



Meezan
Dedicated Equity Fund

Meezan Dedicated Equity Fund (MDEF)

Meezan Dedicated Equity Fund aims to provide Fund of Funds scheme a dedicated platform to seek long term capital appreciation.

**LARGEST INDUSTRY
CUSTOMER** BASE OF OVER
120,000



FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal Karachi 74400, Pakistan.
Phone (9221) 35630722-6, 111-MEEZAN
Fax: (9221) 35676143, 35630808
Website: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Shaukat Khan (Kamila)	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. Moin M. Fudda	Chairman
Mr. Arshad Majeed	Member
Mr. Naeem Abdul Sattar	Member

RISK MANAGEMENT COMMITTEE

Mr. Muhammad Abdullah Ahmed	Chairman
Syed Amir Ali Zaidi	Member
Mr. Naeem Abdul Sattar	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

TRUSTEE

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S., Main Sharah-e-Faisal Karachi.

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants
State Life Building# 1-C,
I.I. Chundrigar Road, Karachi-74000

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Dubai Islamic Bank Pakistan Limited
Habib Metropolitan Bank Limited - Islamic Banking
Meezan Bank Limited

LEGAL ADVISER

Bawaney & Partners
3rd & 4th Floor, 68-C, Lane-13, Bokhari Commercial Area,
Phase VI, DHA, Karachi.
Phone (9221) 35156191-94 Fax: (9221) 35156195
E-mail:

TRANSFER AGENT

Meezan Bank Limited
Meezan House
C-25, Estate Avenue, SITE, Karachi.
Phone: 38103538 Fax: 36406017
Website: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER Meezan Dedicated Equity Fund

Type of Fund

Open end Shariah Compliant Equity Scheme

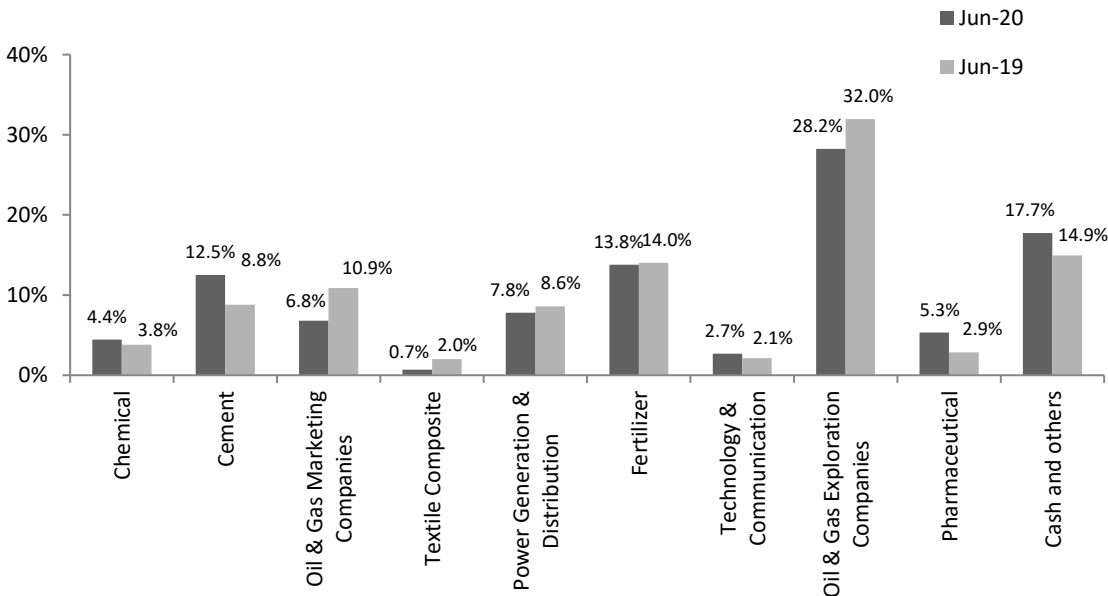
Objective

The investment objective of the fund is to provide Fund of Funds schemes a dedicated equity platform to seek long term capital appreciation.

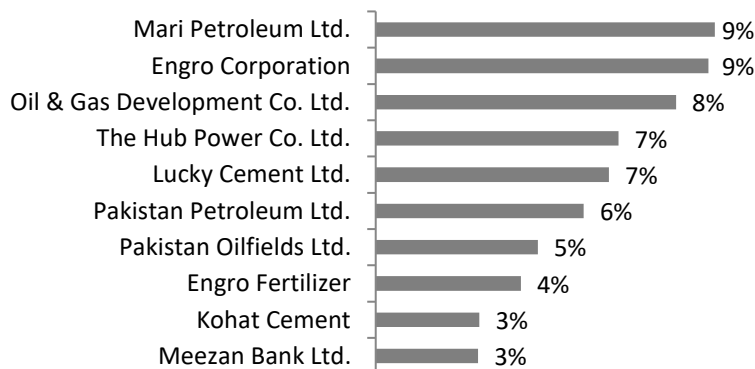
Investment Policy

It primarily invests in Shariah compliant listed equity securities or securities whose listing has been approved by the exchange. In case the fund manager expects the stock market to drop, based on his analysis of macroeconomic factors such as interest rates, economic growth rates, political climate, corporate earnings, stock market valuations, etc., the portfolio may be temporarily allocated to other allowable asset classes, subject to the prescribed limits.

Sector Allocation for the year ended FY19 and FY20



Top Holdings



Performance Review

During fiscal year 2020, Meezan Dedicated Fund (MDEF) provided a negative return of 2.56% to its investors while KSE Meezan Index (KMI 30) appreciated by 1.62% to close at 54,995 pts.

	<u>MDEF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2019 –Rs.	35.51	54,119
Net Asset Value (NAV) as on June 30, 2020 –Rs.	34.60	54,995
Return During the Period	-2.56%	1.62%

MDEF posted a total loss of Rs. 78 million in FY20. Total loss comprised of realised loss and unrealized gain on investments of Rs. 164 million and Rs. 31 million respectively. Dividend income contributed Rs. 48 million to income while profit on saving accounts with banks amounted to Rs. 8 million. After accounting for expenses of Rs. 38 million, the Fund posted a net loss of Rs. 116 million. The net assets of the Fund as at June 30, 2020 were Rs. 619 million. The net asset value per unit as at June 30, 2020 was Rs. 34.60.

Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the period ended June 30, 2020 an amount of Rs. 1 million was accrued as charity payable.

Distributions

There is NIL distribution by the Fund during the period ended June 30, 2020.

Breakdown of unit holdings by size

(As on June 30, 2020)

Range (Units)	No. of Investors
1 - 9,999	0
10,000 - 49,999	0
50,000 - 99,999	0
100,000 - 499,999	1
500,000 and above	7
Total	8

Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
Number	3	3	0	0
Percentage		100%	0%	0%

The proxy voting policy of **Al Meezan Investment Management Limited**, duly approved by Board of Directors of the Management Company, is available on the website www.almeezangroup.com. A detailed information regarding actual proxies voted by the Management Company in respect of funds is also available without charge, upon request, to all unit holders.

PERFORMANCE TABLE	2020	2019	2018
Net assets (Rs in '000) (ex-distribution)	619,015	1,761,074	1,856,832
Net assets value / redemption price per unit as at June 30 (Rs)	34.6044	35.5080	48.5347
Offer price per unit as at June 30 (Rs)	35.7775	36.7120	50.1800
Highest offer price per unit (Rs)	46.2032	51.8269	56.3168
Lowest offer price per unit (Rs)	26.9907	35.8160	47.8900
Highest redemption price per unit (Rs)	44.6883	50.1276	54.4703
Lowest redemption price per unit (Rs)	26.1058	34.6417	46.3193
Distribution (%)	N/A	N/A	N/A
Date of distribution	N/A	N/A	N/A
Total return (%)	- 2.56 -	26.80 -	2.90
Average annual return (%) as at June 30, 2020	- 2.56 -	15.55 -	16.78



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor –Meezan Dedicated Equity Fund

August 4, 2020/ Dhu'l-Hijjah 13, 1441

Alhamdulillah, the period from July 01, 2019 to June 30, 2020 was the Third year of operations of Meezan Dedicated Equity Fund (MDEF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity

In the capacity of *Shari'ah Advisor*, we have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non-Shari'ah compliant activities to Total assets (iv) Shari'ah Non-Compliant Income to Gross Revenue (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *Shari'ah* compliance in line with the *Shari'ah* guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of MDEF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MDEF as on June 30, 2020 and their evaluation according to the screening criteria established by us. (December 31, 2019 accounts of the Investee companies have been used for the following calculations*):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Mari Petroleum Ltd.	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Engro Corporation Ltd	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
Oil & Gas Development Co. Ltd.	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



The Hub Power Co. Ltd.**	Power Generation & Distribution Company	32.34%	0.00%	7.32%	53.77%	(43.08)	
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137
Pakistan Oilfields Ltd.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72
Engro Fertilizer Ltd.	Fertilizer	26.23%	4.34%	1.34%	69.88%	(34.07)	
Kohat Cement Ltd.	Cement	22.30%	0.70%	0.07%	94.14%	(54.09)	

* These ratios are for the calculation of non-*Shari'ah* Compliant Element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

** All interest based debts.

*** Debt is considered excluding circular debt.

**** OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.

- ii. On the basis of information provided by the management, all operations of MDEF for the year ended June 30, 2020 have been in compliance with the *Shari'ah* principles.

In light of the above, we hereby certify that all the provisions of the Scheme and investments made on account of MDEF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank

Shari'ah Advisor

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-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

MEEZAN DEDICATED EQUITY FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Dedicated Equity Fund (the Fund) are of the opinion that Al Meezan Investment Management 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 24, 2020



INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Meezan Dedicated Equity Fund

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with 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	Net Asset Value (Refer note 6 to the financial statements)	
	Investments constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 595.501 million. The existence and proper valuation of investments 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">▪ Tested the design and operating effectiveness of the key controls for valuation of investments;▪ Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2020 and traced it with the books and records of the Fund; and▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

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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
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



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.

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- 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 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 **Salman Hussain**.

Chartered Accountants

Karachi

Date: September 22, 2020



**MEEZAN DEDICATED EQUITY FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2020**

	2020	2019
Note	-----Rupees in '000'-----	
Assets		
Balances with banks	22,127	110,688
Investments	595,501	1,658,927
Dividend receivable	178	1,120
Receivable against sale of investment	5,113	-
Advances, deposits and other receivables	3,929	1,886
Total assets	626,848	1,772,621
Liabilities		
Payable to AI Meezan Investment Management Limited - Management Company	1,818	5,286
Payable to Central Depository Company of Pakistan Limited - Trustee	117	263
Payable to the Securities and Exchange Commission of Pakistan	209	1,864
Payable against purchase of investments	2,616	-
Payable against redemption and conversion of units	36	1,500
Accrued expenses and other liabilities	3,037	2,634
Total liabilities	7,833	11,547
NET ASSETS	619,015	1,761,074
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	619,015	1,761,074
CONTINGENCIES AND COMMITMENTS	12	
NUMBER OF UNITS IN ISSUE	17,888,339	49,596,421
NET ASSET VALUE PER UNIT	34.6044	35.5081

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For AI-Meezan Investment Management Limited
(Management Company)**

Chief Executive

Chief Financial Officer

Director

**MEEZAN DEDICATED EQUITY FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
Note	-----Rupees in '000'-----	
Income		
Profit on balances with banks	7,587	8,115
Dividend income	47,750	79,935
Realised loss on sale of investments - net	(164,323)	(289,217)
Other Income	500	-
	(108,486)	(201,167)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	6.2 30,683	(338,750)
Total loss	(77,803)	(539,917)
Expenses		
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1 20,568	39,234
Sindh Sales Tax on remuneration of the Management Company	8.2 2,674	5,100
Allocated expenses	15 1,028	1,962
Selling and marketing expenses	16 4,114	7,847
Remuneration of Central Depository Company of Pakistan Limited- Trustee	9.1 1,817	2,962
Sindh Sales Tax on remuneration of the Trustee	9.2 236	385
Annual fees to the Securities and Exchange Commission of Pakistan	10 209	1,864
Brokerage expense	4,526	4,284
Auditors' remuneration	13 386	235
Charity expense	11.1 1,350	1,529
Printing expense	10	40
Fee and subscription	570	560
Bank and settlement charges	511	435
Total expenses	37,999	66,437
Net loss for the year before taxation	(115,802)	(606,354)
Taxation	17 -	-
Net loss for the year after taxation	(115,802)	(606,354)
Allocation of net income for the year		
Net income for the year after taxation	-	-
Income already paid on units redeemed	-	-
Accounting income available for distribution	-	-
- Relating to capital gains	-	-
- Excluding capital gains	-	-

