

LAKSON INCOME FUND
Annual Report 2020



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN



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==== **Vision** ====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



==== **Mission** ====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.



Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3840.0000
Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Ms. Roxanne Davies
Ms. Gaithe Ali
Ms. Kathleen Kennedy Townsend

Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

Audit Committee

Mr. Jacques John Visser - Chairman
Mr. Amin Mohammed Lakhani
Mr. Iqbal Ali Lakhani
Mr. Jamil Ahmed Mughal

Human Resource and Remuneration Committee

Ms. Gaithe Ali - Chairman
Mr. Babar Ali Lakhani
Mr. Iqbal Ali Lakhani

Trustee

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

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road,
Karachi - 75530, Pakistan



Bankers to the Fund

AlBaraka Bank Pakistan limited
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
FINCA Microfinance Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
National Bank of Pakistan
MCB Bank Limited
Silk Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Telenor Microfinance Bank Limited
United Bank Limited
U Microfinance Bank Limited
NRSP Microfinance Bank Limited
Mobilink Microfinance Bank Limited

Legal Adviser

Fazleghani Advocates
F-72/1, Block 8, KDA-5,
Kehkashan, Clifton,
Karachi, Pakistan.

Registrar

Lakson Investments Limited
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributors

Adam Securities
Amir Noorani
BMA Capital Management Limited
Elixir Securities (Pvt.) Limited
Ismail Iqbal Securities
Metro Capital Pvt. Limited
Pearl Securities Pvt. Limited
Rabia Fida
Topline Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited
Pyramid Financial Consultants

Rating by PACRA

A+(f) : Fund Stability Rating
AM2+ : Asset Manager Rating



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

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Income Fund ('LIF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2020.

Fund Objective

The investment objective of the Scheme is to provide competitive total returns through investment in a diversified portfolio of fixed income securities. The Scheme shall invest in various fixed income securities with a mix of short term, medium term, and longer-term maturities depending on the assessment by the Management Company of interest rate trends and prospective returns.

Principal activities

The Fund is an open-end income fund and is listed on Pakistan Stock Exchange Limited. LIF invests in Investment-grade Debt Securities, Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts, and other fixed income instruments. The overall duration of the portfolio is kept below 4 years while at least 25% of Net Assets are kept in the form of cash or Treasury Bills of maximum 90 days maturity. LIF is managed through a team-driven, top-down process utilizing active sector rotation, duration and yield curve management. Economic conditions are constantly monitored to forecast interest rate changes. The added value for LIF comes from identifying opportunities to shift investments between various maturities and between different instruments. LIF is allowed to borrow up to 15% of Net Assets to meet redemptions however LIF did not utilize this facility during the period under review.

Development and Performance Review

The LIF yielded an annualized return of 13.65% against the benchmark return of 12.27% during FY20. The LIF outperformed by 138bps. As of June 30, 2020, the LIF portfolio was invested 34.2% in PIBs, 28.1% in cash, 15.2% in TFCs/Sukuks, 13.9% in TDR, and 4.9% in Commercial paper while the weighted average maturity of the LIF portfolio stood at 880 days. The fund size of the LIF as of June 30, 2020 is PKR 3,061 million.

Earnings Per Unit (EPU)

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 14.0099 per unit (14.0099% of face value of PKR 100/-) amounting to PKR 248.548 million in cash during the year ended June 30, 2020.

Principal Risk and Uncertainties

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

These aforementioned risks could push both the foreign and local investors to liquidate their investments, which may affect the financial market adversely and may affect the Fund's profitability as well.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company and the Fund Stability Rating of LIF at "AM2+" at "A+(f)" respectively.

Additional Matters:

2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.



1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
3. Proper books of accounts of the Fund have been maintained.
4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Fund's ability to continue as a going concern.
8. Key financial data has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. The pattern of unit holding as at June 30, 2020 is given in this Annual Report.
12. A performance table / key financial data is annexed to this annual report.

Significant events during the year - COVID -19

A novel virus (2019-nCoV) was first reported in Wuhan, China on December 31, 2019. The virus causes respiratory illness like SARS but is less fatal. However, given the contagious nature of the virus, WHO declared COVID-19 as a pandemic on March 11, 2020, (the last pandemic was in 2009) when the global confirmed cases were almost 127,000. It has now spread to 215 countries around the world with more than 19.3 million confirmed cases.

With no vaccine and high R-naught (reproduction number) of the virus, initial response by all governments was complete lockdown. However, the economic activity has now started resuming with less travel restrictions as the number of new reported cases declined. IMF Managing Director Kristalina Georgieva expects 2020 to be as bad as in 2009 when the global economy grew by 0.7% in 2009. IMF now expects that the global economy would shrink by 3% this year. IMF also expects slow recovery in 2021 and projects GDP loss of USD 9 trillion cumulatively for 2020 and 2021.

Pakistan has reached its peak in mid-June 2020. Currently total number of confirmed cases has crossed 282k; however, new cases count is down to 782 now with only 18k active cases left. Complete lockdown was placed for the first two months which was later converted into a smart lockdown since end - May. It is further expected to be completely lifted from mid Aug.

External Auditor

The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2021. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2021.



Economy review

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625ps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Fixed income markets review

GoP raised cumulative PKR13.9tn in T-Bill auctions during FY20 vs. PKR18.5tn in FY19. Flows were supported by strong foreign participation through the Special Convertible Rupee Account (SCRA) in 1HFY20 although followed by an outflow in 2HFY20 due to sharp decline in interest rates. Moreover, SBP's appetite was lower than last year due to expected commencement of monetary easing from early-CY20 where SBP remained averse to locking itself at high interest rates for an extended period (7.0% Policy Rate at the end of Jun'20). Participation also began to lose steam once expectations of a rate cut solidified shifting more towards the longer tenor instruments (12M T-Bills and PIBs). Consequently, yields came off sharply after inverting in 1HFY20. T-Bill yields for 3M, 6M and 12M tenors dropped to 6.85%/6.66% and 6.85% for 3M/6M and 12M tenor from a high of 13.75%/13.94% and 14.25% in Aug'19. Interest rates peaked in 2019 during which time participation in PIB auctions picked up significantly. Bids accepted by SBP rose to PKR2.05tn in FY20 vs. PKR872bn in FY19. Strong participation was witnessed vs. 2019. Cut-off yields dropped to 7.97%, 8.44%, 8.99% and 10.51% for 3YR/5YR/10YR/20YR tenors from 13.70%/13.80%,13.70% at the end of Jun'19.

Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.



SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on Behalf of the Board

Chief Executive Officer

Director

Dated: August 19, 2020





لیکسن انکم فنڈ
30 جون 2020 کو ختم ہونے والے سال کے لیے
مہینہ کی بجائے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز لیکن انکم فنڈ ("LIF" یا فنڈ) کی مہینہ کی 30 جون 2020 کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

فنڈ کا مقصد

اس اسکیم کی انویسٹمنٹ کا مقصد فکسڈ انکم سیکورٹیز کے متنوع پورٹ فولیو میں انویسٹمنٹ کے ذریعے مسابقتی مجموعی منافع جات فراہم کرنا ہے۔ یہ اسکیم مہینہ کی بجائے طرف سے انٹرسٹ ریٹ ٹریڈز اور کم منافع جات کے حوالے سے مہینہ کی بجائے کی تخصیص کے لحاظ سے مختصر مدتی، وسط مدتی اور طویل مدتی میچورٹیز کے استخراج کے ساتھ مختلف فکسڈ انکم سیکورٹیز میں سرمایہ کاری کرے گی۔

فنڈ کا تعارف

LIF ایک اوپن اینڈ انکم فنڈ ہے جو انویسٹ گریڈ ڈیٹ سیکورٹیز، گورنمنٹ سیکورٹیز، سرٹیفکیٹس آف انویسٹمنٹس، Clean Placements، بزم ڈپازٹس، ریٹیننٹس اور دیگر فکسڈ انکم انسٹرومنٹس میں سرمایہ کاری کرتا ہے۔ پورٹ فولیو کا مجموعی دورانہ 4 سال سے کم رکھا جاتا ہے اور خالص اثاثوں کا کم از کم 25% کیش یا زیادہ سے زیادہ 90 دن کی میچورٹی والے ٹریڈز کی شکل میں رکھا جاتا ہے۔ LIF کا نظم و نسق ٹیم کے مل پر پیش قدمی کرنے والی، اوپر سے نیچے تک شعبوں کی توازن سے استعمال کے عمل کو استعمال کرنے والی، دورانیے اور پیدوار میں توازن پر یقین رکھنے والی مہینہ کی جاتی ہے۔ انٹرسٹ ریٹ میں تبدیلیوں کی پیش گوئی کے لیے معاشی صورت حال کی مسلسل نگرانی کی جاتی ہے۔ LIF کی قدر و قیمت میں اصل اضافہ مختلف میچورٹیز اور مختلف انسٹرومنٹس کے درمیان انویسٹمنٹس کی منتقلی کے مواقع کی شناخت سے آتا ہے۔ LIF کو ریٹیننٹس کی شکل کے لیے خالص اثاثوں کے 15 فی صد تک قرض لینے کی اجازت ہے، تاہم LIF نے اس سہولت کو زیر جائزہ مدت کے دوران استعمال نہیں کیا۔

پیش رفت اور کارکردگی کا جائزہ

LIF نے سالانہ شیڈ مارک منافع 12.27% کے مقابلے میں مالی سال 2020 میں 13.65% سالانہ منافع پیش کیا۔ LIF کی کارکردگی 138 بنیادی پوائنٹس بہتر رہی۔ 30 جون 2020 کے مطابق LIF پورٹ فولیو نے PIBs میں 34.2% کیش میں 28.1% TFCs، 16.3% TFCs/صکوک میں 15.2% اور TDR میں 13.9% اور تجارتی تسکات میں 4.9% سرمایہ کاری کی، جبکہ LIF پورٹ فولیو کی تخمینہ شدہ اوسط میچورٹی 880 دن ہے۔ 30 جون 2020 کے مطابق LIF کے فنڈ کا حجم 3,061 ملین روپے ہے۔

فی شیئر آمدنی (EPU)

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



آمدنی کی تقسیم

چیف ایگزیکٹو آفیسر نے منجمنت کمپنی کے بورڈ آف ڈائریکٹرز کی طرف سے اختیار کے تحت 30 جون 2020 کو ختم ہونے والے سال کے لیے فی یونٹ 14.0099 روپے (100 روپے کی فیئس ویلیو کا % 14.0099)، کی عبوری نقد تقسیم کا اعلان کیا ہے جس کی نقد مالیت 248.548 ملین روپے بنتی ہے۔

اہم خطرات و خدشات

اقتصادی عدم استحکام، بڑھتا ہوا کرنٹ اکاؤنٹ خسارہ، زرمبادلہ کے کم ہوتے ڈخاڑے توقع سے زیادہ افراط زر روپے کی قدر میں کمی، ایک طرف / دو طرفہ قرض فراہم کنندہ ایجنسیز، دونوں کی طرف سے توقع سے کم مالی امداد، مزید مالیاتی سختی اور گڑھے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے ایک خطرہ بنے ہوئے ہیں۔

مذکورہ بالا خطرات غیر ملکی اور مقامی سرمایہ کاروں، دونوں کو اپنی سرمایہ کاریاں تحلیل کرنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات پڑ سکتے ہیں اور فنڈ کی منافع کمانے کی صلاحیت بھی متاثر ہو سکتی ہے۔

ایسٹ نیچر اینڈ فنڈز بینکنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے منجمنت کمپنی کی ایسٹ نیچر بینکنگ اور LIF کی فنڈ اسٹیبلشمنٹ ریٹنگ بالترتیب "AM2+" اور "A+(f)" پر برقرار رکھی ہے۔

اضافی معاملات

- 1- منجمنت کمپنی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- منجمنت کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، یکیش، گلوڈ اور یونٹ ہولڈرز کے فنڈ میں نقل و حرکت کی منصفانہ عکاسی کرتے ہیں۔
- 3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے اور شریاتی تحفظ مناسب اور معقول نظریات پر مبنی ہیں۔
- 5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمینٹی (اسٹیبلشمنٹ اینڈ ریگولیشن) (روڈز 2003 کے تقاضوں، نان بینکنگ فنانس کمینٹی اینڈ نوٹیفائیڈ اینٹی ٹریڈ اینٹی پیئر ریگولیشنز، 2008 (NBFC) ریگولیشنز)، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ڈائریکٹریوز اور فنڈ کی دستور و دستاویزات کے تقاضوں کی پیروی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
- 6- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 7- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 8- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 9- سیکسز، ڈیویڈنڈ، موصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔



10- پروڈیٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات بینجمنٹ کمپنی کی طرف سے برداشت کیے جاتے ہیں۔

11-30 جون 2020 کے مطابق یونٹ ہولڈنگ کا پتیرن اس سالانہ رپورٹ میں دیا گیا ہے۔

12- کارکردگی کی جدول/اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

سال کے دوران اہم واقعات۔ کووڈ-19

ایک نوویل وائرس (2019-nCoV) سب سے پہلے 31 دسمبر، 2019 کو دو ہان، چین میں رپورٹ ہوا۔ یہ وائرس SARS جیسی سانس کی بیماری کا سبب بنتا ہے لیکن اس سے کم مہلک ہوتا ہے۔ تاہم، وائرس کی متعدد نوعیت کے پیش نظر، ڈبلیو ایچ او نے 11 مارچ 2020 کو کووڈ 19 کو عالمی وبا قرار دے دیا، (گزشتہ عالمی وبا 2009 میں پھیلتی تھی) جب عالمی سطح پر تصدیق شدہ واقعات قریب 127,000 تھے۔ اب یہ دنیا کے 215 ممالک میں پھیل چکا ہے جس کے متاثرین کی تعداد 19.3 ملین سے زیادہ ہے۔

وائرس کی کوئی ویکسین نہ ہونے اور بلند R-naught (تولیدی تعداد) کی وجہ سے، تمام حکومتوں کا ابتدائی رد عمل مکمل طور پر لاک ڈاؤن تھا۔ تاہم، معاشی سرگرمی اب کم سفری پابندیوں کے ساتھ دوبارہ شروع ہو گئی ہے کیونکہ نئے رپورٹ شدہ کیسز کی تعداد میں کمی واقع ہوئی ہے۔ آئی ایم ایف کی ٹینجنگ ڈائریکٹرز سٹائینا جارجیوا کو توقع ہے کہ 2020 کی صورت حال 2009 جتنی ہی خراب ہوگی جب عالمی معیشت میں 0.7 فیصد اضافہ ہوا تھا۔ آئی ایم ایف کو اب توقع ہے کہ اس سال عالمی معیشت 3 فیصد گھٹ جائے گی۔ آئی ایم ایف نے 2021 میں بھی سست بحالی کی توقع اور 2020 اور 2021 کے لیے GDP میں مجموعی طور پر 9 کھرب ڈالر کے نقصان کی پیش گوئی کی ہے۔

بیرونی آڈیٹر

موجودہ آڈیٹر بیسمرز KPMG ٹاچر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر 30 جون 2021 کو ختم ہونے والے سال کے لیے دوبارہ تفریق کے لیے اپنی رضامندی ظاہر کر دی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لیے بیسمرز KPMG ٹاچر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تفریق کر دی ہے۔

معاشی جائزہ

سوڈی شرجوں کو 750 بنیادی پوائنٹس (دسمبر 2017 تا جولائی 2019) کے تیز رفتاراٹھانے سے %13.25 کرنے کے بعد، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں مارچ 2020 کے وسط سے جون 2020 تک کے دورانیے میں 625 پی ایس تک فیصلہ کن کمی کر دی۔ یہ کمی توقع سے کہیں زیادہ تھی جس کے محرکات درج ذیل ہیں:

(i) کووڈ-19 عالمی وبا سے، جو بالآخر ملک گیر لاک ڈاؤن کا باعث بنی، بیرونی اور گھریلو طلب پر غیر معمولی دباؤ (ii) ایشیائی خورد و نوش کی مقامی قیمتوں میں کمی کے پیش نظر افراتفری شرح میں بہتری کی توقع، (iii) اجناس کی عالمی قیمتوں (خاص طور پر تیل) میں کمی اور کم درآمدات جس کے نتیجے میں مئی 2020 میں کرنٹ اکاؤنٹ کے خسارے میں سال بہ سال بنیاد پر 74 فیصد کمی کی توقع ہوئی۔ مزید برآں، اسٹیٹ بینک نے انٹرسٹ ریٹ کو ریڈر کو پالیسی ریٹ کے گروڈمتوازی (پالیسی ریٹ سے 100 بنیادی پوائنٹس اوپر اور نیچے) بنانے کے ذریعے اسے بہترین بین الاقوامی معمولات سے ہم آہنگ بنانے کا اعلان بھی کیا۔



افراط زر کی شرحیں جنوری 2020 میں 14.6 فیصد تک اضافے کے بعد جون 2020 میں 8.6 فیصد پر آگئیں، (لاک ڈاؤن کے عرصے کے دوران ضروری ایشیا کی مانگ پر افراط زر کے دباؤ کی وجہ سے)۔ تاہم، اجناس کی قیمتوں میں کمی کے ساتھ ساتھ بنیادی اثر (base affect) وقوع پر زور ہوا اور اس کے نتیجے میں اعداد و شمار میں کمی آئی جس کے باعث مالی سال 2020 کی NCPI کی اوسط میں 10.8 فیصد تک کمی واقع ہوئی، جو ایس بی پی کی طرف سے مالی سال 2020 کے لیے طے کردہ بی پی آئی کے ہدف 11-12 فیصد سے بھی کم ہے۔ جون 2020 میں پورٹ فولیو کے اخراج میں کافی سستی روئی اور ایف ڈی آئی مستحکم رہی اور مالی سال 2020 میں 12.4 ارب امریکی ڈالر کے ساتھ مالی سال 2019 کے مقابلے میں طے ہو گئی رہی۔ قرضوں کی واپسی کے باعث جون 2020 کے اختتام پر ایس بی پی کے ذخائر 10 ارب امریکی ڈالر سے کم ہو گئے، اس کے بعد جون 2020 کے آخر میں 12 ارب امریکی ڈالر تک بحالی ہوئی جو 2020 کے دوسرے نصف میں کثیر الجہتی اینجینیئریوں (ورلڈ بینک، اے ڈی بی اور ایشین انفراسٹرکچر انویسٹمنٹ) کی جانب سے 3 ارب ڈالر کی نئی مالی اعانت کا نتیجہ تھی۔ (بینک 2HFY20 میں۔ بی آئی ایم ایف کے جاری کردہ 1.4 بلین امریکی ریپڈ فنڈنگ انٹرمیٹ کے علاوہ ہے جس نے عالمی وبا کے دوران 6 ارب امریکی ڈالر کے آئی ایم ایف پروگرام کو روک دیا ہے۔

ریٹیل سیکٹر میں اقتصادی سستی روئی جاری رہی، کارپوریٹ منافع نمایاں طور پر کم ہوا اور مالی سال 2020 کے پہلے گیارہ ماہ میں لارج اسکیل مینیو فیکچرنگ (LSM) آؤٹ پٹ میں سال بہ سال بنیاد پر 10.3 فیصد کمی ہوئی، جب کہ لاک ڈاؤنز اب تک برقرار تھے۔ سینٹ کی ترسیل، گاڑیوں کی فروخت، خورداک اور ٹیکسٹائل کی برآمدات میں بھی نمایاں کمی دیکھنے میں آئی، اور POL کی فروخت میں کمی بھی جاری رہی۔ کووڈ-19 وائرس کے نتیجے میں خاص طور پر آمدی شیعہ اور چین کے علاوہ دیگر ممالک سے درآمد کرنے والی کمپنیوں کے لئے تجارت میں خلل پڑا ہے۔ توقع کی جاتی ہے کہ مزید کمی بھی ملک گیر لاک ڈاؤن سے LSM میں مزید کمی اور ضروری ایشیا کی قیمتوں میں اضافہ ہوگا۔ ادائیگی کے توازن کے رخ پر، روپے کی قدر میں تیزی سے کمی کے نتیجے میں پاکستان کے کرنٹ اکاؤنٹ خسارے میں نمایاں کمی واقع ہوئی جو گزشتہ سال اسی مدت 13.4 ارب امریکی ڈالر کے مقابلے میں مالی سال 2020 میں 78 فیصد کم ہو کر 2.9 ارب امریکی ڈالر ہو گئی۔ سات ماہ کے وقفے کے بعد، کرنٹ اکاؤنٹ مئی 2020 میں ایک بار پھر (اکتوبر 2019 میں 99 بلین امریکی ڈالر کے اضافے کے بعد) 344 بلین امریکی ڈالر کے اضافے کی طرف تبدیل ہوا لیکن جون 2020 میں 96 بلین امریکی ڈالر کے CAD کے ساتھ منفی ہو گیا۔

کسٹڈ انکم مارکیٹ کا جائزہ

حکومت پاکستان نے مالی سال 2019 کے دوران میں 18.5 ٹریلین روپے کے مقابلے میں مجموعی طور پر 13.9 ٹریلین پاکستانی روپے حاصل کیے۔ مالی سال 2020 کے پہلے نصف میں اسٹیٹل کنورٹیبیل روپی اکاؤنٹ (SCRA) کے ذریعہ طاقت ور غیر ملکی شراکت سے سرمایے کے بہاؤ کو مدد ملیا

برائے و مخائبہ بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 19 اگست 2020

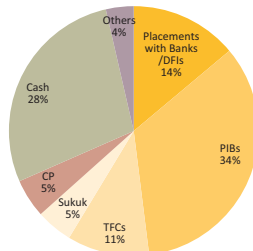


**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2020**

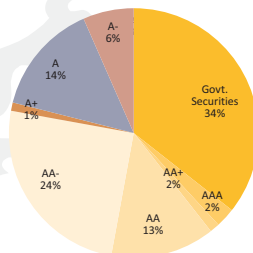
Fund Facts

Fund Type	Open-End
Category	Income Fund
Net Assets (PKR Mil.)	3,061
NAV (30.06.2020)	100.8591
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	BDO Ebrahim & Co.
Management Fee	1.00%
Front End Load	1.50%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	Average daily rate of 6M KIBOR (Ask)
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM (Mon-Fri)
Fund Rating	'A+'(f) by PACRA
Asset Manager Rating	AM2+

Asset Allocation



Credit Split



Morningstar	LIF	Benchmark
FY20	13.65%	12.27%
June-20	7.12%	8.05%
2 Months	6.65%	8.12%
3 Months	10.54%	8.75%
6 Months	13.14%	11.15%
12 Months	13.65%	12.27%
CY20 - YTD	13.14%	11.15%

Simple Annualized	LIF	Benchmark
FY20	13.65%	12.27%
June-20	6.90%	7.77%
2 Months	6.47%	7.86%
3 Months	10.15%	8.48%
6 Months	12.73%	10.85%
12 Months	13.65%	12.27%
CY20 - YTD	12.73%	10.85%
3 Years	10.09%	10.60%
5 Years	9.93%	9.89%
Since Inception	17.24%	14.50%

Investment Committee

Babar Ali Lakhani	Chief Executive Officer
Kashif Mustafa	Executive Director & COO
Mustafa O. Pasha, CFA	Chief Investment Officer
Shahbaz Ashraf, CFA	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
Uzair Nasir Rasheed	

Fund Objective

The investment objective of the Scheme is to provide competitive total returns through investment in a diversified portfolio of fixed income securities. The Scheme shall invest in various fixed income securities with a mix of short term, medium term, and longer- term maturities depending on the assessment by the Management Company of interest rate trends and prospective returns.

Investment Strategy

The LIF focused on the constructing a liquid, diverse and high credit quality portfolio in accordance with its Investment Objective. Exposure of the LIF in T-Bills, TDRs, TFCs and other money market placements was managed based on the relative yield analysis of these instruments and the yield curve management. The LIF maintained an average exposure of 5.4% in risk free T-Bills and 57.2% in cash in order to maintain liquidity. During the period under review, the LIF built and maintained a significant



exposure to cash in order to benefit from the projected reversal in interest rate cycle. Average exposure towards TFCs and Sukuks was 9.0%. As of June 30, 2019, the WAM of the LIF portfolio stood at 782 days. The exposure of the LIF in debt securities stood at 18.4% (16.3% in TFCs and 7.9% in Sukuks).

Fund Profile

The Fund is an open-end income fund and is listed on Pakistan Stock Exchange Limited. LIF invests in Investment-grade Debt Securities, Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts, and other fixed income instruments. The overall duration of the portfolio is kept below 4 years while at least 25% of Net Assets are kept in the form of cash or Treasury Bills of maximum 90 days maturity. LIF is managed through a team-driven, top-down process utilizing active sector rotation, duration and yield curve management. Economic conditions are constantly monitored to forecast interest rate changes. The added value for LIF comes from identifying opportunities to shift investments between various maturities and between different instruments. LIF is allowed to borrow up to 15% of Net Assets to meet redemptions however LIF did not utilize this facility during the period under review.

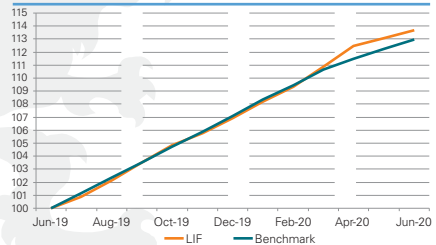
Fund Performance

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 14.0099 per unit (14.0099% of face value of PKR 100/-) amounting to PKR 248.548 million in cash during the year ended June 30, 2020.

Performance Table	FY20	FY19
Net Assets - Beginning (PKR Mil.)	2,251	4,693
Net Assets - Ending (PKR Mil.)	3,061	2,251
Highest Offer Price (PKR)	116.7829	110.1992
Lowest Offer Price (PKR)	102.3720	102.4701
Highest Redemption Price (PKR)	115.0570	108.5706
Lowest Redemption Price (PKR)	100.8591	100.9557
Beginning NAV - Ex-Div. (PKR)	101.0159	100.9393
Interim Distributions (PKR)	14.0411	7.6313
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	100.8591	101.0159
Return	13.65%	7.64%
Net Income (PKR Mil.)	243.00	142.00

Distributions	FY20	FY19
PKR per Unit		
1st Interim Distribution	14.0411	7.6313
NAV before Distribution	115.0570	108.5706
NAV after Distribution	101.0159	100.9393
Distribution Date	27-Jun-20	27-Jun-19

LIF vs. Benchmark



Fixed Income Market Review

GoP raised cumulative PKR13.9tn in T-Bill auctions during FY20 vs. PKR18.5tn in FY19. Flows were supported by strong foreign participation through the Special Convertible Rupee Account (SCRA) in 1HFY20 although followed by an outflow in 2HFY20 due to sharp decline in interest rates. Moreover, SBP's appetite was lower than last year due to expected commencement of monetary easing from early-CY20 where SBP remained averse to locking itself at high interest rates for an extended period (7.0% Policy Rate at the end of Jun'20). Participation also began to lose steam once expectations of a rate cut solidified shifting more towards the longer tenor instruments (12M T-Bills and PIBs). Consequently, yields came off sharply after inverting in 1HFY20. T-Bill yields for 3M, 6M and 12M tenors dropped to 6.85%/6.66% and 6.85% for 3M/6M and 12M tenor from a high of 13.75%/13.94% and 14.25% in Aug'19. Interest rates peaked in 2019 during which time participation in PIB auctions picked up significantly. Bids accepted by SBP rose to PKR2.05tn in FY20 vs. PKR872bn in FY19. Strong participation was witnessed vs. 2019. Cut-off yields dropped to 7.97%, 8.44%, 8.99% and 10.51% for 3YR/5YR/10YR/20YR tenors from 13.70%/13.80%, 13.70% at the end of Jun'19.



Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 14.0099 per unit (14.0099% of face value of PKR 100/-) amounting to PKR 248.548 million in cash during the year ended June 30, 2020.

Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments to 'AM2+' during FY20.

The economic instability, escalating current account deficits and oil prices, consistent depleting FX reserves, declining financial aid by US and other friendly countries, higher devaluation of Pak Rupee against US Dollar, going back to IMF program, monetary tightening by central bank and worsening of external relations remains a risk for all business sectors in Pakistan. These risks may affect the financial market adversely and may affect the Company's profitability as well.

As of June 30, 2020, the LIF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 20.42mn. If the same were not made the NAV per unit of the LIF would be higher by PKR 0.6732. If the LIF would not have made the SWWF provisions during FY-20, the year to date annualized return of the LIF for FY20 would be higher by 0.21%.



Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2020, the LIF does not employ any leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	8	131
101 - 500	4	1,238
501 - 1,000	2	1,328
1,001 - 5,000	4	7,465
5,001 - 10,000	3	16,127
10,001 - 50,000	14	313,840
50,001 - 100,000	2	103,036
100,001 - 500,000	10	2,588,335
500,001 - 1,000,000	3	1,912,637
1,000,001 - 5,000,000	9	25,400,504
5,000,001 - above	0	-
	<u>59</u>	<u>30,344,640</u>



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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Email: info@cdcpk.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON INCOME 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 Lakson Income Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the 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.

We would like to draw the attention of the unitholders towards the fact that the Fund had an investment of Rs.71.770 million (2.34% of Net Assets) in TFC of Silk Bank Limited having rating of BBB+ as of June 30, 2020 which is lower than the minimum rating allowed under the Constitutive Document of the Fund. However, at the time of purchase, this term finance certificate was compliant with the minimum rating allowed under the Constitutive Document of the Fund. The matter has also been reported to the commission.

Abdul Samad
Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi: September 29, 2020





INDEPENDENT AUDITOR'S REPORT
To the Unit Holders of Lakson Income Fund

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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.#	Key audit matters	How the matter was addressed in our audit
1	<p>Investments - Valuation of investments</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2020, the Fund has investments classified as "Fair value through profit or loss" amounting to Rs. 1,535.09 million and 473.54 million in Government and Debts securities respectively representing 35% and 15% of net assets value of the Fund.</p> <p>We identified valuation of investments as a key audit matter because of its significance in relation to the net asset value of the fund.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - obtaining an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and - assessing, on a sample basis, whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP).



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 auditors' 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to 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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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

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

The financial statements of the Fund for the year ended 30 June 2019 were reviewed and audited by another firm of Auditors whose report dated 03 September 2019 expressed an unmodified opinion.

The engagement partner responsible on the audit resulting in this independent auditor's report is Amyn Pirani.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi



Statement of Assets and Liabilities
As at 30 June 2020

Assets	Note	2020	2019
			(Rupees)
Bank balances	5	883,217,038	1,319,573,643
Investments	6	2,118,193,674	922,901,205
Mark-up receivable	7	85,055,513	32,594,236
Deposits, prepayments and other receivables	8	17,626,909	15,619,200
Total assets		<u>3,104,093,134</u>	<u>2,290,688,284</u>
Liabilities			
Payable to the Management Company	9	19,119,396	21,806,364
Payable to the Trustee	10	370,256	257,267
Annual fee payable to Securities and Exchange			
Commission of Pakistan	11	494,383	2,425,288
Accrued expenses and other liabilities	12	23,575,211	15,119,214
Total liabilities		<u>43,559,246</u>	<u>39,608,133</u>
Net assets		<u>3,060,533,888</u>	<u>2,251,080,151</u>
Unit holders' fund (as per statement of movement in Unit Holders' Fund)		<u>3,060,533,888</u>	<u>2,251,080,151</u>
Contingencies and commitments	14		
			(Number of units)
Number of units in issue	15	<u>30,344,640</u>	<u>22,284,408</u>
			(Rupees)
Net assets value per unit		<u>100.8591</u>	<u>101.0159</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



Income Statement
For the year ended 30 June 2020

Income	Note	2020	2019 (Rupees)
Mark-up income		328,522,845	315,881,496
Income from Margin Trading System		936,368	9,995,612
Capital gain / (loss) on sale of investments - net		18,968,487	(10,316,346)
Unrealised gain / (loss) on re-measurement of investments classified as financial asset at fair value through profit or loss'-net		<u>6,823,274</u>	<u>(15,057,596)</u>
		355,250,974	300,503,166
Expenses			
Remuneration to the Management Company	9.1	30,740,249	48,505,735
Sindh Sales tax on remuneration to the Management Company	9.2	3,996,232	6,305,746
Remuneration to the Trustee	10	2,094,951	4,066,484
Annual fee to the Securities and Exchange Commission of Pakistan	11	494,383	2,425,287
SECP Supervisory Fee		2,500	2,500
Auditors' remuneration	16	219,560	243,553
Fees and subscription		552,000	673,749
Legal and Professional Charges		350,000	955,200
Printing charges		3,390	23,730
Brokerage, custody, settlement and bank charges		835,939	1,715,880
Total Expenses		<u>39,289,204</u>	<u>64,917,864</u>
Net income from operating activities		315,961,770	235,585,302
Provision for Sindh workers' welfare fund (SWWF)		<u>(6,319,235)</u>	<u>(4,711,706)</u>
Net income for the year before taxation		309,642,535	230,873,596
Taxation	17	<u>-</u>	<u>-</u>
Net income for the year after taxation		309,642,535	230,873,596
Allocation of net income for the year			
Net income for the year after taxation		309,642,535	230,873,596
Income already paid on units redeemed		<u>(66,233,447)</u>	<u>(88,456,573)</u>
		<u>243,409,088</u>	<u>142,417,023</u>
Accounting income available for distribution			
- Relating to capital gains - net		18,365,579	-
- Excluding capital gains		<u>225,043,509</u>	<u>142,417,023</u>
Accounting income available for distribution		<u>243,409,088</u>	<u>142,417,023</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



**Statement of Comprehensive Income
For the year ended 30 June 2020**

	2020	2019
	(Rupees)	
Net income for the year	309,642,535	230,873,596
Other comprehensive income	-	-
Total comprehensive income for the year	<u>309,642,535</u>	<u>230,873,596</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2020**

	2020		2019	
	Capital value	Undistributed income	Capital value	Undistributed income
	----- (Rupees) -----			
Net assets at beginning of the year	2,217,147,832	33,932,319	4,511,088,619	182,180,526
Issuance of 20,917,753 units (2019: 9,214,337 units)			2,251,080,151	4,693,249,145
- Capital value (at net asset value per unit at the beginning of the period)	2,376,025,670	-	1,019,487,072	-
- Element of income	163,045,346	-	(54,591,308)	(54,591,308)
	2,539,071,016	-	964,895,764	-
		2,539,071,016		964,895,764
Redemption of 12,857,521 units (2019: 31,230,086 units)				
- Capital value (at net asset value per unit at the beginning of the period)	(1,561,714,799)	-	(3,152,343,014)	-
- Element of loss	(33,658,698)	(66,233,449)	(17,074,856)	(88,456,573)
	(1,595,373,497)	(99,892,147)	(3,169,417,870)	(105,531,429)
		(1,661,606,940)		(3,257,874,443)
	309,642,535	309,642,535		230,873,596
Total comprehensive income for the year		(1,561,714,799)		(3,152,343,014)
Distribution during the period:				
- Final Distribution NII (2019: @ Rs 0.0027 per unit declared on 3rd July 2018)	(66,233,449)	(66,233,449)	(17,074,856)	(88,456,573)
Cash Distribution	(1,595,373,497)	(1,661,606,940)	(3,169,417,870)	(3,257,874,443)
Refund of Capital				
- Interim Distribution @ 14,0099 per unit (2019: Rs 7.6313 per unit)	(248,553,729)	(248,553,729)	(71,669,190)	(149,951,204)
Cash Distribution	(129,099,145)	(129,099,145)	(17,729,491)	(140,714,026)
Refund of Capital				
Net income for the year less distribution	61,088,806	(68,010,339)	(89,398,681)	(59,791,634)
Net assets as at end of the year	3,031,746,212	28,787,675	2,217,147,832	33,932,319
		3,060,533,888		2,251,080,151
Undistributed income brought forward				
- Realised gain	48,989,915	48,989,915	194,319,492	194,319,492
- Unrealised (loss)	(15,057,596)	(15,057,596)	(12,138,766)	(12,138,766)
	33,932,319	33,932,319	182,180,526	182,180,526
Accounting income available for distribution				
- Relating to capital gains	18,365,579	18,365,579	-	-
- Excluding capital gains	225,043,509	225,043,509	142,417,023	142,417,023
Net income for the year after taxation	243,409,089	243,409,089	142,417,023	142,417,023
Distribution during the period:				
- Final Distribution NII (2019: @ Rs 0.0027 per unit declared on 3rd July 2018)	(248,553,729)	(248,553,729)	(71,669,190)	(149,951,204)
- Interim Distribution @ 14,0099 per unit (2019: Rs 7.6313 per unit)	-	-	(149,951,204)	(149,951,204)
Undistributed income carried forward				
		(28,787,678)		(140,714,026)
		28,787,678		33,932,319
Represented by:				
- Realised income	21,964,401	21,964,401	48,989,915	48,989,915
- Unrealised gain	6,823,274	6,823,274	(15,057,596)	(15,057,596)
Undistributed income at end of the year	28,787,675	28,787,675	33,932,319	33,932,319
		101,0159		105,9420
		100,8591		101,0159

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director



Statement of Cash Flows
For the year ended 30 June 2020

	2020	2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	309,642,535	230,873,596
Adjustments for non-cash charges and other items:		
Mark-up income	(328,522,845)	(315,881,496)
Income from Margin Trading System	(936,368)	(9,995,612)
Capital gain / (loss) on sale of investments - net	(18,968,487)	10,316,346
Unrealised gain / (loss) on re-measurement of investments classified as financial asset at fair value through profit or loss-net	(6,823,274)	15,057,596
Provision for Sindh workers' welfare fund (SWWF)	6,319,235	4,711,706
	<u>(39,289,204)</u>	<u>(64,917,864)</u>
Decrease / (increase) in assets		
Investments - net	(1,169,500,709)	306,746,588
Deposits, prepayments and other receivables	(2,007,709)	21,024,853
	<u>(1,171,508,418)</u>	<u>327,771,441</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	(2,686,968)	(3,228,795)
Payable to the Trustee	112,989	(182,967)
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,930,905)	(1,025,648)
Accrued expenses and other liabilities	2,136,762	628,644
	<u>(2,368,123)</u>	<u>(3,808,766)</u>
Profit received on bank balances and investments	276,061,568	337,661,624
Profit received on Margin Trading System	936,368	59,013,489
Net cash (used in) / generated from operating activities	<u>(936,167,809)</u>	<u>655,719,924</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units	2,409,971,872	875,497,083
Cash paid on redemption of units	(1,661,606,940)	(3,257,874,443)
Cash dividend paid	(248,553,729)	(290,665,230)
Net cash (used in) / generated from financing activities	499,811,203	(2,673,042,590)
Net decrease in cash and cash equivalent during the year	<u>(436,356,606)</u>	<u>(2,017,322,666)</u>
Cash and cash equivalent at the beginning of the year	1,319,573,643	3,336,896,309
Cash and cash equivalent at the end of the year	<u>883,217,037</u>	<u>1,319,573,643</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



Notes to the Financial Statements For the year ended 30 June 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Lakson Income Fund (the "Fund") was established under the Trust Deed executed on August 18, 2009 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on September 18, 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

1.2 The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14-Ali Block, New Garden Town, Lahore.

1.3 The Fund is an open end mutual fund and is listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Income Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and it primarily invests in Government securities, certificates of investment, certificates of deposits, term deposit receipts, commercial papers, reverse repo, preference shares, spread transactions and corporate debt securities, etc. subject to the guidelines issued by SECP from time to time.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

1.4 The Pakistan Credit Rating Agency Limited (PACRA) has maintained A+(f) (Fund Stability Rating) to the Fund on April 20, 2020 and has also maintained asset manager rating of the Company to AM2+ (stable outlook), on August 29, 2019 (2019: AM2+ as on February, 2019).

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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



2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency. All amount have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) classification of financial assets (Note 4.1.1)
- (b) impairment of financial assets (Note 4.1.5)
- (c) provisions (Note 4.8)
- (d) element of income (Note 4.6)

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- 'Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of amendments is not likely to have an impact on Fund's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject



to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as BORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its



obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

An annual Improvements to IFRS standards 2018-2020:

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are effective from annual period beginning on or after 1 January 2020 and are not likely to have an impact on Fund's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and



- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;



- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and debt securities. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.1.3 Initial recognition and measurement

Financial assets 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 expensed in the income statement.

4.1.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.



b) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

4.1.5 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

4.1.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.1.7 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.

4.1.8 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.1.9 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

4.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and



subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3 Issue and redemption of units

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

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

4.4 Net assets value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

4.5 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

4.6 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

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 same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.



4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.8 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.9 Dividend distribution

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.10 Other assets

Other assets are stated at cost less impairment losses, if any.

4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the conversion of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the income statement.

4.12 Earnings per unit (EPU)

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



5.	BANK BALANCES	Note	2020	2019
			(Rupees)	
	In local currency			
	In profit and loss sharing accounts	5.1	883,209,564	1,319,566,169
	In current accounts		7,474	7,474
			<u>883,217,038</u>	<u>1,319,573,643</u>

5.1 These represent profit and loss account maintained with banks carrying profit rates ranging from 6.50% to 11.10% (June 30, 2019: 10.25% to 13.50%) per annum.

6. INVESTMENTS

Financial assets classified as at fair value through profit or loss

Government securities				
- Market Treasury Bills	6.1	-	47,603,709	
- Pakistan Investment Bonds	6.2	1,061,556,310	321,616,634	
Term Finance Certificates - Listed	6.3	73,293,517	238,302,895	
Term Finance Certificates - Unlisted	6.4	254,068,170	134,988,291	
Sukuk Certificates - Listed	6.5	146,176,617	180,389,676	
		<u>1,535,094,614</u>	<u>922,901,205</u>	

Financial assets classified as at amortized cost

Commercial Papers	6.6	153,099,060	-
Term Deposit Receipts	6.7	430,000,000	-
		583,099,060	-
		<u>2,118,193,674</u>	<u>922,901,205</u>

6.1 Market Treasury Bills

Date of Maturity	Number of holdings at the beginning of the period	Acquired during the year	Disposed / matured during the period	Number of holdings at the end of the year	Balance as at 30 June, 2020			Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)
					Carrying value	Market value	Unrealized (diminution)		
(Number of Treasury Bills)					(Rupees)			%	
Treasury Bills - 03 months	12-Mar-20	250,000	250,000	-	-	-	-	-	-
Treasury Bills - 06 months	21-Nov-19	500,000	-	500,000	-	-	-	-	-
Treasury Bills - 06 months	9-Apr-20	150,000	150,000	-	-	-	-	-	-
Treasury Bills - 01 Year	10-Sep-20	3,500,000	3,500,000	-	-	-	-	-	-
Treasury Bills - 01 Year	22-Oct-20	5,000,000	5,000,000	-	-	-	-	-	-
Treasury Bills - 01 Year	25-Mar-21	1,000,000	1,000,000	-	-	-	-	-	-
Treasury Bills - 01 Year	9-Apr-21	3,750,000	3,750,000	-	-	-	-	-	-
Total as at 30 June 2020					-	-	-	-	-
Total Cost as at June 30, 2020					-				
Total as at 30 June 2019					47,660,942	47,603,709	(57,233)	2.11%	5.16%
Total Cost as at June 30, 2019					47,661,086				



6.2 Pakistan Investment Bond

Date of Maturity	Number of holdings at the beginning of the period	Acquired during the year	Disposed / matured during the period	Number of holdings at the end of the year	Balance as at 30 June, 2020			Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)	
					Carrying value	Market value	Unrealized (diminution)			
----- (Number of Pakistan Investment Bonds) -----					----- (Rupees) -----			%		
3 years Pakistan Investment Bond (face value of Rs. 100,000 each)	12-Jul-21	960	2,446	3,406	-	-	-	-	-	
3 years Pakistan Investment Bond (face value of Rs. 100,000 each)	6.2.1 19-Sep-22	-	4,750	-	4,750	484,086,196	490,607,587	6,521,390	16.03%	23.16%
5 years Pakistan Investment Bond (face value of Rs. 100,000 each)	12-Jul-23	950	-	950	-	-	-	-	-	-
5 years Pakistan Investment Bond (face value of Rs. 100,000 each)	6.2.2 19-Sep-24	-	3,250	-	3,250	340,398,579	341,989,737	1,591,158	11.17%	16.15%
10 years Pakistan Investment Bond (face value of Rs. 100,000 each)	12-Jul-28	474	-	474	-	-	-	-	-	-
10 years Pakistan Investment Bond (face value of Rs. 100,000 each)	6.2.3 19-Sep-29	-	250	-	250	26,607,596	27,158,987	551,390	0.89%	1.28%
10 years Pakistan Investment Bond (face value of Rs. 100,000 each)	31-May-28	1,250	-	1,250	-	-	-	-	-	-
10 years Pakistan Investment Bond (face value of Rs. 100,000 each)	6.2.4 25-Jul-29	-	2,000	-	2,000	203,952,881	201,800,000	(2,152,881)	6.59%	9.5%
Total as at June 30, 2020						1,055,045,252	1,061,556,310	6,511,058	34.69%	50.12%
Total Cost as at June 30, 2020						1,056,755,350				
Total as at June 30, 2019						333,152,584	321,616,634	(11,535,950)	14.29%	34.85%
Total Cost as at June 30, 2019						329,487,276				

6.2.1 This represents investments in 3 years Pakistan Investment Bond carrying an effective profit rate of 8.11% and having maturity on 21 September 2022. The face value of Pakistan Investment Bond as at 30 June 2020 amounted to Rs. 475 million.

6.2.2 This represents investments in 5 years Pakistan Investment Bond carrying an effective profit rate of 8.28% and having maturity on 19 September 2024. The face value of Pakistan Investment Bond as at 30 June 2020 amounted to Rs. 325 million.

6.2.3 This represents investments in 10 years Pakistan Investment Bond carrying an effective profit rate of 8.98% and having maturity on 19 September 2029. The face value of Pakistan Investment Bond as at 30 June 2020 amounted to Rs. 25 million.

6.2.4 This represents investments in 10 years Pakistan Investment Bond carrying an effective profit rate of 13.96% semi annually and having maturity on 25 July 2029. The face value of Pakistan Investment Bond as at 30 June 2020 amounted to Rs. 200 million.

6.3 Term Finance Certificates - Listed

Name of Security	Note	-----Number of term finance certificates-----				Balance as at June 30, 2020			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Number of holdings at beginning of the year	Acquired during the year	Disposed / matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized (diminution)			
					----- (Rupees) -----						
Commercial Banks											
Bank Alfalah Limited - (V) (face value of Rs. 5,000 each)		12,950	-	12,950	-	-	-	-	-	-	
HBL Tier-II TFCs 10 years (face value of Rs. 100,000 each)	6.3.1	750	-	-	750	73,698,295	73,293,517	(404,777)	2.39%	3.46%	0.65%
Total as at 30 June 2020						73,698,295	73,293,517	(404,777)	2.39%	3.46%	0.65%
Total Cost as at 30 June, 2020						74,880,000					
Total as at 30 June 2019						238,911,404	238,302,895	(608,509)	10.59%	25.82%	2.07%
Total Cost as at 30 June, 2019						139,504,600					

6.3.1 These represent listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 0.50% . These term finance certificates are unsecured and the rating of the instrument is AA+.



6.4 Term Finance Certificates - Un-listed

Name of Security	Note	Number of term finance certificates				Balance as at June 30, 2020			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Number of holdings at beginning of the year	Acquired during the year	Disposed / matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized (diminution)			
Commercial Bank Silk Bank Limited PPTFC - 08 years (face value of Rs. 5,000 each)	6.4.1	16,000	-	-	16,000	69,544,166	71,770,657	2,226,490	2.35%	3.39%	4.00%
BAHL Tier-II TFCs 10 years (face value of Rs. 5,000 each)	6.4.2	20,000	8,000	-	28,000	139,916,000	136,475,326	(3,440,674)	4.46%	6.44%	3.50%
Investment Company Jahangir Siddiqui Company Limited PPTFC (face value of Rs. 5,000 each)	6.4.3	15,000	-	-	15,000	46,678,125	45,822,188	(855,938)	1.50%	2.16%	3.13%
Total as at 30 June, 2020						256,138,291	254,068,170	(2,070,122)	8.31%	11.99%	10.62%
Total Cost as at 30 June, 2020						266,751,000					
Total as at 30 June 2019						137,257,493	134,988,291	(2,269,202)	6.00%	14.63%	9.00%
Total Cost as at 30 June, 2019						245,581,000					

6.4.1 This represents unlisted term finance certificates issued by Silk Bank Limited. Total size of the issue is Rs. 2,000 million and the term of the TFCs is eight years commencing from the date of issue of TFCs which was August 2017 and ending on August 2025. Profit on the instrument shall be payable semi-annually in arrears on the outstanding balance and the first such profit payment shall fall due 6 months from the issue date and subsequently every six months thereafter. Profit rate shall be the average six months KIBOR + 1.85% per annum. The instrument will be structured to redeem 0.14% of the issue amount during the first 7 years and remaining 99.86% in the last two semi annual instalments of 49.93% each. The instrument is unsecured and subordinated to all other indebtedness of the Bank. The rating of the instrument is BBB+.

6.4.1.1 The Securities & Exchange Commission of Pakistan vide circular No. 16 of 2010 dated July 7, 2010, prescribed specific disclosures for the scheme holding investments that are non-compliant either with the minimum investment specified for the category assigned to such schemes or with investment requirements of their constitutive documents.

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of Net Assets	% of Gross Assets
Silk Bank Ltd. - PPTFC - 08 years (face value of Rs. 5,000 each)	Rating is below investment grade as prescribed in clause No. 2.3 of the offering document	Term finance certificates	71,770,657	-	71,770,657	2.35%	2.31%

At the time of purchase, this term finance certificate was in compliance with the aforementioned circular. However, subsequently it was downgraded to BBB+ from A-.

6.4.2 This represent unlisted term finance certificates and carry rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum (plus margin of 1.40%) receivable semi-annually in arrears with no floor or cap and will mature in July 2022. The principal shall be redeemed in 8 equal semi annually installments. These term finance certificates are secured. The rating of the instrument is AA+.

6.4.3 This represent unlisted term finance certificates and carry rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum (plus margin of 1.40%) receivable semi-annually in arrears with no floor or cap and will mature in July 2022. The principal shall be redeemed in 8 equal semi annually installments. These term finance certificates are secured. The rating of the instrument is AA.



6.5 Sukuk Certificates- Listed

Name of Security	Note	Number of certificates				Balance as at June 30, 2020			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Number of holdings at beginning of the year	Acquired during the year	Disposed / matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized (diminution)			
					(Rupees)						
Investment Company											
Dawood Hercules Corporation Limited (face value of Rs. 100,000 each)	6.5.1	420	-	-	420	29,275,676	29,691,971	416,296	0.97%	1.40%	0.49%
Dawood Hercules Corporation Limited - 05 Years (Face value of 100,000 each)	6.5.2	1,430	-	-	1,430	114,113,827	116,484,646	2,370,819	3.81%	5.50%	1.91%
Total as at 30 June 2020						143,389,503	146,176,617	2,787,114	4.78%	6.90%	2.40%
Total Cost as at 30 June, 2020						143,800,000					
Total as at 30 June, 2019						180,976,378	180,389,676	(586,702)	8.01%	19.55%	3.08%
Total Cost as at 30 June, 2019						180,800,000					

6.5.1 This represent sukuk certificates having face value 100,000 issued by Dawood Hercules Corporation Limited having issue size of Rs. 6,000 million and tenor shall be 05 years which is from November 2017 to November 2022. The profit rate shall be paid on quarterly basis and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 1.00% per annum. Principal amount shall be redeemed in 08 equal semi-annual installments starting from 18th month from the issue date. The rating of the instrument is AA.

6.5.2 This represent sukuk certificates having face value of Rs. 100,000 each issued by Dawood Hercules Corporation Limited having issue size of Rs. 6,000 million and tenor of 05 years which is from February 2018 to February 2023. The profit rate shall be paid on quarterly basis and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 1.00% per annum. Principal amount shall be redeemed in 08 equal semi-annual installments starting from 18th month from the issue date. The rating of the instrument is AA.

6.6 Commercial Papers

Name of Investee Company	Note	Number of holdings at the beginning of the period	Acquired during the year	Disposed / matured during the period	Number of holdings at the end of the year	Balance as at 30 June, 2020			Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)
						Carrying value	Market value	Unrealized (diminution)		
						(Rupees)			%	
						(Number of Commercial Papers)				
K-Electric CP-3 (6 Months)		500,000	-	-	500,000	-	-	-	0.00%	0.00%
K-Electric CP-3 (6 Months)	6.6.1	-	1,160,000	-	1,160,000	114,092,083	114,092,083	-	3.73%	5.39%
K-Electric CP-3 (6 Months)	6.6.2	-	400,000	-	400,000	39,006,977	39,006,977	-	1.27%	1.84%
Total as at 30 June 2020						153,099,060	153,099,060	-	5.00%	7.23%
Total Cost as at 30 June, 2020						153,099,056				
Total as at 30 June 2019						-	-	-	-	-
Total Cost as at 30 June, 2019						-				

6.6.1 This represents investment in commercial paper of k-Electric (6 months) having coupon rate 14.64% and will be matured after 6 months i.e 14 August 2020. The paper is unsecured.

6.6.2 This represents investment in commercial paper of k-Electric (6 months) having coupon rate 15.12% and will be matured after 6 months i.e 10 September 2020. The paper is unsecured.

6.7 Term deposit receipts 2020 2019
(Rupees)

- Mobilink Microfinance Bank Limited	6.7.1	230,000,000	-
- U-Microfinance Bank Limited	6.7.2	200,000,000	-
		430,000,000	-



6.7.1 This Term deposit has been deposited at a coupon of 15.00% having maturity on 21 October 2020.

6.7.2 This Term deposit has been deposited at a coupon of 14.25% having maturity on 21 October 2021.

7. MARK-UP RECEIVABLE	Note	2020	2019
		(Rupees)	
Mark-up / return receivable on:			
Term Deposit Receipts		36,016,444	-
Profit and loss sharing accounts		899,351	5,839,989
Term Finance Certificates		13,275,104	14,372,074
Government securities - Pakistan			
Investment Bonds		33,659,308	10,147,220
Sukuk certificates		1,205,306	2,234,953
		<u>85,055,513</u>	<u>32,594,236</u>

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits:			
CDC		100,000	100,000
NCCPL		2,750,000	2,750,000
Cash margins:			
NCCPL		10,049,367	10,049,367
Advance tax		4,635,614	2,518,317
Prepayments and other receivables		91,928	201,516
		<u>17,626,909</u>	<u>15,619,200</u>

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	9.1	505,654	2,885,847
Sindh Sales Tax on remuneration to Management Company	9.2	2,434,016	2,743,442
Federal Excise Duty on remuneration to Management Company	9.3	16,177,075	16,177,075
Sale Load Payable to Management Company		2,651	-
		<u>19,119,396</u>	<u>21,806,364</u>

9.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 1.5% per annum of the average annual net assets of the Fund. However, The Management Company is currently charging a fee at the rate of 1.24% of the average daily net assets of the fund. Remuneration is paid to management company in arrears on a monthly basis.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (till 30 June 2019: 13%) on Management Company's remuneration. Above liability includes Rs. 2,368,285 (30 June 2019: Rs. 2,368,285) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 9.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re 0.0780 (30 June 2019: Re. 0.1063 per unit. This amount is payable to management company for onward payment to the Government.



9.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 04 September 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 1, 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision. Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non- Banking Financial Institutions, which are already subject to provisional sales tax. However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period up to June 30, 2016 aggregating to Rs. 16.177 million. Had the provision not been retained, net asset value per unit of the Fund as at June 30, 2020 would have been higher by Re. 0.06 (2019: Re. 0.73) per unit.

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

10. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed. Effective from 01 July 2019 the Trustee has revised the trustee fee which is 0.075% per annum of the net assets.

Upto 30 June 2019 the Trustee was entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the following rates:

Net assets up to 1 billion	0.17% per annum of the daily average net assets of the Fund,
Net assets ranging between	Rs. 1.70 million plus 0.085% per annum of the daily average net assets of Rs. 1 billion to Rs. 5 billion the Fund exceeding Rs 1 billion.
Net assets exceeding 5 billion	Rs. 5.1 million plus 0.07% per annum of the daily average net assets of the Fund exceeding Rs 5 billion.

The remuneration is paid to the trustee in arrears on monthly basis.

11. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations. Effective from 01 July 2019 the SECP has revised the Annual SECP fee. Currently the Company is required to pay SECP an amount at the rate of 0.02% per annum of the average daily net assets of the fund.

Upto 30 June 2019 the SECP was entitled for annual fee payable in accordance with the regulation 62 of the NBFC Regulation 2008, at the rate of 0.075% per annum of the average daily net assets of the Fund.



12. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020	2019
		(Rupees)	
Auditors' remuneration		147,869	140,313
Payable to Sindh Workers' Welfare Fund	12.1	20,426,852	14,107,617
Brokerage payable		55,457	39,221
NCCPL payable		34,153	21,308
Printing and stationary payable		20,550	20,550
Withholding tax payable		418,481	780,548
CGT payable on redemption of units		2,261,578	-
PACRA rating fee payable		138,500	-
Others		71,772	9,657
		<u>23,575,211</u>	<u>15,119,214</u>

12.1 Provision for Sindh Workers' Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in the definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from 01 July 2014).

Total provision for SWWF till 30 June 2020 is Rs. 20.426 million (June 30, 2019 :Rs.14.108 million).Had the provision unit of the Fund as at 30 June 2020 would have been higher by Re. 0.67 (30 June 2019: Re. 0.6331) per unit.

13. TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, required that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2020 is 1.84% which includes 0.45% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc.). As per NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 2.5% (excluding government levies).

14. CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the period end except as those mentioned elsewhere in these financial information.

	Note	2020	2019
		(Rupees)	
15. NUMBER OF UNITS IN ISSUE			
Total outstanding as of 1 July		22,284,408	44,300,157
Issued during the year	15.1	20,916,809	9,214,337
Redemptions during the year	15.2	(12,856,577)	(31,230,086)
Total units in issue as of 30 June		<u>30,344,640</u>	<u>22,284,408</u>

15.1 Includes 5.463 million (2019: 3.591 million) units on the conversion of units from the related funds.



15.2 Includes 1.12 million (2019: 0.85 million) units on the conversion of units to the related funds.

16. AUDITORS' REMUNERATION

	2020	2019
	(Rupees)	
Annual audit fee	120,750	114,660
Fee for the review of half yearly financial statements	75,000	81,000
Other Services	-	15,750
Out of pocket and sales tax expenses	23,810	32,143
	<u>219,560</u>	<u>243,553</u>

17. TAXATION

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

18. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee and the custodian, SIZA services (Private) Limited being holding company of the management company, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company, key management personnel and other funds being managed by the Management Company, staff retirement benefits of related parties and other entities having more than 10% holding in the units of the Fund as at June 30, 2020. funds of the above related parties / connected persons.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

18.1 Details of balances with related parties / connected persons for the year

	2020	2019
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration and other payables (including the Sindh sales tax and Federal excise duty amounting to Rs. 19.11 million (2019: Rs. 21.8 million)) *	<u>19,119,396</u>	<u>21,806,364</u>



	2020	2019
	(Rupees)	
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the period	<u>370,256</u>	<u>257,267</u>
Security Deposit	<u>100,000</u>	<u>100,000</u>
18.2 Details of transactions with related parties / connected persons during the year		
Lakson Investments Limited - Management Company of the Fund		
Remuneration for the period	<u>30,740,249</u>	<u>48,505,735</u>
Sindh sales tax and Federal Excise Duty on remuneration of Management Company	<u>3,996,232</u>	<u>6,305,746</u>
Dividend Paid	<u>12,632,792</u>	<u>6,439,986</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the period	<u>2,094,951</u>	<u>4,066,484</u>
Settlement charges	<u>27,053</u>	<u>18,334</u>
Directors, Chief Executive and their spouse and minors		
Dividend paid	<u>91,806,379</u>	<u>68,499,405</u>
Alan (Private) Limited		
Dividend paid	<u>317,903</u>	<u>1,739,944</u>
Colgate Palmolive (Pakistan) Limited		
Dividend paid	<u>52,819,758</u>	<u>27,323,782</u>
Hasanali & Gulbano Lakhani Foundation		
Dividend paid	<u>533,200</u>	<u>1,739,944</u>
Lakson Business Solution Limited-ECPFT		
Dividend paid	<u>64,691</u>	<u>32,826</u>
Sybrid (Private) Limited		
Dividend paid	<u>7,525</u>	<u>2,390,730</u>
Connected person due to holding more than 10% units		
English Biscuit Manufacturers (Private) Limited		
Dividend paid	<u>53,512,824</u>	<u>27,388,777</u>



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

	Year ended June 30, 2020					Rupees			
	Number of Units		Number of units as at June 30, 2020	Units issued during the year	Units redeemed during the year	Balance as at July 01, 2019	Units issued during the year	Units redeemed during the year	Balance at the year end 30 on June 2020
Number of Units as at July 01, 2019	Units issued during the period	Units redeemed during the year							
Lakson Investments Limited - Management Company	905,336	1,175,640	1,297,806	905,336	1,297,806	91,453,331	131,088,547	103,825,346	130,895,526
Directors, Chief Executive and their spouse and minors	7,677,422	10,506,125	15,625,448	3,556,659	15,625,448	775,541,693	1,164,355,148	389,741,465	1,575,968,659
Other key management personnel									
Associated companies / undertakings of the Management Company									
SIZA (Private) Limited	860,228	15,386	-	875,614	-	86,896,708	1,606,295	94,785,312	-
Premier Fashions (Private) Limited	739,077	9,962	-	749,039	-	74,658,757	1,040,042	81,764,506	-
Alan (Private) Limited	22,692	2,674	25,366	-	25,366	2,292,216	270,218	-	2,588,388
Colgate Palmolive (Pakistan) Limited	3,770,174	444,316	4,214,489	-	4,214,489	380,847,498	44,896,794	-	425,069,610
Hasanali & Gubano Lakhani Foundation	384,768	9,021	45,975	348,231	45,975	38,867,699	953,688	35,500,000	4,636,955
SIZA Services (Private) Limited	992,415	-	-	992,415	-	100,249,694	-	107,429,111	-
Sybird (Private) Limited	536	63	600	-	600	54,114	6,396	-	60,494
Lakson Business Solution Limited-ECPFT	4,617	448	5,065	-	5,065	466,382	45,283	-	510,898
Connected person due to holding more than 10% units									
English Biscuit Manufacturers (Private) Limited	3,815,644	450,146	4,269,790	-	4,269,790	385,844,776	45,485,901	-	430,647,130
Coronet Foods (Private) Limited	2,539,888	-	2,539,888	-	2,539,888	256,569,072	-	-	256,170,818



		Year ended June 30, 2019			Rupees		
		Number of Units			Balance		
Number of Units as at July 01, 2018	Units issued during the period	Units redeemed during the year	Number of units as at June 30, 2019	Balance as at July 01, 2018	Units issued during the year	Units redeemed during the year	Balance at the year end 30 on June 2019
1,089,737	959,319	1,143,720	905,336	115,448,674	91,397,588	-	91,463,331
6,815,292	862,130	-	7,677,422	862,712,495	75,884,588	-	775,541,693
1,059,782	904,874	1,104,428	860,228	112,275,427	91,337,344	118,212,102	86,896,708
637,714	1,611,113	1,509,750	739,079	67,560,654	167,313,372	161,895,598	74,658,757
20,460	2,232	-	22,692	2,167,535	225,301	-	2,292,216
9,442,006	230,091	6,367,012	3,770,174	1,000,304,957	23,225,226	650,000,000	380,847,498
532,009	160,756	334,081	384,768	56,362,112	16,228,952	35,000,000	38,867,699
3,002,299	187,045	2,196,929	992,415	318,069,599	18,948,358	223,000,000	100,249,694
837,838	20,132	875,312	536	88,762,309	2,032,112	89,900,000	54,114
4,091	4,297	4,294	4,617	433,400	466,146	465,843	466,382
5,117,282	125,506	5,348,753	-	542,135,090	12,668,523	548,463,969	-
-	-	-	2,539,888	-	-	-	256,569,072
-	-	-	3,819,644	-	-	-	385,844,776

Lakson Investments Limited - Management Company
Directors, Chief Executive and their spouse and minors

Associated companies / undertakings of the Management Company

- SIZA (Private) Limited
- Premier Fashions (Private) Limited
- Alan (Private) Limited
- Colgate Palmolive (Pakistan) Limited
- Hasanali & Gulbano Lakhani Foundation
- SIZA Services (Private) Limited
- Sybird (Private) Limited
- Lakson Business Solution Limited-ECPFT

Connected person due to holding more than 10% units

- Gul Ahmed Energy Limited
- Coronet Foods (Private) Limited
- English Biscuit Manufactures Private Limited



- 18.4 Remuneration payable to the Management Company and the Trustee has been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.
- 18.5 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Dividend income is recorded at the amounts these are declared by the investee company. Other transactions are at agreed rates.

19. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk (refer note 19.1)
- liquidity risk (refer note 19.2)
- market risk (refer note 19.3)
- operational risk (refer note 19.4)

Risk management framework

The Fund's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

19.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, receivable against sale of marketable securities and security deposits.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.



Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.
- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimize the risk of default and transactions are settled or paid for only upon delivery.

Exposure to credit risk

The maximum exposure to credit risk as at 30 June 2020 was as follows:

Note	June 30, 2020		June 30, 2019	
	Statement of Assets and Liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure
	(Rupees)		(Rupees)	
Bank balances (including profit due)	884,116,388	884,116,388	1,325,413,632	1,325,413,632
Investments (including profit due but excluding TDRs)	2,167,232,743	1,107,134,219	949,655,452	949,655,452
Deposits and other receivable	17,626,909	12,899,367	12,899,367	12,899,367
	<u>3,068,976,041</u>	<u>2,004,149,974</u>	<u>2,287,968,451</u>	<u>2,287,968,451</u>

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in government securities of Rs. 1.10 billion (2019: Nil in government securities) do not carry credit risk.

