



**MCB-ARIF HABIB**  
Savings and Investments Limited

# ANNUAL REPORT 2020

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



# **MCB CASH MANAGEMENT OPTIMIZER**

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## FUND'S INFORMATION

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| <b>Management Company</b>                                    | <b>MCB-Arif Habib Savings &amp; Investments Limited</b><br>Adamjee House, 2nd Floor,<br>I.I. Chundrigar Road, Karachi.   |  |
| <b>Board of Directors</b>                                    | Mr. Haroun Rashid<br>Mr. Nasim Beg<br>Mr. Muhammad Saqib Saleem<br>Mr. Ahmed Jahangir<br>Mr. Kashif A. Habib<br>Mirza Qamar Beg<br>Syed Savail Meekal Hussain<br>Ms. Mavra Adil Khan   | Chairman<br>Vice Chairman<br>Chief Executive Officer<br>Director<br>Director<br>Director<br>Director<br>Director |
| <b>Audit Committee</b>                                       | Mirza Qamar Beg<br>Mr. Nasim Beg<br>Mr. Ahmed Jahangir<br>Mr. Kashif A. Habib<br>Syed Savail Meekal Hussain  | Chairman<br>Member<br>Member<br>Member<br>Member   |
| <b>Human Resource &amp; Remuneration Committee</b>           | Mirza Qamar Beg<br>Mr. Nasim Beg<br>Mr. Ahmed Jahangir<br>Syed Savail Meekal Hussain<br>Ms. Mavra Adil Khan<br>Mr. Muhammad Saqib Saleem   | Chairman<br>Member<br>Member<br>Member<br>Member<br>Member   |
| <b>Chief Executive Officer</b>                               | Mr. Muhammad Saqib Saleem  |  |
| <b>Chief Operating Officer &amp; Chief Financial Officer</b> | Mr. Muhammad Asif Mehdi Rizvi  |  |
| <b>Company Secretary</b>                                     | Mr. Altaf Ahmad Faisal   |  |
| <b>Trustee</b>   | <b>Central Depository Company of Pakistan Ltd.</b><br>CDC House, 99-B, Block 'B'S.M.C.H.S<br>Main Shahra-e-Faisal Karachi<br>Tel: (92-21) 111-111-500<br>Fax: (92-21) 34326053<br>Web: www.cdcpakistan.com   |  |
| <b>Bankers</b>   | MCB Bank Limited<br>Habib Metropolitan Bank Limited<br>United Bank Limited<br>Allied Bank Limited<br>Bank Al-Habib Limited<br>Habib Bank Limited<br>National Bank of Pakistan<br>Zarai Taraqiat Bank Limited<br>Bank Al Falah Limited<br>Meezan Bank Limited<br>Dubai Islamic Bank Pakistan Limited<br>Bank of Punjab Limited<br>Faysal Bank Limited |  |
| <b>Auditors</b>  | <b>A. F. Ferguson &amp; Co.</b><br>Chartered Accountants<br>(A Member Firm of PWC Network)<br>Sate Life Building 1-C<br>I.I. Chundrigar Road, Karachi.   |  |
| <b>Legal Advisor</b>   | <b>Bawaney &amp; Partners</b><br>3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area<br>Phase VI, D.H.A., Karachi  |  |
| <b>Transfer Agent</b>  | <b>MCB-Arif Habib Savings &amp; Investments Limited</b><br>Adamjee House, 2nd Floor<br>I.I. Chundrigar Road, Karachi.  |  |
| <b>Rating</b>  | <b>AM2++</b> Asset Manager Rating assigned by PACRA  |  |

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

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Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB Cash Management Optimizer** 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 a 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 12.71% as against its benchmark return of 11.60%, an outperformance of 1.11%. WAM of the fund was 1 day at June end. The fund was 88.6% invested in cash as of June end. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2020 increased by 102.2% to Rs. 28,106 million as compared to Rs. 13,903 million as at June 30, 2019. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 100.8561 as compared to opening NAV of Rs. 100.6423 per unit as at June 30, 2019 registering an increase of Rs. 0.2138 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<br>(ii) HR&R* Committee                        |
| 3.      | Mr. Ahmed Jahangir         | Non-Executive Director | (i) Audit Committee; and<br>(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<br>(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.

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

- 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.
- 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 chairmen/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.

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

- m. The trades in the 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.

| S. No. | Name                         | Designation             | Investment        | Redemption | Dividend Distribution |
|--------|------------------------------|-------------------------|-------------------|------------|-----------------------|
|        |                              |                         | (Number of Units) |            |                       |
| 1      | Mr. Nasim Beg                | Director                | 15,550.48         | 5,787.17   | 51.311                |
| 2      | Mr. Ahmed Jahangir           | Director                |                   |            | 5.442                 |
| 3      | Muhammad Asif<br>Mehdi Rizvi | Chief Financial Officer | 37,260.69         | 37,267.55  | 6.86                  |

### External Auditors

The fund's external auditors, **A.F.Ferguson & Co. 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 **A.F.Ferguson & Co. 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

m. دوران سال مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانس انشیل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے پونٹس کی خرید و فروخت کی۔

| نمبر شمار | نام                | عہدہ                  | سرمایہ کاری | واپسی     | ڈیویڈنڈ کی تقسیم |
|-----------|--------------------|-----------------------|-------------|-----------|------------------|
|           |                    |                       |             |           | پونٹس کی تعداد   |
| ۱         | جناب نسیم بیگ      | ڈائریکٹر              | 15,550.48   | -5,787.17 | 51.311           |
| ۲         | جناب احمد جہانگیر  | ڈائریکٹر              |             |           | 5.442            |
| ۳         | محمد آصف مہدی رضوی | چیف فنانس انشیل آفیسر | 37,260.69   | 37,267.55 | 6.86             |

### خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے 30 جون 2021ء کو ختم ہونے والے اگلے 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 اے ایف فرگوسن اینڈ کمپنی، 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 اوپن چیئر مین



محمد شاقب سلیم  
چیف ایگزیکٹو آفیسر  
22 اگست 2020ء

## ڈائریکٹرز رپورٹ

میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

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۔

1. 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:

1۔ 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                      | 1۔ جناب ہارون رشید (سابقہ چیئرمین)* |
| 0               | 8     | 8            | 8                      | 2۔ مرزا محمد قمر بیگ (چیئرمین)      |
| 0               | 8     | 8            | 8                      | 3۔ جناب نسیم بیگ                    |
| 1               | 7     | 8            | 8                      | 4۔ جناب احمد جہانگیر                |
| 0               | 3     | 3            | 8                      | 5۔ جناب کاشف اے حبیب                |
| 0               | 3     | 3            | 8                      | 6۔ 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۔

2۔ ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

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

| میٹنگز کی تعداد |       |              |                        | نام                               |
|-----------------|-------|--------------|------------------------|-----------------------------------|
| منظور شدہ رخصت  | حاضری | مطلوبہ حاضری | منعقدہ میٹنگز کی تعداد |                                   |
| -               | 4     | 4            | 4                      | 1۔ جناب مرزا قمر بیگ              |
| -               | 4     | 4            | 4                      | 2۔ جناب ہارون رشید*               |
| -               | 4     | 4            | 4                      | 3۔ جناب احمد جہانگیر              |
| -               | 4     | 4            | 4                      | 4۔ جناب نسیم بیگ                  |
| -               | -     | -            | 4                      | 5۔ محترمہ ماوراء عادل خان**       |
| -               | -     | -            | 4                      | 6۔ سید ساویل میکال حسین**         |
| -               | 4     | 4            | 4                      | 7۔ جناب محمد ثاقب سلیم (سی ای او) |

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

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

## ڈائریکٹرز رپورٹ

### کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم 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 میکان حسین   | خود مختار ڈائریکٹر    | ایچ آر اینڈ آر کمیٹی *   |
| 6.        | جناب مرزا قمر بیگ      | خود مختار ڈائریکٹر    | (i) آڈٹ کمیٹی (چیئر مین)؛ اور (ii) ایچ آر اینڈ آر کمیٹی * (چیئر مین) |
| 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 ریمونیشن

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:

a. 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۔

b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔

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 (اسٹیل شمنٹ 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 شبہات نہیں ہیں۔

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

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

i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں بلکہ مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ

تعمیرات سے متعلق پیکیج سے مانگ پر مبنی ترقی کو مطلوبہ محرک حاصل ہوگا۔

ادائیگی کے توازن کی پریشانیوں فی الوقت ختم ہوگئی 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 ہوگئی 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 منگلی پیداوار کے 1.6 فیصد پر رُکے گا، اور اس کے لیے غیر منگلی سرمایہ کاریوں اور قرضہ جاتی آمدات سے آسانی 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 منگلی زرمبادلہ کے ذخائر میں اگلے سال کے دوران 2 بلین ڈالر کا مزید اضافہ ہوگا جس سے روپے پر کسی قسم کے دباؤ کو ختم کرنے میں مدد ملے گی۔

اگلے سال کے دوران تیل کی قیمتوں کے اوسط 40 فی بی بی ایل کے مفروضے پر صارفی 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 اول 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 ادا بیگیوں کے توازن کی صورتحال متوقع سے بہتر ہوگئی تو مرکزی بینک موجودہ پالیسی شرح کو جاری رکھ سکے گا۔

مالیاتی محکمہ حکومت کے لیے دکھتی 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 کوڈ 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 مضمر ہیں۔ مارکیٹ کیپیٹلائزیشن کا جی ڈی پی کے ساتھ تناسب 17.5 فیصد ہے، جو اب بھی اپنے پرانے اوسط سے 33 فیصد کم ہے۔ اسی طرح رسک پریمیم 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 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 شرحوں کی عکاسی بلا کاوٹ 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۔

## ڈائریکٹرز رپورٹ

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 خوردونوش 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 خوردونوش کی افراط زر میں تسہیل سے مجموعی افراط زر رک گئی۔ بہر حال، اہم ترین افراط زر، جس کی پیمائش اشیائے خوردونوش 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 بیسس 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 12.71 فیصد منافع دیا جو اس کے بیچ مارک منافع 11.60 فیصد کے مقابلے میں 1.11 فیصد بہتر کارکردگی تھی۔ ماہ جون کے اختتام پر فنڈ کی ویٹڈ ایوریج میچورٹی (WAM) 1 دن تھی، اور 88.6 فیصد سرمایہ کاری نقد میں تھی۔ نقد میں زیادہ سرمایہ کاری کی وجہ بینک ڈپازٹس پر پُرکشش شرحیں تھی۔

30 جون 2020ء کو فنڈ کے net اثاثہ جات 102.2 فیصد بڑھ کر 28,106 ملین روپے ہو گئے جبکہ 30 جون 2019ء کو 13,903 ملین روپے تھے۔ 30 جون 2020ء کو net اثاثہ جاتی قدر (این اے وی) (نی یونٹ 100.8561 روپے تھی جو 30 جون 2019ء کو ابتدائی این اے وی 100.6423 روپے نی یونٹ کے مقابلے میں 0.2138 روپے نی یونٹ اضافہ ہے۔

