۔ پاکستان و باہر کی پہلی لہر سے نمٹنے میں کامیاب ہوا ہے اور متاثرہ افراد کی یومیہ تعداد (ایک ہزار) ماہ جون کے اوائل میں بلند ترین یومیہ تعداد (چھ ہزار) کا چھٹا حصہ رہ گئی ہے۔ اگرچہ اکثر شعبے کھول دیئے گئے ہیں لیکن کچھ تاحال بالکل بند ہیں اور کچھ استعداد سے کم کام کر پارہے ہیں۔ کووڈ کی دوسری لہر کا سدباب کرتے ہوئے ہم پُر اُمید ہیں کہ مالی سال کی دوسری سہ ماہی تک معیشت مکمل بحال ہو جائے گی۔ علاوہ ازیں، متوقع طور پر دسمبر تک ویکسین کے منظر عام پر آ جانے سے جنوری سے عالمی سطح پر سرگرمیاں بھی مکمل بحال ہو جائیں گی۔ ہم اُمید کرتے ہیں کہ حکومت کم تر base اور مختلف محکمہ کا نہ اقدامات کے ساتھ جی ڈی پی میں ترقی کا سالانہ ہدف حاصل کر سکے گی۔ مرکزی بینک کا اعلان کردہ مالیاتی محرک گزشتہ صنعتوں میں ترقی بحال کرنے کی راہ ہموار کرے گا۔ علاوہ ازیں، حکومت کے تعمیرات سے متعلق پیکیج سے مانگ پر مبنی ترقی کو مطلوبہ محرک حاصل ہوگا۔

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

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

مالیاتی محکمہ حکومت کے لیے ڈھکتی رگ بنا رہے گا کیونکہ اس کا 7.0 فیصد کے شمال میں رہنا متوقع ہے۔ ٹیکسوں میں محدود متوقع اضافے کے باعث ہم سمجھتے ہیں کہ حکومت کے پاس عوامی ترقیاتی خرچ کے ذریعے محرک فراہم کرنے کی زیادہ گنجائش نہیں ہوگی۔ ساتھ ساتھ، مقامی ذرائع سے حصول قرض پر حکومتی انحصار سے پرائیویٹ سیکٹر میں سرمایہ کاری متاثر ہوگی۔ حکومت پر بڑھتے ہوئے بوجھ کے ماحول میں مجموعی معاشی ترقی کی تجدید کے لیے پرائیویٹ سیکٹر کی اہمیت بدستور حاوی رہے گی۔

کیپیٹل مارکیٹ، خصوصاً ایکویٹیز، کے نظریے سے ہمیں اب کافی واضح صورتحال نظر آرہی ہے۔ جہاں کووڈ کے خم کے ہموار ہونے کا سلسلہ جاری ہے وہاں valuations بتدریج پرانے رجحانات کے ساتھ ہم آہنگ ہو رہی ہیں۔ وائرس کی دوسری لہر کا سدباب کرتے ہوئے ہم سمجھتے ہیں کہ ایکویٹیز میں سرمایہ کاروں کے لیے بہت فوائد مضمّن ہیں۔ مارکیٹ کیپیٹلائزیشن کا جی ڈی پی کے ساتھ تناسب 17.5 فیصد ہے، جو اب بھی اپنے پرانے اوسط سے 33

ڈائریکٹرز رپورٹ

ڈالر منافع حاصل کیا۔ نتیجتاً اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر دوران سال 4.9 بلین ڈالر بڑھ کر 12.1 بلین ڈالر تک پہنچ گئے۔ اگرچہ درآمدات کے cover میں بہتری آئی، یعنی 1.7x سے 2.6x، لیکن یہ اب بھی مقبول عالمی معیارات سے کم ہے۔ ڈالر کے مقابلے میں روپے کی قدر دوران سال 3.2 فیصد کم ہو کر 168.2 ہو گئی۔

مالی سال 2020ء کے لیے صارفی قیمت کے انڈیکس (سی پی آئی) کا اوسط 10.8 فیصد جبکہ دوران سال گزشتہ 6.8 فیصد تھا۔ دوران سال اشیائے خورد و نوش کا افراط زر نمایاں تھا جس کا اوسط 14.5 فیصد تھا کیونکہ رسد کی جہت میں کمزوری کے باعث کچھ ضروری اشیاء اور جلد خراب ہوجانے والی اشیاء کی قیمتوں میں اضافہ ہو گیا۔ چینی کی قیمتوں میں دوران سال 29 فیصد جبکہ گندم کے آٹے کی قیمت میں 16 فیصد اضافہ ہوا۔ جلد خراب ہوجانے والی اشیاء میں پیاز اور آلو کی قیمتوں میں بالترتیب 70 فیصد اور 65 فیصد اضافہ ہوا۔ تاہم افراط زر کے دباؤ میں کمی آغاز ہو گیا ہے اور جون میں افراط زر 6.8 فیصد تھی کیونکہ پٹرولیم کی کم تر قیمتوں کے ساتھ ساتھ اشیائے خورد و نوش کی افراط زر میں تسہیل سے مجموعی افراط زر کم گئی۔ بہر حال، اہم ترین افراط زر، جس کی پیمائش اشیائے خورد و نوش اور توانائی کے شعبے کے علاوہ ہوتی ہے، پھر بھی محدود تھی اور زیر جائزہ مدت کے لیے اس کا اوسط 7.9 فیصد تھا۔

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

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

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 16.39 فیصد ایک سال پر محیط منافع دیا جبکہ بیچ مارک منافع 12.86 فیصد تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری 70.0 فیصد ٹریڈری بلز (ٹی بلز) میں، اور 25.3 فیصد پاکستان انویسٹمنٹ بانڈز (پی آئی بی) میں تھی۔

30 جون 2020ء کو فنڈ کے inet اثاثہ جات 1,816 ملین روپے تھے جو 30 جون 2019ء کو 630 ملین روپے کے مقابلے میں 188.25 فیصد اضافہ ہے۔ 30 جون 2020ء کو inet اثاثہ جاتی قدر (این اے وی) فی یونٹ 53.27 روپے تھی جو 30 جون 2019ء کو ابتدائی این اے وی 53.13 روپے فی یونٹ کے مقابلے میں 0.14 روپے فی یونٹ اضافہ ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان Sovereign فنڈ کے گوشواروں برائے مدتِ مختتمہ 30 جون 2020ء کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

مالی سال 2020ء کے نصف اول کی صورتحال نصف آخر کے حالات سے کافی مختلف تھی۔ گلاں معاشیاتی یکجائی، جو نصف اول میں صحیح راہ پر گامزن تھی، کو وڈ 19 کے باعث نصف آخر میں شدید متاثر ہوئی۔ اس قاتل وباء سے جہاں عالمی سطح پر 17 ملین سے زائد افراد متاثر ہوئے اور 650,000 سے زائد لقمہ اجل بنے وہیں عالمی معیشت بھی تباہی سے دوچار ہوئی کیونکہ دنیا بھر میں لاک ڈاؤن کے باعث صرفی رجحان میں کمی ہوئی اور بڑے پیمانے پر بے روزگاری پھیلی۔ انٹرنیشنل مانیٹری فنڈ (آئی ایم ایف) کے مطابق اس سال عالمی معیشت 4.9 فیصد سکڑ جائے گی جو دوسری جنگِ عظیم کے بعد ایک سال کے دوران بدترین تنزلی ہے۔

مقامی سطح پر معیشت میں ماہِ مئی تک بڑے پیمانے پر لاک ڈاؤن رہا اور صحتِ عامہ کے شعبے میں متاثر افراد کا وفور رہا۔ ماحصل میں فرق کے نتیجے میں معاشی ترقی میں -0.4 فیصد تک کمی کی پیش گوئی کی گئی بالمتقابل سابقہ متوقع ترقی کے جو 2.4 فیصد تھی۔ بڑے پیمانے کی مینوفیکچرنگ (ایل ایس ایم) اور خدمات کے شعبے لاک ڈاؤن سے سب سے زیادہ متاثر ہوئے۔ ایل ایس ایم مالی سال 2020ء کے پہلے گیارہ ماہ کے دوران 10.3 فیصد سکڑ گیا۔ بڑی صنعتوں میں گاڑیوں اور لوہے اور اسٹیل کی صنعتیں سنگین متاثر ہوئیں اور ان میں بالترتیب 44.8 فیصد اور 17.0 فیصد تنزلی ہوئی۔ ایل ایس ایم کی سب سے بڑی فریق ٹیکسٹائل صنعت بھی عالمی لاک ڈاؤن کے نتیجے میں برآمدات رُک جانے کے باعث 11.0 فیصد سکڑ گئی۔ مزید برآں، زراعت کے شعبے کی کارکردگی بھی مایوس کن رہی کیونکہ اہم فصلوں (کپاس، گندم اور گنا) ہدف سے کافی پست سطح پر رہیں۔