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For Al-Meezan Investment Management Limited
(Management Company)**

Chief Executive

Chief Financial Officer

Director

**MEEZAN DEDICATED EQUITY FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**



Meezan
Dedicated Equity Fund

Note	2020 -----Rupees in '000'-----	2019
Net loss for the year after taxation	(115,802)	(606,354)
Other comprehensive income / (loss) for the year	-	-
Total comprehensive loss for the year	<u>(115,802)</u>	<u>(606,354)</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For Al-Meezan Investment Management Limited
(Management Company)**

Chief Executive

Chief Financial Officer

Director

**MEEZAN DEDICATED EQUITY FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	2020			2019		
	Capital Value	Accumulated losses	Total	Capital Value	Accumulated losses	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	2,436,503	(675,429)	1,761,074	1,925,907	(69,075)	1,856,832
Issue of 51,715,292 units (2019: 97,417,209 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,836,312	-	1,836,312	4,728,115	-	4,728,115
- Element of loss	(2,447)	-	(2,447)	(438,627)	-	(438,627)
Total proceeds on issuance of units	1,833,865	-	1,833,865	4,289,488	-	4,289,488
Redemption of 83,423,374 units (2019: 86,078,605 units)						
- Capital value (at net asset value per unit at the beginning of the year)	2,962,206	-	2,962,206	4,177,799	-	4,177,799
- Element of income	(102,084)	-	(102,084)	(398,907)	-	(398,907)
Total payments on redemption of units	2,860,122	-	2,860,122	3,778,892	-	3,778,892
Total comprehensive loss for the year	-	(115,802)	(115,802)	-	(606,354)	(606,354)
Distribution during the year	-	-	-	-	-	-
Net loss for the year less distribution	-	(115,802)	(115,802)	-	(606,354)	(606,354)
Net assets at the end of the year	<u>1,410,246</u>	<u>(791,231)</u>	<u>619,015</u>	<u>2,436,503</u>	<u>(675,429)</u>	<u>1,761,074</u>
Accumulated losses brought forward						
- Realised (loss) / income		(336,679)			14,740	
- Unrealised loss		(338,750)			(83,815)	
		<u>(675,429)</u>			<u>(69,075)</u>	
Accounting income available for distribution		-			-	
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
Net loss for the year after taxation		(115,802)			(606,354)	
Distribution during the year		-			-	
Accumulated losses carried forward		<u>(791,231)</u>			<u>(675,429)</u>	
Accumulated losses carried forward						
- Realised loss		(821,914)			(336,679)	
- Unrealised gain / (loss)		30,683			(338,750)	
		<u>(791,231)</u>			<u>(675,429)</u>	
		(Rupees)			(Rupees)	
Net assets value per unit at the beginning of the year	<u>35.5081</u>			<u>48.5347</u>		
Net assets value per unit at the end of the year	<u>34.6044</u>			<u>35.5081</u>		

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For AI Meezan Investment Management Limited
(Management Company)**

Chief Executive

Chief Financial Officer

Director



**MEEZAN DEDICATED EQUITY FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

Note	2020	2019
	-----Rupees in '000'-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(115,802)	(606,354)
Adjustments for		
Net unrealised (appreciation) / diminution on re-measurement of investments classified assets at 'fair value through profit or loss'	6.2 <u>(30,683)</u>	<u>338,750</u>
	(146,485)	(267,604)
Decrease / (Increase) in assets		
Investments	1,094,109	(256,070)
Dividend receivable	942	983
Receivable against sale of investment	(5,113)	-
Advances, deposits and other receivables	(2,043)	775
	1,087,895	(254,312)
(Decrease) in liabilities		
Payable to AI Meezan Investment Management Limited - Management Company	(3,468)	(2,033)
Payable to Central Depository Company of Pakistan Limited - Trustee	(146)	(6)
Payable to the Securities and Exchange Commission of Pakistan	(1,655)	942
Payable against purchase of investments	2,616	(2,530)
Accrued expenses and other liabilities	403	1,635
	(2,250)	(1,992)
Net cash generated from / (used in) operating activities	<u>939,160</u>	<u>(523,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issuance of units and conversion of units	1,833,865	4,289,488
Payment against redemption of units and conversion of units	(2,861,586)	(3,777,392)
Net cash (used in) / generated from financing activities	(1,027,721)	512,096
Net decrease in cash and cash equivalents during the year	(88,561)	(11,812)
Cash and cash equivalents at the beginning of the year	110,688	122,500
Cash and cash equivalents at the end of the year	5 <u><u>22,127</u></u>	<u><u>110,688</u></u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**For AI-Meezan Investment Management Limited
(Management Company)**

Chief Executive

Chief Financial Officer

Director

**MEEZAN DEDICATED EQUITY FUND
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 Meezan Dedicated Equity Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on October 9, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations). The Management Company has been granted license by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The Fund has been formed to enable the unitholders to participate in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah principles. The Management Company has appointed Meezan Bank Limited as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3 The Fund is an open-end Shariah Compliant Equity Scheme. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.4 The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.
- 1.5 The Management Company has been assigned a quality rating of AM1 by VIS dated December 31, 2019 (2019: AM1 dated December 29, 2018) and by PACRA dated June 26, 2020. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

2 BASIS OF PRESENTATION

The transactions undertaken by the Fund are in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisor and are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of the accounting and reporting standards as applicable in Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (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 repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (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 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 Regulations and the requirements of the Trust Deed have been followed.

3.2 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.

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

The following amendments would be effective from the dates mentioned below against the respective amendment:

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 other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

3.4 Critical accounting estimates and judgments

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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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 4.3 and 6).

3.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

3.6 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 Rupee, which is the Funds' functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.2 Cash and cash equivalents

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

4.3 Financial assets

4.3.1 Classification and subsequent measurement

4.3.1.1 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognised in the "Income Statement", except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.

4.3.2 Impairment

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

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- 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 forecasts of future economic conditions.

4.3.3 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. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

4.3.4 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.

4.3.5 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.

4.3.6 Derivatives

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

4.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

4.5 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.

4.6 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.

4.7 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.

4.8 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 and charges 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 and charges.