### مستقبل کا منظر نامہ

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 وباء کی پہلی لہر سے نمٹنے میں کامیاب ہوا ہے اور متاثر 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 تا حال بالکل بند ہیں اور کچھ استعداد سے کم کام کر پارہے ہیں۔ کووڈ کی دوسری لہر کا سدباب کرتے ہوئے ہم پُر امید 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 آجانے سے جنوری سے عالمی سطح پر سرگرمیاں بھی مکمل بحال ہو جائیں گی۔ ہم امید کرتے ہیں کہ حکومت کم تر base اور مختلف محکمانہ اقدامات کے ساتھ جی ڈی پی میں ترقی کا سالانہ ہدف حاصل کر سکے گی۔ مرکزی بینک کا اعلان کردہ مالیاتی محرک گردش صنعتوں میں ترقی بحال کرنے کی راہ ہموار کرے گا۔ علاوہ ازیں، حکومت کے

## ڈائریکٹرز رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی کیش مینجمنٹ آپٹیمائزر کے گوشواروں کے 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 فوری رہا۔ ماحصل میں فرق کے نتیجے میں معاشی ترقی میں -0.4 فیصد تک کمی کی پیش گوئی کی گئی بالمقابل 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 کا پروگرام 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 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 کثیرالجہتی 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 کثیرالجہتی اداروں نے مختلف منصوبوں کے لیے 5 بلین ڈالر سے زائد جاری کیے۔ مجموعی طور پر مالی اکاؤنٹ نے 7 بلین 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۔

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

## Fund Type and Category

MCB Cash Management Optimizer (CMOP) is an open end fund money market fund, and has the leverage to invest in short term government securities, repurchase agreements, term deposit and money market placements with scheduled banks with a maximum maturity of 180 days and weighted average maturity up to 90 days.

## Fund Benchmark

70% three (3) months PKRV rates plus 30% three (3) months average deposit rates of three (3) AA rated scheduled Banks as selected by MUFAP.

## Investment Objective

To provide unit-holders competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

## Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in highly liquid debt securities issued by the Government of Pakistan as well as TDR to AA or above rated banks.

## Manager's Review

During the period under review, the fund generated an annualized return of 12.71% as against its benchmark return of 11.60%, an outperformance of 1.11%. WAM of the fund was 1 day at June end. The fund was 88.6% invested in cash as of June end. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2020 increased by 102.2% to Rs. 28,106 million as compared to Rs. 13,903 million as at June 30, 2019. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 100.8561 as compared to opening NAV of Rs. 100.6423 per unit as at June 30, 2019 registering an increase of Rs. 0.2138 per unit.

### Asset Allocation as on June 30, 2020 (% of total assets)

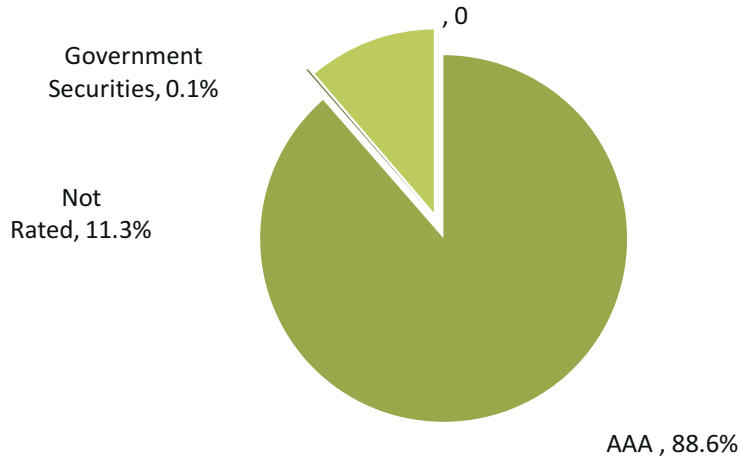
| Asset Allocation (%age of Total Assets) | Jun-20 |
|---|--------|
| Cash                                    | 88.6%  |
| T-Bills                                 | 0.1%   |
| Others including receivables            | 11.3%  |

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

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



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**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



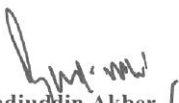
## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB CASH MANAGEMENT OPTIMIZER

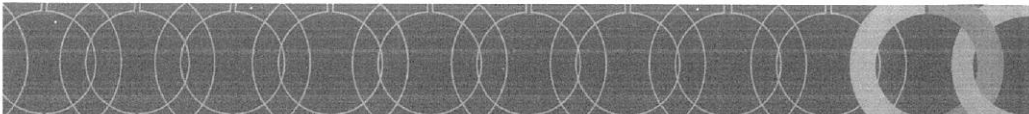
#### Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Cash Management Optimizer (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



A.F.FERGUSON&CO.

## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of MCB Cash Management Optimizer

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of MCB Cash Management Optimizer (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 the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the 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.

Following is the key audit matter:

| S. No. | Key Audit Matter  | How the matter was addressed in our audit   |
|--------|---|---|
| 1      | <b>Net Asset Value (NAV)</b><br>(Refer note 4 to the annexed financial statements)<br><br>Balances with banks constitute the most significant component of the NAV. Balances with banks of the Fund as at June 30, 2020 aggregated to Rs 28,023.622 million.<br><br>The existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter. | Our audit procedures amongst others included the following: <ul style="list-style-type: none"><li>obtained independent confirmations for verifying the existence of the balances with banks as at June 30, 2020 and traced them to the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and</li><li>obtained bank reconciliation statements and tested reconciling items on a sample basis.</li></ul> |

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our 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 and Board of Directors of the Management Company for the Financial Statements

Management 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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

## **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A handwritten signature in black ink that reads "A Ferguson &amp; Co". The signature is written in a cursive, flowing style.

Chartered Accountants  
Karachi

Date: September 21, 2020

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

|  | Note | June 30,<br>2020             | June 30,<br>2019   |
|--|------|------------------------------|--------------------|
|  |      | ----- (Rupees in '000) ----- |                    |
| <b>ASSETS</b>  |      |                              |                    |
| Balances with banks  | 4    | 28,023,622                   | 10,112,614         |
| Investments  | 5    | 33,582                       | 3,780,860          |
| Advances, deposits, prepayments and other receivable                               | 6    | 210,500                      | 134,646            |
| Receivable against sale of investments   |      | 3,360,717                    | -                  |
| <b>Total assets</b>  |      | 31,628,421                   | 14,028,120         |
| <b>LIABILITIES</b>   |      |                              |                    |
| Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company | 7    | 17,305                       | 13,672             |
| Payable to Central Depository Company of Pakistan Limited - Trustee                | 8    | 1,607                        | 1,018              |
| Payable to the Securities and Exchange Commission of Pakistan                      | 9    | 3,874                        | 10,489             |
| Payable against purchase of investments  |      | 3,352,541                    | -                  |
| Accrued and other liabilities  | 10   | 147,308                      | 100,325            |
| <b>Total liabilities</b>   |      | 3,522,635                    | 125,504            |
| <b>NET ASSETS</b>  |      | <u>28,105,786</u>            | <u>13,902,616</u>  |
| <b>Unit holders' fund (as per statement attached)</b>                              |      | <u>28,105,786</u>            | <u>13,902,616</u>  |
| <b>Contingencies and Commitments</b>   | 11   |                              |                    |
|  |      | <b>(Number of units)</b>     |                    |
| <b>NUMBER OF UNITS IN ISSUE</b>  |      | <u>278,672,060</u>           | <u>138,138,833</u> |
|  |      | <b>(Rupees)</b>              |                    |
| <b>NET ASSET VALUE PER UNIT</b>  | 3.7  | <u>100.8561</u>              | <u>100.6423</u>    |

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

|   | Note  | For the year ended |                  |
|---|-------|--------------------|------------------|
|   |       | June 30,<br>2020   | June 30,<br>2019 |
| (Rupees in '000)  |       |                    |                  |
| <b>INCOME</b>   |       |                    |                  |
| Capital gain / (loss) on sale of investments - net  |       | 189,293            | (3,638)          |
| Profit on term deposits receipts  |       | 110,075            | 103,600          |
| Profit on bank deposits   |       | 1,370,094          | 719,509          |
| Income from government securities   |       | 816,683            | 411,314          |
| Income from commercial paper  |       | 19,141             | 66,422           |
| Income from letter of placement   |       | 22,761             | 70,200           |
| Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net | 5.1.3 | 82                 | -                |
| Other income  |       | -                  | 3,071            |
| <b>Total income</b>   |       | <u>2,528,129</u>   | <u>1,370,478</u> |
| <b>EXPENSES</b>   |       |                    |                  |
| Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company   | 7.1   | 95,323             | 105,182          |
| Sindh Sales tax on remuneration of Management Company   | 7.2   | 12,391             | 13,673           |
| Allocated expenses  | 7.3   | 19,379             | 11,238           |
| Selling and marketing expenses  | 7.4   | 34,992             | -                |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee  | 8.1   | 12,595             | 10,645           |
| Sindh Sales tax on remuneration of Trustee  | 8.2   | 1,638              | 1,384            |
| Annual fee to Securities and Exchange Commission of Pakistan  | 9.1   | 3,874              | 10,489           |
| Legal and professional  |       | 78                 | 180              |
| Brokerage, settlement and bank charges  |       | 1,673              | 384              |
| Auditors' remuneration  | 12    | 1,165              | 1,015            |
| Fees and subscription   |       | 375                | -                |
| Printing and related costs  |       | 42                 | 1,022            |
| <b>Total operating expenses</b>   |       | <u>183,525</u>     | <u>155,212</u>   |
| <b>Net income from operating activities</b>   |       | <u>2,344,604</u>   | <u>1,215,266</u> |
| Provision for Sindh Workers Welfare Fund (SWWF)   | 10.1  | (46,892)           | (24,304)         |
| <b>Net income before taxation</b>   |       | <u>2,297,712</u>   | <u>1,190,962</u> |
| Taxation  | 13    | -                  | -                |
| <b>Net income after taxation</b>  |       | <u>2,297,712</u>   | <u>1,190,962</u> |
| <b>Allocation of net income:</b>  |       |                    |                  |
| Net income  |       | 2,297,712          | 1,190,962        |
| Income already paid on units redeemed   |       | (140,348)          | (85,537)         |
|   |       | <u>2,157,364</u>   | <u>1,105,425</u> |
| <b>Accounting income available for distribution</b>   |       |                    |                  |
| - Relating to capital gains   |       | 177,909            | -                |
| - Excluding capital gains   |       | 1,979,455          | 1,105,425        |
|   |       | <u>2,157,364</u>   | <u>1,105,425</u> |
| <b>Earnings per unit</b>  | 3.14  | -                  | -                |

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**

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|  | <u>For the year ended</u>      |                                |
|--|--------------------------------|--------------------------------|
|  | <u>June 30,</u><br><u>2020</u> | <u>June 30,</u><br><u>2019</u> |
|  | (Rupees in '000)               |                                |
| <b>Net income for the year after taxation</b>  | 2,297,712                      | 1,190,962                      |
| Other comprehensive income for the year        | -                              | -                              |
| <b>Total comprehensive income for the year</b> | <u>2,297,712</u>               | <u>1,190,962</u>               |