لاک ڈاؤن کے باعث ٹیکس وصولی میں سنگین کمی کے نتیجے میں مالی یکجائی شدید متاثر ہوئی۔ فیڈرل بورڈ آف ریونیو (ایف بی آر) سابقہ متوقع ہدف 4.8 ٹریلین روپے کے مقابلے میں 0.4 ٹریلین روپے جمع کر سکا۔ فروری 2020ء تک ٹیکس وصولی 16 فیصد سال در سال (YoY) کی شرح سے بڑھ رہی تھی، تاہم مالی سال کے آخری چار ماہ کے دوران 20 فیصد YoY کی خطیر شرح سے سکڑ گئی جس کے نتیجے میں شدید کمی پیدا ہو گئی۔ مزید برآں، حکومت نے لاک ڈاؤن سے پیدا ہونے والے خطرات سے عوام کی حفاظت کے مقصد سے ایک سماجی تحفظ کارپروگرام شروع کیا لیکن اس میں مطلوبہ سے زیادہ اخراجات ہو گئے جس کے نتیجے میں مالیاتی خسارے کا مجموعی ملکی پیداوار (جی ڈی پی) سے 9.0 فیصد زیادہ ہونا متوقع ہے۔

پالیسی اقدام کے سبب رفتار اثرات بحوالہ مالیاتی سختی اور زرمبادلہ کی شرح میں ترمیم کے ثمرات حاصل ہونے کا سلسلہ جاری رہا جس کی عکاسی ادائیگیوں کے توازن کی صورتحال میں بہتری میں ہوئی۔ کرنٹ اکاؤنٹ خسارہ دوران سال 78 فیصد YoY بنیاد پر سکڑ کر 2.8 بلین ڈالر ہو گیا۔ کرنٹ اکاؤنٹ خسارے میں کمی کی بڑی وجہ اشیاء کی درآمدات میں کمی ہے جو 19 فیصد سکڑ گئیں جس کے نتیجے میں 12 بلین ڈالر کی کمی ہوئی۔ ترسیلات زر بھی لچکدار رہیں اور دوران سال 6 فیصد بڑھ کر 23.1 بلین ڈالر ہو گئیں۔ غیر ملکی براہ راست سرمایہ کاری (ایف ڈی آئی) 2.5 بلین ڈالر کی سطح پر تھی جو سال گزشتہ کے مقابلے میں 75 فیصد زیادہ ہے کیونکہ ٹیلی کام لائسنسوں کی تجدید اور بجلی کے شعبے میں منصوبوں کے آغاز کی بدولت نئی سرمایہ کاریاں آئیں۔ آئی ایم ایف اور کثیر الجہتی اداروں سے قرضوں سے متعلقہ آمدات نے بھی مجموعی مالیاتی آمدات کو مثبت سمت میں قائم رکھا۔ پاکستان کو آئی ایم ایف سے 2.4 بلین روپے موصول ہوئے اور کثیر الجہتی اداروں نے مختلف منصوبوں کے لیے 5 بلین ڈالر سے زائد جاری کیے۔ مجموعی طور پر مالی اکاؤنٹ نے 7 بلین

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

Fund Type and Category

MCB Pakistan Sovereign Fund (MSF) is an open end fund, which invests in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Fund Benchmark

The benchmark for MSF is 6 month PKRV rates.

Investment Objective

The objective of the fund is to deliver income primarily from investment in Government securities.

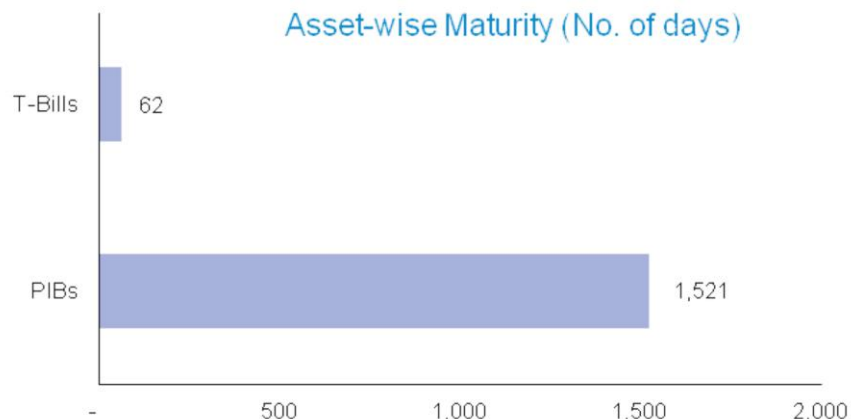
Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Manager's Review

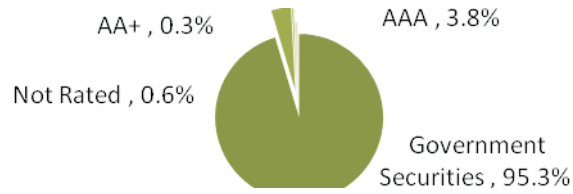
During the period under review, the fund generated an annualized return of 16.39% as against its benchmark return of 12.86%. At period-end, the fund was invested 70.0% in T-Bills and 25.3% PIBs.

The Net Assets of the Fund as at June 30, 2020 stood at Rs. 1,816 million as compared to Rs. 630 million as at June 30, 2019 registering an increase of 188.25%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 53.27 as compared to opening NAV of Rs. 53.13 per unit as at June 30, 2019 registering an increase of Rs. 0.14 per unit.



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

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



Asset Allocation as of June 30, 2020 (%age of Total Assets)

| Asset Allocation (%age of Total Assets) | Jun-20 |
|---|--------|
| Cash | 4.1% |
| T-Bills | 70.0% |
| PIBs | 25.3% |
| Others including Receivables | 0.6% |

Mr. Saad Ahmed
Fund Manager

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

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



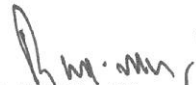
TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN SOVEREIGN FUND

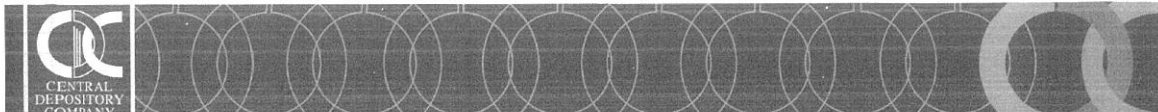
Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

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

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


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 17, 2020



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of MCB Pakistan Sovereign Fund

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

| S. No. | Key audit matter | How the matter was addressed in our audit |
|--------|--|--|
| 1 | Valuation and existence of investments As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss amounted to Rs. 1,780.496 million as at June 30, 2020, consisting of Pakistan Investment Bonds and Market Treasury Bills, which represent a | We performed the following procedures during our audit of investments: <ul style="list-style-type: none">evaluated design and implementation of controls in place related to purchases and sales of investments; |

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

| S. No. | Key audit matter | How the matter was addressed in our audit |
|--------|--|---|
| | <p>significant item of the statement of assets and liabilities of the Fund.</p> <p>Considering the above, the existence and valuation are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p> | <ul style="list-style-type: none">independently tested valuations to ensure that the investments are valued as per the valuation methodology disclosed in the accounting policies;independently matched securities held by the Fund with the securities appearing in the Investor Portfolio Securities account statement;tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities; andany differences identified during our testing that were over our acceptable threshold were investigated further. |

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

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

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

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

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

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

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

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

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

Deloitte.

