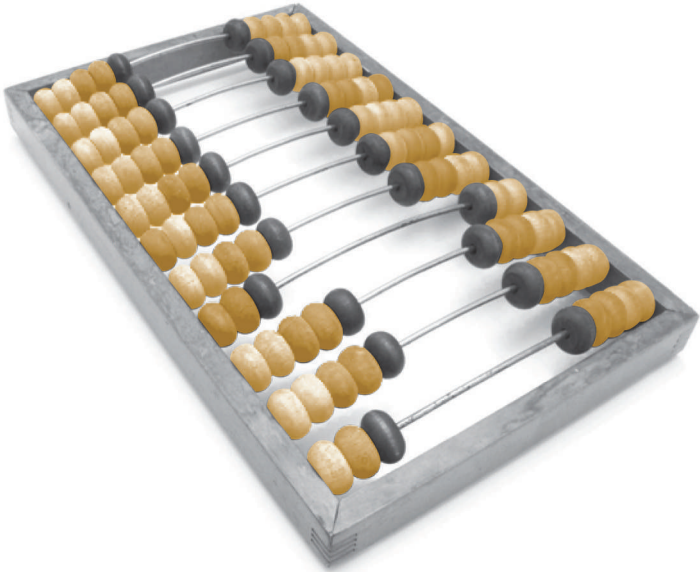


# Faysal Asset Management

## Islamic Asset Allocation Fund

Financial Statements for  
For The Year Ended June 30, 2020



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## FUND INFORMATION

### Management Company

Faysal Asset Management Limited

### Board of Directors of the Management Company

Mr. Salman Ahmed Usmani, Chairman

Mr. Osman Asghar Khan, Director

Mr. Mian Salman Ali, Director

Syed Muhammad Fraz Zaidi, Director

Mr. Tahir Yaqoob Bhatti, Director

Mr. Nadir Rehman, Director

Mr. Khaldoon Bin Latif, Director/CEO

### Chief Executive Officer

Mr. Khaldoon Bin Latif

### Chief Financial Officer Company Secretary of the Management Company

Mr. Faisal Ali Khan

### Audit Committee

Mr. Osman Asghar Khan, Chairman

Mr. Mian Salman Ali, Member

Syed Muhammad Fraz Zaidi, Member

### HR Committee

Mr. Osman Asghar Khan, Member

Mr. Salman Ahmed Usmani, Member

Mr. Nadir Rehman, Chairman

### Trustee to the Fund

Central Depository Company of Pakistan Limited,

CDC House, 99B, Block B, S.M.C.H.S.,

Main Shahrah-e-Faisal, Karachi.

### Bankers to the Fund

Dubai Islamic Bank Pakistan Limited

Al-Baraka Bank Limited

Bank Islami Pakistan Limited

Faysal Bank Limited (Islamic Banking)

Meezan Bank Limited

### Auditors

A.F. Ferguson & Co. Chartered

Accountants

### Legal Advisor

Mohsin Tayebaly & Co.

2nd Floor, Dime Centre,

BC-4 Block-9, KDA-5,

Clifton, Karachi.

### Registrar

ITMinds Limited

Central Depository Company of Pakistan, Limited

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

Main Shahra-e-Faisal, Karachi.

## **MISSION AND VISION**

To provide world class investment management and advisory services for the benefit of clientele looking to maximize their financial returns while minimizing risk.

To amplify our client-centricity by inspiring innovation, championing customer service, generating competitive returns, and honoring the utmost ethical and professional standards.

## **MISSION STATMENT**

The Faysal Islamic Asset Allocation Fund endeavours to provide investors with an opportunity to earn long-term capital appreciation optimizing through broad mix of asset classes encompassing shariah compliant equity, fixed income & money market instruments.

## FUND MANAGER'S REPORT

### ECONOMIC REVIEW

Pakistan faced unprecedented economic shocks from the rapid spread of the Covid-19 towards the last quarter of FY20. The headline inflation for June 2020 slightly increased to 8.6% vs. 8.2% in May 2020; however, the declining aggregate demand is softening outlook for inflation. Although, energy prices are volatile, economic deterioration will keep inflation range bound. Therefore, we expect inflation momentum to remain below 10% by FY21.