Bank balances

The Fund held cash and cash equivalents at 30 June 2020 with banks had following credit ratings:

Rating	2020	2019	2020	2019
	(Rupees)		(%)	
AAA	1,665,138	179,335,938	0.19	13.53
AA+	1,493,894	58,583,283	0.17	4.42
AA-	551,373,521	696,372,322	62.36	52.54
A+	73,697	33,665,506	0.01	2.54
A	329,469,572	357,456,583	37.27	26.97
A-	40,567	-	0.00	0.00
Total balance including profit due	<u>884,116,388</u>	<u>1,325,413,632</u>	<u>100.00</u>	<u>100.00</u>



Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	June 30, 2020		June 30, 2019	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks (including profit due)	1,361,300,052	67.92	1,632,367,328	71.35
Micro Finance Bank	329,469,572	16.44	391,039,429	17.09
Fertilizers	147,381,923	7.35	180,389,676	7.44
Miscellaneous	-	-	71,272,651	3.56
Power generation and distribution - commercial papers	153,099,060	7.64	-	-
National Clearing Company of Pakistan Limited	12,799,367	0.64	12,799,367	0.56
Central Depository Company of Pakistan Limited	100,000	-	100,000	0.01
	<u>2,004,149,974</u>	<u>100.00</u>	<u>2,287,968,451</u>	<u>100.00</u>

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2020.

Settlement risk

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

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

19.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).



Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six working days from the date of the redemption request.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request 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.

Maturity analysis for financial liabilities

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	2020	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	505,654	505,654
Remuneration payable to the Trustee	370,256	370,256
Accrued expenses and other liabilities *	<u>2,729,878</u>	<u>2,729,878</u>
	<u>3,605,788</u>	<u>3,605,788</u>
 Unit holders' fund	 <u>3,060,533,888</u>	 <u>3,060,533,888</u>
	2019	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	21,806,364	21,806,364
Remuneration payable to the Trustee	257,267	257,267
Accrued expenses and other liabilities *	<u>231,049</u>	<u>231,049</u>
	<u>22,294,680</u>	<u>22,294,680</u>
 Unit holders' fund	 <u>2,251,080,151</u>	 <u>2,251,080,151</u>



* excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, Annual fee payable to the Securities and Exchange Commission of Pakistan and Sindh Sales Tax payable on Management Company's remuneration.

Above financial liabilities do not carry any mark-up.

19.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to currency risk, interest rate risk and equity price risk.

Currency risk

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

19.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

Exposure to interest rate risk

The interest rate profile of the Fund's interest-bearing financial instruments is as follows:

	Note	2020	2019
		(Rupees)	
Variable-rate instrument			
Financial assets (bank balances)		883,209,564	1,319,566,169
Investment in Term Finance Certificates		327,361,687	373,291,186
Investment in Sukuk Certificates		146,176,617	180,389,676
Investment in Government Securities		1,061,556,310	321,616,634
		<u>2,418,304,178</u>	<u>2,194,863,665</u>

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 24.18 million (2019: Rs. 21.94 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity.



None of the other assets and Fund's liabilities are exposed to interest rate risk.

	2020	2019
Note	(Rupees)	
Fixed rate instruments		
Investment in Government Securities		
Pakistan Investment Bond *	1,061,556,310	321,616,634
Market Treasury Bills	-	47,603,709
Investment In Commercial Paper *	153,099,060	-
Term Deposit Receipts *	430,000,000	-
	<u>1,644,655,370</u>	<u>369,220,343</u>

Fair value sensitivity analysis for fixed rate instruments

* The Fund does not account for term deposit receipt (fixed rate financial asset) at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect net assets of the fund.

* The Fund does not account for commercial paper (fixed rate financial asset) at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect net assets of the fund.

* Interest bearing Government securities of Rs. 1,061.556 million (June 2019: Rs. 321.617 million) are held by the Fund at fair value through profit or loss (held for trading) and exposes the Fund to the fair value risk. In case of 100 basis points increase / decrease in yield rates of the above Government Securities during the year, the net assets of the Fund would have been lower / higher by Rs. 10.62 (2019: Rs. 3.22 million) with corresponding effect on net income for the year.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

----- June 30, 2020 -----					
Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total	
	No later than one month	Between two months to 1 year			
----- Rupees -----					
Financial assets					
Investments					
- Term Finance Certificates	6.3	-	327,361,687	13,275,104	340,636,791
- Sukuk certificates	6.5	-	146,176,617	1,205,306	147,381,923
- Government Securities	6.2	-	1,061,556,310	33,659,308	1,095,215,618
- Commercial Paper	6.6	-	-	153,099,060	153,099,060
- Term deposit receipt	6.7	-	-	430,000,000	430,000,000
Bank Balances (including profit due)	5.1	884,108,914	-	906,825	885,015,739
Deposits and other receivable	8	-	-	17,626,909	17,626,909
			<u>884,108,914</u>	<u>1,535,094,614</u>	<u>649,772,512</u>
					<u>3,068,976,041</u>



----- June 30, 2019 -----				
Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total
	No later than one month	Between two months to 1 year		
----- Rupees -----				
Financial assets				
Investments				
- Term Finance Certificates	6.4	- 373,291,186	14,372,074	387,663,260
- Sukuk Certificates	6.6	- 180,389,676	2,234,953	182,624,629
- Government Securities	6.3	- 369,220,343	10,147,220	379,367,563
- Term deposit receipt	6.8	-	-	-
Bank Balances (including profit due)	6.1	1,325,406,158	5,839,989	1,331,246,147
Deposits and other receivable	8	-	15,619,200	15,619,200
		<u>1,325,406,158</u>	<u>48,213,436</u>	<u>2,296,520,799</u>

18.5 Other market price risk

The Fund is exposed to equity price risk i.e. the risk of unfavourable changes in the fair value of equity securities as a result changes in the levels of Pakistan Stock Exchange Index and the value of individual shares, which arises from investments measured at fair value through profit or loss.

The management of the Fund monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of NBFC regulations. The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund with overall limit of 30% or index weight whichever is higher subject to maximum of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations).

The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. The primary goal of the Fund's investment strategy is to maximise investment returns.

Sensitivity analysis - Price risk

In respect of the investments classified as at fair value through profit or loss the impact on income statement and unit holders' fund, to a 5% increase or decrease in the fair values of the investments, would have been an increase or decrease of Rs. 76,754,731 (2019: Rs. 46,145,060).

19.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.



The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

19.7 Unit holder's fund risk management

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

19.8 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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



		June 2020							
		Carrying amount				Fair Value			
	Note	Fair value through profit and loss investments	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
	6	327,361,687	-	-	327,361,687	-	327,361,687	-	327,361,687
	6	146,176,617	-	-	146,176,617	-	146,176,617	-	146,176,617
	6	1,061,556,310	-	-	1,061,556,310	-	1,061,556,310	-	1,061,556,310
		<u>1,535,094,614</u>	<u>-</u>	<u>-</u>	<u>1,535,094,614</u>	<u>-</u>	<u>1,535,094,614</u>	<u>-</u>	<u>1,535,094,614</u>
Financial assets not measured at fair value									
	6	-	430,000,000	-	430,000,000	-	-	-	-
	6	-	153,099,060	-	153,099,060	-	-	-	-
	5	-	883,217,038	-	883,217,038	-	-	-	-
	7	-	85,055,513	-	85,055,513	-	-	-	-
	8	-	17,626,909	-	17,626,909	-	-	-	-
		<u>-</u>	<u>1,568,998,520</u>	<u>-</u>	<u>1,568,998,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
	9	-	-	19,119,396	19,119,396	-	-	-	-
	10	-	-	370,256	370,256	-	-	-	-
	12	-	-	23,575,211	23,575,211	-	-	-	-
		<u>-</u>	<u>-</u>	<u>43,064,863</u>	<u>43,064,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

		June 2019							
		Carrying amount				Fair Value			
	Note	Fair value through profit and loss investments	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
	6	373,291,186	-	-	373,291,186	-	373,291,186	-	373,291,186
	6	180,389,676	-	-	180,389,676	-	180,389,676	-	180,389,676
	6	369,220,343	-	-	369,220,343	-	369,220,343	-	369,220,343
		<u>922,901,205</u>	<u>-</u>	<u>-</u>	<u>922,901,205</u>	<u>-</u>	<u>922,901,205</u>	<u>-</u>	<u>922,901,205</u>
Financial assets not measured at fair value									
	5	-	1,319,573,643	-	1,319,573,643	-	-	-	-
	7	-	32,594,236	-	32,594,236	-	-	-	-
	8	-	12,899,367	-	12,899,367	-	-	-	-
		<u>-</u>	<u>1,365,067,246</u>	<u>-</u>	<u>1,365,067,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
	9	-	-	21,806,364	21,806,364	-	-	-	-
	10	-	-	257,267	257,267	-	-	-	-
	12	-	-	231,049	231,049	-	-	-	-
		<u>-</u>	<u>-</u>	<u>22,294,680</u>	<u>22,294,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* excluding income tax recoverable and prepaid annual listing fee.

** excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, Sindh sales tax payable on Management Company remuneration, Sindh sales tax payable on Trustee remuneration and withholding tax payable.

19.8.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair values.



20. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Payable against dividend	Total
----- (Rupees in '000) -----				
Opening balance as at 1 July 2019	-	-		-
Receivable against issuance of units	2,409,971,872	-		2,409,971,872
Payable against redemption of units	-	1,661,606,940		1,661,606,938
Payable against dividend			248,553,729	248,553,729
	2,409,971,872	1,661,606,940	248,553,729	4,320,132,539
Amount received on issuance of units	(2,409,971,872)	-		(2,409,971,872)
Amount paid on redemption of units	-	(1,661,606,940)		(1,661,606,938)
Dividend paid	-		(248,553,729)	(248,553,729)
	(2,409,971,872)	(1,661,606,940)	(248,553,729)	(4,320,132,539)
Closing balance as at 30 June 2020	-	-		-

21. COVID 19 RELATED IMPACT

The coronavirus pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain the economic activity. The Fund's operations were also affected although it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure the safety of employees and smooth and adequate continuation of its business and sound business and risk management procedures. However, the economy had an effect and the Fund also being part of the economy had an impact. Nonetheless, the management is of the view that with improving medical situation and also the economy and its opening up, and is also evident for the significant rise in the PSX index subsequent to the year end, the Fund's performance going forward will improve further so as to support the sustainable performance and the growth of the Fund."

22. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

22.1 Unit holding pattern of the Fund

Category	----- June 30, 2020 -----		
	No. of Investors	Investment amount	% of total net assets
----- (Rupees) -----			
Individuals	31	52,695,417	1.72%
Associated Companies and Directors	21	2,715,779,091	88.74%
NBFC's (Management Company)	1	130,895,564	4.28%
Others	5	161,163,816	5.27%
Total	58	3,060,533,888	100.00%



Category	June 30, 2019		
	No. of Investors	Investment amount (Rupees)	% of total net assets
Individuals	25	17,357,539	0.77
Associated Companies and Directors	11	1,449,824,644	64.41
Insurance Companies	1	27,128,748	1.21
NBFCs	1	91,453,300	4.06
Corporate	3	654,896,294	29.09
Retirement Funds	2	10,419,626	0.46
	43	2,251,080,151	100.00

22.2 List of top 10 brokers by percentage of commission paid

Name of Broker	Commission paid (Percentage %) 2020
Continental Exchange (Pvt) Limited	49.54%
Invest One market (Pvt) Limited	13.86%
Magenta Securities (Pvt) Limited	36.60%
	2019
Magenta Capital (Private) Limited	35.17%
Invest One Market Limited	37.21%
Ismail Iqbal Securities (Private) Limited	10.48%
Vector Capital (Private) Limited	1.42%
Continental Exchange (Private) Limited	15.72%

23 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Kashif Mustafa (Executive Director and COO)
- Mr. Mustafa O. Pasha (Chief Investment Officer)
- Mr. Shahbaz Ashraf
- Mr. Hassan Bin Nasir
- Mr. Junaid Arshad
- Mr. Uzair Nasir Rasheed
- Mr. Mr. Abdul Samad Khanani

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over twenty years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a



member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan. Mr. Lakhani was looking after Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund. Subsequently, Mr. Umair and Mr. Pasha have designated to manage the Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund respectively.

Mr. Kashif Mustafa – Executive Director and COO

Mr. Mustafa has more than twelve years of experience working in the financial markets of Pakistan with local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Before Lakson Investments, Mr. Mustafa worked for Askari Investments and Crosby Securities Pakistan Limited as Vice President and Head of Sales & Business Development respectively. He frequently appears on the media and has been featured on Express, Business Plus, CNBC, GEO, PTV, Aaj TV, Sindh TV & KTN. Mr. Mustafa did his graduation in Mathematics and Masters in Economics.

Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over twelve years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. He is also managing the following funds:

-Lakson Tactical Fund

Mr. Muhammad Shahbaz Ashraf

Mr. Ashraf has approximately twelve years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Hassan Bin Nasir - Fund Manager

Mr. Hassan Bin Nasir has over eleven years of experience and currently holds positions of Vice President – Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is also managing the following funds:

- Lakson Money Market Fund
- Lakson Asset Allocation Developed Markets Fund



Mr. Junaid Arshad

Mr. Junaid Arshad an ACCA member, having over twelve years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules & Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

Mr. Uzair Nasir Rasheed

Mr Uzair Nasir has approximately four years of experience and is a risk management professional at Lakson Investments. His responsibility is to ensure Effective & sound management of the various risks in the Investment portfolio. Prior to joining Lakson he was associated with the National Bank of Pakistan as Team Leader, Business Risk Review (BRR). He is a member of ACCA (UK) and a finalist of both CFA & FRM programs.

Mr. Mr. Abdul Samad Khanani

Mr. Khanani has over 5 years of experience in equity research. He did his Bachelors in Finance from IoBM in 2014 and is also perusing CFA. Before joining LI, Mr. Khanani was heading the research team at KASB Securities. He also worked at InterMarket Securities (local partner of Tellimer Research) and Fortune Securities.

At Lakson, he is responsible for deriving the overall equity strategy of equity portfolios by working closely with the research team and ensure smooth execution. He is managing:

Lakson Equity Fund
Lakson Islamic Tactical Fund

23.1 Directors meeting attendance

2020

Name of directors	Meeting Attended	September 03, 2019	October 22, 2019	February 20, 2020	April 09, 2020
- Mr. Iqbal Ali Lakhani	3	✓	X	✓	✓
- Mr. Babar Ali Lakhani	4	✓	✓	✓	✓
- Mr. Jacques John Vesser	3	✓	X	✓	✓
- Mr. Amin Mohammed Lakhani	4	✓	✓	✓	✓
- Mr. Jamil Ahmed Mughal	3	✓	X	✓	✓
- Ms. Gaite Ali	4	✓	✓	✓	✓
- Ms. Kathleen Kennedy Townsend	3	✓	✓	✓	X
- Ms. Roxanne Davies	3	✓	✓	X	✓
		8	5	7	7

23.2 Rating of the Fund and the management company

Details of the ratings of the Fund and the management company are given in note 1.4.

24. GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 19, 2020.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director



Performance Table	FY20	FY19	FY18	FY17	FY16	FY15
Net Assets - Beginning (PKR Mil.)	2,251	4,693	3,624	2,915	2,568	1,075
Net Assets - Ending (PKR Mil.)	3,061	2,251	4,693	3,624	2,915	2,568
Net Asset value per share	100.8591	101.0159	105.9420	100.6760	101.1380	100.8777
Selling Price for units	102.3720	102.5312	107.5312	102.1862	102.6551	102.3909
Repurchase Price for units	100.8591	101.0159	105.9420	100.6760	101.1380	100.8777
Highest Offer Price (PKR)	116.7829	110.1992	107.5154	108.5328	110.9122	115.8602
Lowest Offer Price (PKR)	102.3720	102.4701	100.4407	102.0811	102.3574	101.6940
Highest Redemption Price (PKR)	115.0570	108.5706	105.9265	106.9288	109.2731	114.1479
Lowest Redemption Price (PKR)	100.8591	100.9557	98.9563	100.5725	100.8447	100.1911
Beginning NAV - Ex-Div. (PKR)	101.0159	100.9393	100.6760	101.1380	101.0092	100.2138
Interim Distributions (PKR)	14.0411	7.6313	Nil	7.4452	8.3922	13.4601
Final Distribution (PKR)	Nil	Nil	5.0027	-	-	-
Ending NAV - Ex-Div. (PKR)	100.8591	101.0159	100.9393	100.4407	100.9825	100.6878
Return	13.65%	7.64%	5.23%	6.92%	8.57%	14.17%
Net Income (PKR Mil.)	243	142	158	30	128	70
Total Distribution	249	141	150	39	118	49
Accumulated Capital Growth	29	34	32	24	33	23
WAM (Days)	880	782	294	166	282	1361
Average Annual return of the Fund						
One Year	13.69%	7.64%	5.23%	6.92%	8.57%	14.17%
Two year	8.31%	6.64%	6.26%	8.04%	11.97%	11.87%
Three year	9.60%	7.04%	7.39%	10.84%	11.44%	11.39%
Since inception	15.90%	14.19%	13.89%	14.27%	14.39%	14.20%



Distributions	FY20	FY19	FY18	FY17	FY16	FY15
1st Interim Distribution	14,0411	7,6313	NIL	7,4452	2,4863	13,4601
NAV before Distribution	115.057	108.5706	NIL	107.8859	109.2731	114.1479
NAV after Distribution	101.0159	100.9393	NIL	100.4407	106.7868	100.6878
Distribution Date	27-Jun-20	27-Jun-19	NIL	22-Jun-17	21-Jun-16	25-Jun-15
2nd Interim Distribution					5.9059	
NAV before Distribution					106.8884	
NAV after Distribution					100.9825	
Distribution Date					29-Jun-16	
3rd Interim Distribution						
NAV before Distribution						
NAV after Distribution						
Distribution Date						
4th Interim Distribution						
NAV before Distribution						
NAV after Distribution						
Distribution Date						
5th Interim Distribution						
NAV before Distribution						
NAV after Distribution						
Distribution Date						
6th Interim Distribution						
NAV before Distribution						
NAV after Distribution						
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Distribution Date						
10th Interim Distribution						
NAV before Distribution						
NAV after Distribution						
Distribution Date						
11th Interim Distribution						
NAV before Distribution						
NAV after Distribution						
Distribution Date						
12th Interim Distribution						
NAV before Distribution						
NAV after Distribution						
Distribution Date						
Final Distribution	NIL	NIL	5,0027			Nil
NAV before Distribution	NIL	NIL	105.9420			Nil
NAV after Distribution	NIL	NIL	100.9393			Nil
Distribution Date	NIL	NIL	03-Jul-18			N/A



Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.



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LAKSON EQUITY FUND
Annual Report 2020



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

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==== **Vision** ====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



==== **Mission** ====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

Fund's Information

Management Company

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Head Office
Lakson Square, Building No.2,
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Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Ms. Roxanne Davies
Ms. Gaithe Ali
Ms. Kathleen Kennedy Townsend

Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

Audit Committee

Mr. Jacques John Visser - Chairman
Mr. Amin Mohammed Lakhani
Mr. Iqbal Ali Lakhani
Mr. Jamil Ahmed Mughal

Human Resource and Remuneration Committee

Ms. Gaithe Ali - Chairman
Mr. Babar Ali Lakhani
Mr. Iqbal Ali Lakhani

Trustee

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

Auditors

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C,
Lakson Square, Building No. 1,
Sarwar Shaheed Road,
Karachi - 74200.



Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
National Bank of Pakistan
Silk Bank Limited
Sindh Bank Limited
Telenor Microfinance Bank Limited
United Bank Limited
U Microfinance Bank Limited

Legal Adviser

Fazleghani Advocates
F-72/I, Block 8, KDA-5,
Kehkashan, Clifton,
Karachi, Pakistan.

Registrar

Lakson Investments Limited
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributors

Metro Capital Pvt. Limited
Ismail Iqbal Securities
BMA Capital Management Limited
Amir Noorani
Topline Securities (Pvt.) Limited
Adam Securities
Elixir Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited
Pearl Securities Pvt. Limited
Rabia Fida

Rating by PACRA

1 Year : 2-Star
3 Year : 3-Star
5 Year : 3-Star
AM2+ : Asset Manager Rating by PACRA



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

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Equity Fund ('LEF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2020.

Fund Objective

The objective of the Fund is to provide long term capital appreciation by investing mainly in equity and related listed securities. Investments will be made in companies of substance, financial strength and demonstrably superior management skills with some exposure given to smaller capitalized value stocks.

Principal activities

The Fund is an actively managed open-end equity fund and is listed on Pakistan Stock Exchange Limited. LEF maintains an average exposure of 70% of Net Assets in listed equity securities. The asset allocation to different sectors and stocks is made on the basis of relative attractiveness of each sector and individual stocks in that particular sector. The allocations may change from time to time keeping in view the market conditions, opportunities, political and economic factors. LEF is allowed to borrow up to 15% of Net Assets to meet redemptions however LEF did not utilize this facility during the period under review.

Development and Performance Review

The LEF closed FY20 with a return of -3.48% vs 0.15% of the benchmark, underperforming the benchmark by 3.6%. The LEF provided a return of 16.49% (BM: 17.76%) during 4QFY20. As of June 30, 2020, the fund had 90.6% exposure in equities and 9% in cash. Sector allocation is skewed towards Commercial Banks (22.6%), Oil & Gas Exploration (14.1%), Chemicals (15.5%), Oil & Gas Marketing (6.2%), Construction & Materials (12.1%), Electricity (4.1%) and others (16.2%).

Loss Per Unit (LPU)

LPU is not being disclosed as we feel determination of weighted average units for calculating LPU is not practicable for open end funds.

Reason for loss

The fund underperformed the benchmark by 3.64% in FY20. Lower exposure in equities when the market made its bottom (in Aug-19) and sharper-than-expected recovery from the market, especially construction & allied industries led to widening of delta. The gap of underperformance between the LEF and the benchmark rose to as high as 5%, however, relatively better performance post Dec-20 led LEF to recover some of its losses.

Principal Risk and Uncertainties

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

These aforementioned risks could push both the foreign and local investors to liquidate their investments, which may affect the financial market adversely and may affect the Fund's profitability as well.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM2+". The PACRA has given the three years & five years performance ranking of "3-Star" to LEF and one-year performance ranking of "2-Star" to LEF.

Additional Matters

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.



3. Proper books of accounts of the Fund have been maintained.
4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Fund's ability to continue as a going concern.
8. Key financial data has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. The pattern of unit holding as at June 30, 2020 is given in this Annual Report.
12. A performance table / key financial data is annexed to this annual report.

Significant events during the year - COVID -19

A novel virus (2019-nCoV) was first reported in Wuhan, China on December 31, 2019. The virus causes respiratory illness like SARS but is less fatal. However, given the contagious nature of the virus, WHO declared COVID-19 as a pandemic on March 11, 2020, (the last pandemic was in 2009) when the global confirmed cases were almost 127,000. It has now spread to 215 countries around the world with more than 19.3 million confirmed cases.

With no vaccine and high R-naught (reproduction number) of the virus, initial response by all governments was complete lockdown. However, the economic activity has now started resuming with less travel restrictions as the number of new reported cases declined. IMF Managing Director Kristalina Georgieva expects 2020 to be as bad as in 2009 when the global economy grew by 0.7% in 2009. IMF now expects that the global economy would shrink by 3% this year. IMF also expects slow recovery in 2021 and projects GDP loss of USD 9 trillion cumulatively for 2020 and 2021.

Pakistan has reached its peak in mid-June 2020. Currently total number of confirmed cases has crossed 282k; however, new cases count is down to 782 now with only 18k active cases left. Complete lockdown was placed for the first two months which was later converted into a smart lockdown since end - May. It is further expected to be completely lifted from mid Aug.

External Auditor

The existing auditors M/s. BDO Ebrahim & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2021. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. BDO Ebrahim & Co., Chartered Accountants for the year ending June 30, 2021.

ECONOMY REVIEW

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625ps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity



prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Equity Market Review

FY20 has been a volatile year for capital markets around the world with the KSE-100 closing the year at 34,421.9 The KSE-100 made a bottom at 28,765 points in August 2019 driven by economic challenges (rising fiscal imbalances, widening CAD), cross border tensions and poor corporate profitability. The market found firm footing as inflation readings began to improve posting a 50% interim recovery (to 43,218.67 points in mid-Jan'20). This was, however, short lived, with the KSE-100 subsequently shedding c. 37% (Jan-Mar'20) making a low of 27,228.8 points in March 2020. The landscape significantly altered in 3QFY20 with economic challenges arising due to global COVID-19 contagion, US\$2bn hot money outflows from Government treasuries and oil prices hitting a low of US\$31/bbl. The market has since recovered 26% from its low in March'20 to 34,421.9 points at the end of Jun'20 (up 1.5%yoy).

Trading activity picked up at the end of the year (June 2020) with KSE-All Share ADTO rising from a 5-year low of US\$9.1mn in Jul'19 to rise to US\$41.2mn in Jun'20 (ready market - down 10%yoy). Global risk-off sentiment led to net FIPI outflow of US\$285mn in FY20 (vs. net outflow of US\$356mn in FY19). Foreign selling was primarily concentrated in E&Ps (US\$94.8mn), Banks (US\$75.8mn) and Cements (US\$63.7mn). On the local side, individuals and insurance companies remained net buyers while bulk of the local selling was fueled by banks and mutual funds. Global exchanges have witnessed severe panic selling, where KSE-100, (although up only 1.5%yoy), outperformed MSCI EM and FM indices FY20.

Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.



SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on Behalf of the Board

Chief Executive Officer

Dated: August 19, 2020



Director



لیکسن ایکویٹی فنڈ

30 جون 2020 کو ختم ہونے والے سال کے لیے

مہینہ کی بنیاد پر ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن ایکویٹی فنڈ ("LEF") کی مہینہ کی بنیاد پر 30 جون 2020 کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

نمایاں سرگرمیاں

LEF ایک فعال انداز میں چلا یا جانے والا اوپن اینڈ ایکویٹی فنڈ ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ LEF خالص اثاثوں کا کم از کم 70% حصہ لسٹڈ ایکویٹی سکیورٹیز میں رکھتا ہے۔ مختلف شعبوں اور اسٹاکس میں اثاثے کو ہر شعبے اور اس مخصوص شعبے میں انفرادی اسٹاکس متعلقہ کشش کی بنیاد پر مخصوص کیا جاتا ہے۔ یہ تخصیص مارکیٹ کے حالات، مواقع، سیاسی اور اقتصادی عوامل کو پیش نظر رکھتے ہوئے وقتاً فوقتاً تبدیل کی جاسکتی ہے۔ LEF کو ریڈیٹیفیشن کی تکمیل کے لیے خالص اثاثوں کے 15 فی صد تک قرض لینے کی اجازت ہے، تاہم LEF نے اس سہولت کو زبردستی استعمال نہیں کیا۔

پیش رفت اور کارکردگی کا جائزہ

LEF نے نیٹ مارک منافع 0.15% کے مقابلے میں 3.48% منافع کے ساتھ مالی سال 2020 کا اختتام کیا اور نیٹ مارک سے 3.6% کم تر کارکردگی کا مظاہرہ کیا۔ LEF نے مالی سال 2020 کی چوتھی سہ ماہی میں 16.49% منافع فراہم کیا (نیٹ مارک -17.76%)۔ 30 جون 2020 کے مطابق فنڈ ایکویٹیز میں 90.6% اور کیس میں 9% سرمایہ کاری رکھتا ہے۔ شعبہ جاتی تفویض کا پھیلاؤ اس طرح ہے: کم رٹیل ٹیکس (22.6%)، آئل اینڈ گیس ایکسپلوریشن (14.1%)، بیکیجز (15.5%)، آئل اینڈ گیس مارکیٹنگ (6.2%)، کنسٹرکشن اینڈ مینٹیننس (12.1%)، ایکٹیویٹیز (4.1%) اور دیگر (16.2%)۔

ٹی یونٹ نقصان (LPU)

ٹی یونٹ نقصان (LPU) ظاہر نہیں کیا گیا ہے کیوں کہ ہم محسوس کرتے ہیں کہ LPU شمار کرنے کے لیے تخمینہ شدہ اوسط یونٹس کا تعین اوپن اینڈ فنڈ کے لیے قابل عمل نہیں ہے۔

نقصان کی وجہ

مالی سال 2020 میں فنڈ نے نیٹ مارک کے مقابلے میں 3.64% کم تر کارکردگی کا مظاہرہ کیا۔ مارکیٹ کے اپنی چلی ترین سطح چھونے (اگست 2019 میں) پر ایکویٹیز میں کم سرمایہ کاری اور مارکیٹ کی توقع سے زیادہ تیز بحالی، خصوصاً تعمیرات اور متعلقہ صنعتوں میں، کا نتیجہ خلیج میں وسعت کی صورت میں نکلا۔ LEF اور نیٹ مارک کے درمیان کم تر کارکردگی کا فرق 5% تک بڑھ گیا تاہم دسمبر 2020 کے بعد نسبتاً بہتر کارکردگی کے نتیجے میں LEF نے اپنے خساروں میں سے کچھ بحالی حاصل کر لی۔



اہم خطرات و خدشات

اقتصادی عدم استحکام، بڑھتا ہوا کرنٹ اکاؤنٹ خسارہ، زرمبادلہ کے کم ہوتے ذخائر، توقع سے زیادہ افراط زر، روپے کی قدر میں کمی، ایک طرفہ ادو طرز قرض فراہم کنندہ انجینئرز، دونوں کی طرف سے کم مالی امداد، مزید مالیاتی سختی اور بگڑتے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے ایک خطرہ بنے ہوئے ہیں۔

مذکورہ بالا خطرات غیر ملکی اور مقامی سرمایہ کاروں، دونوں کو اپنی سرمایہ کاریاں تحلیل کرنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات پڑ سکتے ہیں اور فنڈ کی منافع کمانے کی صلاحیت بھی متاثر ہو سکتی ہے۔

لیسیٹ نیچر اینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے میجمنٹ کمپنی کی لیسیٹ نیچر ریٹنگ "AM2+" پر برقرار رکھی ہے۔ PACRA نے LEF کو "13 اسٹار" کی تین سالہ اور پانچ سالہ پرفارمنس ریٹنگ اور LEF کو "12 اسٹار" کی ایک سالہ پرفارمنس ریٹنگ دی ہے۔

اضافی معاملات

- 1- میجمنٹ کمپنی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- میجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، یکیش فلو ز اور یونٹ ہولڈرز کے فنڈ میں نقل و حرکت کی منصفانہ عکاسی کرتے ہیں۔
- 3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے اور شرایاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشن) رولز 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انجینئرز ریگولیشنز، 2008 (NBFC ریگولیشنز)، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ڈائریکٹیوز اور فنڈ کی دستوریت دستاویزات کے تقاضوں کی پیروی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
- 6- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 7- فنڈ کی روائ دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 8- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 9- میکسر، ڈیویڈنڈ بھجولاٹ اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات میجمنٹ کمپنی کی طرف سے برداشت کیے جاتے ہیں۔

11- 30 جون 2020 کے مطابق یونٹ ہولڈنگ کا پتہ ان اس سالانہ رپورٹ میں دیا گیا ہے۔

12- کارکردگی کی جدول/اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

سال کے دوران اہم واقعات - کوڈ 19



ایک نوٹیل وائرس (2019-nCoV) سب سے پہلے 31 دسمبر، 2019 کو وہان، چین میں رپورٹ ہوا۔ یہ وائرس SARS جیسی سانس کی بیماری کا سبب بنتا ہے لیکن اس سے کم مہلک ہوتا ہے۔ تاہم، وائرس کی متعدد نوعیت کے پیش نظر، ڈیٹا کی کمی اور 11 مارچ 2020 کو عالمی وبا قرار دے دیا، (گزشتہ عالمی وبا 2009 میں پہلی تھی) جب عالمی سطح پر تصدیق شدہ واقعات قریب 127,000 تھے۔ اب یہ دنیا کے 215 ممالک میں پھیل چکا ہے جس کے متاثرین کی تصدیق شدہ تعداد 19.3 ملین سے زیادہ ہے۔

وائرس کی کوئی ویکسین نہ ہونے اور بلند R-naught (تولیدی تعداد) کی وجہ سے، تمام حکومتوں کا ابتدائی رد عمل مکمل طور پر لاک ڈاؤن تھا۔ تاہم، معاشی سرگرمی اب کم سفری پابندیوں کے ساتھ دوبارہ شروع ہو گئی ہے کیونکہ نئے رپورٹ شدہ کیسز کی تعداد میں کمی واقع ہوئی ہے۔ آئی ایم ایف کی شیڈولڈ ایزیکٹرز کیلئے جارچو اکوٹوقع ہے کہ 2020 کی صورتحال 2009 جیسی ہی خراب ہوگی جب عالمی معیشت میں 0.7 فیصد اضافہ ہوا تھا۔ آئی ایم ایف کو اب توقع ہے کہ اس سال عالمی معیشت 3 فیصد گھٹ جائے گی۔ آئی ایم ایف نے 2021 میں بھی سست بحالی کی توقع اور 2020 اور 2021 کے لیے GDP میں مجموعی طور پر 9 کھرب ڈالر کے نقصان کی پیشین گوئی کی ہے۔

جون 2020 کے وسط میں پاکستان اپنی بلند ترین سطح پر پہنچ گیا ہے۔ فی الحال تصدیق شدہ کیسز کی مجموعی تعداد 282 ہزار سے تجاوز کر چکی ہے۔ تاہم، نئے معاملات کی کٹتی اب 782 رہ گئی ہے، جبکہ صرف 18 ہزار فعال کیسز باقی ہیں۔ پہلے دو مہینوں کے لئے مکمل لاک ڈاؤن رکھا گیا تھا جسے بعد میں آخری سست سارٹ لاک ڈاؤن میں تبدیل کر دیا گیا۔ امید ہے کہ اگست کے وسط سے اس کو مکمل طور پر اٹھایا جائے گا۔

بیرونی آڈیٹر

موجودہ آڈیٹر بیسز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر 30 جون 2021 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے اپنی رضامندی ظاہر کر دی ہے۔ آڈٹ کمیٹی کی سفارش پر پورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لیے بیسز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کر دی ہے۔

معاشی جائزہ

سوڈی شرحوں کو 750 بنیادی پوائنٹس (دسمبر 2017 تا جولائی 2019) کے تیز رفتار اضافے سے 13.25% کرنے کے بعد، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں مارچ 2020 کے وسط سے جون 2020 تک کے دورانیے میں 625 بیس پوائنٹس تک فیصلہ کن کمی کر دی۔ یہ کمی توقع سے کہیں زیادہ تھی جس کے محرکات درج ذیل ہیں:

(i) کوڈ-19 عالمی وبا سے، جو بااخر ملک گیر لاک ڈاؤن کا باعث بنی، بیرونی اور گھریلو طلب پر غیر معمولی دباؤ (ii) ایشیائی خورد و نوش کی مقامی قیمتوں میں کمی کے پیش نظر افراط زر کی شرح میں بہتری کی توقع، (iii) اجناس کی عالمی قیمتوں (خاص طور پر تیل) میں کمی اور کم درآمدات جس کے نتیجے میں مئی 20 میں کرنٹ اکاؤنٹ کے خسارے میں سال بہ سال بنیاد پر 74 فیصد کمی واقع ہوئی۔ مزید برآں، اسٹیٹ بینک نے انٹرنیشنل ریٹ کو یورو کو پالیسی ریٹ کے گروتھ وازی (پالیسی ریٹ سے 100 بنیادی پوائنٹس اوپر اور نیچے) بنانے کے ذریعے اسے بہترین بین الاقوامی معمولات سے ہم آہنگ بنانے کا اعلان بھی کیا۔

افراط زر کی شرحیں جنوری 2020 میں 14.6 فیصد تک اضافے کے بعد جون 2020 میں 8.6 فیصد پر آگئیں، (لاک ڈاؤن کے عرصے کے دوران ضروری اشیا کی مانگ پر افراط زر کے دباؤ کی وجہ سے)۔ تاہم، اجناس کی قیمتوں میں کمی کے ساتھ ساتھ بنیادی اثر (base affect) وقوع پر ہوا اور اس کے نتیجے میں اعداد و شمار میں کمی آئی، جس کے باعث مالی سال 2020 کی NCPI کی اوسط میں 10.8 فیصد تک کمی واقع ہوئی، جو ابس ٹی بی کی طرف سے مالی سال



2020 کے لیے طے کردہ سی پی آئی کے ہدف 11-12 فیصد سے بھی کم ہے۔ جون 2020 میں پورٹ فولیو کے اخراج میں کافی سست روی اور ایف ڈی آئی منظم رہی اور مالی سال 2020 میں 2.4 ارب امریکی ڈالر کے ساتھ مالی سال 2019 کے مقابلے میں کمی رہی۔ قرضوں کی واپسی کے باعث جون 2020 کے اختتام پر ایس بی پی کے ذخائر 10 ارب امریکی ڈالر سے کم ہو گئے، اس کے بعد جون 2020 کے آخر میں 12 ارب امریکی ڈالر تک بحالی ہوئی جو 2020 کے دوسرے نصف میں کثیر الجہتی ایجنسیوں (ورلڈ بینک، اے ڈی بی اور ایٹینٹین انفراسٹرکچر انویسٹمنٹ) کی جانب سے 3 ارب ڈالر کی نئی مالی اعانت کا نتیجہ تھی۔ بینک 2HFY20 میں۔ یہ آئی ایم ایف کے جاری کردہ 1.4 بلین امریکی ریپڈ فنڈنگ انشرومنٹ کے علاوہ ہے جس نے عالمی وبا کے دوران 6 ارب امریکی ڈالر کے آئی ایم ایف پروگرام کو روک دیا ہے۔

ریٹیل سیکٹر میں اقتصادی سست روی جاری رہی، کارپوریٹ منافع نمایاں طور پر کم ہوا اور مالی سال 2020 کے پہلے گیارہ ماہ میں لارج اسکیل مینوفیکچرنگ (LSM) آؤٹ پٹ میں سال بہ سال بنیاد پر 3.10 فیصد کمی ہوئی، جب کہ لاک ڈاؤن زاب تک برقرار تھے۔ سینٹ کی ترسیل، گاڑیوں کی فروخت، خوراک اور ٹیکسٹائل کی برآمدات میں بھی نمایاں کمی دیکھنے میں آئی، اور POL کی فروخت میں کمی بھی جاری رہی۔ کووڈ-19 وائرس کے نتیجے میں خاص طور پر برآمدی شعبے اور چین کے علاوہ دیگر ممالک سے درآمد کرنے والی کمپنیوں کے لئے تجارت میں خلل پڑا ہے۔ توقع کی جاتی ہے کہ ہیز کی کمی بھی ملک گیر لاک ڈاؤن سے LSM میں مزید کمی اور ضروری اشیا کی قیمتوں میں اضافہ ہوگا۔ ادائیگی کے توازن کے رخ پر، روپے کی قدر میں تیزی سے کمی کے نتیجے میں پاکستان کے کرنٹ اکاؤنٹ خسارے میں نمایاں کمی واقع ہوئی جو گزشتہ سال اسی مدت 13.4 ارب امریکی ڈالر کے مقابلے میں مالی سال 2020 میں 78 فیصد کم ہو کر 2.9 ارب امریکی ڈالر رہ گئی۔ سات ماہ کے وقفے کے بعد، کرنٹ اکاؤنٹ مئی 2020 میں ایک بار پھر (اکتوبر 2019 میں 99 بلین امریکی ڈالر کے اضافے کے بعد) 344 بلین امریکی ڈالر کے اضافے کی طرف تبدیل ہوا لیکن جون 2020 میں 96 بلین امریکی ڈالر کے CAD کے ساتھ منفی ہو گیا۔

ایکویٹی مارکیٹ کا جائزہ

مالی سال 2020 دنیا بھر کی کینیڈا مارکیٹس کے لیے ایک غیر مستحکم سال رہا ہے جبکہ KSE-100 نے 34,421.9 کے برعکس سال کا اختتام کیا۔ KSE-100 نے اقتصادی چیلنجز (بڑھتے ہوئے عالمی عدم توازن، بڑھتی ہوئی CAD) سرحدوں پر تناؤ اور خراب کارپوریٹ منافع کے دباؤ کے تحت اگست 2019 میں 28,765 پوائنٹس کی ٹیجی ترین سطح کو چھوا لیا۔ مارکیٹ افراط زر کے اعداد و شمار میں بہتری کے آغاز کے ساتھ کچھ سنبھلی اور 50% عبوری بحالی درج کرنا (جنوری 2020 کے وسط میں 43,218.67 پوائنٹس)۔ تاہم، یہ بہتری مختصر مدت تک رہی، جیسا کہ KSE-100 کے بعد ازاں 37% خسارے (جنوری تا مارچ 2020) کے ساتھ مارچ 2020 میں 27,228.8 پوائنٹس تک گر گیا۔ عالمی سطح پر کووڈ-19 کے پھیلاؤ کی وجہ سے پیدا ہونے والے معاشی چیلنجز، سرکاری خرچانے سے 2 ارب ڈالر ہائٹ منی کے اخراج اور تیل کی قیمتوں میں 31 ارب امریکی ڈالر فی بریل تک کمی کے ساتھ مالی سال 2020 کی تیسری سہ ماہی میں منظر نامے میں نمایاں تبدیلی آئی۔ مارکیٹ جون 2020 کے آخر میں اپنی مارچ 2020 کی کم ترین سطح سے 26% بحالی کے ساتھ بازیافت کر کے 34,421.9 پوائنٹس پر آئی (سال بہ سال بنیاد پر 1.5% اضافہ)۔

سال کے آخر (جون 2020) میں تجارتی سرگرمیوں نے زور پکڑا جیسا کہ KSE آل شیئر ADTO میں، جولائی 2019 میں چنانچ سال کی کم ترین مالیت 9.1 بلین ڈالر سے جون 2020 میں 41.2 بلین ڈالر تک اضافہ ہوا (ریڈی مارکیٹ - سال بہ سال بنیاد پر 10% کمی)۔ عالمی سطح پر خطرے سے جان چھڑانے کے جذبات کے نتیجے میں مالی سال 2020 میں 285 بلین امریکی ڈالر کا خالص FIPI اخراج ہوا۔ بحالہ مالی سال 2019 میں 356 بلین امریکی ڈالر کا اخراج)۔ غیر ملکی فروخت بنیادی طور پر E&Ps (94.8.8 بلین ڈالر) بینکس (75.8 بلین ڈالر) اور سیکٹرز (63.7 بلین ڈالر) پر مرکوز تھی۔ مقامی طور پر، افراط اور انشورنس کمپنیاں خالص خرید رہی جبکہ مقامی فروخت کے بیشتر حصے ویٹیکول اور میچل فنڈز کے ذریعے تقویت ملی۔ زمیندار کی عالمی منڈیوں میں شدید خوف و ہراس کے عالم میں فروخت دیکھنے میں آئی، جہاں KSE-100 نے، (اگرچہ سال بہ سال بنیاد پر اضافہ صرف 1.5% ہے)



MSCI EM اور FM انڈیکسز مالی سال 2020 کو پیچھے چھوڑ دیا۔

مستقبل کی توقعات

آگے بڑھتے ہوئے، توقع ہے کہ لاک ڈاؤن میں زہمی، معاون مجموعی معاشی پالیسیوں اور عالمی سطح پر نمونوں میں اضافہ کی مدد سے مالی سال 2021 میں معیشت بتدریج بحال ہوگی۔ مالی سال 21 میں جی ڈی پی کی حقیقی نمو میں 2.1 فیصد تک اضافے کا امکان ہے۔ بیرونی شعبے کے لیے توقعات مطمئن ہیں، جہاں کثیر جنوبی/دو طرفہ آمدنی سے مالی اعانت کے ساتھ، کووڈ-19 بحران کے باعث تیل کی قیمتوں میں کمی کی وجہ سے کرپٹ کاؤنٹ خسارہ محدود رہنا چاہیے۔ آئی ایم ایف کے پروگرام کو روک دیا گیا تھا لیکن امکان ہے کہ وہ صرف میں معقولیت اور لاگت کے دباؤ کے لیے ایک اسلوب کا تعین کرے گا۔ مالی صورت حال بدستور کمزور ہے لیکن توقع ہے کہ ٹیکس اصلاحات کی بدولت بہتری آئے گی جن کا مقصد ٹیکس کی وسیع تر بنیاد کے ذریعے ٹیکس محصولات کی پیداوار میں اضافہ کرنا ہے۔ اگرچہ MPC کا مقصد سود کی حقیقی شرحوں کو صفر کے قریب رکھنا ہے، اگر افراط زر کی شرحوں کے اعداد و کارخ نشانی سمت رہا تو اس کا نتیجہ مالی اتنی کے دور کی توقع سے پہلے واپسی کی صورت میں سامنے آسکتا ہے۔

ایس بی پی کا جولائی 2020 کے MPC اجلاس کو موخر کرنے کا فیصلہ اشارہ کرتا ہے کہ سود کی شرحیں اپنی چلی ترین سطح کو چھو چکی ہے۔ اس کے ساتھ ساتھ افراط زر کے بلند اعداد و شمار کے نتیجے میں حتمی منافع جات میں مزید اضافہ ہو سکتا ہے۔ ہمارے خیال میں درمیانی مدت میں قلیل مدتی تمکات کی طلب میں اضافہ ہوگا۔ مزید برآں، زرمبادلہ کی شرح میں زیادہ تر اصلاح (جون 2020 کے لیے 93 پر REER) کے حصول کے ساتھ، سرکاری تمکات میں غیر ملکی سرمایے کی آمد میں اضافہ دیکھنے میں آسکتا ہے۔

KSE-100 نے اپنے بیشتر نقصانات کا ازالہ کر لیا ہے اور مالی سال 2020 میں سال بہ سال بنیاد پر 14% اضافہ کیا ہے، جہاں معاشی بہتری کا تسلسل اور کووڈ 19- باقائو میں رکھنا مارکیٹ کے جذبات کو برقرار رکھے گا۔ طویل مدتی اوسط 21% کے مقابلے میں مارکیٹ کیپ سے GDP کا تناسب اب بھی 15% ہے۔ ہمارا خیال ہے کہ مالی سال 2020 کے دوسرے نصف میں 6 ماہ تک مسلسل فروخت کے بعد غیر ملکی اب خریدار نہیں گے، جبکہ گروڈی شعبے براؤ مارکیٹ کو بدستور پیچھے چھوڑتے رہیں گے۔

اظہار تشکر

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

برائے و منجانب بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 19 اگست 2020

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

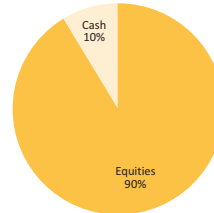
Fund Facts

Fund Type	Open-End
Category	Equity Fund
Net Assets (PKR Mil.)	2,932
NAV (30.06.2020)	87.9078
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KMPG Taseer Hadi & Co.
Management Fee	2.00%
Front End Load	3.00%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	KSE-100 Index*
Dealing Days	Mon-Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (28.Aug.2020)

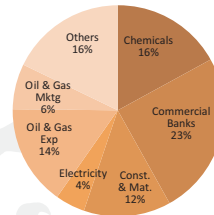
* since 25th Mar-2020

Fund Performance	LEF	Benchmark
FY20	-3.49%	0.15%
June-20	0.94%	1.45%
2 Months	-0.80%	0.91%
3 Months	16.49%	17.76%
6 Months	-16.40%	-17.83%
12 Months	-3.49%	0.15%
CY20-YTD	-16.40%	-17.83%
3 YEAR	-32.85%	-26.35%
5 YEAR	-6.12%	-6.97%
SINCE INCEPTION	182.64%	220.83%

Asset Allocation



Sectorwise Exposure



Investment Committee

Babar Ali Lakhani	Chief Executive Officer
Kashif Mustafa	Executive Director & COO
Mustafa O. Pasha, CFA	Chief Investment Officer
Shahbaz Ashraf, CFA	
Abdul Samad Khanani	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
Uzair Nasir Rasheed	

Investment Objective

The investment objective of the Lakson Equity Fund ("LEF") is to provide long term capital appreciation by investing mainly in equity and related listed securities. Investments will be made in companies of substance, financial strength and demonstrably superior management skills with some exposure given to smaller capitalized value stocks.

The LEF achieved its investment objective by building a diverse portfolio comprising of fundamentally strong stocks that offered high growth potential in the form of capital appreciation and/or high dividend yields. The LEF did not take exposure in any speculative stocks and only stocks with the potential to perform in the present, challenging economic environment were selected.

Investment Strategy

The LEF invests in fundamentally sound stocks based on the recommendations of its team of equity analysts and market dynamics. The asset allocation to different sectors and different stocks in the same sector remained dynamic, keeping in view the market conditions, opportunities and the relative attractiveness of each sector and individual stocks. The asset allocation pattern of the LEF changed from time to time keeping in view the market conditions, opportunities, political and economic factors. The LEF aims to build a diverse portfolio ranging across companies deemed the most attractive among peers. Companies with high earnings potential despite a weak economic outlook were sought, resulting in a portfolio that was heavily invested with stocks offering high dividend yields and lower price to earnings multiples relative to the market. The LEF adopted a combination of top-down and bottom-up methodologies to invest in fundamentally sound stocks.



Economic Review

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625ps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

Equity Market Review

FY20 has been a volatile year for capital markets around the world with the KSE-100 closing the year at 34,421.9 The KSE-100 made a bottom at 28,765 points in August 2019 driven by economic challenges (rising fiscal imbalances, widening CAD), cross border tensions and poor corporate profitability. The market found firm footing as inflation readings began to improve posting a 50% interim recovery (to 43,218.67 points in mid-Jan'20). This was, however, short lived, with the KSE-100 subsequently shedding c. 37% (Jan-Mar'20) making a low of 27,228.8 points in March 2020. The landscape significantly altered in 3QFY20 with economic challenges arising due to global COVID-19 contagion, US\$2bn hot money outflows from Government treasuries and oil prices hitting a low of US\$31/bbl. The market has since recovered 26% from its low in March'20 to 34,421.9 points at the end of Jun'20 (up 1.5%yoy).

Trading activity picked up at the end of the year (June 2020) with KSE-All Share ADTO rising from a 5-year low of US\$9.1mn in Jul'19 to rise to US\$41.2mn in Jun'20 (ready market - down 10%yoy). Global risk-off



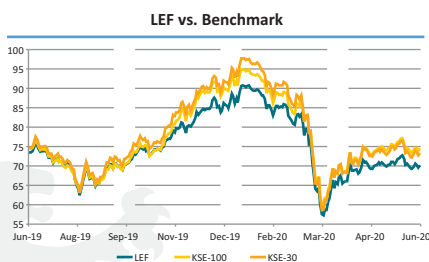
sentiment led to net FIPI outflow of US\$285mn in FY20 (vs. net outflow of US\$356mn in FY19). Foreign selling was primarily concentrated in E&Ps (US\$94.8mn), Banks (US\$75.8mn) and Cements (US\$63.7mn). On the local side, individuals and insurance companies remained net buyers while bulk of the local selling was fueled by banks and mutual funds. Global exchanges have witnessed severe panic selling, where KSE-100, (although up only 1.5%yoy), outperformed MSCI EM and FM indices FY20.

Fund Performance

The LEF closed FY20 with a return of -3.48% vs 0.15% of the benchmark, underperforming the benchmark by 3.6%. The LEF provided a return of 16.49% (BM: 17.76%) during 4QFY20. As of June 30, 2020, the fund had 90.6% exposure in equities and 9% in cash. Sector allocation is skewed towards Commercial Banks (22.6%), Oil & Gas Exploration (14.1%), Chemicals (15.5%), Oil & Gas Marketing (6.2%), Construction & Materials (12.1%), Electricity (4.1%) and others (16.2%).

Performance Table	FY20	FY19
Net Assets - Beginning (PKR Mil.)	3,293	3,235
Net Assets - Ending (PKR Mil.)	2,932	3,293
Highest Offer Price (PKR)	115.7108	124.2959
Lowest Offer Price (PKR)	73.0724	92.9168
Highest Redemption Price (PKR)	112.3405	120.6756
Lowest Redemption Price (PKR)	70.9440	90.2104
Beginning NAV - Ex-Div. (PKR)	91.0784	114.2367
Interim Distributions (PKR)	-	-
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	87.9078	91.0784
Return	-3.48%	-20.27%
Net Income / (Loss) (PKR Mil.)	(164.00)	(799.00)

Distributions	FY20	FY19
Final Distribution	-	-
NAV before Distribution	87.9078	91.0784
NAV after Distribution	87.9078	91.0784
Distribution Date	Nil	Nil



Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

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The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments to 'AM2+' during FY20.

As of June 30, 2020, the LEF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 38.09 million. If the same were not made the NAV per unit of the LEF would be higher by PKR 1.1424. If the LEF would not have made the WWF provisions for the period, the year to date return of LEF for FY20 would be higher by 0.0%.



Other Disclosures

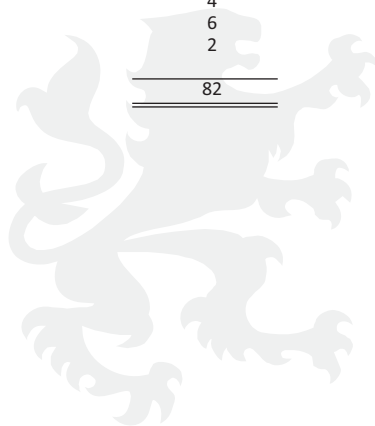
Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2020, the LEF does not employ leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	4	145
101 - 500	7	1,501
501 - 1,000	6	4,718
1,001 - 5,000	20	54,666
5,001 - 10,000	4	29,561
10,001 - 50,000	11	343,167
50,001 - 100,000	8	611,316
100,001 - 500,000	10	2,233,839
500,001 - 1,000,000	4	2,477,970
1,000,001 - 5,000,000	6	16,110,936
5,000,001 - above	2	11,480,610
	<u>82</u>	<u>33,348,429</u>



CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

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TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON 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 Lakson Equity Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the 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 25, 2020



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lakson 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 cash flows and statement of movement in unit holders' fund 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 present fairly, in all material respects, the financial position of the Fund as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund 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 year. 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 are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	Existence and valuation of investments As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2020, the investments held by the Fund comprised of equity securities which represent 92.54% of the net assets of the Fund as at the year end.	Our audit procedures included the following: • We evaluated the design and implementation of key controls of Investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.

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S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at June 30, 2020 and matching the valuation of investment with that appearing in the financial statements. We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance. We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.

Other matter

The financial statements of the Fund for the year ended June 30, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 30, 2019.

Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



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

Responsibilities of the Management Company and its Board of Directors

The Management Company ("Lakson Equity Fund") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

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- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 the 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 the 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 accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATED: 19 AUG 2020


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

**Statement of Assets and Liabilities
As at June 30, 2020**

	Note	2020 (Rupees)	2019
ASSETS			
Bank balances	5	286,244,205	474,086,705
Investments	6	2,712,959,818	2,912,440,149
Dividend and other receivables	7	758,006	628,177
Mark-up accrued on bank balances		6,513,207	5,578,294
Advances and deposit	8	6,436,750	2,650,000
Receivable against purchase of investments		28,069,401	-
TOTAL ASSETS		3,040,981,387	3,395,383,325
LIABILITIES			
Payable to the Management Company	9	22,324,741	27,518,116
Remuneration payable to the Trustee	10	737,341	405,763
Annual Fee Payable to Securities and Exchange Commission of Pakistan	11	616,243	3,248,271
Accrued expenses and other liabilities	12	39,921,191	39,818,405
Payable against purchase of investments		45,792,777	30,917,039
TOTAL LIABILITIES		109,392,293	101,907,594
NET ASSETS		2,931,589,094	3,293,475,731
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		2,931,589,094	3,293,475,731
CONTINGENCIES AND COMMITMENTS			
		-----Number of units-----	
Number of units in issue		33,348,429	36,160,850
		-----Rupees-----	
Net assets value per unit		87.9078	91.0784

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Income Statement
For the year ended June 30, 2020

Income	Note	2020 (Rupees)	2019
Loss on sale of investment at fair value through profit or loss - net		(172,125,110)	(241,285,382)
Unrealised loss on revaluation of investment at fair value through profit or loss	6.1	(107,058,484)	(671,600,098)
Dividend income on investments at fair value through profit or loss		147,553,758	166,853,772
Mark-up on bank balances -at amortised cost		57,599,768	40,022,446
		(74,030,068)	(706,009,262)
 Expenses			
Remuneration to the Management Company	9.1	61,624,290	68,384,637
Sindh sales tax on remuneration of the Management Company	9.2	8,011,158	8,890,003
Remuneration to the Trustee	10	4,611,773	4,993,732
Annual fee to Securities and Exchange Commission of Pakistan	11	616,243	3,248,271
Auditors' remuneration	16	273,600	267,912
Fee and subscription		658,100	1,015,603
Printing charges		6,780	20,340
Brokerage expenses		13,542,924	5,710,238
SECP supervisory fee		2,500	2,500
Settlement charges		950,616	811,393
Bank charges		55,458	38,067
Total expenses		90,353,442	93,382,694
 Net loss for the year before taxation		(164,383,510)	(799,391,956)
 Taxation		-	-
 Net loss for the year after taxation		(164,383,510)	(799,391,956)

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Comprehensive Income
For the year ended June 30, 2020**

	2020	2019
	(Rupees)	
Net loss for the year after taxation	(164,383,510)	(799,391,956)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	<u>(164,383,510)</u>	<u>(799,391,956)</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2020**

	Year ended 2020		Year ended 2019	
	Capital value	Undistributed income	Capital value	Undistributed income
Net assets at beginning of the year	3,619,878,492	(326,402,761)	2,761,512,701	472,989,195
	------(Rupees)-----			
Issuance of 13,828,632 units (2019: 11,996,048)		3,293,475,731		3,234,501,896
- Capital value	1,259,489,677	-	1,370,388,937	-
- Element of loss	126,223,543	-	(62,542,283)	-
Total proceeds on issuance of units	1,385,713,220	-	1,307,846,654	-
		1,385,713,220		1,307,846,655
Redemption of 16,641,053 units (2019: 4,149,220)		(1,515,640,482)	(473,993,200)	(473,993,200)
- Capital value	(67,575,865)	-	24,512,337	-
- Element of loss / income	(1,583,216,347)	-	(449,480,863)	-
Total payments on redemption of units	(1,583,216,347)	-	(449,480,863)	-
Total comprehensive loss for the year	-	(164,383,510)	-	(799,391,956)
Net assets as at end of the year	3,422,375,365	(490,786,271)	3,619,878,492	(326,402,761)
		2,931,589,094		3,293,475,731
Undistributed (loss) / income brought forward:				
- Realized income	345,197,337		817,171,580	
- Unrealized (loss) / income	(671,600,098)		(344,182,385)	
Accounting income available for distribution:	(326,402,761)		472,989,195	
Relating to capital gains				
Excluding capital gains				
Net (loss) for the year after taxation	(164,383,510)		(799,391,956)	
Undistributed loss at end of the year	(490,786,271)		(326,402,761)	
Undistributed loss brought forward:				
- Realized income	(883,727,787)		345,197,337	
- Unrealized loss	(107,058,484)		(671,600,098)	
Undistributed loss at end of the year	(490,786,271)		(326,402,761)	
Net assets value per unit at beginning of the year		91.0784		114.2367
Net assets value per unit at end of the year		87.9078		91.0784

The annexed notes from 1 to 22 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Statement of Cash Flow
For the year ended June 30, 2020

	2020	2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(164,383,510)	(799,391,956)
Adjustments for:		
Unrealised loss on revaluation of investment at fair value through profit or loss - net	107,058,484	671,600,098
Mark-up on bank balances - at amortised cost	(57,599,768)	(40,022,446)
Dividend income on investment at fair value through profit or loss	(147,553,758)	(166,853,772)
	(262,478,552)	(334,668,076)
Decrease / (increase) in assets		
Investments	92,421,847	(859,514,389)
Other receivables	(98,744)	(469,547)
Advances and Deposits	(3,786,750)	7,500,000
Receivable against sale of investments	(28,069,401)	18,765,382
	60,466,952	(833,718,554)
(Decrease) / Increase in liabilities		
Payable to the Management Company	(5,193,375)	46,968
Remuneration payable to the Trustee	331,578	(1,184)
Annual fee payable to Securities and Exchange Commission of Pakistan	(2,632,028)	(85,414)
Payable against purchase of investments	14,875,738	(1,842,191)
Accrued expenses and other liabilities	102,786	585,443
	7,484,699	(1,296,378)
Profit received on bank balances - at amortised cost	56,664,855	38,727,581
Dividend income on investment at fair value through profit or loss	147,522,673	172,294,918
Net cash flows generated from / (used in) operating activities	9,660,627	(958,660,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	1,385,713,220	1,307,846,655
Payments on redemption of units	(1,583,216,347)	(449,480,863)
Net cash flows (used in) / generated from financing activities	(197,503,127)	858,365,791
Net decrease in cash and cash equivalents	(187,842,500)	(100,294,718)
Cash and cash equivalents at beginning of the year	474,086,705	574,381,423
Cash and cash equivalents at end of the year	286,244,205	474,086,705

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Notes to and forming part of the Financial Statements For the year ended June 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 The Lakson Equity Fund (the "Fund") was established under the Trust Deed executed on 2 September 2009 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on 18 September 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

1.2 The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore, while the Head Office is in the Lakson Square building No.2 , Karachi.

1.3 The Fund is an open end mutual fund and is listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Equity Scheme" as per the Circular 07 of 2009 issued by SECP and it primarily invests in listed equity securities and other avenues of investment, which include cash or near cash instruments, cash in bank accounts (excluding TDR) and treasury bills not exceeding 90 days maturity and any other investment authorised by SECP.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

1.4 The Pakistan Credit Rating Company Limited (PACRA) has maintained asset manager rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) dated August 29, 2019 (AM2+ as on February 27, 2019).

On February 28, 2020, PACRA assigned following rankings to the Fund based on the performance review for the period ended December 31, 2019 (trailing 12 months for 1 Year ranking, trailing 36 months for 3 Year ranking, and trailing 60 months for 5 Year ranking.)

1 Year : 2-Star
3 Year : 3-Star
5 Year : 3-Star

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

2.2 Basis of measurement

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

These financial statements have been prepared under accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency. All amount have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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

Classification and valuation of investment

For details please refer notes 4.1.1 and 4.1.2 to these financial statements.

Impairment of investment

For details please refer note 4.1.7 and 4.1.8 to these financial statements.

Provision for taxation

For details please refer notes 4.8 to these financial statements.

Other assets

Judgement is involved in assessing the realisability of other assets balances.

Element of income

For details please refer notes 4.6 to these financial statements.



3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS

3.1 Standards / amendments that are effective in current year and relevant to the Fund

The Fund has adopted the standards / amendments to the following approved accounting and reporting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3 Business Combinations	January 01, 2019
IFRS 11 Joint Arrangements	January 01, 2019
IAS 12 Income Taxes	January 01, 2019
IAS 23 Borrowing Costs	January 01, 2019

3.2 Amendments that are effective in current year and not relevant to the Fund

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard and are not relevant to the Fund :

IFRS 8 Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 16 Leases - Original issue	January 01, 2019
IAS 19 Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 14 Regulatory Deferral Accounts - Original issue	July 01, 2019

3.3 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:



		Effective date (annual periods beginning on or after)
	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 3	Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	January 01, 2020
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020



The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2018 – 2020) Cycle:

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022
IFRS 41	Agriculture	January 01, 2020

3.4 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

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

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. The Management Company determines the appropriate classification of its financial assets at the time of initial recognition and re-evaluates their classification on a regular basis.

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

4.1.2 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:



- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the fund's stated objective for managing the financial assets is achieved and how cash flows are realised

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;



- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and debt securities. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

4.1.3 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.1.4 Initial recognition and measurement

Financial assets 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 expensed in the income statement.

4.1.5 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

a) Basis of valuation of Government Securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the 'income statement'.

b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest rate method.

4.1.6 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
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Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets is determined as follows:

a) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

4.1.7 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

4.1.8 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

4.1.9 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.

4.1.10 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.



4.1.11 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.1.2 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

4.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3 Issue and redemption of units

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

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

4.4 Net assets value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

4.5 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets at fair value through profit or loss¹ are included in the income statement in the period in which they arise.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

4.6 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed.



Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

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 same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders funds.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.8 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.9 Dividend distribution

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.



4.10 Other assets

Other assets are stated at cost less impairment losses, if any.

4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the conversion of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the income statement.

4.12 Earnings per unit (EPU)

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

4.13 Formation cost

This represents expenses incurred on the formation of the Fund. As permitted in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, these expenses are being amortised to the income statement over a period of not less than five years i.e. effective from 11 October 2011.

		2020	2019
	Note	(Rupees)	
5 BANK BALANCES			
Current accounts		7,703	7,840
Profit and loss sharing accounts	5.1	<u>286,236,502</u>	<u>474,078,866</u>
		<u>286,244,205</u>	<u>474,086,705</u>

5.1 These represent profit and loss sharing accounts maintained with banks carrying mark-up rates ranging from 6.50% to 10.40% (30 June 2019: 10.25% to 13.50%) per annum.