Deloitte Yousof Adil
Chartered Accountants

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

Deloitte Yousof Adil
Chartered Accountants

Place: Karachi

Date: September 17, 2020

Member of
Deloitte Touche Tohmatsu Limited

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

| | Note | June 30, 2020 ----- (Rupees in '000) ----- | June 30, 2019 |
|--|------|--|-------------------|
| ASSETS | | | |
| Bank balances | 4 | 76,025 | 663,697 |
| Investments | 5 | 1,780,496 | 472,627 |
| Profit receivable | 6 | 7,924 | 2,822 |
| Advances, prepayments and other receivables | 7 | 4,754 | 3,094 |
| Total assets | | 1,869,199 | 1,142,240 |
| LIABILITIES | | | |
| Payable to MCB-Arif Habib Savings and Investments Limited - Management Company | 8 | 2,800 | 888 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | 157 | 96 |
| Payable to the Securities and Exchange Commission of Pakistan | 10 | 445 | 491 |
| Payable against purchase of investments | | - | 467,813 |
| Dividend payable | | - | 3,965 |
| Accrued expenses and other liabilities | 11 | 49,407 | 39,343 |
| Total liabilities | | 52,809 | 512,596 |
| NET ASSETS | | 1,816,390 | 629,644 |
| UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED) | | 1,816,390 | 629,644 |
| CONTINGENCIES AND COMMITMENTS | 12 | | |
| | | ----- (Number of units) ----- | |
| NUMBER OF UNITS IN ISSUE | | 34,096,262 | 11,850,746 |
| | | ----- (Rupees) ----- | |
| NET ASSETS VALUE PER UNIT | | 53.27 | 53.13 |

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

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

| | June 30, 2020 | June 30, 2019 |
|--|------------------------------|------------------|
| Note | ----- (Rupees in '000) ----- | |
| INCOME | | |
| Gain / (loss) on sale of investments - net | 126,793 | (5,613) |
| Income from Government securities | 223,636 | 50,406 |
| Markup on deposits with banks | 38,571 | 15,249 |
| Unrealised appreciation / (diminution) on re-measurement of investments at fair value through profit or loss' - net | 5.3 1,034 | (763) |
| Other income | - | 1,557 |
| Total income | 390,034 | 60,836 |
| EXPENSES | | |
| Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company | 8.1 45,513 | 6,299 |
| Sindh sales tax on remuneration of Management Company | 8.2 5,917 | 819 |
| Allocated expense and related taxes | 8.3 2,155 | 654 |
| Marketing and selling expense | 8.4 3,014 | - |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 9.1 1,444 | 980 |
| Sindh Sales Tax on remuneration of Trustee | 9.2 188 | 129 |
| Annual fee of Securities and Exchange Commission of Pakistan | 10 445 | 491 |
| Provision against Sindh Workers' Welfare Fund | 11.1 6,558 | 998 |
| Auditors' remuneration | 13 585 | 601 |
| Brokerage, printing and bank charges | 2,390 | 361 |
| Legal and other professional charges | 493 | 579 |
| Total expenses | 68,702 | 11,911 |
| Net income for the year from operating activities | 321,332 | 48,925 |
| Taxation | 14 - | - |
| Net income for the year after taxation | 321,332 | 48,925 |
| Allocation of net income for the year: | | |
| Net income for the year after taxation | 321,332 | 48,925 |
| Income already paid on units redeemed | (135,874) | (16,141) |
| | 185,458 | 32,784 |
| Accounting income available for distribution: | | |
| Relating to capital gains | 43,847 | - |
| Excluding capital gains | 141,611 | 32,784 |
| | 185,458 | 32,784 |
| Earnings per unit | 3.10 | |

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

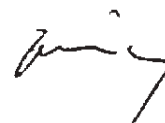
For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

| | June 30, 2020 ----- (Rupees in '000) ----- | June 30, 2019 ----- |
|--|--|---------------------------|
| Net income for the year after taxation | 321,332 | 48,925 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 321,332 | 48,925 |

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


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



Chief Executive Officer



Chief Financial Officer



Director

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

| | For year ended June 30, | | | | | | |
|--|-------------------------|------------------|------------------|------------------|--|----------|----------------|
| | 2020 | | | 2019 | | | |
| | (Rupees in '000) | | | | | | |
| Capital Value | Accumulated loss | Total | Capital Value | Accumulated loss | Unrealised (losses) / gains on available for sale investment | Total | |
| Net assets at beginning of the year | 1,382,425 | (752,781) | 629,644 | 1,310,356 | (725,494) | 119 | 584,981 |
| Adoption of IFRS 9 | - | - | - | - | 119 | (119) | - |
| Issue of 162,462,618 units (2019: 23,555,156 units): | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 8,631,639 | - | 8,631,639 | 1,250,308 | - | - | 1,250,308 |
| - Element of income | 702,461 | - | 702,461 | 110,921 | - | - | 110,921 |
| | 9,334,100 | - | 9,334,100 | 1,361,229 | - | - | 1,361,229 |
| Redemption of 140,217,102 units (2019: 22,181,727 units): | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | (7,449,735) | - | (7,449,735) | (1,177,406) | - | - | (1,177,406) |
| - Amount paid out of element of income | (627,787) | (135,874) | (763,661) | (97,579) | (16,141) | - | (113,720) |
| - Relating to 'Net income for the period after taxation' | (8,077,522) | (135,874) | (8,213,396) | (1,274,985) | (16,141) | - | (1,291,126) |
| Final distributions for the year ended June 30, 2018 (including additional units) at the rate of Rs. 2.75 per unit (Declared on July 04, 2018) | - | - | - | (960) | (27,853) | - | (28,813) |
| Final distributions for the year ended June 30, 2019 (including additional units) at the rate of Rs. 4.13 per unit (Declared on June 27, 2019) | - | - | - | (13,215) | (32,337) | - | (45,552) |
| Total comprehensive income for the year | - | 321,332 | 321,332 | - | 48,925 | - | 48,925 |
| Final distributions for the year ended June 30, 2020 (including additional units) at the rate of Rs. 8.5558 per unit (Declared on June 26, 2020) | (115,007) | (140,283) | (255,290) | - | - | - | - |
| Net (loss) / income for the year less distribution | (115,007) | 181,049 | 66,042 | (14,175) | (11,265) | - | (25,440) |
| Net assets as at the end of the year | 2,523,996 | (707,606) | 1,816,390 | 1,382,425 | (752,781) | - | 629,644 |
| Undistributed loss brought forward | | | | | | | |
| - Realised | | (752,018) | | | (725,088) | | |
| - Unrealised | | (763) | | | (406) | | |
| | | (752,781) | | | (725,494) | | |
| Adoption of IFRS 9 | | - | | | 119 | | |
| Accounting income available for distribution | | | | | | | |
| - Relating to capital gains | | 43,847 | | | - | | |
| - Excluding capital gains | | 141,611 | | | 32,784 | | |
| | | 185,458 | | | 32,784 | | |
| Distributions during the year | | (140,283) | | | (60,190) | | |
| Undistributed loss carried forward | | (707,606) | | | (752,781) | | |
| Undistributed loss carried forward | | | | | | | |
| - Realised | | (708,640) | | | (752,018) | | |
| - Unrealised | | 1,034 | | | (763) | | |
| | | (707,606) | | | (752,781) | | |
| | | --- (Rupees) --- | | | --- (Rupees) --- | | |
| Net assets value per unit as at beginning of the year | | 53.13 | | | 55.83 | | |
| Net assets value per unit as at end of the year | | 53.27 | | | 53.13 | | |

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


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



Chief Executive Officer



Chief Financial Officer



Director

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

| | June 30, 2020 | June 30, 2019 |
|--|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | 321,332 | 48,925 |
| Adjustments for: | | |
| Unrealised (appreciation) / diminution on re-measurement of investments at fair value through profit or loss' - net | (1,034) | 763 |
| Provision against Sindh Workers' Welfare Fund | 6,558 | 998 |
| | <u>326,856</u> | <u>50,686</u> |
| (Increase) / decrease in assets | | |
| Investments - net | (497,908) | 22,821 |
| Profit receivable | (5,102) | (650) |
| Advances, prepayments and other receivables | (1,660) | (276) |
| | <u>(504,670)</u> | <u>21,895</u> |
| Increase / (decrease) in liabilities | | |
| Payable to the Management Company | 1,912 | 339 |
| Payable to the Trustee | 61 | 6 |
| Payable to the Securities and Exchange Commission of Pakistan | (46) | (248) |
| Payable against purchase of investments | (467,813) | (46,674) |
| Dividend payable | (3,965) | 3,965 |
| Accrued expenses and other liabilities | 3,506 | (1,617) |
| | <u>(466,345)</u> | <u>(44,229)</u> |
| Net cash (used in) / generated from operating activities | (644,159) | 28,352 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amount received against issuance of units | 9,219,093 | 1,347,054 |
| Amount paid against redemption of units | (8,213,396) | (1,291,126) |
| Distribution made during the year | (140,283) | (60,190) |
| Net cash generated from / (used in) financing activities | 865,414 | (4,262) |
| Net increase in cash and cash equivalents during the year | 221,255 | 24,090 |
| Cash and cash equivalents at beginning of the year | 1,131,570 | 1,107,480 |
| Cash and cash equivalents at end of the year | 1,352,825 | 1,131,570 |
| | 16 | |

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited as Management Company and Habib Metropolitan Bank Limited as Trustee. Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investments Limited to MCB–Arif Habib Savings and Investments Limited with effect from June 27, 2011. During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995, repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules).

- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company situated at 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3 The Board of Directors have approved that the Fund should be categorised as 'Income Scheme' as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009. The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.4 MCB Pakistan Sovereign Fund is an Open-ended Scheme which primarily invests in Government Securities (Treasury Bills, Pakistan Investment Bonds, GOP Ijara Sukuks and/or any other security issued/guaranteed by Federal/Provincial Government etc., subject to approval of SECP), Cash in Bank Accounts & Reverse Repo transactions against Government Debt Securities. The Fund shall be subject to such exposure limits as are specified in the Rules, the Regulations and
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has maintained an asset manager rating of 'AM2++' dated October 08, 2019 to the Management Company and stability rating of 'AA-(f)' dated May 06, 2020 to the Fund.
- 1.6 The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting 'Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984;
- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

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

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

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

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

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

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

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

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

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

Effective from accounting period
beginning on or after:

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' -
Onerous Contracts — cost of fulfilling a contract

January 01, 2022

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

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

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

2.4 Critical accounting estimates and judgements

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

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

- Classification and valuation of financial assets (notes 3.1.1 and 5)
- Impairment of financial assets (note 3.1.1.3)
- Taxation (notes 3.4 and 16)
- Classification and measurement of financial liabilities (notes 3.1.2.1)

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

2.5 Basis of measurement

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

2.6 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

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

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

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

3.1.1 Financial Assets

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

3.1.1.1 Classification and measurement of financial assets

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

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired. The Fund elected not to classify any of the debt instruments under this category on initial recognition.

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

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

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

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

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

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

3.1.1.2 Fair value measurement principles

The fair value of financial instruments is determined as follows:

Basis of valuation of government securities:

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

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

Basis of valuation of debt securities:

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

3.1.1.3 Impairment of financial assets

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

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

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

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

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

3.1.1.4 Derecognition

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

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

3.1.2 Financial liabilities

3.1.2.1 Classification and measurement of financial liabilities

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

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

3.1.2.2 Derecognition

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

3.1.3 Offsetting of financial instruments

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

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

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

3.2 Cash and cash equivalents

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

3.3 Provisions

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

3.4 Taxation

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

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

3.5 Dividend distribution and appropriations

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

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

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

3.6 Issue and redemption of units

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

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

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

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

3.7 Net asset value per unit

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

3.8 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised appreciation / diminution arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Income from investments in government securities is recognised on a time proportionate basis using effective interest rate method.
- Profit on bank balances is recognised on a time proportionate basis using bank's approved rates.

3.9 Expenses

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

3.10 Earnings per unit

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

| | Note | June 30, 2020 | June 30, 2019 |
|-------------------------|------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 4. BANK BALANCES | | | |
| In savings accounts | 4.1 | 67,316 | 660,792 |
| In current accounts | 4.2 | 8,709 | 2,905 |
| | | 76,025 | 663,697 |

4.1 These carry mark-up at rates ranging between 5.50% to 7.83% (2019: 10.25% to 13%) per annum and include Rs 1.45 million (2019: Rs. 2.46 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 5.5% (2019: 10.25%) per annum.

4.2 These represents a balance of Rs. 8.704 (2019: Rs.2.899) million held with MCB Bank Limited (a related party).

| | Note | June 30, 2020 | June 30, 2019 |
|--|-------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 5. INVESTMENTS | | | |
| Financial assets 'at fair value through profit or loss' | | | |
| Government Securities | | | |
| Pakistan investment bonds | 5.1.1 | 5,874 | 4,754 |
| Pakistan investment bonds - Floating Rate Bond (FRB) | 5.1.2 | 466,253 | - |
| Market treasury bills | 5.1.3 | 1,308,369 | 467,873 |
| | | 1,780,496 | 472,627 |

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

5.1 Financial assets 'at fair value through profit or loss' 5.1.1 Government securities - Pakistan Investment Bonds

| Name of security | Date of issue | Face value | | | As at June 30, 2020 | | | Market value | | |
|--|---------------|---------------------|---------------------------|--------------------------------|---------------------|----------------|--------------|-------------------------------|--------------------------------------|------|
| | | As at July 01, 2019 | Purchased during the year | Sold / matured during the year | As at June 30, 2020 | Carrying value | Market value | As a percentage of net assets | As a percentage of total investments | |
| Pakistan Investment Bonds - 20 years * | 10-Jun-04 | 5,500 | - | - | 5,500 | 4,905 | 5,874 | 969 | 0.32 | 0.33 |
| Pakistan Investment Bonds - 10 years | 12-Jul-18 | - | 375,000 | - | - | - | - | - | - | - |
| | 19-Sep-19 | - | 400,000 | - | - | - | - | - | - | - |
| Pakistan Investment Bonds - 5 years | 12-Jul-18 | - | 1,725,000 | - | - | - | - | - | - | - |
| | 19-Sep-19 | - | 4,500,000 | - | - | - | - | - | - | - |
| Pakistan Investment Bonds - 3 years | 12-Jul-18 | - | 2,600,000 | - | - | - | - | - | - | - |
| | 19-Sep-19 | - | 4,350,000 | - | - | - | - | - | - | - |
| As at June 30, 2020 | | | | | | 4,905 | 5,874 | 969 | | |
| As at June 30, 2019 | | | | | | 5,577 | 4,754 | (823) | | |

* This carry mark-up at the rate 10% (June 30, 2019; 10%) per annum and will mature within 05 years.

5.1.2 Government securities - Pakistan Investment Bonds FRB

| Name of security | Date of issue | Face value | | | As at June 30, 2020 | | | Market value | | |
|--|---------------|---------------------|---------------------------|--------------------------------|---------------------|----------------|----------------|-------------------------------|--------------------------------------|-------|
| | | As at July 01, 2019 | Purchased during the year | Sold / matured during the year | As at June 30, 2020 | Carrying value | Market value | As a percentage of net assets | As a percentage of total investments | |
| Pakistan Investment Bonds FRB - 10 years | 25-Jul-19 | - | 100,000 | - | - | - | - | - | - | - |
| Pakistan Investment Bonds FRB - 10 years * | 22-Aug-19 | - | 90,000 | - | 90,000 | 92,252 | 90,765 | (1,487) | 5.00 | 5.10 |
| Pakistan Investment Bonds FRB - 10 years | 22-Aug-19 | - | 35,000 | - | - | - | - | - | - | - |
| Pakistan Investment Bonds FRB - 3 years * | 18-Jun-20 | - | 125,000 | - | 125,000 | 125,000 | 125,163 | 163 | 6.89 | 7.03 |
| Pakistan Investment Bonds FRB - 3 years * | 18-Jun-20 | - | 250,000 | - | 250,000 | 250,000 | 250,325 | 325 | 13.78 | 14.06 |
| As at June 30, 2020 | | | | | | 467,252 | 466,253 | (999) | | |
| As at June 30, 2019 | | | | | | - | - | - | | |

* These carry mark-up ranging from 8.26% to 14.05% (June 30, 2019: Nil) per annum and will mature within 03 to 10 years.