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

| Note   | Year ended June 30, 2020 |                      |                   | Year ended June 30, 2019 |                      |                   |
|--|--------------------------|----------------------|-------------------|--------------------------|----------------------|-------------------|
|  | Capital Value            | Undistributed income | Total             | Capital Value            | Undistributed income | Total             |
|  | (Rupees in '000)         |                      |                   |                          |                      |                   |
| <b>Net assets at beginning of the year</b>   | 13,846,005               | 56,611               | 13,902,616        | 11,617,232               | 375,424              | 11,992,656        |
| Issuance of 740,890,192 units (2019: 433,993,652 units)                                  |                          |                      |                   |                          |                      |                   |
| - Capital value (at ex-net asset value per unit at the beginning of the year)            | 74,564,893               | -                    | 74,564,893        | 43,635,979               | -                    | 43,635,979        |
| - Element of income  | 125,410                  | -                    | 125,410           | 86,396                   | -                    | 86,396            |
|  | 74,690,303               | -                    | 74,690,303        | 43,722,375               | -                    | 43,722,375        |
| Redemption of 600,356,965 units (2019: 409,024,415 units)                                |                          |                      |                   |                          |                      |                   |
| - Capital value (at ex-net asset value per unit at the beginning of the year)            | 60,421,305               | -                    | 60,421,305        | 41,125,443               | -                    | 41,125,443        |
| - Element of loss  | 13,499                   | 140,348              | 153,847           | 8,921                    | 85,537               | 94,458            |
|  | 60,434,804               | 140,348              | 60,575,152        | 41,134,364               | 85,537               | 41,219,901        |
| Total comprehensive income for the year  | -                        | 2,297,712            | 2,297,712         | -                        | 1,190,962            | 1,190,962         |
| Distributions for the year ended June 30, 2020   | 25                       | (2,096,002)          | (2,096,002)       | -                        | -                    | -                 |
| Refund of capital for the year ended June 30, 2020                                       | 25                       | (113,691)            | (113,691)         | -                        | -                    | -                 |
| Distributions for the year ended June 30, 2019   |                          | -                    | -                 | -                        | (1,093,431)          | (1,093,431)       |
| Refund of capital for the year ended June 30, 2019                                       |                          | -                    | -                 | (76,043)                 | -                    | (76,043)          |
| Final distribution for the year ended June 30, 2018 @ Rs 5.4255 per unit on July 4, 2018 |                          | -                    | -                 | -                        | (330,807)            | (330,807)         |
| Refund of capital for the year ended June 30, 2018                                       |                          | -                    | -                 | (283,195)                | -                    | (283,195)         |
| Total distributions during the year  |                          | (113,691)            | (2,096,002)       | (359,238)                | (1,424,238)          | (1,783,476)       |
| <b>Net assets at end of the year</b>   | <b>27,987,813</b>        | <b>117,973</b>       | <b>28,105,786</b> | <b>13,846,005</b>        | <b>56,611</b>        | <b>13,902,616</b> |
| <b>Undistributed income brought forward comprising of:</b>                               |                          |                      |                   |                          |                      |                   |
| - Realised   |                          | 56,611               |                   |                          | 375,424              |                   |
| - Unrealised   |                          | -                    |                   |                          | -                    |                   |
|  |                          | 56,611               |                   |                          | 375,424              |                   |
| <b>Accounting income available for distribution</b>                                      |                          |                      |                   |                          |                      |                   |
| - Relating to capital gains  |                          | 177,909              |                   |                          | -                    |                   |
| - Excluding capital gains  |                          | 1,979,455            |                   |                          | 1,105,425            |                   |
|  |                          | 2,157,364            |                   |                          | 1,105,425            |                   |
| Distributions during the year  |                          | (2,096,002)          |                   |                          | (1,424,238)          |                   |
| Undistributed income carried forward   |                          | 117,973              |                   |                          | 56,611               |                   |
| <b>Undistributed income carried forward comprising of:</b>                               |                          |                      |                   |                          |                      |                   |
| - Realised   |                          | 117,891              |                   |                          | 56,611               |                   |
| - Unrealised   |                          | 82                   |                   |                          | -                    |                   |
|  |                          | 117,973              |                   |                          | 56,611               |                   |
|  |                          | <b>(Rupees)</b>      |                   |                          | <b>(Rupees)</b>      |                   |
| <b>Net asset value per unit at beginning of the year</b>                                 |                          | 100.6423             |                   |                          | 105.9707             |                   |
| <b>Net asset value per unit at end of the year</b>                                       |                          | 100.8561             |                   |                          | 100.6423             |                   |

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

| Note  | For the year ended |                  |
|---|--------------------|------------------|
|   | June 30,<br>2020   | June 30,<br>2019 |
|   | (Rupees in '000)   |                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |                  |
| Net income for the year before taxation   | 2,297,712          | 1,190,962        |
| <b>Adjustments for non cash and other items:</b>  |                    |                  |
| Provision for Sindh Worker's Welfare Fund (SWWF)  | 46,892             | 24,304           |
| Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net | (82)               | -                |
| <b>Decrease / (increase) in assets</b>  |                    |                  |
| Investments   | 947,360            | (980,860)        |
| Advances, deposits, prepayments and other receivable  | (75,854)           | -                |
| Receivable against sale of investments  | (3,360,717)        | (79,255)         |
|   | (2,489,211)        | (1,060,115)      |
| <b>Increase / (decrease) in liabilities</b>   |                    |                  |
| Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company  | 3,633              | 3,418            |
| Payable to Central Depository Company of Pakistan Limited - Trustee   | 589                | 7                |
| Payable to the Securities and Exchange Commission of Pakistan   | (6,615)            | 913              |
| Payable against purchase of investments   | 3,352,541          | -                |
| Accrued and other liabilities   | 91                 | (23,683)         |
|   | 3,350,239          | (19,345)         |
| <b>Net cash flow generated from operating activities</b>  | 3,205,550          | 135,806          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                    |                  |
| Receipt from issuance of units net of refund of capital   | 74,576,612         | 43,363,137       |
| Payment against redemption of units   | (60,575,152)       | (41,219,900)     |
| Distributions during the year   | (2,096,002)        | (1,424,238)      |
| <b>Net cash generated from financing activities</b>   | 11,905,458         | 718,999          |
| <b>Net increase in cash and cash equivalents</b>  | 15,111,008         | 854,805          |
| Cash and cash equivalents at beginning of the year  | 12,912,614         | 12,057,809       |
| <b>Cash and cash equivalents at end of the year</b>   | 14 28,023,622      | 12,912,614       |

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

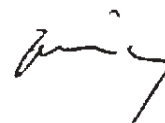
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



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

- 1.1 MCB Cash Management Optimizer (the Fund) was established through a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited), as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter dated July 09, 2009 consequent to which the trust deed was executed on July 10, 2009, in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open-end mutual fund and has been categorised as 'Money Market Scheme' by the Board of Directors of the Management Company in accordance with the requirements of Circular 7 of 2009 dated March 6, 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unitholders are divided into plan 'A' and plan 'B'. The unitholders under plan "A" are entitled for bonus units as well as cash dividend, whereas unitholders under plan "B" are entitled for cash dividend only. The units are listed on the Pakistan Stock Exchange Limited (PS X).
- 1.4 The Fund primarily invests in a mix of short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated October 08, 2019 to the Management Company and a stability rating of 'AA+(f)' dated May 06, 2020 to the Fund .
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as 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. Such standards comprise of:

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

### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value.

### 2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

## 2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments to published accounting and reporting standards would be effective from the dates mentioned below against the respective amendments:

| Amendments   | Effective date (accounting periods beginning on or after) |
|--|---|
| - IAS 1 - 'Presentation of financial statements' (amendment)                           | January 1, 2020   |
| - IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment) | January 1, 2020   |

These amendments may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund .

There are certain new standards and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2020. However, these will not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements .

## 2.5 Critical accounting estimates and judgements

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5), provision for SWWF (note 10.1), provision for Federal Excise Duty (note 10.2) and provision for taxation (notes 3.13 and 13).

## 2.6 Functional and presentation currency

Items included in the 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### 3.2 Cash and cash equivalents

These comprise balances with banks and other short-term highly liquid investments with original maturities of three months or less.

### 3.3 Financial assets

#### 3.3.1 Classification and subsequent measurement

##### 3.3.1.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost
- at fair value through other comprehensive income "(FVOCI)"
- at fair value through profit or loss (FVTPL) based on the business model of the entity.

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

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However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

### 3.3.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments as per Circular 33 of 2012) carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted around that is determined by evaluating a range of possible out comes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

### 3.3.3 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on the management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

### 3.3.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

### 3.3.5 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

### 3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

### 3.3.7 Derivatives

Derivate instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured at fair value and the resultant gain or loss is recognised in the Income Statement.

### 3.4 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortized cost using effective interest method. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement. Financial liabilities include payable to the Management Company and other liabilities.

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

## 3.5 Offsetting of financial assets and financial liabilities

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

## 3.6 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

## 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 circulation at the year end.

## 3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties, charges and transaction costs, if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption applications during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties, charges and transaction costs, if applicable.

## 3.9 Distribution to unitholders fund

Distributions to the unitholders are recognised upon declaration and approval 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.

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

## 3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units

Element of income represents the difference between net asset 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 unitholders' 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 unitholders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

## 3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis using effective interest rate method.
- Interest income on government securities is recognised on an accrual basis using effective interest rate method.
- Income on debt securities (including commercial papers, letter of placements and term deposit receipts) is recognised on an accrual basis using effective interest rate method.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in which they arise.

## 3.12 Expenses

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

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

## 3.13 Taxation

### Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates .

### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates.

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 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders in cash. Provided that, for the purpose of determining distribution of at least 90% of the accounting income, the income distributed through bonus units shall not be taken into account.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on Funds (Section 4B of the Income Tax Ordinance, 2001).