6 INVESTMENTS

At fair value through profit or loss

Listed equity securities	6.1	<u>2,712,959,818</u>	<u>2,912,440,149</u>
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6.1 At fair value through profit or loss

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Sectors / Companies	Holding as at July 01, 2019	Purchased during the year	Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2020	Carrying value as of June 30, 2020	Market value as of 30 June 2020	Unrealised gain / (loss) - net	Market value as percentage of total investments	Market value as percentage of net assets	Par value of shares held as a percentage of total paid up the invested company
	Number of Shares					(Rupees)	(%)	(%)	(%)	(%)	(%)
Commercial Banks											
Bank Al-Habb Limited	-	2,861,020	-	1,520,680	1,340,340	92,157,309	70,099,782	(22,097,527)	2.58	2.39	0.12
Bank Al-Falah Limited	3,741,250	1,180,011	-	3,660,069	1,261,192	54,683,381	42,338,215	(12,345,166)	1.56	1.44	0.07
Habb Bank Limited	1,813,826	1,568,100	-	1,379,285	2,002,661	238,855,299	193,997,771	(44,857,528)	7.15	6.62	0.34
MCB Bank Limited	1,990,272	997,110	-	1,000,814	786,568	117,741,316	127,479,076	9,737,760	4.70	4.35	0.07
United Bank Limited	1,532,600	984,300	-	1,335,033	4,213,867	163,880,915	125,465,293	(38,415,622)	4.62	4.28	0.10
Bank of Punjab Limited	10,200,289	40,574,500	-	15,295,000	5,481,289	62,942,808	46,042,828	(16,919,980)	1.70	1.57	0.21
Askari Bank Limited	-	16,000	-	4,965,500	-	67,569,807	70,209,788	2,639,981	2.59	2.39	0.00
Meezan Bank Limited	-	1,697,750	-	1,019,750	-	787,850,939	675,632,793	(112,217,682)	23	23	0.08
Chemicals											
Engro Polymer & Chemicals Limited	2,756,342	2,899,500	-	4,009,500	1,636,342	40,875,936	40,875,936	(6,176,173)	1.51	1.39	0.02
ICI Pakistan Limited	39,660	165,250	-	132,210	72,700	40,179,011	50,505,417	10,326,406	1.86	1.72	0.01
Lotte Chemical Pakistan Limited	5,846,500	1,500,500	-	7,367,000	-	-	-	-	-	-	0.00
Descon Oxychem Limited	-	1,052,500	-	-	1,052,500	31,141,730	31,412,125	275,395	1.16	1.07	0.70
Fertilizers											
Engro Corporation Limited (6.1.1)	769,705	712,800	-	874,357	608,148	171,009,095	178,138,419	7,129,324	6.57	6.08	0.01
Engro Fertilizers Limited	1,265,600	877,000	-	2,142,600	-	-	-	-	-	-	0.00
Fauji Fertilizers Bin Qasim Limited	825,500	-	-	825,500	-	-	-	-	-	-	0.00
Fauji Fertilizer Company Limited	1,361,500	1,338,481	-	1,230,189	1,469,792	137,632,769	161,662,422	24,029,653	5.96	5.51	0.01
Insurance											
Adammee Insurance Company Limited	-	2,691,500	-	1,432,500	1,259,000	50,578,918	41,685,490	(8,893,428)	1.54	1.42	0.04
Pharma & Bio Tech											
The Seal Company Limited (6.1.2)	6,088	215,100	-	163,400	57,788	9,285,194	11,513,103	2,227,909	0.42	0.39	0.04
Ferozon Laboratories Limited	-	94,600	-	85,120	9,480	2,808,673	2,848,076	39,403	0.10	0.10	0.03
Glaosmithline Pakistan Limited	-	129,900	-	-	129,900	23,371,140	22,612,992	(424,148)	0.83	0.77	0.04
Textile Composite											
Nishat Mills Limited	714,700	913,800	-	585,300	1,043,200	94,382,160	81,380,032	(13,002,128)	3.00	2.78	0.03
Nishat Chunton Limited	-	421,000	-	37,000	384,000	16,422,624	12,460,800	(3,997,124)	0.46	0.43	0.02
Gul-Namad Textile Mills Limited	-	1,842,000	-	-	1,842,000	64,722,625	62,736,460	(1,986,165)	1.94	1.80	0.43
Cement											
Lucky Cement Company Limited (6.1.1)	313,714	461,600	-	423,704	351,610	152,032,392	162,296,144	10,263,752	5.98	5.54	0.01
Kohat Cement Company Limited	-	483,400	-	444,400	37,000	3,359,262	5,085,650	1,726,388	0.19	0.17	0.00
O.G. Khan Cement Company Limited	-	17,000	-	1,628,800	439,500	34,860,630	39,209,135	4,248,682	1.46	1.34	0.10
Mirpur-e-Khasim Cement Factory Limited	1,530,047	5,236,800	-	5,828,800	3,362,805	16,079,639	13,059,778	(3,019,861)	0.85	0.79	0.16
Pharwan Cement Mills	-	1,663,000	-	1,097,800	355,700	16,079,639	13,059,778	(3,019,861)	0.85	0.79	0.16
Cherwell Cement Company Limited	-	790,500	-	441,500	349,000	28,337,811	30,423,230	2,084,519	1.12	1.04	0.18
Engro Cement Company Limited	-	5,765,000	-	2,492,000	3,273,000	55,449,307	55,248,240	(200,067)	2.04	1.88	0.24
TOTAL											
						337,267,234	361,332,172	24,064,938	13.32	8.62	



Sectors / Companies	Holding as at July 01, 2019	Purchased during the year	Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2020	Carrying value as of June 30, 2020		Market value as of 30 June 2020	Unrealised gain / (loss) net	Market value as percentage of total investments	Market value as percentage of net assets	Par value of shares held as a percentage of total paid up capital of the investee company
						(Rupees)	(%)					
Power Generation & Distribution												
Hiba Power Company Limited	725,309	2,378,816	-	1,406,809	1,697,316	124,431,388	123,055,410	(1,375,978)	4.54	4.20	0.13	
Nishat Power Limited	231,000	368,000	-	599,000	-	124,431,388	123,055,410	(1,375,978)	4.54	4.20	0.00	
Oil and Gas Exploration Companies												
Maan Petroleum Company Limited (6.1.2)	106,313	82,200	11,269	84,660	115,122	115,154,040	142,365,621	27,211,581	5.25	4.86	0.01	
Oil and Gas Development Company Limited (6.1.1)	2,227,891	1,410,080	-	2,397,900	1,240,071	147,865,502	135,167,739	(12,697,763)	4.98	4.61	0.03	
Pakistan Oilfield Limited	263,500	414,549	-	431,600	246,449	90,241,566	86,412,413	(3,829,153)	3.19	2.95	0.09	
Pakistan Petroleum Limited (6.1.1)	1,632,091	1,199,400	270,098	2,443,379	658,210	79,612,138	57,119,464	(22,492,674)	2.11	1.95	0.02	
Oil and Gas Marketing Companies												
Attock Petroleum Limited	121,792	94,700	-	121,792	94,700	26,477,623	28,902,440	2,424,817	1.07	0.99	0.10	
Hi-tech Limited	-	828,500	-	97,500	731,000	25,066,425	22,134,680	(2,931,745)	0.82	0.76	0.63	
Pakistan State Oil Company Limited (6.1.2)	94,203	738,670	634	457,000	376,507	85,465,221	59,548,347	(25,916,874)	2.19	2.03	0.08	
Sui Northern Gas Pipeline Limited	1,410,283	1,765,800	-	1,818,700	1,357,383	85,620,943	74,113,112	(11,507,831)	2.73	2.53	0.21	
Food and Personal Care Products												
Fauji Foods Limited	1,167,249	-	-	1,167,249	-	-	-	-	6.81	6.30	0.00	
Technology and Communication												
Systems Limited	345,239	-	-	345,239	-	-	-	-	-	-	0.00	
Automobile Assembler												
Indus Motor Company Limited	-	68,000	-	4,100	63,900	56,971,903	63,579,861	6,607,958	2.34	2.17	0.08	
Glass and Ceramics												
Tariq Glass Industries Limited	-	795,530	-	63,000	732,530	41,781,658	47,262,836	5,481,178	1.74	1.61	0.66	
Automobile and Parts												
Thal Limited	87,250	-	-	41,700	45,550	16,582,933	14,801,017	(1,781,916)	0.55	0.50	0.30	
Automobile Assemblers												
Agriauto Industries Limited	151,200	6,100	-	63,041	94,259	18,777,602	17,155,138	(1,622,464)	0.63	0.59	0.65	
Engineering												
International Industries Limited	397,866	-	24,986	422,852	1,127,100	44,955,892	44,948,748	(7,144)	1.66	1.53	0.45	
Mughal Iron & Steel Industries Limited	857,444	2,295,500	-	901,444	893,500	43,149,153	46,149,275	3,000,122	1.70	1.57	0.21	
International Steels Limited	-	4,194,000	-	1,431,500	2,762,500	26,444,409	25,442,633	(1,001,776)	0.94	0.87	0.36	
Alsha Steel Mills Limited	-	-	-	-	-	114,549,454	116,540,656	1,991,202	4	3.11	-	
Paper and Board												
Cheerit Packaging Company Limited	437,580	-	969	438,549	-	-	-	-	-	-	-	
Total as at June 30, 2020						2,820,018,302	2,712,959,818	(107,058,484)	100	85		
Total cost as at June 30, 2020						2,786,724,992						
Total as at June 30, 2019						3,584,040,236						
Total cost as at June 30, 2019						2,912,440,149						
						2,917,508,312						

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

	2020 ----- (Number of shares) -----	2019	2020 ----- (Rupees) -----	2019
Engro Corporation Limited	160,000	85,000	46,867,200	22,576,000
Oil and Gas Development Company Limited	70,000	70,000	7,630,000	9,204,300
Pakistan Petroleum Limited	330,000	330,000	28,637,400	47,661,900
Lucky Cement Company Limited	-	50,000	-	2,095,500
	<u>560,000</u>	<u>535,000</u>	<u>83,134,600</u>	<u>81,537,700</u>

6.1.2 These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other Asset Management Companies and Mutual Fund Association of Pakistan, has filed a petition in Honorable High Court of Sindh to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable High Court of Sindh has granted stay order till the final outcome of the case. However, the investee companies has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 3.33 million at June 30, 2020 (June 30, 2019: Rs. 2.55 million) and not yet deposited on CDC account of department of Income Tax. Management is of the view that the decision will be in favor of the Fund and accordingly has recorded the bonus shares on gross basis at fair value of its investments.

7. DIVIDEND AND OTHER RECEIVABLES	Note	2020 (Rupees)	2019
Dividend receivable		187,640	156,555
Withholding tax recoverable		570,366	471,621
		<u>758,006</u>	<u>628,177</u>
8 ADVANCES AND DEPOSITS			
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,550,000	2,550,000
- Central Depository Company of Pakistan Limited		100,000	100,000
Advances against:			
- Pre - IPO Subscription		3,786,750	-
		<u>6,436,750</u>	<u>2,650,000</u>
9 PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable to the Management Company	9.1	952,104	5,600,325
Sindh Sales Tax on Management Company's remuneration	9.2	2,823,199	3,427,467
Federal Excise Duty on Management Company's remuneration	9.3	18,483,430	18,483,430
Sales load payable to the Management Company		66,008	6,894
		<u>22,324,741</u>	<u>27,518,116</u>



- 9.1 As per the amendment introduced through SRO 639(I)/2019, dated June 20, 2019, in regulation 61 of the NBFC regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document, further subject to the guidelines as may be issued by the Commission from time to time. During the year, the fee has been charged 2% of average annual net assets of the Fund. The fee is payable monthly in arrears.
- 9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on Management Company's remuneration. Above liability includes Rs. 2,699,429 (June 30, 2019: Rs. 2,699,429) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 10.3 below. Had the provision on FED not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.0809 (June 30, 2019: Re. 0.0747) per unit. The amount is payable to the management company for onwards payment to the Government.
- 9.3 There is no change in the status of the appeal pending in the Supreme Court of Pakistan against of the decision of Sindh High Court as more fully disclosed in the annual financial statements for the year ended June 30, 2019 regarding the FED on management's remuneration. The Management Company, as a matter of abundant caution, is carrying provision for FED for the period from June 13, 2013 to June 30, 2016 aggregating to Rs.18.483 million. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2020 would have been higher by Re. 0.5543 (June 30, 2019: Re. 0.5111) per unit.
- 9.4 As per Regulation 60(3)(s) of the NBFC Regulations, previously fee and expenses related to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) were chargeable to the CIS, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower.

However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%. During the year the above mentioned emphasis have not been charged by the Management Company to Fund during the year under audit.

	Note	2020	2019
		(Rupees)	
10	REMUNERATION PAYABLE TO THE TRUSTEE		
	Trustee fee payable	10.1 <u>737,341</u>	<u>405,763</u>

- 10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, as per the tariff specified therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

Earlier, the Trustee fee was charged as per the details disclosed in note 11 to the annual audited financial statements of the Fund for the year ended June 30, 2019. CDC vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, has revised the rates of the Trustee fee, with effect from July 1, 2019, according to which, Trustee fee shall be charged by permanently eliminating the minimum fee component as mentioned in the offering documents. During the period, Management Company has charged the Trustee fee accordingly.

- 10.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	Annual fee payable	11.1 <u>616,243</u>	<u>3,248,271</u>
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- 11.1 Under the regulation 62 of the NBFC Regulations, a Collective Investment Scheme (CIS) categorized as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Scheme. However, SECP, vide S.R.O. 685 (I)/2019, dated June 28, 2019, has reduced the rate of the fee to 0.02% of the average annual net assets for all categories of CIS(s), with effect from July 1, 2019. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

	Note	June 30, 2020	June 30, 2019
		(Rupees)	
12	ACCRUED EXPENSES AND OTHER LIABILITIES		
Payable to Sindh workers' welfare fund	12.1	38,096,893	38,096,893
Brokerage payable		1,157,682	987,392
Auditors' remuneration		189,166	176,818
Fee payable to National Clearing Company of Pakistan Limited		35,000	30,000
Other liabilities		20,000	20,000
Fee payable to Central Depository Company of Pakistan Limited		22,600	13,773
Professional tax		266,750	-
Rating fee payable		133,100	-
Withholding tax payable		-	493,529
		<u>39,921,191</u>	<u>39,818,405</u>

- 12.1 Provision for Sindh Workers' Welfare Fund is being made on a daily basis going forward pursuant to the Mutual Funds Association of Pakistan (MUFAP's) recommendation to all its members on January 12, 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have Collective Investment Schemes (CISs) / mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from July 01, 2014).

Total provision for SWWF till June 30, 2020 is Rs. 38.097 million (June 30, 2019: Rs.38.097 million). Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2020 would have been higher by Rs. 1.14 (June 30, 2019: Rs. 1.05) per unit.

- 12.2 Furthermore on November 10, 2016, Honourable Supreme Court of Pakistan (SCP) passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition with the SCP against the said judgment, which is pending hearing.

While the petitions filed by the CISs on the matter are still pending before the Sindh High Court (SHC), MUFAP (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that



the SCP's judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

13 TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its Directive No. SCD/PRDD/Direction/18/2016 dated 20 July 2016, required that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended June 30, 2020 is 2.94% which includes 0.44% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc.). As per NBFC Regulation the total expense ratio of the Equity Scheme shall be capped up to 4.5% (June 30, 2019: 4%).

14 CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the period end except as those mentioned elsewhere in these financial information.

15 NUMBER OF UNITS IN ISSUE

	Note	June 30, 2020 (No. of units)	June 30, 2019
Total outstanding as of 1 July		36,160,850	28,314,022
Issued during the year	16.1	13,828,632	11,996,048
Redemptions during the year	16.2	(16,641,054)	(4,149,220)
Total units in issue as of 30 June		<u>33,348,428</u>	<u>36,160,850</u>

15.1 Includes 5.779 million (2019: 6.3265 million) units on the conversion of units from the related funds.

15.2 Includes 7.485 million (2019: 3.0091 million) units on the conversion of units to the related funds.

	June 30, 2020	June 30, 2019
		(Rupees)

16 AUDITORS' REMUNERATION

Annual audit fee	157,500	157,500
Fee for the review of half yearly financial statements	60,500	59,535
Fee for the review of statement of compliance with the best practices of Code of Corporate Governance	-	-
Report on the statement of income and expenses	-	-
Out of pocket and sales tax expenses	55,600	50,877
	<u>273,600</u>	<u>267,912</u>



17 TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. However, since the Fund has incurred loss during the year, no provision for taxation has been made.

18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company and the holding company, key management personnel, other funds being managed by the Management Company and also include entities having holding 10% or more in the units of the Fund as at 30 June 2020. It also includes staff retirement funds of the above related parties / connected persons.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

18.1 Details of balance with related parties / connected persons at the year end

	Note	2020 (Rupees)	2019
Lakson Investments Limited - Management Company of the Fund			
Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty amounting to Rs. 21.31 million (2019: Rs. 21.91 million)) *			
	18.1	<u>22,258,733</u>	<u>27,511,222</u>
Sales load payable		<u>66,008</u>	<u>6,894</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund			
Remuneration payable (including Sindh Sales tax of Rs.83,301 (2019: 45,653))*			
	18.1	<u>737,341</u>	<u>405,763</u>
Security deposit		<u>100,000</u>	<u>100,000</u>
Settlement charges payable		<u>22,600</u>	<u>13,773</u>



18.2 Details of transaction with related parties / connected persons for the year end

	2020	2019
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration for the year	<u>61,624,290</u>	<u>68,384,637</u>
Sindh sales tax on remuneration of Management Company *	<u>8,011,158</u>	<u>8,890,003</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year (including Sindh Sales Tax of Rs.530,558 (2019: Rs. 574,500))*	<u>4,611,773</u>	<u>4,993,732</u>
Settlement charges for the year	<u>233,629</u>	<u>212,978</u>

*Sales tax is paid / payable to the management company for onwards payment to the Government.



18.3 Details of units held, issued and redeemed by the related parties / connected persons

	Number of Units			Rupees				
	Number of units as at 01 July 2019	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2020	Balance as at July 01, 2019	Units issued during the year	Units redeemed during the year	Balance as at 30 June 2020
Lakson Investments Limited - Management Company of the Fund	837,657	-	-	837,657	95,583,789	-	-	73,636,573
Directors, Chief Executive and their spouse and minors	6,026,787	5,302,66	356,954	5,675,136	889,328,746	395,924	30,500,000	498,888,702
Other key management personnel	95,518	19,456,43	40,887,82	74,086	1,497,457	1,595,150	4,180,000	6,512,764
Associated companies / undertakings of the Management Company								
Accuracy Surgical Limited Employees Contributory Provident Fund	41,593	-	-	41,593	4,373,315	-	-	3,656,309
Century Insurance Co. Ltd., GF	38,321	-	4,576	33,745	4,029,321	-	500,000	2,966,467
Century Insurance Company Limited	1,416,940	-	-	1,416,940	148,986,463	-	-	124,560,111
Century Insurance Company Limited Employees Contributory Provident Fund	47,177	-	-	47,177	4,960,497	-	-	4,147,222
Century Paper & Board Mills Limited Employees Contributory Provident Fund	591,116	-	-	591,116	62,153,841	-	-	51,963,710
Century Paper & Board Mills Limited EGF	487,945	-	-	487,945	51,305,799	-	-	42,894,206
Colgate Palmolive Pakistan Limited Employees Contributory Provident Fund	531,212	-	-	531,212	55,855,119	-	-	46,697,664
Colgate Palmolive Pakistan Limited Employees Gratuity Fund	517,985	-	-	517,985	54,464,370	-	-	45,534,928
Cyber Internet Services (Pvt.) Ltd. Employees Contributory Provident Fund	234,005	-	-	234,005	24,604,806	-	-	20,570,845
Gam Corporation Private Limited Employees Contributory Provident Fund	135,371	-	-	135,371	14,233,830	-	-	11,900,192
Hasanali Karabhai Foundation Employees Contributory Provident Fund	17,040	-	-	17,040	1,791,675	-	-	1,497,929
Lakson Business Solutions Limited Employees Contributory Provident Fund	1,263	-	-	1,263	132,765	-	-	110,998
Merit Packaging Limited Employees Contributory Provident Fund	82,523	-	-	82,523	8,677,002	-	-	7,254,406
Merit Packaging Limited Employees Gratuity Fund	38,781	-	-	38,781	4,077,642	-	-	3,409,112
Premier Fashions (Private) Limited	1,844,304	-	-	1,728,620	193,922,303	-	170,000,000	10,169,550
Princeton Travelies Limited Employees Contributory Provident Fund	5,496	-	5,496	-	577,894	-	578,932	-
Siza Commodities Private Limited	-	5,969,024	-	5,969,024	-	636,978,479	-	524,723,750
Siza Foods Private Limited Employees Contributory Provident Fund	97,081	-	-	97,081	10,207,787	-	-	8,534,219
Siza Private Limited	1,362,321	174,289	1,362,321	174,289	143,243,447	15,000,000	147,374,142	15,321,389
Siza Service (Private) Limited	3,430,433	304,247	3,430,433	304,247	360,698,394	26,184,652	371,099,811	26,745,684
Siza Service Private Limited Employees Contributory Provident Fund	24,775	-	-	24,775	2,604,997	-	-	2,177,907
Hybrid Private Limited Employees Contributory Provident Fund	53,234	-	-	53,234	5,597,344	-	-	4,679,658
Connected person due to holding more than 10% units								
Sindh General Provident Investment Fund (Being more than 10% unit holding)	3,794,238	-	-	3,794,238	398,951,239	-	-	333,543,127
Sindh Province Pension Fund (Being more than 10% unit holding)	5,511,586	-	-	5,511,586	579,524,513	-	-	484,511,387

19.3 Details of units held, issued and redeemed by the related parties / connected persons

	Number of Units				Rupees			
	Number of units as at 01 July 2018	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2019	Balance as at July 01, 2018	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 June 2019 (Investment at current NAV)
Lakson Investments Limited - Management Company of the Fund	836,717	940	-	837,657	95,583,789	106,893	-	76,292,428
Directors, Chief Executive and their spouse and minors	7,784,965	194,964	369,027	7,610,903	889,328,746	18,438,622	39,831,625	693,188,870
Other key management personnel	13,108	76,468	592	88,984	1,497,457	8,228,927	66,474	8,104,483
Associated companies / undertakings of the Management Company								
Century Insurance Company Limited	2,793,706	-	968,156	1,825,550	319,143,754	-	100,000,000	166,268,140
Siza Service (Private) Limited	4,573,911	-	-	4,573,911	522,508,455	-	-	416,594,461
Premier Fashions (Private) Limited	2,459,304	-	2,459,304	-	280,942,808	-	223,989,502	-
Siza Private Limited	1,838,321	-	-	1,838,321	210,003,753	-	-	167,431,358
Century Insurance Company Limited Employees Contributory Provident Fund	-	29,774	-	29,774	-	2,321,821	1,707,892	2,711,792
Century Insurance Company Limited Employees Contributory Provident Fund	-	38,321	-	38,321	-	3,103,059	-	3,490,215
Century Insurance Company Limited Employees Contributory Provident Fund	-	387,239	-	387,239	-	16,818,121	-	35,269,099
Colgate Palmolive Pakistan Limited Employees Gratuity Fund	-	328,502	-	328,502	-	29,920,699	-	29,919,437
Siza Foods Private Limited Employees Contributory Provident Fund	10,067	45,107	-	53,174	1,149,973	4,233,807	-	4,884,004
Accuracy Surgical Limited Employees Contributory Provident Fund	14,006	22,435	-	36,441	1,599,999	2,103,652	-	3,318,966
Cyber Internet Services (Pvt.) Ltd. Employees Contributory Provident Fund	15,756	126,770	-	142,526	1,799,913	12,540,283	-	12,981,018
Gann Corporation Private Limited Employees Contributory Provident Fund	22,759	52,218	-	74,977	2,599,913	4,981,299	-	6,828,771
Lakson Business Solutions Limited Employees Contributory Provident Fund	1,263	-	-	1,263	144,281	-	-	115,032
Century Paper & Board Mills Limited Employees Contributory Provident Fund	140,057	257,454	-	397,511	15,999,649	24,400,000	-	36,204,694
Century Paper & Board Mills Limited Employees Gratuity Fund	60,400	238,406	-	298,806	6,899,897	23,357,984	-	27,214,783
Sybird Private Limited Employees Contributory Provident Fund	-	32,396	-	32,396	-	1,291,428	-	2,950,601
Merit Packaging Limited Employees Contributory Provident Fund	23,635	35,704	-	59,339	2,699,984	3,368,751	-	5,404,484
Merit Packaging Limited Employees Gratuity Fund	9,454	14,844	-	24,298	1,079,994	1,431,666	-	2,213,023
Princeton Travels Limited Employees Contributory Provident Fund	-	5,496	-	5,496	-	561,058	-	500,574
Siza Services Private Limited Employees Contributory Provident Fund	-	24,775	-	24,775	-	2,486,456	-	2,256,459
Hasanali Karabhai Foundation Employees Contributory Provident Fund	-	17,040	-	17,040	-	1,726,917	-	1,551,956
Sindh Province Pension Fund (Being more than 10% unit holding)	3,217,393	1,027,102.00	-	4,244,495	367,544,380	100,000,000	-	386,581,831

19 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

Risk management framework

The Asset Management company's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

19.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, receivable against sale of marketable securities and security deposits and dividend receivable on securities.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.



- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2020 was as follows:

	2020		2019	
	Balance as per the Statement of Asset and Liabilities	Maximum Exposure	Balance as per the Statement of Asset and Liabilities	Maximum Exposure
	------(Rupees)-----			
Bank balances (including profit due)	292,757,412	292,757,412	479,665,000	479,665,000
Investments	2,712,959,818	-	2,912,440,149	-
Dividend receivable	187,640	187,640	156,555	156,555
Deposits and Advances (Central Depository Company Of Pakistan and National Clearing Company Limited)	6,436,750	6,436,750	2,650,000	2,650,000
Receivable against purchase of investments	28,069,401	28,069,401	-	-
	3,040,411,021	327,451,203	3,394,911,704	482,471,555

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investments in equity securities of Rs. 2,712,959,818 (June 30, 2019: Rs. 2,912,440,149) do not carry credit risk.

Bank balances

The Fund's cash and cash equivalent at June 30, 2020 with banks had the following credit ratings:

Rating	2020	2019	2020	2019
	(Rupees)		(%)	
AAA	1,670,343	237,405	0.57	0.05
AA+	26,343,893	52,070,344	9.00	10.86
A+	26,567	178,706,103	0.01	37.26
AA	30,232	19,865	0.01	0.00
AA-	55,279,686	246,542,161	18.88	51.40
A	209,382,087	2,064,520	71.52	0.43
A-	24,604	24,604	0.01	0.01
Total balance including profit due	292,757,412	479,665,000	100.00	100.00

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affects the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2020		2019	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks (including profit due)	292,757,412	97.60	479,665,000	99.32
National Clearing Company of Pakistan Limited	2,550,000	0.85	2,550,000	0.53
Central Depository Company of Pakistan- security deposit	100,000	0.03	100,000	0.02
Oil and Gas sector-Dividend Receivable	187,640	0.06	156,555	0.03
Other receivables	568,292	0.19	471,621	0.10
Other - Pre IPO Advance	3,786,750	1.26	-	0.00
	<u>299,950,094</u>	<u>100.00</u>	<u>482,943,176</u>	<u>100.00</u>

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at June 30, 2020.

Settlement risk

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

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

19.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six working days from the date of the redemption request.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request 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.

Maturity analysis for financial liabilities

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	2020	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company	1,018,112	1,018,112
Remuneration payable to the Trustee	737,341	737,341
Accrued expenses and other liabilities	1,824,298	1,824,298
Payable against purchase of investments	45,792,777	45,792,777
	<u>49,372,528</u>	<u>49,372,528</u>
Unit holders' fund	<u>2,931,589,094</u>	<u>2,931,589,094</u>
	2019	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company	5,607,219	5,607,219
Remuneration payable to the Trustee	405,763	405,763
Accrued expenses and other liabilities	1,227,983	1,227,983
Payable against purchase of investments	30,917,039	30,917,039
	<u>38,158,004</u>	<u>38,158,004</u>
Unit holders' fund	<u>3,293,475,731</u>	<u>3,293,475,731</u>



* excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, annual fee payable to Securities and Exchange Commission of Pakistan and Sindh Sales Tax payable on Management Company's remuneration.

Above financial liabilities do not carry any mark-up.

19.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to interest rate risk and equity price risk.

19.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

Exposure to interest rate risk

Interest rate profile of the Fund's interest-bearing financial instruments is as follows:

	2020	2019
	(Rupees)	
Variable-rate instrument		
Financial assets (bank balances)	<u>286,236,502</u>	<u>474,078,866</u>

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 2,862,365 (June 30, 2019: Rs. 4,740,789). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity.

None of the other assets and Fund's liabilities are exposed to interest rate risk.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

----- June 30, 2020 -----				
Interest rate % Note	Exposed to interest rate risk		Not exposed to interest rate risk	Total
	No later than one year			
	----- Rupees -----			
Financial assets				
Bank balances	5.1	286,236,502	6,520,910	292,757,412
Investments		-	2,712,959,818	2,712,959,818
Dividend receivable		-	187,640	187,640
Security deposit		-	6,436,750	6,436,750
Receivable against purchase of investments		-	28,069,401	28,069,401
		<u>286,236,502</u>	<u>2,754,174,519</u>	<u>3,040,411,021</u>
----- June 30, 2019 -----				
Interest rate % Note	Exposed to interest rate risk		Not exposed to interest rate risk	Total
	No later than one year			
	----- Rupees -----			
Financial assets				
Bank balances (including profit due)	6.1	474,078,866	5,586,134	479,665,000
Investments		-	2,912,440,149	2,912,440,149
Dividend receivable		-	156,555	156,555
Security deposit		-	2,650,000	2,650,000
		<u>474,078,866</u>	<u>2,920,832,838</u>	<u>3,394,911,704</u>

19.3.2 Other market price risk

The Fund is exposed to equity price risk i.e. the risk of unfavourable changes in the fair value of equity securities as a result changes in the levels of Pakistan Stock Exchange Index and the value of individual shares, which arises from investments measured at fair value through income statement.

The management of the Fund monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund's policy is to manage price risk through diversification and selection of securities within the specified limits set by internal risk management guidelines or the requirements of NBFC regulations. The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of the issued capital of that investee company and the net assets of the Fund with overall limit of 30% or index weight whichever is higher subject to maximum of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations).

The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. The primary goal of the Fund's investment strategy is to maximise investment returns.

Details of the Fund's investment in industrial / economic sector are given in note 7.1.



Sensitivity analysis - Equity price risk

All of the Fund's listed equity investments are listed on Pakistan Stock Exchange Limited. For such investments classified as at fair value through income statement the impact on income statement and unit holders' fund, due to a 5% increase or decrease in the fair values of the equity investments, would have been an increase or decrease of Rs. 135,647,990 (June 30, 2019: Rs. 145,622,0073).

19.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

19.5 Unit holder's fund risk management

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

19.6 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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

		2020						
		Carrying amount			Fair Value			
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
		----- (Rupees) -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
	Listed equity securities	2,712,959,818	-	-	2,712,959,818	2,712,959,818	-	2,712,959,818
		2,712,959,818	-	-	2,712,959,818	2,712,959,818	-	2,712,959,818
Financial assets not measured at fair value								
19.6.1	Bank balances - Held at amortized cost	-	286,244,205	-	286,244,205	-	-	-
	Dividend receivable	-	187,640	-	187,640	-	-	-
	Security deposit	-	6,436,750	-	6,436,750	-	-	-
	Return receivable on bank balances	-	6,513,207	-	6,513,207	-	-	-
	Receivable against purchase of investments	-	28,069,401	-	28,069,401	-	-	-
		-	327,451,203	-	327,451,203	-	-	-
Financial liabilities not measured at fair value								
19.6.1	Payable to the Management Company	-	-	1,018,112	1,018,112	-	-	-
	Remuneration payable to the Trustee	-	-	737,341	737,341	-	-	-
	Accrued expenses and other liabilities	-	-	1,824,298	1,824,298	-	-	-
	Payable against the purchase of equity investment	-	-	45,792,777	45,792,777	-	-	-
		-	-	49,372,528	49,372,528	-	-	-
		2019						
		Carrying amount			Fair Value			
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
		----- (Rupees) -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
	Listed equity securities	2,912,440,149	-	-	2,912,440,149	2,912,440,149	-	2,912,440,149
Financial assets not measured								
at fair value								
19.6.1	Bank balances - Held at amortised cost	-	474,086,706	-	474,086,706	-	-	-
	Dividend receivable	-	156,555	-	156,555	-	-	-
	Security deposit	-	2,650,000	-	2,650,000	-	-	-
	Receivable against sale of investment	-	-	-	-	-	-	-
	Return receivable on bank balances	-	5,578,294	-	5,578,294	-	-	-
	investments	-	482,471,555	-	482,471,555	-	-	-
Financial liabilities not measured								
at fair value								
19.6.1	Payable to the Management Company	-	-	5,607,219	5,607,219	-	-	-
	Remuneration payable to the Trustee	-	-	405,763	405,763	-	-	-
	Accrued expenses and other liabilities	-	-	1,227,983	1,227,983	-	-	-
	Payable against purchase of investments	-	-	30,917,039	30,917,039	-	-	-
		-	-	38,158,004	38,158,004	-	-	-

19.6.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.



20 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Dividend payable	Total
	----- (Rupees in '000) -----			
Opening balance as at 1 July 2019	-	-	-	-
Receivable against issuance of units	(1,385,713,220)	-	-	(1,385,713,220)
Payable against redemption of units	-	1,583,216,347	-	1,583,216,347
	(1,385,713,220)	1,583,216,347	-	197,503,127
Amount received on issuance of units	1,385,713,220	-	-	1,385,713,220
Amount paid on redemption of units	-	(1,583,216,347)	-	(1,583,216,347)
Dividend paid	-	-	-	-
	1,385,713,220	(1,583,216,347)	-	(197,503,127)
Closing balance as at 30 June 2020	-	-	-	-

21 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

21.1 Unit holding pattern of the Fund

Category	June 30, 2020		
	Number of Investors	Investment Amount	% of Total net assets
	----- (Rupees) -----		
Individual investor	40	284,373,572	9.70
Associated Companies and Directors	30	1,458,407,053	49.75
Banks and DFIs	0	-	-
NBFC's (Management Company)	1	73,636,573	2.51
Retirement Funds	7	1,077,792,274	36.76
Other Corporate investors	4	37,379,622	1.28
Total	82	2,931,589,094	100.00
	June 30, 2019		
	Number of Investors	Investment Amount	% of Total net assets
	----- (Rupees) -----		
Individual investor	42	295,481,923	8.97
Associated Companies and Directors	31	1,839,112,305	55.84
Banks and DFIs	0	-	-
NBFC's (Management Company)	1	76,292,448	2.32
Retirement Funds	7	1,020,043,137	30.97
Other Corporate investors	7	62,545,918	1.90
Total	88	3,293,475,731	100.00



21.2 List of top 10 brokers by percentage of commission paid

Name of Broker	Commission paid (Percentage %)
	2020
BMA Capital Ltd	11.71%
Ismail Iqbal Securities Pvt Ltd	11.57%
Inter Market Securities Ltd	10.33%
Foundation Securities Ltd	10.31%
Alfalah Securities Ltd	10.08%
Topline Securities Ltd	9.53%
Arif Habib Limited	9.36%
EFG Hermes Ltd	9.09%
KASB Securities	7.47%
Shajar Capital	5.74%
	2019
Shajar	14.57%
Arif Habib Limited	13.03%
Foundation Securities	12.52%
Ismail Iqbal Securities (Private) Limited	10.23%
Inter Market Securities Limited	9.47%
Topline Securities Limited	9.05%
Alfalah Securities (Private) Limited	8.22%
Taurus Securities	7.26%
Elixir Securities Pakistan (Private) Limited	6.03%
Insight Securities (Private) Limited	5.05%

21.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Kashif Mustafa
- Mr. Mustafa O. Pasha (Chief Investment Officer)
- Mr. Abdul Samad Khanani (Fund Manager)
- Mr. Shahbaz Ashraf
- Mr. Uzair Nasir Rasheed
- Mr. Hassan Bin Nasir
- Mr. Junaid Arshad

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over twenty years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's



representative. in Pakistan. Mr. Lakhani was looking after Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund. Subsequently, Mr. Umair and Mr. Pasha have designated to manage the Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund respectively.

Mr. Kashif Mustafa – Executive Director and COO

Mr. Mustafa has more than twelve years of experience working in the financial markets of Pakistan with local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Before Lakson Investments, Mr. Mustafa worked for Askari Investments and Crosby Securities Pakistan Limited as Vice President and Head of Sales & Business Development respectively. He frequently appears on the media and has been featured on Express, Business Plus, CNBC, GEO, PTV, Aaj TV, Sindh TV & KTN. Mr. Mustafa did his graduation in Mathematics and Masters in Economics.

Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over eleven years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA.

Mr. Abdul Samad Khanani

Mr. Khanani has over 5 years of experience in equity research. He did his Bachelors in Finance from IoBM in 2014 and is also perusing CFA. Before joining LI, Mr. Khanani was heading the research team at KASB Securities. He also worked at InterMarket Securities (local partner of Tellimer Research) and Fortune Securities.

At Lakson, he is responsible for deriving the overall equity strategy of equity portfolios by working closely with the research team and ensure smooth execution. He is also managing:

Lakson Equity Fund
Lakson Islamic Tactical Fund

Mr. Muhammad Shahbaz Ashraf

Mr. Ashraf has approximately 11 years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Uzair Nasir Rasheed - Risk Management Professional

Mr Uzair Nasir has approximately 3 years of experience and is a risk management professional at Lakson Investments. His responsibility is to ensure Effective & sound management of the various risks in the Investment portfolio. Prior to joining Lakson he was associated with the National Bank of Pakistan as Team Leader, Business Risk Review (BRR). He is a member of ACCA (UK) and a finalist of both CFA & FRM programs.

Mr. Hassan Bin Nasir

Mr. Hassan Bin Nasir has over ten years of experience and currently holds positions of Vice President – Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is managing the following funds:

- Lakson Income Fund
- Lakson Money Market Fund
- Lakson Asset Allocation Developed Market Fund

Mr. Junaid Arshad

Mr. Arshad an ACCA member, having over eleven years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules & Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

21.4 Directors meeting attendance

2020

Name of directors	Meeting Attended	September 03, 2019	October 22, 2019	February 20, 2020	April 09, 2020
Mr. Iqbal Ali Lakhani	3	✓	X	✓	✓
Mr. Babar Ali Lakhani	4	✓	✓	✓	✓
Mr. Jacques John Vesser	3	✓	X	✓	✓
Mr. Amin Mohammed Lakhani	4	✓	✓	✓	✓
Mr. Jamil Ahmed Mughal	3	✓	X	✓	✓
Ms. Gaithe Ali	4	✓	✓	✓	✓
Ms. Kathleen Kennedy Townsend	3	✓	✓	✓	X
Ms. Roxanne Davies	3	✓	✓	X	✓
		8	5	7	7

21.5 Rating of the Fund and the management company

Details of the ratings of the Fund and the management company are given in note 1.4.

22 GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 19, 2020.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director



Performance Table	FY20	FY19	FY18	FY17	FY16	FY15
Net Assets - Beginning (PKR Mil.)	3,293	3,235	4,217	2,838	3,178	960
Net Assets - Ending (PKR Mil.)	2,932	3,293	3,235	4,217	2,838	3,178
Net Asset value per share	87.9078	91.0784	114.2367	130.9153	114.3295	104.3209
Selling Price for units	90.5451	93.8108	117.6638	134.8428	117.7594	107.4506
Repurchase Price for units	87.9078	91.0784	114.2367	130.9153	114.3295	104.3209
Highest Offer Price (PKR)	115.7108	124.2959	135.3738	167.6648	121.8957	142.6266
Lowest Offer Price (PKR)	73.0724	92.9168	107.8971	117.7529	99.1471	103.3220
Highest Redemption Price (PKR)	112.3405	120.6756	131.4308	162.7813	118.3453	138.4724
Lowest Redemption Price (PKR)	70.9440	90.2104	104.7544	114.3232	96.2593	100.3126
Beginning NAV - Ex-Div. (PKR)	91.0784	114.2367	130.9153	114.3295	108.3722	105.9924
Interim Distributions (PKR)	Nil	Nil	Nil	13.3237	1.0348	26.2618
Final Distribution (PKR)	Nil	Nil	Nil	-	-	-
Ending NAV - Ex-Div. (PKR)	87.9078	91.0784	114.2367	128.2755	112.3955	103.9399
Return	-3.48%	-20.27%	-12.70%	26.40%	10.60%	23.93%
Net Income / (loss) (PKR Mil.)	(164)	(799)	(523)	1,031	250	591
Income Distribution	Nil	Nil	Nil	391	25	509
Accumulated Capital Growth	(490)	(326)	473	996	356	131
Average Annual return of the Fund						
One Year	-3.48%	-20.27%	-12.74%	26.40%	10.57%	23.93%
Two year	-23.05%	-30.43%	10.30%	19.87%	48.84%	31.89%
Three year	-32.85%	-12.06%	21.99%	24.40%	27.02%	43.10%
Since inception (November 13,2009)	182.64%	192.83%	267.29%	42.04%	35.13%	35.71%
Distributions						
Interim Distribution	Nil	Nil	Nil	13.3237	1.0348	26.2618
Final Distribution	Nil	Nil	Nil	-	-	-
NAV before Distribution	Nil	Nil	Nil	141.5992	113.4303	130.2017
NAV after Distribution	Nil	Nil	Nil	128.2755	112.3955	103.9399
Distribution Date	Nil	Nil	Nil	22-Jun-17	27-Jun-16	25-Jun-15
					112.3955	103.9399

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

During FY20

Summary of Actual Proxy voted by CIS:

	Resolutions	For	Against	Abstain*
Number	1	1	-	-
(%ages)		100%	-	-

Note: The proxy voting policy of the Lakson Equity Fund (LEF) is available on the website of Lakson Investments Limited, the Management Company. A detailed information regarding actual proxies voted by the Management Company in respect of the Lakson Equity Fund (LEF) is also available without charge upon request to all unit holders.



A Lakson Group Company

Lakson Investments Limited

Lakson Square, Building No. 2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan
T +92.21 3569.8000
F +92.21 3568.1653

Lakson Investments Limited

(Regulated by the DFSA as a Representative Office)
Level 15, Gate Building
DIFC, P.O. Box 507054
Dubai, U.A.E.
T +971.4 401.9284
F +971.4 401.9578

LAKSON MONEY MARKET FUND
Annual Report 2020



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

LAKSON MONEY MARKET FUND



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==== **Vision** =====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.

==== **Mission** =====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3840.0000
Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Ms. Roxanne Davies
Ms. Gaithe Ali
Ms. Kathleen Kennedy Townsend

Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

Audit Committee

Mr. Jacques John Visser - Chairman
Mr. Amin Mohammed Lakhani
Mr. Iqbal Ali Lakhani
Mr. Jamil Ahmed Mughal

Human Resource and Remuneration Committee

Ms. Gaithe Ali - Chairman
Mr. Babar Ali Lakhani
Mr. Iqbal Ali Lakhani

Trustee

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

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road,
Karachi - 75530, Pakistan



Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
National Bank of Pakistan
Sindh Bank Limited
United Bank Limited

Legal Adviser

Fazleghani Advocates
F-72/I, Block 8, KDA-5,
Kehkashan, Clifton,
Karachi, Pakistan.

Registrar

Lakson Investments Limited
Lakson Square Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributors

Adam Securities
Amir Noorani
Elixir Securities (Pvt.) Limited
Ismail Iqbal Securities (No Fee Sharing)
BMA Capital Management Limited (No Fee Sharing)
Metro Capital Pvt. Limited
Pearl Securities Pvt. Limited
Rabia Fida
Topline Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited
Pyramid Financial Consultants

Rating by PACRA

AA(f) : Fund Stability Rating
AM2+ : Asset Manager Rating

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

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Money Market Fund ('LMMF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2020.

Fund Objective

The objective of the Fund is to provide stable and competitive returns with low volatility that are in line with the money markets and consistent with capital preservation. Accordingly, the Fund consists of a liquid portfolio of low risk, short-term investments.

Principal activities

The Fund is an open-end money market fund and is listed on Pakistan Stock Exchange Limited. The Fund invests in Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts and other short-term instruments. The weighted average maturity of the portfolio is kept below 3 months. LMMF invests in only those securities that have been assigned at least an "AA" rating by a rating agency in Pakistan and are of less than 6 months maturity. An in-depth credit analysis is conducted before taking any exposure to any counter party to mitigate the credit risk. Short maturity of the portfolio protects the Unit Holders against interest rate movements while enhancing the liquidity of the Fund. LMMF is allowed to borrow up to 15% of Net Assets to meet redemptions; however, LMMF did not utilize this facility during the period under review.

Development and Performance Review

The LMMF generated return of 12.72% in FY20 compared to Benchmark (70% average 3M T-Bills yield + 30% average 3M TDR rate of minimum AA rated banks) return of 12.44%. The LMMF outperformed the benchmark by 28bps. As of June 30, 2020, the fund was invested 47.4% in T bills, 45.6% in cash and 5.6% in Commercial paper. The weighted average maturity (WAM) of the LMMF portfolio stands at 66 days and fund size as of 30th June 2020 is PKR 10,315mn.

Earnings Per Unit (EPU)

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payouts of PKR 12.0699 per unit (12.0699%) of face value of PKR 100/- amounting to PKR 1,196.650 million in cash during the year ended June 30, 2020.

Principal Risk and Uncertainties

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

These aforementioned risks could push both the foreign and local investors to liquidate their investments, which may affect the financial market adversely and may affect the Fund's profitability as well.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company and the Fund Stability Rating of LMMF at "AM2+" and "AA(f)" respectively.

Significant events during the year - COVID -19

A novel virus (2019-nCoV) was first reported in Wuhan, China on December 31, 2019. The virus causes

respiratory illness like SARS but is less fatal. However, given the contagious nature of the virus, WHO declared COVID-19 as a pandemic on March 11, 2020, (the last pandemic was in 2009) when the global confirmed cases were almost 127,000. It has now spread to 215 countries around the world with more than 19.3 million confirmed cases.

With no vaccine and high R-naught (reproduction number) of the virus, initial response by all governments was complete lockdown. However, the economic activity has now started resuming with less travel restrictions as the number of new reported cases declined. IMF Managing Director Kristalina Georgieva expects 2020 to be as bad as in 2009 when the global economy grew by 0.7% in 2009. IMF now expects that the global economy would shrink by 3% this year. IMF also expects slow recovery in 2021 and projects GDP loss of USD 9 trillion cumulatively for 2020 and 2021.

Pakistan has reached its peak in mid-June 2020. Currently total number of confirmed cases has crossed 282k; however, new cases count is down to 782 now with only 18k active cases left. Complete lockdown was placed for the first two months which was later converted into a smart lockdown since end - May. It is further expected to be completely lifted from mid Aug.

Additional Matters:

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
3. Proper books of accounts of the Fund have been maintained.
4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Fund's ability to continue as a going concern.
8. Key financial data has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. The pattern of unit holding as at June 30, 2020 is given in this Annual Report.
12. A performance table / key financial data is annexed to this annual report.

External Auditor

The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2021. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2021.



Economy review

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625ps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Fixed income markets review

GoP raised cumulative PKR13.9tn in T-Bill auctions during FY20 vs. PKR18.5tn in FY19. Flows were supported by strong foreign participation through the Special Convertible Rupee Account (SCRA) in 1HFY20 although followed by an outflow in 2HFY20 due to sharp decline in interest rates. Moreover, SBP's appetite was lower than last year due to expected commencement of monetary easing from early-CY20 where SBP remained averse to locking itself at high interest rates for an extended period (7.0% Policy Rate at the end of Jun'20). Participation also began to lose steam once expectations of a rate cut solidified shifting more towards the longer tenor instruments (12M T-Bills and PIBs). Consequently, yields came off sharply after inverting in 1HFY20. T-Bill yields for 3M, 6M and 12M tenors dropped to 6.85%/6.66% and 6.85% for 3M/6M and 12M tenor from a high of 13.75%/13.94% and 14.25% in Aug'19. Interest rates peaked in 2019 during which time participation in PIB auctions picked up significantly. Bids accepted by SBP rose to PKR2.05tn in FY20 vs. PKR872bn in FY19. Strong participation was witnessed vs. 2019. Cut-off yields dropped to 7.97%, 8.44%, 8.99% and 10.51% for 3YR/5YR/10YR/20YR tenors from 13.70%/13.80%,13.70% at the end of Jun'19.

Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.



SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on Behalf of the Board

Chief Executive Officer

Director

Dated: August 19, 2020





لیکسن منی مارکیٹ فنڈ

30 جون 2020 کو ختم ہونے والے سال کے لیے

مینیجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن منی مارکیٹ فنڈ ("LMMF" یا فنڈ) کی مینیجمنٹ کمپنی 30 جون 2020 کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

فنڈ کا مقصد

اس فنڈ کا مقصد کم اتار چڑھاؤ کے ساتھ مستحکم اور مسابقتی منافع جات فراہم کرنا ہے جو منی مارکیٹس سے ہم آہنگ اور سرمائے کے تحفظ سے مطابقت رکھتے ہوں۔ اسی طرح یہ سرمایہ کم خطرات، مختصر مدتی سرمایہ کاری کے لیکویڈ پورٹ فولیو پر مشتمل ہے۔

نمایاں سرگرمیاں

فنڈ ایک اوپن اینڈ منی مارکیٹ فنڈ ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ فنڈ گورنمنٹ سکیورٹیز، سرٹیفکیٹس آف انویسٹمنٹس، Clean Placements، بزم ڈپازٹ ریسیپٹس اور دیگر مختصر مدتی انسٹرومنٹس میں سرمایہ کاری کرتا ہے۔ پورٹ فولیو کی تجدید شدہ اوسط میچورٹی 3 ماہ سے کم رکھی جاتی ہے۔ LMMF صرف ان سکیورٹیز میں سرمایہ کاری کرتا ہے جنہیں پاکستان میں کسی ریٹینک ایجنسی نے کم از کم "AA" ریٹنگ دے رکھی ہو اور جن کی میچورٹی 6 ماہ سے کم ہو۔ کریڈٹ رسک کم کرنے کے لیے سرمایہ کاری سے پہلے مقابل پارٹی کا کریڈٹ کے حوالے سے باریک بینی سے تجزیہ کیا جاتا ہے۔ پورٹ فولیو کی مختصر میچورٹی پینٹ ہولڈرز کو شرح سود کے اتار چڑھاؤ کے خلاف تحفظ دیتی ہے، جب کہ فنڈ کی لیکویڈیٹی میں اضافہ کرتی ہے۔ LMMF کو ریڈیمنشن کی تعمیل کے لیے نالغ اٹاٹوں کے 15 فی صد تک قرض لینے کی اجازت ہے، تاہم LMMF نے اس سہولت کو زیر جائزہ مدت کے دوران استعمال نہیں کیا۔

پیش رفت اور کارکردگی کا جائزہ

LMMF نے مالی سال 2020 میں نیچے مارک منافع (سہ ماہی T بلز کے اوسط منافع جات کا %70+ کم از کم AA ریٹڈ بیکنس کے اوسط سہ ماہی TDR ریٹ کا %30) 12.44% کے مقابلے میں مالی سال 2020 میں %12.72 منافع کمایا۔ LMMF نے نیچے مارک 28 بنیادی پوائنٹس سے پیچھے چھوڑ دیا۔ بمطابق 30 جون 2020، فنڈ کے %47.4 کی سرمایہ کاری T بلز میں، %45.6 کیس میں اور %5.6 کرسٹل پیپر میں ہے۔ LMMF پورٹ فولیو کی تجدید شدہ اوسط میچورٹی (WAM) 660 دن ہے اور فنڈ سازز بمطابق 30 جون 2020، 10,315 ملین روپے ہے۔

نی شیئر آمدنی (EPU)

نی شیئر آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے موزوں اوسط پوائنٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔



آمدنی کی تقسیم

چیف ایگزیکٹو آفیسر نے منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کی طرف سے اختیار کے تحت 30 جون 2020 کو ختم ہونے والے سال کے لیے فی یونٹ 12.069 روپے (100 روپے کی فیس ویلیو کا 12.0699%) کی عبوری کیش ادائیگی کا اعلان کیا ہے جس کی مالیت 1,196.650 ملین روپے بنتی ہے۔

اہم خطرات و خدشات

اقتصادی عدم استحکام، بڑھتا ہوا کرنٹ اکاؤنٹ خسارہ، زرمبادلہ کے کم ہوتے ڈخاؤر، توقع سے زیادہ افراط زر، روپے کی قدر میں کمی، یک طرفہ ادو طرفہ قرض فراہم کنندہ ایجنسیز، دونوں کی طرف سے توقع سے کم مالی امداد، مزید مالیاتی سختی اور گڑھے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے ایک خطرہ بنے ہوئے ہیں۔

مذکورہ بالا خطرات غیر ملکی اور مقامی سرمایہ کاروں، دونوں کو اپنی سرمایہ کاریاں تحلیل کرنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات پڑ سکتے ہیں اور فنڈ کی منافع کمانے کی صلاحیت بھی متاثر ہو سکتی ہے۔

ایسٹ فیچر اینڈ فنڈز ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی ایچ بی اینڈ پی (PACRA) نے منجمنٹ کمپنی کی ایسٹ فیچر ریٹنگ اور LMMF کی فنڈ اسٹیبلٹی ریٹنگ بالترتیب AM2+ اور "AA(f)" پر برقرار رکھی ہے۔

سال کے دوران اہم واقعات - کووڈ-19

ایک نوبل وائرس (2019-nCoV) سب سے پہلے 31 دسمبر، 2019 کو ووبان، چین میں رپورٹ ہوا۔ یہ وائرس SARS جیسی سانس کی بیماری کا سبب بنتا ہے لیکن اس سے کم مہلک ہوتا ہے۔ تاہم، وائرس کی متعدد نوعیت کے پیش نظر، ڈبلیو ایچ او نے 11 مارچ 2020 کو، کووڈ-19 کو عالمی وبا قرار دے دیا، (گزشتہ عالمی وبا 2009 میں پھیلی تھی) جب عالمی سطح پر تصدیق شدہ واقعات قریب 127,000 تھے۔ اب یہ دنیا کے 215 ممالک میں پھیل چکا ہے جس کے متاثرین کی تصدیق شدہ تعداد 19.3 ملین سے زیادہ ہے۔

وائرس کی کوئی ویکسین نہ ہونے اور بلند R-naught (تولیدی تعداد) کی وجہ سے، تمام حکومتوں کا ابتدائی رد عمل مکمل طور پر لاک ڈاؤن تھا۔ تاہم، معاشی سرگرمی اب کم سفری پابندیوں کے ساتھ دوبارہ شروع ہو گئی ہے کیونکہ نئے رپورٹ شدہ کیسز کی تعداد میں کمی واقع ہوئی ہے۔ آئی ایم ایف کی بیجنگ ڈائریکٹر سٹالینا جارجووا کو توقع ہے کہ 2020 کی صورتحال 2009 جتنی ہی خراب ہوگی جب عالمی معیشت میں 0.7 فیصد اضافہ ہوا تھا۔ آئی ایم ایف کو اب توقع ہے کہ اس سال عالمی معیشت 3 فیصد گھٹ جائے گی۔ آئی ایم ایف نے 2021 میں بھی ست بحالی کی توقع اور 2020 اور 2021 کے لیے GDP میں مجموعی طور پر 9 کھرب ڈالر کے نقصان کی پیش گوئی کی ہے۔

جون 2020 کے وسط میں پاکستان اپنی بلند ترین سطح پر پہنچ گیا ہے۔ فی الحال تصدیق شدہ کیسز کی مجموعی تعداد 282 ہزار سے تجاوز کر چکی ہے۔ تاہم، نئے معاملات کی کتنی اب 782 رہ گئی ہے، جبکہ صرف 18 ہزار فعال کیسز باقی ہیں۔ پہلے دو مہینوں کے لئے مکمل لاک ڈاؤن رکھا گیا تھا جسے بعد میں آخر مئی سے اسٹارٹ لاک ڈاؤن میں تبدیل کر دیا گیا۔ امید ہے کہ گزشتہ کے وسط سے اس کو مکمل طور پر اٹھایا جائے گا۔



اضافی معاملات

- 1- منجھٹ کمپنی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- منجھٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز کے فنڈ میں نقل و حرکت کی منصفانہ عکاسی کرتے ہیں۔
- 3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے اور شرابیاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (اسٹبلشمنٹ اینڈ ریگولیشن) مارچ 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینڈ ریگولیشنز، 2008 (NBFC ریگولیشنز)، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ڈائریکٹریز اور فنڈ کی دستوریت دستاویزات کے تقاضوں کی پیروی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
- 6- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 7- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 8- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 9- فیکسز، ڈیپوزٹس، جصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کردی گئی ہیں۔
- 10- پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات منجھٹ کمپنی کی طرف سے برداشت کیے جاتے ہیں۔
- 11- 30 جون 2020 کے مطابق یونٹ ہولڈنگ کا پیرن اس سالانہ رپورٹ میں دیا گیا ہے۔
- 12- کارکردگی کی جدول / اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

بیرونی آڈیٹر

موجودہ آڈیٹر مینسرز KPMG تا شہر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر 30 جون 2021 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے اپنی رضامندی ظاہر کر دی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لیے مینسرز KPMG تا شہر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کر دی ہے۔

معاشی جائزہ

سود کی شرحوں کو 750 بنیادی پوسٹنٹس (دسمبر 2017 تا جولائی 2019) کے تیز رفتار اضافے سے %13.25 کرنے کے بعد، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں مارچ 2020 کے وسط سے جون 2020 تک کے دورانیے میں 625 پی اے ایس تک فیصلہ کن کمی کر دی۔ یہ کمی توقع سے کہیں زیادہ تھی جس کے محرکات درج ذیل ہیں:

- (i) کوڈ-19 عالمی وبا سے، جو بالآخر ملک گیر لاک ڈاؤن کا باعث بنی، بیرونی اور گھریلو طلب پر غیر معمولی دباؤ (ii) ایشیائی خورد و نوش کی مقامی قیمتوں میں کمی کے پیش نظر افراط زر کی شرح میں بہتری کی توقع، (iii) اجناس کی عالمی قیمتوں (خاص طور پر تیل) میں کمی اور کم درآمدات جس کے نتیجے میں مئی 20



20 میں کرنٹ اکاؤنٹ کے خسارے میں سال بہ سال بنیاد پر 74 فیصد کمی واقع ہوئی۔ مزید برآں، اسٹیٹ بینک نے انٹرسٹ ریٹ کو ریڈ وکریو پالیسی ریٹ کے گردنوازی (پالیسی ریٹ سے 100 بنیادی پوائنٹس اوپر اور نیچے) بنانے کے ذریعے اسے بہترین بین الاقوامی معمولات سے ہم آہنگ بنانے کا اعلان بھی کیا۔

افراط زر کی شرحیں جنوری 2020 میں 14.6 فیصد تک اضافے کے بعد جون 2020 میں 8.6 فیصد پر آگئیں، (لاک ڈاؤن کے عرصے کے دوران ضروری ایشیا کی مانگ پر افراط زر کے دباؤ کی وجہ سے)۔ تاہم، اجناس کی قیمتوں میں کمی کے ساتھ ساتھ بنیادی اثر (base affect) وقوع پذیر ہوا اور اس کے نتیجے میں اعداد و شمار میں کمی آئی جس کے باعث مالی سال 2020 کی NCP کی اوسط میں 10.8 فیصد کمی واقع ہوئی، جو ایس بی پی کی طرف سے مالی سال 2020 کے لیے طے کردہ سی بی آئی کے ہدف 11-12 فیصد سے بھی کم ہے۔ جون 2020 میں پورٹ فولیو کے اخراج میں کافی سست روی رہی اور ایف ڈی آئی مستحکم اور مالی سال 2020 میں 2.4 ارب امریکی ڈالر کے ساتھ مالی سال 2019 کے مقابلے میں دوگنی رہی۔ قرضوں کی واپسی کے باعث جون 2020 کے اختتام پر ایس بی پی کے ذخائر 10 ارب امریکی ڈالر سے کم ہو گئے، اس کے بعد جون 2020 کے آخر میں 12 ارب امریکی ڈالر تک بحالی ہوئی جو 2020 کے دوسرے نصف میں بھی کم تھا۔ ایس بی پی اور اینٹین انفراسٹرکچر انویسٹمنٹس (کی جانب سے 3 ارب ڈالر کی نئی مالی اعانت کا نتیجہ تھی۔ بینک 2HFY20 میں۔ یہ آئی ایم ایف کے جاری کردہ 1.4 بلین امریکی ریپڈ فنڈنگ اسٹرومنٹ کے علاوہ ہے جس نے عالمی وبا کے دوران 6 ارب امریکی ڈالر کے آئی ایم ایف پروگرام کو روک دیا ہے۔

ریٹیل سیکٹر میں اقتصادی سست روی جاری رہی، کارپوریٹ منافع نمایاں طور پر کم ہوا اور مالی سال 2020 کے پہلے گیارہ ماہ میں لارج اسکیل مینوفیکچرنگ (LSM) آؤٹ پٹ میں سال بہ سال بنیاد پر 10.3 فیصد کمی ہوئی، جب کہ لاک ڈاؤنز اب تک برقرار تھے۔ سینٹریٹل گارڈیوں کی فروخت، خوراک اور بیکنائل کی برآمدات میں بھی نمایاں کمی دیکھنے میں آئی، اور POL کی فروخت میں کمی بھی جاری رہی۔ کووڈ-19 وائرس کے نتیجے میں خاص طور پر برآمدی شعبے اور چین کے علاوہ دیگر ممالک سے درآمد کرنے والی کمپنیوں کے لئے تجارت میں خلل پڑا ہے۔ توقع کی جاتی ہے کہ مزید کمی بھی ملک گیر لاک ڈاؤن سے LSM میں مزید کمی اور ضروری ایشیا کی قیمتوں میں اضافہ ہوگا۔ ادائیگی کے توازن کے رخ پر، روپے کی قدر میں تیزی سے کمی کے نتیجے میں پاکستان کے کرنٹ اکاؤنٹ خسارے میں نمایاں کمی واقع ہوئی جو گزشتہ سال اس مدت 13.4 ارب امریکی ڈالر کے مقابلے میں مالی سال 2020 میں 78 فیصد کم ہو کر 2.9 ارب امریکی ڈالر رہ گئی۔ سات ماہ کے وقفے کے بعد، کرنٹ اکاؤنٹ مئی 2020 میں ایک بار پھر (اکتوبر 2019 میں 99 بلین امریکی ڈالر کے اضافے کے بعد) 344 بلین امریکی ڈالر کے اضافے کی طرف تبدیل ہوا لیکن جون 2020 میں 96 بلین امریکی ڈالر کے CAD کے ساتھ منفی ہو گیا۔

گلسڈ انکم مارکیٹ کا جائزہ

حکومت پاکستان نے مالی سال 2019 کے دوران میں 18.5 ٹریلین روپے کے مقابلے میں مجموعی طور پر طور پر 13.9 ٹریلین پاکستانی روپے حاصل کیے۔ مالی سال 2020 کے پہلے نصف میں آئیٹیل نوٹیفیکیشن روپی اکاؤنٹ (SCRA) کے ذریعہ طاقت ور فیٹرملٹی شرکت سے سرمایے کے بہاؤ کو مدد ملی تاہم سود کی شرحوں میں تیزی سے کمی کے باعث مالی سال 2020 کے پہلے نصف میں سرمایے کا اخراج ہوا۔ مزید برآں، موجودہ سال 2020 کے آغاز سے مالیاتی نزی کے متوقع آغاز کی وجہ سے ایس بی پی کی طلب گزشتہ سال کے مقابلے میں کم تھی جہاں ایس بی پی نے خود کو ایک توسیعی مدت کے لئے زیادہ شرح سود پر پابند کرنے سے گریز کیا (جون 2020 کے اختتام پر 7.0 فیصد پالیسی ریٹ)۔

جب شرح میں کمی کی توقعات مستحکم ہوئیں تو سرمایہ کاری کا زور بھی ٹوٹنے لگا اور سرمایہ کاری طویل مدتی تسکات (12 ماہی بلز اور PIBs) کی طرف زیادہ منتقل ہونے لگی۔ اس کے نتیجے میں، مالی سال 2020 کے پہلے نصف میں واپسی کے بعد منافع جات میں تیزی سے کمی آئی۔ T:بزل کے 3، 6، 12 ماہ کی مدتوں کے منافع جات اگست 2019 میں 13.94%/13.75% اور 14.25% کی بلند سطح سے 3، 6، 12 ماہ کی مدتوں کے لیے بالترتیب 6.66%/6.85% اور 6.85% تک گر گئے۔ سود کی شرحوں نے 2019 میں بلند ترین سطح کو چھو لیا جس کے دوران PIB کی بنیاد میں نمایاں اضافہ



ہو۔

اس نئی پی کی طرف سے قبول کردہ بولیاں مالی سال 2019 میں 872 ارب روپے کے مقابلے میں مالی سال 2020 میں 2.05 ٹریلین روپے تک بڑھ گئیں۔ 2019 کے مقابلے میں زبردست سرمایہ کاری دیکھی گئی۔ 3-سالہ/5-سالہ/10-سالہ/20-سالہ معادلوں کے لیے حتمی منافع جات جون 2019 کے اختتام پر 13.80%/13.70% اور 13.70% کے مقابلے میں 7.97%، 8.44%، 8.99% اور 10.51% تک گر گئے۔

مستقبل کی توقعات

آگے بڑھتے ہوئے توقع ہے کہ لاک ڈاؤن میں نرمی، معاون مجموعی معاشی پالیسیوں اور عالمی سطح پر نموش میں اضافہ کی مدد سے مالی سال 2021 میں معیشت بتدریج بحال ہوگی۔ مالی سال 21 میں جی ڈی پی کی حتمی نموش 2.1 فیصد تک اضافے کا امکان ہے۔ بیرونی شعبے کے لیے توقعات مستحکم ہیں، جہاں کثیر جنوبی/دورنہ آمدنی سے مالی اعانت کے ساتھ کووڈ-19 بحران کے باعث تیل کی قیمتوں میں کمی کی وجہ سے کریڈٹ کا ڈونٹ خسارہ محدود رہنا چاہیے۔ آئی ایم ایف کے پروگرام کو روک دیا گیا تھا لیکن امکان ہے کہ وہ بیرونی معقولیت اور لاگت کے دباؤ کے لیے ایک اسلوب کا تعین کرے گا۔ مالی صورت حال بدستور کمزور ہے لیکن توقع ہے کہ ٹیکس اصلاحات کی بدولت بہتری آئے گی جن کا مقصد ٹیکس کی وسیع تر بنیاد کے ذریعے ٹیکس محصولات کی پیداوار میں اضافہ کرنا ہے۔ اگرچہ MPC کا مقصد سود کی حتمی شرحوں کو صفر کے قریب رکھنا ہے، اگر افراط زر کی شرحوں کے اعداد کارخ شمالی سمت رہا تو اس کا نتیجہ مالی سختی کے دور کی توقع سے پہلے واپسی کی صورت میں سامنے آسکتا ہے۔

اس نئی پی کا جولائی 2020 کے MPC اجلاس کو موخر کرنے کا فیصلہ اشارہ کرتا ہے کہ سود کی شرحیں اپنی چھٹی ترین سطح کو چھو سکی ہے۔ اس کے ساتھ ساتھ افراط زر کے بلند اعداد و شمار کے نتیجے میں حتمی منافع جات میں مزید اضافہ ہو سکتا ہے۔ ہمارے خیال میں درمیانی مدت میں قلیل مدتی تسمکات کی طلب میں اضافہ ہوگا۔ مزید برآں، زرمبادلہ کی شرح میں زیادہ تر اصلاح (جون 2020 کے لیے 93 پر REER) کے حصول کے ساتھ، ہر کاری تسمکات میں غیر ملکی سرمایے کی آمد میں اضافہ دیکھنے میں آسکتا ہے۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج لمیٹڈ کا، ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ منجھٹ کمپنی کے ڈائریکٹرز فنڈ کی ترقی اور دانش مندانہ انتظام و انصرام کے لیے منجھٹ کمپنی کی ٹیم کی محنت اور کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے و متجاوب بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 19 اگست 2020

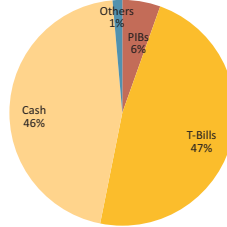


**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2020**

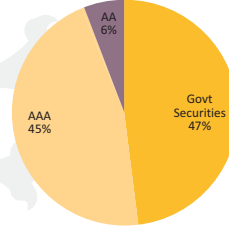
Fund Facts

Fund Type	Open-End
Category	Money Market Fund
Net Assets (PKR Mil.)	10,315
NAV (30.06.2020)	100.5955
Pricing Mechanism	Previous Day
Trustee	CDC Pakistan Limited
Auditor	BDO Ebrahim & Co.
Management Fee	The Management Company shall charge a fee up to 1.00% of the average annual net assets of the Scheme calculated on a daily basis.
Front End Load	None
Back End Load	None
Launch Date	November 13, 2009
Benchmark	70% average 3 months PKRV rates + 30% average 3 months deposit rate of three AA rated banks.
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Fund Rating	'AA (f)' by PACRA
Asset Manager Rating	AM2+

Asset Allocation



Credit Split



Morningstar	LMMF	Benchmark
FY20	12.72%	12.44%
June-20	8.99%	8.15%
2 Months	8.29%	8.90%
3 Months	10.68%	10.28%
6 Months	12.07%	11.80%
12 Months	12.72%	12.44%
CY20 - YTD	12.07%	11.80%
Simple Annualized	LMMF	Benchmark
FY20	12.72%	12.44%
June-20	8.64%	7.86%
2 Months	8.02%	8.59%
3 Months	10.28%	9.91%
6 Months	11.72%	11.47%
12 Months	12.72%	12.47%
CY20 - YTD	11.72%	11.47%
3 Years	10.11%	9.37%
5 Years	9.34%	8.49%
Since Inception	14.40%	13.99%

Investment Committee

Babar Ali Lakhani	Chief Executive Officer
Kashif Mustafa	Executive Director & COO
Mustafa O. Pasha, CFA	Chief Investment Officer
Shahbaz Ashraf, CFA	
Abdul Samad Khanani	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
Uzair Nasir Rasheed	

Fund Objective

The objective of the Fund is to provide stable and competitive returns with low volatility that are in line with the money markets and consistent with capital preservation. Accordingly, the fund consists of a liquid portfolio of low risk, short-term investments.