In response, during FY20 the State Bank of Pakistan has cut the policy rate 5 times by 625 bps to 7.0% with a priority of supporting growth and employment amidst these challenging times. During last rate cut, it was expecting 1) moderation in inflation expectations and 2) increasing downside risk to growth. Current very low real rate (monetary stimulus) can provide cushion against demand and supply shocks. We believe that Central Bank has undertaken the required monetary easing to balance declining economic growth. However, the policy rate can hover in range of 9% - 10% in medium term.

Furthermore, the Current Account Deficit for June 2020 has reduced to USD 96mn compared to USD 981mn in June 2019. The external accounts continue to benefit from lower imports and resilient remittances. Overall, during FY20, CAD has clocked in at USD 2.97bn/1.1% of GDP vs. USD 13.43bn in FY19. We expect CAD to remain favorable over foreseeable future due muted growth environment. Towards the end of FY20 the PKR/USD was hovering at 168, with REER at 93 and FX reserves of USD 11.23bn. Fiscal Deficit for FY20 has clocked in at 8.1% vs. 8.9% of GDP in FY19. Total Revenue increased by 27.98% YoY to PKR 6.27tn compared to PKR 4.90tn in FY20. The increase was led by Non-Tax Revenue recorded at PKR 1.52tn in FY20 vs. PKR 427bn in FY19. Going forward, we expect deficit to remain on higher side as Government shall face difficulty in revenue mobilization.

The situation on ground is improving as Pakistan has found a bright spot on COVID-19 curve. The Government, in line with other economies, has further eased the smart lockdown. However the economic outlook remains challenging with expectation of meager real GDP growth in 2021.

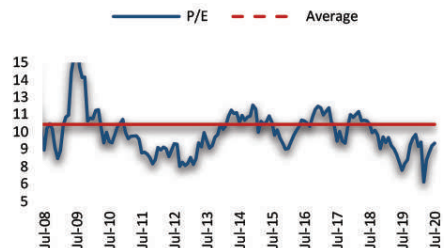
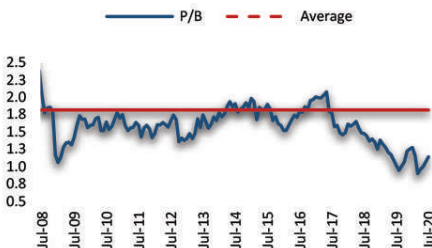
## EQUITY REVIEW

During FY20 the KSE 100 Index had gained meager return of 1.53% YoY, closing at 34,422 points. The index steadily displayed positive momentum during the 1HFY20 however plunged amidst the global COVID-19 pandemic, eventually recovering by June 2020.

During the start of FY20, we witnessed the signing of the IMF program as well as stabilization measures, with the index recording 20.16% return during 1HFY20. Subsequently the COVID-19 pandemic resulted in the market plummeting by 28.24% QoQ during 3QFY20 before posting a recovery of 17.76% QoQ by 4QFY20.

Given the global health epidemic is tackled with and defeated, over medium term, Pakistan equity market is geared to show upward momentum as 1) business cycle is expected to improve, 2) inflation will normalize, 3) domestic consumption will improve, 4) technology transfer will take place, 5) demographics will pay dividend, 6) public spending will improve and 7) credit cycle will recover.