5.1.3 Government securities - Market Treasury Bills

| Name of security | Date of issue | Face value | | | As at June 30, 2020 | | | Market value | | |
|------------------------------------|---------------|---------------------|---------------------------|--------------------------------|---------------------|----------------|--------------|-------------------------------|--------------------------------------|-------|
| | | As at July 01, 2019 | Purchased during the year | Sold / matured during the year | As at June 30, 2020 | Carrying value | Market value | As a percentage of net assets | As a percentage of total investments | |
| Market treasury bills - 3 months | 23-May-19 | 475,000 | - | 475,000 | - | - | - | - | - | - |
| Market treasury bills - 3 months * | 4-Jun-20 | - | 750,000 | - | 750,000 | 741,612 | 741,776 | 164 | 40.84 | 41.66 |
| Market treasury bills - 3 months * | 4-Jun-20 | - | 500,000 | - | 500,000 | 494,408 | 494,518 | 110 | 27.23 | 27.77 |
| Market treasury bills - 3 months | 18-Jul-19 | - | 500,000 | - | - | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 500,000 | - | - | - | - | - | - | - |

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

| Name of security | Date of issue | Face value | | | As at June 30 2020 | | | Market value | | |
|----------------------------------|---------------|---------------------|---------------------------|--------------------------------|--------------------------------------|----------------|--------------|-----------------------------|-------------------------------|--------------------------------------|
| | | As at July 01, 2019 | Purchased during the year | Sold / matured during the year | As at June 30, 2020 (Rupees in '000) | Carrying value | Market value | Appreciation / (diminution) | As a percentage of net assets | As a percentage of total investments |
| Market treasury bills - 3 months | 18-Jul-19 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 25,000 | - | 25,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 10,000 | - | 10,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 125,000 | - | 125,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 1,010,000 | - | 1,010,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 18-Jul-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 1-Aug-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 1-Aug-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 1-Aug-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 1-Aug-19 | - | 1,000,000 | - | 1,000,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 16-Aug-19 | - | 150,000 | - | 150,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 16-Aug-19 | - | 150,000 | - | 150,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 16-Aug-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 16-Aug-19 | - | 300,000 | - | 300,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 16-Aug-19 | - | 300,000 | - | 300,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 16-Aug-19 | - | 400,000 | - | 400,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 12-Sep-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 10-Oct-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 10-Oct-19 | - | 50,000 | - | 50,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 24-Oct-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 24-Oct-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 24-Oct-19 | - | 275,000 | - | 275,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 24-Oct-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 7-Nov-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 7-Nov-19 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 7-Nov-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 7-Nov-19 | - | 525,000 | - | 525,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 7-Nov-19 | - | 150,000 | - | 150,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 7-Nov-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 21-Nov-19 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 5-Dec-19 | - | 125,000 | - | 125,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 19-Dec-19 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 19-Dec-19 | - | 175,000 | - | 175,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 19-Dec-19 | - | 25,000 | - | 25,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 19-Dec-19 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 2-Jan-20 | - | 160,000 | - | 160,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 2-Jan-20 | - | 300,000 | - | 300,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 30-Jan-20 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 27-Feb-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 27-Feb-20 | - | 400,000 | - | 400,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 12-Mar-20 | - | 375,000 | - | 375,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 9-Apr-20 | - | 300,000 | - | 300,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 9-Apr-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 23-Apr-20 | - | 150,000 | - | 150,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 23-Apr-20 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 23-Apr-20 | - | 2,000,000 | - | 2,000,000 | - | - | - | - | - |

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

| Name of security | Date of issue | Face value | | | As at June 30 2020 | | | Market value | | |
|-----------------------------------|---------------|---------------------|---------------------------|--------------------------------|---------------------|----------------|--------------|-----------------------------|-------------------------------|--------------------------------------|
| | | As at July 01, 2019 | Purchased during the year | Sold / matured during the year | As at June 30, 2020 | Carrying value | Market value | Appreciation / (diminution) | As a percentage of net assets | As a percentage of total investments |
| (Rupees in '000) | | | | | | | | | | |
| Market treasury bills - 3 months | 21-May-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 3 months | 4-Jun-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 18-Jul-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 18-Jul-19 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 18-Jul-19 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 18-Jul-19 | - | 50,000 | - | 50,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 18-Jul-19 | - | 275,000 | - | 275,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 12-Sep-19 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 10-Oct-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 10-Oct-19 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 10-Oct-19 | - | 25,000 | - | 25,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 10-Oct-19 | - | 750,000 | - | 750,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 24-Oct-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 7-Nov-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 7-Nov-19 | - | 525,000 | - | 525,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 7-Nov-19 | - | 800,000 | - | 800,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 5-Dec-19 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 19-Dec-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 19-Dec-19 | - | 1,000,000 | - | 1,000,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 2-Jan-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 2-Jan-20 | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 30-Jan-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 12-Mar-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 12-Mar-20 | - | 600,000 | - | 600,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 12-Mar-20 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 9-Apr-20 | - | 350,000 | - | 350,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 23-Apr-20 | - | 375,000 | - | 375,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 23-Apr-20 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 7-May-20 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 7-May-20 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 21-May-20 | - | 1,750,000 | - | 1,750,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 21-May-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 21-May-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market treasury bills - 6 months | 4-Jun-20 | - | 250,000 | - | 250,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 18-Jul-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 16-Aug-19 | - | 300,000 | - | 300,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 16-Aug-19 | - | 300,000 | - | 300,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 29-Aug-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 29-Aug-19 | - | 400,000 | - | 400,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 12-Sep-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 12-Sep-19 | - | 850,000 | - | 850,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 12-Sep-19 | - | 2,000,000 | - | 2,000,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 26-Sep-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 26-Sep-19 | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 26-Sep-19 | - | 2,200,000 | - | 2,200,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 10-Oct-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 10-Oct-19 | - | 575,000 | - | 575,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 10-Oct-19 | - | 35,000 | - | 35,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 10-Oct-19 | - | 8,000 | - | 8,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 10-Oct-19 | - | 3,000 | - | 3,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 10-Oct-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |
| Market Treasury bills - 12 months | 10-Oct-19 | - | 500,000 | - | 500,000 | - | - | - | - | - |

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

| | Note | June 30, 2020 | June 30, 2019 |
|------------|---|-------------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 5.2 | Net unrealised appreciation in value of investments at fair value through profit or loss | | |
| | Market value as at June 30 | 5.1.1 & 5.1.4 1,780,496 | 472,627 |
| | Carrying value as at June 30 | 5.1.1 & 5.1.4 (1,779,462) | (473,390) |
| | | 1,034 | (763) |
| 6. | PROFIT RECEIVABLE | | |
| | Profit receivable on: | | |
| | Deposits with banks | 2,275 | 2,790 |
| | Government securities | 5,649 | 32 |
| | | 7,924 | 2,822 |
| 7. | ADVANCE, PREPAYMENTS AND OTHER RECEIVABLES | | |
| | Advance tax | 2,835 | 2,833 |
| | Prepayment | 202 | 183 |
| | Other receivables | 1,717 | 78 |
| | | 4,754 | 3,094 |
| 8. | PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY | | |
| | Management remuneration payable | 8.1 1,223 | 672 |
| | Sindh Sales Tax on management remuneration payable | 8.2 159 | 87 |
| | Payable against allocated expenses | 8.3 146 | 57 |
| | Payable against marketing and selling expenses | 8.4 911 | - |
| | Sales load Payable | 361 | 72 |
| | | 2,800 | 888 |

8.1 As per amendment in the offering document, the management company with effect from August 08, 2019 charged management fee at the rate of up to 10% of the gross earnings of the scheme, calculated on a daily basis. Provided that fund is subject to a minimum fee of 0.5% of the average daily net asset of the scheme.

8.2 Sales tax on management remuneration has been charged at the rate of 13% (2019: 13%).

8.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense which has also been approved by the Board of Directors of the Management Company.

8.4 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.

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

During the year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board of Directors of the Asset management company (BOD) as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

The Management Company has charged selling and marketing expenses to the Fund based on its discretion subject to not being higher than actual expense, which has also been approved by the BOD of the Management Company.

| | Note | June 30, 2020 | June 30, 2019 |
|---|------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee remuneration payable | 9.1 | 139 | 85 |
| Sindh Sales Tax on remuneration of the trustee | 9.2 | 18 | 11 |
| | | 157 | 96 |

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

| Average net assets value | Tariff per annum |
|-------------------------------|---|
| Up to Rs.1 billion | 0.15% per annum of net assets |
| Rs.1 billion to Rs.10 billion | Rs.1.5 million plus 0.075% p.a. of net assets exceeding Rs.1 billion |
| Over Rs.10 billion | Rs.8.25 million plus 0.06% p.a. of net assets exceeding Rs.10 billion |

9.2 Sales tax on remuneration of the Trustee has been charged at the rate of 13% (2018: 13%).

| | Note | June 30, 2020 | June 30, 2019 |
|--|------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN | | | |
| Annual fee payable to the SECP | 10.1 | 445 | 491 |

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

| | Note | June 30, 2020 | June 30, 2019 |
|--|------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 11. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Provision against Sindh Workers' Welfare Fund | 11.1 | 12,070 | 5,511 |
| Provision for Federal Excise Duty and related tax on | | | |
| - Management fee | 11.2 | 29,028 | 29,028 |
| - Sales load | | 4,170 | 4,170 |
| Withholding tax payable | | 3,519 | 57 |
| Auditors' remuneration | | 382 | 346 |
| Brokerage | | 152 | 68 |
| Others | | 86 | 163 |
| | | 49,407 | 39,343 |

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

11.1 Provision for Sindh Workers' Welfare Fund (SWWF)

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

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

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

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP instructed to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The aggregate balance of SWWF provision in the book of accounts of the Fund as on June 30, 2020 is Rs. 12.07 million (June 30, 2019: Rs. 5.5 million). Had this provision not been made, the NAV of the Fund would have been higher by Re. 0.35 per unit (June 30, 2019: Re. 0.47 per unit).