Investment Strategy

The LMMF's Investment Committee focused on maintaining a low risk and liquid portfolio in accordance with its Investment Objective. Exposure of the LMMF in T-Bills, TDRs, and other money market placements was managed based on the relative yield analysis of these instruments and our yield curve expectations. The LMMF maintained an average exposure of 36.3% in risk free T-Bills in order to maintain credit quality and liquidity in line with the low risk profile of the Fund. The Fund also maintained 10.7% average exposure to short term placements with banks & DFIs. This exposure was taken as the returns available on these placements were favorable when compared to T-Bills. Cash levels generally remained on the higher side (50% average) as banks offered attractive rates on daily



product accounts. As of June 30, 2020 the WAM of the LMMF portfolio stood at 01 days while exposure to Cash was 98.6%. The LMMF maintained all its exposure in instruments having a minimum rating of 'AA'.

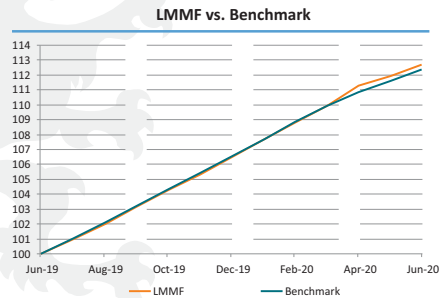
Fund Profile

The Fund is an open-end money market fund and is listed on Pakistan Stock Exchange Limited. The Fund invests in Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts and other short-term instruments. The weighted average maturity of the portfolio is kept below 3 months. LMMF invests in only those securities that have been assigned at least an "AA" rating by a rating agency in Pakistan and are of less than 6 months maturity. An in-depth credit analysis is conducted before taking any exposure to any counter party to mitigate the credit risk. Short maturity of the portfolio protects the Unit Holders against interest rate movements while enhancing the liquidity of the Fund. LMMF is allowed to borrow up to 15% of Net Assets to meet redemptions; however, LMMF did not utilize this facility during the period under review.

Fund Performance

The LMMF generated return of 12.72% in FY20 compared to Benchmark (70% average 3M T-Bills yield + 30% average 3M TDR rate of minimum AA rated banks) return of 12.44%. The LMMF outperformed the benchmark by 28bps. As of June 30, 2020, the fund was invested 47.4% in T bills, 45.6% in cash and 5.6% in Commercial paper. The weighted average maturity (WAM) of the LMMF portfolio stands at 66 days and fund size as of 30th June 2020 is PKR 10,315mn.

Performance Table	FY20	FY19
Net Assets - Beginning (PKR Mil.)	8,608	4,693
Net Assets - Ending (PKR Mil.)	10,315	2,251
Highest Offer Price (PKR)	101.8067	110.1992
Lowest Offer Price (PKR)	100.5246	102.4701
Highest Redemption Price (PKR)	101.8067	108.5706
Lowest Redemption Price (PKR)	100.5246	100.9557
Beginning NAV - Ex-Div. (PKR)	100.5246	100.9393
Interim Distributions (PKR)	12.0700	8.5627
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	100.5955	100.5246
Return	12.72%	8.69%
Net Income (PKR Mil.)	1,204.00	463.00
WAM (Days)	62	1



Distributions	FY20	FY19
	PKR per Unit	
Interim Distribution	0.9015	7.7082
NAV before Distribution	101.4261	108.1381
NAV after Distribution	100.5246	100.4299
Distribution Date	26-Jul-19	31-May-19
2nd Interim Distribution	1.0987	0.8545
NAV before Distribution	101.6233	101.2844
NAV after Distribution	100.5246	100.4299
Distribution Date	30-Aug-19	27-Jun-19
3rd Interim Distribution	1.0059	
NAV before Distribution	101.5305	
NAV after Distribution	100.5246	
Distribution Date	27-Sep-19	
4th Interim Distribution	1.2753	
NAV before Distribution	101.8037	
NAV after Distribution	100.5284	
Distribution Date	01-Nov-19	
5th Interim Distribution	0.9181	
NAV before Distribution	101.4471	
NAV after Distribution	100.5290	
Distribution Date	29-Nov-19	

Distributions	FY20	FY19
	PKR per Unit	
6th Interim Distribution	1.0387	
NAV before Distribution	101.5677	
NAV after Distribution	100.5290	
Distribution Date	27-Dec-19	
7th Interim Distribution	1.2777	
NAV before Distribution	101.8067	
NAV after Distribution	100.5290	
Distribution Date	31-Jan-20	
8th Interim Distribution	1.0238	
NAV before Distribution	101.5528	
NAV after Distribution	100.5290	
Distribution Date	01-Mar-20	
9th Interim Distribution	0.9746	
NAV before Distribution	101.5036	
NAV after Distribution	100.5290	
Distribution Date	29-Mar-20	
10th Interim Distribution	1.2487	
NAV before Distribution	101.7777	
NAV after Distribution	100.5290	
Distribution Date	29-Apr-20	



Distributions	FY20	FY19
PKR per Unit		
11th Interim Distribution	0.6603	-
NAV before Distribution	101.1893	-
NAV after Distribution	100.5290	-
Distribution Date	31-May-20	-
12th Interim Distribution	0.6467	8.4431
NAV before Distribution	101.1757	108.5450
NAV after Distribution	100.5290	100.1019
Distribution Date	27-Jun-20	23-Jun-15

Fixed Income Markets Review

GoP raised cumulative PKR13.9tn in T-Bill auctions during FY20 vs. PKR18.5tn in FY19. Flows were supported by strong foreign participation through the Special Convertible Rupee Account (SCRA) in 1HFY20 although followed by an outflow in 2HFY20 due to sharp decline in interest rates. Moreover, SBP's appetite was lower than last year due to expected commencement of monetary easing from early-CY20 where SBP remained averse to locking itself at high interest rates for an extended period (7.0% Policy Rate at the end of Jun'20). Participation also began to lose steam once expectations of a rate cut solidified shifting more towards the longer tenor instruments (12M T-Bills and PIBs). Consequently, yields came off sharply after inverting in 1HFY20. T-Bill yields for 3M, 6M and 12M tenors dropped to 6.85%/6.66% and 6.85% for 3M/6M and 12M tenor from a high of 13.75%/13.94% and 14.25% in Aug'19. Interest rates peaked in 2019 during which time participation in PIB auctions picked up significantly. Bids accepted by SBP rose to PKR2.05tn in FY20 vs. PKR872bn in FY19. Strong participation was witnessed vs. 2019. Cut-off yields dropped to 7.97%, 8.44%, 8.99% and 10.51% for 3YR/5YR/10YR/20YR tenors from 13.70%/13.80%,13.70% at the end of Jun'19.

Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payouts of PKR 12.0699 per unit (12.0699%) of face value of PKR 100/- amounting to PKR 1,196.650 million in cash during the year ended June 30, 2020.



Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments to 'AM2+' during FY20.

The economic instability, escalating current account deficits and oil prices, consistent depleting FX reserves, declining financial aid by US and other friendly countries, higher devaluation of Pak Rupee against US Dollar, going back to IMF program, monetary tightening by central bank and worsening of external relations remains a risk for all business sectors in Pakistan. These risks may affect the financial market adversely and may affect the Company's profitability as well.

As of June 30, 2020, the LMMF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 55.9mn. If the same were not made the NAV per unit of the LMMF would be higher by PKR 0.5456. If the LMMF would not have made the SWWF provisions during FY-20, the year to date annualized return of the LMMF for FY20 would be higher by 0.27%.

Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2020, the LMMF does not employ any leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	15	621
101 - 500	8	1,791
501 - 1,000	6	4,461
1,001 - 5,000	13	44,488
5,001 - 10,000	12	89,669
10,001 - 50,000	23	549,018
50,001 - 100,000	8	569,388
100,001 - 500,000	16	3,412,246
500,001 - 1,000,000	2	1,271,109
1,000,001 - 5,000,000	20	47,441,938
5,000,001 - above	4	49,157,607
	127	102,542,336

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

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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

LAKSON MONEY MARKET 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 Lakson Money Market Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the 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 25, 2020

INDEPENDENT AUDITOR'S REPORT
To the Unit Holders of Lakson Money Market Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Lakson Money Market Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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.#	Key audit matters	How the matter was addressed in our audit
1	<p>Investments - Valuation of investments</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2020, the Fund has investments classified as "Fair Value through profit or loss" amounting to Rs. 4,938.92 million in aggregate representing 48% of net assets value of the Fund.</p> <p>We identified valuation of investments as a key audit matter because of its significance in relation to the net asset value of the fund.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - obtaining an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and - assessing, on a sample basis, whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP).

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 auditors' 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to 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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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

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

The financial statements of the Fund for the year ended 30 June 2019 were reviewed and audited by another firm of Auditors whose report dated 03 September 2019 expressed an unmodified opinion.

The engagement partner responsible on the audit resulting in this independent auditor's report is Aryn Pirani.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

**Statement of Assets and Liabilities
As at June 30, 2020**

	Note	2020	2019
Assets		(Rupees)	
Bank balances	5	4,787,578,811	8,615,306,057
Investments	6	5,526,539,049	-
Mark-up receivable	7	127,569,708	64,023,028
Advance tax		5,674,358	9,793,403
Prepayments		<u>100,000</u>	<u>133,569</u>
Total assets		<u>10,447,461,926</u>	<u>8,689,256,057</u>
 Liabilities			
Payable to the Management Company	8	36,974,100	44,364,429
Remuneration payable to the Trustee	9	1,443,960	734,675
Annual fee payable to the Securities and Exchange Commission of Pakistan	10	2,243,031	6,710,153
Accrued expenses and other liabilities	11	91,511,196	29,279,235
Total liabilities		<u>132,172,287</u>	<u>81,088,492</u>
 Net Assets		<u>10,315,289,640</u>	<u>8,608,167,565</u>
 UNIT holder's fund (as per statement of movement in unit holders' fund)		<u>10,315,289,640</u>	<u>8,608,167,565</u>
 Contingencies and commitments	12		
			(Number of units)
 Number of units in issue	13	<u>102,542,336</u>	<u>85,632,524</u>
			(Rupees)
 Net assets value per unit		<u>100.5955</u>	<u>100.5246</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Income Statement
For the year ended June 30, 2020

INCOME	Note	2020 (Rupees)	2019
Mark-up income		1,439,994,129	916,061,099
Capital gain / (loss) on sale of investments - net		15,061,489	(16,539,324)
Unrealised gain / (loss) on re-measurement of investments classified as financial asset at fair value through profit or loss-net		<u>16,160,421</u>	-
		<u>1,471,216,039</u>	<u>899,521,775</u>
EXPENSES			
Remuneration to the Management Company	8.1	63,728,485	71,565,407
Sindh Sales tax on remuneration to the Management Company	8.2	8,284,702	9,303,503
Remuneration to the Trustee	9	8,237,529	8,281,382
Annual fee to Securities and Exchange Commission of Pakistan	10	2,243,030	6,710,153
Brokerage, Settlement and Bank Charges		890,769	809,067
SECP Supervisory Fee		2,500	2,500
Auditors' remuneration		273,513	294,008
Fees and subscription		302,000	359,846
Legal and professional charges		1,040,138	635,000
Printing charges		11,865	-
Total Expenses		<u>85,014,531</u>	<u>97,960,866</u>
Net income from operating activities		<u>1,386,201,508</u>	<u>801,560,909</u>
Provision for Sindh workers' welfare fund (SWWF)	11.1	(27,724,030)	(16,031,218)
Net income for the year before taxation		<u>1,358,477,478</u>	<u>785,529,691</u>
Taxation	14	-	-
Net income for the year after taxation		<u>1,358,477,478</u>	<u>785,529,691</u>
Allocation of net income for the year			
Net income for the year after taxation		1,358,477,478	785,529,691
Income already paid on units redeemed		(154,428,031)	(322,981,814)
		<u>1,204,049,447</u>	<u>462,547,877</u>
Accounting income available for distribution			
- Relating to capital gains - net		26,592,378	-
- Excluding capital gains		1,177,457,069	462,547,877
Accounting income available for distribution		<u>1,204,049,447</u>	<u>462,547,877</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Statement of Comprehensive Income
For the year ended June 30, 2020

	2020	2019
	(Rupees)	
Net income for the period after taxation	1,358,477,478	785,529,691
Other comprehensive income	-	-
Total comprehensive income for the period	<u><u>1,358,477,478</u></u>	<u><u>785,529,691</u></u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**Statement Of Movement in Unit Holders' Fund
For the year ended June 30, 2020**

	2020		2019		Total
	Capital value	Undistributed Income	Capital value	Undistributed Income	
	------(Rupees)-----				
Net assets at beginning of the year	8,581,794,761	26,372,804	8,608,167,565	219,941,522	5,773,779,106
Issuance of 353,721,818 units (2019: 171,667,590 units)					
Capital value (at net asset value per unit at the beginning of the year)	35,857,141,865	-	35,857,141,865	-	17,593,149,292
Element of income	193,843,163	-	193,843,163	-	189,905,003
	36,050,985,028	-	36,050,985,028	-	17,783,054,295
Redemption of 336,262,006 units (2019: 140,698,268 units)					
Capital value (at net asset value per unit at the beginning of the year)	(94,157,603,751)	-	(94,157,603,751)	-	(14,130,313,003)
Element of loss	(7,315,147)	(154,428,031)	(161,743,178)	(322,981,814)	(595,192,340)
	(94,164,918,898)	(154,428,031)	(94,319,346,929)	(322,981,814)	(14,725,505,343)
Total comprehensive income for the year	-	1,358,477,478	1,358,477,478	-	785,529,691
Distribution during the period:	(186,343,946)	(1,196,649,556)	(1,382,993,502)	(656,116,596)	(1,008,660,185)
Net income for the year less distribution		161,827,922	(24,516,024)	129,413,095	(233,160,494)
Net assets as at end of the year	10,281,516,945	33,772,695	10,315,289,640	26,372,804	8,608,167,565
Undistributed income brought forward					
Realised gain		26,372,804		219,941,522	
Unrealised gain		26,372,804		219,941,522	
Accounting income available for distribution					
Relating to capital gains		26,592,378.12		-	
Excluding capital gains		1,177,457,069		462,547,878	
Net income for the year after taxation		1,204,049,447		462,547,878	
Distribution during the period		(1,196,649,556)		(656,116,596)	
Undistributed income carried forward					
Represented by:		33,772,696		26,372,804	
Realised income		17,612,274		26,372,804	
Unrealised gain		16,160,421		26,372,804	
Undistributed income at end of the year		33,772,696		26,372,804	
Net assets value per unit at beginning of the year					(Rupees)
					105.6246
Net assets value per unit at end of the year					100.5246

The annexed notes from 1 to 23 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Statement of Cash Flows
For the year ended June 30, 2020

	2020	2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	1,358,477,478	785,529,691
Adjustments for non-cash charges and other items:		
Mark-up income	(1,439,994,129)	(916,061,099)
Capital gain / (loss) on sale of investments - net	(15,061,489)	16,539,324
Sindh Workers' Welfare Fund	27,724,030	16,031,218
	<u>(68,854,109)</u>	<u>(97,960,866)</u>
Decrease / (increase) in assets		
Investments	(5,511,477,561)	658,460,675
Advance tax	4,119,045	(7,480,432)
Prepayments	33,569	(133,569)
	<u>(5,507,324,947)</u>	<u>650,846,674</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	(7,390,329)	4,525,264
Remuneration payable to the Trustee	709,285	230,446
Dividend payable	-	-
Annual fee payable to Securities and Exchange		
Commission of Pakistan	(4,467,122)	1,992,639
Accrued expenses and other liabilities	34,507,931	(409,837)
	<u>23,359,765</u>	<u>6,338,512</u>
Profit received on bank balances and investments	1,376,447,449	885,516,068
Net cash (used in) / generated from operating activities	<u>(4,176,371,842)</u>	<u>1,444,740,388</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	35,864,641,082	17,430,480,706
Payment against redemption of units	(34,319,346,929)	(14,725,505,343)
Dividend paid	(1,196,649,556)	(656,116,596)
Net cash generated from financing activities	348,644,596	2,048,858,767
Net (decrease) / increase in cash and cash equivalents	<u>(3,827,727,246)</u>	<u>3,493,599,155</u>
Cash and cash equivalents at the beginning of the year	8,615,306,057	5,121,706,902
Cash and cash equivalents at the end of the year	<u>4,787,578,811</u>	<u>8,615,306,057</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Financial Statements For the year ended June 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Lakson Money Market Fund (the "Fund") was established under the Trust Deed executed on September 2, 2009 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on September 18, 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore.

1.2 The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore, while the head office is in the Lakson Square Building No. 2, Karachi.

1.3 The Fund is an open end mutual fund and is listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Money Market Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and Fund primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Term Deposit Receipts, Commercial Papers, Reverse Repo, etc. subject to the guidelines issued by SECP from time to time.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

1.4 The Pakistan Credit Rating Agency Limited (PACRA) has maintained AA(f) (Fund Stability Rating) to the Fund on October 24, 2019 and (PACRA) has also maintained asset manager rating of the Company to AM2+ (stable outlook), on August 29, 2019 (2019: AM2+ as on February 27, 2019).

On 30 June 2020, VIS assigned AA(f) rating to the Fund on 20 April 2020 based on the performance review for the period ended 31 December 2019:

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for investments that are stated at fair values.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) classification of financial assets (Note 4.1.1)
- (b) impairment of financial assets (Note 4.1.4)
- (c) provisions (Note 4.8)
- (d) element of income (Note 4.6)

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of

materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The entities may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring

the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS standards 2018-2020:

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 1 June 2020 and are 'not likely to have an impact on Fund's financial statements.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and debt securities. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.1.2 Initial recognition and measurement

Financial assets 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 expensed in the income statement.

4.1.3 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

a) Basis of valuation of equity securities

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

a) Debt securities

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

4.1.4 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

4.1.5 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.

4.1.6 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.

4.1.7 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.1.8 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

4.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3 Issue and redemption of units

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

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

4.4 Net assets value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

4.5 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.



- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

4.6 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

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 same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.8 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.



4.9 Dividend distribution

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.10 Other assets

Other assets are stated at cost less impairment losses, if any.

4.11 Earnings per unit (EPU)

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

	Note	2020 (Rupees)	2019
5 BANK BALANCES			
Local currency			
In profit and loss sharing accounts	5.1	4,787,571,371	8,615,298,617
In current accounts		7,440	7,440
		<u>4,787,578,811</u>	<u>8,615,306,057</u>

5.1 These represents profit and loss accounts maintained with banks carrying profit rates ranging from 6.5% to 8.75% (June 30, 2019: 10.50% to 13.20%) per annum.

6. INVESTMENTS

Financial assets classified as fair value through profit or loss

Government securities			
- Market Treasury Bills	6.1	4,938,921,023	-

Financial assets classified as at amortized cost

Commercial Paper	6.2	587,618,026	-
		<u>5,526,539,049</u>	<u>-</u>

6.1 Market Treasury Bills

Note	-----Number of treasury bills-----				Balance as at June 30, 2020			Market value as percentage of net assets of the Fund	Market value as percentage of total investment
	Number of holdings at beginning of the year	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized appreciation / (diminution)		
								------(Rupees)-----	
Government Securities									
3 Months Market Treasury Bills (face value of Rs. 100,000 each)	-	1,651,512	1,651,512	-	-	-	-	0.00	0.00
6 Months Market Treasury Bills (face value of Rs. 100,000 each)	-	201,200	150,650	50,550	4,922,766,792	4,938,921,023	16,154,231	47.88	89.37
12 Months Market Treasury Bills (face value of Rs. 100,000 each)	-	3,300	3,300	-	-	-	-	0.00	0.00
Total as at June 30, 2020					4,922,766,792	4,938,921,023	16,154,231	47.88	89.37
Total cost as at June 30, 2020					4,874,652,956				
Total as at June 30, 2019					-	-	-	-	-
Total cost as at June 30, 2019					-	-	-	-	-

6.2 Commercial Papers

Note	-----Number of Commercial Papers-----				Balance as at June 30, 2020			Market value as percentage of net assets of the Fund	Market value as percentage of total investment
	Number of holdings at beginning of the year	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized appreciation / (diminution)		
								------(Rupees)-----	
K-Electric 6 Month CP-3 Issue date 19-09-2019									
	-	8,000,000	8,000,000	-	-	-	-	-	-
K-Electric 6 Month CP-1 Issue date 14-02-2020	6.2.1	-	3,000,000	-	3,000,000	295,065,701	295,065,701	2.86	5.34
K-Electric 6 Month CP-7 Issue date 10-03-2020	6.2.2	-	3,000,000	-	3,000,000	292,552,325	292,552,325	2.84	5.29
Total as at June 30, 2020					587,618,026	587,618,026	-	5.70	10.63
Total cost as at June 30, 2020					560,289,062				
Total as at June 30, 2019					-	-	-	-	-
Total cost as at June 30, 2019					-	-	-	-	-

6.2.1 This represents investment in commercial paper of K-Electric (6 months) having coupon rate 14.64% and will mature after 6 months i.e. 14 August 2020. The paper is unsecured.

6.2.2 This represents investment in commercial paper of K-Electric (6 months) having coupon rate 13.64% and will mature after 6 months i.e. 10 September 2020. The paper is unsecured.

7 MARKUP RECEIVABLE

2020 **2019**
(Rupees)

Considered good

Profit receivable on:

Profit and loss sharing accounts

127,569,708	64,023,028
<u>127,569,708</u>	<u>64,023,028</u>

8. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to

Management Company

8.1 **1,107,745** 7,648,998

Sindh Sales tax payable on remuneration

to the Management Company

8.2 **4,888,445** 5,737,521

Federal excise duty payable on remuneration

to the Management Company

8.3 **30,977,910** 30,977,910

<u>36,974,100</u>	<u>44,364,429</u>
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- 8.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding one percent per annum of the average daily net assets of the Fund. Currently the Management Company is charging its remuneration at the rate of 0.5% of the net assets of the Fund, calculated on a daily basis (30 June 2019: 0.83%). Currently the effective rate of Management Company remuneration for the half year ended 30 June 2020 is 0.57% of the average annual net assets. Remuneration is paid to the Management company in arrears on a monthly basis.
- 8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on Management Company's remuneration. Above liability includes Rs. 4,743,150 (June 30, 2019: Rs. 4,743,150) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 8.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at June 30, 2020 would have been higher by Re. 0.0463 (June 30, 2019: Re. 0.0554) per unit.
- 8.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the High Court of Sindh (SHC) on September 4, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 1, 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from June 13, 2013 to June 30, 2016 aggregating to Rs. 30.978 million. Had the provision not been made, NAV per unit of the Fund as at June 30, 2020 would have been higher by Re. 0.30 (June 30, 2019: Re. 0.36) per unit.

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

9. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed. Effective from 01 July 2019 the Trustee has revised the trustee fee which is 0.065% per annum of the net assets.

Upto 30 June 2019 the Trustee was entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the following rates:

Net assets ranging from Rs. 1 million to Rs. 1 billion

0.15% per annum of the daily average net assets of the Fund.

Net assets ranging between Rs. 1 billion to Rs. 10 billion

Rs. 1.5 million plus 0.075% per annum of the daily average net assets of the Fund exceeding Rs. 1 billion.

Exceeding Rs. 10 billion

Rs. 8.25 million plus 0.06% per annum of the daily average net assets of the Fund exceeding Rs. 10 billion.

10. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations. Effective from 01 July 2019 the SECP has revised the Annual SECP fee. Currently The Company is required to pay SECP an amount at the rate of 0.02% per annum of the average daily net assets of the fund.

Upto 30 June 2019 the SECP was entitled for annual fee payable in accordance with the regulation 62 of the NBFC Regulation 2008, at the rate of 0.075% per annum of the average daily net assets of the fund.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020 (Rupees)	2019
Auditors' remuneration		213,714	207,933
Sindh Workers' Welfare Fund payable	11.1	55,944,076	28,220,046
Advance against issuance of units	11.2	33,500,000	-
Brokerage payable		220,941	199,223
Rating fee payable		143,431	-
Withholding tax payable		688,114	652,033
Professional tax payable		50,000	-
Others		750,920	-
		<u>91,511,196</u>	<u>29,279,235</u>

11.1 Sindh Workers' Welfare Fund payable

Provision for Sindh Workers' Welfare Fund is being made on a daily basis going forward pursuant to MUFAP's recommendation to all its members on January 12, 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs /mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from July 1, 2014).

Provision for SWWF as of June 30, 2020 amounted to Rs. 55.944 million. Had the recognition in previous years not been made, the net assets value per unit of the Fund would be higher by Re. 0.55 (June 30, 2019: Re. 0.33).

11.2 This represents the funds received from the investor, amount against units which are issued subsequently to the year end upon receipt of the relevant documents,

12. CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the year end, except as those mentioned elsewhere in the financial statements.

13 NUMBER OF UNITS IN ISSUE

	Note	2020 (Number of units)	2019
Total outstanding as of 1 July		85,632,524	54,663,202
Issued during the year	13.1	353,171,818	171,667,590
Redemptions during the year	13.2	(336,262,006)	(140,698,268)
Total units in issue as of 30 June		<u>102,542,336</u>	<u>85,632,524</u>

13.1 Includes 8.379 million (2019: 12.281 million) units on the conversion of units from the related funds.

13.2 Includes 27.721 million (2019: 10.85 million) units on the conversion of units to the related funds.

14. TAXATION

14.1 The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule of 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. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. The Fund is also exempted from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule of the Income Tax Ordinance, 2001. Accordingly, no provision has been made in this condensed interim financial information.

14.2 A new section 4B was introduced in the Income Tax Ordinance, 2001 vide the Finance Act, 2015, according to which super tax has been imposed for Tax Year 2015 on the income of individuals, association of persons and companies who are earning income of Rs. 500 million or above in Tax Year 2015 at the rate of 3% other than banking companies.

During year ended June 30, 2017, the Management Company has received an order under the aforementioned section for recovery of super tax not paid with return of income in respect of the Fund for the Tax Year 2015. The Deputy Commissioner considered that the Fund was required to pay super tax as the income of the Fund was more than Rs. 500 million and raised a demand of Rs. 18.819 million in this respect.

The Management Company had filed an appeal before Commissioner Appeals (Inland Revenue) against the order which was decided in favor of the Company whereby super tax demand was been deleted. The department had filed an appeal against the decision at the Appellate Tribunal which is pending adjudication and no provision has been made for super tax in the Financial statements for the period ended June 30, 2020.

The Fund has also received an order for Tax Year 2016 whereby demand amounting to Rs. 24 million has been created mainly on account that the Fund has made less than 90% distribution out of its distributable profit due to misinterpretation of the facts of the case. The Fund has filed an appeal against the said order to CIT (Appeals) and considers that the case will be decided in Fund's favor. Hence, no provision has been in the Financial statements for the period ended June 30, 2020.

During the year the Fund has received show-cause notice under section 4B of the Income Tax Ordinance, 2001 for recovery of super tax not paid with return of income in respect of the stated Fund for the Tax year 2019. The Deputy Commissioner considered that the Fund has failed to pay super tax on the profit of debt income earned during the tax year 2019, as the total profit of debt income of the Fund was Rs.916 million and raised a demand of Rs.18.321 million in this respect.



The Management Company of the Fund intends to file an appeal in due course of time and no provision has been made for super tax in the financial statements for the year ended June 30, 2020 for the reason that the same issue had been raised in earlier tax year 2015 and the same had been decided in funds favour by the CIT appeals and Appellate Tribunal.

15. DISTRIBUTIONS DURING THE PERIOD

	2020	2019
	(Rupees)	
Interim Distributions		
Rs. 0.9015 per unit declared on July 26, 2019		
- Cash Distribution	72,291,089	-
- Refund of Capital	9,049,800	-
Rs. 1.0987 per unit declared on Aug 30, 2019		
- Cash Distribution	72,459,436	-
- Refund of Capital	17,161,693	-
Rs. 1.0059 per unit declared on Sep 27, 2019		
- Cash Distribution	70,257,789	-
- Refund of Capital	20,597,372	-
Rs. 1.2753 per unit declared on Nov 01, 2019		
- Cash Distribution	117,995,094	-
- Refund of Capital	20,536,614	-
Rs. 0.9181 per unit declared on Nov 29, 2019		
- Cash Distribution	99,327,788	-
- Refund of Capital	16,102,096	-
Rs. 1.0387 per unit declared on Dec 27, 2019		
- Cash Distribution	119,130,186	-
- Refund of Capital	16,505,596	-
Rs. 1.2777 per unit declared on Jan 31, 2020		
- Cash Distribution	155,016,985	-
- Refund of Capital	18,199,978	-
Rs. 1.0238 per unit declared on Mar 01, 2020		
- Cash Distribution	110,440,011	-
- Refund of Capital	27,378,773	-
Rs. 0.9746 per unit declared on Mar 29, 2020		
- Cash Distribution	122,785,452	-
- Refund of Capital	11,247,503	-
Rs. 1.2487 per unit declared on Apr 29, 2020		
- Cash Distribution	153,782,086	-
- Refund of Capital	12,188,453	-

	2020	2019
	(Rupees)	
Rs. 0.6603 per unit declared on May 31, 2020 (2019: Rs 7.7082 per unit)		
- Cash Distribution	54,193,168	386,241,476
- Refund of Capital	3,720,142	265,494,377
Rs. 0.6467 per unit declared on Jun 28, 2020 (2019: 0.8545 per unit)		
- Cash Distribution	48,970,474	68,201,558
- Refund of Capital	13,653,904	4,793,837
Final Distributions		
2019: Rs. 5.1947 per unit declared on July 03, 2018		
- Cash Distribution	-	201,673,210
- Refund of Capital	-	82,285,727
	<u>1,382,993,502</u>	<u>1,008,692,204</u>

16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee of the fund, SIZA Services (Private) Limited being the holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company, staff retirement benefits of related parties and other entities having holding more than 10% in the units of the Funds as at June 30, 2020. It also includes staff retirement funds of the above related parties / connected persons.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively. Other transactions are in normal course of business, at contracted rates and terms determined in accordance with the market rates.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

16.1 Details of balance with related parties / connected persons at the year end

	2020	2019
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable	<u>1,107,745</u>	<u>7,648,998</u>
Sindh Sales Tax and Federal Excise Duty on remuneration to Management Company *	<u>35,866,355</u>	<u>36,715,431</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable *	<u>1,443,960</u>	<u>734,675</u>

* Sales tax is paid / payable to the management company / Trustee for onwards payment to the Government.



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

	For the Year ended June 30, 2020						Rupees			
	Number of Units			Refund /						
	Number of Units as at July 01, 2019	Units issued during the year	Refund / Adjustment of element of income	Units redeemed during the year	Number of Units as at June 30, 2020	Balance as at July 01, 2019	Units issued during the year	Refund / Adjustment of element of income	Units redeemed during the year	Balance as at June 30, 2019
Lakson Investments Limited - Management Company	2,506,825	38,066,705	328,385	36,515,780	4,386,136	251,997,558	3,859,790,794	-	3,704,207,343	441,225,521
Directors: Chief Executive and their spouse and minors	7,209,047	59,296,311	275,336	37,865,136	27,915,557	724,686,518	5,858,689,280	-	3,829,228,768	2,808,179,437
Key management personnel, employees and connected persons of the Management Company	29,148	32,606	148	37,091	24,811	2,930,091	3,292,547	-	3,570,000	2,495,859
Holding company / associated companies / undertakings of the Management Company										
SIZA Services (Private) Limited	3,149,897	22,473,034	203,164	25,580,715	245,380	316,642,139	2,280,102,279	-	2,592,567,963	24,684,144
(Holding Company of the Management Company)										
SIZA (Private) Limited	2,849,970	21,502,387	172,878	24,376,084	149,151	286,492,064	2,181,157,908	-	2,470,368,754	15,003,935
Hasanali & Gulbanoo Lakhani Foundation	566,308	110,799	17	524,774	152,349	56,827,847	11,144,472	-	53,000,000	15,325,669
Premier Fashions (Private) Limited	142,337	7,283,003	41,994	6,910,698	556,636	14,308,360	737,860,305	-	699,735,236	55,995,109
Lakson Power Limited	3,864	381	-	445	3,800	388,427	38,338	-	45,000	382,256
Colgate Palmolive (Pakistan) Limited	24,523,303	4,005,298	20,196	13,843,171	14,705,626	2,465,195,264	404,667,711	-	1,400,000,000	1,479,319,840
SIZA Commodities (Private) Limited	2,703,722	6,908,765	40,469	9,418,588	234,367	271,790,541	699,136,600	-	952,939,742	23,576,278
Baluchistan Polyproducts (Private) Limited	1,746	149	-	986	909	175,550	14,963	-	100,000	91,400
Accury Surgical Limited	172,324	50,117	272	-	222,712	17,322,771	5,065,676	-	-	22,403,971
Express Publications Private Limited	118,116	5,917	-	99,088	24,946	11,873,609	594,842	-	10,000,000	2,509,466
Book ME Tickets Private Limited	202,010	8,069	-	210,079	(0)	20,306,974	81,135	-	21,081,875	-
Century Insurance Co. Ltd., GF	-	69,379	484	69,862	0	-	7,023,206	-	7,110,276	-
Century Insurance Company Limited	-	-	-	-	-	-	-	-	-	-
Employees Contributory Provident Fund Trust	-	49,543	339	32,436	17,446	-	4,960,066	-	3,300,000	1,754,945
Colgate Palmolive Pakistan Limited ECPF	-	156,513	1,029	157,542	157,542	-	15,837,573	-	15,848,049	-
Colgate Palmolive Pakistan Limited EGF	-	141,439	5,530	-	146,969	-	14,774,648	-	-	14,784,422
Gann Corporation Private Limited	-	-	-	-	-	-	-	-	-	-
Employees Contributory Provident Fund	-	59,722	353	29,941	30,134	-	6,039,306	-	3,025,678	3,031,338
Merit Packaging Limited	-	-	-	-	-	-	-	-	-	-
Employees Contributory Provident Fund Trust	-	108,244	753	105,221	3,776	-	10,957,427	-	10,700,000	379,867
Merit Packaging Limited Employees Gratuity Fund	-	49,485	339	33,419	16,405	-	4,967,522	-	3,441,206	1,650,232
Alan Private Limited	-	1,704,867	2,649	1,707,515	1,707,515	-	171,654,812	-	-	171,768,362
Trustee / Custodian										
Central Depository Company of Pakistan Limited	-	2,565,167	24,530	1,061,674	1,528,023	-	260,339,666	-	107,000,000	153,712,220
Connected person due to holding more than 10% units										
Fauji Fertilizer Company Limited	17,499,041	83,669,510	430,341	82,408,680	19,190,213	1,759,084,130	8,454,403,688	-	8,295,239,964	1,930,449,112

		For the Year ended June 30, 2019						Rupees				
		Number of Units			Refund /			Balance as at July 01, 2018	Units issued during the year	Adjustment of units as element of income	Units redeemed during the year	Balance as at June 30, 2018 (Investment at current NAV)
Number of Units at July 01, 2018	Units issued during the year	Refund / Adjustment of units as element of income	Units redeemed during the year	Number of units as at June 30, 2019	Units issued during the year	Refund / Adjustment of units as element of income						
Lakson Investments Limited - Management Company Directors, Chief Executive and their spouse and minors Key management personnel, employees and connected persons of the Management Company	2,036,870 8,890,912 37,288	4,963,863 980,205 35,087	300,701 4,054 718	4,794,608 2,666,124 43,945	2,506,825 7,209,047 29,148	519,469,060 98,524,536 3,633,217	215,143,562 939,099,038 3,938,530	501,211,900 265,000,000 4,624,788	- - -	- - -	251,997,558 724,686,518 2,930,091	
Holding company / associated companies / undertakings of the Management Company												
SIZA Services (Private) Limited (Holding Company of the Management Company)	294,139	5,290,828	135,716	2,570,785	3,149,897	31,068,279	548,429,882	-	266,087,082	-	316,642,139	
SIZA (Private) Limited	963,577	13,445,589	255,627	11,814,823	2,849,970	101,777,414	1,396,197,330	-	1,230,668,203	-	286,492,064	
Hasanali & Gulbanoo Lakkhani Foundation	487,907	119,698	6,678	47,975	566,308	51,534,982	12,070,620	-	5,000,000	-	56,927,847	
Premier Fashions (Private) Limited	1,748,182	2,025,685	67,446	4,301,976	142,337	184,650,981	272,263,391	-	444,418,852	-	14,308,360	
Lakson Power Limited	3,681	425	-	242	3,864	395,564	42,636	-	24,967	-	388,427	
Colgate Palmolive (Pakistan) Limited	-	26,721,875	682,235	2,880,807	24,523,303	-	2,758,567,830	-	300,000,000	-	2,465,195,264	
SIZA Commodities (Private) Limited	2,079,234	1,546,510	107,962	1,029,984	2,703,722	219,618,264	159,392,287	-	104,600,000	-	271,790,541	
Baluchistan Polyproducts (Private) Limited	14,279	246	661	13,440	1,746	1,508,183	24,763	-	1,400,000	-	175,550	
Accury Surgical Limited	106,682	61,505	4,137	-	172,324	11,268,244	6,293,382	-	-	-	17,322,771	
Express Publications Private Limited	-	445,829	2,887	330,599	118,116	-	45,768,871	-	35,500,000	-	11,873,609	
Book WE Tickets Private Limited	-	201,890	120	-	202,010	-	20,287,945	-	-	-	20,306,974	
Connected person due to holding more than 10% units												
Bashir Dawood	9,886,216	366,438	92,575	-	-	1,044,227,660	36,801,290	-	-	-	-	
Millat Tractors Limited	4,886,438	-	-	-	-	516,128,059	-	-	-	-	-	
Fauji Fertilizer Company Limited	-	27,576,479	630,593	10,708,031	17,499,041	-	2,855,324,554	-	1,119,000,000	-	1,759,084,130	
Moblink Microfinance Bank Limited	7,105,550	141,895	200,597	-	-	750,520,837	14,250,483	-	-	-	-	



16.3 Details of transaction with related parties / connected persons during the year

	2020	2019
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration to the Management Company	<u>63,728,485</u>	<u>71,565,407</u>
Sindh sales tax on remuneration of Management Company *	<u>8,284,702</u>	<u>9,303,503</u>
Dividend paid	<u>2,466,369</u>	<u>19,992,392</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the period *	<u>8,237,529</u>	<u>8,281,382</u>
Dividend paid	<u>12,164,314</u>	<u>91,598</u>
Directors, Chief Executive and their spouse and minors		
Dividend Received from the fund	<u>255,956,886</u>	<u>100,714,822</u>
Key management personnel, employees and connected persons of the Management Company		
Dividend Paid	<u>432,089</u>	<u>492,278</u>
SIZA Services (Private) Limited		
Dividend Paid	<u>10,175,921</u>	<u>26,137,403</u>
SIZA (Private) Limited		
Dividend Paid	<u>4,812,811</u>	<u>24,309,838</u>
Hasanali & Gulbanoo Lakhani Foundation		
Dividend Paid	<u>1,929,927</u>	<u>6,028,623</u>
Premier Fashions (Private) Limited		
Dividend Paid	<u>1,882,506</u>	<u>1,189,172</u>
Lakson Power Limited		
Dividend Paid	<u>45,104</u>	<u>50,161</u>
Colgate Palmolive (Pakistan) Limited		
Dividend Paid	<u>240,785,543</u>	<u>196,243,623</u>
SIZA Commodities (Private) Limited		
Dividend Paid	<u>18,603,668</u>	<u>25,708,005</u>
Baluchistan Polyproducts (Private) Limited		
Dividend Paid	<u>16,326</u>	<u>28,952</u>
Millat Tractors Limited		
Dividend Paid	<u>-</u>	<u>25,278,869</u>
Accuray Surgical Limited		
Dividend Paid	<u>2,429,971</u>	<u>1,638,050</u>



	2020	2019
	(Rupees)	
Fauji Fertilizer Company Limited		
Dividend Paid	-	157,829,877
Bashir Dawood		
Dividend Paid	-	42,058,412
Express Publications Private Limited		
Dividend Paid	699,814	945,641
* Sales tax is paid / payable to the management company / Trustee for onwards payment to the Government.		
Book ME Tickets Private Limited		
Dividend Paid	954,276	170,066
Century Insurance Co. Ltd., GF		
Dividend Paid	23,206	-
Alan (private) Limited		
Dividend Paid	1,946,838	-
Fauji Fertilizer Company Limited		
Dividend Paid	204,581,342	-
Century Insurance Company Limited - ECPFT		
Dividend Received from the fund	114,599	-
Colgate Palmolive (Pakistan) Limited - ECPFT		
Dividend Received from the fund	937,573	-
Colgate Palmolive (Pakistan) Limited - EGF		
Dividend Received from the fund	874,648	-
GAM Corp. (Pvt.) Limited - ECPFT		
Dividend Received from the fund	163,627	-
Merit Packaging Limited - ECPFT		
Dividend Received from the fund	57,427	-
Merit Packaging Limited - EGF		
Dividend Received from the fund	108,729	-

17. TOTAL EXPENSE RATIO

As per the SECP circular vide direction no. 23 dated July 20, 2016 and as referred in Regulations 60 (5) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations"), Total Expense Ratio (TER) calculated inclusive of Sindh Sales Tax and SECP fee is 0.66% as of June 30, 2020 (June 30, 2019: 1.27%) and this includes 0.35% (June 30, 2019: 0.38%) representing Sindh Sales tax and SECP fee. As per NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 2% (excluding government levies).



18 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk (refer note 18.1)
- liquidity risk (refer note 18.2)
- market risk (refer note 18.3)
- operational risk (refer note 18.4)

Risk management framework

The Fund's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

18.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, receivable against sale of marketable securities and security deposits.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.

- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimize the risk of default and transactions are settled or paid for only upon delivery.

Exposure to credit risk

The maximum exposure to credit risk as at 30 June 2020 was as follows:

	June 30, 2020		June 30, 2019	
	Balance as per the Statement of Assets and Liabilities ----- (Rupees) -----	Maximum exposure	Balance as per the Statement of Assets and Liabilities ----- (Rupees) -----	Maximum exposure
Bank balances (including profit due)	4,915,148,519	4,787,578,811	8,679,329,085	8,679,329,085
Investments	5,526,539,049	587,618,026	-	-
	<u>10,441,687,568</u>	<u>5,375,196,837</u>	<u>8,679,329,085</u>	<u>8,679,329,085</u>

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in government securities of Rs. 4.94 billion (2019: government securities of Rs. Nil) do not carry credit risk.

Bank balances

The Fund held cash and cash equivalents at 30 June 2020 with banks had following credit ratings:

Rating	2020	2019	2020	2019
	----- (Rupees) -----		----- (%) -----	
AAA	4,747,026,772	6,432,272,073	99.15	74.66
AA+	40,021,926	2,147,896,694	0.84	24.93
AA	514,061	35,137,290	0.01	0.41
A+	16,052	-	0.00	0.00
Total balance	<u>4,787,578,811</u>	<u>8,615,306,057</u>	<u>100.00</u>	<u>100.00</u>

Above rates are on the basis of available ratings assigned by PACRA and VIS.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:



	2020		2019	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks (including profit due)	4,787,578,811	89.07	8,679,329,085	100.00
Power generation and distribution - commercial papers	587,618,026	10.93	-	-
	<u>5,375,196,837</u>	<u>100</u>	<u>8,679,329,085</u>	<u>100</u>

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2020.

Settlement risk

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

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

18.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six working days from the date of the redemption request.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request 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.

Maturity analysis for financial liabilities

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted:

	2020	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	1,107,745	1,107,745
Remuneration payable to the Trustee	1,443,960	1,443,960
Accrued expenses and other liabilities *	<u>34,879,007</u>	<u>34,879,007</u>
	<u>37,430,712</u>	<u>37,430,712</u>
 Unit holders' fund	 <u>10,315,289,640</u>	 <u>10,315,289,640</u>
	2019	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	7,648,998	7,648,998
Remuneration payable to the Trustee	734,675	734,675
Accrued expenses and other liabilities *	<u>407,156</u>	<u>407,156</u>
	<u>8,790,829</u>	<u>8,790,829</u>
 Unit holders' fund	 <u>8,608,167,565</u>	 <u>8,608,167,565</u>

* excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, Annual fee payable to the Securities and Exchange Commission of Pakistan and Sindh Sales Tax payable on Management Company's remuneration.

Above financial liabilities do not carry any mark-up.

18.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment

Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to currency risk, interest rate risk and equity price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has a bank balance in foreign currency exposed to foreign exchange risk. The Fund has no foreign currency denominated liability.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

The fund is not exposed to currency risk as at 30 June 2020.

18.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

Exposure to interest rate risk

The interest rate profile of the Fund's interest-bearing financial instruments is as follows:

	2020	2019
	(Rupees)	
Variable-rate instrument		
Financial assets (bank balances)	<u>4,787,571,371</u>	<u>8,615,298,617</u>

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 47.47 million (2019: Rs. 86.15 million). The analysis assumes that all other variables,

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity.

None of the other assets and Fund's liabilities are exposed to interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for term deposit receipt (fixed rate financial asset) at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect net assets of the fund.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

----- June 30, 2020 -----					
Interest rate %	Note	Exposed to interest rate risk		Not exposed to interest rate risk	Total
		No later than one month	Between two months to 1 year		
		----- Rupees -----			
Financial assets					
Bank balances	5.1	4,787,571,371	-	127,569,708	4,915,141,079
Investments		-	-	5,526,539,049	5,526,539,049
		<u>4,787,571,371</u>	<u>-</u>	<u>5,654,108,757</u>	<u>10,441,680,128</u>

----- June 30, 2019 -----					
Interest rate %	Note	Exposed to interest rate risk		Not exposed to interest rate risk	Total
		No later than one month	Between two months to 1 year		
		----- Rupees -----			
Financial assets					
Bank balances	5.1	8,615,298,617	-	64,023,028	8,679,321,645
		<u>8,615,298,617</u>	<u>-</u>	<u>64,023,028</u>	<u>8,679,321,645</u>

18.3.2 Other market price risk

The Fund is exposed to equity price risk i.e. the risk of unfavourable changes in the fair value of equity securities as a result changes in the levels of Pakistan Stock Exchange Index and the value of individual shares, which arises from investments measured at fair value through profit or loss.

The management of the Fund monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of NBFC regulations. The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund with overall limit of 30% or index weight whichever is higher subject to maximum of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations).

The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. The primary goal of the Fund's investment strategy is to maximise investment returns.

18.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

18.5 Unit holder's fund risk management

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

18.6 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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

		June 2020					
		Carrying amount			Fair Value		
Fair value through profit and loss		Amortised cost	Total	Level 1	Level 2	Total	
----- (Rupees) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Government Securities	6	4,938,921,023	-	4,938,921,023	4,938,921,023	4,938,921,023	
Financial assets not measured at fair value							
Bank balances	5	-	4,787,578,811	4,787,578,811	-	-	
Mark-up receivable	7	-	127,569,708	127,569,708	-	-	
Investments	6	-	587,618,026	587,618,026	-	-	
		-	5,502,766,545	5,502,766,545	-	-	
Financial liabilities not measured at fair value							
Payable to the Management Company	8	-	1,107,745	1,107,745	-	-	
Payable to the Trustee	9	-	1,443,960	1,443,960	-	-	
Accrued expenses and other liabilities	10	-	34,879,007	34,879,007	-	-	
		-	37,430,712	37,430,712	-	-	

		June 2019					
		Carrying amount			Fair Value		
Fair value through profit and loss		Amortised cost	Total	Level 1	Level 2	Total	
----- (Rupees) -----							
On-balance sheet financial instruments							
Financial assets not measured at fair value							
Bank balances	5	-	8,615,306,057	8,615,306,057	-	-	
Mark-up receivable	7	-	64,023,028	64,023,028	-	-	
Investments	6	-	-	-	-	-	
		-	8,679,329,085	8,679,329,085	-	-	
Financial liabilities not measured at fair value							
Payable to the Management Company	8	-	7,648,998	7,648,998	-	-	
Payable to the Trustee	9	-	734,675	734,675	-	-	
Accrued expenses and other liabilities	10	-	407,156	407,156	-	-	
		-	8,790,829	8,790,829	-	-	

18.6.1. The fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

19 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
----- (Rupees in '000) -----			
Opening balance as at 1 July 2019	-	-	-
Receivable against issuance of units	(35,864,641,082)	-	(35,864,641,082)
Payable against redemption of units	-	34,319,346,929	34,319,346,929
	(35,864,641,082)	34,319,346,929	(1,545,294,153)
Amount received on issuance of units	35,864,641,082	-	35,864,641,082
Amount paid on redemption of units	-	(34,319,346,929)	(34,319,346,929)
	35,864,641,082	(34,319,346,929)	1,545,294,153
Closing balance as at 30 June 2020	-	-	-

20 COVID 19 RELATED IMPACT

The coronavirus pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. SECP and SBP has responded to

the crisis by taking measures to maintain system soundness and to sustain the economic activity. The Fund's operations were also affected although it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure the safety of employees and smooth and adequate continuation of its business and sound business and risk management procedures. However, the economy had an effect and the Fund also being part of the economy had an impact. Nonetheless, the management is of the view that with improving medical situation and also the economy and its opening up, and is also evident for the significant rise in the PSX index subsequent to the year end, the Fund's performance going forward will improve further so as to support the sustainable performance and the growth of the Fund.

21 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

21.1 Unit holding pattern of the Fund

Category	June 30, 2020		
	No of Investors	Investment amount (Rupees)	% of total net assets
Individuals	65	2,393,340,271	23.20
Associated Companies and Directors	21	2,305,179,621	22.35
NBFC's (Management Company)	1	441,225,485	4.28
Retirement Funds	8	117,852,891	1.14
Other Corporates	18	5,057,691,372	49.03
Total	113	10,315,289,641	100.00

Category	June 30, 2019		
	No of Investors	Investment amount (Rupees)	% of total net assets
Individuals	58	889,606,102	10.33
Associated Companies and Directors	24	4,171,254,003	48.46
Insurance Companies	2	27,288,006	0.32
NBFC (Management Company)	1	251,997,580	2.93
Retirement Funds	6	22,265,093	0.26
Corporate	13	3,245,756,781	37.71
	104	8,608,167,565	100.00

21.2 List of top 10 brokers by percentage of commission paid

Name of Broker	Commission paid (Percentage %) 2020
Continental Exchange	48.42
Magenta Capital (Private) Limited	22.35
Vector Capital (Private) Limited	12.78
Arif Habib Limited	11.66
First Capital Securities Corporation	3.70
Invest One Markets Limited	1.09

Name of Broker	Commission paid (Percentage %) 2019
- Magenta Capital (Private) Limited	56.82
- Invest One Market Limited	22.19
- Vector Capital (Private) Limited	18.08
- Invest & Finance Securities Limited	2.43
- Continental Exchange Limited	0.24
- Next Capital Limited	0.24
- Arif Habib Limited	-

22 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Kashif Mustafa (Executive Director and COO)
- Mr. Mustafa O. Pasha (Chief Investment Officer)
- Mr. Shahbaz Ashraf
- Mr. Hassan Bin Nasir
- Mr. Junaid Arshad
- Mr. Uzair Nasir Rasheed
- Mr. Mr. Abdul Samad Khanani

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over twenty years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan. Mr. Lakhani was looking after Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund. Subsequently, Mr. Umair and Mr. Pasha have designated to manage the Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund respectively.

Mr. Kashif Mustafa – Executive Director and COO

Mr. Mustafa has more than twelve years of experience working in the financial markets of Pakistan with local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Before Lakson Investments, Mr. Mustafa worked for Askari Investments and Crosby Securities Pakistan Limited as Vice President and Head of Sales & Business Development respectively. He frequently appears on the media and has been featured on Express, Business Plus, CNBC, GEO, PTV, Aaj TV, Sindh TV & KTN. Mr.

Mustafa did his graduation in Mathematics and Masters in Economics.

Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over twelve years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. He is managing

Lakson Tactical Fund.

Mr. Muhammad Shahbaz Ashraf

Mr. Ashraf has approximately twelve years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Hassan Bin Nasir - Fund Manager

Mr. Hassan Bin Nasir has over eleven years of experience and currently holds positions of Vice President – Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is managing the following funds:

- Lakson Income Fund
- Lakson Asset Allocation Developed Markets Fund

Mr. Junaid Arshad

Mr. Junaid Arshad an ACCA member, having over twelve years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules & Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

Mr. Uzair Nasir Rasheed

Mr Uzair Nasir has approximately four years of experience and is a risk management professional at Lakson Investments. His responsibility is to ensure Effective & sound management of the various risks in the Investment portfolio. Prior to joining Lakson he was associated with the National Bank of Pakistan as Team Leader, Business Risk Review (BRR). He is a member of ACCA (UK) and a finalist of both CFA & FRM programs.

Mr. Mr. Abdul Samad Khanani

Mr. Khanani has over 5 years of experience in equity research. He did his Bachelors in Finance from IoBM in 2014 and is also perusing CFA. Before joining LI, Mr. Khanani was heading the research team at KASB Securities. He also worked at InterMarket Securities (local partner of Tellimer Research) and Fortune Securities.

At Lakson, he is responsible for deriving the overall equity strategy of equity portfolios by working closely with the research team and ensure smooth execution. He is managing:

Lakson Equity Fund
Lakson Islamic Tactical Fund

22.1 Directors meeting attendance

2020

Name of directors	Meeting Attended	September 03, 2019	October 22, 2019	February 20, 2020	April 09, 2020
- Mr. Iqbal Ali Lakhani	3	✓	X	✓	✓
- Mr. Babar Ali Lakhani	4	✓	✓	✓	✓
- Mr. Jacques John Vesser	3	✓	X	✓	✓
- Mr. Amin Mohammed Lakhani	4	✓	✓	✓	✓
- Mr. Jamil Ahmed Mughal	3	✓	X	✓	✓
- Ms. Gaita Ali	4	✓	✓	✓	✓
- Ms. Kathleen Kennedy Townsend	3	✓	✓	✓	X
- Ms. Roxanne Davies	3	✓	✓	X	✓
		8	5	7	7

22.2 Rating of the Fund and the management company

Details of the ratings of the Fund and the management company are given in note 1.4.

23 GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 19, 2020.

**For Lakson Investments Limited
(Management Company)**

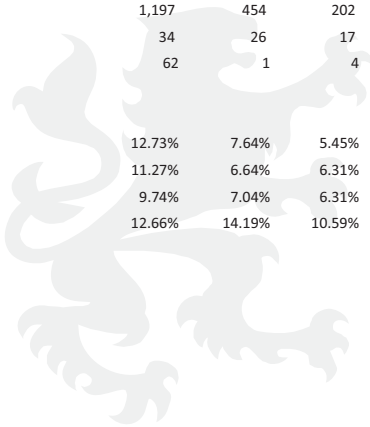
Chief Executive Officer

Chief Financial Officer

Director



Performance Table	FY20	FY19	FY18	FY17	FY16	FY15
Net Assets - Beginning (PKR Mil.)	8,608	5,774	4,680	5,297	4,209	7,490
Net Assets - Ending (PKR Mil.)	10,315	8,608	5,774	4,680	5,297	4,209
Net Asset value per share	100.5955	100.5246	105.6246	100.1620	100.1430	100.2271
Selling Price for units	100.5955	100.5246	105.6246	100.1620	100.1430	100.2271
Repurchase Price for units	100.5955	100.5246	105.6246	100.1620	100.1430	100.2271
Highest Offer Price (PKR)	101.8067	108.1381	105.6246	106.3721	105.6989	108.3718
Lowest Offer Price (PKR)	100.5246	100.4299	100.1776	100.0001	100.0257	100.1206
Highest Redemption Price (PKR)	101.8067	108.1381	105.6246	106.3721	105.6989	108.3718
Lowest Redemption Price (PKR)	100.5246	100.4299	100.1776	100.0001	100.0257	100.1206
Beginning NAV - Ex-Div. (PKR)	100.5246	100.4299	100.1620	100.1430	100.2599	108.5450
Interim Distributions (PKR)	12.0700	8.5627	Nil	6.7764	5.7016	8.4431
Final Distribution (PKR)	Nil	Nil	5.1947	-	-	-
Ending NAV - Ex-Div. (PKR)	100.5955	100.5246	100.4299	100.0001	100.0095	100.1019
Return	12.72%	8.69%	5.45%	6.80%	5.60%	8.57%
Net Income (PKR Mil.)	1,204	463	212	79	66	119
Total Distribution	1,197	454	202	79	68	118
Accumulated Capital Growth	34	26	17	7	7	9
WAM (Days)	62	1	4	1	15	58
Average Annual return of the Fund						
One Year	12.73%	7.64%	5.45%	5.72%	5.60%	8.57%
Two year	11.27%	6.64%	6.31%	6.39%	7.32%	8.07%
Three year	9.74%	7.04%	6.31%	7.47%	7.70%	8.51%
Since inception	12.66%	14.19%	10.59%	10.68%	10.55%	10.83%





Distributions	FY20	FY19	FY18	FY17	FY16	FY15
1st Interim Distribution	0.9015	7.7082	Nil	6.7764	5.7016	8.4431
NAV before Distribution	101.4261	108.1381	Nil	106.7765	105.7111	108.5450
NAV after Distribution	100.5246	100.4299	Nil	100.0001	100.0095	100.1019
Distribution Date	26-Jul-19	31-May-19	Nil	20-Jun-17	21-Jun-16	22-Jun-15
2nd Interim Distribution	1.0987	0.8545				
NAV before Distribution	101.6233	101.2844				
NAV after Distribution	100.5246	100.4299				
Distribution Date	30-Aug-19	27-Jun-19				
3rd Interim Distribution	1.0059					
NAV before Distribution	101.5305					
NAV after Distribution	100.5246					
Distribution Date	27-Sep-19					
4th Interim Distribution	1.2753					
NAV before Distribution	101.8037					
NAV after Distribution	100.5284					
Distribution Date	01-Nov-19					
5th Interim Distribution	0.9181					
NAV before Distribution	101.4471					
NAV after Distribution	100.5290					
Distribution Date	29-Nov-19					
6th Interim Distribution	1.0387					
NAV before Distribution	101.5677					
NAV after Distribution	100.5290					
Distribution Date	27-Dec-19					
7th Interim Distribution	1.2777					
NAV before Distribution	101.8067					
NAV after Distribution	100.5290					
Distribution Date	31-Jan-20					
8th Interim Distribution	1.0238					
NAV before Distribution	101.5528					
NAV after Distribution	100.5290					
Distribution Date	01-Mar-20					
9th Interim Distribution	0.9746					
NAV before Distribution	101.5036					
NAV after Distribution	100.5290					
Distribution Date	29-Mar-20					
10th Interim Distribution	1.2487					
NAV before Distribution	101.7777					
NAV after Distribution	100.5290					
Distribution Date	29-Apr-20					
11th Interim Distribution	0.6603					
NAV before Distribution	101.1893					
NAV after Distribution	100.5290					
Distribution Date	31-May-20					
12th Interim Distribution	0.6467					
Final Distribution	-	Nil	5.1947			
NAV before Distribution	101.1757	Nil	105.6246			
NAV after Distribution	100.5290	Nil	100.4299			
Distribution Date	27-Jun-20	Nil	03-Jul-18			

Disclaimer

Past performance is not Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.



A Lakson Group Company

Lakson Investments Limited

Lakson Square, Building No. 2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan
T +92.21 3569.8000
F +92.21 3568.1653

Lakson Investments Limited

(Regulated by the DFSA as a Representative Office)
Level 15, Gate Building
DIFC, P.O. Box 507054
Dubai, U.A.E.
T +971.4 401.9284
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LAKSON TACTICAL FUND

Annual Report 2020



LAKSON INVESTMENTS

WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

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==== **Vision** ====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.

==== **Mission** ====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.



Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3840.0000
Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Ms. Roxanne Davies
Ms. Gaithe Ali
Ms. Kathleen Kennedy Townsend

Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

Audit Committee

Mr. Jacques John Visser - Chairman
Mr. Amin Mohammed Lakhani
Mr. Iqbal Ali Lakhani
Mr. Jamil Ahmed Mughal

Human Resource and Remuneration Committee

Ms. Gaithe Ali - Chairman
Mr. Babar Ali Lakhani
Mr. Iqbal Ali Lakhani

Trustee

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

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road,
Karachi - 75530, Pakistan

Bankers to the Fund

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

Legal Adviser

Fazleghani Advocates
F-72/I, Block 8, KDA-5, Kehkashan, Clifton,
Karachi, Pakistan.

Registrar

Lakson Investments Limited
Lakson Square Building No.2, Sarwar Shaheed
Road, Karachi-74200, Pakistan

Distributor

Rabia Fida
BMA Capital Management Limited

Rating

1 Year : 2-Star
3 Year : 3-Star
5 Year : 3-Star
AM2+ : Asset Manager Rating by PACRA



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

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Tactical Fund ('LTF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2020.