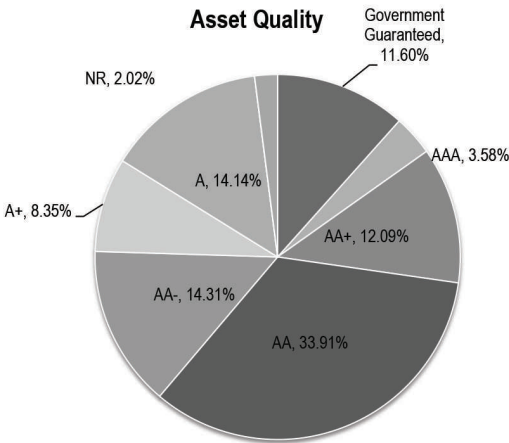
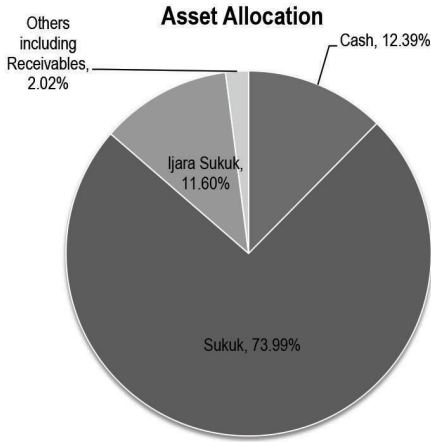
FAML believes that market is still trading at cheap valuations as 1) P/E can further rerate as bond market suggests another rate cut, 2) discount with frontier and emerging markets is above average and 3) liquidity push is expected in equities.



Therefore, valuations remain extremely attractive from medium term perspective even though near term corporate profitability will remain challenging due to COVID-19.

Fund Information	
Fund Type	Open Ended
Category	Shariah Compliant Asset Allocation Scheme
Risk Profile	Moderate to High Risk
Launch Date	September 9, 2015
Custodian/Trustee	CDC
Auditor	A.F. Ferguson & Co.
Management Fee	Upto 2% of Average Annual N.A. (Actual Rate of Management Fee Charged is 0.10%)
Selling and Marketing Expense	0%
Front/Back end Load	FEL up to 3% of NAV & BEL 0%
Min Subscription	PKR. 5,000
Benchmark*	KMI - 30 Index/6M Deposit rate of A & above rated Islamic Banks
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM2 (VIS)
NAV per Unit (PKR)	71.60
Net Assets (mn)	1833.96
Leverage	Nil

Fund Returns (% p.a )		
	FY20	FY19
YTD	10.89%	-19.46
Benchmark (YTD)	4.48%	-13.17



## FUND PERFORMANCE

Faysal Islamic Asset Allocation Fund (FIAAF) posted an absolute return of 10.89% during FY20 relative to its benchmark of 4.48%. At the end of the period, your fund maintained its exposure in shariah compliant sukuks at 73.99% whereas exposure in GOP Ijara Sukuk stood at 11.60%. Going forward, your fund will continue to explore Islamic investment avenues in order to provide competitive returns.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
الحمد لله رب العالمين، والصلاة والسلام على خاتم النبيين وسيد المرسلين،  
وعلى آله وأصحابه أجمعين. أمَّا بعد

REPORT OF THE SHARIAH ADVISOR  
FAYSAL ISLAMIC ASSET ALLOCATION FUND

Karachi  
July 02, 2020

By the blessing of ALLAH, the year ended 30 June, 2020 under analysis of Faysal Islamic Asset Allocation Fund (FIAAF). I, as the Shariah Advisors of fund am issuing the report in accordance with clause 3.7.1 of the Offering Document of the fund. The scope of the report is to express an opinion on the Shariah Compliance of the fund's activities.

In the capability of Shariah Advisor, I have set out criteria and guideline to be followed in ensuring Shariah Compliance in the each and every transaction.

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

In the light of above, we hereby certify that:

- I have reviewed and approved the modes of investment of FIAAF in light of the Shariah guidelines.
- All the provisions of the scheme and investment made on account of FIAAF by FAML Fund Managers are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the management, all operations of FIAAF for year ended 30 June 2020 have been in compliance with the Shariah Principles.

May Allah make us successful and accept efforts of the management company for developing of Islamic Finance System.