4.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on 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 period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

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

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- 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 the period in which they arise.
- Dividend income is recognised when the Fund's right to receive the same is established i.e. on the commencement of date of book closure of the investee company / institution declaring the dividend.
- Profit on saving accounts with bank is recognised on a time proportion basis using the effective yield method.

4.12 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.

4.13 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 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that, for the purpose of determining distribution of at least 90 percent 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).

4.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net profit / loss of the year after taxation of the Fund by the weighted average number of units outstanding during the year.

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.

4.15 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 profit and loss account.

5	BALANCES WITH BANKS	Note	2020 (Rupees in '000)	2019
	Balances with banks in:			
	Savings accounts	5.1	18,385	109,870
	Current accounts		3,742	818
			<u>22,127</u>	<u>110,688</u>
5.1	The balances in saving accounts have expected profit rates ranging from 1.50% to 7.50% per annum (2019: 3.32% to 12.35% per annum).			
6	INVESTMENTS	Note	2020 (Rupees in '000)	2019
	Investment at 'fair value through profit or loss'			
	Listed equity securities	6.1	<u>595,501</u>	<u>1,658,927</u>

6.1 Investment at fair value through profit or loss - Listed equity securities

All shares have a nominal value of Rs. 10 each except for the shares of K-Electric Limited and Agriauto Industries Limited which have a nominal value of Rs. 3.50 and Rs. 5 each respectively.

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus issue / Right shares	Sales during the year	As at June 30, 2020	Carrying value As at June 30, 2020	Market value as at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020	Percentage in relation to		
									Net Assets of the fund	Paid-up capital of investee company (with face value of investment)	Total market value of investments
----- Number of shares -----						(Rupees in '000)			----- % -----		
Sectors / companies											
Automobile Assembler											
Gandhara Industries Limited	19,300	-	-	19,300	-	-	-	-	-	-	-
Gandhara Nissan Limited	158	-	-	158	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	300	16,400	-	6,600	10,100	1,717	1,956	239	0.32	0.01	0.33
Indus Motor Company Limited	-	11,560	-	6,820	4,740	5,723	4,716	(1,007)	0.76	0.01	0.79
Millat Tractors Limited	800	14,000	-	12,800	2,000	1,365	1,412	47	0.23	-	0.24
									1.31	0.02	1.36
Automobile Parts & Accessories											
Agriauto Industries Limited (Note 6.1.1)	-	40,000	-	20,000	20,000	4,166	3,640	(526)	0.59	0.14	0.61
									0.59	0.14	0.61
Commercial Bank											
BankIslami Pakistan Limited	-	665,000	-	585,010	79,990	904	605	(299)	0.10	0.01	0.10
Meezan Bank Limited (an associate)	575,505	15,000	-	329,500	261,005	22,848	17,970	(4,878)	2.90	0.02	3.02
									3.00	0.03	3.12
Cement											
Attock Cement Pakistan Limited	15,200	-	-	-	15,200	1,085	1,894	809	0.31	0.01	0.32
Cherat Cement Company Limited	-	310,000	6,500	271,500	45,000	3,261	3,923	662	0.63	0.02	0.66
D.G. Khan Cement Company Limited	206,100	409,000	-	534,100	81,000	6,489	6,912	423	1.12	0.02	1.16
Fauji Cement Company Limited	-	1,015,000	-	823,500	191,500	3,303	3,233	(70)	0.52	0.01	0.54
Kohat Cement Company Limited	274,370	87,000	-	229,000	132,370	9,938	18,194	8,256	2.94	0.07	3.06
Lucky Cement Limited	313,650	180,000	-	405,000	88,650	35,867	40,918	5,051	6.61	0.03	6.87
Maple Leaf Cement Factory Limited	400,000	752,500	-	1,022,500	130,000	3,417	3,377	(40)	0.55	0.01	0.57
									12.68	0.17	13.18
Chemical											
Engro Polymer & Chemicals Limited	1,324,644	1,336,000	-	2,398,000	262,644	7,506	6,561	(945)	1.06	0.03	1.10
ICI Pakistan Limited	51,100	5,000	-	30,800	25,300	13,806	17,576	3,770	2.84	0.03	2.95
Ittehad Chemical Limited	-	50,000	-	50,000	50,000	1,464	1,318	(146)	0.21	0.06	0.22
Lotte Chemical Pakistan Limited	294,000	1,436,500	-	1,619,000	111,500	1,201	1,109	(92)	0.18	0.01	0.19
Sitara Peroxide Limited	-	65,000	-	-	65,000	1,402	1,327	(75)	0.21	0.12	0.22
									4.50	0.25	4.68
Engineering											
Amreli Steels Limited	-	150,000	-	150,000	-	-	-	-	-	-	-
International Industries Limited	38,800	130,700	-	118,800	50,700	5,050	4,651	(399)	0.75	0.04	0.78
International Steels Limited	255,000	517,000	-	652,000	120,000	5,738	6,198	460	1.00	0.03	1.04
Mughal Iron & Steel Industries Limited	-	154,500	-	125,000	29,500	1,032	1,176	144	0.19	0.01	0.20
									1.94	0.08	2.02
Fertilizer											
Engro Corporation Limited	606,830	271,396	-	678,900	199,326	56,575	58,384	1,809	9.43	0.03	9.80
Engro Fertilizers Limited	1,365,000	823,893	-	1,766,500	422,393	25,074	25,462	388	4.11	0.03	4.28
Fatima Fertilizer Limited	-	57,000	-	-	57,000	1,579	1,524	(55)	0.25	-	0.26
									13.79	0.06	14.34
Investment Banks / Investment Companies / Securities Companies											
Dawood Hercules Corporation Limited	-	16,500	-	8,000	8,500	1,379	1,087	(292)	0.18	-	0.18
									0.18	-	0.18
Food & Personal Care Product											
At-Tahur Limited	83	-	8	-	91	2	2	-	-	-	-
									-	-	-
Glass & Ceramics											
Ghani Glass Limited	-	100,000	-	-	100,000	5,198	4,115	(1,083)	0.66	0.02	0.69
Tariq Glass Industries Limited	142,500	-	-	142,500	-	-	-	-	-	-	-
									0.66	0.02	0.69