## 3.14 Earnings / (loss) per unit

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

## 3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

|                        | Note | June 30,<br>2020  | June 30,<br>2019  |
|------------------------|------|-------------------|-------------------|
| 4. BALANCES WITH BANKS |      | (Rupees in '000)  |                   |
| In current accounts    |      | 519,995           | 972               |
| In deposit accounts    | 4.1  | <u>27,503,627</u> | <u>10,111,642</u> |
|                        | 4.2  | <u>28,023,622</u> | <u>10,112,614</u> |

4.1 These carry mark-up at rates ranging between 5.5% to 14.45% per annum (2019: 3.75% to 13.70% per annum).

4.2 These include balances of Rs. 43.089 million (2019: Rs. 836.41 million) maintained with MCB Bank Limited (a related party).

| 5. INVESTMENTS                                       | Note  | June 30,<br>2020 | June 30,<br>2019 |
|--|-------|------------------|------------------|
| 5.1 Investments at fair value through profit or loss |       | (Rupees in '000) |                  |
| Term deposit receipt                                 | 5.1.1 | -                | 2,800,000        |
| Commercial Papers                                    | 5.1.2 | -                | 980,860          |
| Market Treasury Bills                                | 5.1.3 | 33,582           | -                |
| Letter of placements                                 | 5.1.4 | -                | -                |
|  |       | <u>33,582</u>    | <u>3,780,860</u> |

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

### 5.1.1 Term Deposit Receipts

| Name of Investee Company   | Issue Date         | Face value       |                           |                         |                  | At June 30, 2020 |              | Market value as a percentage of net assets | Market value as a percentage of total investments |
|----------------------------|--------------------|------------------|---------------------------|-------------------------|------------------|------------------|--------------|--|---|
|                            |                    | At July 01, 2019 | Purchases during the year | Matured during the year | At June 30, 2020 | Carrying value   | Market value |  |   |
| (Rupees in '000) %         |                    |                  |                           |                         |                  |                  |              |  |   |
| Bank Of Punjab             | May 8, 2019        | 400,000          | -                         | 400,000                 | -                | -                | -            | -  | -   |
| Bank Alfalah Ltd           | June 21, 2019      | 1,000,000        | -                         | 1,000,000               | -                | -                | -            | -  | -   |
| Habib Bank Limited         | June 28, 2019      | 1,400,000        | -                         | 1,400,000               | -                | -                | -            | -  | -   |
| Bank Of Punjab             | August 8, 2019     | -                | 400,000                   | 400,000                 | -                | -                | -            | -  | -   |
| Bank Alfalah Limited       | August 9, 2019     | -                | 1,000,000                 | 1,000,000               | -                | -                | -            | -  | -   |
| Bank Alfalah Limited       | September 27, 2019 | -                | 1,300,000                 | 1,300,000               | -                | -                | -            | -  | -   |
| Allied Bank Limited        | November 29, 2019  | -                | 2,000,000                 | 2,000,000               | -                | -                | -            | -  | -   |
| Bank Alfalah Limited       | November 29, 2019  | -                | 1,300,000                 | 1,300,000               | -                | -                | -            | -  | -   |
| <b>As at June 30, 2020</b> |                    |                  |                           |                         |                  |                  |              |  |   |
| As at June 30, 2019        |                    |                  |                           |                         |                  | 2,800,000        | 2,800,000    |  |   |

### 5.1.2 Commercial Papers

| Name of Investee Company   | Issue Date | Face value       |                           |                         |                  | At June 30, 2020 |              | Market value as a percentage of net assets | Market value as a percentage of total investments |
|----------------------------|------------|------------------|---------------------------|-------------------------|------------------|------------------|--------------|--|---|
|                            |            | At July 01, 2019 | Purchases during the year | Matured during the year | At June 30, 2020 | Carrying value   | Market value |  |   |
| (Rupees in '000) %         |            |                  |                           |                         |                  |                  |              |  |   |
| K-Electric Limited         |            | 1,000,000        | -                         | 1,000,000               | -                | -                | -            | -  | -   |
| <b>As at June 30, 2020</b> |            |                  |                           |                         |                  |                  |              |  |   |
| As at June 30, 2019        |            |                  |                           |                         |                  | 980,860          | 980,860      |  |   |

### 5.1.3 Market Treasury Bills

| Tenure                           | Note | Issue Date         | Face value       |                           |                                |                  | At June 30, 2020 |              |              | Market value as a percentage of net assets | Market value as a percentage of total investments |
|----------------------------------|------|--------------------|------------------|---------------------------|--------------------------------|------------------|------------------|--------------|--------------|--|---|
|                                  |      |                    | At July 01, 2019 | Purchases during the year | Sold / matured during the year | At June 30, 2020 | Carrying value   | Market value | Appreciation |  |   |
| (Rupees in '000) %               |      |                    |                  |                           |                                |                  |                  |              |              |  |   |
| <b>Treasury bills - 3 months</b> |      |                    |                  |                           |                                |                  |                  |              |              |  |   |
| - 3 months                       |      | October 10, 2019   | -                | 2,790,000                 | 2,790,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | September 12, 2019 | -                | 1,500,000                 | 1,500,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | January 16, 2020   | -                | 6,525,000                 | 6,525,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | February 27, 2020  | -                | 4,000,000                 | 4,000,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | August 29, 2019    | -                | 9,500,000                 | 9,500,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | August 16, 2019    | -                | 18,320,000                | 18,320,000                     | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | June 4, 2020       | -                | 250,000                   | 250,000                        | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | January 2, 2020    | -                | 3,250,000                 | 3,250,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | August 1, 2019     | -                | 3,260,000                 | 3,260,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | April 23, 2020     | -                | 14,958,000                | 14,958,000                     | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | May 7, 2020        | -                | 3,000,000                 | 3,000,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | March 12, 2020     | -                | 15,099,000                | 15,099,000                     | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | April 9, 2020      | -                | 3,925,000                 | 3,925,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | December 19, 2019  | -                | 9,910,000                 | 9,910,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | November 7, 2019   | -                | 9,200,000                 | 9,200,000                      | -                | -                | -            | -            | -  | -   |
| - 3 months                       |      | November 21, 2019  | -                | 3,250,000                 | 3,250,000                      | -                | -                | -            | -            | -  | -   |
| <b>Balance carried forward</b>   |      |                    |                  |                           |                                |                  |                  |              |              |  |   |

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

| Tenure | Note | Issue Date | Face value       |                           |                                |                  | At June 30, 2020 |              |              | Market value as a percentage of net assets | Market value as a percentage of total investments |
|--------|------|------------|------------------|---------------------------|--------------------------------|------------------|------------------|--------------|--------------|--|---|
|        |      |            | At July 01, 2019 | Purchases during the year | Sold / matured during the year | At June 30, 2020 | Carrying value   | Market value | Appreciation |  |   |

(Rupees in '000) %

**Balance brought forward**

- - -

**Treasury bills - 3 months**

|            |                  |   |            |            |   |   |   |   |   |   |
|------------|------------------|---|------------|------------|---|---|---|---|---|---|
| - 3 months | July 18, 2019    | - | 20,525,000 | 20,525,000 | - | - | - | - | - | - |
| - 3 months | October 24, 2019 | - | 10,700,000 | 10,700,000 | - | - | - | - | - | - |
| - 3 months | January 30, 2020 | - | 11,000,000 | 11,000,000 | - | - | - | - | - | - |

**Treasury bills**

|            |                    |   |            |            |        |        |        |    |       |     |
|------------|--------------------|---|------------|------------|--------|--------|--------|----|-------|-----|
| - 6 months | October 24, 2019   | - | 7,000,000  | 7,000,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | March 26, 2020     | - | 2,100,000  | 2,100,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | September 26, 2019 | - | 2,000,000  | 2,000,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | April 23, 2020     | - | 3,375,000  | 3,375,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | September 12, 2019 | - | 3,000,000  | 3,000,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | July 18, 2019      | - | 2,000,000  | 2,000,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | January 30, 2020   | - | 4,600,000  | 4,600,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | October 10, 2019   | - | 3,400,000  | 3,400,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | December 19, 2019  | - | 2,200,000  | 2,200,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | November 21, 2019  | - | 11,000,000 | 11,000,000 | -      | -      | -      | -  | -     | -   |
| - 6 months | May 7, 2020        | - | 16,380,000 | 16,365,000 | 15,000 | 14,597 | 14,640 | 43 | 0.05% | 44% |
| - 6 months | April 9, 2020      | - | 3,625,000  | 3,625,000  | -      | -      | -      | -  | -     | -   |
| - 6 months | November 7, 2019   | - | 12,900,000 | 12,900,000 | -      | -      | -      | -  | -     | -   |
| - 6 months | January 2, 2020    | - | 270,000    | 270,000    | -      | -      | -      | -  | -     | -   |
| - 6 months | June 4, 2020       | - | 250,000    | 250,000    | -      | -      | -      | -  | -     | -   |
| - 6 months | March 12, 2020     | - | 4,500,000  | 4,500,000  | -      | -      | -      | -  | -     | -   |

**Treasury bills**

|             |                    |   |           |           |        |        |        |    |       |     |
|-------------|--------------------|---|-----------|-----------|--------|--------|--------|----|-------|-----|
| - 12 months | December 19, 2019  | - | 2,450,000 | 2,450,000 | -      | -      | -      | -  | -     | -   |
| - 12 months | October 24, 2019   | - | 93,000    | 93,000    | -      | -      | -      | -  | -     | -   |
| - 12 months | September 26, 2019 | - | 8,710,000 | 8,701,000 | 9,000  | 8,844  | 8,854  | 10 | 0.03% | 26% |
| - 12 months | November 7, 2019   | - | 10,335    | -         | 10,335 | 10,059 | 10,088 | 29 | 0.04% | 30% |
| - 12 months | October 10, 2019   | - | 1,500,000 | 1,500,000 | -      | -      | -      | -  | -     | -   |
| - 12 months | September 12, 2019 | - | 3,394,000 | 3,394,000 | -      | -      | -      | -  | -     | -   |

**As at June 30, 2020**

5.1.3.1

**33,500 33,582 82**

As at June 30, 2019

- - -

**5.1.3.1** These will mature latest by November 07, 2020 (2019: Nil) and carry effective yield at the rates ranging from 7.67% to 8.02% (2019: Nil) per annum.

### 5.1.4 Letter of Placements

| Name of Investee Company | Face value       |                           |                         |                  | At June 30, 2020 |                |              | Market value as a percentage of net assets | Market value as a percentage of total investments |
|--------------------------|------------------|---------------------------|-------------------------|------------------|------------------|----------------|--------------|--|---|
|                          | At July 01, 2019 | Purchases during the year | Matured during the year | At June 30, 2020 | Face Value       | Carrying Value | Appreciation |  |   |

(Rupees in '000) %

|                                       |                  |   |           |           |   |   |   |   |   |
|---------------------------------------|------------------|---|-----------|-----------|---|---|---|---|---|
| Pak Brunei Investment Company Limited | October 29, 2019 | - | 1,000,000 | 1,000,000 | - | - | - | - | - |
| Pak Brunei Investment Company Limited | January 16, 2020 | - | 800,000   | 800,000   | - | - | - | - | - |

**As at June 30, 2020**

- - -

As at June 30, 2019

- - -

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

| 6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE | Note | June 30,<br>2020 | June 30,<br>2019 |
|---|------|------------------|------------------|
|   |      | (Rupees in '000) |                  |
| Advance tax   | 6.1  | 1,411            | 2,504            |
| Prepayments and security deposits                       |      | 285              | 268              |
| Profit receivable on savings accounts                   |      | 194,464          | 118,081          |
| Profit receivable on term deposit receipts              |      | -                | 12,138           |
| Other receivable  |      | 14,340           | 1,655            |
|   |      | 210,500          | 134,646          |

- 6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on profit on bank deposits to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on bank deposits was amounted to Rs 1.411 million (2019: Rs 2.504 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on bank deposits has been shown as other receivables as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

| 7 PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY | Note | June 30,<br>2020 | June 30,<br>2019 |
|--|------|------------------|------------------|
|  |      | (Rupees in '000) |                  |
| Management fee payable   | 7.1  | 9,263            | 11,432           |
| Sindh Sales Tax payable on remuneration of the Management Company                | 7.2  | 1,203            | 1,486            |
| Allocated expenses payable   | 7.3  | 2,185            | 754              |
| Selling and marketing expenses payable   | 7.4  | 4,654            | -                |
|  |      | 17,305           | 13,672           |

- 7.1** As per the amendment in the offering document, the Management Company with effect from August 8, 2019 has charged management fee at the rate up to 7.5% of the gross earnings of the scheme, calculated on a daily basis. Provided that the Fund is subject to a minimum fee of 0.25% of the average daily net assets of the scheme. Previously, the Fund has charged management fee at the rate of 7.5% of daily gross income subject to minimum of 0.25% of average annual net assets and maximum of 1% of average annual net assets of the Fund.
- 7.2** During the year, an amount of Rs. 12.391 million (2019: Rs 13.673 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 12.674 million (2019: Rs. 13.231 million) has been paid on account of sales tax on management fee to the Management Company which acts as a collecting agent.
- 7.3** 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).