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

11.2 Federal Excise Duty and related tax payable

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

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2020 aggregates to Rs. 29.028 (June 30, 2019: Rs. 29.028) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2020 would have been higher by Re. 0.85 (June 30, 2019: Rs.2.45) per unit.

12. CONTINGENCIES AND COMMITMENTS

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

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

| | June 30, 2020 | June 30, 2019 |
|-----------------------------------|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| 13. AUDITORS' REMUNERATION | | |
| Annual audit fee | 270 | 270 |
| Half yearly review fee | 142 | 142 |
| Income certification | 50 | 50 |
| | <u>462</u> | <u>462</u> |
| Sales tax | 37 | 37 |
| Out of pocket expenses | 86 | 102 |
| | <u>585</u> | <u>601</u> |

14. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management has distributed the income available for distribution by the Fund to the unit holders in cash in the manner as explained above. Accordingly, no provision for taxation has been made in these financial statements.

15. TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 3.09% as on June 30, 2020 (June 30, 2019: 1.58%) and this includes 0.60% (June 30, 2019: 0.13%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 2.50% (June 30, 2019: 2.50%) prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an income scheme.

| | Note | June 30, 2020 | June 30, 2019 |
|--|-------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 16. CASH AND CASH EQUIVALENTS | | | |
| Bank balances | 4 | 76,025 | 663,697 |
| Government securities - Market Treasury bill | 5.1.3 | 1,276,800 | 467,873 |
| | | <u>1,352,825</u> | <u>1,131,570</u> |

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

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

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

| | For the year ended June 30, 2020 | | | | | | | |
|--|--|--------------------|------------|------------------------|------------------------|--------------------|-----------|------------------------|
| | As at July 01, 2019 | Issued for cash | Redeemed | As at June 30, 2020 | As at July 01, 2019 | Issued for cash | Redeemed | As at June 30, 2020 |
| | -----Units----- (Rupees in '000) ----- | | | | | | | |
| DG Khan Cement company Limited | 7 | 1 | - | 8 | - | - | - | - |
| MCB Arif Habib Savings And Investments Limited | - | 8,242,168 | 8,242,168 | - | - | 450,216 | 455,932 | - |
| Mandate under discretionary portfolio services | 1 | 26,373,985 | 26,373,985 | 1 | - | 1,489,736 | 1,513,712 | - |
| Key management personnel | - | 628,951 | 625,758 | 3,193 | - | 35,285 | 35,477 | 170 |
| Unitholders holding 10% or more | 1,871,421 | 3,742,411 | 1,871,421 | 3,742,411 | 99,429 | 211,879 | - | 199,358 |
| | -----Units----- (Rupees in '000) ----- | | | | | | | |
| | As at July 01, 2018 | Issued for cash | Redeemed | As at June 30, 2019 | As at July 01, 2018 | Issued for cash | Redeemed | As at June 30, 2019 |
| | -----Units----- (Rupees in '000) ----- | | | | | | | |
| DG Khan Cement company Limited | 6 | 1 | - | 7 | - | - | - | - |
| MCB Arif Habib Savings And Investments Limited | - | 4,270,255 | 4,270,255 | - | - | 241,312 | 241,483 | - |
| Security General Insurance Company Limited | - | 1,767,097 | 1,767,097 | - | - | 100,000 | 100,230 | - |
| Mandate under discretionary portfolio services | 452,075 | 2,330,921 | 2,782,995 | 1 | 25,241 | 131,640 | 155,806 | - |
| Key management personnel | 7 | 41,663 | 41,670 | - | - | 2,346 | 2,354 | - |
| Unitholders holding 10% or more | 1,650,797 | 220,624 | - | 1,871,421 | 92,164 | 11,711 | - | 99,429 |

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

| | June 30, 2020 | June 30, 2019 |
|--|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| 17.2 Details of transactions with related parties / connected persons during the year | | |
| MCB Arif Habib Savings and Investment Limited - Management Company | | |
| Remuneration including indirect taxes | 51,430 | 7,118 |
| Expense allocated by the Management Company | 2,155 | 654 |
| Marketing and selling expense | 3,014 | - |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration including indirect taxes | 1,632 | 1,109 |
| MCB Bank Limited - Parent of the Management Company | | |
| Profit on bank deposits | 425 | 149 |
| Bank charges | 25 | 15 |
| Sale of securities having face value of Rs. 700 million (2019: Rs. 500 million) | 612,972 | 492,009 |
| Purchase of securities having face value of Rs. 550 million (2019: Nil) | 504,096 | - |
| Silk Bank Limited - Common Directorship ** | | |
| Purchase of securities having face value of Rs.150 million (2019: Rs. 300 million) | 117,488 | 287,804 |
| Sale of securities having face value of Rs. 600 million (2019: Rs. 250 million) | 570,379 | 248,901 |
| Arif Habib Limited - Subsidiary of Associated Company | | |
| Brokerage and settlement charges* | 104 | - |
| 17.3 Balances outstanding at year end: | | |
| MCB-Arif Habib Savings and Investments Limited - Management Company | | |
| Management remuneration payable | 1,223 | 672 |
| Sindh Sales Tax on management remuneration payable | 159 | 87 |
| Payable against allocated expenses | 146 | 57 |
| Payable against marketing and selling expenses | 911 | - |
| Sales load payable | 361 | - |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Trustee remuneration payable | 139 | 85 |
| Sindh Sales Tax on remuneration of the trustee | 18 | 11 |
| MCB Bank Limited - Parent of the Management Company | | |
| Bank balances | 10,156 | 5,359 |
| Profit receivable on bank deposits | - | 84 |
| Sales load payable | 25 | 72 |

* The amount disclosed represents the amount of brokerage paid / payable to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

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

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

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

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

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

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

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

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

The following table show the carrying amount and fair values of financial assets and financial liabilities including the levels in the fair value hierarchy.

| | June 30, 2020 | | | | | | |
|---|-----------------------------------|----------------|------------------|------------|------------------|----------|------------------|
| | Carrying amount | | | Fair value | | | |
| | Fair value through profit or loss | Amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| ----- (Rupees in '000) ----- | | | | | | | |
| Financial assets measured at fair value | | | | | | | |
| Market treasury bills | 1,308,369 | - | 1,308,369 | - | 1,308,369 | - | 1,308,369 |
| Pakistan investment bonds FRB | 466,253 | - | 466,253 | - | 466,253 | - | 466,253 |
| Pakistan investment bonds | 5,874 | - | 5,874 | - | 5,874 | - | 5,874 |
| | <u>1,780,496</u> | <u>-</u> | <u>1,780,496</u> | <u>-</u> | <u>1,780,496</u> | <u>-</u> | <u>1,780,496</u> |
| Financial assets not measured at fair value | | | | | | | |
| Bank balances | - | 76,025 | 76,025 | | | | |
| Profit receivable | - | 7,924 | 7,924 | | | | |
| Other receivables | - | 1,717 | 1,717 | | | | |
| | <u>-</u> | <u>85,666</u> | <u>85,666</u> | | | | |
| Financial liabilities not measured at fair value | | | | | | | |
| Payable to the Management Company | - | 2,641 | 2,641 | | | | |
| Payable to the Trustee | - | 139 | 139 | | | | |
| Payable against purchase of investments | - | - | - | | | | |
| Accrued and other liabilities | - | 620 | 620 | | | | |
| | <u>-</u> | <u>3,400</u> | <u>3,400</u> | | | | |
| ----- (Rupees in '000) ----- | | | | | | | |
| June 30, 2019 | | | | | | | |
| | Carrying amount | | | Fair value | | | |
| | Fair value through profit or loss | Amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| ----- (Rupees in '000) ----- | | | | | | | |
| Financial assets measured at fair value | | | | | | | |
| Market treasury bills | 467,873 | - | 467,873 | - | 467,873 | - | 467,873 |
| Pakistan investment bonds | 4,754 | - | 4,754 | - | 4,754 | - | 4,754 |
| | <u>472,627</u> | <u>-</u> | <u>472,627</u> | <u>-</u> | <u>472,627</u> | <u>-</u> | <u>472,627</u> |
| Financial assets not measured at fair value | | | | | | | |
| Bank balances | - | 663,697 | 663,697 | | | | |
| Profit receivable | - | 2,822 | 2,822 | | | | |
| Other receivables | - | 78 | 78 | | | | |
| | <u>-</u> | <u>666,597</u> | <u>666,597</u> | | | | |
| Financial liabilities not measured at fair value | | | | | | | |
| Payable to the Management Company | - | 801 | 801 | | | | |
| Payable to the Trustee | - | 85 | 85 | | | | |
| Payable against purchase of investments | - | 467,813 | 467,813 | | | | |
| Accrued and other liabilities | - | 577 | 577 | | | | |
| | <u>-</u> | <u>469,276</u> | <u>469,276</u> | | | | |