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus issue / Right shares	Sales during the year	As at June 30, 2020	Carrying value As at June 30, 2020	Market value as at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020	Percentage in relation to				
									Net Assets of the fund	Paid-up capital of investee company (with face value of investment)	Total market value of investments		
					Number of shares			(Rupees in '000)			%		
Oil and Gas Exploration Companies													
Mari Petroleum Company Limited	93,360	22,400	6,688	74,340	48,108	48,100	59,493	11,393	9.61	0.04	9.99		
Oil & Gas Development Company Limited	1,430,900	541,000	-	1,488,700	483,200	52,218	52,669	451	8.51	0.01	8.84		
Pakistan Oilfields Limited	305,560	92,100	-	316,600	81,060	23,058	28,422	5,364	4.59	0.03	4.77		
Pakistan Petroleum Limited	1,107,500	909,604	-	1,596,700	420,404	35,293	36,483	1,190	5.89	0.02	6.13		
									28.60	0.10	29.73		
Oil and Gas Marketing Companies													
Attock Petroleum Limited	35,000	30,000	-	43,800	21,200	6,971	6,470	(501)	1.05	0.02	1.09		
Hascol Petroleum Limited	326,230	1,769,218	-	1,704,500	390,948	5,942	5,317	(625)	0.86	0.04	0.89		
Hi -Tech Lubricants Limited	-	100,000	-	-	100,000	2,768	3,028	260	0.49	0.09	0.51		
Pakistan State Oil Company Limited	438,260	405,500	32,112	774,100	101,772	14,197	16,096	1,899	2.60	0.02	2.70		
Sui Northern Gas Pipelines Limited	1,231,100	416,000	-	1,433,500	213,600	14,660	11,663	(2,997)	1.88	0.03	1.96		
Sui Southern Gas Company Limited	9,500	-	-	9,500	-	-	-	-	-	-	-		
									6.88	0.20	7.15		
Paper and Board													
Century Paper Limited	-	45,000	-	-	45,000	2,966	3,221	255	0.52	0.03	0.54		
Cherat Packaging Limited	32,100	-	-	32,100	-	-	-	-	-	-	-		
Packages Limited	20,350	12,300	-	-	32,650	10,286	11,336	1,050	1.83	0.04	1.89		
Roshan Packages Limited	-	50,500	-	-	50,500	1,061	1,132	71	0.18	0.04	0.19		
									3	0.11	2.62		
Pharmaceuticals													
AGP Limited	233,000	93,000	-	179,000	147,000	13,785	16,132	2,347	2.61	0.05	2.71		
Ferozsons laboratories Limited	-	10,000	-	10,000	-	-	-	-	-	-	-		
Glaxosmithkline Consumer Healthcare Limited	15,000	25,200	-	27,300	12,900	3,250	3,505	255	0.57	0.01	0.59		
Highnoon Laboratories Limited	-	26,400	-	21,000	5,400	2,626	2,707	81	0.44	0.02	0.45		
The Searle Company Limited	218,055	69,200	-	232,200	55,055	9,598	10,969	1,371	1.77	0.03	1.84		
									5.39	0.11	5.59		
Power Generation and Distribution													
Hub Power Company Limited	1,323,117	341,137	-	1,076,500	587,754	9,004	6,184	(2,820)	1.00	0.02	1.04		
K-Electric Limited (note 6.1.1)	10,961,500	400,000	-	9,307,000	2,054,500	46,550	42,612	(3,938)	6.88	0.02	7.16		
									7.88	0.04	8.20		
Refinery													
Attock Refinery Limited	1,000	-	-	1,000	-	-	-	-	-	-	-		
									-	-	-		
Technology & Communication													
Avanceon Limited	290,300	247,400	-	390,300	147,400	3,918	5,212	1,294	0.84	0.07	0.88		
Netsol Technologies Limited	206,900	164,000	-	370,900	-	-	-	-	-	-	-		
Systems Limited	102,500	44,500	-	84,200	62,800	6,559	11,535	4,976	1.86	0.05	1.94		
									2.70	0.12	2.82		
Textile Composite													
Feroze1888 Mills Limited	236,500	500	-	145,700	91,300	9,209	7,468	(1,741)	1.21	0.02	1.25		
Interloop Limited	883,382	-	-	676,000	207,382	9,181	9,108	(73)	1.47	0.02	1.53		
Nishat Mills Limited	384,400	300,000	-	628,200	56,200	5,229	4,384	(845)	0.71	0.02	0.74		
									3.39	0.06	3.52		
Vanaspati & Allied Industries													
Unity Foods limited	287,376	950,000	-	1,137,376	100,000	1,300	1,115	(185)	0.18	0.02	0.19		
									0.18	0.02	0.19		
Rights Certificate													
Oil And Gas Marketing Companies													
Hascol Petroleum Limited *	-	-	846,920	846,920	-	-	-	-	-	-	-		
Total at at June 30, 2020						564,818	595,501	30,683	96.20		100.00		
Total at at June 30, 2019						1,997,677	1,658,927	(338,750)	94.18				

* The right certificates were exercised during the year and the shares are included in the investment in Hascol Petroleum Limited above.

- 6.1.1** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Honourable High Court of Sindh in favour of CISs.

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended June 30, 2019. During the current year, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2020, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 0.257 million (2019: Rs. 0.23 million).

	Note	2020 (Rupees in '000)	2019
6.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss			
Market value of investments	6.1	595,501	1,658,927
Carrying value of investments	6.1	564,818	1,997,677
		<u>30,683</u>	<u>(338,750)</u>
7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Profit receivable on savings account		30	487
Advance tax	7.1	1,296	1,296
Security deposit with Central Depository Company of Pakistan Limited		103	103
Security deposit with the National Clearing Company of Pakistan Limited		2,500	-
		<u>3,929</u>	<u>1,886</u>

- 7.1** 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 dividend paid 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 dividends as at June 30, 2020 amounts to Rs 1.296 million (June 30, 2019: Rs. 1.296 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 Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends 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.

8	PAYABLE TO AL MEEZAN MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2020	2019
		(Rupees in '000)		
	Management fee payable	8.1	1,024	3,013
	Sindh Sales Tax on Management fee payable	8.2	133	392
	Allocated expenses payable	15	58	158
	Selling and marketing expenses payable	16	603	1,723
			<u>1,818</u>	<u>5,286</u>

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% per annum of the average net assets of the Fund during the year June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 2.674 million (2019: Rs 5.100 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 2.933 million (2019: Rs. 5.115 million) has been paid to the Management Company which acts as a collecting agent.