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

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 .

- 7.4 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.

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,<br>2020        | June 30,<br>2019 |
|--|------|-------------------------|------------------|
| <b>8 PAYABLE TO CENTRAL DEPOSITORY<br/>COMPANY OF PAKISTAN LIMITED - TRUSTEE</b> |      | <b>(Rupees in '000)</b> |                  |
| Trustee remuneration payable   | 8.1  | 1,422                   | 901              |
| Sindh Sales Tax payable on trustee remuneration                                  | 8.2  | 185                     | 117              |
|  |      | 1,607                   | 1,018            |

- 8.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the year, the tariff was revised effective from July 1, 2019 as follows:

| Existing Tariff                   |  | Revised Tariff<br>(Flat Rate) |
|-----------------------------------|--|-------------------------------|
| Net Assets (Rs.)                  | Fee  |                               |
| -Upto Rs. 1 billion               | 0.15% per annum of Net Assets  | 0.065% p.a.<br>of Net Assets  |
| - Rs. 1 billion to Rs. 10 billion | 0.15% per annum of Net Assets  |                               |
| - Over Rs. 10 billion             | Rs. 8.25 million plus 0.06% per annum of Net Assets exceeding Rs. 10 billion |                               |

Remuneration is paid to the trustee on monthly basis in arrears.

- 8.2 During the year, an amount of Rs 1.638 million (2019: Rs 1.384 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 1.570 million (2019: Rs 1.383 million) was paid on account of sales tax on remuneration of trustee was paid to the Trustee which acts as a collecting agent.

|   | Note | June 30,<br>2020        | June 30,<br>2019 |
|---|------|-------------------------|------------------|
| <b>9. PAYABLE TO THE SECURITIES AND EXCHANGE<br/>COMMISSION OF PAKISTAN</b> |      | <b>(Rupees in '000)</b> |                  |
| Annual fee  | 9.1  | 3,874                   | 10,489           |

- 9.1 In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

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 year. Previously, the rate of annual fee applicable to money market scheme was 0.075%.

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

|   | Note | June 30,<br>2020 | June 30,<br>2019 |
|---|------|------------------|------------------|
| 10. ACCRUED AND OTHER LIABILITIES         |      | (Rupees in '000) |                  |
| Provision for Sindh Workers' Welfare Fund | 10.1 | 89,905           | 43,013           |
| Provision for federal excise duty on:     |      |                  |                  |
| - Remuneration of the Management Company  | 10.2 | 54,267           | 54,267           |
| - Sales load                              | 10.2 | 19               | 19               |
| Brokerage payable                         |      | 101              | 82               |
| Capital gain tax payable                  |      | 1,807            | 1,741            |
| Auditors' remuneration payable            |      | 653              | 594              |
| Printing expense payable                  |      | 40               | 40               |
| Other payable                             |      | 516              | 569              |
|   |      | 147,308          | 100,325          |

### 10.1 Provision for Sindh Workers' Welfare Fund

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re 0.3226 per unit (2019: Re 0.3114 per unit).

### 10.2 Federal Excise Duty Payable

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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.

During the year ended June 30, 2017, 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.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 54.286 million (2019: Rs. 54.286 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV per unit of the Fund would have been higher by Re 0.1948 per unit (June 30, 2019: Re 0.3930 per unit).

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

### 11. CONTINGENCIES AND COMMITMENTS

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

|                                   | June 30,<br>2020 | June 30,<br>2019 |
|-----------------------------------|------------------|------------------|
|                                   | (Rupees in '000) |                  |
| <b>12. AUDITORS' REMUNERATION</b> |                  |                  |
| Annual audit fee                  | 500              | 500              |
| Half yearly review fee            | 285              | 285              |
| Other certifications              | 50               | 50               |
| Out of pocket expenses            | 330              | 180              |
|                                   | 1,165            | 1,015            |

### 13. TAXATION

- 13.1** 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 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2020 to the unitholders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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.

|                                      | Note  | June 30,<br>2020 | June 30,<br>2019 |
|--------------------------------------|-------|------------------|------------------|
|                                      |       | (Rupees in '000) |                  |
| <b>14. CASH AND CASH EQUIVALENTS</b> |       |                  |                  |
| In deposit accounts                  | 4     | 27,503,627       | 10,111,642       |
| In current account                   | 4     | 519,995          | 972              |
| Term Deposit Receipts                | 5.1.1 | -                | 2,800,000        |
|                                      |       | 28,023,622       | 12,912,614       |

### 15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 1.19% (2019: 1.26%) which includes 0.34% (2019: 0.33%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund (if any), sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as a money market scheme.

### 16. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration to the Management Company of the Fund is determined in accordance with the provision of the NBFC Regulations and the Trust Deed.

Remuneration to the Trustee of the Fund is determined in accordance with the provision of the Trust Deed.

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

The details of transactions and balances at year end with related parties / connected persons are as follows:

### 16.1 Details of transactions with related parties / connected persons are as follows:

|  | For the year ended           |                  |
|--|------------------------------|------------------|
|  | June 30,<br>2020             | June 30,<br>2019 |
|  | ----- (Rupees in '000) ----- |                  |
| <b>MCB - Arif Habib Savings and Investments Limited - Management Company</b> |                              |                  |
| Remuneration including indirect taxes  | 107,714                      | 118,855          |
| Allocated expenses   | 19,379                       | 11,238           |
| Selling and marketing expenses   | 34,992                       | -                |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>              |                              |                  |
| Remuneration including indirect taxes  | 14,233                       | 12,029           |
| CDS charges  | 7                            | 7                |
| <b>MCB Bank Limited</b>  |                              |                  |
| Profit on Bank deposits  | 4,641                        | 1,874            |
| Bank charges   | 200                          | 132              |
| Purchase of securities - Face value: Rs. 1,000,000,000 (2019: Nil)           | 997,827                      | -                |
| Sale of securities - Face value: Nil (2019: Rs. 8,250,000,000)               | -                            | 8,193,772        |
| <b>Silk Bank Limited**</b>   |                              |                  |
| Purchase of securities - Face value: Nil (2019: Rs. 9,450,000,000)           | -                            | 9,305,932        |
| Sale of securities - Face value: Nil (2019: Rs. 33,429,200,000)              | -                            | 32,895,553       |
| <b>Arif Habib Limited</b>  |                              |                  |
| Brokerage*   | 44                           | 4                |

\* The amount disclosed represents the amount of brokerage paid or payable, as the case may be, 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.

\*\* No longer related party

### 16.2 Amounts outstanding at year end

|  | June 30,<br>2020             | June 30,<br>2019 |
|--|------------------------------|------------------|
|  | ----- (Rupees in '000) ----- |                  |
| <b>MCB - Arif Habib Savings and Investments Limited - Management Company</b> |                              |                  |
| Remuneration payable   | 9,263                        | 11,432           |
| Sales tax payable on remuneration of the Management Company                  | 1,203                        | 1,486            |
| Allocated expenses payable   | 2,185                        | 754              |
| Selling and marketing expenses payable                                       | 4,654                        | -                |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>              |                              |                  |
| Remuneration payable   | 1,422                        | 901              |
| Sindh Sales tax payable on remuneration of Trustee                           | 185                          | 117              |
| <b>MCB Bank Limited</b>  |                              |                  |
| Bank balance   | 43,089                       | 836,414          |
| Profit receivable on bank deposits   | 4,641                        | 1,385            |
| <b>Arif Habib Limited</b>  |                              |                  |
| Brokerage payable  | 44                           | 4                |

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

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

|   | 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)    |                   |                   |                     |
| <b>Associated Companies</b>   |                     |                    |                    |                     |                     |                   |                   |                     |
| MCB - Arif Habib Savings and Investments Limited - Management Company | 2,108,505           | 78,099,371         | 74,738,430         | 5,469,446           | 212,205             | 7,863,350         | 7,547,711         | 551,627             |
| Adamjee Insurance Company Limited.                                    | 25,706              | 2,023,332          | 2,049,038          | -                   | 2,587               | 203,633           | 206,846           | -                   |
| Hyundai Nishat Motor Private Limited                                  | -                   | 22,187             | -                  | 22,187              | -                   | 2,233             | -                 | 2,238               |
| Nishat Mills Limited Employees Provident Fund Trust                   | 141,826             | 3,890,457          | 4,032,283          | -                   | 14,274              | 391,545           | 406,789           | -                   |
| Adamjee Life Assurance Company Limited -HSF II Fund                   | -                   | 1,787,450          | 1,787,450          | -                   | -                   | 180,000           | 180,261           | -                   |
| MCB Financial Services Limited  | 730,103             | 129,154            | 24,840             | 834,417             | 73,479              | 12,998            | 2,500             | 84,156              |
| D.G. Khan Cement Company Limited                                      | 2                   | -                  | -                  | 2                   | -                   | -                 | -                 | -                   |
| Nishat Power Limited Employees Provident Fund Trust                   | 110,634             | 13,175             | 19,824             | 103,985             | 11,134              | 1,326             | 2,000             | 10,488              |
| Adamjee Insurance Company Limited - Employees Gratuity Fund           | 244,831             | 30,035             | 7,572              | 267,294             | 24,640              | 3,023             | 765               | 26,958              |
| Adamjee Insurance Company Limited - Employees Provident Fund          | 489,205             | 60,039             | 14,740             | 534,504             | 49,235              | 6,042             | 1,489             | 53,908              |
| Security General Insurance Company Limited                            | -                   | 5,518,352          | 1,001,021          | 4,517,331           | -                   | 555,380           | 100,999           | 455,601             |
| Security General Insurance Company Limited - Employees Provident Fund | 46,297              | 2,286              | 48,583             | -                   | 4,659               | 230               | 4,895             | -                   |
| Sayyed Engineers Limited  | 5,116               | 538                | -                  | 5,654               | 515                 | 54                | -                 | 570                 |
| <b>Total associated Companies</b>                                     | <b>3,902,225</b>    | <b>91,576,376</b>  | <b>83,723,781</b>  | <b>11,754,820</b>   | <b>392,728</b>      | <b>9,219,814</b>  | <b>8,454,255</b>  | <b>1,185,546</b>    |
| <b>Key management personnel*</b>                                      | <b>123,834</b>      | <b>17,683,236</b>  | <b>1,675,991</b>   | <b>16,131,079</b>   | <b>12,458</b>       | <b>779,269</b>    | <b>169,151</b>    | <b>1,626,918</b>    |
| <b>Mandate Under Discretionary Portfolio Services</b>                 | <b>11,725,053</b>   | <b>162,152,017</b> | <b>152,822,275</b> | <b>21,054,795</b>   | <b>1,180,036</b>    | <b>16,321,922</b> | <b>15,435,386</b> | <b>2,123,505</b>    |
| <b>Unit holders holding 10% or more units *</b>                       | <b>30,635,529</b>   | <b>113,718,112</b> | <b>58,140,191</b>  | <b>86,213,450</b>   | <b>3,083,230</b>    | <b>11,544,852</b> | <b>3,160,518</b>  | <b>8,695,155</b>    |