Fund Objective

The investment objective of the LTF is to provide long-term capital appreciation by investing in a mix of securities comprising debt, equity and commodities future contracts.

Principal activities

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

Development and Performance Review

Lakson Tactical Fund generated an absolute return of 15.60% against the benchmark return of 13.76% in the 4QFY20. During FY20, fund provided return of 3.09% vs. 5.79% for the benchmark for the same period. The fund has underperformed the benchmark by 2.70%. As of June 30, 2020, LTF portfolio was invested 65% in Equities, 17% in TFCs/Sukuks, and 13% in Cash.

Earnings Per Unit (EPU)

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 4.9542 per unit (4.9542% of face value of PKR 100/-) amounting to PKR 25.422 million in cash during the year ended June 30, 2020.

Principal Risk and Uncertainties

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

These aforementioned risks could push both the foreign and local investors to liquidate their investments, which may affect the financial market adversely and may affect the Fund's profitability as well.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM2+". The VIS Credit Rating Company Limited has given the one-year performance ranking of "2-Star" and three-years & five years performance ranking of "3-Star" to the LTF.

Additional Matters:

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.



3. Proper books of accounts of the Fund have been maintained.
4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Fund's ability to continue as a going concern.
8. Key financial data has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. The pattern of unit holding as at June 30, 2020 is given in this Annual Report.
12. A performance table / key financial data is annexed to this annual report.

Significant events during the year - COVID -19

A novel virus (2019-nCoV) was first reported in Wuhan, China on December 31, 2019. The virus causes respiratory illness like SARS but is less fatal. However, given the contagious nature of the virus, WHO declared COVID-19 as a pandemic on March 11, 2020, (the last pandemic was in 2009) when the global confirmed cases were almost 127,000. It has now spread to 215 countries around the world with more than 19.3 million confirmed cases.

With no vaccine and high R-naught (reproduction number) of the virus, initial response by all governments was complete lockdown. However, the economic activity has now started resuming with less travel restrictions as the number of new reported cases declined. IMF Managing Director Kristalina Georgieva expects 2020 to be as bad as in 2009 when the global economy grew by 0.7% in 2009. IMF now expects that the global economy would shrink by 3% this year. IMF also expects slow recovery in 2021 and projects GDP loss of USD 9 trillion cumulatively for 2020 and 2021.

Pakistan has reached its peak in mid-June 2020. Currently total number of confirmed cases has crossed 282k; however, new cases count is down to 782 now with only 18k active cases left. Complete lockdown was placed for the first two months which was later converted into a smart lockdown since end - May. It is further expected to be completely lifted from mid Aug.

External Auditor

The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2021. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2021.

ECONOMY REVIEW

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625ps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved



outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Fixed Income Market Review

GoP raised cumulative PKR13.9tn in T-Bill auctions during FY20 vs. PKR18.5tn in FY19. Flows were supported by strong foreign participation through the Special Convertible Rupee Account (SCRA) in 1HFY20 although followed by an outflow in 2HFY20 due to sharp decline in interest rates. Moreover, SBP's appetite was lower than last year due to expected commencement of monetary easing from early-CY20 where SBP remained averse to locking itself at high interest rates for an extended period (7.0% Policy Rate at the end of Jun'20). Participation also began to lose steam once expectations of a rate cut solidified shifting more towards the longer tenor instruments (12M T-Bills and PIBs). Consequently, yields came off sharply after inverting in 1HFY20. T-Bill yields for 3M, 6M and 12M tenors dropped to 6.85%/6.66% and 6.85% for 3M/6M and 12M tenor from a high of 13.75%/13.94% and 14.25% in Aug'19. Interest rates peaked in 2019 during which time participation in PIB auctions picked up significantly. Bids accepted by SBP rose to PKR2.05tn in FY20 vs. PKR872bn in FY19. Strong participation was witnessed vs. 2019. Cut-off yields dropped to 7.97%, 8.44%, 8.99% and 10.51% for 3YR/5YR/10YR/20YR tenors from 13.70%/13.80%,13.70% at the end of Jun'19.

Commodities Review

Arab light closed 37% down in FY20 from USD67.2/bbl to USD43.9/bbl. During pandemic situation in Apr-20 West Texas Intermediate crude futures traded below zero for the first time ever. The Bloomberg Commodity Index (BCOM) which tracks 23 commodities closed at 68.67, down 13.8% YoY during FY20. Efforts to minimize the spread of the coronavirus pandemic led to the shutdown of global economies, squashing demand for oil and upending supply chains for the agricultural industry, but also providing some support for haven gold as it came from USD 1409.55 to 1975.86 during FY20, up 40%. In the other metal, Silver hit historic high of USD 24.38, up 59% during FY20.

Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.



SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on Behalf of the Board

Chief Executive Officer

Director

Dated: August 19, 2020





لیکسن ٹیکٹیکل فنڈ

30 جون 2020 کو ختم ہونے والے سال کے لیے

منجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن ٹیکٹیکل فنڈ ("LTF") کی منجمنٹ کمپنی 30 جون 2020 کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

فنڈ کا مقصد

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

اہم گریمیاں

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

ایکویٹی میں سرمایہ کاری کا انتظام و انصرام ان بنیادی اقدار کے تعین کے لیے نیچے سے اوپر کی طرف تجربے کے ذریعے کیا جائے گا جو فنڈ کو پرکشش منافع کمانے کے قابل بنا سکیں۔ حکومتی سیکیورٹیز کی مختلف میچورٹیز کے درمیان منتقلی کے ذریعے دورانیے اور yield curve منجمنٹ کے ذریعے کیا جائے گا۔ فنڈ کموڈٹیز میں سرمایہ کاری کے لیے بیچ مارک کو متعاقد کموڈٹیز کے مطابق اوورویٹ یا انڈروویٹ کر سکتا ہے۔

پیش رفت اور کارکردگی کا جائزہ

لیکسن ٹیکٹیکل فنڈ نے مالی سال 2020 کی چوتھی سہ ماہی میں بیچ مارک منافع %13.76 کے مقابلے میں %15.60 مطلق منافع پیش کیا۔ مالی سال 2020 کے دوران فنڈ نے اسی مدت کے بیچ مارک منافع %5.79 کے مقابلے میں %3.09 منافع پیش کیا۔ اس طرح فنڈ نے سال کے دوران بیچ مارک کے مقابلے میں %2.70 کم تر کارکردگی دکھائی۔ 30 جون 2020 کے مطابق LTF پورٹ فولیو نے ایکویٹیز میں %65 TFCs اور وکسوس میں %17 اور ایکس میں %13 سرمایہ کاری کی۔

ٹی یونٹ آمدنی (EPU)

ٹی یونٹ آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے تخمینہ شدہ اوسط پونٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔



آمدنی کی تقسیم

چیف ایگزیکٹو آفیسر نے منجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز کی طرف سے اختیار کے تحت 30 جون 2020 کو ختم ہونے والے سال کے لیے پی یونٹ 4.9542 روپے (100 روپے کی فیس ویلیو کا %4.9542)، کی عبوری نقد تقسیم کا اعلان کیا ہے جس کی مالیت 25.422 ملین روپے بنتی ہے۔

اہم خطرات و خطرات

اقتصادی عدم استحکام، بڑھتا ہوا کرنٹ اکاؤنٹ خسارہ، زرمبادلہ کے کم ہوتے ذخائر، توقع سے زیادہ افراط زر، روپے کی قدر میں کمی، ایک طرف ادو طرفہ قرض فراہم کنندہ ایجنسیز، دونوں کی طرف سے توقع سے کم مالی امداد، مزید مالیاتی سختی اور بگڑتے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے ایک خطرہ بنے ہوئے ہیں۔

مذکورہ بالا خطرات غیر ملکی اور مقامی سرمایہ کاروں، دونوں کو اپنی سرمایہ کاریاں تحلیل کرنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات پڑ سکتے ہیں اور فنڈ کی منافع کمانے کی صلاحیت بھی متاثر ہو سکتی ہے۔

لیسیٹ نیچر اینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے منجمنٹ کمیٹی کی لیسیٹ نیچر ریٹنگ "AM2+" پر برقرار رکھی ہے۔ VIS کریڈٹ ریٹنگ کمیٹی لمیٹڈ نے LTF کو "A2" اسٹار کی ایک سالہ پرفارمنس ریٹنگ اور "A3" اسٹار کی تین سالہ اور پانچ سالہ پرفارمنس ریٹنگ دی ہے۔

اضافی معاملات

- 1- منجمنٹ کمیٹی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- منجمنٹ کمیٹی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز کے فنڈ میں نقل و حرکت کی منصفانہ عکاسی کرتے ہیں۔
- 3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے اور شرایاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشن) روٹ 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹی ٹریڈنگ ریگولیشنز، 2008 (NBFC ریگولیشنز)، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ڈائریکٹریز اور فنڈ کی دستوری دستاویزات کے تقاضوں کی پیروی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
- 6- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 7- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 8- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسز، ڈیویڈنڈ بھجوات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارے فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات منجمنٹ کمیٹی کی طرف سے برداشت کیے جاتے



ہیں۔

11-30 جون 2020 کے مطابق یونٹ ہولڈنگ کا بیڑن اس سالانہ رپورٹ میں دیا گیا ہے۔

12- کارکردگی کی جدول / اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

سال کے دوران اہم واقعات۔ کووڈ-19

ایک نوبل وائرس (2019-nCoV) سب سے پہلے 31 دسمبر، 2019 کو وہان، چین میں رپورٹ ہوا۔ یہ وائرس SARS جیسی سانس کی بیماری کا سبب بنتا ہے لیکن اس سے کم مہلک ہوتا ہے۔ تاہم، وائرس کی متعدی نوعیت کے چھین نظر، ڈبلیو ایچ او نے 11 مارچ 2020 کو کووڈ 19 کو عالمی وبا قرار دے دیا، گزشتہ عالمی وبا 2009 میں پھیلی تھی (جب عالمی سطح پر تعدد شدہ واقعات قریب 127,000 تھے۔ اب یہ دنیا کے 215 ممالک میں پھیل چکا ہے جس کے متاثرین کی تعداد 19.3 ملین سے زیادہ ہے۔

وائرس کی کوئی ویکسین نہ ہونے اور بلند R-naught (تولیدی تعداد) کی وجہ سے، تمام حکومتوں کا ابتدائی رد عمل کم طور پر لاک ڈاؤن تھا۔ تاہم، معاشی سرگرمی اب کم سفری پابندیوں کے ساتھ دوبارہ شروع ہو گئی ہے کیونکہ نئے رپورٹ شدہ کیسز کی تعداد میں کمی واقع ہوئی ہے۔ آئی ایم ایف کی پیچنگ ڈائریکٹر کرائسٹالینا جارجیووا کا توقع ہے کہ 2020 کی صورت حال 2009 جتنی ہی خراب ہوگی جب عالمی معیشت میں 0.7 فیصد اضافہ ہوا تھا۔ آئی ایم ایف کو اب توقع ہے کہ اس سال عالمی معیشت 3 فیصد گھٹ جائے گی۔ آئی ایم ایف نے 2021 میں بھی سستی بحالی کی توقع اور 2020 اور 2021 کے لیے GDP میں مجموعی طور پر 9 کھرب ڈالر کے نقصان کی پیش گوئی کی ہے۔

جون 2020 کے وسط میں پاکستان اپنی بلند ترین سطح پہنچ گیا ہے۔ فی الحال تصدق شدہ کیسز کی مجموعی تعداد 28 ہزار سے تجاوز کر چکی ہے۔ تاہم، نئے معاملات کی کتنی اب 782 رہ گئی ہے، جبکہ صرف 18 ہزار فعال کیسز باقی ہیں۔ پہلے دو مہینوں کے لئے مکمل لاک ڈاؤن رکھا گیا تھا جسے بعد میں آخڑتی سے اسٹارٹ لاک ڈاؤن میں تبدیل کر دیا گیا۔ امید ہے کہ آگے کے وسط سے اس کو مکمل طور پر اٹھایا جائے گا۔

بیرونی آڈیٹر

موجودہ آڈیٹر میسرز KPMG ٹاٹیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر 30 جون 2021 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے اپنی رضامندی ظاہر کر دی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لیے میسرز KPMG ٹاٹیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کر دی ہے۔

معاشی جائزہ

سود کی شرحوں کو 750 بنیادی پوائنٹس (دسمبر 2017 تا جولائی 2019) کے تیز رفتار اضافے سے 13.25% کرنے کے بعد، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں مارچ 2020 کے وسط سے جون 2020 تک کے دورانیے میں 625 پوائنٹس تک فیصلہ کن کمی کر دی۔ یہ کمی توقع سے کہیں زیادہ تھی جس کے محرکات درج ذیل ہیں:

(i) کووڈ-19 عالمی وبا سے، جو بالآخر ملکی گیر لاک ڈاؤن کا باعث بنی، بیرونی اور گھریلو طلب پر غیر معمولی دباؤ (ii) ایشیا نے خورد و نوش کی مقامی قیمتوں میں کمی کے پیش نظر افراط زر کی شرح میں بہتری کی توقع، (iii) اجناس کی عالمی قیمتوں (خاص طور پر تیل) میں کمی اور کم درآمدات جس کے نتیجے میں مئی 2020 میں کرنٹ اکاؤنٹ کے خسارے میں سال بہ سال بنیاد پر 74 فیصد کمی کی واقع ہوئی۔ مزید برآں، اسٹیٹ بینک نے انٹرنیشنل ریٹ کو ریڈور کو پالیسی ریٹ



ایس بی پی کی طرف سے قبول کردہ رولیاں مالی سال 2019 میں 872 ارب روپے کے مقابلے میں مالی سال 2020 میں 2.05 ٹریلین روپے تک بڑھ گئیں۔ 2019 کے مقابلے میں زبردست سرمایہ کاری دیکھی گئی۔ 3 سالہ 5/10 سالہ 20 سالہ میعادوں کے لیے حتمی منافع جات جون 2019 کے اختتام پر 13.70%/13.80%/13.70% اور 13.70% کے مقابلے میں 7.97%، 8.44%، اور 8.99% تک گر گئے۔

کموڈٹیجز کا جائزہ۔

مالی سال 2020 میں عرب لائٹ نے 67.2 امریکی ڈالر سے 43.9 امریکی ڈالر فی بیرل تک 37% کمی کے ساتھ اختتام کیا۔ اپریل 2020 میں عالمی وبا کی صورت حال کے دوران تاریخ میں پہلی مرتبہ ویسٹ ٹیکساس انٹرمیڈیٹ کروڈ کے مستقبل کے سوڈے صفر سے کم پر ہوئے۔ بلومبرگ کموڈٹی انڈیکس (BCOM) میں، جو بیس کموڈٹی ٹریڈ کرتا ہے، مالی سال 2020 کے دوران 68.67 پر بند ہوا جو سال بہ سال بنیاد پر 13.8% کمی ہے۔ کرونا وائرس عالمی وبا کا پھیلاؤ کم سے کم کرنے کی کوششوں کا نتیجہ عالمی معیشتوں کی بندش، آئل کی طلب میں کمی کی زرعی معیشت کے لیے سپلائی چینز میں رکاوٹ کی صورت میں نکلا، جب کہ اس سے سونے کے ذخائر کو کچھ مدد ملی جو مالی سال 2020 کے دوران 40% اضافے کے ساتھ 1409.55 سے 1975.86 ڈالر تک پہنچ گئے۔ دیگر دھاتوں میں مالی سال 2020 کے دوران چاندی نے 59% اضافے کے ساتھ 24.38 ڈالر کی تاریخ بلند ترین سطح کو چھوا۔

مستقبل کی توقعات

آگے بڑھتے ہوئے، توقع ہے کہ لاک ڈاؤن میں زرعی، معاون مجموعی معاشی پالیسیوں اور عالمی سطح پر نمونوں میں اضافہ کی مدد سے مالی سال 2021 میں معیشت بتدریج بحال ہوگی۔ مالی سال 21 میں جی ڈی پی کی حتمی نمونوں میں 2.1 فیصد تک اضافے کا امکان ہے۔ بیرونی شعبے کے لیے توقعات مضحکم ہیں، جہاں کثیر جیتی/دو طرفہ آمدنی سے مالی اعانت کے ساتھ، کووڈ-19 بحران کے باعث تیل کی قیمتوں میں کمی کی وجہ سے کریڈٹ کاؤنٹ خسارہ محدود رہنا چاہیے۔ آئی ایم ایف کے پروگرام کو روک دیا گیا تھا لیکن امکان ہے کہ وہ تیرف میں معقولیت اور لاگت کے دباؤ کے لیے ایک اسلوب کا تعین کرے گا۔ مالی صورت حال بدستور کمزور ہے لیکن توقع ہے کہ ٹیکس اصلاحات کی بدولت بہتری آئے گی جن کا مقصد ٹیکس کی وسیع تر بنیاد کے ذریعے ٹیکس محصولات کی پیداوار میں اضافہ کرنا ہے۔ اگرچہ MPC کا مقصد سود کی حتمی شرحوں کو صفر کے قریب رکھنا ہے، اگر افراط زر کی شرحوں کے اعداد کارخانہ شماری سمت رہا تو اس کا نتیجہ مالی سختی کے دور کی توقع سے پہلے واپسی کی صورت میں سامنے آ سکتا ہے۔

ایس بی پی کا جولائی 2020 کے IMPC اجلاس کو موخر کرنے کا فیصلہ اشارہ کرتا ہے کہ سود کی شرحیں اپنی چلی ترین سطح کو چھو چکی ہے۔ اس کے ساتھ ساتھ افراط زر کے بلند اعداد و شمار کے نتیجے میں حتمی منافع جات میں مزید اضافہ ہو سکتا ہے۔ ہمارے خیال میں درمیانی مدت میں قلیل مدتی ترسکات کی طلب میں اضافہ ہوگا۔ مزید برآں، زرمبادلہ کی شرح میں زیادہ تر اصلاح (جون 2020 کے لیے 93 پر REER) کے حصول کے ساتھ، سرمایہ کاری ترسکات میں غیر ملکی سرمایے کی آمد میں اضافہ دیکھنے میں آ سکتا ہے۔

KSE-100 نے اپنے بیشتر نقصانات کا ازالہ کر لیا ہے اور مالی سال 2020 میں سال بہ سال بنیاد پر 14% اضافہ کیا ہے، جہاں معاشی بہتری کا تسلسل اور کووڈ 19-19 کا باوجود ہونے کے باوجود ریٹ کے جذبہ کو برقرار رکھے گا۔ طویل مدتی اوسط 21% کے مقابلے میں مارکیٹ کیپ سے GDP کا تناسب اب بھی 15% ہے۔ ہمارا خیال ہے کہ مالی سال 2020 کے دوسرے نصف میں 6 ماہ تک مسلسل فروخت کے بعد غیر ملکی اب خریدار بنیں گے، جبکہ گرتی ہوئی شیئہ براڈ مارکیٹ کو بدستور چھپچھپاؤ دے رہیں گے۔



اطہا تشکر

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

برائے و مخائب بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 19 اگست 2020

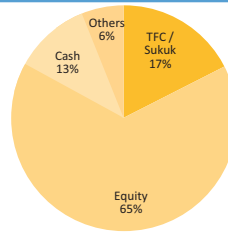


**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2020**

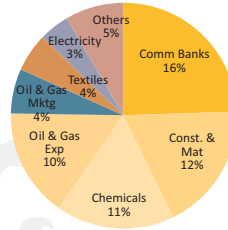
Fund Facts

Fund Type	Open-End
Category	Asset Allocation Fund
Net Assets (PKR Mil.)	756
NAV (30.06.2020)	87.4778
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	10% of the gross earnings of the Scheme, calculated on a daily basis. The fee is subject to a minimum of 1% and maximum of 2% of the average annual net assets of the Scheme. Current-1.23%
Front End Load	2.50%
Back End Load	None
Launch Date	October 11, 2011
Benchmark	Weighted average daily return of KSE-30 Index, 6M KIBOR & DBIQ Optimum Yield Diversified
Benchmark	Commodity Index excess returns based on the Scheme's actual proportion in equity, debt and commodities
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (28.Aug.2020)

Asset Allocation



Sectorwise Exposure



Fund Performance	LTF	Benchmark
FY20	3.09%	5.79%
June-20	0.67%	1.06%
2 Months	-0.32%	0.06%
3 Months	15.60%	13.76%
6 Months	-9.57%	-8.98%
12 Months	3.09%	5.79%
CY20- YTD	-9.19%	-8.71%
3 Years	-13.36%	-4.49%
5 Years	8.52%	8.26%
Since Inception	34.83%	29.74%

Investment Committee

Babar Ali Lakhani	Chief Executive Officer
Kashif Mustafa	Executive Director & COO
Mustafa O. Pasha, CFA	Chief Investment Officer
Shahbaz Ashraf, CFA	
Abdul Samad Khanani	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
Uzair Nasir Rasheed	

the benchmark of the fund was changed in September 2016

Investment Objective

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

The LTF achieved its investment objective by investing in a mix of risk-free T-Bills, PIBs, equities and Equities. The debt component provides investors with long term capital protection; whereas the equity portion provides investor's exposures to a fundamentally attractive market that is characterized by strong earnings growth and cheap valuations.

Investment Strategy

The debt component of the LTF portfolio was constructed by investing in low risk options, where marked to market volatility did not chip away at returns. The fund focused exposure in Bank/DFI/Daily accrual placements over various tenures, supplemented with corporate bonds, where the yield was comfortably above par. Equity exposure of the Fund was determined by carrying out an analysis of the prevalent price to earnings (PE) ratio or multiple of the KSE-30 Index. An increase in the PE ratio will lead to a reduction in equity exposure and vice versa. The balance will remain invested in high quality fixed income instruments of varying duration.

As of June 30, 2020, the Fund had 65% exposure to equities, 17% in TFC/Sukuks, 13% in Cash, and 5% in others.



Economic Review

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625ps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

Equity Market Review

FY20 has been a volatile year for capital markets around the world with the KSE-100 closing the year at 34,421.9 The KSE-100 made a bottom at 28,765 points in August 2019 driven by economic challenges (rising fiscal imbalances, widening CAD), cross border tensions and poor corporate profitability. The market found firm footing as inflation readings began to improve posting a 50% interim recovery (to 43,218.67 points in mid-Jan'20). This was, however, short lived, with the KSE-100 subsequently shedding c. 37% (Jan-Mar'20) making a low of 27,228.8 points in March 2020. The landscape significantly altered in 3QFY20 with economic challenges arising due to global COVID-19 contagion, US\$2bn hot money outflows from Government treasuries and oil prices hitting a low of US\$31/bbl. The market has since recovered 26% from its low in March'20 to 34,421.9 points at the end of Jun'20 (up 1.5%yoy).



Trading activity picked up at the end of the year (June 2020) with KSE-All Share ADTO rising from a 5-year low of US\$9.1mn in Jul'19 to rise to US\$41.2mn in Jun'20 (ready market - down 10%/yoy). Global risk-off sentiment led to net FIPI outflow of US\$285mn in FY20 (vs. net outflow of US\$356mn in FY19). Foreign selling was primarily concentrated in E&Ps (US\$94.8mn), Banks (US\$75.8mn) and Cements (US\$63.7mn). On the local side, individuals and insurance companies remained net buyers while bulk of the local selling was fueled by banks and mutual funds. Global exchanges have witnessed severe panic selling, where KSE-100, (although up only 1.5%/yoy), outperformed MSCI EM and FM indices FY20.

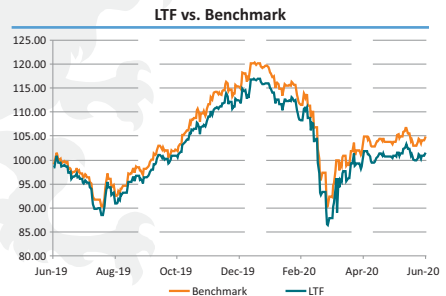
Commodities Review

Arab light closed 37% down in FY20 from USD67.2/bbl to USD43.9/bbl. During pandemic situation in Apr-20 West Texas Intermediate crude futures traded below zero for the first time ever. The Bloomberg Commodity Index (BCOM) which tracks 23 commodities closed at 68.67, down 13.8% YoY during FY20. Efforts to minimize the spread of the coronavirus pandemic led to the shutdown of global economies, squashing demand for oil and upending supply chains for the agricultural industry, but also providing some support for haven gold as it came from USD 1409.55 to 1975.86 during FY20, up 40%. In the other metal, Silver hit historic high of USD 24.38, up 59% during FY20.

Fund Performance

Lakson Tactical Fund generated an absolute return of 15.60% against the benchmark return of 13.76% in the 4QFY20. During FY20, fund provided return of 3.09% vs. 5.79% for the benchmark for the same period. The fund has underperformed the benchmark by 2.70%. As of June 30, 2020, LTF portfolio was invested 65% in Equities, 17% in TFCs/Sukuks, and 13% in Cash.

Performance Table	FY20	FY19
Net Assets - Beginning (PKR Mil.)	757	1,220
Net Assets - Ending (PKR Mil.)	507	757
Highest Offer Price (PKR)	109.1208	107.1488
Lowest Offer Price (PKR)	80.6125	91.1526
Highest Redemption Price (PKR)	106.4593	104.5354
Lowest Redemption Price (PKR)	78.6463	88.9293
Beginning NAV - Ex-Div. (PKR)	89.6785	100.6215
Interim Distributions (PKR)	4.9542	-
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	87.4778	89.6785
Return	3.09%	-10.88%
Net Income / (Loss) (PKR Mil.)	27.00	(104.00)
Distributions	FY20	FY19
Interim Distributions (PKR)	4.9542	-
Final Distribution	-	-
NAV before Distribution	92.0989	89.6785
NAV after Distribution	87.1447	89.6785
Distribution Date	29-Jun-20	Nil



Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.



The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 4.9542 per unit (4.9542% of face value of PKR 100/-) amounting to PKR 25.422 million in cash during the year ended June 30, 2020.

Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments to 'AM2+' during FY20.

As of June 30, 2020 the LTF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 4.22 mn. If the same were not made the NAV per unit of the LTF would be higher by PKR 0.7302 and the return of the LTF for FY20 would be higher by 0.12%.

Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2020 the LTF does not employ any leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	3	133
101 - 500	1	190
501 - 1,000	0	0
1,001 - 5,000	3	7,539
5,001 - 10,000	2	10,530
10,001 - 50,000	10	273,034
50,001 - 100,000	4	258,094
100,001 - 500,000	6	832,616
500,001 - 1,000,000	5	2,836,667
1,000,001 - 5,000,000	1	1,572,892
5,000,001 - above	0	-
	35	5,791,696

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

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Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON TACTICAL 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 Lakson Tactical Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the 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.

We would like to draw the attention of the unitholders towards the fact that the Fund had an investment of Rs.35,885 million (7.08% of Net Assets) in TFC of Silk Bank Limited having rating of BBB+ as of June 30, 2020 which is lower than the rating allowed under the Constitutive Document of the Fund. However, at the time of purchase, this term finance certificate was compliant with the minimum rating allowed under the Constitutive Document of the Fund. The matter has also been reported to the commission



Abdul Samad
Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi: September 29, 2020

INDEPENDENT AUDITOR'S REPORT
To the Unit holders of Lakson Tactical Fund

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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.#	Key audit matters	How the matter was addressed in our audit
1	<p>Investments - Valuation of investments</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2020, the Fund has investments classified as "Fair value through profit or loss" amounting to Rs. 332.516 million, 85.178 million and 24.887 million in equity, debt and government securities respectively representing 66%, 17% and 5% of net assets value of the Fund.</p> <p>We identified valuation of investments as a key audit matter because of its significance in relation to the net asset value of the fund.</p>	<p>Our audit procedures included the following</p> <ul style="list-style-type: none"> - obtaining an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and - assessing on sample basis whether the investments in equity were valued at fair values based on the rates quoted on the Pakistan Stock Exchange as at 30 June 2020. - assessing, on a sample basis, whether investments in debt and government securities were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP).

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 auditors' 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to 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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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

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

The engagement partner responsible on the audit resulting in this independent auditor's report is Aryn Pirani.

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Assets and Liabilities
As at June 30, 2020

	Note	2020	2019
		(Rupees)	
Assets			
Bank balances	5	64,761,550	85,286,659
Investments	6	442,581,713	670,368,027
Dividend receivable		16,287	875,703
Markup accrued	7	4,050,530	5,341,484
Deposits, prepayments and other receivables	8	3,371,956	2,977,293
Receivable against sale of securities		4,357,638	-
Total assets		<u>519,139,674</u>	<u>764,849,166</u>
Liabilities			
Payable to the Management Company	9	2,086,036	2,862,857
Remuneration payable to the Trustee	10	196,229	144,152
Annual fee payable to Securities and Exchange			
Commission of Pakistan	11	125,836	998,749
Accrued expenses and other liabilities	12	5,577,276	4,255,685
Payable against purchase of securities		4,509,211	-
Total liabilities		<u>12,494,588</u>	<u>8,261,443</u>
Contingencies and commitments	14		
Net assets		<u>506,645,086</u>	<u>756,587,723</u>
Unit holders' fund (as per the statement attached)		<u>506,645,086</u>	<u>756,587,723</u>
		(Number)	
Number of units in issue	15	<u>5,791,696</u>	<u>8,436,662</u>
		(Rupees)	
Net assets value per unit		<u>87.4778</u>	<u>89.6785</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Income Statement
For the year ended June 30, 2020

Income	Note	2020 (Rupees)	2019
Loss on sale of investments held at fair value through profit or loss - net		(862,620)	(45,478,163)
Unrealized loss on revaluation of investments held at fair value through profit or loss - net		<u>(9,330,016)</u>	<u>(113,780,697)</u>
		<u>(10,192,636)</u>	<u>(159,258,860)</u>
Dividend income on investments held at fair value through profit or loss		21,092,525	32,580,759
Return / Mark up on:			
Bank balances - at amortised cost		14,232,780	26,468,235
Government and other debt securities (at fair value through profit or loss)		<u>20,177,352</u>	<u>17,490,317</u>
		<u>34,410,132</u>	<u>43,958,552</u>
Exchange gain on foreign currency deposits - at amortised cost		<u>37,024</u>	<u>195,800</u>
Total Gain		<u>45,347,045</u>	<u>(82,523,749)</u>
Expenses			
Remuneration to the Management Company	9.1	8,498,156	13,607,788
Sindh Sales tax on remuneration to the Management Company	9.2	1,104,759	1,769,012
Remuneration to the Trustee	10	1,421,948	2,280,677
Annual fee to the Securities and Exchange Commission of Pakistan	11	125,836	998,749
Auditors' remuneration	16	291,650	277,875
Fees and subscription		720,000	1,181,038
Printing charges		3,780	27,120
Brokerage, custody, settlement and bank charges		2,380,576	1,459,759
SECP supervisory fee		2,500	2,500
Total Expenses		<u>14,549,205</u>	<u>21,604,518</u>
Net income / (loss) for the year		<u>30,797,840</u>	<u>(104,128,267)</u>
Sindh Workers' Welfare Fund (SWWF)	12.1	(615,957)	-
Net income / (loss) for the year before taxation		<u>30,181,883</u>	<u>(104,128,267)</u>
Taxation	17	-	-
Net income / (loss) for the year after taxation		<u>30,181,883</u>	<u>(104,128,267)</u>
Allocation of net income for the year			
Net income for the year after taxation		30,181,883	-
Income already paid on units redeemed		<u>(2,830,184)</u>	<u>-</u>
		<u>27,351,699</u>	<u>(104,128,267)</u>
Accounting income available for distribution			
- Relating to capital gains - net		-	-
- Excluding capital gains		<u>27,351,699</u>	<u>-</u>
		<u>27,351,699</u>	<u>(104,128,267)</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Comprehensive Income
For the year ended June 30, 2020**

	2020	2019
	(Rupees)	
Net income / (loss) for the year after taxation	30,181,883	(104,128,267)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>30,181,883</u>	<u>(104,128,267)</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement Of Movement in Unit Holders' Fund
For the year ended June 30, 2020**

	2020		2019		Total
	Capital value	Undistributed income	Capital value	Undistributed income	Total
	----- (Rupees) -----				
Net assets at beginning of the year	850,911,523	(94,325,800)	1,210,315,259	9,804,467	1,220,119,726
Issuance of 1,985,768 units (2019: 415,913 units) including additional units 21,017 issued at nil value as capital refund					
- Capital value	158,580,830	-	41,849,790	-	41,849,790
- Element of income / (loss)	3,831,352	-	(769,216)	-	(769,216)
Total proceeds on issuance of units	160,412,182	-	41,080,574	-	41,080,574
Redemption of 4,330,734 units (2019: 4,105,076 units)					
- Capital value	(410,453,473)	-	(410,453,473)	-	(413,058,905)
- Element of (loss) / income	(2,830,184)	(2,830,184)	32,574,395	-	32,574,395
Total payments on redemption of units	(410,453,473)	(2,830,184)	(400,884,310)	-	(400,884,310)
Interim cash distribution during the year is Rs. 4.9542 per unit on 29 June 2020 (2019: nil)					
Total comprehensive income / (loss) for the year	(1,831,555)	(25,421,730)	(27,253,285)	-	-
Net assets as at end of the year	599,058,917	(92,395,831)	850,911,523	(94,323,800)	756,587,723
Undistributed income brought forward:					
- Realized income		(94,325,800)		9,804,467	
- Unrealized loss		(94,325,800)		9,804,467	
Accounting income available for distribution:					
Relating to capital gains		27,351,699		-	
Excluding capital gains		27,351,699		-	
Net loss for the year after taxation				(104,128,267)	
Interim cash distribution during the year is Rs. 4.9542 per unit on 29 June 2020 (2019: nil)					
Undistributed loss at end of the year		(25,421,767)			
Undistributed loss carried forward		(92,395,868)			
- Realized (loss) / income		(92,395,868)		(94,323,800)	
- Unrealized loss		(92,395,868)		(94,323,800)	
Net assets value per unit at beginning of the year			89.6795		100.6215
Net assets value per unit at end of the year			87.4778		89.6795

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Statement of Cash Flow
For the year ended June 30, 2020

	2020	2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year	30,181,883	(104,128,267)
Adjustments for:		
Unrealized loss on revaluation of investment at fair value through profit or loss - net	9,330,016	113,780,697
Dividend income on investments at fair value through profit or loss	(21,092,525)	(32,580,759)
Markup on bank balances and investments	(34,410,132)	(43,958,552)
	(15,990,758)	(66,886,881)
Decrease / (increase) in assets		
Investments	218,607,871	(60,192,106)
Receivable against sale of investments	-	1,559,370
Deposits, prepayments and other receivables	(394,663)	(94,308)
	218,213,208	(58,727,044)
(Decrease) / increase in liabilities		
Payable to the Management Company	(776,821)	(612,474)
Remuneration payable to the Trustee	52,077	(62,926)
Annual fee payable to Securities and Exchange Commission of Pakistan	(872,913)	(152,162)
Payable against the purchase of equity investments	-	(10,890,683)
Accrued expenses and other liabilities	1,321,591	(148,516)
	(276,066)	(11,866,761)
Dividend income received	21,951,941	32,640,530
Markup on bank balances and investments	35,701,086	42,106,564
Net cash flows from operating activities	259,599,411	(62,733,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	158,580,866	41,080,574
Dividend paid	(25,421,730)	-
Payments on redemption of units	(413,283,656)	(401,984,310)
Net cash flows from financing activities	(280,124,520)	(360,903,736)
Net decrease in cash and cash equivalents	(20,525,109)	(423,637,328)
Cash and cash equivalents at beginning of the year	85,286,659	508,923,987
Cash and cash equivalents at end of the year	64,761,550	85,286,659

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Notes to and forming part of the Financial Statements For the year ended June 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** The Lakson Tactical Fund (the "Fund") was established under the Trust Deed executed on 30 May 2011 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on 7 July 2011 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2** The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore, while the head office is in the Lakson Square Building No. 2, Karachi.
- 1.3** The Fund is an open end mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Asset Allocation Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and is authorised to invest within the prescribed limits as mentioned in the offering documents of the Fund in listed equity securities, Government securities, debt securities, deposits with banks, preference shares, placement of funds with financial institutions, reverse repo, margin trading system, money market placement, commercial paper, unlisted equity securities only if an application for listing of such securities has been accepted by the stock exchange, future contracts of equity and commodity and any other instruments authorized by SECP in Pakistan. Further, as allowed by SECP and the State Bank of Pakistan, the Fund can invest abroad up to 30% of the aggregated funds mobilized (including foreign currency funds) subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities / debt with exposure in the commodities, index tracker funds tracking different commodities indices, actively managed commodities based funds, equities and debt securities of companies with exposure in commodities, future contracts of different commodities and foreign currency deposits etc.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as a Trustee of the Fund.

- 1.4** Pakistan Credit Rating Company Limited (PACRA) has maintained the rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) vide its report dated 29 August 2019 (2019: AM2+ as on 27 February 2019).

On 30 June 2020, VIS assigned following rankings to the Fund based on the performance review for the period ended 31 December 2019:

1 Year ranking: 2-Star
3 Year ranking : 3-Star
5 Year ranking: 3-Star

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency. All amount have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) classification of financial assets (Note 4.1.1)
- (b) impairment of financial assets (Note 4.1.5)
- (c) provisions (Note 4.8)
- (d) element of income (Note 4.6)

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:



- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The entities may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
 - Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS standards 2018-2020:

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.



- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 1 June 2020 and are 'not likely to have an impact on Fund's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.2 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and



- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and debt securities. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.1.3 Initial recognition and measurement

Financial assets 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 expensed in the income statement.

4.1.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

a) Basis of valuation of equity securities

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

4.1.5 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortised costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.



4.1.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.1.7 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.

4.1.8 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.1.9 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

4.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3 Issue and redemption of units

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

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

4.4 Net assets value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

4.5 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.



- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

4.6 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

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 same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.8 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.9 Dividend distribution

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.10 Other assets

Other assets are stated at cost less impairment losses, if any.

4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the conversion of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the income statement.

4.12 Earnings per unit (EPU)

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

5	BANK BALANCES	Note	2020 (Rupees)	2019
	Local Currency			
	In profit and loss sharing accounts	5.1	63,972,688	84,472,405
	In current account		8,503	8,640
	Foreign Currency			
	In current account	5.2	<u>780,359</u>	<u>805,614</u>
			<u>64,761,550</u>	<u>85,286,659</u>

5.1 These represent profit and loss sharing accounts maintained with banks carrying mark-up rates ranging from 6.50 % to 11.10% (30 June 2019: from 9.25% to 13.50%) per annum.

5.2 This represents USD denominated current account maintained in a foreign country amounting to USD 4,860 (2019: USD 5,033).

6 INVESTMENTS

At fair value through profit or loss

Listed equity securities	6.1	332,515,589	467,849,005
Term finance certificates	6.2	45,633,566	84,770,083
Sukuk certificates	6.3	39,545,058	48,789,439
Government securities	6.4	24,887,500	68,959,500
		<u>442,581,713</u>	<u>670,368,027</u>



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

Sector / Companies	Holding as at July 01, 2019	Purchased during the year	Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2020	Carrying value					Market value as percentage of total investments	Market value as percentage of net assets	% of holding in investee company
						before revaluation as of 30 June 2020	Market value as of 30 June 2020 (after revaluation)	Unrealised gain / (loss) - net	Market value as percentage of net assets	Unrealised gain / (loss) - net			
			Number of Shares			(Rupees)	(Rupees)	(%)	(Rupees)	(%)	(%)	(%)	(%)
Commercial Banks													
Askari Bank Limited	903,700	-	-	903,700	162,800	11,252,736	8,514,440	(2,738,296)	1.92	1.68	0.0148%		
Habib Bank Limited	218,000	-	-	55,200	241,360	28,441,862	23,380,543	(5,061,319)	5.28	4.61	0.0165%		
Habib Bank Limited - 6.1.1	299,160	74,100	-	131,900	625,584	5,724,094	5,396,650	(469,188)	1.19	1.04	0.0237%		
The Bank of Punjab	1,561,584	-	-	936,000	95,000	14,475,150	15,396,650	921,500	3.48	3.04	0.0080%		
MCB Bank Limited	126,526	-	-	126,526	153,191	6,565,783	(1,423,148)	1.16	1.02	0.0086%			
Bank Alfalah Limited	615,691	-	-	512,500	121,300	8,389,108	8,351,505	(37,603)	1.89	1.65	0.0094%		
Meezan Bank Limited	121,300	-	-	121,300	144,847	19,704,986	14,971,386	(4,733,600)	3.38	2.96	0.0118%		
United Bank Limited	252,898	59,700	-	167,751	144,847	19,704,986	14,971,386	(4,733,600)	3.38	2.96	0.0118%		
Insurance													
Adamiye Insurance Company Limited	-	389,800	-	221,500	168,300	6,720,219	5,574,413	(1,147,806)	1.26	1.10	0.0481%		
Chemicals													
ICI Pakistan Limited	6,643	22,000	-	19,393	9,250	4,914,803	6,426,068	1,511,265	1.45	1.27	0.0100%		
Engro Polymer & Chemicals Limited	480,678	154,500	-	441,600	193,578	5,400,826	4,835,578	(565,248)	1.09	0.95	0.0213%		
Lotte Chemical Pakistan Limited	910,000	-	-	910,000	126,500	3,753,255	3,776,025	22,770	0.85	0.75	0.0083%		
Descon Oxychem Limited	-	126,500	-	-	126,500	3,753,255	3,776,025	22,770	0.85	0.75	0.0083%		
Fertilizers													
Engro Corporation Limited - 6.1.1	113,395	112,728	-	149,716	76,407	20,856,055	22,381,138	1,525,084	5.06	4.42	0.0133%		
Fauji Fertilizer Bin Qasim Limited	143,250	-	-	143,250	173,898	16,544,656	19,127,041	2,582,385	4.32	3.78	0.0137%		
Fauji Fertilizer Company Limited	218,098	248,200	-	292,400	173,898	16,544,656	19,127,041	2,582,385	4.32	3.78	0.0137%		
Engro Fertilizers Limited	115,206	81,500	-	196,706	173,898	16,544,656	19,127,041	2,582,385	4.32	3.78	0.0137%		
Pharma & Bio Tech													
The Searle Company Limited - 6.1.2	79	26,500	-	19,300	7,279	1,153,803	1,450,195	296,692	0.33	0.29	0.0034%		
Parsons Laboratories Limited	-	11,500	-	10,550	12,130	1,356,333	345,495	(1,010,838)	0.68	0.57	0.0038%		
Gloaxim (Khalina) Pakistan Limited	-	15,900	-	15,900	13,300	2,827,832	1,692,026	(1,135,806)	0.33	0.29	0.0038%		
Textile Composite													
Nishat Mills Limited	117,487	75,000	-	65,400	127,087	11,733,943	9,914,057	(1,819,886)	2.24	1.96	0.0361%		
Gul Ahmed Textile Mills Limited	-	229,000	-	-	229,000	7,889,050	6,556,270	(1,332,780)	1.48	1.29	0.0353%		
Nishat (Chunian) Limited	-	56,000	-	-	56,000	2,565,360	1,817,200	(748,160)	0.41	0.36	0.0233%		
Cement													
Kohat Cement Company Limited	69,000	-	-	62,590	6,410	586,130	881,055	294,924	0.20	0.17	0.0032%		
Lucky Cement Limited	52,027	65,275	-	67,507	49,975	20,729,630	23,067,461	2,337,831	5.21	4.55	0.0159%		
Maple Leaf Cement Factory Limited	255,049	748,500	-	793,949	209,600	5,447,504	5,445,408	(2,096)	1.23	1.07	0.0191%		
Pioneer Cement Limited	-	188,500	-	143,397	45,103	1,854,184	2,843,293	989,100	0.64	0.56	0.0199%		
Fauji Cement Company Limited	-	709,300	-	322,100	387,200	6,508,832	6,535,936	27,104	1.48	1.29	0.0281%		
D.G. Khan Cement Company Limited	-	187,500	-	133,200	54,300	4,006,797	4,633,419	626,622	1.05	0.91	0.0129%		
Cheer Cement Company Limited	-	102,300	-	61,360	40,940	3,222,797	3,568,740	345,943	0.81	0.70	0.0211%		
Total						42,355,875	46,975,311	4,619,436	10.61	9.27	0.1913%		

Sector / Companies	Number of Shares		Holding as at July 01, 2019	Purchased during the year	Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2020	Carrying value before revaluation as of 30 June 2020	Market value as of 30 June 2020 (after revaluation)	Unrealised gain / (loss) net	Market value as percentage of investments	Market value as percentage of net assets	% of holding in investee company
Power Generation & Distribution													
Hub Power Company Limited	312,182	-	126,136	-	237,136	201,182	14,660,132	14,585,695	(74,437)	3.30	2.88	0.0155%	
Oil and Gas Exploration Companies													
Mari Petroleum Company Limited	11,280	2,142	17,424	-	16,740	14,106	14,044,332	17,444,680	3,401,023	3.94	3.44	0.0108%	
Oil & Gas Development Company Limited - 6.1.1	366,603	-	366,603	-	393,200	150,503	17,702,163	16,404,827	(1,297,336)	3.71	3.24	0.0093%	
Pakistan Oilfields Limited	36,745	58,511	36,745	-	65,300	29,956	10,919,262	10,503,472	(415,789)	2.37	2.07	0.0106%	
Pakistan Petroleum Limited	256,068	90,000	256,068	-	308,500	84,321	10,288,800	7,317,342	(2,971,458)	1.65	1.44	0.0031%	
Oil and Gas Marketing Companies													
Pakistan State Oil Company Limited - 6.1.2	15,336	91,623	15,336	-	71,450	35,644	6,111,808	5,637,392	(474,416)	1.27	1.11	0.0076%	
Attock Petroleum Limited	19,781	11,500	19,781	-	19,781	11,500	3,221,610	3,509,800	288,190	0.79	0.69	0.0116%	
Sui Northern Gas Pipelines Limited	210,997	208,300	210,997	-	254,600	164,697	10,692,129	8,994,456	(1,699,673)	2.03	1.77	0.0260%	
Hi-tech Lubricants Limited	-	112,000	-	-	8,000	104,000	3,965,200	3,249,120	(496,080)	0.71	0.62	0.0089%	
Food & Personal Care Products													
Paul Foods Limited	194,590	-	194,590	-	194,590	-	23,670,747	21,288,768	(2,381,979)	4.81	4.20	0.1348%	
Technology and Communication													
Systems Limited	67,237	-	67,237	-	67,237	-	6,797,024	7,621,623	824,599	1.72	1.50	0.0097%	
Automobile Assemblies													
Indus Motor Company Limited	8,420	-	8,420	-	760	7,660	2,479,504	2,256,800	(222,704)	0.51	0.45	0.0431%	
Automobile Parts & Accessories													
Agriauto Industries Limited (Face value of Rs. 5 each)	29,900	-	29,900	-	17,500	12,400	5,024,160	5,578,200	554,040	1.26	1.10	0.0248%	
Engineering													
International Steels Limited	142,900	120,500	142,900	-	155,400	108,000	5,693,472	5,451,106	(242,366)	1.23	1.08	0.0543%	
International Industries Limited	66,347	4,964	66,347	-	71,311	136,698	3,391,050	3,246,525	(144,525)	0.73	0.64	0.0460%	
Mughal Iron And Steel Industries Ltd	-	305,200	-	-	168,502	352,500	14,108,682	14,275,831	167,150	3.23	2.82	0.1252%	
Alsha Steel Mills Limited	-	450,500	-	-	98,000	6,616	2,408,621	2,149,803	(258,818)	0.49	0.42	0.0082%	
Automobile & Parts													
Thal Limited (Face value of Rs. 5 each)	103,070	237	103,070	-	103,307	88,500	5,127,690	5,710,020	582,330	1.29	1.13	0.0803%	
Paper and Board													
Cherat Packaging Company Limited	-	100,000	-	-	11,500	88,500	343,814,382	332,515,589	(11,298,117)	74.43	65.02		
Glass and Ceramics													
Tariq Glass Industries Ltd	-	-	-	-	-	-	369,828,986	467,849,005	-111,168,743	69.79	61.84		
Total as at 30 June 2020													
Total cost as at 30 June 2020													
Total as at 30 June 2019							593,495,677						
Total cost as at 30 June 2019													



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

	June		June	
	2020	2019	2020	2019
	----- (Number of shares) -----		----- (Rupees) -----	
Engro Corporation Limited	20,000	20,000	5,858,400	5,312,000
Habib Bank Limited	50,000	50,000	4,843,500	5,663,000
Oil & Gas Development Company Limited	75,000	-	8,175,000	-
The Hub Power Company Limited	-	100,000	-	7,875,000
	<u>145,000</u>	<u>170,000</u>	<u>18,876,900</u>	<u>18,850,000</u>

6.1.2 Finance Act, 2014 had introduced tax on bonus shares issued by the companies. Most of the equity funds including the Fund have challenged the applicability of withholding tax provision on bonus shares before the Honourable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. In the Fund's case, tax in the shape of 79 shares in case of The Searl Company Limited and 815 shares in the case of Pakistan State Oils Limited have been withheld by CDC. Market value of these shares as at 30 June 2020 amounted to Rs. 15,739 and Rs. 128,679 respectively, and are included in the Fund's investments in these financial statements.

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

6.2 Term Finance Certificates At fair value through profit or loss

Name of Security	Date of Maturity	Mark-up rate	Holding as at 01 July 2019	Purchases during the year during the year	Disposed / matured during the year	Holding as at 30 June 2020	Carrying value as of the year ended 30 June 2020 before revaluation (Rupees)	Market value as of the year ended 30 June 2020 (after revaluation)	Unrealised appreciation/(diminution)	Credit rating	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue	
Note							----- (Rupees) -----							
Silk Bank Limited	6.2.1	10-Aug-25	6 months KIBOR + 1.85%	8,000	-	8,000	34,772,083	35,885,328	1,113,245	BBB+ (dated 01 March 2020)	8.11%	7.08%	2.00%	
Bank Al-Habib Limited	6.2.2	6-Dec-28	6 months KIBOR + 1.00%	10,000	-	8,000	2,000	9,994,000	9,748,238	(245,762)	AA (dated 29 June 2020)	2.20%	1.92%	0.25%
Total as at 30 June 2020							44,766,083	45,633,566	867,483		10.31%	9.01%	2.25%	
Total cost as at 30 June 2020							49,974,000							
Total as at 30 June 2019							85,359,022	84,770,083	(588,939)					
Total cost as at 30 June 2019							89,978,000							

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

6.2.1.1 The Securities & Exchange Commission of Pakistan vide circular No. 16 of 2010 dated July 7, 2010, prescribed specific disclosures for the scheme holding investments that are non-compliant either with the minimum investment specified for the category assigned to such schemes or with investment requirements of their constitutive documents.

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of Net Assets	% of Gross Assets
Silk Bank Ltd. - PPTFC - 08 years (face value of Rs. 5,000 each)	Rating is below investment grade as prescribed in clause No. 2.4 of the offering document	Term finance certificates	35,885,328	-	35,885,328	7.08%	6.91%

At the time of purchase, this term finance certificate was in compliance with the aforementioned circular. However, subsequently it was downgraded to BBB+ from A-.

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

6.3 Sukuk certificates - at fair value through profit or loss

Name of Security	Date of Maturity	Mark-up rate	Holding as at 01 July 2019	Purchases during the year during the	Disposed / matured during the year	Holding as at 30 June 2020	Carrying value as of the year ended 30 June 2020 before revaluation	Market value as of the year ended 30 June 2020 (after revaluation)	Unrealised appreciation/(diminution)	Credit rating	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue	
Note	-----Number of certificates-----			-----Number of certificates-----			-----Rupees-----							
Dawood Hercules Corporation Limited	6.3.1	15-Nov-22	6 months KIBOR + 1.85%	110	-	-	110	7,667,439	7,776,469	109,030	A- (dated 01 March 2020)	1.76%	1.53%	1.83%
Dawood Hercules Corporation Limited	6.3.2	01-Nov-23	6 months KIBOR + 1.00%	390	-	-	390	31,122,000	31,768,589	646,589	AA (dated 23 June 2020)	7.18%	6.27%	6.50%
							Total as at 30 June 2020	38,789,439	39,545,058	755,619		8.94%	7.81%	8.33%
							Total Cost as at 30 June 2020	38,900,000						
							Total as at 30 June 2019	48,947,194	48,789,439	(157,755)				
							Total Cost as at 30 June 2019	48,900,000						

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

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

6.4 Government securities - at fair value through profit or loss

Name of Security	Date of Maturity	Mark-up rate	Holding as at 01 July 2019	Purchases during the year during the	Disposed / matured during the year	Holding as at 30 June 2020	Carrying value as of the year ended 30 June 2020 before revaluation	Market value as of the year ended 30 June 2020	Unrealised appreciation/(diminution)	Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)	
Note	-----Number-----			-----Number-----			-----Rupees-----					
10 years Pakistan Investment Bond	6.4.1	31-May-28	13.20%	250,000	-	-	250,000	24,542,500	24,887,500	345,000	5.62%	4.91%
03 years Pakistan Investment Bond		12-Jul-21	7.25%	500,000	-	500,000	-	-	-	-	0.00%	0.00%
							Total as at 30 June 2020	24,542,500	24,887,500	345,000	5.62%	4.91%
							Total Cost as at 30 June 2020	25,000,000				
							Total as at 30 June 2019	70,824,760	68,959,500	(1,865,260)		
							Total Cost as at 30 June 2019	70,119,700				

6.4.1 This represents investments in 10 years Pakistan Investment Bond carrying an effective profit rate of 13.20% and having maturity on 31 May 2028. The face value of Pakistan Investment Bond as at 30 June 2020 amounted to Rs. 25 million.

		2020	2019
7	MARKUP ACCRUED	Note	(Rupees)
	Mark-up accrued on:		
	- Profit and loss sharing accounts	1,099,178	308,398
	- Term finance certificates & Sukuk certificates	2,776,763	3,048,349
	- Government securities	174,590	1,984,737
		4,050,530	5,341,484

8 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposit to:

	- National Clearing Company of Pakistan Limited	2,500,000	2,500,000
	- Central Depository Company of Pakistan Limited	100,000	100,000
	Prepayments	-	61,643
	Advance Income Tax	327,136	304,830
	Advance Against Book Building	432,000	-
	Other receivable	12,820	10,820
		3,371,956	2,977,293

9 PAYABLE TO THE MANAGEMENT COMPANY

	Remuneration payable to the Management Company	9.1	124,222	811,675
	Sales tax payable on remuneration to the Management Company	9.2	272,778	362,146
	Federal excise duty payable on remuneration to the Management Company	9.3	1,686,556	1,686,556
	Sale load payable to the Management Company		2,480	2,480
			2,086,036	2,862,857

9.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 2% per annum of the average annual net assets of the Fund. However, the Management Company is currently charging a fee at 10% of the gross earnings of the scheme for the year ended 30 June 2020. The fee is subject to a minimum of 1% and maximum of 2% of the average annual net assets of the Fund. Currently the effective rate of Management Company remuneration for the year end 30 June 2020 is 1.23% of average net assets. Remuneration is paid to the Management company in arrears on a monthly basis.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on Management Company's remuneration. Above liability includes Rs. 256,629 (2019: Rs. 256,629) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 9.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.04 (2019: Re. 0.03) per unit. This amount is payable to the management company for onwards payment to the Government.



9.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period up to 30 June 2016 aggregating to Rs. 1.686 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.29 (30 June 2019: Re. 0.20) per unit.

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

10 REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed. Effective from 01 July 2019 the Trustee has revised the trustee fee as under:

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

Upto 30 June 2019 the Trustee was entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the following rates:

Net assets up to 1 billion	Rs. 0.7 million or 0.20% per annum of the daily average net assets of the Fund, which ever is higher.
Net assets exceeding Rs. 1 billion	Rs 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

The remuneration is paid to the trustee in arrears on monthly basis.

11 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations. Effective from 01 July 2019 the SECP has revised the Annual SECP fee. Currently the Company is required to pay SECP an amount at the rate of 0.02% per annum of the average daily net assets of the fund.

Upto 30 June 2019 the SECP was entitled for annual fee payable in accordance with the regulation 62 of the NBFC Regulation 2008, at the rate of 0.095% per annum of the average daily net assets of the fund.

12	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020 (Rupees)	2019
	Payable to Sindh workers' welfare fund	12.1	4,228,819	3,612,862
	Brokerage charges payable		366,632	167,414
	Fee payable to National Clearing Company of Pakistan		292,893	125,528
	Auditors' remuneration		216,637	186,078
	Fee payable to Central Depository Company		60,727	23,739
	Other liabilities		27,000	30,000
	Withholding income tax payable		-	110,063
	Dividend Payable		106,211	-
	Mutual Fund rating fee		128,357	-
	Professional Tax Payable		150,000	-
			<u>5,577,276</u>	<u>4,255,684</u>

12.1 Provision for Sindh Workers' Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in the definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from 01 July 2014).

Total provision for SWWF till 30 June 2020 is Rs. 4.23 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.73 (30 June 2019: Re. 0.43) per unit.

13 TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, required that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2020 is 2.41% which includes 0.36% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc.). As per NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 4.5% (excluding government levies).

14 CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the year end, except as those mentioned elsewhere in the financial statements.



15 NUMBER OF UNITS IN ISSUE

		2020	2019
	Note	(Number)	
Total outstanding as of 1 July		8,436,662	12,125,825
Issued during the year	15.1	1,685,768	415,913
Redemptions during the year	15.2	(4,330,734)	(4,105,076)
Total units in issue as of 30 June		<u>5,791,696</u>	<u>8,436,662</u>

15.1 Includes 0.305 million (2019: 0.281 million) units on the conversion of units from the related funds.

15.2 Includes 1.636 million (2019: 1.85 million) units on the conversion of units to the related funds.

16 AUDITORS' REMUNERATION

		2020	2019
		(Rupees)	
Annual audit fee		157,500	157,500
Fee for the review of half yearly financial statements		52,500	52,500
Report on the compliance on foreign investment agreed upon procedures report		20,000	20,000
Out of pocket and sales tax expenses		61,650	47,875
		<u>291,650</u>	<u>277,875</u>

17 TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Habib Bank AG Zurich Switzerland being the Custodian, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company and the holding company, key management personnel, other funds being managed by the Management Company and entities having holding 10% or more in the units of the Fund as at 30 June 2020. It also includes staff retirement funds of the above related parties / connected persons.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

18.1 Details of balance with related parties / connected persons for the year

	2020	2019
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration and other payables (including the Sindh sales tax and Federal excise duty amounting to Rs. 2.08 million (2019: Rs. 2.05 million)) *	<u>2,083,556</u>	<u>2,860,377</u>
Sales load payable	<u>2,480</u>	<u>2,480</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable (including Sindh sales tax amounting to Rs. 22,661 (2019: Rs. 16,583))*	<u>196,229</u>	<u>144,152</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
Settlement charges payable	<u>60,727</u>	<u>23,739</u>
Habib Bank AG Zurich - Custodian		
Bank Deposits	<u>780,359</u>	<u>805,614</u>

18.2 Details of transactions with related parties / connected persons during the year

Lakson Investments Limited - Management Company of the Fund		
Remuneration for the year	<u>8,498,156</u>	<u>13,607,788</u>
Sindh sales tax on remuneration of Management Company *	<u>1,104,759</u>	<u>1,769,012</u>

* Sales tax is paid / payable to the management company / Trustee for onwards payment to the Government.

Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year (including Sindh sales tax of Rs. 163,587 (2019: Rs. 262,379))*	<u>1,421,948</u>	<u>2,280,677</u>
CDS charges for the year	<u>78,956</u>	<u>53,996</u>

* Sales tax is paid / payable to the management company / Trustee for onwards payment to the Government.

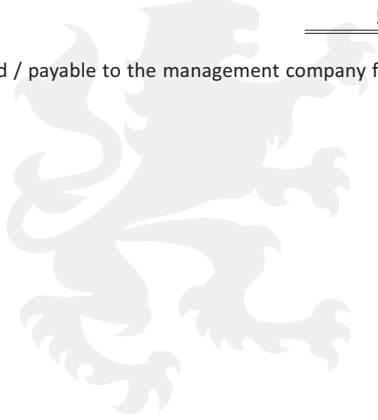
Directors, Chief Executive and their spouse and minors		
Dividend paid	<u>600,611</u>	<u>-</u>
Lakson Investments Limited		
Dividend paid	<u>7,433,226</u>	<u>-</u>
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>26,048</u>	<u>-</u>

	2020	2019
Lakson Investments Limited - Employees		
Contributory Provident Fund Trust	(Rupees)	
Dividend paid	<u>869</u>	<u>-</u>
GAM Corporation (Private) Limited - Employees		
Contributory Provident Fund Trust		
Dividend paid	<u>41,501</u>	<u>-</u>
SIZA Foods (Private) Limited - Employees		
Contributory Provident Fund Trust		
Dividend paid	<u>481,500</u>	<u>-</u>
Colgate Palmolive (Pakistan) Limited - Employees		
Contributory Provident Fund Trust		
Dividend paid	<u>2,835,972</u>	<u>-</u>
Colgate Palmolive (Pakistan) Limited - Employees		
Gratuity Fund		
Dividend paid	<u>2,406,971</u>	<u>-</u>
Cyber Internet Services (Private) Limited - Employees		
Contributory Provident Fund Trust		
Dividend paid	<u>1,141,778</u>	<u>-</u>
Accuracy Surgicals Limited - Employees		
Contributory Provident Fund Trust		
Dividend paid	<u>16,375</u>	<u>-</u>
Merit Packaging Limited - Employees		
Contributory Provident Fund Trust		
Dividend paid	<u>439,080</u>	<u>-</u>
Merit Packaging Limited - Employees Gratuity Fund		
Dividend paid	<u>183,914</u>	<u>-</u>
Century Paper & Board Mills Limited - Employees		
Contributory Provident Fund Trust		
Dividend paid	<u>2,821,942</u>	<u>-</u>
Century Paper & Board Mills Limited - Employees		
Gratuity Fund		
Dividend paid	<u>2,352,637</u>	<u>-</u>
Century Insurance Company Limited - Employees		
Contributory Provident Fund Trust		
Dividend paid	<u>225,338</u>	<u>-</u>
Sybrid Private Limited - Employees Contributory		
Provident Fund Trust		
Dividend paid	<u>16,123</u>	<u>-</u>



	2020	2019
Century Insurance Company Limited - Employees Gratuity Fund		(Rupees)
Dividend paid	<u>190,811</u>	<u>-</u>
Century Insurance Company Limited		
Dividend paid	<u>2,903,357</u>	<u>-</u>
Premier Fashions (Private) Limited		
Dividend paid	<u>525,397</u>	<u>-</u>
Siza Services Private Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>127,197</u>	<u>-</u>
Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust		
Dividend paid	<u>5,542</u>	<u>-</u>

* Sales tax is paid / payable to the management company for onwards payment to the Government.