9	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
		(Rupees in '000)		
	Trustee fee payable	9.1	104	233
	Sindh Sales Tax payable on trustee fee	9.2	13	30
			<u>117</u>	<u>263</u>

9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:	
- up to Rs. 1 billion	Rs 0.7 million or 0.2% per annum of net assets, whichever is higher.
- over Rs. 1 billion	Rs 2 million plus 0.1% per annum of net assets exceeding Rs 1 billion

9.2 During the year, an amount of Rs 0.236 million (2019: Rs. 0.385 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.0.253 million (2019: Rs. 0.386 million) was paid to the Trustee which acts as a collecting agent.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, 2008, a collective investment scheme is required to pay annual fee to the Securities and Exchange Commission of Pakistan.

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. Previously, the rate of annual fee applicable to equity funds was 0.095%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
			(Rupees in '000)	
	Auditors' remuneration payable		250	150
	Printing charges payable		69	60
	Shariah advisor fee payable		269	263
	Charity payable	11.1	1,467	1,516
	Brokerage payable		982	640
	Withholding tax payable		-	5
			<u>3,037</u>	<u>2,634</u>

11.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 1.467 million (June 30, 2019: Rs. 1.516 million) is outstanding in this regard.

12 CONTINGENCIES AND COMMITMENTS

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

13	AUDITORS' REMUNERATION	2020	2019
		(Rupees in '000)	
	Annual audit fee	329	162
	Half yearly review	54	58
	Out of Pocket expense	3	15
		<u>386</u>	<u>235</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.70% (2019: 3.39%) which includes 0.36% 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 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity Scheme.

15 ALLOCATED EXPENSES

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

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

The management company based on its own discretion has currently fixed a maximum capping of 0.1% of the average annual net assets of the scheme for allocation of such expenses to the Fund.

16 SELLING AND MARKETING EXPENSES

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 three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund during the current year at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

During the current 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 as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Accordingly, the management company based on its own discretion has currently determined a capping of 0.4% of the average annual net assets of the fund for charging of selling and marketing expenses to the Fund which has also been approved by the Board.

17 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 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. The Fund has not recorded any tax liability as the Fund has incurred a net loss 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. Furthermore, Super tax introduced in Finance Act, 2015 is also not applicable on funds as Section 4B of Income Tax Ordinance, 2001.

18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

18.1 Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and executives of the Management Company, other collective investment schemes managed by the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Employees Gratuity Fund and unit holders holding 10 percent or more of the Fund's net assets.

18.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges 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.

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

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

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

Balances	2020	2019
	(Rupees in '000)	
Al Meezan Investment Management Company Limited - Management Company		
Remuneration payable	1,024	3,013
Sindh Sales Tax payable on management fee	133	392
Selling and marketing expenses payable	603	1,723
Allocated expense payable	58	158
Meezan Bank Limited		
Balances with bank	10,123	32,482
Profit receivable on saving accounts	12	297
Investments of shares: 261,005 shares (2019: 575,505 shares)	17,970	50,164
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	104	233
Sindh Sales Tax on trustee fee payable	13	30
Security deposit	103	103
Meezan Financial Planning Fund of Funds MAAP I		
Investment of 2,948,758 units (2019: 11,269,149)	102,040	400,146

	2020	2019
	(Rupees in '000)	
Meezan Strategic Allocation Fund MSAP - I Investment of 6,022,570 units (2019: 8,724,481 units)	<u>208,407</u>	<u>309,790</u>
Meezan Strategic Allocation Fund MSAP - II Investment of 320,475 units (2019: 1,238,827 units)	<u>11,090</u>	<u>43,988</u>
Meezan Strategic Allocation Fund MSAP - III Investment of 2,872,358 units (2019: 1,980,130 units)	<u>99,396</u>	<u>70,311</u>
Meezan Strategic Allocation Fund MSAP - IV Investment of 2,690,115 units (2019: 1,740,577 units)	<u>93,090</u>	<u>61,805</u>
Meezan Strategic Allocation Fund MSAP - V Investment of 1,001,742 units (2019: 978,486 units)	<u>34,665</u>	<u>34,744</u>
Meezan Strategic Allocation Fund MCPP-III Investment of nil units (2019: 5,644,620 units)	<u>-</u>	<u>200,430</u>
Meezan Strategic Allocation Fund -II MCPP-IV Investment of 1,007,398 units (2019: 10,044,192 units)	<u>34,860</u>	<u>356,650</u>
Meezan Strategic Allocation Fund -II MCPP-V Investment of nil units (2019: 3,081,261 units)	<u>-</u>	<u>109,410</u>
Meezan Strategic Allocation Fund-II MCPP-VI Investment of nil units (2019: 2,745,310 units)	<u>-</u>	<u>97,481</u>
Meezan Strategic Allocation Fund-II MCPP-VII Investment of nil units (2019: 1,477,397 units)	<u>-</u>	<u>52,460</u>
Meezan Strategic Allocation Fund-II MCPP-VIII Investment of nil units (2019: 518,566 units)	<u>-</u>	<u>18,413</u>
Meezan Strategic Allocation Fund-III MCPP - IX Investment of 1,024,923 units (2019: 153,424 units)	<u>35,467</u>	<u>5,448</u>
	2020	2019
	(Rupees in '000)	
Transactions during the year		
Al Meezan Investment Management Limited - Management Company		
Remuneration for the year	<u>20,568</u>	<u>39,234</u>
Sindh Sales Tax on management fee for the year	<u>2,674</u>	<u>5,100</u>
Allocated expenses	<u>1,028</u>	<u>1,962</u>
Selling and marketing expense	<u>4,114</u>	<u>7,847</u>
Meezan Bank Limited		
Profit on saving account	<u>5,405</u>	<u>3,204</u>
Shares purchased during the year: 15,000 shares (2019: 1,141,500 shares)	<u>1,508</u>	<u>102,716</u>
Shares sold during the year: 329,500 shares (2019: 607,500 shares)	<u>24,874</u>	<u>56,059</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	<u>1,817</u>	<u>2,962</u>
Sindh Sales Tax on trustee fee	<u>236</u>	<u>385</u>
CDS charges	<u>135</u>	<u>170</u>