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

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

19. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

19.1 Market risk

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

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

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

19.1.1 Currency risk

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

19.1.2 Yield / Interest rate risk

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

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

| | | June 30, 2020 | June 30, 2019 |
|--|-------|------------------------------|------------------|
| | Note | ----- (Rupees in '000) ----- | |
| Variable rate instruments (financial asset) | | | |
| Bank balance | 4 | 67,316 | 660,792 |
| Pakistan investment bonds (FRB) | 5.1.2 | 466,253 | - |
| | | 533,569 | 660,792 |
| Fixed rate instruments (financial assets) | | | |
| Pakistan investment bonds | 5.1.1 | 5,874 | 4,754 |
| Market treasury bills | 5.1.3 | 1,308,369 | 467,873 |
| | | 1,314,243 | 472,627 |

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds Government securities which are variable rate instruments exposing the fund to cash flow interest rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs 5.34 million (2019: Rs 6.61 million).

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

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund holds Market Treasury Bill and Pakistan Investment Bond (FRB) exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2020, the net income for the year and net assets would be lower / higher by Rs. 13.14 milli on (June 30, 2019: Rs. 4.73 million).

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

| Particulars | As at June 30, 2020 | | | | | |
|---|------------------------|----------------------------------|---|--------------------|--------------------------------|------------------|
| | Effective yield / rate | Exposed to yield / interest risk | | | Not exposed to yield rate risk | Total |
| | | Upto three months | More than three months and up to one year | More than one year | | |
| | % | (Rupees in '000) | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 5.5 to 7.83 | 67,316 | - | - | 8,709 | 76,025 |
| Investments | 7.25 to 14.05 | 1,236,294 | 72,075 | 472,127 | - | 1,780,496 |
| Profit receivable | | - | - | - | 7,924 | 7,924 |
| Other receivables | | - | - | - | 1,717 | 1,717 |
| Sub total | | 1,303,610 | 72,075 | 472,127 | 18,350 | 1,866,162 |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 2,641 | 2,641 |
| Payable to the Trustee | | - | - | - | 139 | 139 |
| Payable against purchase of investments | | - | - | - | - | - |
| Accrued expenses and other liabilities | | - | - | - | 620 | 620 |
| Sub total | | - | - | - | 3,400 | 3,400 |
| On-balance sheet gap | | 1,303,610 | 72,075 | 472,127 | 14,950 | 1,862,762 |
| Total profit rate sensitivity gap | | 1,303,610 | 72,075 | 472,127 | 14,950 | 1,862,762 |
| Cumulative profit rate sensitivity gap | | 1,303,610 | 1,375,685 | 1,847,812 | | |

| Particulars | As at June 30, 2019 | | | | | |
|---|------------------------|----------------------------------|---|--------------------|--------------------------------|------------------|
| | Effective yield / rate | Exposed to yield / interest risk | | | Not exposed to yield rate risk | Total |
| | | Upto three months | More than three months and up to one year | More than one year | | |
| | % | (Rupees in '000) | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 10.25 to 13 | 660,792 | - | - | 2,905 | 663,697 |
| Investments | 10 to 12.75 | 467,873 | - | 4,754 | - | 472,627 |
| Profit receivable | | - | - | - | 2,822 | 2,822 |
| Other receivables | | - | - | - | 78 | 78 |
| Sub total | | 1,128,665 | - | 4,754 | 5,805 | 1,139,224 |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 801 | 801 |
| Payable to the Trustee | | - | - | - | 85 | 85 |
| Payable against purchase of investments | | - | - | - | 467,813 | 467,813 |
| Accrued expenses and other liabilities | | - | - | - | 577 | 577 |
| Sub Total | | - | - | - | 469,276 | 469,276 |
| On-balance sheet gap | | 1,128,665 | - | 4,754 | (463,471) | 669,948 |
| Total profit rate sensitivity gap | | 1,128,665 | - | 4,754 | (463,471) | 669,948 |
| Cumulative profit rate sensitivity gap | | 1,128,665 | 1,128,665 | 1,133,419 | | |

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

19.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the Fund is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

19.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on bank balances and other financial assets at amortised cost. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Pakistan investment bond and market treasury bills are government backed and hence considered as secured.

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

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

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

| | June 30, 2020 | | June 30, 2019 | |
|------------------------------|--|------------------|--|------------------|
| | Balance as per statement of assets and liabilities | Maximum exposure | Balance as per statement of assets and liabilities | Maximum exposure |
| ----- (Rupees in '000) ----- | | | | |
| Bank balances | 76,025 | 76,025 | 663,697 | 663,697 |
| Investments | 1,780,496 | - | 472,627 | - |
| Profit receivable | 7,924 | 2,275 | 2,822 | 2,790 |
| Other receivables | 1,717 | 1,717 | 78 | 78 |
| | 1,866,162 | 80,017 | 1,139,224 | 666,565 |

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in Government securities of Rs. 1,780.496 million (June 30, 2019: Rs. 472.627) and profit receivable on government securities of Rs. 0.032 million (June 30, 2019: Rs. 0.032 million)

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

Bank Balances by rating category

| Rating | June 30, 2020 | | June 30, 2019 | |
|--------|----------------|------------|----------------|------------|
| | Rupees in '000 | % | Rupees in '000 | % |
| AAA | 71,282 | 93.76 | 656,340 | 98.89 |
| AA+ | 4,710 | 6.20 | 3,583 | 0.54 |
| AA- | 11 | 0.01 | 3,746 | 0.56 |
| AA | 22 | 0.03 | 28 | - |
| | 76,025 | 100 | 663,697 | 100 |

Above ratings are on the basis of available ratings assigned by PACRA and VIS Credit Rating Company Limited (Formally JCR-VIS Credit Rating Company Limited) as of June 30, 2020.

Investment in fixed income securities

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

Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

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

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

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

19.3 Liquidity risk

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

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

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

| | Within 1 month | Over 1 to 3 months | Over 3 to 12 months | Over 1 to 5 years | More than 5 years | Total |
|---|-------------------|-----------------------|------------------------|----------------------|----------------------|------------------|
| ----- (Rupees in '000') ----- | | | | | | |
| 2020 | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 76,025 | - | - | - | - | 76,025 |
| Investments | - | 1,236,294 | 72,075 | 381,362 | 90,765 | 1,780,496 |
| Profit receivable | 7,924 | - | - | - | - | 7,924 |
| Other receivables | 1,717 | - | - | - | - | 1,717 |
| | 85,666 | 1,236,294 | 72,075 | 381,362 | 90,765 | 1,866,162 |
| Financial liabilities | | | | | | |
| Payable to the Management Company | 2,641 | - | - | - | - | 2,641 |
| Payable to the Trustee | 139 | - | - | - | - | 139 |
| Payable against purchase of investments | - | - | - | - | - | - |
| Accrued expenses and other liabilities | 620 | - | - | - | - | 620 |
| | 3,400 | - | - | - | - | 3,400 |
| | 82,266 | 1,236,294 | 72,075 | 381,362 | 90,765 | 1,862,762 |
| | | | | | | |
| 2019 | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 663,697 | - | - | - | - | 663,697 |
| Investments | - | 467,873 | - | 4,754 | - | 472,627 |
| Profit receivable | 2,822 | - | - | - | - | 2,822 |
| Other receivables | 78 | - | - | - | - | 78 |
| | 666,597 | 467,873 | - | 4,754 | - | 1,139,224 |
| Financial liabilities | | | | | | |
| Payable to the Management Company | 801 | - | - | - | - | 801 |
| Payable to the Trustee | 85 | - | - | - | - | 85 |
| Payable against purchase of investments | 467,813 | - | - | - | - | 467,813 |
| Accrued expenses and other liabilities | 577 | - | - | - | - | 577 |
| | 469,276 | - | - | - | - | 469,276 |
| | 197,321 | 467,873 | - | 4,754 | - | 669,948 |

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

20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

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

20.1 Mr. Saad Ahmed is the fund manager. Details of the other funds being managed by him are as follows:

- Alhamra Daily Dividend Fund;
- MCB Cash Management Optimizer Fund;
- Pakistan Cash Management Fund;
- MCB DCF Income Fund; and
- Pakistan Income Enhancement Fund.

21. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

| | June 30, 2020 (Percentage) |
|--|----------------------------------|
| 1 Continental Exchange (Private) Limited | 31.01% |
| 2 Invest One Markets (Private) Limited | 19.36% |
| 3 C And M Management (Private) Limited | 7.43% |
| 4 Paramount Capital (Private) Limited | 6.59% |
| 5 Arif Habib Limited | 6.29% |
| 6 Bright Capital (Private) Limited | 5.36% |
| 7 Icon Securities (Private) Limited | 5.34% |
| 8 Js Global Capital Limited | 2.90% |
| 9 Optimas Capital Management | 2.88% |
| 10 Currency Market Associate | 2.37% |
| | June 30, 2019 (Percentage) |
| 1 Continental Exchange (Private) Limited | 24.25% |
| 2 Invest One Markets (Private) Limited | 20.52% |
| 3 Al Hoqani Securities (Private) Limited | 13.67% |
| 4 EFG Hermes Pakistan Limited | 7.60% |
| 5 Bright Capital (Private) Limited | 7.26% |
| 6 C and M Management (Private) Limited | 6.60% |
| 7 Summit Capital (Private) Limited | 5.76% |
| 8 ICON Securities (Private) Limited | 4.58% |
| 9 First Capital Securities Limited | 4.57% |
| 10 Vector Capital (Private) Limited | 2.36% |

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

22. PATTERN OF UNIT HOLDINGS

| | As at June 30, 2020 | | | |
|--------------------|---------------------------|--------------------|----------------------|--------------------------|
| | Number of unit holders | Number of units | Investment amount | Percentage investment |
| | (Rupees in '000) | | | % |
| Individuals | 889 | 24,546,381 | 1,307,645 | 71.99% |
| Associated company | 1 | 8 | - | 0.00% |
| Insurance Company | 2 | 248,750 | 13,252 | 0.73% |
| Retirement funds | 26 | 6,406,303 | 341,279 | 18.79% |
| Others | 19 | 2,894,820 | 154,214 | 8.49% |
| | 937 | 34,096,262 | 1,816,390 | 100.00% |

| | As at June 30, 2019 | | | |
|--------------------|---------------------------|--------------------|----------------------|--------------------------|
| | Number of unit holders | Number of units | Investment amount | Percentage investment |
| | (Rupees in '000) | | | % |
| Individuals | 516 | 6,504,457 | 345,589 | 54.88% |
| Associated company | 1 | 6 | - | 0.00% |
| Retirement funds | 12 | 4,220,974 | 224,265 | 35.62% |
| Others | 26 | 1,125,309 | 59,790 | 9.50% |
| | 555 | 11,850,746 | 629,644 | 100.00% |

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 151st, 152nd, 153rd, 154th, 155th and 156th meetings of the Board of Directors were held on August 1, 2019, September 13, 2019, October 24, 2019, February 06, 2020, February 21, 2020 and April 20, 2020 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

| Name of persons attending the meetings | Designation | Number of Meetings Held | Number of meetings | | | Meetings Not Attended |
|--|-------------------------|-------------------------|---------------------|----------|---------------|-----------------------|
| | | | Attendance required | Attended | Leave Granted | |
| Mian Muhammad Mansha* | Former Chairman | 6 | 4 | 1 | 3 | 151st, 153rd & 154th |
| Mr. Haroun Rashid | Chairman | 6 | 6 | 5 | 1 | 154th |
| Mr. Nasim Beg | Director | 6 | 6 | 6 | - | - |
| Mr. Ahmed Jahangir | Director | 6 | 6 | 6 | - | - |
| Mr. Samad A. Habib* | Director | 6 | 4 | 1 | 3 | 151st, 153rd & 154th |
| Mr. Mirza Qamar Beg | Director | 6 | 6 | 6 | - | - |
| Syed Savail Meekal Hussain **** | Director | 6 | 5 | 5 | - | - |
| Mr. Kashif A. Habib** | Director | 6 | 2 | 1 | 1 | 156th |
| Ms. Mavra Adil Khan** | Director | 6 | 2 | 2 | - | - |
| Mr. Muhammad Saqib Saleem | Chief Executive Officer | 6 | 6 | 6 | - | - |

* Retired on completion of term on February 06, 2020.

** New Directors elected on the Board of Directors on February 06, 2020.

*** An election of Directors was held in an EOGM conducted on February 06, 2020 wherein all retiring directors except for Mian Muhammad Mansha and Mr. Samad A. Habib were re-elected.

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

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

24. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

25. CORRESPONDING FIGURES

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

26. IMPACT OF COVID-19

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

27. DATE OF AUTHORISATION FOR ISSUE

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

| No. of Unit Holders | Unit Holdings | Total Units Held |
|---------------------|--------------------|-------------------|
| 268 | 001-10,000 | 10,719 |
| 149 | 10,001 – 100,000 | 126,232 |
| 243 | 100,001 – 1000,000 | 2,150,744 |
| 277 | 1000,001+ | 31,808,567 |
| 937 | | 34,096,262 |

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

| Performance Information | 2020 | 2019 | 2018 | 2017 |
|--|--------|---------|-------|--------|
| Total Net Assets Value – Rs. in million | 1816 | 630 | 585 | 1,351 |
| Net Assets value per unit – Rupees | 53.27 | 53.13 | 55.83 | 53.13 |
| Closing Offer Price | 54.17 | 54.03 | 56.78 | 54.03 |
| Closing Repurchase Price | 51.46 | 51.33 | 55.83 | 53.13 |
| Highest offer price per unit | 62.85 | 58.18 | 56.78 | 57.20 |
| Lowest offer price per unit | 54.07 | 53.34 | 54.03 | 53.96 |
| Highest Redemption price per unit | 61.8 | 57.21 | 55.83 | 56.25 |
| Lowest Redemption price per unit | 53.17 | 53.10 | 53.13 | 53.06 |
| Distribution per unit – Rs. * | 8.5558 | 6.88 | - | 3.20 |
| | | | | |
| Average Annual Return - % | | | | |
| One year | 16.39 | 7.88 | 5.08 | 5.89 |
| Two year | 12.14 | 6.48 | 5.49 | 6.60 |
| Three year | 9.78 | 6.28 | 6.09 | 9.92 |
| | | | | |
| Net Income for the year – Rs. in million | 321.33 | 48.90 | 48.85 | 56.97 |
| Distribution made during the year – Rs. in million | 255.29 | 74.36 | - | 62.21 |
| Accumulated Capital Growth – Rs. in million | 66.04 | (25.46) | 48.85 | (5.25) |
| Weighted average Portfolio Duration (days) | 438 | 47 | 123 | 65 |

*** Date of Distribution**

| 2020 | |
|------------|--------|
| Date | Rate |
| 26-June-20 | 8.5558 |

| 2019 | |
|-----------|------|
| Date | Rate |
| 4-Jul-18 | 2.75 |
| 27-Jun-19 | 4.13 |

| 2018 | |
|------|------|
| Date | Rate |
| Nil | |

| 2017 | |
|---------------|------|
| Date | Rate |
| June 21, 2017 | 3.20 |

Disclaimer

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

MCB-Arif Habib Savings and Investments Limited

Head Office: 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH)
URL: www.mcbah.com, Email: info@mcbah.com