18.3 Details of units held, issued and redeemed by the related parties / connected persons.

	Year ended June 30, 2020						Rupees		
	Number of units as at 01 July 2019	Units issued during the year	Refund / Adjustment of units as element of income	Units redeemed during the year	Number of holdings at the year ended 30 June 2020	Balance as at July 01, 2019	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 June 2020 (Investment at current NAV)
Directors, Chief Executive and their spouse and minors	144,776	21,688	602	44,677	122,389	12,983,295	1,942,420	3,600,000	10,706,322
Other key management personnel	17,558	730	-	2,450	15,838	1,574,551	63,622	-	1,385,474
Lakson Investments Limited - Management Company	1,500,388	72,503	-	-	1,572,891	134,552,545	6,318,242	-	137,593,034
Associated companies / undertakings of the Management Company									
Lakson Business Solutions Limited Employees Contributory Provident Fund Trust	5,258	209	-	-	5,467	471,530	18,234	-	478,262
Princeton Travels (Private) Limited Employees Contributory Provident Fund Trust	5,729	-	-	5,729	-	513,753	-	585,351	-
Lakson Investments Limited Employees Contributory Provident Fund Trust	2,838	2,846	151	2,838	2,997	254,508	261,201	260,462	262,155
GAM Corporation (Private) Limited Employees Contributory Provident Fund Trust	43,994	4,077	-	-	48,071	3,945,325	355,338	-	4,205,178
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust	117,549	153,820	7,224	135,446	143,147	10,541,594	14,034,421	12,432,920	12,522,152
Hasanali Karabhal Foundation Employees Contributory Provident Fund Trust	82,849	13,866	-	-	102,715	7,429,768	1,731,500	-	8,985,314
Colgate Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust	18,089	18,134	965	18,089	19,099	1,622,179	1,664,313	1,660,434	1,670,748
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	572,438	32,543	-	-	604,981	51,335,351	2,835,972	-	52,922,399
SIZA Services (Private) Limited Employees Contributory Provident Fund Trust	485,844	27,620	-	-	513,464	43,569,767	2,406,971	-	44,916,741
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust	25,674	1,460	-	-	27,134	2,302,449	127,197	-	2,373,630
Merit Packaging Limited Employees Contributory Provident Fund Trust	210,848	32,721	-	-	243,569	18,908,504	2,851,778	-	21,306,921
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust	88,628	5,039	-	-	93,667	7,948,034	439,080	-	8,193,749
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust	35,632	3,602	-	-	39,234	3,195,380	313,914	-	3,432,142
Century Paper & Board Mills Limited Employees Gratuity Fund	546,488	55,500	-	-	601,988	49,008,214	4,836,942	-	52,660,592
Century Insurance Company Limited	442,122	59,752	-	-	501,874	39,648,818	5,207,637	-	43,902,821
Premier Fashions (Private) Limited	1,387,758	614,359	-	1,387,758	614,359	124,452,025	62,467,853	127,746,265	53,742,748
Siza Commodities (Private) Limited	975,107	5,125	-	869,056	111,176	87,446,133	446,588	84,000,000	9,725,401
Sydr (Private) Limited Employees Contributory Provident Fund Trust	1,062,202	-	-	1,062,202	-	95,256,682	-	110,022,992	-
Century Insurance Company Limited Gratuity Fund	47,917	57,481	2,806	52,620	55,584	4,297,089	5,253,836	4,830,132	4,862,385
Siza Private Limited	-	288,413	-	-	40,704	2,929,208	700,811	-	3,560,714
Accurate Surgical Limited - Employees Contributory Provident Fund Trust	53,443	53,603	2,850	53,443	56,453	4,792,689	4,919,581	4,905,662	4,938,391



	Year ended June 30, 2019				Rupees				
	Number of units as at 01 July 2018	Units issued during the year	Refund / Adjustment of units as element of income	Units redeemed during the year	Number of holdings at the year ended 30 June 2019	Balance as at July 01, 2018	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 June 2019 (investment at current NAV)
Directors, Chief Executive and their spouse and minors	144,776	200,183	-	200,183	144,776	14,567,578	19,915,812	18,441,534	12,983,295
Other key management personnel	14,611	2,947	-	-	17,558	1,470,181	300,000	-	1,574,551
Lakson Investments Limited - Management Company	1,500,388	-	-	-	1,500,388	150,971,291	-	-	134,552,545
Associated companies / undertakings of the Management Company									
Lakson Business Solutions Limited Employees Contributory Provident Fund Trust	5,258	-	-	-	5,258	529,068	-	-	471,530
Princeton Travels (Private) Limited Employees Contributory Provident Fund Trust	21,343	-	15,614	15,614	5,727	2,147,565	-	1,504,237	513,753
Lakson Investments Limited Employees Contributory Provident Fund Trust	2,838	-	-	-	2,838	285,564	-	-	254,508
Tetley Clover (Private) Limited Employees Contributory Provident Fund Trust	9,565	-	-	9,565	-	1,020,525	-	940,349	-
Century Insurance Company Limited Employees Contributory Provident Fund Trust	64,630	-	20,636	20,636	43,994	6,503,168	-	1,906,878	3,945,325
GAM Corporation (Private) Limited Employees Contributory Provident Fund Trust	210,746	-	93,197	93,197	117,549	21,205,579	-	8,574,848	10,541,594
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust	152,205	-	69,356	69,356	82,849	15,315,095	-	6,384,247	7,429,768
Hasanali Karabahal Foundation Employees Contributory Provident Fund Trust	30,824	-	12,735	12,735	18,089	3,101,557	-	1,183,521	1,622,179
Colgate Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust	1,217,641	-	645,203	645,203	572,438	122,520,864	-	59,244,718	51,335,351
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	715,637	-	229,793	229,793	485,844	72,008,468	-	21,161,346	43,569,761
SIZA Services (Private) Limited Employees Contributory Provident Fund Trust	46,005	-	20,331	20,331	25,674	4,629,092	-	1,874,337	2,302,449
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust	297,954	-	87,106	87,106	210,848	29,980,578	-	8,028,162	18,908,504
Merit Packaging Limited Employees Contributory Provident Fund Trust	61,819	26,809	-	88,628	-	6,220,321	2,468,327	-	7,948,034
Merit Packaging Limited Employees Gratuity Fund	24,353	11,279	-	-	35,632	2,450,435	1,037,695	-	3,195,380
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust	651,094	-	104,606	104,606	546,488	65,514,055	-	9,831,510	49,008,214
Century Paper & Board Mills Limited Employees Gratuity Fund	603,363	-	161,241	161,241	442,122	60,711,290	-	14,852,003	39,648,818
Clover Pakistan Limited Employees Contributory Provident Fund Trust	19,488	-	19,488	19,488	-	2,079,161	-	1,977,417	-
Century Insurance Company Limited	2,078,238	-	1,387,758	690,480	1,387,758	209,115,425	-	70,000,000	124,452,025
Premier Fashions (Private) Limited	975,107	-	-	975,107	-	98,116,729	-	-	87,446,133
Siza Commodities (Private) Limited	1,062,202	-	-	-	1,062,202	106,880,359	-	-	95,256,682
Sybird (Private) Limited Employees Contributory Provident Fund Trust	63,224	-	15,307	15,307	47,917	6,361,694	-	1,426,471	4,297,089
Century Insurance Company Limited Gratuity Fund	40,390	-	7,727	7,727	32,663	4,064,102	-	706,162	2,929,208
Siza Private Limited	418,428	-	418,428	418,428	-	42,102,853	-	-	43,022,447

19 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk (refer note 19.1)
- liquidity risk (refer note 19.2)
- market risk (refer note 19.3)
- operational risk (refer note 19.4)

Risk management framework

The Fund's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

19.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, receivable against sale of marketable securities and security deposits.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.
- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.



- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimize the risk of default and transactions are settled or paid for only upon delivery.

Exposure to credit risk

The maximum exposure to credit risk as at 30 June 2020 was as follows:

	June 30, 2020		June 30, 2019	
	Balance as per the Statement of Asset and Liabilities ----- (Rupees) -----	Maximum exposure	Balance as per the Statement of Asset and Liabilities ----- (Rupees) -----	Maximum exposure
Bank balances (including profit due)	65,860,728	65,860,728	85,595,057	85,595,057
Investments (including profit due)	445,533,066	87,955,386	675,401,113	136,607,871
Dividend receivable	16,287	16,287	875,703	875,703
Deposits and other receivable	3,044,820	3,044,820	2,610,820	2,610,820
	514,454,901	156,877,221	764,482,693	225,689,451

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in equity securities of Rs. 332.52 million and government securities of Rs. 25.06 million (2019: equity securities of Rs. 467.85 million and government securities of Rs. 68.96 million) do not carry credit risk.

Bank balances

The Fund held cash and cash equivalents at 30 June 2020 with banks had following credit ratings:

Rating	2020	2019	2020	2019
	(Rupees)		(%)	
AAA	77,241	72,029	0.12	0.03
AA+	4,977,270	23,223,465	7.56	4.13
AA	-	-	0.00	0.02
AA-	22,540,762	60,893,817	34.22	57.56
A+	39,220	438,636	0.06	0.00
A	37,433,082	153,118	56.84	0.00
A-	12,794	8,378	0.02	21.59
Other*	780,359	805,614	1.18	16.67
Total balance including profit due	65,860,728	85,595,057	100.00	100.00

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS.

* This includes balance in Habib Bank AG Zurich Switzerland. Rating of this bank is not available, however, the management considers that this is a reputable bank of good credit standing.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2020		2019	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks (including profit due)	76,779,749	48.94	172,243,230	76.32
Micro Finance Bank	37,104,118	23.65	565,660	0.25
Fertilizers	39,932,247	25.45	49,394,038	21.89
National Clearing Company of Pakistan Limited	2,512,820	1.60	2,510,820	1.11
Oil and Gas Marketing Companies - Dividend receivable	16,287	0.01	875,703	0.39
Fertilizers - Dividend receivable	-	-	-	-
Food and personal care products - advance against book building	432,000	0.28	-	-
Central Depository Company of Pakistan Limited	100,000	0.07	100,000	0.04
	156,877,221	100.00	225,689,451	99.99

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2020.

Settlement risk

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

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

19.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six working days from the date of the redemption request.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request 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.

Maturity analysis for financial liabilities

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	2020	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	126,702	126,702
Remuneration payable to the Trustee	196,229	196,229
Accrued expenses and other liabilities *	1,348,457	1,348,457
	<u>1,671,388</u>	<u>1,671,388</u>
Unit holders' fund	<u>506,645,086</u>	<u>506,645,086</u>
	2019	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	814,155	814,155
Remuneration payable to the Trustee	144,152	144,152
Accrued expenses and other liabilities *	532,759	532,759
	<u>1,491,066</u>	<u>1,491,066</u>
Unit holders' fund	<u>756,587,723</u>	<u>756,587,723</u>

* excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, Annual fee payable to the Securities and Exchange Commission of Pakistan and Sindh Sales Tax payable on Management Company's remuneration.

Above financial liabilities do not carry any mark-up.

19.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to currency risk, interest rate risk and equity price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has a bank balance in foreign currency exposed to foreign exchange risk. The Fund has no foreign currency denominated liability.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

The Fund's total exposure to foreign exchange at 30 June was as follows:

	2020	
	(Rupees)	(USD)
Financial Assets		
Bank balance	780,359	4,645
On balance sheet gap in foreign currency exposure	780,359	4,645

	2019	
	(Rupees)	(USD)
Financial Assets		
Bank balance	805,614	5,033
On balance sheet gap in foreign currency exposure	805,614	5,033

Fair value sensitivity analysis of foreign currency exposure

	Average rates		Balance sheet date rate	
	2020	2019	2020	2019
Rupees / US Dollars	158.24	136.18	168.05	160.05

A five percent strengthening of Pakistani Rupee against US dollar would have decreased the net assets of the fund by Rs. 39,026 (2019: Rs. 40,281). This analysis assumes that all other variables in particular interest rate remain constant. Weakening of Pakistani Rupee by the same percentage would had a vice versa impact.

19.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

Exposure to interest rate risk

The interest rate profile of the Fund's interest-bearing financial instruments is as follows:

Variable-rate instrument	2020	2019
	(Rupees)	
Financial assets (bank balances)	63,972,688	84,472,405
Investment in Term Finance Certificates	45,633,566	84,770,083
Investment in Sukuk Certificates	39,545,058	48,789,439
Investment in Government Securities	24,887,500	68,959,500
	<u>174,038,812</u>	<u>286,991,427</u>

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 1.74 million (2019: Rs. 2.87 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity.

None of the other assets and Fund's liabilities are exposed to interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for term deposit receipt (fixed rate financial asset) at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect net assets of the fund.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

June 30, 2020					
Interest rate %	Note	Exposed to interest rate risk		Not exposed to interest rate risk	Total
		No later than one year	Between two months to one year		
----- Rupees -----					
Financial assets					
Investments					
- Listed equity securities	6.1	-	-	332,515,589	332,515,589
- Term Finance Certificates	6.2	-	45,633,566	2,389,573	48,023,139
- Sukuk certificates	6.3	-	39,545,058	387,190	39,932,248
- Government Securities	6.4		24,887,500	174,590	25,062,090
Bank Balances (including profit due)	5.1	63,972,688	-	1,888,041	65,860,728
Dividend receivable		-	-	16,287	16,287
Deposits and other receivable		-	-	3,044,820	3,044,820
		<u>63,972,688</u>	<u>110,066,124</u>	<u>340,416,090</u>	<u>514,454,900</u>

June 30, 2019

Financial assets	Interest rate %	Note	Exposed to		Not exposed to interest rate risk	Total
			interest rate risk			
			No later than one year	Between two months to one year		
----- Rupees -----						
Investments						
- Listed equity securities	7.1		-	-	467,849,005	467,849,005
- Term Finance Certificates	7.2		-	84,770,083	2,445,349	87,215,432
- Sukuk certificates	7.3		-	48,789,439	603,000	49,392,439
- Government Securities	7.4			24,542,500	46,401,737	70,944,237
- Term deposit receipt	7.5		-	-	-	-
Bank Balances (including profit due)	6.1		84,472,405	-	1,122,652	85,595,057
Dividend receivable			-	-	875,703	875,703
Deposits and other receivable			-	-	2,610,820	2,610,820
			<u>84,472,405</u>	<u>158,102,022</u>	<u>521,908,266</u>	<u>764,482,693</u>

19.3.2 Other market price risk

The Fund is exposed to equity price risk i.e. the risk of unfavourable changes in the fair value of equity securities as a result changes in the levels of Pakistan Stock Exchange Index and the value of individual shares, which arises from investments measured at fair value through profit or loss.

The management of the Fund monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of NBFC regulations. The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund with overall limit of 30% or index weight whichever is higher subject to maximum of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations).

The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. The primary goal of the Fund's investment strategy is to maximise investment returns.

Details of the Fund's investment in industrial / economic sector are given in note 6.1.

Sensitivity analysis - Price risk

In respect of the investments classified as at fair value through profit or loss the impact on income statement and unit holders' fund, to a 5% increase or decrease in the fair values of the investments, would have been an increase or decrease of Rs. 22,129,086 (2019 Rs. 33,518,401).

19.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.



The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

19.5 Unit holder's fund risk management

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

19.6 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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

		June 30, 2020							
		Carrying amount				Fair Value			
		Held for trading investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments		----- (Rupees) -----							
Financial assets measured at fair value									
	Note								
Investment in listed equity securities	6	332,515,589	-	-	332,515,589	332,515,589	-	-	332,515,589
Term finance certificates	6	45,633,566	-	-	45,633,566	-	45,633,566	-	45,633,566
Sukuk certificates	6	39,545,058	-	-	39,545,058	-	39,545,058	-	39,545,058
Government Securities	6	24,887,500	-	-	24,887,500	-	24,887,500	-	24,887,500
		442,581,713	-	-	442,581,713	332,515,589	110,066,124	-	442,581,713
Financial assets not measured at fair value									
Bank balances - Held at amortized cost	5	-	64,761,550	-	64,761,550	-	-	-	-
Dividend receivable		-	16,287	-	16,287	-	-	-	-
Mark-up accrued	7	-	4,050,530	-	4,050,530	-	-	-	-
Deposits and other receivables	8	-	3,044,820	-	3,044,820	-	-	-	-
		-	71,873,187	-	71,873,187	-	-	-	-
Financial liabilities not measured at fair value									
Remuneration payable to the Management Company	9	-	-	126,702	126,702	-	-	-	-
Remuneration payable to the Trustee	10	-	-	196,229	196,229	-	-	-	-
Accrued expenses and other liabilities	12	-	-	1,348,457	1,348,457	-	-	-	-
		-	-	1,671,388	1,671,388	-	-	-	-

		June 30, 2019							
		Carrying amount				Fair Value			
		Held for trading investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments		----- (Rupees) -----							
Financial assets measured at fair value									
	Note								
Investment in listed equity securities	6	467,849,005	-	-	467,849,005	467,849,005	-	-	467,849,005
Term finance certificates	6	84,770,083	-	-	84,770,083	-	84,770,083	-	84,770,083
Sukuk certificates	6	48,789,439	-	-	48,789,439	-	48,789,439	-	48,789,439
Government Securities	6	68,959,500	-	-	68,959,500	-	68,959,500	-	68,959,500
		670,368,027	-	-	670,368,027	467,849,005	202,519,022	-	670,368,027
Financial assets not measured at fair value									
Bank balances - Held at amortized cost	5	-	85,286,659	-	85,286,659	-	-	-	-
Dividend receivable		-	875,703	-	875,703	-	-	-	-
Mark-up accrued	7	-	5,341,484	-	5,341,484	-	-	-	-
Deposits and other receivables	8	-	2,610,820	-	2,610,820	-	-	-	-
		-	94,114,666	-	94,114,666	-	-	-	-
Financial liabilities not measured at fair value									
Remuneration payable to the Management Company	9	-	-	814,155	814,155	-	-	-	-
Remuneration payable to the Trustee	10	-	-	144,152	144,152	-	-	-	-
Accrued expenses and other liabilities	12	-	-	532,759	532,759	-	-	-	-
		-	-	1,491,066	1,491,066	-	-	-	-

19.6.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair values.

20 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees) -----		
Opening balance as at 01 July 2019	-	-	-
Receivable against issuance of units	(158,580,866)	-	(158,580,866)
Payable against redemption of units	-	413,283,656	413,283,656
	(158,580,866)	413,283,656	254,702,790
Amount received on issuance of units	158,580,866	-	158,580,866
Amount paid on redemption of units	-	(413,283,656)	(413,283,656)
Dividend paid	-	-	-
	158,580,866	(413,283,656)	(254,702,790)
Closing balance as at 30 June 2020	-	-	-

21 COVID 19 RELATED IMPACT

The coronavirus pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain the economic activity. The Fund's operations were also affected although it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure the safety of employees and smooth and adequate continuation of its business and sound business and risk management procedures. However, the economy had an effect and the Fund also being part of the economy had an impact. Nonetheless, the management is of the view that with improving medical situation and also the economy and its opening up, and is also evident for the significant rise in the PSX index subsequent to the year end, the Fund's performance going forward will improve further so as to support the sustainable performance and the growth of the Fund.

22 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

22.1 Unit holding pattern of the Fund

Category	June 30, 2020		
	No. of Investors	Investment amount (Rupees)	% of total asset
Individuals	9	19,154,852	3.78%
Associated Companies and Directors	22	346,753,947	68.44%
NBFC's (Management Company)	1	137,593,104	27.16%
Retirement Funds	3	3,143,183	0.62%
Other Corporates	0	-	-
Total	35	506,645,086	100%

June 30, 2019

Category	No. of Investors	Investment amount (Rupees)	% of total asset
Individuals	14	21,735,364	2.87
Associated Companies and Directors	23	572,852,175	75.72
NBFC's (Management Company)	1	134,552,617	17.78
Retirement Funds	3	3,052,419	0.40
Other Corporates	1	24,395,148	3.22
Total	42	756,587,723	100.00

22.2 List of top 10 brokers by percentage of commission paid

Name of Broker	Commission paid (Percentage %) 2020
Inter Market Securities Limited	11.87%
Ismail Iqbal Securities (Private) Limited	11.70%
Arif Habib Limited	10.05%
Topline Securities Limited	9.88%
Alfalah Securities (Private) Limited	9.79%
BMA Capital Management Limited	9.76%
Foundation Securities Limited	9.33%
EFG Hermes Securities	8.45%
Shajar Capital Pakistan (Private) Limited	8.02%
KASB Securities Private Limited	6.43%
	2019
Arif Habib Limited	12.91%
Foundation Securities Limited	12.90%
Shajar Capital Pakistan (Private) Limited	12.88%
Ismail Iqbal Securities (Private) Limited	11.41%
Inter Market Securities Limited	10.39%
Elixir Securities Limited	8.22%
Alfalah Securities (Private) Limited	7.67%
Topline Securities Limited	7.62%
BMA Capital Management Limited	6.76%
Taurus Securities Limited	5.94%

22.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Kashif Mustafa - (Executive Director & COO)
- Mr. Mustafa O. Pasha - (Chief Investment Officer)
- Mr. Shahbaz Ashraf
- Mr. Hassan Bin Nasir
- Mr. Junaid Arshad
- Mr. Uzair Nasir Rasheed

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over twenty years of investment and portfolio management experience in domestic international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

Mr. Kashif Mustafa – Executive Director and COO

Mr. Mustafa has more than twelve years of experience working in the financial markets of Pakistan with local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Before Lakson Investments, Mr. Mustafa worked for Askari Investments and Crosby Securities Pakistan Limited as Vice President and Head of Sales & Business Development respectively. He frequently appears on the media and has been featured on Express, Business Plus, CNBC, GEO, PTV, Aaj TV, Sindh TV & KTN. Mr. Mustafa did his graduation in Mathematics and Masters in Economics.

Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over twelve years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. He is also managing the following funds:

- Lakson Equity Fund
- Lakson Islamic Tactical Fund

Mr. Muhammad Shahbaz Ashraf

Mr. Ashraf has approximately twelve years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Hassan Bin Nasir

Mr. Hassan Bin Nasir has over twelve years of experience and currently holds positions of Vice President – Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is managing the following funds:

- Lakson Income Fund
- Lakson Money Market Fund
- Lakson Asset Allocation Developed Markets Fund

Mr. Junaid Arshad

Mr. Junaid Arshad an ACCA member, having over twelve years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules & Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

Mr. Uzair Nasir Rasheed

Mr Uzair Nasir has approximately four years of experience and is a risk management professional at Lakson Investments. His responsibility is to ensure Effective & sound management of the various risks in the Investment portfolio. Prior to joining Lakson he was associated with the National Bank of Pakistan as Team Leader, Business Risk Review (BRR). He is a member of ACCA (UK) and a finalist of both CFA & FRM programs.

Mr. Mr. Abdul Samad Khanani

Mr. Khanani has over 5 years of experience in equity research. He did his Bachelors in Finance from IoBM in 2014 and is also perusing CFA. Before joining LI, Mr. Khanani was heading the research team at KASB Securities. He also worked at InterMarket Securities (local partner of Tellimer Research) and Fortune Securities. At Lakson, he is responsible for deriving the overall equity strategy of equity portfolios by working closely with the research team and ensure smooth execution. He is managing:

- Lakson Equity Fund
- Lakson Islamic Tactical Fund

22.4 Directors meeting attendance

2020

Name of directors	Meeting Attended	September 03, 2019	October 22, 2019	February 20, 2020	April 09, 2020
- Mr. Iqbal Ali Lakhani	3	✓	X	✓	✓
- Mr. Babar Ali Lakhani	4	✓	✓	✓	✓
- Mr. Jacques John Vesser	3	✓	X	✓	✓
- Mr. Amin Mohammed Lakhani	4	✓	✓	✓	✓
- Mr. Jamil Ahmed Mughal	3	✓	X	✓	✓
- Ms. Gaithe Ali	4	✓	✓	✓	✓
- Ms. Kathleen Kennedy Townsend	3	✓	✓	✓	X
- Ms. Roxanne Davies	3	✓	✓	X	✓
		8	5	7	7



22.5 Rating of the Fund and the management company

Details of the ratings of the Fund and the management company are given in note 1.4.

23 GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 19, 2020.



For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



Performance Table	FY20	FY19	FY18	FY17	FY16	FY15
Net Assets - Beginning (PKR Mil.)	757	1,220	1,226	706	186	354
Net Assets - Ending (PKR Mil.)	507	757	1,220	1,226	706	186
Net Asset value per share	87.4778	89.6785	100.6215	106.6898	102.6247	103.9714
Selling Price for units	89.6648	91.9205	103.1371	109.3571	105.1904	106.5707
Repurchase Price for units	87.4778	89.6785	100.6215	106.6898	102.6247	103.9714
Highest Offer Price (PKR)	109.1208	107.1488	110.2289	128.0525	114.5475	112.6349
Lowest Offer Price (PKR)	80.6125	91.1526	96.0606	105.2030	102.9788	102.7041
Highest Redemption Price (PKR)	106.4593	104.5354	107.5403	124.9292	111.7536	109.9605
Lowest Redemption Price (PKR)	78.6463	88.9293	93.7176	102.6370	100.4671	100.1991
Beginning NAV - Ex-Div. (PKR)	89.6785	100.6215	106.6898	102.6247	104.0714	108.9264
Interim Distributions (PKR)	4.9542	Nil	Nil	13.2631	8.3311	5.0976
Final Distribution (PKR)	Nil	Nil	Nil	-	-	-
Ending NAV - Ex-Div. (PKR)	87.4778	89.6785	100.6215	103.9525	100.9256	103.8288
Return	3.09%	-10.88%	-5.70%	17.23%	6.85%	8.86%
Net Income / (loss) (PKR Mil.)	27	(104)	(67)	124	38	15
Income Distribution	25	Nil	Nil	66	27	9
Accumulated Capital Growth	(92)	(94)	9	76	18	7
Average Annual return of the Fund						
One Year	3.09%	-10.88%	-5.69%	3.09%	6.85%	8.86%
Two year	-8.12%	-15.94%	10.56%	-4.05%	8.15%	6.74%
Three year	-13.35%	-1.47%	18.13%	-4.44%	5.69%	5.69%
Since inception	34.49%	30.45%	46.37%	3.95%	6.85%	6.42%
Distributions	FY20	FY19	FY18	FY17	FY16	FY15
Interim Distribution	4.9542	Nil	Nil	13.2631	8.3311	5.0976
Final Distribution	-	Nil	Nil	-	-	-
NAV before Distribution	92.0989	Nil	Nil	117.2156	109.2567	108.9264
NAV after Distribution	87.1447	Nil	Nil	103.9525	100.9256	103.8288
Distribution Date	29-Jun-20	Nil	Nil	22-Jun-17	27-Jun-16	25-Jun-15

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

During FY20

Summary of Actual Proxy voted by CIS:

	Resolutions	For	Against	Abstain*
Number	1	1	-	-
(%ages)		100%	-	-

Note: The proxy voting policy of the Lakson Tactical Fund is available on the website of Lakson Investments Limited, the Management Company. A detailed information regarding actual proxies voted by the Management Company in respect of the Lakson Tactical Fund is also available without charge upon request to all unit holders.



A Lakson Group Company

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Lakson Square Building No.2,
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www.li.com.pk

LAKSON ISLAMIC TACTICAL FUND

Annual Report 2020



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

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Vision

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



Mission

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.



Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3840.0000
Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Ms. Roxanne Davies
Ms. Gaite Ali
Ms. Kathleen Kennedy Townsend

Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

Audit Committee

Mr. Jacques John Visser - Chairman
Mr. Amin Mohammed Lakhani
Mr. Iqbal Ali Lakhani
Mr. Jamil Ahmed Mughal

Human Resource and Remuneration Committee

Ms. Gaite Ali - Chairman
Mr. Babar Ali Lakhani
Mr. Iqbal Ali Lakhani

Trustee

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

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road,
Karachi - 75530, Pakistan

Bankers to the Fund

Habib Bank AG Zurich
Habib Metropolitan Islamic Bank Limited
Bank Islami Pakistan Limited
Al Baraka Bank (Pakistan) Limited
Dubai Islamic Bank Pakistan Limited

Legal Adviser

Fazleghani Advocates
F-72/1, Block 8, KDA-5,
Kehkashan, Clifton,
Karachi, Pakistan.



Shari'ah Adviser

Al Hilal Shariah Advisors

Registrar

Lakson Investments Limited
Lakson Square Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributor

Rabia Fida
BMA Capital Management Limited

Rating

1 Year ranking : 3-Star
3 Year ranking : 3-Star
5 Year ranking : 2-Star
AM2+ : Asset Manager Rating by PACRA





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

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Islamic Tactical Fund ('LITF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2020.

Fund Objective

The investment objective of the LITF is to provide long-term capital appreciation by exclusively investing in Shari'ah Compliant avenues including equities, fixed income instruments and emerging market securities.

Principal activities

LITF is an open-end asset allocation fund and is listed on Pakistan Stock Exchange Limited. The Fund is managed using an active investment management style which focuses on an analysis of the macro factors such as government policies, global economic data, commodities prices and supply/demand dynamics. The Fund switches exposure between equities and fixed income based on the outlook of the investments team. Exposure of the Scheme in fixed income securities is managed through duration and yield curve management.

Development and Performance Review

Lakson Islamic Tactical Fund provided a return of 7.26% for FY20 against the Benchmark return of 6.97%. The fund has outperformed the benchmark by 29bps during the period. As of June 30, 2020, the Fund had 61% exposure in equities, 25% in cash, and 5% in Sukuk on a total asset basis.

Principal Risk and Uncertainties

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

These aforementioned risks could push both the foreign and local investors to liquidate their investments, which may affect the financial market adversely and may affect the Fund's profitability as well.

Earnings Per Unit (EPU)

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 5.00 per unit (5.00% of face value of PKR 100/-) amounting to PKR 8.082 million in cash during the year ended June 30, 2020.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM2+". The VIS Credit Rating Company Limited has given the one-year & three-years performance ranking of "3-Star" and five-years performance ranking of "2-Star" to the LITF.

Additional Matters:

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
3. Proper books of accounts of the Fund have been maintained.
4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.



5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Fund's ability to continue as a going concern.
8. Key financial data has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. The pattern of unit holding as at June 30, 2020 is given in this Annual Report.
12. A performance table / key financial data is annexed to this annual report.

Significant events during the year - COVID -19

A novel virus (2019-nCoV) was first reported in Wuhan, China on December 31, 2019. The virus causes respiratory illness like SARS but is less fatal. However, given the contagious nature of the virus, WHO declared COVID-19 as a pandemic on March 11, 2020, (the last pandemic was in 2009) when the global confirmed cases were almost 127,000. It has now spread to 215 countries around the world with more than 19.3 million confirmed cases.

With no vaccine and high R-naught (reproduction number) of the virus, initial response by all governments was complete lockdown. However, the economic activity has now started resuming with less travel restrictions as the number of new reported cases declined. IMF Managing Director Kristalina Georgieva expects 2020 to be as bad as in 2009 when the global economy grew by 0.7% in 2009. IMF now expects that the global economy would shrink by 3% this year. IMF also expects slow recovery in 2021 and projects GDP loss of USD 9 trillion cumulatively for 2020 and 2021.

Pakistan has reached its peak in mid-June 2020. Currently total number of confirmed cases has crossed 282k; however, new cases count is down to 782 now with only 18k active cases left. Complete lockdown was placed for the first two months which was later converted into a smart lockdown since end - May. It is further expected to be completely lifted from mid Aug.

External Auditor

The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2021. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2021.

ECONOMY REVIEW

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625bps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).



Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Fixed Income Market Review

GoP raised cumulative PKR13.9tn in T-Bill auctions during FY20 vs. PKR18.5tn in FY19. Flows were supported by strong foreign participation through the Special Convertible Rupee Account (SCRA) in 1HFY20 although followed by an outflow in 2HFY20 due to sharp decline in interest rates. Moreover, SBP's appetite was lower than last year due to expected commencement of monetary easing from early-CY20 where SBP remained averse to locking itself at high interest rates for an extended period (7.0% Policy Rate at the end of Jun'20). Participation also began to lose steam once expectations of a rate cut solidified shifting more towards the longer tenor instruments (12M T-Bills and PIBs). Consequently, yields came off sharply after inverting in 1HFY20. T-Bill yields for 3M, 6M and 12M tenors dropped to 6.85%/6.66% and 6.85% for 3M/6M and 12M tenor from a high of 13.75%/13.94% and 14.25% in Aug'19. Interest rates peaked in 2019 during which time participation in PIB auctions picked up significantly. Bids accepted by SBP rose to PKR2.05tn in FY20 vs. PKR872bn in FY19. Strong participation was witnessed vs. 2019. Cut-off yields dropped to 7.97%, 8.44%, 8.99% and 10.51% for 3YR/5YR/10YR/20YR tenors from 13.70%/13.80%,13.70% at the end of Jun'19.

Emerging Market Review

Emerging markets fell 5.7% during FY20. The decline came from outbreak of Coronavirus in late 2019 which led to economic downfall. Only Turkey and Taiwan managed to recover and posted gains among emerging markets peers 20.8% and 8.3% YoY respectively. Meanwhile, Colombia, UAE, Chile, and Poland performed worst down 28.2%, 21.4%, 21.9% and 17.6% YoY.

Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.



The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on Behalf of the Board

Chief Executive Officer

Dated: August 19, 2020



Director



لیکن اسلامک ٹیکنیکل فنڈ
30 جون 2020ء کو ختم ہونے والے سال کے لیے
میںجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

لیکن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکن اسلامک ٹیکنیکل فنڈ ("LITF" یا فنڈ) کی میںجمنٹ کمپنی 30 جون 2020ء کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

فنڈ کا مقصد

لیکن اسلامک ٹیکنیکل فنڈ کی سرمایہ کاری کا مقصد، خاص طور پر شریعہ سے مطابقت رکھنے والے ذرائع بشمول ایکویٹیز، فکسڈ انکم انسٹرومنٹس اور ایئر جٹنگ مارکیٹس سیکورٹیز میں سرمایہ کاری کرتے ہوئے سرمائے کی قدر میں طویل مدتی اضافہ کرنا ہے۔

نمایاں سرگرمیاں

LITF ایک اوپن اینڈ ایسیٹ ایلیکشن اسکیم ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ اس اسکیم کا انتظام وانصرام ایک ایکویٹیاؤٹسٹ میںجمنٹ اسٹاکس استعمال کرتے ہوئے کیا جاتا ہے جو اقتصادی ماحول کے تجربے پر توجہ مرکوز رکھتا ہے مثلاً حکومتی پالیسیز، عالمی اقتصادی ڈینا، کووڈ ٹیز کی قیمتیں اور رسد اطلب کا تحریک شامل ہے۔ اسکیم انویسٹمنٹ ٹیم کی توقعات کی بنیاد پر ایکویٹیز اور فکسڈ انکم میں سرمایہ کاری تبدیل کرتی ہے۔ فکسڈ انکم سیکورٹیز میں اسکیم کی سرمایہ کاری کا انتظام وانصرام دورانیے اور مختلف سیکورٹیز کے درمیان سرمایہ کاری کے تبادلے اور yield curve میںجمنٹ کو مد نظر رکھ کر کیا جاتا ہے۔

پیش رفت اور کارکردگی کا جائزہ

لیکن اسلامک ٹیکنیکل فنڈ نے شیئنگ مارک منافع 6.97% کے مقابلے میں مالی سال 2020 کے لیے 7.26% منافع فراہم کیا۔ فنڈ نے مدت کے دوران شیئنگ مارک 29 کو بنیادی پوائنٹس سے پیچھے چھوڑ دیا۔ 30 جون 2020 کے مطابق فنڈ مجموعی اثاثوں کی بنیاد پر ایکویٹی میں 61% کیش میں 125% اور سٹاک میں 5% سرمایہ کاری رکھتا ہے۔

اہم خطرات و ضدشات

اقتصادی عدم استحکام، بددلتا ہوا کرنٹ اکاؤنٹ خسارہ، زرمبادلہ کے کم ہوتے ذخائر، توقع سے زیادہ افراط زر، روپے کی قدر میں کمی، یک طرفہ ادو طرفہ قرض فراہم کنندہ ایجنسیز، دونوں کی طرف سے توقع سے کم مالی امداد، مزید مالیاتی سختی اور بگڑتے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے ایک خطرہ بنے ہوئے ہیں۔

مذکورہ بالا خطرات غیر ملکی اور مقامی سرمایہ کاروں، دونوں کو اپنی سرمایہ کاریاں تحلیل کرنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات پڑ سکتے ہیں اور فنڈ کی منافع کمانے کی صلاحیت بھی متاثر ہو سکتی ہے۔



فی یونٹ آمدنی (EPU)

فی یونٹ آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے تخمینہ شدہ اوسط پونٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔

آمدنی کی تقسیم

چیف ایگزیکٹو آفیسر نے ٹینٹ کیٹیگری کے بورڈ آف ڈائریکٹرز کی طرف سے اختیار کے تحت 30 جون 2020 کو ختم ہونے والے سال کے لیے فی یونٹ 5.00 روپے (100 روپے کی فیس ویلیو کا 5.00%)، کی عبوری کیش ادا یگی کا اعلان کیا ہے جس کی مالیت 8.082 ملین روپے بنتی ہے۔

ایسٹ نیچر اینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے مینجمنٹ کیٹیگری کی ایسٹ نیچر ریٹنگ "AM2+" پر برقرار رکھی ہے۔ VIS کریڈٹ ریٹنگ کیٹیگری لمیٹڈ نے LITF کو "3 اسٹار" کی ایک سالہ اور تین سالہ پرفارمنس ریٹنگ اور "2 اسٹار" کی پانچ سالہ پرفارمنس ریٹنگ دی ہے۔

اضافی معاملات

- 1- مینجمنٹ کیٹیگری کے ڈائریکٹرز کی تفصیل اس سالہ رپورٹ میں ظاہر کی گئی ہے۔
 - 2- مینجمنٹ کیٹیگری کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز کے فنڈ میں نقل و حرکت کی منصفانہ عکاسی کرتے ہیں۔
 - 3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
 - 4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
 - 5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز اسٹیبلشمنٹ اینڈ ریگولیشن (رواؤ 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹی ٹریڈ انٹرمیڈیٹری ریگولیشنز، 2008 (NBFC) ریگولیشنز)، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ڈائریکٹرز اور فنڈ کی دستوری دستاویزات کے تقاضوں کی پیروی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
 - 6- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
 - 7- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
 - 8- اہم مالیاتی ڈیٹا کا خلاصہ اس سالہ رپورٹ میں شامل ہے۔
 - 9- ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
 - 10- پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات مینجمنٹ کیٹیگری کی طرف سے برداشت کیے جاتے ہیں۔
- 30-31 جون 2020 کے مطابق یونٹ ہولڈنگ کا پتہ ان اس سالہ رپورٹ میں دیا گیا ہے۔



12- کارکردگی کی جدول / اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

سال کے دوران اہم واقعات - کووڈ-19

ایک نوبل وائرس (2019-nCoV) سب سے پہلے 31 دسمبر، 2019 کو وہان، چین میں رپورٹ ہوا۔ یہ وائرس SARS جیسی سانس کی بیماری کا سبب بنتا ہے لیکن اس سے کم مہلک ہوتا ہے۔ تاہم، وائرس کی متعدی نوعیت کے پیش نظر، ڈبلیو ایچ او نے 11 مارچ 2020 کو، کووڈ-19 کو عالمی وبا قرار دے دیا، (گزشتہ عالمی وبا 2009 میں پھیلی تھی) جب عالمی سطح پر تصدیق شدہ واقعات قریب 127,000 تھے۔ اب یہ دنیا کے 215 ممالک میں پھیل چکا ہے جس کے متاثرین کی تصدیق شدہ تعداد 19.3 ملین سے زیادہ ہے۔

وائرس کی کوئی ویکسین نہ ہونے اور بلانڈ R-naught (تولیدی تعداد) کی وجہ سے، تمام حکومتوں کا ابتدائی ردعمل مکمل طور پر لاک ڈاؤن تھا۔ تاہم، معاشی سرگرمی اب کم سفری پابندیوں کے ساتھ دوبارہ شروع ہو گئی ہے کیونکہ نئے رپورٹ شدہ کیسز کی تعداد میں کمی واقع ہوئی ہے۔ آئی ایم ایف کی ٹینجنگ ڈائریکٹر کرنا لیمبا چاریوا کو توقع ہے کہ 2020 کی صورتحال 2009 جتنی ہی خراب ہوگی جب عالمی معیشت میں 0.7 فیصد اضافہ ہوا تھا۔ آئی ایم ایف کو اب توقع ہے کہ اس سال عالمی معیشت 3 فیصد گھٹ جائے گی۔ آئی ایم ایف نے 2021 میں بھی سست بحالی کی توقع اور 2020 اور 2021 کے لیے GDP میں مجموعی طور پر 9 کھرب ڈالر کے نقصان کی پیش گوئی کی ہے۔

جون 2020 کے وسط میں پاکستان اپنی بلند ترین سطح پر پہنچ گیا ہے۔ فی الحال تصدیق شدہ کیسز کی مجموعی تعداد 28 ہزار سے تجاوز کر چکی ہے۔ تاہم، نئے معاملات کی گنتی اب 782 رہ گئی ہے، جبکہ صرف 18 ہزار فعال کیسز باقی ہیں۔ پہلے دو مہینوں کے لئے مکمل لاک ڈاؤن رکھا گیا تھا جسے بعد میں آخری سے اسماٹ لاک ڈاؤن میں تبدیل کر دیا گیا۔ امید ہے کہ اگست کے وسط سے اس کو مکمل طور پر اٹھایا جائے گا۔

بیرونی آڈیٹر

موجودہ آڈیٹر ڈیٹیسز KPMG تاخیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر 30 جون 2021 کو ختم ہونے والے سال کے لیے دوبارہ تفری کے لیے اپنی رضامندی ظاہر کر دی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لیے ڈیٹیسز KPMG تاخیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کر دی ہے۔

معاشی جائزہ

سوڈی شروں کو 750 بنیادی پوائنٹس (دسمبر 2017 تا جولائی 2019) کے تیز رفتار اضافے سے 13.25% کرنے کے بعد، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں مارچ 2020 کے وسط سے جون 2020 تک کے دورانیے میں 62.5 فی ایس تک فیصلہ کی کر دی۔ یہ کمی توقع سے کہیں زیادہ تھی جس کے محرکات درج ذیل ہیں:

- (i) کووڈ-19 عالمی وبا سے، جو بالآخر ملکی گیر لاک ڈاؤن کا باعث بنی، بیرونی اور گھریلو طلب پر غیر معمولی دباؤ (ii) ایشیائی خورد و نوش کی مقامی قیمتوں میں کمی کے پیش نظر افراط زر کی شرح میں بہتری کی توقع، (iii) اجناس کی عالمی قیمتوں (خاص طور پر تیل) میں کمی اور کم درآمدات جس کے نتیجے میں مئی 2020 میں کرنٹ اکاؤنٹ کے خسارے میں سال بہ سال بنیاد پر 74 فیصد کمی کی واقع ہوئی۔ مزید برآں، اسٹیٹ بینک نے انٹرنیشنل ریٹ کوریڈور کو پالیسی ریٹ کے گروتھ ڈیٹا (پالیسی ریٹ سے 100 بنیادی پوائنٹس اوپر اور نیچے) بنانے کے ذریعے سے بہترین بین الاقوامی معمولات سے ہم آہنگ بنانے کا



اعلان بھی کیا۔

افراط زر کی شرحیں جنوری 2020 میں 14.6 فیصد تک اضافے کے بعد جون 2020 میں 8.6 فیصد پر آگئیں، (لاک ڈاؤن کے عرصے کے دوران ضروری اشیاء کی مانگ پر افراط زر کے باوجود کی وجہ سے)۔ تاہم، اجناس کی قیمتوں میں کمی کے ساتھ ساتھ بنیادی اثر (base affect) وقوع پذیر ہوا اور اس کے نتیجے میں اعداد و شمار میں کمی آئی جس کے باعث مالی سال 2020 کی NCPI کی اوسط میں 10.8 فیصد تک کمی واقع ہوئی، جو ایس بی پی کی طرف سے مالی سال 2020 کے لیے طے کردہ سی پی آئی کے ہدف 11-12 فیصد سے بھی کم ہے۔ جون 2020 میں پورٹ فولیو کے اخراج میں کافی سست روی رہی اور ایف ڈی آئی مستحکم رہی اور مالی سال 2020 میں 2.4 ارب امریکی ڈالر کے ساتھ مالی سال 2019 کے مقابلے میں دوگنی رہی۔ قرضوں کی واپسی کے باعث جون 2020 کے اختتام پر ایس بی پی کے ذخائر 10 ارب امریکی ڈالر سے کم ہو گئے، اس کے بعد جون 2020 کے آخر میں 12 ارب امریکی ڈالر تک، بحالی ہوئی جو 2020 کے دوسرے نصف میں کثیراً انتہائی ایجنسیوں (ورلڈ بینک، اے ڈی بی اور اینٹین انفراسٹرکچر انویسٹمنٹ) کی جانب سے 3 ارب ڈالر کی نئی مالی اعانت کا نتیجہ تھی۔ بینک (2HFY20) میں۔ یہ آئی ایم ایف کے جاری کردہ 1.4 بلین امریکی ریپڈ فنڈنگ انسٹرومنٹ کے علاوہ ہے جس نے عالمی وبا کے دوران 6 ارب امریکی ڈالر کے آئی ایم ایف پروگرام کو روک دیا ہے۔

ریٹیل سیکٹر میں اقتصادی سست روی جاری رہی، کارپوریٹ منافع نمایاں طور پر کم ہوا اور مالی سال 2020 کے پہلے گیارہ ماہ میں لارج اسکیل مینوفیکچرنگ (LSM) آؤٹ پٹ میں سال بہ سال بنیاد پر 10.3 فیصد کمی ہوئی، جب کہ لاک ڈاؤن اب تک برقرار تھے۔ سینٹ کی ترسیل، گاڑیوں کی فروخت، خوراک اور ٹیکسٹائل کی برآمدات میں بھی نمایاں کمی دیکھنے میں آئی، اور POL کی فروخت میں کمی بھی جاری رہی۔ کووڈ-19 وائرس کے نتیجے میں خاص طور پر برآمدی شعبے اور چین کے علاوہ دیگر ممالک سے درآمد کرنے والی کمپنیوں کے لئے تجارت میں خلل پڑا ہے۔ توقع کی جاتی ہے کہ مزید کسی بھی ملک گیر لاک ڈاؤن سے LSM میں مزید کمی اور ضروری اشیاء کی قیمتوں میں اضافہ ہوگا۔ ادا نیگی کے توازن کے رخ پر، روپے کی قدر میں تیزی سے کمی کے نتیجے میں پاکستان کے کرنٹ اکاؤنٹ خسارے میں نمایاں کمی واقع ہوئی جو گزشتہ سال اسی مدت 13.4 ارب امریکی ڈالر کے مقابلے میں مالی سال 2020 میں 78 فیصد کم ہو کر 2.9 ارب امریکی ڈالر رہ گئی۔ سات ماہ کے وقفے کے بعد، کرنٹ اکاؤنٹ مئی 2020 میں ایک بار پھر (اکتوبر 2019 میں 99 بلین امریکی ڈالر کے اضافے کے بعد) 344 بلین امریکی ڈالر کے اضافے کی طرف تبدیل ہوا لیکن جون 2020 میں 96 بلین امریکی ڈالر کے CAD کے ساتھ منفی ہو گیا۔

فلسڈ انکم مارکیٹ کا جائزہ

حکومت پاکستان نے مالی سال 2019 کے دوران میں 18.5 ٹریلین روپے کے مقابلے میں مجموعی طور پر 13.9 ٹریلین پاکستانی روپے حاصل کیے۔ مالی سال 2020 کے پہلے نصف میں اسپتھل کنورٹبل روپیہ اکاؤنٹ (SCRA) کے ذریعہ طاقت ور غیر ملکی شراکت سے سرمایے کے بہاؤ کو مدد ملی تاہم سوڈی شرحوں میں تیزی سے کمی کے باعث مالی سال 2020 کے پہلے نصف میں سرمایے کا اخراج ہوا۔ مزید برآں، موجودہ سال 2020 کے آغاز سے مالیاتی نری کے متوقع آگاز کی وجہ سے ایس بی پی کی طلب گزشتہ سال کے مقابلے میں کٹھی جہاں ایس بی پی نے خود کو ایک توسیعی مدت کے لئے زیادہ شرح سود پر پابند کرنے سے گریز کیا (جون 2020 کے اختتام پر 7.0 فیصد پالیسی ریٹ)۔

جب شرح میں کمی کی توقعات مستحکم ہوئیں تو سرمایہ کاری کا زور بھی اونے لگا اور سرمایہ کاری طویل مدتی تسکات (12 ماہی T بلز اور PIBs) کی طرف زیادہ منتقل ہونے لگی۔ اس کے نتیجے میں، مالی سال 2020 کے پہلے نصف میں واپسی کے بعد منافع جات میں تیزی سے کمی آئی۔ T بلز کے 3 ماہ، 6 ماہ اور 12 ماہ کی مدتوں کے منافع جات اگست 2019 میں 13.94%/13.75% اور 14.25% کی بلند سطح سے 3 ماہ، 6 ماہ اور 12 ماہ کی مدتوں کے



لے بالترتیب %6.66/6.85% اور %6.85 تک گر گئے۔ سود کی شرحوں نے 2019 میں بلند ترین سطح کو چھو لیا جس کے دوران PIB کی بنیاد میں نمایاں اضافہ ہوا۔

ایس پی ٹی کی طرف سے قبول کردہ بولیاں مالی سال 2019 میں 872 ارب روپے کے مقابلے میں مالی سال 2020 میں 2.05 ٹریلین روپے تک بڑھ گئیں۔ 2019 کے مقابلے میں زبردست سرمایہ کاری دیکھی گئی۔ 3 سالہ / 5 سالہ / 10 سالہ / 20 سالہ معاہدوں کے لیے حتمی منافع جات جون 2019 کے اختتام پر %13.80/13.70% اور %13.70 کے مقابلے میں %7.97، %8.44، %8.99 اور %10.51 تک گر گئے۔

ایمر جنٹ مارکیٹس کا جائزہ

مالی سال 2020 کے دوران ایمر جنٹ مارکیٹس میں %5.7 فیصد کمی واقع ہوئی۔ یہ کمی 2019 کے آخر میں کورونا وائرس کے پھیلنے سے سامنے آنے تھی جس کا نتیجہ معاشی زوال کی صورت میں سامنے آیا۔ صرف ترکی اور تائیوان ہی بحالی میں کامیاب ہوئے اور ایمر جنٹ مارکیٹس کے ساتھی ممالک کے درمیان سال بہ سال بنیاد پر بالترتیب %20.8 اور %8.3 منافع کے حصول میں کامیابی حاصل کر سکے۔ دریں اثنا، کولمبیا، متحدہ عرب امارات، چین اور پولینڈ نے بدترین کارکردگی کا مظاہرہ کیا اور سال بہ سال بنیاد پر بالترتیب %28.2، %21.4، %21.9 اور %17.6 نقصان اٹھایا۔

مستقبل کی توقعات

آگے بڑھتے ہوئے توقع ہے کہ لاک ڈاؤن میں نرمی، معاون مجموعی معاشی پالیسیوں اور عالمی سطح پر نمونوں میں اضافہ کی مدد سے مالی سال 2021 میں معیشت بتدریج بحال ہوگی۔ مالی سال 21 میں جی ڈی پی کی حقیقی نمو میں %2.1 فیصد تک اضافے کا امکان ہے۔ بیرونی شعبے کے لیے توقعات مستحکم ہیں، جہاں کثیر جیتی/دو طرفہ آمدنی سے مالی اعانت کے ساتھ، کووڈ-19 بحران کے باعث تیل کی قیمتوں میں کمی کی وجہ سے کریڈٹ کاؤنٹ خسارہ محدود رہنا چاہیے۔ آئی ایم ایف کے پروگرام کو روک دیا گیا تھا لیکن امکان ہے کہ وہ ٹیرف میں معقولیت اور لاگت کے دباؤ کے لیے ایک اسلوب کا تعین کرے گا۔ مالی صورت حال بدستور کمزور ہے لیکن توقع ہے کہ ٹیکس اصلاحات کی بدولت بہتری آئے گی جن کا مقصد ٹیکس کی وسیع تر بنیاد کے ذریعے ٹیکس محصولات کی پیداوار میں اضافہ کرنا ہے۔ اگرچہ MPC کا مقصد سود کی حقیقی شرحوں کو صفر کے قریب رکھنا ہے، اگر افراط زر کی شرحوں کے اعداد کارخانہ شالی سمت رہا تو اس کا نتیجہ مالی سختی کے دور کی توقع سے پہلے واپسی کی صورت میں سامنے آ سکتا ہے۔

ایس پی ٹی کا جولائی 2020 کے MPC اجلاس کو موخر کرنے کا فیصلہ اشارہ کرتا ہے کہ سود کی شرحیں اپنی چمکی ترین سطح کو چھو چکی ہے۔ اس کے ساتھ ساتھ افراط زر کے بلند اعداد و شمار کے نتیجے میں حتمی منافع جات میں مزید اضافہ ہو سکتا ہے۔ ہمارے خیال میں درمیانی مدت میں قلیل مدتی ترسکات کی طلب میں اضافہ ہوگا۔ مزید برآں، زرمبادلہ کی شرح میں زیادہ تر اصلاح (جون 2020 کے لیے %93 پر REER) کے حصول کے ساتھ، ہر کاری ترسکات میں غیر ملکی سرمایے کی آمد میں اضافہ دیکھنے میں آ سکتا ہے۔

KSE-100 نے اپنے بیشتر نقصانات کا ازالہ کر لیا ہے اور مالی سال 2020 میں سال بہ سال بنیاد پر %14 اضافہ کیا ہے، جہاں معاشی بہتری کا تسلسل اور کووڈ-19 وبا قابو میں رکھنا مارکیٹ کے جذبات کو برقرار رکھے گا۔ طویل مدتی اوسط %21 کے مقابلے میں مارکیٹ کیپ سے GDP کا تناسب اب بھی %15 ہے۔ ہمارا خیال ہے کہ مالی سال 2020 کے دوسرے نصف میں %6 ماہ تک مسلسل فروخت کے بعد غیر ملکی اب خریدار نہیں گے، جبکہ گردشیں شعبے براڈ مارکیٹ کو بدستور پیچھے چھوڑتے رہیں گے۔



اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سیکورٹیز اینڈ ایڈجسٹمنٹ کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینئرل ڈپازیریٹی کمپنی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایسچینج لمیٹڈ کا ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ منجھٹ کمپنی کے ڈائریکٹرز فنڈ کی ترقی اور وائس مندرانہ انتظام وانصرام کے لیے منجھٹ کمپنی کی ٹیم کی محنت اور کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے و منجانب بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 19 اگست 2020

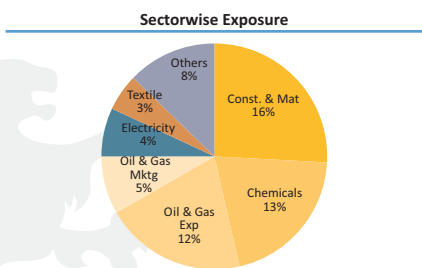
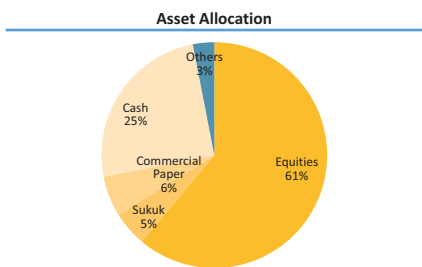


**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2020**

Fund Facts	
Fund Type	Open-End
Category	Shariah Compliant Asset Allocation Fund
Net Assets (PKR Mil.)	150
NAV (30.06.2020)	83.2873
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	10% of the gross earnings of the Scheme, calculated on a daily basis. The fee is subject to a minimum of 1% and maximum of 2% of the average annual net assets of the Scheme. Current - 1.15%
Front End Load	2.50%
Back End Load	None
Launch Date	October 11, 2011
Benchmark	Weighted average daily return of KMI- 30 Index, 6M deposit rates of three A rated Islamic Banks or Islamic windows of Conventional Banks and MSCI Emerging Markets Islamic Index based on the Scheme's actual proportion in the equity, debt and emerging market securities
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (28.Aug.2020)

Fund Performance	LITF	Benchmark
FY20	7.26%	6.97%
June-20	-0.41%	-0.03%
2 Months	-0.67%	-0.28%
3 Months	20.40%	17.58%
6 Months	-5.86%	-7.00%
12 Months	7.26%	6.97%
CY20- YTD	-5.49%	-6.64%
3 Years	-13.08%	-9.77%
5 Years	-1.07%	-2.29%
Since Inception	23.77%	30.48%

the benchmark of the fund was changed in September 2016



Investment Committee

Babar Ali Lakhani	Chief Executive Officer
Kashif Mustafa	Executive Director & COO
Mustafa O. Pasha, CFA	Chief Investment Officer
Shahbaz Ashraf, CFA	
Abdul Samad Khanani	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
Uzair Nasir Rasheed	

Investment Objective

The investment objective of the Lakson Islamic Tactical Fund ("LITF") is to provide long-term capital appreciation by investing in a mix of shariah compliant avenues. The LITF achieved its investment objective by investing in a mix of risk-free government securities, corporate bonds, emerging market securities and equity market.

Investment Strategy

The asset allocation of LITF portfolio was constructed by investing in liquid and risk-free instruments like Shariah Government securities, Shariah compliant equities and high yielding Shariah bonds. The exposure of LITF in risk free options and bonds was managed based on the relative yield analysis of these instruments and our yield curve expectations. Exposure in cash enabled the LITF to benefit from adverse movements in secondary yields, while maintaining liquidity and meeting all its obligations in a timely manner. Equity exposure of the Fund will be determined by carrying out an analysis of the prevalent price to earnings (PE) ratio or multiple of the KSE-30 Index. An increase in the PE ratio will



lead to a reduction in equity exposure and vice versa. The balance will remain invested in high quality Shariah compliant fixed income instruments of varying duration.

As of 30th June 2020, the Fund had 61% in equities, 5% in Sukuks, 9% in Others and 25% allocated to cash in order to provide protection in an uncertain regulatory and market environment.

Economic Review

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625ps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPi average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The



market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Fixed Income Market Review

GoP raised cumulative PKR13.9tn in T-Bill auctions during FY20 vs. PKR18.5tn in FY19. Flows were supported by strong foreign participation through the Special Convertible Rupee Account (SCRA) in 1HFY20 although followed by an outflow in 2HFY20 due to sharp decline in interest rates. Moreover, SBP's appetite was lower than last year due to expected commencement of monetary easing from early-CY20 where SBP remained averse to locking itself at high interest rates for an extended period (7.0% Policy Rate at the end of Jun'20). Participation also began to lose steam once expectations of a rate cut solidified shifting more towards the longer tenor instruments (12M T-Bills and PIBs). Consequently, yields came off sharply after inverting in 1HFY20. T-Bill yields for 3M, 6M and 12M tenors dropped to 6.85%/6.66% and 6.85% for 3M/6M and 12M tenor from a high of 13.75%/13.94% and 14.25% in Aug'19. Interest rates peaked in 2019 during which time participation in PIB auctions picked up significantly. Bids accepted by SBP rose to PKR2.05tn in FY20 vs. PKR872bn in FY19. Strong participation was witnessed vs. 2019. Cut-off yields dropped to 7.97%, 8.44%, 8.99% and 10.51% for 3YR/5YR/10YR/20YR tenors from 13.70%/13.80%,13.70% at the end of Jun'19.

Emerging Markets Review

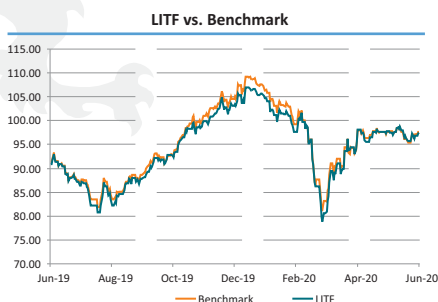
Emerging markets fell 5.7% during FY20. The decline came from outbreak of Coronavirus in late 2019 which led to economic downfall. Only Turkey and Taiwan managed to recover and posted gains among emerging markets peers 20.8% and 8.3% YoY respectively. Meanwhile, Colombia, UAE, Chile, and Poland performed worst down 28.2%, 21.4%, 21.9% and 17.6% YoY.

Fund Performance

Lakson Islamic Tactical Fund provided a return of 7.26% for FY20 against the Benchmark return of 6.97%. The fund has outperformed the benchmark by 29bps during the period. As of June 30, 2020, the Fund had 61% exposure in equities, 25% in cash, and 5% in Sukuk on a total asset basis.

Performance Table	FY20	FY19
Net Assets - Beginning (PKR Mil.)	137	165
Net Assets - Ending (PKR Mil.)	150	137
Highest Offer Price (PKR)	99.3556	99.6454
Lowest Offer Price (PKR)	73.2806	83.3407
Highest Redemption Price (PKR)	96.9322	97.2150
Lowest Redemption Price (PKR)	71.4932	81.3080
Beginning NAV - Ex-Div. (PKR)	82.3129	93.7663
Interim Distributions (PKR)	5.0000	-
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	83.2873	82.3129
Return	7.26%	-12.21%
Net Income / (Loss) (PKR Mil.)	10.00	(21.00)

Distributions	FY20	FY19
Interim Distributions (PKR)	5.0000	-
Final Distribution	-	-
NAV before Distribution	88.2405	82.3129
NAV after Distribution	83.2405	82.3129
Distribution Date	29-Jun-20	Nil



Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 5.00 per unit (5.00% of face value of PKR 100/-) amounting to PKR 8.082 million in cash during the year ended June 30, 2020.



Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

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The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments to 'AM2+' during FY20.

As of June 30, 2020 the LITF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 0.37mn. If the same were not made the NAV per unit of the LAITF would be higher by PKR 0.2049 and the return of the LITF for FY20 would be higher by 0.14%.

Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2020 the LITF does not employ any leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	3	71
101 - 500	0	0
501 - 1,000	1	932
1,001 - 5,000	2	5061,3624
5,001 - 10,000	4	27,816
10,001 - 50,000	7	161,084
50,001 - 100,000	2	140,715
100,001 - 500,000	5	924,069
500,001 - 1,000,000	1	544,261
1,000,001 - 5,000,000	0	-
5,000,001 - above	0	-
	25	1,804,011



CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

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Karachi - 74400, Pakistan.
Tel: (92-21) 1111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON ISLAMIC TACTICAL 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 Lakson Islamic Tactical Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the 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 25, 2020

INDEPENDENT AUDITOR'S REPORT
To the Unit holders of Lakson Islamic Tactical Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Lakson Islamic Tactical Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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.#	Key audit matters	How the matter was addressed in our audit
1	<p>Investments - Valuation of investments</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2020, the Fund has investments classified as "Fair value through profit or loss" amounting to Rs. 92.68 million and 7.77 million in equity and debt securities respectively representing 62% and 5% of net assets value of the Fund.</p> <p>We identified valuation of investments as a key audit matter because of its significance in relation to the net asset value of the fund.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - obtaining an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and - assessing on sample basis whether the investments in equity were valued at fair values based on the rates quoted on the Pakistan Stock Exchange as at 30 June 2020. - assessing, on a sample basis, whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP).

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 auditors' 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to 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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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

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

The engagement partner responsible on the audit resulting in this independent auditor's report is Aryn Pirani.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

September 23, 2020

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2020 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in Lakson Islamic Tactical Fund (LITF) managed by Lakson Investments Limited are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt.) Limited.



Mufti Irfshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

**Statement of Assets and Liabilities
As at June 30, 2020**

	Note	2020	2019
		(Rupees)	
Assets			
Bank balances	5	38,410,455	40,838,183
Investments	6	110,204,844	95,312,489
Markup accrued	7	1,041,804	491,227
Dividend receivable		2,846	240,543
Deposits and other receivables	8	2,736,930	2,646,087
Receivable against sale of securities		2,197,465	-
Total assets		<u>154,594,344</u>	<u>139,528,529</u>
Liabilities			
Remuneration payable to the Management Company	9	1,343,076	1,466,604
Remuneration payable to the Trustee	10	62,590	72,754
Annual fee payable to Securities and Exchange Commission of Pakistan	11	29,212	156,274
Accrued expenses and other liabilities	12	1,092,725	593,978
Payable against purchase of investments		1,815,456	-
Total liabilities		<u>4,343,059</u>	<u>2,289,610</u>
Contingencies and commitments	14		
Net assets		<u>150,251,285</u>	<u>137,238,919</u>
Unit holders' fund (as per the statement attached)		<u>150,251,285</u>	<u>137,238,919</u>
		(Number)	
Number of units in issue	15	<u>1,804,011</u>	<u>1,667,282</u>
		(Rupees)	
Net assets value per unit		<u>83.2873</u>	<u>82.3129</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director



Income Statement For the year ended June 30, 2020

		2020	2019
Income	Note	(Rupees)	
Gain / (loss) on sale of investment at fair value through profit or loss - net		4,147,101	(6,116,079)
Unrealised gain / (loss) on revaluation of investment at fair value through profit or loss - net		1,256,332	(19,332,351)
Dividend income on investment at fair value through profit or loss		3,890,383	4,091,146
Markup on:			
-Bank balances - at amortised cost		4,650,697	5,769,463
-Sukuk certificate at fair value through profit or loss		1,214,520	1,026,149
-Commercial Paper		393,690	-
		6,258,907	6,795,612
Exchange gain on foreign currency deposits - at amortized cost		3,070	26,750
		15,555,793	(14,534,922)
Expenses			
Remuneration of the Management Company	9.1	1,956,952	2,104,459
Sindh Sales Tax on remuneration of the Management Company	9.2	254,404	273,580
Remuneration of the Trustee	10	330,097	791,002
Annual fee to the Securities and Exchange Commission of Pakistan	11	29,212	156,274
Auditors' remuneration	16	276,000	277,760
Fees and subscription		520,000	1,272,700
Printing charges		6,780	25,425
Credit rating fee		190,000	214,700
Brokerage, custody, settlement and bank charges		924,530	593,623
Shariah advisor fees		160,777	168,682
Charity expense		337,930	237,995
SECP supervisory fee		2,000	2,500
Total Expenses		4,988,682	6,118,700
Net income / (loss) from operating activities		10,567,111	(20,653,622)
Provision for Sindh workers' welfare fund (SWWF)		(211,342)	-
Net income / (loss) for the year before taxation		10,355,769	(20,653,622)
Taxation	17	-	-
Net income / (loss) for the year after taxation		10,355,769	(20,653,622)
Allocation of net income / (loss) for the year			
Net income for the year after taxation		10,355,769	-
Income already paid on units redeemed		(546,505)	-
		9,809,264	(20,653,622)
Accounting income available for distribution			
- Relating to capital gains - net		4,793,238	-
- Excluding capital gains		5,016,026	-
		9,809,264	(20,653,622)

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Comprehensive Income
For the year ended June 30, 2020**

	2020	2019
	(Rupees)	
Net income / (loss) for the year after taxation	10,355,769	(20,653,622)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>10,355,769</u>	<u>(20,653,622)</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement Of Movement in Unit Holders' Fund
 For the year ended June 30, 2020**

	Year ended 2020		Year ended 2019	
	Capital value	Undistributed income	Capital value	Undistributed income
		(Rupees)		
Net assets at beginning of the year	168,874,818	(31,635,899)	176,853,616	(10,982,277)
Issuance of 242,286 units (2019: 165,058 units)				
- Capital value	20,959,830	-	15,476,878	-
- Element of loss	546,505	-	(625,987)	-
Total proceeds on issuance of units	21,506,335	-	14,850,891	-
Redemption of 105,556 units (2019: 256,097 units)				
- Capital value	(9,766,952)	-	(24,013,268)	-
- Element of income	(546,505)	-	2,183,579	-
Total payments on redemption of units	(9,766,952)	(546,505)	(21,829,689)	-
Interim cash distribution during the year is Rs. 5.0000 per unit on 29 June 2020 (2019: nil)	(454,191)	(8,082,090)	(6,536,281)	-
Total comprehensive income / (loss) for the year	-	10,355,769	-	(20,653,622)
Net assets as at end of the year	180,160,010	(29,906,725)	168,874,818	(31,635,899)
Undistributed (loss) / income brought forward:				
- Realized (loss) / income at the beginning of the year	(12,303,548)	-	(2,657,572)	-
- Unrealized loss at the beginning of the year	(19,332,351)	-	(8,324,705)	-
Accounting income available for distribution:	(31,635,899)	-	(10,982,277)	-
Relating to capital gains	4,793,238	-	-	-
Excluding capital gains	5,016,026	-	-	-
Total comprehensive income / (loss) for the year	9,809,264	-	-	(20,653,622)
Interim cash distribution during the year is Rs. 5.0000 per unit on 29 June 2020 (2019: nil)	(8,082,090)	-	-	-
Undistributed loss at end of the year	(29,906,725)	-	(31,635,899)	-
Represented by:				
- Realized loss at the end of the year	(31,165,057)	-	(12,303,548)	-
- Unrealized loss at the end of the year	1,256,332	-	(19,332,351)	-
Undistributed loss at end of the year	(29,906,725)	-	(31,635,899)	-
Net assets value per unit at beginning of the year	82.3129		82.3129	93.7663
Net assets value per unit at end of the year	83.2873		83.2873	82.3129

The annexed notes from 1 to 23 form an integral part of these financial statements.