وصلى الله على حبيبه محمد صلى الله عليه وسلم

  
Mufti Abdul Zahid Farooqi  
Shariah Advisor  
Faysal Asset Management Ltd.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED****Head Office**

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

**TRUSTEE REPORT TO THE UNIT HOLDERS****FAYSAL ISLAMIC ASSET ALLOCATION 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 Faysal Islamic Asset Allocation Fund (the Fund) are of the opinion that Faysal Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

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

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 23, 2020



A·F·FERGUSON&CO.

## INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of Faysal Islamic Asset Allocation Fund

### Report on the Audit of the Financial Statements

#### Opinion

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

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

#### Basis for Opinion

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

#### Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer notes 4 and 5 to the financial statements)	
	<p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2020 amounted to Rs 1,574.175 million and balances with banks aggregated to Rs 227.836 million.</p> <p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li> </ul>

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



S. No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li> <li>▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

#### Other Matter

The financial statements of the Fund for the year ended June 30, 2019, were audited by another firm of Chartered Accountants who expressed an unmodified opinion thereon vide their report dated September, 24 2019.

#### Other Information

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

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

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

#### Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit



A.F. FERGUSON & Co.

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 board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirement

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

The engagement partner on the audit resulting in this independent auditor's report is **Shahbaz Akbar**.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Date: September 28, 2020

## Statement of Assets and Liabilities

As at June 30, 2020

	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
<b>Assets</b>			
Balances with banks	4	227,836,478	58,132,779
Investments	5	1,574,175,048	115,123,493
Deposits and other receivables	6	37,159,935	4,628,754
Preliminary expenses and floatation costs	7	73,301	462,069
Receivable against sale of investments		-	5,689,440
<b>Total assets</b>		<u>1,839,244,762</u>	<u>184,036,535</u>
<b>Liabilities</b>			
Payable to Faysal Asset Management Limited - the Management Company	8	271,838	475,701
Payable to Central Depository Company of Pakistan Limited - the Trustee	9	205,151	61,248
Payable to the Securities and Exchange Commission of Pakistan	10	88,265	315,528
Accrued expenses and other liabilities	11	4,721,267	3,158,739
<b>Total liabilities</b>		<u>5,286,521</u>	<u>4,011,216</u>
<b>Net assets</b>		<u>1,833,958,241</u>	<u>180,025,319</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>1,833,958,241</u>	<u>180,025,319</u>
<b>Contingencies and commitments</b>	12		
		----- (Number of units) -----	
<b>Number of units in issue</b>		<u>25,615,706</u>	<u>2,788,041</u>
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<u>71.60</u>	<u>64.57</u>

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

For Faysal Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

## Income Statement

For The Year Ended June 30, 2020

	Note	2020	2019
----- (Rupees) -----			
<b>Income</b>			
Dividend income		2,916,420	9,993,030
Profit on balances with banks		10,976,882	10,021,942
Profit on sukuk certificates		34,805,589	829,422
Gain / (loss) on investments at fair value through profit or loss			
- Capital gain / (loss) on sale of investments - net		8,352,766	(52,868,780)
- Unrealised loss on revaluation of investments classified as financial assets at fair value through profit or loss		(904,806)	(17,955,338)
		<u>7,447,960</u>	<u>(70,824,118)</u>
<b>Total income / (loss)</b>		<b>56,146,851</b>	<b>(49,979,724)</b>
<b>Expenses</b>			
Remuneration of Faysal Asset Management Limited - the Management Company	8.1	1,993,344	6,643,292
Sindh sales tax on remuneration of the Management Company	8.2	259,135	863,629
Selling and marketing charges	8.3	237,754	-
Allocated expenses	8.4	94,198	333,924
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	9.1	865,039	763,010
Sindh sales tax on remuneration of the Trustee	9.2	112,455	99,191
Brokerage charges		1,969,402	722,632
Bank charges		30,964	42,447
Annual fees to the Securities and Exchange Commission of Pakistan	10	88,265	315,528
Auditors' remuneration	13	701,988	700,070
Fees and subscription		141,034	140,649
Settlement charges, federal excise duty and capital value tax		-	256,935
Printing and other expenses		43,512	1,123
Amortisation of preliminary expenses and floatation costs	7	388,768	387,707
<b>Total operating expenses</b>		<b>6,925,858</b>	<b>11,270,137</b>
<b>Net profit / (loss) from operating activities</b>		<b>49,220,993</b>	<b>(61,249,861)</b>
Provision for Sindh Workers' Welfare Fund (SWWF)		(984,424)	-
<b>Net profit / (loss) for the year before taxation</b>		<b>48,236,569</b>	<b>(61,249,861)</b>
Taxation	15	-	-
<b>Net profit / (loss) for the year after taxation</b>		<b>48,236,569</b>	<b>(61,249,861)</b>
<b>Earnings / (loss) per unit</b>	3.14		
<b>Allocation of net profit for the year</b>			
Net profit for the year		48,236,569	-
Income already paid on units redeemed		(40,179,481)	-
		<u>8,057,088</u>	<u>-</u>
<b>Accounting income available for distribution</b>			
-Relating to capital gains		7,447,960	-
-Excluding capital gains		609,128	-
		<u>8,057,088</u>	<u>(61,249,861)</u>