	2020 (Rupees in '000)	2019
Meezan Financial Planning Fund of Funds - MAAP - I		
Units issued: 2,108,051 units (2019: 825,518)	61,000	34,000
Units redeemed: 10,428,442 units (2019: 2,315,618)	<u>353,940</u>	<u>97,691</u>
Meezan Financial Planning Fund of Funds MAAP - IV		
Units redeemed: nil units (2019: 2,136,721)	-	99,023
Meezan Strategic Allocation Fund MSAP - I		
Units issued: 5,251,784 units (2019: 14,365,939)	152,000	669,000
Units redeemed: 7,953,695 units (2019: 9,404,419)	<u>275,200</u>	<u>420,970</u>
Meezan Strategic Allocation Fund MSAP - II		
Units issued: nil units (2019: 195,176)	-	7,000
Units redeemed: 918,352 units (2019: 909,923)	<u>38,300</u>	<u>34,830</u>
Meezan Strategic Allocation Fund MSAP - III		
Units issued: 3,501,696 units (2019: 250,940)	113,000	9,000
Units redeemed: 2,609,468 units (2019: 461,212)	<u>93,500</u>	<u>19,170</u>
Meezan Strategic Allocation Fund MSAP - IV		
Units issued: 4,574,900 units (2019: 2,607,475)	150,716	110,000
Units redeemed: 3,625,362 units (2019: 2,846,273)	<u>144,364</u>	<u>122,580</u>
Meezan Strategic Allocation Fund MSAP - V		
Units issued: 792,958 units (2019: 83,647)	27,000	3,000
Units redeemed: 769,702 units (2019: 538,246)	<u>29,650</u>	<u>24,450</u>
Meezan Strategic Allocation Fund MCPP-III		
Units issued: 12,671,266 units (2019: 16,203,722)	470,400	715,130
Units redeemed: 18,315,886 units (2019: 13,476,523)	<u>614,406</u>	<u>601,052</u>
Meezan Strategic Allocation Fund -II MCPP-IV		
Units issued: 11,288,176 units (2019: 33,787,207)	437,700	1,484,100
Units redeemed: 20,324,970 units (2019: 30,746,259 units)	<u>686,456</u>	<u>1,368,353</u>
Meezan Strategic Allocation Fund -II MCPP-V		
Units issued: 1,944,565 units (2019: 10,794,498 units)	75,300	472,600
Units redeemed: 5,025,826 units (2019: 9,835,022 units)	<u>172,285</u>	<u>431,268</u>
Meezan Strategic Allocation Fund-II MCPP-VI		
Units issued: 1,458,405 units (2019: 9,942,055 units)	58,200	434,500
Units redeemed: 4,203,715 units (2019: 7,196,745 units)	<u>139,374</u>	<u>305,924</u>
Meezan Strategic Allocation Fund-II MCPP-VII		
Units issued: 1,197,147 units (2019: 5,339,238 units)	47,000	230,900
Units redeemed: 2,674,544 units (2019: 3,861,841 units)	<u>89,075</u>	<u>164,842</u>
Meezan Strategic Allocation Fund-II MCPP-VIII		
Units issued: 2,929,551 units (2019: 2,825,733 units)	103,750	113,000
Units redeemed: 3,448,117 units (2019: 2,307,167 units)	<u>117,124</u>	<u>87,232</u>
Meezan Strategic Allocation Fund-III MCPP - IX		
Units issued: 3,983,797 units (2019: 195,853 units)	137,300	7,250
Units redeemed: 3,112,298 units (2019: 42,429 units)	<u>105,950</u>	<u>1,500</u>

18.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

19 FINANCIAL INSTRUMENTS BY CATEGORY
Financial assets

Balances with banks	22,127	-	22,127
Investments	-	595,501	595,501
Dividend receivable	178	-	178
Receivable against sale of investment	5,113	-	5,113
Advances, deposits and other receivables	2,633	-	2,633
	<u>30,051</u>	<u>595,501</u>	<u>625,552</u>

2020		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	-	1,818	1,818
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	117	117
Payable against redemption and conversion of units	-	36	36
Payable against purchase of investments	-	2,616	2,616
Accrued expenses and other liabilities	-	3,037	3,037
	<u>-</u>	<u>7,624</u>	<u>7,624</u>

2020		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		

Financial assets

Balances with banks	110,688	-	110,688
Investments	-	1,658,927	1,658,927
Dividend receivable	1,120	-	1,120
Advances, deposits and other receivables	590	-	590
	<u>112,398</u>	<u>1,658,927</u>	<u>1,771,325</u>

2019		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	-	5,286	5,286
Payable to Central Depository Company of Pakistan Limited - Trustee	-	263	263
Payable against purchase of investments	-	1,500	1,500
Accrued expenses and other liabilities	-	2,629	2,629
	<u>-</u>	<u>9,678</u>	<u>9,678</u>

2019		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policy of the Fund aims to maximise the return attributable to the unitholders and seeks to minimise potential adverse effects on the Fund's financial performance.

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk and profit rate risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, and the directives issued by the SECP.

20.1 Market risk

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

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 risks: yield / profit rate risk, currency risk, and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks. 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

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.18 million (2019: Rs. 1.1 million)

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020 the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan 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 profit rates.

Profit 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 profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:

Effective profit rate (%)	2020				Total
	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	
	Up to three months	More than three months and up to one year	More than one year		
Financial assets					
Balances with banks	18,385	-	-	3,742	22,127
Investment	-	-	-	595,501	595,501
Dividend receivable	-	-	-	178	178
Receivable against sale of investment	-	-	-	5,113	5,113
Advances, deposits and other receivables	-	-	-	2,633	2,633
	18,385	-	-	607,167	625,552
Financial liabilities					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	1,818	1,818
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	-	-	117	117
Payable against redemption and conversion of units	-	-	-	36	36
Payable against purchase of investments	-	-	-	2,616	2,616
Accrued expenses and other liabilities	-	-	-	3,037	3,037
	-	-	-	7,624	7,624
On-balance sheet gap (a)	18,385	-	-	599,543	617,928
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap (b)	-	-	-	-	-
Total profit rate sensitivity gap (a+b)	18,385	-	-		
Cumulative profit rate sensitivity gap	18,385	18,385	18,385		

Effective profit rate (%)	2019			Not exposed to yield / profit rate risk	Total
	Exposed to yield / profit rate risk				
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

Financial assets

Balances with banks in:	3.32% to 12.35%	109,870	-	-	818	110,688
Investment		-	-	-	1,658,927	1,658,927
Dividend receivable		-	-	-	1,120	1,120
Advances, deposits and other receivables		-	-	-	590	590
		109,870	-	-	1,661,455	1,771,325

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	5,286	5,286
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	263	263
Payable against purchase of investments		-	-	-	1,500	1,500
Accrued expenses and other liabilities		-	-	-	2,629	2,629
		-	-	-	9,678	9,678

On-balance sheet gap (a)

109,870	-	-	1,651,777	1,761,647
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Off-balance sheet financial instruments

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

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

109,870	-	-		
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Cumulative profit rate sensitivity gap

109,870	109,870	109,870		
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(ii) Currency risk

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

(iii) 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 profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks.