**For Lakson Investments Limited
 (Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Statement of Cash Flow
For the year ended June 30, 2020

	2020	2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year	10,355,769	(20,653,622)
Adjustments for:		
Unrealised (loss) / gain on revaluation of investment at fair value through profit or loss - net	(1,256,332)	19,332,351
Dividend income on investment at fair value through profit or loss	(3,890,383)	(4,091,146)
Mark-up on bank balance and investment - at amortized cost	(4,650,697)	(6,795,612)
	<u>558,357</u>	<u>(12,208,029)</u>
(Increase) / decrease in assets		
Investments	(14,018,032)	(32,644,170)
Deposits, prepayments and other receivables	(34,246)	-
Receivable Against Investment In Equity Securities	-	285,450
	<u>(14,052,278)</u>	<u>(32,358,720)</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	(123,528)	(33,407)
Remuneration payable to the Trustee	(10,164)	3
Annual fee payable to Securities and Exchange Commission of Pakistan	(127,062)	(2,308)
Payable against purchase of investments	-	(1,208,475)
Accrued expenses and other liabilities	498,747	36,045
	<u>237,993</u>	<u>(1,208,142)</u>
Dividend income received on investment at fair value through profit or loss	4,128,080	3,981,333
Mark-up received on bank balance - at amortized cost	4,043,523	6,758,557
Net cash flows from operating activities	<u>(5,084,325)</u>	<u>(35,035,001)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	21,052,144	14,850,891
Dividend paid	(8,082,090)	-
Payments on redemption of units	(10,313,457)	(21,829,689)
Net cash flows from financing activities	<u>2,656,597</u>	<u>(6,978,798)</u>
Net decrease in cash and cash equivalents	<u>(2,427,728)</u>	<u>(42,013,799)</u>
Cash and cash equivalents at beginning of the year	40,838,183	82,851,982
Cash and cash equivalents at end of the year	<u><u>38,410,455</u></u>	<u><u>40,838,183</u></u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Notes to and forming part of the Financial Statements For the year ended June 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The Lakson Islamic Tactical Fund was established under the Trust Deed executed on 30 May 2011 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity by the Securities and Exchange Commission of Pakistan (SECP) on 7 July 2011 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2 The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore, while the head office is in the Lakson Square Building No. 2, Karachi.
- 1.3 The Fund is an open end mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Shariah Compliant/Islamic Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and is authorised to invest in Shariah compliant investments within the limits prescribed in the offering document so as to ensure a riba-free return on investments. All investments of the Fund are as per the guidelines of the Shariah principles provided by the Shariah Advisor of the Fund and comprise of the investments permissible as 'Authorised Investments' under the Trust Deed.

Further, as allowed by SECP and the State Bank of Pakistan, the Fund can invest abroad up to 30% of the aggregated funds mobilized (including foreign currency funds) subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities / debt with exposure in the commodities, index tracker funds tracking different commodities indices, actively managed commodities based funds, equities and debt securities of companies with exposure in commodities, future contracts of different commodities and foreign currency deposits etc.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as a Trustee of the Fund.

- 1.4 Pakistan Credit Rating Company Limited (PACRA) has maintained the rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) vide its report dated 29 August 2019 (2019: AM2+ as on 27 February 2019).

On 30 June 2020, VIS assigned following rankings to the Fund based on the performance review for the period ended 31 December 2019:

1 Year ranking : MFR 3-Star
3 Year ranking : MFR 3-Star
5 Year ranking : MFR 2-Star

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency. All amount have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) classification of financial assets (Note 4.1.1)
- (b) impairment of financial assets (Note 4.1.6)
- (c) provisions (Note 4.8)
- (d) element of income (Note 4.6)

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:



- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The entities may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them



as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS standards 2018-2020:

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent'



test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are effective from annual period beginning on or after 1 June 2020 and are 'not likely to have an impact on Fund's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;



- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and debt securities. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

4.1.2 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

5.1.3 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.1.4 Initial recognition and measurement

Financial assets 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 expensed in the income statement.

4.1.5 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

a) Basis of valuation of equity securities

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

a) Debt securities

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

4.1.6 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.



4.1.7 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.

4.1.8 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.

4.1.9 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.1.10 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

4.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3 Issue and redemption of units

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

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

4.4 Net assets value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

4.5 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.



- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

4.6 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

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 same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.8 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.9 Dividend distribution

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.10 Other assets

Other assets are stated at cost less impairment losses, if any.

4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the conversion of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the income statement.

4.12 Earnings per unit (EPU)

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

	Note	2020 (Rupees)	2019
5. BANK BALANCES			
Local Currency			
In profit and loss sharing accounts	5.1	38,370,509	40,746,524
Foreign Currency			
In current account	5.2	39,946	91,659
		<u>38,410,455</u>	<u>40,838,183</u>
5.1		This includes balance carry profit rates ranging from 4.5% to 7.0% (2019: 6% to 11%) per annum.	
5.2		This represents USD denominated current account maintained in a foreign country amounting to USD 238 (2019: USD 573).	
6. INVESTMENTS			
At fair value through profit or loss			
Listed equity securities	6.1	92,684,013	85,685,849
Sukuk certificates	6.2	7,769,087	9,626,640
		<u>100,453,100</u>	<u>95,312,489</u>
At amortized cost			
Commercial papers	6.3	9,751,744	-
		<u>110,204,844</u>	<u>95,312,489</u>



6.1 Shares of listed company

At fair value through profit or loss

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the investee company	Holding as at July 01, 2019	Purchased during the year	*Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2020	Carrying value before revaluation as of June 30, 2020	Market value as of 30 June 2020 (after revaluation)	Unrealised gain / (loss) - net	Market value as percentage of net assets of total investments		Par value of shares held as percentage of total paid up capital of the investee company
									(Rupees)	(%)	
Commercial Banks											
Meezan Bank Limited	-	94,748	-	41,300	53,448	3,560,706	3,679,895	119,189	3.34	2.45	0.0040%
Chemicals											
Engro Polymer & Chemical	130,083	137,632	-	182,500	85,215	2,418,402	2,128,671	(289,731)	1.93	1.42	0.0094%
Lotte Chemical Pakistan Limited	2,000	2,000	-	269,000	-	-	-	-	-	-	0.0000%
ICI Pakistan Limited	1,707	11,650	-	9,287	4,070	2,393,526	2,827,470	433,944	2.57	1.88	0.0044%
						4,811,928	4,956,141	144,213	4.50	3.30	
Fertilizers											
Engro Fertilizers Limited	44,110	30,050	-	74,160	-	-	-	-	-	-	0.0000%
Fajui Fertilizer	65,500	27,400	-	27,400	38,100	3,840,099	4,190,619	350,520	3.80	2.79	0.0003%
Engro Corporation Limited (6.1.1)	35,784	48,604	-	50,560	33,828	9,476,576	9,908,898	432,322	8.99	6.59	0.0059%
						13,316,675	14,099,517	782,842	12.79	9.38	
Pharma & Bio Tech											
The Searl Company (6.1.2)	6	11,700	-	8,522	3,184	509,362	634,115	124,711	0.58	0.42	0.0001%
Glaoson Midline Pakistan	-	6,800	-	-	6,800	1,209,108	1,183,744	(25,364)	1.07	0.79	0.0021%
Perrsons Laboratories Limited	-	5,100	-	4,631	469	1,859,979	1,923,322	63,343	0.13	0.09	0.0000%
						1,857,449	1,956,761	101,270	1.78	1.30	
Textile Composites											
Nishat Mills Limited (6.1.1)	34,559	40,000	-	14,300	60,259	5,572,834	4,703,925	(868,909)	4.27	3.13	0.0171%
Cement											
DIG Khan Cement Company Limited	-	106,000	-	82,500	23,500	1,760,150	2,005,255	245,105	1.82	1.33	0.0054%
Kohat Cement Company Limited	-	28,000	-	25,100	2,900	255,055	398,605	143,550	0.36	0.27	0.0014%
Lucky Cement Company Limited	-	304,700	-	135,400	169,300	2,883,179	2,857,784	(25,395)	2.59	1.90	0.0059%
Pioneer Cement Company Limited	-	96,756	-	77,175	19,581	830,234	1,234,386	404,152	1.12	0.82	0.0086%
Fajui Cement Company Limited	15,256	25,940	-	22,016	19,180	8,166,077	8,653,104	687,027	8.03	5.89	0.0123%
Maple Leaf Cement Limited	75,133	308,000	-	291,633	91,500	2,375,340	2,377,170	1,830	2.16	1.58	0.0139%
						16,270,035	17,726,304	1,456,269	16.08	11.80	
Power Generation & Distribution											
Hub Power Company Limited	36,632	130,800	-	79,332	88,100	6,542,306	6,387,250	(155,056)	5.80	4.25	0.0068%
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	5,151	5,060	*715	4,320	6,606	6,549,420	8,169,434	1,620,014	7.41	5.44	0.0050%
Pakistan Oilfield Limited	12,267	14,500	-	26,767	36,774	4,503,344	3,191,248	(1,312,096)	2.90	2.12	0.0014%
Pakistan Petroleum Limited (6.1.1)	77,578	40,950	*15,796	97,550	67,325	8,165,176	7,338,425	(826,751)	6.66	4.88	0.0016%
Oil and Gas Development Company Limited (6.1.1)	108,965	49,460	-	91,100	5,000	19,217,940	18,699,107	(518,833)	16.97	12.45	0.0005%
Oil and Gas Marketing Companies											
Attock Petroleum Limited	5,846	5,000	-	5,846	5,000	1,391,500	1,526,000	134,500	1.38	1.02	0.0005%
Pakistan State Oil Company Limited (6.1.2)	4,501	40,500	24	29,318	15,707	2,676,897	2,488,282	(194,615)	2.25	1.65	0.0033%
Sui Northern Gas Pipeline Limited	68,342	80,150	-	76,500	71,992	4,660,042	3,950,763	(709,279)	3.57	2.62	0.0114%
						87,304,439	79,947,045	(789,394)	7.21	5.29	



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

	2020 ----- (Number of shares) -----	2019	2020 ----- (Rupees) -----	2019
Oil and Gas Development Company Limited	5,000	5,000.00	545,000	657,450.00
Engro Corporation Limited	7,300	2,000	2,138,316	627,720
Lucky Cement Company Limited	-	2,500	-	951,175
Nishat Mills Limited	10,000	10,000	780,100	933,400
Pakistan Oilfield Limited	-	1,500	-	608,835
Pakistan Petroleum Limited	300	300	26,034	43,329
	22,600	21,300	3,489,450	3,821,909

6.1.2 Finance act, 2014 had introduced tax on bonus shares issued by the companies. Most of the equity funds including the Fund have challenged the applicability of withholding tax provision on bonus shares before Honourable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. In the Fund's case, tax in the shape of 147 shares of Pakistan State Oils Limited (30 June 2019: 123 shares) and 6 shares of The Searle Company Limited (30 June 2019: 6 shares) ave been withheld by CDC. Market value of these shares as at 30 June 2020 amounted to Rs. 24,540 (30 June 2019: Rs. 21,642) and are included in the Fund's investments in these financial statements.

6.1.3 Based on the screening report of the Shariah Advisor of the Fund as of 31 December 2019 received on 21 April 2020, investment of 2.03 million in the ordinary shares of Tariq Glass Industries Limited are non compliant investment. As per the shariah advisor's guidelines there need to be disposed off within 3 months of the occurrence of non compliance. Subsequent to the year end these investments are disposed by the Fund.

6.2 Sukuk certificates

At fair value through profit or loss	Date of Maturity	Mark-up rate	Holding as at 01 July 2019	Purchases during the period	Disposed / matured during the period	Holding as at 30 June 2020	Carrying value as of the year ended 30 June 2020 before revaluation	Market value as of the year ended 30 June 2020 (after revaluation)	Unrealised appreciation / (diminishing)	Credit rating	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue
----- Number of certificates -----							----- (Rupees) -----						
Dawood Hercules Corporation Limited 6.2.1	15-Nov-22	3 months KIBOR + 1.00%	35	-	-	35	2,439,640	2,474,322	34,682	AA	2.25%	1.65%	0.58%
Dawood Hercules Corporation Limited 6.2.2	01-Mar-23	3 months KIBOR + 1.00%	65	-	-	65	5,187,000	5,294,765	107,765	AA	4.80%	3.52%	1.08%
Total as at 30 June 2020							7,626,640	7,769,087	142,447		7.05%	5.17%	1.67%
Total Cost as at 30 June 2020							7,650,000						
Total as at 30 June 2019							9,661,199	9,626,640	(34,559)				
Total Cost as at 30 June 2019							9,650,000						

6.2.1 This represents investment in sukuk certificates of Dawood Hercules Corporation Limited carrying an effective profit rate of 3 months Karachi Inter-bank Offer Rate (KIBOR) per annum plus margin of 1.0% per annum receivable quarterly in arrears. The principal is redeemable in eight semi-annual instalments starting from the eighteenth (18th) month from the date of issue, i.e. from May 2019 to November 2022 in the six semi-annual instalments of Rs 0.35 million each and the last two semi-annual instalments on May 2022 and November 2022 at Rs. 0.70 million each. These sukuk certificates are secured by way of first pari passu charge against ordinary shares of Engro Corporation Limited with 50% margin and charge over all of the assets of investee company with a 25% margin.

6.2.2 This represents investment in sukuk certificates of Dawood Hercules Corporation Limited carrying an effective profit rate of 3 months Karachi Inter-bank Offer Rate (KIBOR) per annum plus margin of 1.0% per annum receivable quarterly in arrears. The principal is redeemable in eight semi-annual instalments starting from the eighteenth (18th) month



from the date of issue, i.e. from September 2019 to March 2023 in the six semi-annual instalments of Rs 0.65 million each and the last two semi-annual instalments on September 2022 and March 2023 at Rs. 1.3 million each. These sukuk certificates are secured by way of first pari passu charge against ordinary shares of Engro Corporation Limited with 50% margin and charge over all of the assets of investee company with a 25% margin.

6.3 Commercial papers

At amortized cost	Date of Maturity	Mark-up rate	Holding as at 01 July 2019	Purchases during the period	Disposed / matured during the period	Holding as at 30 June 2020	Carrying value as of the year ended 30 June 2020	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue
			-----Number of certificates-----			(Rupees)				
K-Electric 6.3.1	10-Sep-20	13.64%	-	100,000	-	100,000	9,751,744	8.85%	6.49%	0.10%

6.3.1 This represents investment in commercial paper of k-Electric (6 months) having coupon rate 13.64% and will mature after 6 months i.e 10 September 2020. The paper is unsecured.

	2020	2019
7. MARKUP ACCRUED	Note	(Rupees)
Profit receivable on		
- Profit and loss sharing accounts	973,560	366,386
- Sukuk certificates	68,244	124,841
	<u>1,041,804</u>	<u>491,227</u>

8. DEPOSITS AND OTHER RECEIVABLES

Security deposit to:		
- Central Depository Company of Pakistan Limited	100,000	100,000
- National Clearing Company of Pakistan Limited	2,500,000	2,500,000
Advance against book building	128,250	-
Other receivable	8,680	46,087
	<u>2,736,930</u>	<u>2,646,087</u>

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	9.1	34,765	144,082
Sindh Sales Tax on Management Company's remuneration	9.2	171,379	185,589
Federal Excise Duty on Management Company's remuneration	9.3	1,132,564	1,132,564
Sales load payable to the Management Company		4,368	4,369
		<u>1,343,076</u>	<u>1,466,604</u>

9.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 2% per annum of the average annual net assets of the Fund. However, the Management Company is currently charging a fee at 10% of the gross earnings of the scheme for the year ended 30 June 2020. The fee is subject to a minimum of 1% and a maximum of 2% of the average annual net assets of the Fund. Currently the effective rate of Management Company remuneration for the year ended 30 June 2020 is 1.34% (2019: 1.28%) of the average net assets. Remuneration is paid to the Management company in arrears on a monthly basis.



- 9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on Management Company's remuneration. Above liability includes Rs. 166,859 (2019: Rs. 166,859) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 9.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by 0.09 (2019: 0.10) per unit. This amount is payable to management company for onwards payment to the Government.
- 9.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period up to 30 June 2016 aggregating to Rs. 1.132 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.63 (2019: Re. 0.68) per unit. The amount is payable to the management company for onwards payment, if any, to the Government.

10. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed as follows:

Net assets up to 1 billion	Rs. 0.7 million or 0.20% per annum of the daily average net assets of the Fund, whichever is higher.
Net assets exceeding Rs 1 billion	Rs 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

The remuneration is paid to the Trustee in arrears on monthly basis.

11. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Company is required to pay SECP an amount at the rate of 0.02% per annum of the average daily net assets of the fund in accordance with the regulation 62 of the NBFC Regulation 2008.



12. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020	2019
		(Rupees)	
Payable to Sindh workers' welfare fund	12.1	369,561	158,219
Charity Payable	12.2	103,365	134,718
Auditors' remuneration		194,579	180,479
Payable for professional tax		150,000	-
Payable for Rating fee		143,913	-
Brokerage charges payable		38,566	27,660
Fee payable to Shariah Advisor		29,181	15,639
Fee payable to National Clearing Company of Pakistan		30,000	22,864
Other liabilities		20,000	20,000
Fee payable to Central Depository Company		13,560	14,721
Withholding tax payable		-	19,678
		<u>1,092,725</u>	<u>593,978</u>

- 12.1 Provision for Sindh Workers' Welfare Fund is being made on a daily basis going forward pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in the definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from 01 July 2014).

Total provision for SWWF till 30 June 2020 is Rs. 0.370 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.205 per unit.

- 12.2 This relates to the amount taken out from dividend income for purification.

13. TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/ 18/2016 dated 20 July 2016, require that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2020 is 3.56% which includes 0.44% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc). As per NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 4.5% (excluding government levies).

14. CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the year end.



15. NUMBER OF UNITS IN ISSUE

		2020	2019
	Note	(Number)	
Total outstanding as of 1 July		1,667,282	1,758,321
Issued during the year	15.1	242,286	165,058
Redemptions during the year	15.2	(105,556)	(256,097)
Total units in issue as of 30 June		<u>1,804,011</u>	<u>1,667,282</u>

15.1 Includes nil (2019: 0.01) million units on the conversion of units from the related funds.

15.2 Includes nil (2019: 0.17) million units on the conversion of units to the related funds.

16. AUDITORS' REMUNERATION

		2020	2019
		(Rupees)	
Annual audit fee		150,000	150,000
Fee for the review of half yearly financial statements		50,000	50,000
Report on the foreign investment compliance agreed upon procedures report		20,000	20,000
Out of pocket and sales tax expenses		56,000	57,760
		<u>276,000</u>	<u>277,760</u>

17. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

18. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Habib Bank AG Zurich Switzerland being the Custodian, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company and the holding company, key management personnel, other funds being managed by the Management Company and entities having holding 10% or more in the units of the Fund as at 30 June 2020. It also includes staff retirement funds of the above related parties / connected persons.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:



18.1 Details of balance with related parties / connected persons at the year end

	2020	2019
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty amounting to Rs. 1.304 million (2019: Rs. 1.318 million)) *	<u>1,338,708</u>	<u>1,462,235</u>
Sales load payable	<u>4,368</u>	<u>4,369</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable (including Sindh Sales Tax of Rs. 7,201 (2019: Rs. 8,370))*	<u>62,590</u>	<u>72,754</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
Settlement charges payable	<u>13,560</u>	<u>14,721</u>
Habib Bank AG Zurich - Custodian		
Bank Deposits	<u>39,946</u>	<u>91,659</u>

* Sales tax is paid / payable to the management company / Trustee for onwards payment to the Government.

18.2 Details of transaction with related parties / connected persons during the year

Lakson Investments Limited - Management Company of the Fund		
Remuneration for the year	<u>1,956,952</u>	<u>2,104,459</u>
Sindh sales tax on remuneration of Management Company *	<u>254,404</u>	<u>273,580</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year (including Sindh Sales Tax of Rs. 37,976 (2019: Rs. 91,002))*	<u>330,097</u>	<u>791,002</u>
CDS charges for the year	<u>13,204</u>	<u>32,490</u>

* Sales tax is paid / payable to the management company / Trustee for onwards payment to the Government.

Directors, Chief Executive and their spouse and minors		
Dividend paid	<u>507,403</u>	<u>-</u>
Lakson Investments Limited		
Dividend paid	<u>2,589,114</u>	<u>-</u>
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>26,743</u>	<u>-</u>
Lakson Investments Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>1,024</u>	<u>-</u>



	2020	2019
	(Rupees)	
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>18,281</u>	<u>-</u>
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>178,842</u>	<u>-</u>
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>1,049,746</u>	<u>-</u>
Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund		
Dividend paid	<u>888,448</u>	<u>-</u>
Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>414,508</u>	<u>-</u>
Accuracy Surgicals Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>7,278</u>	<u>-</u>
Merit Packaging Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>161,788</u>	<u>-</u>
Merit Packaging Limited - Employees Gratuity Fund		
Dividend paid	<u>68,416</u>	<u>-</u>
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>1,054,931</u>	<u>-</u>
Century Paper & Board Mills Limited - Employees Gratuity Fund		
Dividend paid	<u>872,343</u>	<u>-</u>
Century Insurance Company Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>85,709</u>	<u>-</u>
Sybrid Private Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>6,977</u>	<u>-</u>
Century Insurance Company Limited - Employees Gratuity Fund		
Dividend paid	<u>70,837</u>	<u>-</u>
Siza Services Private Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>46,478</u>	<u>-</u>
Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust		
Dividend paid	<u>2,398</u>	<u>-</u>

18.3 Details of units held, issued and redeemed by the related parties / connected persons.

	Year ended June 30, 2020					Rupees			
	Number of units as at 01 July 2019	Units issued during the year	Refund / Adjustment of units as element of income	Units redeemed during the year	Number of holdings at the year ended 30 June 2020	Balance as at July 01, 2019	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 June 2020 (Investment at current NAV)
Lakson Investments Limited	517,823	26,438	-	-	544,261	48,372,942	2,200,747	-	45,330,054
Directors, Chief Executive, their spouse and minors	101,481	5,163	-	-	106,644	9,479,913	429,777	-	8,882,066
Associated companies / undertakings of the Management Company									
Accuracy Surgicals Limited Employees Contributory Provident Fund Trust	19,842	19,917	1,104	19,842	19,917	1,853,598	1,748,333	1,742,147	1,658,810
Century Insurance Company Limited Employees Gratuity Fund	14,167	851	-	-	15,018	1,323,457	70,837	-	1,250,837
Century Insurance Company Limited Employees Contributory Provident Fund Trust	17,142	1,030	-	-	18,171	1,601,319	85,709	-	1,513,452
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust	210,986	12,673	-	-	223,660	19,709,489	1,054,931	18,627,997	15,403,859
Century Paper & Board Mills Limited Employees Gratuity Fund	174,469	10,480	-	-	184,948	16,298,166	872,343	-	15,403,859
Colgate Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust	209,949	12,611	-	-	222,560	19,612,606	1,049,746	-	18,536,430
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	177,690	10,673	-	-	188,363	16,599,049	888,448	-	15,688,232
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust	82,902	4,980	-	-	87,881	7,744,332	414,508	-	7,319,388
GAM Corporation (Private) Limited Employees Contributory Provident Fund Trust	49,840	50,060	2,774	49,840	50,060	4,655,875	4,394,214	4,375,933	4,169,350
Hasanali Karabhai Foundation Employees Contributory Provident Fund Trust	6,536	6,536	364	6,536	6,536	610,592	575,557	573,879	546,067
Lakson Business Solutions Limited Employees Contributory Provident Fund Trust	5,349	225	-	-	5,573	499,640	18,720	-	464,197
Lakson Investments Limited Employees Contributory Provident Fund Trust	2,790	2,801	155	2,790	2,801	260,664	245,861	244,991	233,271
Merit Packaging Limited Employees Contributory Provident Fund Trust	32,358	1,944	-	-	34,301	3,022,709	161,788	-	2,856,848
Merit Packaging Limited Employees Gratuity Fund	13,683	822	-	-	14,505	1,278,231	68,416	-	1,208,092
Princeton Travelles Limited Employees Contributory Provident Fund Trust	2,104	-	-	2,104	-	196,575	-	193,516	-
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust	35,768	2,148	-	-	37,917	3,341,332	178,842	-	3,157,988
Siza Services Pvt Limited Employees Contributory Provident Fund Trust	9,296	558	1,059	-	9,854	868,359	46,478	-	820,711
Hybrid Private Limited Employees Contributory Provident Fund Trust	19,020	19,092	-	19,020	19,020	1,776,803	1,675,900	1,669,969	1,590,085

Year ended June 30, 2019								
Number of Units				Rupees				
Number of units as at 01 July 2018	Units issued during the year	Refund / Adjustment of units as element of income	Units redeemed during the year	Number of holdings at the year ended 30 June 2019	Balance as at July 01, 2018	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 June 2019 (Investment at current NAV)
517,823	-	-	-	517,823	52,594,545	-	-	42,623,493
99,573	-	-	-	99,573	9,336,596	-	-	8,196,139
5,349	-	-	-	5,349	501,556	-	-	440,291
2,791	-	-	-	2,791	261,702	-	-	229,735
43,966	1,412	-	3,513	41,865	4,122,531	122,025	296,000	3,446,043
25,403	4,986	-	-	30,389	2,381,946	-	-	2,501,384
302,877	-	-	92,928	209,949	28,399,669	-	7,830,000	17,281,468
168,373	9,317	-	-	177,690	15,787,721	785,000	-	14,626,138
53,802	23,340	-	-	77,142	5,044,817	1,976,446	-	6,349,760
48,851	-	-	29,009	19,842	4,580,580	-	2,455,809	1,633,267
63,507	-	-	31,149	32,358	5,994,819	-	2,667,322	2,663,474
33,219	-	-	19,979	13,240	3,114,824	-	1,693,444	1,089,850
138,342	61,758	-	-	200,100	12,971,824	5,471,155	-	16,470,823
218,637	-	-	56,194	162,443	20,500,792	-	4,802,074	13,371,127
-	16,003	-	-	16,003	-	185,000	-	1,317,214
-	17,406	-	-	17,406	-	1,633,428	-	1,432,766
-	2,494	-	389	2,104	-	234,408	32,470	173,211
-	9,296	-	-	9,296	-	871,556	-	765,148
-	6,536	-	-	6,536	-	617,519	-	538,019
23,256	2,278	-	11,367	14,167	2,180,630	184,390	970,630	1,166,109

Lakson Investments Limited
Directors, Chief Executive, their spouse and minors

Associated companies / undertakings of the Management Company

Lakson Business Solutions Limited Employees
Contributory Provident Fund Trust
Lakson Investments Limited Employees Contributory Provident Fund Trust
GAM Corporation (Private) Limited Employees Contributory Provident Fund Trust
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust
Colgate Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund
Gloer Internet Services (Private) Limited Employees Contributory Provident Fund Trust
Accuracy Surgicals Limited Employees Contributory Provident Fund Trust
Merit Packaging Limited Employees Contributory Provident Fund Trust
Merit Packaging Limited Employees Gratuity Fund
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust
Century Paper & Board Mills Limited Employees Gratuity Fund
Century Insurance Company Limited Employees Contributory Provident Fund Trust
Hybrid Private Limited Employees Contributory Provident Fund Trust
Princeton Travels Limited Employees Contributory Provident Fund Trust
Siza Services Pvt Limited Employees Contributory Provident Fund Trust
Hasanali Karabhai Foundation Employees Contributory Provident Fund Trust
Century Insurance Company Limited Employees Gratuity Fund



- 18.4 Remuneration payable to the Management Company and the Trustee have been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.
- 18.5 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are at agreed rates.
- 19. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT**

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk (refer note 19.1)
- liquidity risk (refer note 19.2)
- market risk (refer note 19.3)
- Operational Risk (refer note 19.4)

Risk management framework

The Fund's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

19.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, receivable against sale of marketable securities and security deposits.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:



- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimize the risk of default.
- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimize the risk of default and transactions are settled or paid for only upon delivery.

Exposure to credit risk

The maximum exposure to credit risk as at 30 June 2020 was as follows:

	June 30, 2020		June 30, 2019	
	Balance as per the Statement of Asset and Liabilities	Maximum exposure	Balance as per the Statement of Asset and Liabilities	Maximum exposure
	----- (Rupees) -----		----- (Rupees) -----	
Bank balances (including profit due)	39,384,015	39,384,015	41,204,569	41,204,569
Investments (including profit due)	110,273,088	17,589,075	95,437,330	9,751,481
Dividend receivable	2,846	2,846	240,543	240,543
Deposits	2,600,000	2,600,000	2,600,000	2,600,000
	<u>152,259,949</u>	<u>59,575,936</u>	<u>139,482,442</u>	<u>53,796,593</u>

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in equity securities of Rs. 92.68 million (2019: Equity securities Rs. 85.69 million) do not carry credit risk.

Bank balances

The Fund's cash and cash equivalents at 30 June 2020 with banks had following credit ratings:

Rating	2020		2019	
	(Rupees)		(%)	
AA+	1,342,797	3,914,755	3.41	9.50
AA	37,978,967	8,878	96.43	0.02
AA-	-	-	0.00	0.00
A+	22,305	37,189,278	0.06	90.26
Other*	39,946	91,659	0.10	0.22
Total balance including profit due	<u>39,384,015</u>	<u>41,204,569</u>	<u>100.00</u>	<u>100.00</u>

Above rates are on the basis of available ratings assigned by PACRA and VIS.

* The reported balance is in Habib Bank AG Zurich Switzerland. Rating of the bank is not available, however, the management consider that this is a reputable bank of good credit standing.



Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2020		2019	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks (including profit due)	39,384,015	66.11	41,204,569	76.59
Fertilizers - sukuk certificates	7,837,331	13.16	9,751,481	18.13
Power generation & distribution - commercial papers	9,751,744	16.37	-	-
National Clearing Company of Pakistan Limited	2,500,000	4.20	2,500,000	4.65
Central Depository Company of Pakistan Limited - security deposit	100,000	0.17	100,000	0.19
Oil and Gas sector - Dividend receivable	2,846	0.00	240,543	0.45
	59,575,936	100.00	53,796,593	100.00

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2020

Settlement risk

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

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

19.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market



conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six working days from the date of the redemption request.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings. In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request 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.

Maturity analysis for financial liabilities

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	2020	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	39,133	39,133
Remuneration payable to the Trustee	62,590	62,590
Accrued expenses and other liabilities *	723,164	723,164
	824,887	824,887
Unit holders' fund	150,251,285	150,251,285
	2019	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	148,451	148,451
Remuneration payable to the Trustee	72,754	72,754
Accrued expenses and other liabilities *	416,081	416,081
	637,286	637,286
Unit holders' fund	109,606,499	109,606,499

*excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, annual Fee payable to the Securities and Exchange of Pakistan and Sindh Sales Tax payable on Management Company's remuneration.

Above financial liabilities do not carry any mark-up.

19.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to currency risk, interest rate risk and equity price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has a bank balance in foreign currency exposed to foreign exchange risk. The Fund has no foreign currency demoniated liability.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

The Fund's total exposure to foreign exchange at June 30 are as follows:

	2020	
	(Rupees)	(USD)
Financial Assets		
Bank balance	39,946	238
On balance sheet gap in foreign currency exposure	39,946	238

	2019	
	(Rupees)	(USD)
Financial Assets		
Bank balance	91,659	573
On balance sheet gap in foreign currency exposure	91,659	573

	Average rates		Balance sheet date rate	
	2020	2019	2020	2018
Rupees / US Dollars	158.24	136.17	168.05	160.05

A five percent strengthening of Pakistani Rupee against US dollar would have decreased the net assets of the fund by Rs. 1,997 (2019: Rs. 4,583). This analysis assumes that all other variables in particular interest rate remain constant. Weakening of Pakistani Rupee by the same percentage would have a vice versa impact.

19.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

Exposure to interest rate risk

The interest rate profile of the Fund's interest-bearing financial instruments is as follows:

	2020	2019
	(Rupees)	
Variable-rate instrument		
Financial assets (bank balances)	38,370,509	40,746,524
Sukuk certificates	7,769,087	9,626,640
	<u>46,139,596</u>	<u>50,373,164</u>

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 0.461 million (2019: Rs. 0.504 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity.

----- June 30, 2020 -----				
Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total
	No later than one month	More than one year (note 7.2)		
	----- Rupees -----			
Financial assets				
Investments - Listed equity securities	-	-	92,684,013	92,684,013
Investments- Sukuks	-	7,769,087	68,244	7,837,331
Dividend receivable	-	-	2,846	2,846
Bank balances (including profit due)	4.5 to 7.0	38,370,509	1,013,506	39,384,015
Receivable against sale of securities	-	-	2,197,465	2,197,465
Deposits	-	-	2,600,000	2,600,000
		<u>38,370,509</u>	<u>7,769,087</u>	<u>98,566,074</u>
			<u>1,013,506</u>	<u>144,705,669</u>
----- June 30, 2019 -----				
Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total
	No later than one month	More than one year (note 7.2)		
	----- Rupees -----			
Financial assets				
Investments - Listed equity securities	-	-	85,685,849	85,685,849
Investments- Sukuks	-	9,626,640	124,841	9,751,481
Dividend receivable	-	-	240,543	240,543
Bank balances (including profit due)	6.0 to 11.0	40,746,524	458,045	41,204,569
Deposits	-	-	2,600,000	2,600,000
		<u>40,746,524</u>	<u>9,626,640</u>	<u>89,109,278</u>
			<u>458,045</u>	<u>139,482,442</u>



19.3.2 Other market price risk

The Fund is exposed to equity price risk i.e. the risk of unfavourable changes in the fair value of equity securities as a result changes in the levels of Pakistan Stock Exchange Index and the value of individual shares, which arises from investments measured at fair value through income statement.

The management of the Fund monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of NBFC regulations. The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund with overall limit of 30% or index weight whichever is higher subject to maximum of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations).

The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. The primary goal of the Fund's investment strategy is to maximise investment returns.

Details of the Fund's investment in industrial / economic sector are given in note 7.1.

Sensitivity analysis - Price risk

In respect of the investments classified as at fair value through profit or loss the impact on income statement and unit holders' fund, to a 5% increase or decrease in the fair values of the investments, would have been an increase or decrease of Rs. 5.02 million (2019: Rs. 4.77 million).

19.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.



19.5 Unit holder's fund risk management

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

19.6 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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



2020							
Carrying amount				Fair Value			
Mandatory at fair value through profit and loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Total	
----- (Rupees) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Listed equity securities	6	92,684,013	-	-	92,684,013	-	92,684,013
Sukuk certificates	6	7,769,087	-	-	7,769,087	7,769,087	7,769,087
		100,453,100	-	-	100,453,100	7,769,087	100,453,100
Financial assets not measured at fair value							
Bank balances - Held at amortized cost	5	-	38,410,455	-	38,410,455	-	-
Commercial papers	6	-	9,751,744	-	9,751,744	-	-
Markup accrued	7	-	1,041,804	-	1,041,804	-	-
Dividend receivable		-	2,846	-	2,846	-	-
Deposits	8	-	2,600,000	-	2,600,000	-	-
Receivable against sale of securities		-	2,197,465	-	2,197,465	-	-
		-	54,004,314	-	54,004,314	-	-
Financial liabilities not measured at fair value							
Payable to the Management Company	9	-	39,133	-	39,133	-	-
Remuneration payable to the Trustee	10	-	62,590	-	62,590	-	-
Accrued expenses and other liabilities	12	-	723,164	-	723,164	-	-
Payable against purchase of investments		-	1,815,455.50	-	1,815,456	-	-
		-	2,640,343	-	2,640,343	-	-
----- (Rupees) -----							
2019							
Carrying amount				Fair Value			
Mandatory at fair value through profit and loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Total	
----- (Rupees) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Listed equity securities	7	85,685,849	-	-	85,685,849	-	85,685,849
Sukuk certificates	7	9,626,640	-	-	9,626,640	9,626,640	9,626,640
		95,312,489	-	-	95,312,489	9,626,640	95,312,489
Financial assets not measured at fair value							
Bank balances - Held at amortized cost	6	-	40,838,183	-	40,838,183	-	-
Markup accrued	8	-	491,227	-	491,227	-	-
Dividend receivable		-	240,543	-	240,543	-	-
Deposits	9	-	2,600,000	-	2,600,000	-	-
		-	44,169,953	-	44,169,953	-	-
Financial liabilities not measured at fair value							
Payable to the Management Company	10	-	148,451	-	148,451	-	-
Remuneration payable to the Trustee	11	-	72,754	-	72,754	-	-
Accrued expenses and other liabilities	13	-	416,081	-	416,081	-	-
		-	637,286	-	637,286	-	-

19.6.1 The Fund has not disclosed the fair values for the financial assets and financial liabilities (other than investments), as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair values.

20. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2019	-	-	-
Receivable against issuance of units	(21,506,335)	-	(21,506,335)
Payable against redemption of units	-	9,766,952	9,766,952
	(21,506,335)	9,766,952	(11,739,383)
Amount received on issuance of units	21,506,335	-	21,506,335
Amount paid on redemption of units	-	(9,766,952)	(9,766,952)
Dividend paid	-	-	-
	21,506,335	(9,766,952)	11,739,383
Closing balance as at 30 June 2020	-	-	-



21. COVID 19 RELATED IMPACT

The coronavirus pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain the economic activity. The Fund's operations were also affected although it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure the safety of employees and smooth and adequate continuation of its business and sound business and risk management procedures. However, the economy had an effect and the Fund also being part of the economy had an impact. Nonetheless, the management is of the view that with improving medical situation and also the economy and its opening up, and is also evident for the significant rise in the PSX index subsequent to the year end, the Fund's performance going forward will improve further so as to support the sustainable performance and the growth of the Fund.

22. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

22.1 Unit holding pattern of the Fund

Category	June 30, 2020		
	No. of unit holders	Investment amount (Rupees)	% of total net asset
Individuals	4	83,560	0.06
Associated Companies and Directors	19	104,382,850	69.47
Banks and DFIs	-	-	-
NBFC's (Management Company)	1	45,330,054	30.17
Retirement Funds	1	454,821	0.30
Other Corporates	-	-	-
Total	25	150,251,285	100.00

Category	June 30, 2019		
	No. of unit holders	Investment amount (Rupees)	% of total net asset
Individuals	5	525,754	0.38
Associated Companies and Directors	20	93,661,410	68.25
Banks and DFIs	-	-	-
NBFC's (Management Company)	1	42,623,503	31.06
Retirement Funds	1	428,252	0.31
Other Corporates	-	-	-
Total	27	137,238,919	100.00



22.2 List of top 10 brokers by percentage of commission paid

Name of Broker	Commission paid (Percentage %)
	2020
BMA Capital Management Limited	12.32%
Ismail Iqbal Securities (Private) Limited	12.00%
Alfalah Securities (Private) Limited	11.65%
Inter Market Securities Limited	10.70%
Topline Securities Limited	10.13%
EFG Hermes Pakistan	10.11%
Arif Habib Limited	10.00%
Foundation Securities (Private) Limited	7.76%
KASB Securities Private Limited	5.58%
Shajar Capital Pakistan (Private) Limited	4.12%
	2019
Foundation Securities (Private) Limited	14.77%
Arif Habib Limited	14.25%
Shajar Capital Pakistan (Private) Limited	11.44%
Alfalah Securities (Private) Limited	9.74%
Inter Market Securities Limited	8.98%
Ismail Iqbal Securities (Private) Limited	8.90%
Topline Securities Limited	8.03%
Elixir Securities Pakistan (Private) Limited	7.32%
BMA Capital Management Limited	7.06%
Taurus Securities Limited	6.01%

22.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani - (Chairman Investment Committee)
- Mr. Kashif Mustafa - (Executive Director & COO)
- Mr. Mustafa O. Pasha - (Chief Investment Officer)
- Mr. Shahbaz Ashraf
- Mr. Uzair Nasir Rasheed
- Mr. Hassan Bin Nasir (Fund Manager)
- Mr. Junaid Arshad
- Mr. Mr. Abdul Samad Khanani

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over twenty years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.



Mr. Lakhani was looking after Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund. Subsequently, Mr. Umair and Mr. Pasha have designated to manage the Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund respectively.

Mr. Kashif Mustafa – Executive Director and COO

Mr. Mustafa has more than twelve years of experience working in the financial markets of Pakistan with local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over twelve years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. He is managing Lakson Tactical Fund.

Mr. Muhammad Shahbaz Ashraf

Mr. Ashraf has approximately 12 years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Uzair Nasir Rasheed - Risk Management Professional

Mr. Uzair Nasir has approximately 4 years of experience and is a risk management professional at Lakson Investments. His responsibility is to ensure Effective & sound management of the various risks in the Investment portfolio. Prior to joining Lakson he was associated with the National Bank of Pakistan as Team Leader, Business Risk Review (BRR). He is a member of ACCA (UK) and a finalist of both CFA & FRM programs.

Mr. Hassan Bin Nasir - Fund Manager

Mr. Hassan Bin Nasir has over eleven years of experience and currently holds positions of Vice President Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is managing the following funds:

- Lakson Income Fund
- Lakson Money Market Fund
- Lakson Asset Allocation Developed Markets Fund

Mr. Junaid Arshad

Mr. Arshad an ACCA member, having over twelve years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules & Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

Mr. Abdul Samad Khanani

Mr. Khanani has over 5 years of experience in equity research. He did his Bachelors in Finance from IoBM in 2014 and is also perusing CFA. Before joining LI, Mr. Khanani was heading the research team at KASB Securities. He also worked at InterMarket Securities (local partner of Tellimer Research) and Fortune Securities.

At Lakson, he is responsible for deriving the overall equity strategy of equity portfolios by working closely with the research team and ensure smooth execution. He is also managing Lakson Equity Fund.

22.4 Directors meeting attendance

2020

Name of directors	Meeting Attended	September 03, 2019	October 22, 2019	February 20, 2020	April 09, 2020
Mr. Iqbal Ali Lakhani	3	✓	X	✓	✓
Mr. Babar Ali Lakhani	4	✓	✓	✓	✓
Mr. Jacques John Vesser	3	✓	X	✓	✓
Mr. Amin Mohammed Lakhani	4	✓	✓	✓	✓
Mr. Jamil Ahmed Mughal	3	✓	X	✓	✓
Ms. Gaithe Ali	4	✓	✓	✓	✓
Ms. Kathleen Kennedy Townsend	3	✓	✓	✓	X
Ms. Roxanne Davies	3	✓	✓	X	✓
		8	5	7	7

22.5 Rating of the Fund and the management company

Details of the ratings of the Fund and the management company are given in note 1.4.

23. GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 19, 2020.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director



Performance Table	FY20	FY19	FY18	FY17	FY16	FY15
Net Assets - Beginning (PKR Mil.)	137	165	178	101	101	167
Net Assets - Ending (PKR Mil.)	150	137	165	178	101	102
Net Asset value per share	83.2873	82.3129	93.7663	101.5686	102.5835	109.4964
Selling Price for units	85.3695	84.3708	96.1105	104.1079	105.1481	112.2339
Repurchase Price for units	83.2873	82.3129	93.7663	101.5686	102.5835	109.4964
Highest Offer Price (PKR)	99.3556	99.6454	106.4014	116.328	117.2329	112.8120
Lowest Offer Price (PKR)	73.2806	83.3407	90.4679	102.1384	105.1008	106.4155
Highest Redemption Price (PKR)	96.9322	97.2150	103.8062	113.4907	114.3735	110.0604
Lowest Redemption Price (PKR)	71.4932	81.3080	88.2613	99.6472	102.5373	102.2883
Beginning NAV - Ex-Div. (PKR)	82.3129	93.7663	101.5686	102.5835	-	-
Interim Distributions (PKR)	5.0000	Nil	Nil	9.8783	11.7546	-
Final Distribution (PKR)	Nil	Nil	Nil	-	-	-
Ending NAV - Ex-Div. (PKR)	83.2873	82.3129	93.7663	100.0000	102.6138	-
Return	7.26%	-12.21%	-7.71%	8.99%	4.42%	4.96%
Net Income / (loss) (PKR Mil.)	10	(21)	(14)	6	-1	2
Income Distribution	8	Nil	Nil	6	5	-
Accumulated Capital Growth	(30)	(32)	(11)	3	3	9
Average Annual return of the Fund						
One Year	7.26%	-12.21%	-7.68%	7.26%	4.42%	4.96%
Two year	-5.84%	-18.96%	0.62%	-2.92%	4.81%	5.84%
Three year	-13.07%	-11.67%	5.06%	-4.37%	5.55%	5.92%
Since inception (October 10, 2011)	23.77%	15.39%	31.45%	2.73%	6.50%	6.75%
Distributions	FY20	FY19	FY18	FY17	FY16	FY15
Interim Distribution	5.0000	Nil	Nil	2.8984	11.7546	Nil
Final Distribution	Nil	Nil	Nil	-	-	Nil
NAV before Distribution	88.2405	Nil	Nil	102.8984	114.3684	Nil
NAV after Distribution	83.2405	Nil	Nil	100.0000	102.6138	Nil
Distribution Date	29-Jun-20	Nil	Nil	19-Sep-16	27-Jun-16	Nil

During FY20

Summary of Actual Proxy voted by CIS:

	Resolutions	For	Against	Abstain*
Number	1	1	-	-
(%ages)		100%	-	-

Note: The proxy voting policy of the Lakson Islamic Tactical Fund is available on the website of Lakson Investments Limited, the Management Company. A detailed information regarding actual proxies voted by the Management Company in respect of the Lakson Islamic Tactical Fund is also available without charge upon request to all unit holders.



A Lakson Group Company

Lakson Investments Limited

Lakson Square, Building No. 2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan
T +92.21 3569.8000
F +92.21 3568.1653

Lakson Investments Limited

(Regulated by the DFSA as a Representative Office)
Level 15, Gate Building
DIFC, P.O. Box 507054
Dubai, U.A.E.
T +971.4 401.9284
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LAKSON ASSET ALLOCATION DEVELOPED MARKETS FUND
Annual Report 2020



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

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==== **Vision** ====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



==== **Mission** ====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3840.0000
Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Ms. Roxanne Davies
Ms. Gaithe Ali
Ms. Kathleen Kennedy Townsend

Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

Audit Committee

Mr. Jacques John Visser - Chairman
Mr. Amin Mohammed Lakhani
Mr. Iqbal Ali Lakhani
Mr. Jamil Ahmed Mughal

Human Resource and Remuneration Committee

Ms. Gaithe Ali - Chairman
Mr. Babar Ali Lakhani
Mr. Iqbal Ali Lakhani

Trustee

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

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road,
Karachi - 75530, Pakistan

Bankers to the Fund

Allied Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Habib Bank AG Zurich
National Bank of Pakistan
United Bank Limited

Legal Adviser

Fazleghani Advocates
F-72/I, Block 8, KDA-5,
Kehkashan, Clifton,
Karachi, Pakistan.

Registrar

Lakson Investments Limited
Lakson Square Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributor

Rabia Fida
BMA Capital Management Limited

Rating

4-Star (One Year)
5-Star (Three Years)
5-Star (Five Years)
Fund Performance Ranking
AM2+ : Asset Manager Rating by PACRA

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

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Asset Allocation Developed Markets Fund ('LAADMF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2020.

Fund Objective

The investment objective of the Fund is to provide long-term capital appreciation by investing in a mix of domestic debt and Developed Markets Securities.

Principal activities

LAADMF is an open-end asset allocation scheme and is listed on Pakistan Stock Exchange Limited. The Scheme is managed using an active investment management style which focuses on an analysis of the macroeconomic factors such as government policies, global economic data, commodities prices and supply/demand dynamics. The Scheme switches exposure between the domestic Government Securities and the Developed Markets securities based on the outlook of the Investments Team of the performance of the Developed Markets. The Scheme may overweight or underweight countries relative to its benchmark for Developed Markets investments, the MSCI World Index. Exposure of the Scheme in the fixed income securities is managed through duration and yield curve management by shifting between different maturities of the Government Securities.

Development and Performance Review

Lakson Asset Allocation Developed Markets Fund generated an absolute return of 1.92% in FY20 as compared to the Benchmark return of 4.70%. The LAADMF has underperformed the benchmark by 2.78%. As of June 30, 2020, 59% of the fund was invested in T-Bills, 17% in PIBs, and remaining 23% in cash.

Earnings Per Unit (EPU)

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 3.8095 per unit (3.8095% of face value of PKR 100/-) amounting to PKR 46.096 million in cash during the year ended June 30, 2020.

Principal Risk and Uncertainties

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

These aforementioned risks could push both the foreign and local investors to liquidate their investments, which may affect the financial market adversely and may affect the Fund's profitability as well.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM2+". The VIS Credit Rating Company Limited has given the one-year performance ranking of "4-Star" and three years & five years performance rankings of "5-Star" to the LAADMF.

Additional Matters:

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.

3. Proper books of accounts of the Fund have been maintained.
4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Fund's ability to continue as a going concern.
8. Key financial data has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. The pattern of unit holding as at June 30, 2020 is given in this Annual Report.
12. A performance table / key financial data is annexed to this annual report.

Significant events during the year - COVID -19

A novel virus (2019-nCoV) was first reported in Wuhan, China on December 31, 2019. The virus causes respiratory illness like SARS but is less fatal. However, given the contagious nature of the virus, WHO declared COVID-19 as a pandemic on March 11, 2020, (the last pandemic was in 2009) when the global confirmed cases were almost 127,000. It has now spread to 215 countries around the world with more than 19.3 million confirmed cases.

With no vaccine and high R-naught (reproduction number) of the virus, initial response by all governments was complete lockdown. However, the economic activity has now started resuming with less travel restrictions as the number of new reported cases declined. IMF Managing Director Kristalina Georgieva expects 2020 to be as bad as in 2009 when the global economy grew by 0.7% in 2009. IMF now expects that the global economy would shrink by 3% this year. IMF also expects slow recovery in 2021 and projects GDP loss of USD 9 trillion cumulatively for 2020 and 2021.

Pakistan has reached its peak in mid-June 2020. Currently total number of confirmed cases has crossed 282k; however, new cases count is down to 782 now with only 18k active cases left. Complete lockdown was placed for the first two months which was later converted into a smart lockdown since end - May. It is further expected to be completely lifted from mid Aug.

External Auditor

The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2021. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2021.

ECONOMY REVIEW

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan

decisively reduced the policy rate by a sharp 625bps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Fixed Income Market Review

GoP raised cumulative PKR13.9tn in T-Bill auctions during FY20 vs. PKR18.5tn in FY19. Flows were supported by strong foreign participation through the Special Convertible Rupee Account (SCRA) in 1HFY20 although followed by an outflow in 2HFY20 due to sharp decline in interest rates. Moreover, SBP's appetite was lower than last year due to expected commencement of monetary easing from early-CY20 where SBP remained averse to locking itself at high interest rates for an extended period (7.0% Policy Rate at the end of Jun'20). Participation also began to lose steam once expectations of a rate cut solidified shifting more towards the longer tenor instruments (12M T-Bills and PIBs). Consequently, yields came off sharply after inverting in 1HFY20. T-Bill yields for 3M, 6M and 12M tenors dropped to 6.85%/6.66% and 6.85% for 3M/6M and 12M tenor from a high of 13.75%/13.94% and 14.25% in Aug'19. Interest rates peaked in 2019 during which time participation in PIB auctions picked up significantly. Bids accepted by SBP rose to PKR2.05tn in FY20 vs. PKR872bn in FY19. Strong participation was witnessed vs. 2019. Cut-off yields dropped to 7.97%, 8.44%, 8.99% and 10.51% for 3YR/5YR/10YR/20YR tenors from 13.70%/13.80%,13.70% at the end of Jun'19.

Developed Market Review

Developed markets also fell by 7.4% YoY. Main fall coming from outbreak of coronavirus and making US and some European countries epicenter. Many countries-imposed lockdowns. Greece, Austria, Singapore, Hong Kong, Spain and UK fell by 26.4%, 24.5%, 22%, 14.4%, 21.4% and 16.9% respectively.

Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on



the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on Behalf of the Board

Chief Executive Officer

Dated: August 19, 2020



Director



لیکسن ایسٹ ایلیکیشن ڈیویڈنڈ مارکیٹس فنڈ
30 جون 2020 کو ختم ہونے والے سال کے لیے
منجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکن ایسٹ ایلیکیشن ڈیویڈنڈ مارکیٹس فنڈ ("LAADMF") یا فنڈ کی منجمنٹ کمپنی 30 جون 2020 کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

فنڈ کا مقصد

لیکسن ایسٹ ایلیکیشن ڈیویڈنڈ مارکیٹس فنڈ کی سرمایہ کاری کا مقصد مختلف طرح کے ملکی قرضوں اور ڈیویڈنڈ مارکیٹس سیکورٹیز میں سرمایہ کاری کرتے ہوئے طویل مدت کے لیے اصل سرمائے کی قدر میں اضافہ کرنا ہے۔

نمایاں سرگرمیاں

LAADMF ایک اوپن اینڈ ایسٹ ایلیکیشن اسکیم ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ اسکیم کو انویسٹمنٹ منجمنٹ کے ایک فعال انداز کو اختیار کرتے ہوئے چلایا جائے گا جس میں بڑے عوامل جیسے حکومتی پالیسیز، بگولہ بل، اکنامک ڈیٹا، کموڈیٹیز کی قیمتیں اور سپلائی / ڈیمانڈ ڈائنامکس کے تجزیوں کو پیش نظر رکھا جائے گا۔ اس اسکیم سے ڈیویڈنڈ گورنمنٹ سیکورٹیز اور ایسی ڈیویڈنڈ مارکیٹس سیکورٹیز کے درمیان تبدیلیوں کے ساتھ سرمایہ کاری کی جاتی ہے، جس کا ڈیویڈنڈ مارکیٹس کی سرمایہ کاری کے منظر نامے اور اپنی انویسٹمنٹ ٹیم کی پیشگوئیوں پر انحصار ہوتا ہے۔ یہ اسکیم ڈیویڈنڈ مارکیٹس کی سرمایہ کاری سے متعلق بیچ مارک MSCI World Index کے حوالے سے متعلق ممالک کو اور ویٹ یا انڈرو ویٹ کر سکتی ہے۔ اسکیم کی سرمایہ کاری کو فکسڈ انکم سیکورٹیز میں اس کی مدت اور yield curve منجمنٹ کے ذریعے مختلف میچورٹیز اور حکومتی سیکورٹیز کے درمیان منتقل کرتے ہوئے منظم کیا جائے گا۔

پیش رفت اور کارکردگی کا جائزہ

LAADMF نے مالی سال 2019ء کے دوران بیچ مارک منافع %4.70 کے مقابلے میں %1.92 کا مطلق منافع حاصل کیا۔ فنڈ نے بیچ مارک کے مقابلے میں %2.78 کم تر کارکردگی کا مظاہرہ کیا ہے۔ 30 جون 2020 کے مطابق فنڈ کا %59 ٹی بلز میں، %17 PIBs میں جبکہ بقیہ %23 کیش میں مختص کیا گیا۔

نی پونٹ آمدنی (EPU)

نی پونٹ آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے تخمینہ شدہ اوسط پونٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔

آمدنی کی تقسیم

چیف ایگزیکٹو آفیسر نے منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کی طرف سے اختیار کے تحت 30 جون 2020 کو ختم ہونے والے سال کے لیے نی پونٹ 3.8095 روپے (100 روپے کی فیس ویلیو کا %3.8095)، کی عبوری نقد تقسیم کا اعلان کیا ہے جس کی مالیت 46.096 ملین روپے بنتی ہے۔



اہم خطرات و خدشات

اقتصادی عدم استحکام، بڑھتا ہوا کرنٹ اکاؤنٹ خسارہ، زرمبادلہ کے کم ہوتے ڈخاثر، توقع سے زیادہ افراط زر، روپے کی قدر میں کمی، یک طرفہ ادو طرفہ قرض فراہم کنندہ انجینئرز، دونوں کی طرف سے توقع سے کم مالی امداد، مزید مالیاتی سختی اور بگڑتے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے ایک خطرہ بنے ہوئے ہیں۔

مذکورہ بالا خطرات غیر ملکی اور مقامی سرمایہ کاروں، دونوں کو اپنی سرمایہ کاریاں تحلیل کرنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات پڑ سکتے ہیں اور فنڈ کی منافع کمانے کی صلاحیت بھی متاثر ہو سکتی ہے۔

ایسٹ فیچر اینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے میجمنٹ کمپنی کی ایسٹ فیچر ریٹنگ "AM2+" پر برقرار رکھی ہے۔ VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے LAADMF کو "14 اسٹار" کی ایک سالہ اور "5 اسٹار" کی تین سالہ اور پانچ سالہ پرفارمنس ریٹنگ دی ہے۔

اضافی معاملات

- 1- میجمنٹ کمپنی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- میجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو ز اور لیونڈ ہولڈرز کے فنڈ میں نقل و حرکت کی تصفحانہ عکاسی کرتے ہیں۔
- 3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے اور شمار یاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (اسٹیمپلیٹڈ اینڈ ریگولیشن) رولز 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینڈ اینٹی بیئر ریگولیشنز، 2008 (NBFC ریگولیشنز)، بیکیو ریٹز اینڈ ایکٹیو کیش آف پاکستان کے جاری کردہ ڈائریکٹرز اور فنڈ کی دستوریت دستاویزات کے تقاضوں کی پیروی کی گئی ہے اور ان کے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
- 6- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 7- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 8- اہم مالیاتی ڈینا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 9- میسجز، یوٹیوز، مجسولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات میجمنٹ کمپنی کی طرف سے برداشت کیے جاتے ہیں۔
- 11- 30-11-2020 کے مطابق لیونڈ ہولڈنگ کا پیٹرن اس سالانہ رپورٹ میں دیا گیا ہے۔
- 12- کارکردگی کی جدول / اہم اقتصادی ڈینا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

سال کے دوران اہم واقعات - کووڈ-19

ایک نوویل وائرس (2019-nCoV) سب سے پہلے 31 دسمبر، 2019 کو ووبان، چین میں رپورٹ ہوا۔ یہ وائرس SARS جیسی سانس کی بیماری کا سبب بنتا ہے لیکن اس سے کم مہلک ہوتا ہے۔ تاہم، وائرس کی متعدد نوعیت کے پیش نظر، ڈیویوٹج اونسے 11 مارچ 2020 کو، کووڈ-19 کو عالمی وبا قرار دیا گیا (گزشینٹ



عالمی دوبارہ 2009 میں پھیلی تھی) جب عالمی سطح پر تصدق شدہ واقعات قریب 127,000 تھے۔ اب یہ دنیا کے 215 ممالک میں پھیل چکا ہے جس کے متاثرین کی تصدق شدہ تعداد 19.3 ملین سے زیادہ ہے۔

دائرس کی کوئی ویکسین نہ ہونے اور بلند R-naught (تولیدی تعداد) کی وجہ سے ہتمام حکومتوں کا ابتدائی رد عمل مکمل طور پر لاک ڈاؤن تھا۔ تاہم، معاشی سرگرمی اب کم سفری پابندیوں کے ساتھ دوبارہ شروع ہو گئی ہے کیونکہ نئے رپورٹ شدہ کیسز کی تعداد میں کمی واقع ہوئی ہے۔ آئی ایم ایف کی ٹینجنگ ڈائریکٹر کرسٹالینا جیواکو توقع ہے کہ 2020 کی صورت حال 2009 جتنی ہی خراب ہوگی جب عالمی معیشت میں 0.7 فیصد اضافہ ہوا تھا۔ آئی ایم ایف کو اب توقع ہے کہ اس سال عالمی معیشت 3 فیصد گھٹ جائے گی۔ آئی ایم ایف نے 2021 میں بھی سب سے بھالی کی توقع اور 2020 اور 2021 کے لیے GDP میں مجموعی طور پر 9 کھرب ڈالر کے نقصان کی پیش گوئی کی ہے۔

جون 2020 کے وسط میں پاکستان اپنی بلند ترین سطح پر پہنچ گیا ہے۔ فی الحال تصدق شدہ کیسز کی مجموعی تعداد 282 ہزار سے تجاوز کر چکی ہے۔ تاہم، نئے معاملات کی کٹنگ اب 782 رہ گئی ہے، جبکہ صرف 18 ہزار فعال کیسز باقی ہیں۔ پہلے دو مہینوں کے لئے مکمل لاک ڈاؤن رکھا گیا تھا جسے بعد میں آخروی سے اسمارٹ لاک ڈاؤن میں تبدیل کر دیا گیا۔ امید ہے کہ اگست کے وسط سے اس کو مکمل طور پر اٹھایا جائے گا۔

بیرونی آڈیٹر

موجودہ آڈیٹر سمیرا KPMG تا شیری ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر 30 جون 2021 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے اپنی رضامندی ظاہر کر دی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لیے سمیرا KPMG تا شیری ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کر دی ہے۔

معاشی جائزہ

سوڈی شرحوں کو 750 بنیادی پوائنٹس (دسمبر 2017 تا جولائی 2019) کے تیز رفتارا اضافے سے 13.25% کرنے کے بعد، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں مارچ 2020 کے وسط سے جون 2020 تک کے دورانیے میں 625 پی ایس تک فیصلہ کن کی کر دی۔ یہی توقع سے کہیں زیادہ تھی جس کے محرکات درج ذیل ہیں:

- (i) کوڈ-19 عالمی وبا سے، جو بالآخر ملک گیر لاک ڈاؤن کا باعث بنی، بیرونی اور گھریلو طلب پر غیر معمولی دباؤ (ii) ایشیائے خورد و نوش کی مقامی قیمتوں میں کمی کے پیش نظر افراط زر کی شرح میں بہتری کی توقع، (iii) اجناس کی عالمی قیمتوں (خاص طور پر تیل) میں کمی اور کم درآمدات جس کے نتیجے میں مئی 2020 میں کرنٹ اکاؤنٹ کے خسارے میں سال بہ سال بنیاد پر 74 فیصد کمی واقع ہوئی۔ مزید برآں، اسٹیٹ بینک نے انٹرنسٹ ریٹ کو بڑھو کر پالیسی ریٹ کے گرد متوازی (پالیسی ریٹ سے 100 بنیادی پوائنٹس اوپر اور نیچے) بنانے کے ذریعے اسے بہترین بین الاقوامی معمولات سے ہم آہنگ بنانے کا اعلان بھی کیا۔
- افراط زر کی شرحیں جنوری 2020 میں 14.6 فیصد تک اضافے کے بعد جون 2020 میں 8.6 فیصد پر آگئیں، (لاک ڈاؤن کے عرصے کے دوران ضروری ایشیا کی مانگ پر افراط زر کے دباؤ کی وجہ سے)۔ تاہم، اجناس کی قیمتوں میں کمی کے ساتھ ساتھ بنیادی اثر (base affect) دوج پزیر ہوا اور اس کے نتیجے میں اعداد و شمار میں کمی آئی جس کے باعث مالی سال 2020 کی NCPI کی اوسط میں 10.8 فیصد تک کمی واقع ہوئی، جو ایس بی پی کی طرف سے مالی سال 2020 کے لیے طے کردہ سی پی آئی کے ہدف 11-12 فیصد سے بھی کم ہے۔ جون 2020 میں پورٹ فولیو کے اخراج میں کافی سست روی رہی اور ایف ڈی آئی مستحکم رہی اور مالی سال 2020 میں 2.4 ارب امریکی ڈالر کے ساتھ مالی سال 2019 کے مقابلے میں دگنی تر ضوں کی واپسی کے باعث جون 2020 کے اختتام پر ایس بی پی کے ذخائر 10 ارب امریکی ڈالر سے کم ہو گئے، اس کے بعد جون 2020 کے آخر میں 12 ارب امریکی ڈالر تک بھالی ہوئی جون 2020 کے دوسرے نصف میں ٹیکسٹائل، ایجنسیوں (ورلڈ بینک، ایس ڈی بی اور ایشیئن انفراسٹرکچر انویسٹمنٹ) کی جانب سے 3 ارب ڈالر کی نئی مالی اعانت کا نتیجہ تھی۔ بینک 2HFY20



میں۔ یہ آئی ایم ایف کے جاری کردہ 1.4 بلین امریکی ریپڈ ٹرانسنگ انٹرومنٹ کے علاوہ ہے جس نے عالمی وبا کے دوران 6 ارب امریکی ڈالر کے آئی ایم ایف پروگرام کو روک دیا ہے۔