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

For Faysal Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

## Statement of Comprehensive Income

For The Year Ended June 30, 2020

	<b>2020</b>	<b>2019</b>
	----- (Rupees) -----	
<b>Net profit / (loss) for the period after taxation</b>	48,236,569	(61,249,861)
Other comprehensive income / (loss) for the year	-	-
<b>Total comprehensive profit / (loss) for the year</b>	<u>48,236,569</u>	<u>(61,249,861)</u>

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

For Faysal Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

## Cash Flows Statement

For The Year Ended June 30, 2020

Note	2020	2019
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit / (loss) for the period after taxation	48,236,569	(61,249,861)
<b>Adjustments for non-cash and other items:</b>		
Loss / (gain) on investments		
- Capital (gain) / loss on sale of investments - net	(8,352,766)	52,868,780
- Unrealised loss on revaluation of investments classified as	904,806	17,955,338
Amortisation of preliminary expenses and floatation costs	388,768	387,707
	(7,059,192)	71,211,825
<b>Decrease / (increase) in assets</b>		
Investments	(1,451,603,595)	28,396,829
Deposits and other receivables	(32,531,181)	756,713
Receivable against sale of investments	5,689,440	-
	(1,478,445,336)	29,153,542
<b>(Decrease) / increase in liabilities</b>		
Payable to Faysal Asset Management Limited - the Management Company	(203,863)	(790,055)
Payable to Central Depository Company of Pakistan Limited - the Trustee	143,903	(20,162)
Payable to the Securities and Exchange Commission of Pakistan	(227,263)	(88,371)
Accrued expenses and other liabilities	1,562,528	(10,390)
	1,275,305	(908,978)
<b>Net cash (used in) / generated from operating activities</b>	(1,435,992,654)	38,206,528
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received against issuance of units	5,178,650,879	54,257,520
Payments made against redemption of units	(3,572,954,526)	(241,958,957)
<b>Net cash generated from / (used in) financing activities</b>	1,605,696,353	(187,701,437)
Net increase / (decrease) in cash and cash equivalents during the year	169,703,699	(149,494,909)
Cash and cash equivalents at beginning of the year	58,132,779	207,627,688
<b>Cash and cash equivalents at end of the year</b>	4 <u>227,836,478</u>	<u>58,132,779</u>