\* This reflects the position of related party / connected persons status as at June 30, 2020.

|   | June 30, 2019       |                   |                   |                     |                     |                  |                  |                     |
|---|---------------------|-------------------|-------------------|---------------------|---------------------|------------------|------------------|---------------------|
|   | 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)    |                  |                  |                     |
| <b>Associated Companies</b>   |                     |                   |                   |                     |                     |                  |                  |                     |
| MCB - Arif Habib Savings and Investments Limited - Management Company | 4,005,353           | 35,699,215        | 37,596,063        | 2,108,505           | 424,450             | 3,577,182        | 3,792,270        | 212,205             |
| Adamjee Insurance Co. Ltd.  | 2,550,579           | 293,609           | 2,818,482         | 25,706              | 270,287             | 29,522           | 285,000          | 2,587               |
| Nishat Mills Limited Employees Provident Fund Trust                   | 133,739             | 6,549,669         | 6,541,582         | 141,826             | 14,172              | 658,000          | 658,548          | 14,274              |
| Adamjee Insurance Co Limited Employees Provident Fund                 | 432,553             | 23,340            | 455,893           | -                   | 45,838              | 2,347            | 45,861           | -                   |
| MCB Financial Services Limited  | 574,808             | 155,295           | -                 | 730,103             | 60,913              | 15,415           | -                | 73,479              |
| D.G. Khan Cement Company Ltd  | 2                   | -                 | -                 | 2                   | -                   | -                | -                | -                   |
| Nishat Power Limited Employees Provident Fund Trust                   | -                   | 142,541           | 31,907            | 110,634             | -                   | 14,364           | 3,216            | 11,134              |
| Adamjee Insurance Co.Ltd. Employees Gratuity Fund                     | -                   | 539,068           | 294,237           | 244,831             | -                   | 54,274           | 29,622           | 24,640              |
| Adamjee Insurance Co.Ltd Employees Provident Fund                     | -                   | 1,077,242         | 588,037           | 489,205             | -                   | 108,485          | 59,200           | 49,235              |
| Security General Insurance Co. Ltd                                    | -                   | 999,135           | 999,135           | -                   | -                   | 100,458          | 100,638          | -                   |
| Security General Insurance Co. Ltd. Employees Provident Fund Trust    | 40,384              | 5,913             | -                 | 46,297              | 4,280               | 594,580          | -                | 4,659               |
| Sayyed Engineers Limited  | -                   | 5,116             | -                 | 5,116               | -                   | 514,414          | -                | 515                 |
| <b>Total associated Companies</b>                                     | <b>7,737,418</b>    | <b>45,490,143</b> | <b>49,325,336</b> | <b>3,902,225</b>    | <b>819,939</b>      | <b>5,669,041</b> | <b>4,974,355</b> | <b>392,728</b>      |
| <b>Key management personnel</b>                                       | <b>8,771</b>        | <b>314,281</b>    | <b>199,270</b>    | <b>123,782</b>      | <b>929</b>          | <b>31,565</b>    | <b>20,073</b>    | <b>12,458</b>       |
| <b>Mandate Under Discretionary Portfolio Services</b>                 | <b>5,164,874</b>    | <b>40,526,539</b> | <b>30,746,571</b> | <b>14,944,842</b>   | <b>547,325</b>      | <b>4,061,412</b> | <b>3,101,510</b> | <b>1,504,084</b>    |
| <b>Unit holders holding 10% or more units</b>                         | <b>-</b>            | <b>80,001,642</b> | <b>36,138,758</b> | <b>43,862,884</b>   | <b>-</b>            | <b>8,339,153</b> | <b>3,644,664</b> | <b>4,414,463</b>    |

### 17 FINANCIAL INSTRUMENTS BY CATEGORY

|  | 2020              |                                      |                   |
|--|-------------------|--------------------------------------|-------------------|
|  | At amortised cost | At fair value through profit or loss | Total             |
|  | Rupees in '000    |                                      |                   |
| <b>Financial assets</b>                |                   |                                      |                   |
| Balances with banks                    | 28,023,622        | -                                    | 28,023,622        |
| Investments                            | -                 | 33,582                               | 33,582            |
| Deposits and profit receivable         | 208,904           | -                                    | 208,904           |
| Receivable against sale of investments | 3,360,717         | -                                    | 3,360,717         |
|  | <b>31,593,243</b> | <b>33,582</b>                        | <b>31,626,825</b> |

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

| 2020                                 |                   |       |
|--------------------------------------|-------------------|-------|
| At fair value through profit or loss | At amortised cost | Total |

Rupees in '000

### Financial liabilities

|  |          |                  |                  |
|--|----------|------------------|------------------|
| Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company | -        | 17,305           | 17,305           |
| Payable to Central Depository Company of Pakistan Limited - Trustee                | -        | 1,607            | 1,607            |
| Payable against purchase of investments  | -        | 3,352,541        | 3,352,541        |
| Accrued and other liabilities  | -        | 1,310            | 1,310            |
|  | <u>-</u> | <u>3,372,763</u> | <u>3,372,763</u> |

| 2019              |                                      |       |
|-------------------|--------------------------------------|-------|
| At amortised cost | At fair value through profit or loss | Total |

Rupees in '000

### Financial assets

|                                |                   |                  |                   |
|--------------------------------|-------------------|------------------|-------------------|
| Balances with banks            | 10,112,614        | -                | 10,112,614        |
| Investments                    | -                 | 3,780,860        | 3,780,860         |
| Deposits and profit receivable | 131,974           | -                | 131,974           |
|                                | <u>10,244,588</u> | <u>3,780,860</u> | <u>14,025,448</u> |

| 2019                                 |                   |       |
|--------------------------------------|-------------------|-------|
| At fair value through profit or loss | At amortised cost | Total |

Rupees in '000

### Financial liabilities

|  |          |               |               |
|--|----------|---------------|---------------|
| Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company | -        | 13,672        | 13,672        |
| Payable to Central Depository Company of Pakistan Limited - Trustee                | -        | 1,018         | 1,018         |
| Accrued and other liabilities  | -        | 1,285         | 1,285         |
|  | <u>-</u> | <u>15,975</u> | <u>15,975</u> |

## 18. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the protection of unitholders' 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.

### 18.1 Market risk

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

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

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

#### 18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instrument in foreign currencies and hence is not exposed to such risk.

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

## 18.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on its balances with banks and investment in Market Treasury Bills. 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.

### a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based balances with banks which expose 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 assets of the and net income for the year would have been higher / lower by Rs 280.04 million (2019: Rs 101.12 million).

### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund holds investment in Market Treasury Bills that may expose the Fund to fair value interest rate risk. However, the same is insignificant due to the short term maturity of these investments.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Markets Association of Pakistan (FMAP) are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:

| June 30, 2020                       |                    |   |                    |                                      |       |
|-------------------------------------|--------------------|---|--------------------|--------------------------------------|-------|
| Yield / effective interest rate (%) | Up to three months | More than three months and up to one year | More than one year | Not exposed to yield / interest risk | Total |

----- Rupees in '000 -----

#### On-balance sheet financial instruments

##### Financial Assets

|  |                |                   |               |          |                  |                   |
|--|----------------|-------------------|---------------|----------|------------------|-------------------|
| Balances with banks                    | 5.5% to 14.45% | 27,503,627        | -             | -        | 519,995          | 28,023,622        |
| Market Treasury Bills                  | 7.67% to 8.02% | -                 | 33,582        | -        | -                | 33,582            |
| Deposits & profit receivable           |                | -                 | -             | -        | 208,904          | 208,904           |
| Receivable against sale of investments |                | -                 | -             | -        | 3,360,717        | 3,360,717         |
|  |                | <u>27,503,627</u> | <u>33,582</u> | <u>-</u> | <u>4,089,616</u> | <u>31,626,825</u> |

##### Financial Liabilities

|  |  |          |          |          |                  |                  |
|--|--|----------|----------|----------|------------------|------------------|
| Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company |  | -        | -        | -        | 17,305           | 17,305           |
| Payable to Central Depository Company of Pakistan Limited - Trustee                |  | -        | -        | -        | 1,607            | 1,607            |
| Payable against purchase of investments  |  | -        | -        | -        | 3,352,541        | 3,352,541        |
| Accrued expenses and other liabilities   |  | -        | -        | -        | 1,310            | 1,310            |
|  |  | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,372,763</u> | <u>3,372,763</u> |

#### On-balance sheet gap (a)

|  |                   |               |          |                |                   |
|--|-------------------|---------------|----------|----------------|-------------------|
|  | <u>27,503,627</u> | <u>33,582</u> | <u>-</u> | <u>716,853</u> | <u>28,254,062</u> |
|--|-------------------|---------------|----------|----------------|-------------------|

#### Off-balance sheet financial instruments

|  |   |   |   |   |   |
|--|---|---|---|---|---|
|  | - | - | - | - | - |
|--|---|---|---|---|---|

#### Off-balance sheet gap (b)

|  |   |   |   |   |   |
|--|---|---|---|---|---|
|  | - | - | - | - | - |
|--|---|---|---|---|---|

#### Total profit rate sensitivity gap (a+b)

|  |                   |               |          |  |  |
|--|-------------------|---------------|----------|--|--|
|  | <u>27,503,627</u> | <u>33,582</u> | <u>-</u> |  |  |
|--|-------------------|---------------|----------|--|--|

#### Cumulative profit rate sensitivity gap

|  |                   |                   |                   |  |  |
|--|-------------------|-------------------|-------------------|--|--|
|  | <u>27,503,627</u> | <u>27,537,209</u> | <u>27,537,209</u> |  |  |
|--|-------------------|-------------------|-------------------|--|--|

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

| June 30, 2019                       |                    |   |                    |                                      |       |
|-------------------------------------|--------------------|---|--------------------|--------------------------------------|-------|
| Yield / effective interest rate (%) | Up to three months | More than three months and up to one year | More than one year | Not exposed to yield / interest risk | Total |

Rupees in '000

### On-balance sheet financial instruments

#### Financial Assets

|                              |                  |                   |          |          |                  |                   |
|------------------------------|------------------|-------------------|----------|----------|------------------|-------------------|
| Balances with banks          | 3.75% to 13.70%  | 10,111,642        | -        | -        | 972              | 10,112,614        |
| Term deposit receipts        | 11.59% to 13.50% | 2,800,000         | -        | -        | -                | 2,800,000         |
| Commercial papers            | 11.75%           | -                 | -        | -        | 980,860          | 980,860           |
| Deposits & profit receivable |                  | -                 | -        | -        | 131,974          | 131,974           |
|                              |                  | <u>12,911,642</u> | <u>-</u> | <u>-</u> | <u>1,113,806</u> | <u>14,025,448</u> |