In case of 1% increase / decrease in KMI 30 index on June 30, 2020, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 5.96 million (2019: Rs. 16.589 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI-30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

20.2 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 settlement of equity securities and daily redemptions at the option of unit holders. 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 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 summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

----- 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 assets						
Balances with banks	22,127	-	-	-	-	22,127
Investments	-	-	-	-	595,501	595,501
Dividend receivable	178	-	-	-	-	178
Receivable against sale of investment	5,113	-	-	-	-	5,113
Advances, deposits and other receivables	2,633	-	-	-	-	2,633
	30,051	-	-	-	595,501	625,552
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	1,818	-	-	-	-	1,818
Payable to the Central Depository Company of Pakistan Limited - Trustee	117	-	-	-	-	117
Payable against redemption and conversion of units	36	-	-	-	-	36
Payable against purchase of investments	2,616	-	-	-	-	2,616
Accrued expenses and other liabilities	3,037	-	-	-	-	3,037
	7,624	-	-	-	-	7,624
Net assets / (liabilities)	22,427	-	-	-	595,501	617,928
----- 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 assets						
Balances with banks	110,688	-	-	-	-	110,688
Investments	-	-	-	-	1,658,927	1,658,927
Dividend receivable	1,120	-	-	-	-	1,120
Advances, deposits and other receivables	590	-	-	-	-	590
	112,398	-	-	-	1,658,927	1,771,325
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	5,286	-	-	-	-	5,286
Payable to the Central Depository Company of Pakistan Limited - Trustee	263	-	-	-	-	263
Payable against purchase of investments	1,500	-	-	-	-	1,500
Accrued expenses and other liabilities	2,629	-	-	-	-	2,629
	9,678	-	-	-	-	9,678
Net assets / (liabilities)	102,720	-	-	-	1,658,927	1,761,647

20.3 Credit risk

20.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. 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
	Rupees in '000		Rupees in '000	
Balances with banks	22,127	22,127	110,688	110,688
Investments	595,501	-	1,658,927	-
Dividend receivable	178	178	1,120	1,120
Receivable against sale of investment	5,113	5,113	-	-
Advances, deposits and other receivables	2,633	2,633	590	590
	<u>625,552</u>	<u>30,051</u>	<u>1,771,325</u>	<u>112,398</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in equity securities of Rs. 0.595 million (2019: Rs. 1.659 million) is not exposed to credit risk.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent control established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

20.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, cheques in hand, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
AA+	98.81%	95.19%
A+	0.46%	1.09%
AA	0.74%	3.72%

20.3.3 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 Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

21 FAIR VALUE MEASUREMENT

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).

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

	----- 2020 -----		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Financial assets 'at fair value through profit or loss'			
Shares of listed companies - 'ordinary shares'	595,501	-	-
	=====	=====	=====
	----- 2019 -----		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Financial assets 'at fair value through profit or loss'			
Shares of listed companies - 'ordinary shares'	1,658,927	-	-
	=====	=====	=====

22 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' 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 unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders 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 20, 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.

23 UNIT HOLDING PATTERN OF THE FUND

	----- 2020 -----		
Category	Number of unit holders	Investment amount	Percentage of total
		Rupees in '000	%
Associated undertakings	8	619,015	100.00
	=====	=====	=====
	----- 2019 -----		
Category	Number of unit holders	Investment amount	Percentage of total
		Rupees in '000	%
Associated undertakings	13	1,761,074	100.00
	=====	=====	=====

24 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

2020		2019	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
JS Global Capital Limited	14%	Taurus Securities Limited	9%
Ismail Iqbal Securities (Private) Limited	11%	Optimus Capital Management Limited	8%
Aba ali habib Securities (Private) Limited	8%	Intermarket Securities Limited	7%
Taurus Securities Limited	8%	JS Global Capital Limited	7%
Insight Securities (Private) Limited	7%	Foundation Securities (Private) Limited	7%
Vector Capital Management Limited	6%	BMA Capital Management Limited	6%
Intermarket Securities Limited	5%	Vector Capital Management Limited	6%
Topline Securities (Private) Limited	5%	Arif Habib Limited	6%
AKD Securities Limited	5%	Topline Securities (Private) Limited	5%
Optimus Capital Management Limited	4%	AKD Securities Limited	5%

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Thirty years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Four years
Mr. Taha Javed	Head of Equities	CFA / MBA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Thirteen years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Thirteen years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Twelve years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fifteen years
Mr. Ali Asghar	VP/Head of Research	CFA / MBA (in progress)	Nine years

The Fund manager of the Fund is Mr. Asif Imtiaz. Other funds being managed by the fund manager are as follows:

- Meezan Balanced Fund
- Meezan Asset Allocation Fund
- Meezan Financial Planning Fund of Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund-II
- Meezan Strategic Allocation Fund-III ;and
- KSE Meezan Index Fund

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

Name of Directors	Designation	Meeting held on				
		Aug 19, 2019	Oct 15, 2019	Feb 10, 2020	April 15, 2020	Jun 25, 2020
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib, CFA	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes
Ms. Saima Shaukat Khan (Kamila)	Director	Yes	Yes	Yes	Yes	Yes
Mr. Furquan Kidw ai	Director	Yes	Yes	Yes	Yes	Yes
Mr. Ijaz Farooq	Director	Yes	No	Yes	Yes	No
Mr. Arshad Majeed	Director	Yes	Yes	Yes	Yes	Yes
Mr. Muhammad Abdullah	Director	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Abdul Sattar	Director	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 13, 2020**.

28 GENERAL

28.1 Regulatory reliefs due to 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 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.

28.2 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.

28.3 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

**For Al-Meezan Investment Management Limited
(Management Company)**

Chief Executive

Chief Financial Officer

Director