ریٹیل بکٹر میں اقتصادی سست روی جاری رہی، کارپوریٹ منافع نمایاں طور پر کم ہوا اور مالی سال 2020 کے پہلے گیارہ ماہ میں لارج اسکیل مینیجنگ (LSM) آؤٹ پٹ میں سال بہ سال بنیاد پر 10.3 فیصد کمی ہوئی، جب کہ لاک ڈاؤنز اب تک برقرار تھے۔ سینٹ کی تریبل، گاڑیوں کی فروخت، خورداک اور ٹیکسٹائل کی برآمدات میں بھی نمایاں کمی دیکھنے میں آئی، اور POL کی فروخت میں کمی بھی جاری رہی۔ کووڈ-19 وائرس کے نتیجے میں خاص طور پر برآمدی شعبے اور چین کے علاوہ دیگر ممالک سے درآمد کرنے والی کمپنیوں کے لئے تجارت میں خلل پڑا ہے۔ توقع کی جاتی ہے کہ مزید کمی بھی ملک گیر لاک ڈاؤن سے LSM میں مزید کمی اور ضروری اشیاء کی قیمتوں میں اضافہ ہوگا۔ ادائیگی کے توازن کے رخ پر، روپے کی قدر میں تیزی سے کمی کے نتیجے میں پاکستان کے کرنٹ اکاؤنٹ خسارے میں نمایاں کمی واقع ہوئی جو گزشتہ سال اسی مدت 13.4 ارب امریکی ڈالر کے مقابلے میں مالی سال 2020 میں 78 فیصد کم ہو کر 2.9 ارب امریکی ڈالر رہ گئی۔ سات ماہ کے وقفے کے بعد، کرنٹ اکاؤنٹ مئی 2020 میں ایک بار پھر (اکتوبر 2019 میں 99 بلین امریکی ڈالر کے اضافے کے بعد) 344 بلین امریکی ڈالر کے اضافے کی طرف تبدیل ہوا لیکن جون 2020 میں 96 بلین امریکی ڈالر کے CAD کے ساتھ منفی ہو گیا۔

فلسفہ اہم مارکیٹ کا جائزہ

حکومت پاکستان نے مالی سال 2019 کے دوران میں 18.5 ٹریلین روپے کے مقابلے میں مجموعی طور پر 13.9 ٹریلین پاکستانی روپے حاصل کیے۔ مالی سال 2020 کے پہلے نصف میں اینٹیل کنورٹبل روپیہ کا کزنٹ (SCRA) کے ذریعہ طاقت و غیر ملکی شراکت سے سرمایے کے بہاؤ کو مدد ملی تاہم سود کی شرحوں میں تیزی سے کمی کے باعث مالی سال 2020 کے پہلے نصف میں سرمایے کا اخراج مزید برآں، موجودہ سال 2020 کے آغاز سے مالیاتی نزی کے متوقع آغاز کی وجہ سے ایس بی پی کی طلب گزشتہ سال کے مقابلے میں کم تھی جہاں ایس بی پی نے خود کو ایک توسیعی مدت کے لئے زیادہ شرح سود پر پابند کرنے سے گریز کیا (جون 2020 کے اختتام پر 7.0 فیصد پالیسی ریٹ)۔

جب شرح میں کمی کی توقعات مستحکم ہوئیں تو سرمایہ کاری کا زور بھی ٹوٹنے لگا اور سرمایہ کاری طویل مدتی تحسکات (T-بلز اور PIBs) کی طرف زیادہ منتقل ہونے لگی۔ اس کے نتیجے میں، مالی سال 2020 کے پہلے نصف میں واپسی کے بعد منافع جات میں تیزی سے کمی آئی۔ T-بلز کے 3 ماہ، 6 ماہ اور 12 ماہ کی مدتوں کے منافع جات اگست 2019 میں 13.94% / 13.75% اور 14.25% بلینڈ سے 3 ماہ، 6 ماہ اور 12 ماہ کی مدتوں کے لیے بالترتیب 6.66%/6.85% اور 6.85% تک گر گئے۔ سود کی شرحوں نے 2019 میں بلند ترین سطح کو چھو لیا جس کے دوران PIB کی نیلامیوں میں نمایاں اضافہ ہوا۔ ایس بی پی کی طرف سے قبول کردہ یولیاں مالی سال 2019 میں 872 ارب روپے کے مقابلے میں مالی سال 2020 میں 2.05 ٹریلین روپے تک بڑھ گئیں۔ 2019 کے مقابلے میں زبردست سرمایہ کاری دیکھی گئی۔ 3 سالہ / 5 سالہ / 10 سالہ / 20 سالہ میعادوں کے لیے حتمی منافع جات جون 2019 کے اختتام پر 13.80%/13.70% اور 13.70% کے مقابلے میں 7.97%، 8.44%، 8.99% اور 10.51% تک گر گئے۔

ڈیویڈنڈ مارکیٹ کا جائزہ

ترقی یافتہ منڈیوں میں بھی سال بہ سال بنیاد پر 7.4% کی کمی واقع ہوئی۔ اس گراؤت کی اہم وجہ کووڈ-19 وائرس کی وبا اور اس کا امریکہ اور کچھ یورپی ممالک کو اپنا مرکز بنانا ہے۔ بہت سے ممالک نے لاک ڈاؤن لاگو کر دیے۔ یونان، آسٹریا، سنگا پور، ہانگ کانگ، اسپین اور برطانیہ بالترتیب 26.4%، 24.5%، 22%، 14.4%، 21.4% اور 16.9% گراؤت کا شکار ہوئے۔



مستقبل کی توقعات

آگے بڑھتے ہوئے توقع ہے کہ لاک ڈاؤن میں زمی، معاون مجموعی معاشی پالیسیوں اور عالمی سطح پر نمونہ میں اضافہ کی مدد سے مالی سال 2021 میں معیشت بہتر بن جائے گی۔ مالی سال 2021 میں جی ڈی پی کی حتمی نمو میں 2.1 فیصد تک اضافے کا امکان ہے۔ بیرونی شعبے کے لیے توقعات مستحکم ہیں، جہاں کثیر جیتی / دو طرفہ آمدنی سے مالی اعانت کے ساتھ، کووڈ-19 بحران کے باعث تیل کی قیمتوں میں کمی کی وجہ سے کریڈٹ کا ڈنٹ خسارہ محدود رہنا چاہیے۔ آئی ایم ایف کے پروگرام کو روک دیا گیا تھا لیکن امکان ہے کہ وہ بحیرہ میں معقولیت اور لاگت کے دباؤ کے لیے ایک اسلوب کا تعین کرے گا۔ مالی صورت حال بدستور کمزور ہے لیکن توقع ہے کہ ٹیکس اصلاحات کی بدولت بہتری آئے گی جن کا مقصد ٹیکس کی وسیع تر بنیاد کے ذریعے ٹیکس محصولات کی پیداوار میں اضافہ کرنا ہے۔ اگرچہ MPC کا مقصد سود کی حتمی شرحوں کو صفر کے قریب رکھنا ہے، اگر افراط زر کی شرحوں کے اعداد و کارخ شمالی سمت رہا تو اس کا نتیجہ مالی پختی کے دور کی توقع سے پہلے واپسی کی صورت میں سامنے آسکتا ہے۔

ایس پی 500 کا جولائی 2020 کے MPC اجلاس کو موخر کرنے کا فیصلہ اشارہ کرتا ہے کہ سود کی شرحیں اپنی چلی ترین سطح کو چھو چکی ہے۔ اس کے ساتھ ساتھ افراط زر کے بلند اعداد و شمار کے نتیجے میں حتمی منافع جات میں مزید اضافہ ہو سکتا ہے۔ ہمارے خیال میں درمیانی مدت میں قلیل مدتی تسکات کی طلب میں اضافہ ہوگا۔ مزید برآں، زرمبادلہ کی شرح میں زیادہ تر اصلاح (جون 2020 کے لیے 93 پر REER) کے حصول کے ساتھ ہر کاری تسکات میں غیر ملکی سرمایے کی آمد میں اضافہ دیکھنے میں آسکتا ہے۔

اٹلہا رٹسکلر

یہ بورڈ اپنے قابل قدر انویسٹرز، سکیورٹیز اینڈ ایکٹیو میجمنٹ آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈیپازٹری کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج لمیٹڈ کا، ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ منجھٹ کمیٹی کے ڈائریکٹرز فنڈ کی ترقی اور دانش مند انداز نظام و انصرام کے لیے منجھٹ کمیٹی کی ٹیم کی محنت اور کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے و مضامین بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

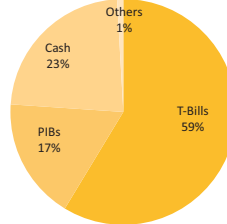
تاریخ: 19 اگست 2020

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

Fund Facts

Fund Type	Open-End
Category	Asset Allocation Fund
Net Assets (PKR Mil.)	1944
NAV (30.06.2020)	149.9987
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	15% of the gross earnings of the Scheme, calculated on a daily basis. The fee is subject to a minimum of 1.25% and maximum of 2% of the average annual net assets of the Scheme. Current - 1.55%
Front End Load	2.50%
Back End Load	None
Launch Date	October 11, 2011
Benchmark	Weighted average daily return of 6M KIBOR and the MSCI World Index based on the Scheme's actual proportion in the debt securities and developed market securities
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (28.Aug.2020)

Asset Allocation



QQQ ETF

As of June 2020

Contry	Exposure
United States	96.8%
China	1.3%
Netherlands	0.6%

VANGUARD S&P 500

As of June 2020

Sectors	Exposure
United States	97.4%
Ireland	1.3%
United Kingdom	0.9%
Switzerland	0.4%

Fund Performance	LAADMF	Benchmark
FY20	1.92%	4.70%
June-20	1.13%	0.64%
2 Months	1.55%	1.32%
3 Months	2.35%	2.11%
6 Months	-3.96%	-1.44%
12 Months	1.92%	4.70%
CY20- YTD	-3.98%	-1.56%
3 Years	36.18%	43.04%
5 Years	60.32%	59.69%
Since Inception	122.78%	136.58%

the benchmark of the fund was changed in September 2016

Investment Committee

Babar Ali Lakhani	Chief Executive Officer
Kashif Mustafa	Executive Director & COO
Mustafa O. Pasha, CFA	Chief Investment Officer
Shahbaz Ashraf, CFA	
Abdul Samad Khanani	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
Uzair Nasir Rasheed	

Investment Objective

The investment objective of the Lakson Asset Allocation Developed Markets Fund ("LAADMF") is to provide long-term capital appreciation by investing in a mix of domestic debt and Developed Markets securities.

The LAADMF achieved its investment objective by investing in a mix of risk free PIBs, T-Bills and Exchange Traded Funds ("ETFs") that tracked the performance of the MSCI World Index. The domestic debt component provides investors with long term capital protection; whereas the international portion aims to provide long term capital appreciation and a powerful currency hedge.

Investment Strategy

The Fund maintained concentration to Developed Market exposure in US markets like the S&P and NASDAQ during the year. The domestic debt component of the LAADMF portfolio was constructed by investing in liquid and risk free instruments like PIBs and T-Bills, which were trimmed at intervals when the market allowed for booking hefty gains. The exposure in T-Bills was managed based on the relative yield analysis of these instruments and our yield curve expectations. High exposure in cash enabled the fund to benefit from lower marked to market volatility, while maintaining liquidity and meeting all its obligations in a timely manner.

As of June 30, 2020, fund was invested in T-Bills (59%), PIBs (17%) and cash (23%).

Economic Review

After raising interest rates by a sharp 750bps (Dec'17 to Jul'19) to 13.25%, the State Bank of Pakistan decisively reduced the policy rate by a sharp 625ps from mid-March'20 to Jun'20 period. This was a substantially higher than expected cut driven by (i) unprecedented pressure on external and domestic demand from the Covid-19 pandemic ultimately leading to nationwide lockdowns, (ii) an improved outlook for inflation in light of decelerating domestic food prices, (iii) downtrend in global commodity prices (particularly oil) and lower imports leading to a 74% yoy reduction in the current account deficit in May'20. Additionally, the SBP also announced aligning of the interest rate corridor with international best practices by making it symmetrical around the policy rate (100bps above and below the policy rate).

Inflation readings for Jun'20 came off to 8.6% after rising to 14.6% in Jan'20, (due to inflationary pressures on rising demand for essential commodities during lockdown period). However, base affect kicked in along with reduction in commodity prices and lowered subsequent readings leading FY20 NCPI average to 10.8%, below the CPI target set by SBP for 11-12% through FY20. Portfolio outflows slowed considerably in June'20 and FDI remained resilient, nearly doubling to US\$2.4bn in FY20 vs. FY19. SBP reserves declined to under US\$10bn mid- June due to debt repayments, before recovering to US\$12bn at the end of Jun'20 led by fresh disbursements from multilateral agencies worth US\$3bn (from World Bank, ADB and Asian Infrastructure Investment Bank) in 2HFY20. This is in addition to US\$1.4bn Rapid Financing Instrument issued by the IMF which put the US\$6bn IMF program on hold during the pandemic. The economic slowdown continued in the real sector, with corporate profitability coming off significantly and Large-Scale Manufacturing ('LSM') output contracting 10.3%yoy in 11MFY20, amid easing lockdowns were still in place. Notable decline was witnessed in cement dispatches, automobile sales, food and textile exports, and POL sales also continued to contract. The COVID-19 virus has resulted in trade disruptions particularly for the export-oriented sectors and for companies importing from countries other than China. Any further country-wide lockdowns are expected to feed into further LSM contraction and rise in prices of essential goods. On the Balance of Payment side, sharp PKR devaluation led a substantial decline in Pakistan's Current Account deficit which narrowed 78% to US\$2.9bn in FY20 vs. US\$13.4bn in the SPLY. After a gap of seven months, the current account once again turned to surplus of US\$344mn in May'20 (after US\$99mn surplus in October 2019) but turned negative in June'20 with CAD of US\$96mn.

Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate

correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

The KSE-100 has reversed much of its losses, rising 14%yoy in FY20, where the continuation of economic improvement and containment of Covid-19 outbreak will likely keep market sentiment upbeat. The market cap-to-GDP ratio is still c.15% vs. a long-term average of 21%. We think foreigners will now turn buyers after consecutive selling for 6months in 2HFY20, while cyclical sectors will continue to outperform the broad market.

Developed Markets Review

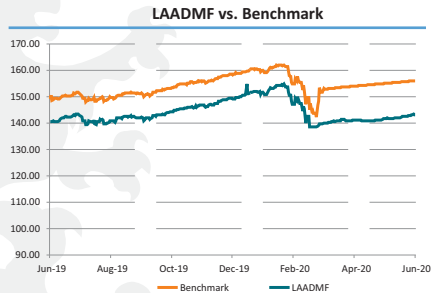
Developed markets also fell by 7.4% YoY. Main fall coming from outbreak of coronavirus and making US and some European countries epicenter. Many countries-imposed lockdowns. Greece, Austria, Singapore, Hong Kong, Spain and UK fell by 26.4%, 24.5%, 22%, 14.4%, 21.4% and 16.9% respectively.

Fund Performance

Lakson Asset Allocation Developed Markets Fund generated an absolute return of 1.92% in FY20 as compared to the Benchmark return of 4.70%. The LAADMF has underperformed the benchmark by 2.78%. As of June 30, 2020, 59% of the fund was invested in T-Bills, 17% in PIBs, and remaining 23% in cash.

Performance Table	FY20	FY19
Net Assets - Beginning (PKR Mil.)	562	278
Net Assets - Ending (PKR Mil.)	1,944	562
Highest Offer Price (PKR)	170.4251	161.3447
Lowest Offer Price (PKR)	152.4028	135.1807
Highest Redemption Price (PKR)	166.2683	157.4094
Lowest Redemption Price (PKR)	148.6856	131.8836
Beginning NAV - Ex-Div. (PKR)	150.9151	134.4997
Interim Distributions (PKR)	3.8095	5.2625
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	149.9987	150.9151
Return	1.92%	18.18%
Net Income / (Loss) (PKR Mil.)	46.00	38.00

Distributions	FY20	FY19
Interim Distribution	3.8095	5.26
Final Distribution	-	-
NAV before Distribution	153.8394	157.4094
NAV after Distribution	150.0299	152.1469
Distribution Date	29-Jun-20	27-Jun-19



Future Outlook

Looking ahead, the economy is expected to recover gradually in FY21, supported by easing lockdowns, supportive macroeconomic policies and a pick-up in global growth. Real GDP growth is projected to rise by 2.1% in FY21. The outlook for the external sector remains stable, where current account deficit should remain subdued through the Covid-19 crisis due to lower oil prices, alongside funding from multilateral/bilateral inflows. The IMF program was put on hold but is likely to set the tone for tariff rationalization and cost pressures ahead. Fiscal position remains weak but is expected to improve on the back of tax reforms aimed to increase tax revenue generation through a wider tax base. While the MPC aims to keep real interest rates close to zero, if inflation readings continue northbound, this may lead to an earlier than expected monetary tightening cycle.

SBP's decision to defer July'20 MPC meeting indicatively signals that interest rates have bottomed. This coupled with higher inflation readings may cause cut off yields to rise further. We think demand for short term instruments will rise in the medium term. Moreover, with bulk of the exchange rate correction achieved (REER at 93 for June'20), a surge in foreign inflows may be witnessed into Government treasuries.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 3.8095 per unit (3.8095% of face value of PKR 100/-) amounting to PKR 46.096 million in cash during the year ended June 30, 2020.

Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments to 'AM2+' during FY20.

As of June 30, 2020 the LAADMF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 3.72mn. If the same were not made the NAV per unit of the LAADMF would be higher by PKR 0.2872 and the return of the LAADMF for FY20 would be higher by 0.06%.

Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2020 the LAADMF does not employ any leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	3	125
101 - 500	4	568
501 - 1,000	2	1,586
1,001 - 5,000	3	7,693
5,001 - 10,000	0	-
10,001 - 50,000	8	189,131
50,001 - 100,000	3	189,437
100,001 - 500,000	8	2,042,958
500,001 - 1,000,000	3	2,003,796
1,000,001 - 5,000,000	3	8,527,260
5,000,001 - above	0	-
	37	12,962,555

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON ASSET ALLOCATION DEVELOPED MARKETS 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 Lakson Asset Allocation Developed Markets Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the 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 25, 2020

INDEPENDENT AUDITORS' REPORT
To the Unit holders of Lakson Asset Allocation Developed Markets Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Lakson Asset Allocation and Developed Market Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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.#	Key audit matters	How the matter was addressed in our audit
1	<p>Investments - Valuation of investments</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2020, the Fund has investments classified as "Fair value through profit or loss" amounting to Rs.1,488.65 million in aggregate representing 77% of net assets value of the Fund.</p> <p>We identified valuation of investments as a key audit matter because of its significance in relation to the net asset value of the fund.</p>	<p>Our audit procedures included the following</p> <ul style="list-style-type: none"> - obtaining an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and - assessing, on a sample basis, whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP).

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 auditors' 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to 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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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

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

The engagement partner responsible on the audit resulting in this independent auditor's report is Aryn Pirani.

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

**Statement of Assets and Liabilities
As at June 30, 2020**

	Note	2020 (Rupees)	2019
Assets			
Bank balances	5	455,467,033	345,797,093
Investments	6	1,488,648,191	224,526,020
Dividend receivable		-	631,812
Accrued mark-up and other receivables	7	<u>13,396,341</u>	<u>495,291</u>
Total assets		1,957,511,565	571,450,216
Liabilities			
Payable to the Management Company	8	7,610,264	5,658,676
Remuneration payable to the Trustee	9	272,166	197,535
Annual fee payable to Securities and Exchange Commission of Pakistan	10	183,202	320,403
Accrued expenses and other liabilities	11	<u>5,079,112</u>	<u>2,975,288</u>
Total liabilities		13,144,744	9,151,902
Contingencies and commitments	13		
Net assets		<u>1,944,366,821</u>	<u>562,298,314</u>
Unit holders' fund (as per attached statement)		<u>1,944,366,821</u>	<u>562,298,314</u>
		(Number)	
Number of units in issue	14	<u>12,962,555</u>	<u>3,725,923</u>
		(Rupees)	
Net assets value per unit		<u>149.9987</u>	<u>150.9151</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Income Statement
For the year ended June 30, 2020

	2020	2019
Note	(Rupees)	
Income		
Capital (loss) / gain on sale of investments held at fair value through profit or loss - net	(23,513,574)	(86,452)
Unrealized gain on revaluation of investments at fair value through profit or loss - net	<u>16,973,865</u>	<u>49,323,080</u>
	<u>(6,539,709)</u>	<u>49,236,628</u>
Dividend income on investments at fair value through profit or loss	1,186,661	1,609,226
Markup on bank balances - at amortised cost	19,273,619	7,928,087
Markup on Government securities (at fair value through profit or loss)	53,075,289	12,158,645
Exchange gain on foreign currency deposits - at amortised cost	<u>12,860,016</u>	<u>5,696,700</u>
	<u>79,855,875</u>	<u>76,629,284</u>
Expenses		
Remuneration of the Management Company	8.1 <u>13,985,170</u>	<u>5,217,485</u>
Sindh Sales Tax on remuneration of the Management Company	8.2 <u>1,818,072</u>	<u>678,273</u>
Remuneration of the Trustee	9 <u>1,839,918</u>	<u>860,277</u>
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	10 <u>183,227</u>	<u>320,404</u>
Auditors' remuneration	15 <u>258,875</u>	<u>289,101</u>
Custody charges	<u>492,769</u>	<u>263,723</u>
Fees and subscription	<u>535,000</u>	<u>1,038,700</u>
Credit rating fee	<u>190,000</u>	<u>210,663</u>
Printing charges	<u>13,560</u>	<u>16,235</u>
Brokerage, settlement and bank charges	<u>1,348,485</u>	<u>325,442</u>
SECP supervisory fee	<u>2,500</u>	<u>2,500</u>
Total expenses	<u>20,667,576</u>	<u>9,222,803</u>
Net income from operating activities	<u>59,188,299</u>	<u>67,406,481</u>
Provision for Sindh workers' welfare fund (SWWF)	11.1 <u>(1,183,766)</u>	<u>(1,348,130)</u>
Net income for the year before taxation	<u>58,004,533</u>	<u>66,058,352</u>
Taxation	16 <u>-</u>	<u>-</u>
Net income for the year after taxation	<u>58,004,533</u>	<u>66,058,352</u>
Allocation of net income for the year		
Net income for the year after taxation	<u>58,004,533</u>	<u>66,058,353</u>
Income already paid on units redeemed	<u>(12,312,474)</u>	<u>(28,294,486)</u>
	<u>45,692,059</u>	<u>37,763,867</u>
Accounting income available for distribution		
- Relating to capital gains - net	-	28,668,381
- Excluding capital gains	<u>45,692,059</u>	<u>9,095,486</u>
	<u>45,692,059</u>	<u>37,763,867</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Comprehensive Income
For the year ended June 30, 2020**

	2020	2019
	(Rupees)	
Net income for the year after taxation	58,004,533	66,058,352
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>58,004,533</u>	<u>66,058,352</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement Of Movement in Unit Holders' Fund
For the year ended June 30, 2020**

	Year ended 2020		Year ended 2019			
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year	486,339,263	75,959,051	562,298,314	229,044,147	48,970,363	278,014,510
Issuance of 11,078,866 units (2019: 3,627,197 units) including additional units 14,727 issued at nil value as capital refund	1,670,702,709	-	1,670,702,709	547,398,798	-	547,398,798
- Capital value	(8,886,225)	-	(8,886,225)	(5,162,586)	-	(5,162,586)
- Element of loss	1,661,816,484	-	1,661,816,484	542,236,212	-	542,236,212
Total proceeds on issuance of units						
Redemption of 1,941,276 units (2019: 1,968,301 units)						
- Capital value	(75,403,082)	-	(75,403,082)	(297,046,342)	-	(297,046,342)
- Element of loss	(1,731,129)	(12,312,474)	(14,043,603)	25,600,306	(28,294,486)	(2,694,179)
Total payments on redemption of units	(77,134,211)	(12,312,474)	(89,446,685)	(271,446,036)	(28,294,486)	(299,740,522)
Final distribution during the year is Rs. nil per unit (2019: Rs. 2,3801 per unit for the year ended 30 June 2018 on 03 July 2018)	-	-	-	(3,325,105)	(1,962,053)	(5,287,158)
Interim cash distribution during the year is Rs. 3,8095 per unit on 29 June 2020 (2019: Rs. 5,2625 per unit on 27 June 2019)	(2,209,471)	(46,096,354)	(48,305,825)	(10,169,955)	(8,813,125)	(18,983,081)
Total comprehensive income for the year	-	58,004,533	58,004,533	-	66,058,353	66,058,353
Net assets as at end of the year	1,868,812,065	75,554,756	1,944,366,821	486,339,263	75,959,051	562,298,314
Undistributed income brought forward:						
- Realised income at the beginning of the year	43,867,221			38,428,117		
- Unrealised income at the beginning of the year	32,091,829			10,542,246		
Accounting income available for distribution:	75,959,051			48,970,363		
Relating to capital gains						
Excluding capital gains	45,692,059			28,668,381		
	45,692,059			9,095,485		
				3,783,867		
Final distribution during the year is Rs. nil per unit (2019: Rs. 2,3801 per unit for the year ended 30 June 2018 on 03 July 2018)	-	-	-	(1,962,053)	-	-
Interim cash distribution during the year is Rs. 3,8095 per unit on 29 June 2020 (2019: Rs. 5,2625 per unit on 27 June 2019)	(46,096,354)			(8,813,125)		
Undistributed income at end of the year	75,554,756			75,959,051		
Represented by:						
- Realised income at the end of the year	58,580,892			43,867,222		
- Unrealised income at the end of the year	16,973,865			32,091,829		
Undistributed income at end of the year	75,554,756			75,959,051		
Net assets value per unit at beginning of the year		150.9151				134.4997
Net assets value per unit at end of the year		149.9987				150.9151

The annexed notes from 1 to 22 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Cash Flow
For the year ended June 30, 2020**

	2020	2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	58,004,533	66,058,353
Adjustments for:		
Unrealized gain on revaluation of investments at fair value through profit or loss - net	(16,973,865)	(49,323,080)
Dividend income on investments at fair value through profit or loss	(1,186,661)	(1,609,226)
Markup on bank balances and Government securities - at amortized cost	(72,348,907)	(20,086,732)
	(32,504,900)	(4,960,684)
(Increase) / decrease in assets		
Investments	(1,247,148,306)	(75,012,340)
Prepayment	(332,632)	(167,587)
	(1,247,480,938)	(75,179,927)
Increase / (decrease) in liabilities		
Payable to the Management Company	1,951,588	447,432
Remuneration payable to the Trustee	74,631	132,519
Annual fee payable to Securities and Exchange Commission of Pakistan	(137,201)	78,266
Accrued expenses and other liabilities	2,103,824	1,389,784
	3,992,842	2,048,001
Dividend income received on investment at fair value through profit or loss	1,818,472	1,248,925
Markup received on bank balances and Government securities - at amortized cost	59,935,740	20,099,069
Net cash flows from operating activities	(1,214,238,784)	(56,744,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units (net of re-investment)	1,659,607,013	528,741,152
Payments on redemption of units	(289,446,685)	(299,740,522)
Distribution to unit holders' in cash	(46,096,354)	(10,775,179)
Net cash flows from financing activities	1,324,063,974	218,225,452
Net increase in cash and cash equivalents	109,825,190	161,480,834
Cash and cash equivalents at beginning of the year	345,797,093	184,316,259
Cash and cash equivalents at end of the year	455,622,283	345,797,093

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Financial Statements For the year ended June 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The Lakson Asset Allocation Developed Markets Fund (the "Fund") was established under the Trust Deed executed on 30 May 2011 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on 7 July 2011 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2 The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore, while the head office is in the Lakson Square Building No. 2, Karachi.
- 1.3 The Fund is an open end mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Asset Allocation Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and is authorised to invest within the prescribed limit mentioned in the offering document of the fund in Government securities, deposits and foreign currency deposits with local or foreign banks etc. in Pakistan. Further, as allowed by SECP and State Bank of Pakistan, the Fund can invest abroad up to 30% of the aggregated funds mobilized (including foreign currency funds) subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities / debt with exposure in the commodities, index tracker funds tracking different commodities indices, actively managed commodities based funds, equities and debt securities of companies with exposure in commodities, future contracts of different commodities and foreign currency deposits etc.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

- 1.4 Pakistan Credit Rating Company Limited (PACRA) has maintained the rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) vide its report dated 29 August 2019 (2019: AM2+ as on 27 February 2019).

On 30 June 2020, VIS assigned following rankings to the Fund based on the performance review for the period ended 31 December 2019:

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investments which are measured at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency. All amount have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) classification of financial assets (Note 4.1.1)
- (b) impairment of financial assets (Note 4.1.5)
- (c) provisions (Note 4.8)
- (d) element of income (Note 4.6)

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input

and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The entities may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS standards 2018-2020:

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 1 June 2020 and are 'not likely to have an impact on Fund's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and debt securities. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.1.3 Initial recognition and measurement

Financial assets 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 expensed in the income statement.

4.1.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

4.1.5 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortised costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

4.1.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.1.7 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.

4.1.8 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.1.9 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

4.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3 Issue and redemption of units

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

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

4.4 Net assets value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

4.5 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

4.6 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

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 same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.8 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.9 Dividend distribution

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.10 Other assets

Other assets are stated at cost less impairment losses, if any.

4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the conversion of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the income statement.

4.12 Earnings per unit (EPU)

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

5. BANK BALANCES	Note	2020	2019
		(Rupees)	
Local currency			
Current accounts		8,503	7,874
Profit and loss sharing accounts	5.1	16,774,169	344,816,406
Foreign currency			
In current account	5.2	438,684,361	972,814
		<u>455,467,033</u>	<u>345,797,093</u>

5.1 These carry mark-up rates ranging from 6.00% to 8.75% (30 June 2019: from 4.00% to 13.20%) per annum.

5.2 This represents USD denominated current account maintained in a foreign country amounting to USD 2,610,430 (2019: USD 6,078).

6. INVESTMENTS

Note **2020** **2019**
(Rupees)

At fair value through profit or loss

Government Securities

- Market Treasury Bills

- Pakistan Investment Bonds

Exchange Traded Funds (foreign investments)

6.1	1,148,352,541	-
6.2	340,295,650	-
	-	224,526,020
	1,488,648,191	224,526,020
	1,488,648,191	224,526,020

6.1 Government securities - Market Treasury Bills - at fair value through profit or loss

Name of Investee Company	Date of Maturity	Holding as at 01 July 2019	Purchases during the period	Disposed / matured during the period*	Holding as at 30 June 2020	Carrying value as of the year ended 30 June 2020 before revaluation	Market value as of the year ended 30 June 2020 (After revaluation)	Unrealised gain	Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)
6 month Treasury Bills	24-Sep-20	-	3,750,000	-	3,750,000	365,744,691	368,908,875	3,164,184	24.78%	18.97%
6 month Treasury Bills	05-Nov-20	-	1,915,000	-	1,915,000	186,469,665	186,914,916	445,250	12.56%	9.61%
12 month Treasury Bills	25-Mar-21	-	3,750,000	-	3,750,000	348,544,169	356,609,250	8,065,081	23.96%	18.34%
12 month Treasury Bills	06-May-21	-	2,500,000	-	2,500,000	235,361,125	235,919,500	558,375	15.85%	12.13%
3 month Treasury Bills	21-Nov-19	-	4,000,000	4,000,000*	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	10-Oct-19	-	4,080,000	4,080,000*	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	24-Oct-19	-	4,050,000	4,050,000*	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	07-Nov-19	-	4,000,000	4,000,000*	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	26-Mar-20	-	1,945,000	1,945,000*	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	12-Mar-20	-	2,149,000	2,149,000*	-	-	-	-	0.00%	0.00%
6 month Treasury Bills	07-May-20	-	4,415,000	4,415,000*	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	15-Aug-19	-	3,370,000	3,370,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	07-Nov-19	-	3,500,000	3,500,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	07-Nov-19	-	2,600,000	2,600,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	07-Nov-19	-	1,970,000	1,970,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	24-Oct-19	-	4,100,000	4,100,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	02-Jan-20	-	4,260,000	4,260,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	09-Apr-20	-	2,000,000	2,000,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	09-Apr-20	-	1,950,000	1,950,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	09-Apr-20	-	170,000	170,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	26-Mar-20	-	2,135,000	2,135,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	12-Mar-20	-	2,280,000	2,280,000	-	-	-	-	0.00%	0.00%
3 month Treasury Bills	30-Jan-20	-	2,285,000	2,285,000	-	-	-	-	0.00%	0.00%
6 month Treasury Bills	16-Jan-20	-	4,210,000	4,210,000	-	-	-	-	0.00%	0.00%
12 month Treasury Bills	27-Aug-20	-	970,000	970,000	-	-	-	-	0.00%	0.00%
12 month Treasury Bills	10-Sep-20	-	700,000	700,000	-	-	-	-	0.00%	0.00%
Total as at 30 June 2020						1,136,119,651	1,148,352,541	12,232,890	77.14%	59.06%
Cost as at 30 June 2020						1,136,119,651				
Total as at 30 June 2019										
Cost as at 30 June 2019										

6.2 Government securities - Pakistan Investment Bonds - at fair value through profit or loss

Name of Investee Company	Date of Maturity	Holding as at 01 July 2019	Purchases during the period	Disposed / matured during the period	Holding as at 30 June 2020	Carrying value as of the year ended 30 June 2020 before revaluation	Market value as of the year ended 30 June 2020 (After revaluation)	Unrealised gain	Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)
3 years Pakistan Investment Bond 6.2.1	19-Sep-22	-	1,750,000	-	1,750,000	178,788,638	180,750,150	1,961,512	12.14%	9.30%
5 years Pakistan Investment Bond 6.2.2	19-Sep-24	-	1,000,000	-	1,000,000	103,523,738	105,227,600	1,703,862	7.07%	5.41%
10 years Pakistan Investment Bond 6.2.3	19-Sep-29	-	500,000	-	500,000	53,152,162	54,317,900	1,165,738	3.65%	2.79%
Total as at 30 June 2020						335,464,539	340,295,650	4,831,111	22.86%	17.50%
Cost as at 30 June 2020						336,077,725				
Total as at 30 June 2019										
Cost as at 30 June 2019										



- 6.2.1 This represents investments in 3 years Pakistan Investment Bond carrying an effective profit rate of 7.85% and having maturity on 19 September 2022. The face value of Pakistan Investment Bond as at 30 June 2020 amounted to Rs. 175 million.
- 6.2.2 This represents investments in 5 years Pakistan Investment Bond carrying an effective profit rate of 8.28% and having maturity on 19 September 2024. The face value of Pakistan Investment Bond as at 30 June 2020 amounted to Rs. 100 million.
- 6.2.3 This represents investments in 10 years Pakistan Investment Bond carrying an effective profit rate of 8.98% and having maturity on 19 September 2029. The face value of Pakistan Investment Bond as at 30 June 2020 amounted to Rs. 50 million.

6.3 Exchange Traded Funds (foreign investment) - at fair value through profit or loss

Name of Investee Company	Holding as at 01 July 2019	Purchases during the period	Disposed / matured during the period	Market value as at 30 June 2020	Carrying value as of the year ended 30 June 2020 before revaluation	Market value as of the year ended 30 June 2020 (After revaluation)	Unrealised gain	Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)
	(Number of Certificates)			(Rupees)				%	
Powershares QQQ Trust Series 1 (7.3.1)	3,780	-	3,780	-	-	-	-	0.00%	0.00%
Vanguard Funds Plc Vanguard S&P 700	12,525	-	12,525	-	-	-	-	0.00%	0.00%
Total as at 30 June 2020								0.00%	0.00%
Cost as at 30 June 2020									
Total as at 30 June 2019					175,202,939	224,526,020	49,323,081		
Cost as at 30 June 2019					61,525,529				

2020
Note (Rupees) 2019

7. ACCRUED MARK-UP AND OTHER RECEIVABLES

Markup Receivable on:

- Profit and loss sharing bank balances	4,347,209	327,704
- Pakistan Investment Bonds	8,548,913	-
Advance income tax	500,219	167,587
	<u>13,396,341</u>	<u>495,291</u>

8. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	8.1	2,463,722	736,652
Sales tax payable on remuneration to the Management Company	8.2	959,173	734,655
Federal excise duty payable on remuneration to the Management Company	8.3	4,184,410	4,184,410
Sales load payable to the Management Company		2,959	2,959
		<u>7,610,264</u>	<u>5,658,676</u>

- 8.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 2% per annum of the average annual net assets of the Fund. However, the Management Company is currently charging fee at 15% of the gross earnings of the scheme for the year ended 30 June 2020. The fee is subject to a minimum of 1.25% and maximum of 2% of the average annual net assets of the Fund. The effective management fee rate for the year ended 30 June 2020 is 1.53% of the average net assets. Remuneration is paid to the Management company in arrears on a monthly basis.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (till 30 June 2019: 13%) on Management Company's remuneration. Above liability includes Rs. 638,891 (2019: Rs. 638,891) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 9.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.05 (30 June 2019: Re. 0.17) per unit. This amount is payable to the management company for the onwards payment to the government

8.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period up to 30 June 2016 aggregating to Rs. 4.184 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2020 would have been higher by Rs. 0.32 (30 June 2019: Rs. 1.12) per unit.

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

9. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed as follows:

- Net assets ranging from Rs. 1 million to Rs. 1 billion	0.20% per annum of the daily average net assets of the Fund.
- Net assets exceeding Rs. 1 billion	0.10% per annum of the daily average net assets of the Fund exceeding Rs. 1 billion.

The remuneration is paid to the trustee in arrears on monthly basis.

10. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.02% of the average daily net assets of the Fund.

		2020	2019
		(Rupees)	
11.	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Sindh Workers' Welfare Fund	11.1 3,722,480	2,538,715
	Withholding tax payable	-	52,604
	Auditors' remuneration	199,493	194,656
	Custody fee payable	263,740	46,064
	Rating fee payable	307,950	117,950
	Dividend payable	3,112	-
	Professional tax payable	383,300	-
	Other charges payable	199,037	25,299
		<u>5,079,112</u>	<u>2,975,288</u>

- 11.1 Provision for Sindh Workers' Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in the definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from 01 July 2014).

Total provision for SWWF till 30 June 2020 is Rs. 3.722 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.28 (2019: Re. 0.68 per unit.)

12. TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, require that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2020 is 2.39% which includes 0.37% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc). As per the NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 4.5% (excluding the government levies).

13. CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the period end except as those mentioned elsewhere in these financial statements elsewhere.

		2020	2019
		(Number)	
14.	NUMBER OF UNITS IN ISSUE		
	Total outstanding as of 1 July	3,725,923	2,067,026
	Issued during the year	14.1 11,078,910	3,627,197
	Redemptions during the year	14.2 (1,842,278)	(1,968,301)
	Total units in issue as of 30 June	<u>12,962,555</u>	<u>3,725,923</u>

- 14.1 Includes 10.58 million (2019: 0.99 million) units on the conversion of units from the related funds.

14.2 Includes 1.66 million (2019: 0.2 million) units on the conversion of units to the related funds.

	Note	2020 (Rupees)	2019
15. AUDITORS' REMUNERATION			
Annual audit fee		150,000	150,000
Fee for the review of half yearly financial statements		52,500	52,500
Report on the statement of compliance for foreign investment agreed upon procedures		20,000	35,000
Out of pocket and sales tax expenses		36,375	51,601
		<u>258,875</u>	<u>289,101</u>

16. TAXATION

16.1 The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

16.2 During the year ended 30 June 2014, FBR had issued show cause notices to the Fund under section 122(9) for proceeding u/s 122(5A) of the Income Tax Ordinance, 2001 for the amendment of assessment on the grounds that exemption from tax claimed under clause 99 of Part-I of the Second Schedule is not as per law. Total tax including Workers' Welfare Fund payable as per the amended assessment is Rs. 7.203 million and Rs 19.001 million for the tax years 2012 and 2013 respectively. A suit has been in the High Court of Sindh for declaration and permanent injunction for which a stay order has been granted by the Sindh High Court. The management expects a favourable outcome and, accordingly, no provision has been recorded in respect of this matter.

17. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Habib Bank AG Zurich Switzerland being the Custodian, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company and the holding company, key management personnel, other funds being managed by the Management Company and entities having holding 10% or more in the units of the Fund as at 30 June 2020. It also includes staff retirement funds of the above related parties / connected persons.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

17.1 Details of balance with related parties / connected persons at the year end

	2020	2019
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty amounting to Rs. 5.144 million (2019: Rs. 4.919 million)) * 17.3	<u>7,607,305</u>	<u>5,655,717</u>
Sales load payable	<u>2,959</u>	<u>2,959</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable (including Sindh Sales tax of Rs. 31,311 (2019: Rs. 22,725))* 17.3	<u>272,166</u>	<u>197,535</u>
Habib Bank AG Zurich - Custodian		
Bank Deposits	<u>438,684,361</u>	<u>972,814</u>
Custodian fee payable	<u>263,740</u>	<u>38,953</u>

* Sales tax is paid / payable to the management company for onwards payment to the Government.

17.2 Details of transaction with related parties / connected persons during the year

Lakson Investments Limited - Management Company of the Fund		
Remuneration for the year	<u>13,985,170</u>	<u>5,217,485</u>
Sindh sales tax on remuneration of Management Company * 17.3	<u>1,818,072</u>	<u>678,273</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year (including Sindh Sales tax of Rs. 211,672 (2019: 98.970))* 17.3	<u>1,839,918</u>	<u>860,277</u>
Habib Bank AG Zurich - Custodian		
Brokerage and settlement charges	<u>217,191</u>	<u>217,191</u>
Custody charges	<u>492,769</u>	<u>250,463</u>
Directors, Chief Executive and their spouse and minors		
Dividend paid	<u>39,668,521</u>	<u>5,462,444</u>
Lakson Investments Limited		
Dividend paid	<u>-</u>	<u>7,500,697</u>
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>4,299</u>	<u>8,299</u>

	2020	2019
Lakson Investments Limited - Employees Contributory Provident Fund Trust	(Rupees)	
Dividend paid	<u>20</u>	<u>22,429</u>
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>479</u>	<u>437,999</u>
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>203,662</u>	<u>312,640</u>
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>1,417,200</u>	<u>1,899,441</u>
Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund		
Dividend paid	<u>1,200,953</u>	<u>1,847,771</u>
Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>521,127</u>	<u>793,159</u>
Accuracy Surgicals Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>216</u>	<u>206,754</u>
Merit Packaging Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>214,777</u>	<u>334,559</u>
Merit Packaging Limited - Employees Gratuity Fund		
Dividend paid	<u>88,894</u>	<u>137,983</u>
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>1,349,807</u>	<u>2,085,458</u>
Century Paper & Board Mills Limited - Employees Gratuity Fund		
Dividend paid	<u>1,093,268</u>	<u>1,686,289</u>
Century Insurance Company Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>106,952</u>	<u>145,314</u>
Sybird Private Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>198</u>	<u>157,586</u>

	2020	2019
Century Insurance Company Limited - Employees Gratuity Fund	(Rupees)	
Dividend paid	<u>80,542</u>	<u>107,542</u>
Princeton Travels Private Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>-</u>	<u>19,079</u>
Siza Services Private Limited - Employees Contributory Provident Fund Trust		
Dividend paid	<u>61,340</u>	<u>81,902</u>
Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust		
Dividend paid	<u>73</u>	<u>58,460</u>

*Sales tax is paid / payable to the management company for onwards payment to the Government.





17.3 Details of units held, issued and redeemed by the related parties / connected persons.

	Year ended June 30, 2020						Balance at the year end 30 on June 2020 (Investment at current NAV)		
	Number of Units			Rupees					
	Number of Units as at July 01, 2019	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2020	Balance as at July 01, 2019	Units issued during the year		Units redeemed during the year	
Directors, Chief Executive and their spouse and minors Other key management/personnel	784,741	10,884,566	10,823	605,284	11,074,845	118,423,204	1,632,620,735	91,987,684	1,661,212,403
	1	-	-	-	1	151	-	-	150
Associated companies / undertakings of the Management Company									
Lakson Investments Limited	1,091,716	-	-	1,091,716	-	164,756,466	-	175,187,038	-
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust	1,129	20	-	-	1,149	170,323	3,009	-	172,297
Lakson Investments Limited - Employees Contributory Provident Fund Trust	3,051	3,051	77	3,051	3,128	460,443	469,425	469,409	469,266
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust	74,904	74,908	1,899	74,905	76,806	11,304,176	11,523,449	11,522,969	11,520,824
SEZ Foods (Private) Limited - Employees Contributory Provident Fund Trust	53,462	1,357	-	-	54,819	8,068,182	203,662	-	8,222,810
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust	372,017	9,446	-	-	381,464	56,143,045	1,417,200	-	57,219,034
Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund	315,252	8,005	-	-	323,257	47,576,259	1,200,953	-	48,488,065
Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust	136,796	3,473	-	-	140,270	20,644,633	521,127	-	21,040,291
Accuracy Surgicals Limited - Employees Contributory Provident Fund Trust	35,060	33,773	856	35,060	34,629	5,291,108	5,195,460	5,395,276	5,194,280
Merit Packaging Limited - Employees Contributory Provident Fund Trust	56,379	1,432	-	-	57,811	8,508,453	214,777	-	8,671,520
Merit Packaging Limited - Employees Gratuity Fund	23,335	593	-	-	23,928	3,521,665	88,894	-	3,589,156
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust	354,326	8,997	-	-	363,323	53,473,171	1,349,807	-	54,497,993
Century Paper & Board Mills Limited - Employees Gratuity Fund	286,986	7,287	-	-	294,273	43,310,503	1,093,268	-	44,140,550
Century Insurance Company Limited - Employees Contributory Provident Fund Trust	28,075	713	-	-	28,788	4,236,949	106,952	-	4,318,150
Sybird Private Limited - Employees Contributory Provident Fund Trust	30,864	30,865	782	30,864	31,648	4,657,880	4,748,153	4,747,985	4,747,119
Princeton Insurance Company Limited - Employees Gratuity Fund	21,142	537	-	-	21,679	3,190,707	80,542	-	3,251,858
Princeton Travels Private Limited - Employees Contributory Provident Fund Trust	3,737	-	-	3,737	-	563,916	-	619,044	-
Siza Services Private Limited - Employees Contributory Provident Fund Trust	16,102	409	-	-	16,511	2,429,994	61,340	-	2,476,565
Hasmali Karahai Foundation - Employees Contributory Provident Fund Trust	11,450	11,450	290	11,450	11,740	1,727,951	1,761,429	1,761,378	1,761,046

	Year ended June 30, 2019							
	Number of Units			Rupees				
	Number of Units as at July 01, 2018	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2019	Balance as at July 01, 2018	Units issued during the year	Units redeemed during the year	Balance at the year end 30 June 2019 (Investment at current NAV)
Directors, Chief Executive and their spouse and minors Other key management personnel	611,427	171,444	1,869	784,741	84,329,563	24,446,600	-	118,429,204
Associated companies / undertakings of the Management Company	-	-	-	1	-	122	-	151
Lakson Investments Limited	816,972	1,283,839	46,719	1,055,814	109,882,469	195,760,925	163,188,017	164,756,466
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust	-	-	-	-	-	-	-	-
Lakson Investments Limited - Employees Contributory Provident Fund Trust	1,073	1,095	53	1,092	144,304	169,244	168,758	170,323
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust	2,899	2,962	141	2,951	389,959	457,789	456,117	460,443
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust	23,793	120,928	2,652	72,469	3,200,191	18,321,236	11,200,897	11,304,176
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust	17,102	35,358	1,002	53,462	2,300,173	5,201,116	-	8,068,182
Colgate Palmolive (Pakistan) Limited - Employees Contributory Provident Fund Trust	-	721,878	11,078	360,939	372,017	108,677,402	55,787,192	56,143,045
Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust	102,609	206,771	5,871	315,252	13,800,921	30,391,409	-	47,576,259
Accuracy Surgicals Limited - Employees Contributory Provident Fund Trust	40,895	93,344	2,557	136,796	5,500,420	13,718,896	-	20,644,633
Merit Packaging Limited - Employees Contributory Provident Fund Trust	11,897	55,816	1,255	33,907	35,060	8,457,882	5,240,786	5,291,108
Merit Packaging Limited - Employees Gratuity Fund Provident Fund Trust	20,076	35,257	1,045	56,379	2,700,247	5,182,674	-	8,508,453
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust	8,105	14,797	433	23,335	1,090,168	2,174,970	-	3,521,665
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust	118,967	228,769	6,591	354,326	16,001,002	33,625,624	-	53,473,171
Century Insurance Company Limited - Employees Contributory Provident Fund Trust	95,174	186,470	5,341	286,986	12,800,936	27,408,009	-	43,310,503
Syrid Private Limited - Employees Contributory Provident Fund Trust	-	27,613	462	28,075	-	3,985,954	-	4,226,949
Century Insurance Company Limited - Employees Gratuity Fund Princeton Travels Private Limited - Employees Contributory Provident Fund Trust	-	59,890	919	29,945	30,864	8,963,572	4,628,357	4,657,880
Sita Services Private Limited - Employees Contributory Provident Fund Trust	-	21,002	351	210	21,142	3,040,103	31,105	3,190,707
Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust	-	7,820	111	4,195	3,737	1,166,749	645,214	563,916
Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust	-	15,836	266	-	16,102	2,292,022	-	2,429,994
Hasanali Karabhai Foundation - Employees Contributory Provident Fund Trust	-	22,218	341	11,109	11,450	3,322,067	1,716,999	1,727,951

- 17.4 Remuneration payable to the Management Company and the Trustee have been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.
- 17.5 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are at agreed rates.
- 18. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT**

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk (refer note 18.1)
- liquidity risk (refer note 18.2)
- market risk (refer note 18.3)
- Operational Risk (refer note 18.4)

Risk management framework

The Fund's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup based on the limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

18.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and financial institutions, investments in equity traded funds and as a result of dividend receivable on equity securities.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations and guidelines from SECP from time to time. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Credit risk on dividend receivable is minimal due to statutory protection.

Exposure to credit risk

The maximum exposure to credit risk as at 30 June 2020 was as follows:

	2020		2019	
	Balance as per the Statement of Asset and Liabilities	Maximum exposure	Balance as per the Statement of Asset and Liabilities	Maximum exposure
	----- (Rupees) -----		----- (Rupees) -----	
Bank balances (including profit due)	459,814,242	459,814,242	346,124,797	346,124,797
Investments	1,488,648,191	-	224,526,020	224,526,020
Dividend receivable	-	-	631,812	631,812
	<u>1,948,462,433</u>	<u>459,814,242</u>	<u>571,282,629</u>	<u>571,282,629</u>

Bank balances

The Fund's cash and cash equivalents at 30 June 2020 with banks had following credit ratings:

Rating	2020 ----- (Rupees) -----	2019 -----	2020 ----- (%) -----	2019 -----
AAA	19,559,243	830,698	4.25	0.24
AA+	1,570,639	344,321,285	0.34	99.48
Other*	438,684,361	972,814	95.40	0.28
Total balance	<u>459,814,243</u>	<u>346,124,797</u>	<u>100.00</u>	<u>100.00</u>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS.

* The reported balance is in Habib Bank AG Zurich Switzerland. Rating of the bank is not available, however, the management consider that this is a reputable bank of good credit standing.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2020		2019	
	(Rupees)	(%)	(Rupees)	(%)
Bank balances (including profit due)	459,814,242	100.00%	346,124,797	60.59
Exchange Trade Funds - USA	-	0.00%	113,149,759	19.81
Exchange Trade Funds - Ireland	-	0.00%	112,008,072	19.61
	<u>459,814,242</u>	<u>100.00%</u>	<u>571,282,628</u>	<u>100.00</u>

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2020.

Settlement risk

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

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

18.2

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowing were made during the year.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request 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. However, during the period no such option was exercised or considered necessary.

Maturity analysis for financial liabilities

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	2020	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	2,466,681	2,466,681
Remuneration payable to the Trustee	272,166	272,166
Accrued expenses and other liabilities *	1,356,631	1,356,631
	4,095,478	4,095,478
 Unit holders' fund	1,944,366,821	1,944,366,821
	2019	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	739,611	739,611
Remuneration payable to the Trustee	197,535	197,535
Accrued expenses and other liabilities *	383,969	383,969
	1,321,115	1,321,115
 Unit holders' fund	562,298,314	562,298,314

* excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, annual fee payable to the Securities and Exchange Commission of Pakistan and Sindh Sales Tax payable on Management Company's remuneration.

Above financial liabilities do not carry any mark-up.

18.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to currency risk, interest rate risk and equity price risk.

18.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has a bank balance and investments in foreign exchange traded funds which are exposed to foreign exchange risk. The fund has no foreign currency denominated liability.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

The Fund's total exposure to foreign exchange at 30 June are as follows:

	2020	
	(Rupees)	(USD)
Financial Assets		
Bank balance	<u>438,684,361</u>	<u>2,610,430</u>
	2019	
	(Rupees)	(USD)
Financial Assets		
Bank balance	972,814	6,078
Exchange traded funds (foreign investments)	225,157,831	1,406,778
On balance sheet gap in foreign currency exposure	<u>226,130,645</u>	<u>1,412,856</u>

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2020	2019	2020	2019
	Rupees / US Dollars	<u>158.24</u>	<u>136.17</u>	<u>168.05</u>

A five percent strengthening of Pakistani Rupee against US dollar would have decreased the net assets of the fund by Rs. 21.934 million (2019: Rs. 11.307 million). This analysis assumes that all other variables in particular interest rate remain constant. Weakening of Pakistani Rupee by the same percentage would have a vice versa impact.

18.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

Exposure to interest rate risk

The interest rate profile of the Fund's interest-bearing financial instruments is as follows:

	2020	2019
	(Rupees)	
Variable-rate instrument		
Financial assets (Government securities)	340,295,650	-
Financial assets (bank balances)	16,774,169	344,816,406
Total	<u>357,069,819</u>	<u>344,816,406</u>
Cash flow sensitivity analysis for variable rate instruments		

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 3,570,698 (2019: Rs. 3,448,164). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity. None of the other assets and Fund's liabilities are exposed to interest rate risk.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

----- June 30, 2020 -----				
	Interest rate %	Exposed to interest rate risk no later than one month	Not exposed to interest rate risk	Total
Financial assets	Note			
Investments				
-Government Securities				
Bank balances (including profit due)	5.1			
				----- Rupees -----
		-	1,488,648,191	1,488,648,191
		16,774,169	443,040,072	459,814,241
		<u>16,774,169</u>	<u>1,931,688,263</u>	<u>1,948,462,432</u>
----- June 30, 2019 -----				
	Interest rate %	Exposed to interest rate risk no later than one month	Not exposed to interest rate risk	Total
Financial assets	Note			
Investments				
- Exchange Trade Units				
Dividend receivables				
Bank balances (including profit due)	6.1			
				----- Rupees -----
		-	224,526,020	224,526,020
		-	631,812	631,812
		344,816,406	1,308,392	346,124,797
		<u>344,816,406</u>	<u>226,466,223</u>	<u>571,282,629</u>

18.3.3 Market price risk

Price risk is the risk of unfavorable changes in the fair value of Exchange Traded Funds and units of mutual funds as the result of changes in the levels of respective indices and the value of individual securities. This arises from the investment held by the Fund for which prices in the future are uncertain. The Fund is not exposed to price risk.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

18.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

18.5 Unit holder's fund risk management

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

18.6 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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

		2020						
		Carrying amount			Fair Value			
On-balance sheet financial instruments	Note	Mandatory at fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Total
		----- (Rupees) -----						
Financial assets measured at fair value								
Government Securities	7	1,488,648,191	-	-	1,488,648,191	-	1,488,648,191	1,488,648,191
		<u>1,488,648,191</u>	<u>-</u>	<u>-</u>	<u>1,488,648,191</u>	<u>-</u>	<u>1,488,648,191</u>	<u>1,488,648,191</u>
Financial assets not measured at fair value								
Bank balances - Held at amortized cost	6	-	455,467,033	-	455,467,033	-	-	-
Accrued mark-up and other receivables	8	-	12,896,121	-	12,896,121	-	-	-
		<u>-</u>	<u>468,363,154</u>	<u>-</u>	<u>468,363,154</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
Payable to the Management Company	9	-	-	2,466,681	2,466,681	-	-	-
Remuneration payable to the Trustee	10	-	-	272,166	272,166	-	-	-
Accrued expenses and other liabilities	12	-	-	1,356,631	1,356,631	-	-	-
		<u>-</u>	<u>-</u>	<u>4,095,478</u>	<u>4,095,478</u>	<u>-</u>	<u>-</u>	<u>-</u>
		----- (Rupees) -----						
		2019						
		Carrying amount			Fair Value			
On-balance sheet financial instruments	Note	Mandatory at fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Total
		----- (Rupees) -----						
Financial assets measured at fair value								
Exchange traded funds (investments)	7	224,526,020	-	-	224,526,020	224,526,020	-	224,526,020
		<u>224,526,020</u>	<u>-</u>	<u>-</u>	<u>224,526,020</u>	<u>224,526,020</u>	<u>-</u>	<u>224,526,020</u>
Financial assets not measured at fair value								
Bank balances - Held at amortized cost	6	-	345,797,093	-	345,797,093	-	-	-
Dividend receivables		-	631,812	-	631,812	-	-	-
Accrued mark-up and other receivable	8	-	327,704	-	327,704	-	-	-
		<u>-</u>	<u>346,756,609</u>	<u>-</u>	<u>346,756,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
Payable to the Management Company	9	-	-	739,611	739,611	-	-	-
Remuneration payable to the Trustee	10	-	-	197,535	197,535	-	-	-
Accrued expenses and other liabilities	12	-	-	383,969	383,969	-	-	-
		<u>-</u>	<u>-</u>	<u>1,321,115</u>	<u>1,321,115</u>	<u>-</u>	<u>-</u>	<u>-</u>

18.6.1 The Fund has not disclosed the fair values for the financial assets and financial liabilities (other than investments), as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.

19. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Payable against dividend	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----			
Opening balance as at 1 July 2019	-	-	-	-
Receivable against issuance of units	-	(1,659,607,013)	-	(1,659,607,013)
Payable against redemption of units	-	-	289,446,685	289,446,685
Dividend payable	46,096,354	-	-	46,096,354
	<u>46,096,354</u>	<u>(1,659,607,013)</u>	<u>289,446,685</u>	<u>(1,324,063,974)</u>
Amount received on issuance of units	-	1,659,607,013	-	1,659,607,013
Amount paid on redemption of units	-	-	(289,446,685)	(289,446,685)
Dividend paid	(46,096,354)	-	-	(46,096,354)
	<u>(46,096,354)</u>	<u>1,659,607,013</u>	<u>(289,446,685)</u>	<u>1,324,063,974</u>
Closing balance as at 30 June 2020	-	-	-	-

20. COVID 19 RELATED IMPACT

The coronavirus pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain the economic activity. The Fund's operations were also affected although it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure the safety of employees and smooth and adequate continuation of its business and sound business and risk management procedures. However, the economy had an effect and the Fund also being part of the economy had an impact. Nonetheless, the management is of the view that with improving medical situation and also the economy and its opening up, and is also evident for the significant rise in the PSX index subsequent to the year end, the Fund's performance going forward will improve further so as to support the sustainable performance and the growth of the Fund."

21. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

21.1 Unit holding pattern of the Fund

Category	2020		
	No. of unit holders	Investment amount	% of total
	----- (Rupees) -----		
Individuals	14	532,813,602	27.40
Associated Companies and Directors	25	1,411,553,219	72.60
Banks and DFIs	0	-	-
NBFC's (Management Company)	0	-	-
Retirement Funds	0	-	-
Other corporates	0	-	-
	<u>39</u>	<u>1,944,366,821</u>	<u>100.00</u>
Category	2019		
	No. of unit holders	Investment amount	% of total
	----- (Rupees) -----		
Individuals	12	3,833,011	0.68
Associated Companies and Directors	21	393,708,848	70.02
Banks and DFIs	0	-	-
NBFC's (Management Company)	1	164,756,454	29.30
Retirement Funds	0	-	-
Other corporates	0	-	-
	<u>34</u>	<u>562,298,314</u>	<u>100.00</u>

21.2 List of top ten brokers by percentage of commission paid

Broker Name	2020	2019
	Commission paid (Percentage)	
Invest and Finance Securities (Private) Limited	95.70%	2.66%
Continental exchange	1.74%	-
Magenta Capital	1.68%	-
Vector Capital	0.63%	2.51%
Invest One Market Securities (Private) Limited	0.24%	-
Habib Bank AG Zurich	-	94.82%

21.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani - (Chairman Investment Committee)
- Mr. Kashif Mustafa - (Executive Director & COO)
- Mr. Mustafa O. Pasha - (Chief Investment Officer)
- Mr. Shahbaz Ashraf
- Mr. Uzair Nasir Rasheed
- Mr. Hassan Bin Nasir (Fund Manager)
- Mr. Junaid Arshad
- Mr. Mr. Abdul Samad Khanani

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over twenty years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

Mr. Lakhani was looking after Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund. Subsequently, Mr. Umair and Mr. Pasha have designated to manage the Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund respectively.

Mr. Kashif Mustafa – Executive Director and COO

Mr. Mustafa has more than twelve years of experience working in the financial markets of Pakistan with local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over twelve years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. He is managing Lakson Tactical Fund.

Mr. Muhammad Shahbaz Ashraf

Mr. Ashraf has approximately 12 years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Uzair Nasir Rasheed - Risk Management Professional

Mr. Uzair Nasir has approximately 4 years of experience and is a risk management professional at Lakson Investments. His responsibility is to ensure Effective & sound management of the various risks in the Investment portfolio. Prior to joining Lakson he was associated with the National Bank of Pakistan as Team Leader, Business Risk Review (BRR). He is a member of ACCA (UK) and a finalist of both CFA & FRM programs.

Mr. Hassan Bin Nasir - Fund Manager

Mr. Hassan Bin Nasir has over eleven years of experience and currently holds positions of Vice President – Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is also managing the following funds:

- Lakson Income Fund
- Lakson Money Market Fund

Mr. Junaid Arshad

Mr. Arshad an ACCA member, having over twelve years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules & Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

Mr. Mr. Abdul Samad Khanani

Mr. Khanani has over 6 years of experience in equity research. He did his Bachelors in Finance from IoBM in 2014 and is also perusing CFA. Before joining LI, Mr. Khanani was heading the research team at KASB Securities. He also worked at InterMarket Securities (local partner of Tellimer Research) and Fortune Securities.

At Lakson, he is responsible for deriving the overall equity strategy of equity portfolios by working closely with the research team and ensure smooth execution. He is managing:

Lakson Equity Fund
Lakson Islamic Tactical Fund

21.4 Directors meeting attendance

2020

Name of directors	Meeting Attended	September 03, 2019	October 22, 2019	February 20, 2020	April 09, 2020
- Mr. Iqbal Ali Lakhani	3	✓	X	✓	✓
- Mr. Babar Ali Lakhani	4	✓	✓	✓	✓
- Mr. Jacques John Vesser	3	✓	X	✓	✓
- Mr. Amin Mohammed Lakhani	4	✓	✓	✓	✓
- Mr. Jamil Ahmed Mughal	3	✓	X	✓	✓
- Ms. Gaite Ali	4	✓	✓	✓	✓
- Ms. Kathleen Kennedy Townsend	3	✓	✓	✓	X
- Ms. Roxanne Davies	3	✓	✓	X	✓
		8	5	7	7

21.5 Rating of the Fund and the management company

Details of the ratings of the Fund and the management company are given in note 1.4.

22. GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 19, 2020.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Performance Table	FY20	FY19	FY18	FY17	FY16	FY15
Net Assets - Beginning (PKR Mil.)	562	278	227	290	321	598
Net Assets - Ending (PKR Mil.)	1944	562	278	227	290	321
Net Asset value per share	149.9987	150.9151	134.4997	118.9544	113.2854	114.9738
Selling Price for units	153.7487	154.6880	137.8622	121.9283	116.1176	117.8482
Repurchase Price for units	149.9987	150.9151	134.4997	118.9544	113.2854	114.9738
Highest Offer Price (PKR)	170.4251	161.3447	138.855	127.2001	127.5054	118.7873
Lowest Offer Price (PKR)	152.4028	135.1807	121.8366	116.2507	107.5162	108.4261
Highest Redemption Price (PKR)	166.2683	157.4094	135.4682	124.0976	124.3955	115.8900
Lowest Redemption Price (PKR)	148.6856	131.8836	118.8649	113.4153	104.3846	105.7815
Beginning NAV - Ex-Div. (PKR)	150.9151	134.4997	118.9544	113.2854	115.0565	-
Interim Distributions (PKR)	3.8095	5.2625	Nil	4.5573	10.8068	-
Final Distribution (PKR)	Nil	Nil	2.3801	-	-	-
Ending NAV - Ex-Div. (PKR)	149.9987	150.9151	132.1196	119.5012	112.4897	-
Return	1.92%	18.18%	13.06%	9.01%	8.00%	7.76%
Net Income (PKR Mil.)	46	38	13	8	14	4
Income Distribution	46	9	2	6	22	-
Accumulated Capital Growth	76	76	46	35	33	41
Average Annual return of the Fund						
One Year	1.92%	18.18%	13.07%	9.03%	8.00%	7.76%
Two year	18.31%	33.62%	23.25%	8.85%	8.18%	9.07%
Three year	36.18%	45.66%	33.11%	8.95%	9.19%	10.19%
Since inception	122.78%	118.59%	84.97%	11.11%	10.59%	10.46%
Distributions						
Interim Distribution	3.8095	5.2625	Nil	4.5573	10.8068	Nil
Final Distribution			Nil			Nil
NAV before Distribution	153.8394	157.4094	Nil	124.0585	123.2965	Nil
NAV after Distribution	150.0299	152.1469	Nil	119.5012	112.4897	Nil
Distribution Date	29-Jun-20	27-Jun-19	Nil	22-Jun-17	27-Jun-16	Nil

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.



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