#### Financial Liabilities

|  |  |          |          |          |               |               |
|--|--|----------|----------|----------|---------------|---------------|
| Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company |  | -        | -        | -        | 13,672        | 13,672        |
| Payable to Central Depository Company of Pakistan Limited - Trustee                |  | -        | -        | -        | 1,018         | 1,018         |
| Accrued expenses and other liabilities   |  | -        | -        | -        | 1,285         | 1,285         |
|  |  | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,975</u> | <u>15,975</u> |

### On-balance sheet gap (a)

|  |                   |          |          |                  |                   |
|--|-------------------|----------|----------|------------------|-------------------|
|  | <u>12,911,642</u> | <u>-</u> | <u>-</u> | <u>1,097,831</u> | <u>14,009,473</u> |
|--|-------------------|----------|----------|------------------|-------------------|

### Off-balance sheet financial instruments

|  |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
|  | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
|--|----------|----------|----------|----------|----------|

### Off-balance sheet gap (b)

|  |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
|  | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
|--|----------|----------|----------|----------|----------|

### Total profit rate sensitivity gap (a+b)

|  |                   |          |          |  |  |
|--|-------------------|----------|----------|--|--|
|  | <u>12,911,642</u> | <u>-</u> | <u>-</u> |  |  |
|--|-------------------|----------|----------|--|--|

### Cumulative profit rate sensitivity gap

|  |                   |                   |                   |  |  |
|--|-------------------|-------------------|-------------------|--|--|
|  | <u>12,911,642</u> | <u>12,911,642</u> | <u>12,911,642</u> |  |  |
|--|-------------------|-------------------|-------------------|--|--|

### 18.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest 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. The Fund does not hold any financial instruments that exposes it to price risk .

### 18.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed.

Credit risk arises from deposits with banks and financial instruments, profit receivable on balances with banks, receivable against conversion of units and credit exposure arising as a result of receivable against sale of investments. Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

The table below analyses the Fund's maximum exposure to credit risk:

|  | 2020   |                                 | 2019   |                                 |
|--|--|---------------------------------|--|---------------------------------|
|  | Balance as per statement of assets and liabilities | Maximum exposure to credit risk | Balance as per statement of assets and liabilities | Maximum exposure to credit risk |
| Balances with banks                    | 28,023,622   | 28,023,622                      | 10,112,614   | 10,112,614                      |
| Investments                            | 33,582   | -                               | 3,780,860  | -                               |
| Deposits and profit receivable         | 208,904  | 208,904                         | 131,974  | 131,974                         |
| Receivable against sale of investments | 3,360,717  | 3,360,717                       | -  | -                               |
|  | <u>31,626,825</u>                                  | <u>31,593,243</u>               | <u>14,025,448</u>                                  | <u>10,244,588</u>               |

Rupees in '000

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

Difference in the balance as per statement of assets and liabilities and maximum exposure to credit risk is due to the fact that investment in Market Treasury Bills of Rs. 33.582 (2019: Rs. 3,780.860) million is not exposed to credit risk.

The analysis below summarizes the credit rating quality of the Fund's financial assets.

| <b>Bank balances by rating category</b> | <b>2020</b>   | <b>2019</b> |
|---|---------------|-------------|
|   | ----- % ----- |             |
| AAA                                     | 99.97         | 97.00       |
| AA+                                     | 0.03          | -           |
| AA*                                     | -             | 3.00        |
|   | <u>100</u>    | <u>100</u>  |

\* Nil figures due to rounding off

The analysis below summarizes the credit quality of the Fund's investments as at June 30, 2020 and June 30, 2019:

| <b>Investments by rating category</b> | <b>June 30,<br/>2020</b> | <b>June 30,<br/>2019</b> |
|---------------------------------------|--------------------------|--------------------------|
|                                       | ----- % -----            |                          |
| Government securities                 | 100.00                   | -                        |
| AAA                                   | -                        | 50.00                    |
| AA, AA+                               | -                        | 50.00                    |

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

### 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 counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

### 18.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily redemptions at the option of unitholders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

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

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

| 2020           |   |  |  |                   |  |       |
|----------------|---|--|--|-------------------|--|-------|
| Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |

----- Rupees in '000 -----

### Financial liabilities

|  |                  |   |   |   |   |                  |
|--|------------------|---|---|---|---|------------------|
| Payable to MCB-Arif Habib Savings and Investments Limited - Management Company | 17,305           | - | - | - | - | 17,305           |
| Payable to Central Depository Company of Pakistan Limited - Trustee            | 1,607            | - | - | - | - | 1,607            |
| Payable against purchase of investments  | 3,352,541        | - | - | - | - | 3,352,541        |
| Accrued and other liabilities  | 1,310            | - | - | - | - | 1,310            |
|  | <b>3,372,763</b> | - | - | - | - | <b>3,372,763</b> |

| 2019           |   |  |  |                   |  |       |
|----------------|---|--|--|-------------------|--|-------|
| Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |

----- Rupees in '000 -----

### Financial liabilities

|  |               |   |   |   |   |               |
|--|---------------|---|---|---|---|---------------|
| Payable to MCB-Arif Habib Savings and Investments Limited - Management Company | 13,672        | - | - | - | - | 13,672        |
| Payable to Central Depository Company of Pakistan Limited - Trustee            | 1,018         | - | - | - | - | 1,018         |
| Accrued and other liabilities  | 1,285         | - | - | - | - | 1,285         |
|  | <b>15,975</b> | - | - | - | - | <b>15,975</b> |

## 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

### Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

As at June 30, 2020, the Fund held the following financial instruments measured at fair values:

| ----- June 30, 2020 -----                                    |         |         |         |        |
|--|---------|---------|---------|--------|
|  | Level 1 | Level 2 | Level 3 | Total  |
| ----- (Rupees in '000) -----                                 |         |         |         |        |
| <b>Financial assets at fair value through profit or loss</b> |         |         |         |        |
| Market Treasury Bills  | -       | 33,582  | -       | 33,582 |
|  | -       | 33,582  | -       | 33,582 |

| ----- June 30, 2019 -----                                    |         |           |         |           |
|--|---------|-----------|---------|-----------|
|  | Level 1 | Level 2   | Level 3 | Total     |
| ----- (Rupees in '000) -----                                 |         |           |         |           |
| <b>Financial assets at fair value through profit or loss</b> |         |           |         |           |
| Term Deposit Receipts  | -       | 2,800,000 | -       | 2,800,000 |
| Commercial Papers  | -       | 980,860   | -       | 980,860   |
|  | -       | 3,780,860 | -       | 3,780,860 |

### 20. UNITHOLDERS' FUND RISK MANAGEMENT

The unitholders' fund is represented by redeemable units. These units are entitled to dividends and to payment of their proportionate share of the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unitholders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unitholders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unitholders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

### 21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| S. No. | Name                      | Designation              | Qualification | Experience in years |
|--------|---------------------------|--------------------------|---------------|---------------------|
| 1      | Mr. Muhammad Saqib Saleem | Chief Executive Officer  | FCA & FCCA    | 22.5                |
| 2      | Mr. Muhammad Asim         | Chief Investment Officer | MBA & CFA     | 17                  |
| 3      | Mr. Awais Abdul Sattar    | Head of Research         | MBA & CFA     | 8.8                 |
| 4      | Mr. Saad Ahmed            | Head of Fixed Income     | MBA           | 14.3                |
| 5      | Syed Mohammad Usama Iqbal | Fund Manager             | Graduate      | 16.3                |

#### 21.1 Mr. Saad Ahmed is the Fund Manager. Details of the other funds being managed by him are as follows:

- Pakistan Cash Management Fund
- MCB DCF Income Fund
- MCB Pakistan Sovereign Fund
- Alhamra Daily Dividend Fund
- Pakistan Income Enhancement Fund

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

### 22. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

|   | 2020<br>(Percentage) |
|---|----------------------|
| 1 Invest One Markets (Private) Limited    | 27.00                |
| 2 Icon Securities (Private) Limited       | 12.00                |
| 3 Bright Capital (Private) Limited        | 9.00                 |
| 4 Pearl Securities Limited                | 9.00                 |
| 5 Currency Market Associate               | 9.00                 |
| 6 Continental Exchange (Private) Limited  | 8.00                 |
| 7 Arif Habib Limited                      | 7.00                 |
| 8 Optimas Capital Management              | 6.00                 |
| 9 BMA Capital Management Limited          | 6.00                 |
| 10 JS Global Capital Limited              | 3.00                 |
|   |                      |
|   | 2019<br>(Percentage) |
| 1 Continental Exchange (Private) Limited  | 20.52                |
| 2 Vector Capital (Private) Limited        | 18.42                |
| 3 Pearl Securities Limited                | 12.09                |
| 4 Invest One Markets (Private) Limited    | 9.88                 |
| 5 Optimus Market Private Limited          | 9.23                 |
| 6 Bright Capital (Private) Limited        | 7.85                 |
| 7 C and M Management (Private) Limited    | 5.24                 |
| 8 Paramount Capital (Private) Limited     | 4.57                 |
| 9 Bma Capital Management Limited          | 3.37                 |
| 10 Al Hoqani Securities (Private) Limited | 3.27                 |

### 23. PATTERN OF UNITHOLDING

| ----- As at June 30, 2020----- |                          |                    |  |                               |
|--------------------------------|--------------------------|--------------------|--|-------------------------------|
|                                | Number of<br>unitholders | Number of<br>units | Investment<br>amount<br><small>(Rupees in '000')</small> | Percentage<br>investment<br>% |
| Individuals                    | 1,968                    | 82,915,190         | 8,362,505  | 30%                           |
| Insurance Companies            | 1                        | 251,312            | 25,346   | 0%                            |
| Retirement funds               | 55                       | 8,607,957          | 868,165  | 3%                            |
| Associated Companies           | 10                       | 11,754,820         | 1,185,546  | 4%                            |
| Others                         | 1,252                    | 175,142,781        | 17,664,224   | 63%                           |
|                                | 3,286                    | 278,672,060        | 28,105,786   | 100%                          |

| ----- As at June 30, 2019----- |                          |                    |  |                               |
|--------------------------------|--------------------------|--------------------|--|-------------------------------|
|                                | Number of<br>unitholders | Number of<br>units | Investment<br>amount<br><small>(Rupees in '000')</small> | Percentage<br>investment<br>% |
| Individuals                    | 1,998                    | 27,739,230         | 2,791,741  | 20%                           |
| Retirement funds               | 60                       | 11,437,616         | 1,151,109  | 8%                            |
| Public Listed Companies        | 59                       | 88,072,567         | 8,863,829  | 64%                           |
| Associated Companies           | 9                        | 3,897,109          | 392,213  | 3%                            |
| Others                         | 29                       | 6,992,311          | 703,724  | 5%                            |
|                                | 2,155                    | 138,138,833        | 13,902,616   | 100%                          |

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

### 24. ATTENDANCE AT MEETINGS OF THE 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 |                       |
| Mr. 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 (CEO)        | 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 held on February 06, 2020 wherein all retiring directors except for Mr. Mian Muhammad Mansha and Mr. Samad A. Habib were re-elected.

\*\*\*\*Appointed on September 04, 2019

### 25. INTERIM CASH DISTRIBUTIONS DURING THE YEAR

| -----June 30, 2020-----                 |               |                    |                   |                          |
|---|---------------|--------------------|-------------------|--------------------------|
|   | Rate per unit | Declaration date   | Refund of Capital | Distribution from Income |
| ----- Rupees in '000 -----              |               |                    |                   |                          |
| For the period ended July 19, 2019      | Re 0.6999     | July 22, 2019      | 3,997             | 91,659                   |
| For the period ended August 2, 2019     | Re 0.4732     | August 5, 2019     | 5,224             | 54,103                   |
| For the period ended August 16, 2019    | Re 0.4808     | August 19, 2019    | 1,665             | 60,254                   |
| For the period ended September 6, 2019  | Re 0.8042     | September 11, 2019 | 6,557             | 102,019                  |
| For the period ended September 20, 2019 | Re 0.4381     | September 23, 2019 | 1,267             | 54,905                   |
| For the period ended October 4, 2019    | Re 0.5100     | October 7, 2019    | 1,666             | 64,984                   |
| For the period ended October 18, 2019   | Re 0.5122     | October 21, 2019   | 2,453             | 67,638                   |
| For the period ended November 1, 2019   | Re 0.4950     | November 4, 2019   | 4,449             | 66,881                   |
| For the period ended November 15, 2019  | Re 0.4501     | November 18, 2019  | 6,388             | 76,107                   |
| For the period ended December 6, 2019   | Re 0.6885     | December 9, 2019   | 9,195             | 129,272                  |
| For the period ended December 20, 2019  | Re 0.4998     | December 23, 2019  | 3,840             | 99,455                   |
| For the period ended January 03, 2020   | Re 0.5102     | January 6, 2020    | 2,480             | 96,494                   |
| For the period ended January 17, 2020   | Re 0.5019     | January 20, 2020   | 3,271             | 96,665                   |
| For the period ended February 07, 2019  | Re 0.7188     | February 10, 2020  | 9,039             | 134,222                  |
| For the period ended February 21, 2020  | Re 0.4842     | February 24, 2020  | 2,977             | 95,160                   |
| For the period ended March 06, 2020     | Re 0.4939     | March 09, 2020     | 2,755             | 100,225                  |
| For the period ended March 06, 2020     | Re 0.5943     | March 24, 2020     | 8,878             | 127,982                  |
| For the period ended April 03, 2020     | Re 0.4626     | April 06, 2020     | 7,603             | 110,203                  |
| For the period ended April 17, 2020     | Re 0.5675     | April 20, 2020     | 6,466             | 145,839                  |
| For the period ended April 30, 2020     | Re 0.4359     | May 4, 2020        | 2,085             | 98,937                   |
| For the period ended May 15, 2020       | Re 0.2786     | May 18, 2020       | 742               | 54,493                   |
| For the period ended June 05, 2020      | Re 0.4499     | June 8, 2020       | 17,602            | 93,299                   |
| For the period ended June 19, 2020      | Re 0.3067     | June 22, 2020      | 3,092             | 75,206                   |
|   |               |                    | 113,691           | 2,096,002                |

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

| June 30, 2019                       |                  |                      |                             |                  |
|-------------------------------------|------------------|----------------------|-----------------------------|------------------|
| Rate per unit                       | Declaration date | Refund of<br>Capital | Distribution<br>from Income |                  |
| ----- Rupees in '000 -----          |                  |                      |                             |                  |
| For the period ended Aug 05, 2018   | Re 0.6385        | Aug 06, 2018         | 3,682                       | 75,844           |
| For the period ended Aug 19, 2018   | Re 0.2540        | Aug 20, 2018         | 153                         | 29,841           |
| For the period ended Sep 09, 2018   | Re 0.3899        | Sep 10, 2018         | 1,841                       | 45,441           |
| For the period ended Sep 23, 2018   | Re 0.2667        | Sep 24, 2018         | 107                         | 31,907           |
| For the period ended Oct 05, 2018   | Re 0.2837        | Oct 08, 2018         | 2,837                       | 37,809           |
| For the period ended Oct 19, 2018   | Re 0.2986        | Oct 22, 2018         | 2,448                       | 42,296           |
| For the period ended Nov 07, 2018   | Re 0.3276        | Nov 08, 2018         | 4,258                       | 51,508           |
| For the period ended Nov 16, 2018   | Re 0.2637        | Nov 19, 2018         | 1,442                       | 46,458           |
| For the period ended Dec 07, 2018   | Re 0.3782        | Dec 10, 2018         | 8,612                       | 60,278           |
| For the period ended Dec 21, 2018   | Re 0.3604        | Dec 24, 2018         | 407                         | 63,553           |
| For the period ended Jan 20, 2019   | Re 0.7131        | Jan 20, 2019         | 10,639                      | 69,875           |
| For the period ended Feb 03, 2019   | Re 0.3385        | Feb 03, 2019         | 549                         | 37,036           |
| For the period ended Feb 17, 2019   | Re 0.3868        | Feb 17, 2019         | 1,000                       | 43,834           |
| For the period ended Mar 03, 2019   | Re 0.3667        | Mar 03, 2019         | 3,605                       | 41,350           |
| For the period ended Mar 17, 2019   | Re 0.3718        | Mar 17, 2019         | 440                         | 42,512           |
| For the period ended April 07, 2019 | Re 0.5711        | Apr 07, 2019         | 2,169                       | 65,110           |
| For the period ended Apr 21, 2019   | Re 0.3738        | Apr 21, 2019         | 1,845                       | 45,450           |
| For the period ended May 19, 2019   | Re 0.7377        | May 19, 2019         | 19,164                      | 111,380          |
| For the period ended June 27, 2019  | Rs 1.1584        | Jun 28, 2019         | 10,842                      | 151,949          |
|                                     |                  |                      | <u>76,043</u>               | <u>1,093,431</u> |

### 26. 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.

### 27. GENERAL

27.1 Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

### 27.2 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- c) The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- d) Time period to ensure compliance with minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased from 3 months to 180 days for Open End Schemes;
- e) Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

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

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## 27.3 Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

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**

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| No. of Unit Holders | Unit Holdings      | Total Units Held   |
|---------------------|--------------------|--------------------|
| 1302                | 001-10,000         | 23,041             |
| 527                 | 10,001 – 100,000   | 182,915            |
| 642                 | 100,001 – 1000,000 | 2,764,189          |
| 815                 | 1000,001+          | 275,701,914        |
| <b>3286</b>         |                    | <b>278,672,060</b> |

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

| Performance Information                            | 2020        | 2019       | 2018     | 2017    |
|--|-------------|------------|----------|---------|
| Total Net Assets Value – Rs. in million            | 28,105.7866 | 13,902.616 | 11,993   | 10,093  |
| Net Assets value per unit – Rupees                 | 100.8561    | 100.6423   | 105.9707 | 100.53  |
| Closing Offer Price                                | 100.8561    | 100.6423   | 105.9707 | 100.53  |
| Closing Repurchase Price                           | 100.8561    | 100.6423   | 105.9707 | 100.53  |
| Highest offer price per unit                       | 101.4111    | 101.6709   | 105.9707 | 106.95  |
| Lowest offer price per unit                        | 100.6423    | 100.5452   | 100.579  | 100.34  |
| Highest Redemption price per unit                  | 101.4111    | 101.6709   | 105.9707 | 106.95  |
| Lowest Redemption price per unit                   | 100.6423    | 100.5452   | 100.579  | 100.34  |
| Distribution per unit – Rs. *                      | 11.8563     | 13.9047    | -        | 6.90    |
|  |             |            |          |         |
| <b>Average Annual Return - %</b>                   |             |            |          |         |
| One year   | 12.71       | 8.88       | 5.41     | 7.11    |
| Two year   | 10.80       | 7.15       | 6.26     | 6.44    |
| Three year (inception date September 30, 2009)     | 9.00        | 7.13       | 6.10     | 7.24    |
|  |             |            |          |         |
| Net Income for the period – Rs. in million         | 2,297.7126  | 1,190.9620 | 673.48   | 140.68  |
| Distribution made during the year – Rs. in million | 2,209.6929  | 1,783.4760 | -        | 157.20  |
| Accumulated Capital Growth – Rs. in million        | 88.0197     | -592.5140  | 673.48   | (16.52) |
| Weighted average Portfolio Duration (months)       | 0.03        | 0.37       | 0.03     | 0.23    |

**\* Date of Distribution**

| 2020          |        | 2019          |        |
|---------------|--------|---------------|--------|
| Date          | Rate   | Date          | Rate   |
| July 22, 2019 | 0.6999 | 4-Jul-18      | 5.4255 |
| Aug 5, 2019   | 0.4732 | 6-Aug-18      | 0.6385 |
| Aug 19, 2019  | 0.4808 | 20-Aug-18     | 0.254  |
| Sep 11, 2019  | 0.8042 | 10-Sep-18     | 0.3899 |
| Sep 23, 2019  | 0.4381 | 24-Sep-18     | 0.2667 |
| Oct 7, 2019   | 0.5100 | 8-Oct-18      | 0.2837 |
| Oct 21, 2019  | 0.5122 | 22-Oct-18     | 0.2986 |
| Nov 4, 2019   | 0.4950 | 8-Nov-18      | 0.3276 |
| Nov 18, 2019  | 0.4501 | 19-Nov-18     | 0.2637 |
| Dec 9, 2019   | 0.6885 | 10-Dec-18     | 0.3782 |
| Dec 23, 2019  | 0.4998 | 24-Dec-18     | 0.3604 |
| Jan 6, 2020   | 0.5102 | 21-Jan-19     | 0.7131 |
| Jan 20, 2020  | 0.5019 | 4-Feb-19      | 0.3385 |
| Feb 10, 2020  | 0.7188 | 18-Feb-19     | 0.3868 |
| Feb 24, 2020  | 0.4842 | 4-Mar-19      | 0.3667 |
| Mar 09, 2020  | 0.4939 | 18-Mar-19     | 0.3718 |
| Mar 24, 2020  | 0.5943 | 8-Apr-19      | 0.5711 |
| Apr 06, 2020  | 0.4626 | 22-Apr-19     | 0.3738 |
| Apr 20, 2020  | 0.5675 | 20-May-19     | 0.7377 |
| May 4, 2020   | 0.4359 | 28-Jun-19     | 1.1584 |
| May 18, 2020  | 0.2786 |               |        |
| June 8, 2020  | 0.4499 |               |        |
| June 22, 2020 | 0.3067 |               |        |
|               |        |               |        |
| 2018          |        | 2017          |        |
| Date          | Rate   | Date          | Rate   |
|               | Nil    | June 19, 2017 | 6.90   |

**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.

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