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

For Faysal Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

## Statement of Movement in Unit Holders' Fund

For The Year Ended June 30, 2020

	June 30, 2020			June 30, 2019		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
	(Rupees)			(Rupees)		
<b>Net assets at beginning of the year</b>	345,861,278	(165,835,959)	180,025,319	533,203,938	(104,586,098)	428,617,840
Issuance of 72,885,788 units (June 30, 2019: 696,971 units)						
- Capital value (at net assets value per unit at beginning of the year)	4,706,235,331	-	4,706,235,331	55,876,165	-	55,876,165
- Element of income / (loss)	472,415,548	-	472,415,548	(1,618,645)	-	(1,618,645)
Total proceeds on issuance of units	5,178,650,879		5,178,650,879	54,257,520	-	54,257,520
Redemption of 50,058,123 units (June 30, 2019: 3,255,387 units)						
- Capital value (at net assets value per unit at beginning of the year)	(3,232,253,002)	-	(3,232,253,002)	(260,984,376)	-	(260,984,376)
- Element of (loss) / income	(300,522,043)	(40,179,481)	(340,701,524)	19,384,196	-	19,384,196
Total payments on redemption of units	(3,532,775,045)	(40,179,481)	(3,572,954,526)	(241,600,180)	-	(241,600,180)
Total comprehensive profit / (loss) for the year	-	48,236,569	48,236,569	-	(61,249,861)	(61,249,861)
Distribution during the year	-	-	-	-	-	-
Net profit / (loss) for the year less distribution	-	48,236,569	48,236,569	-	(61,249,861)	(61,249,861)
<b>Net assets at end of the year</b>	<u>1,991,737,112</u>	<u>(157,778,871)</u>	<u>1,833,958,241</u>	<u>345,861,278</u>	<u>(165,835,959)</u>	<u>180,025,319</u>
<b>Accumulated loss brought forward</b>						
- Realised loss		(147,690,802)			(71,762,218)	
- Unrealised loss		(18,145,157)			(32,823,880)	
		<u>(165,835,959)</u>			<u>(104,586,098)</u>	
Accounting income available for distribution						
- Relating to capital gains		7,447,960			-	
- Excluding capital gains		609,128			(61,249,861)	
		<u>8,057,088</u>			<u>(61,249,861)</u>	
Distribution during the year		-			-	
Accumulated loss carried forward		<u>(157,778,871)</u>			<u>(165,835,959)</u>	
<b>Accumulated loss carried forward</b>						
- Realised loss		(156,874,065)			(147,690,802)	
- Unrealised loss		(904,806)			(18,145,157)	
		<u>(157,778,871)</u>			<u>(165,835,959)</u>	
			<b>-- (Rupees) --</b>			<b>-- (Rupees) --</b>
Net assets value per unit at beginning of the year			<u>64.57</u>			<u>80.17</u>
Net assets value per unit at end of the year			<u>71.60</u>			<u>64.57</u>

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

For Faysal Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Faysal Islamic Asset Allocation Fund (the Fund) was established under a trust deed executed between Faysal Asset Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on May 18, 2015 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).
- 1.2** The Management Company has been licensed by the SECP to act as an asset management company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at 7th Floor, Faysal House, ST-02, Main Shahrah-e-Faisal, Karachi, Pakistan. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3** The Fund is a Shariah Compliant open-ended asset allocation fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Title to the assets of the fund are held in the name of CDC as the Trustee of the Fund. The Fund was launched on September 9, 2015
- 1.4** The principal activity of the Fund is to provide capital growth by investing primarily in a diversified pool of equities and equity related investments and to earn competitive riba free return by investing in various Shariah Compliant asset classes / instruments based on the market outlook.
- 1.5** The Pakistan Credit Rating Agency Limited (PACRA) has assigned a "1-Star" short term rating to Faysal Islamic Asset Allocation Fund as of February 28, 2020 (2019: "2-Star" as of August 30, 2019). VIS Credit Rating Company limited has awarded an "AM2" asset manager rating to the Management Company as of February 18, 2020 (2019: "AM3+" as of June 24, 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 (the Act);
- 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) and requirements of the Trust Deed.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

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

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

### 2.3 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective:

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

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

The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

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

### 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 judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and taxation (notes 3.13 and 15).

### 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as at fair value through profit or loss which are measured at their respective fair values.

### 2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.2 Cash and cash equivalents

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

### 3.3 Financial assets

#### 3.3.1 Classification and subsequent measurement

##### 3.3.1.1 Equity instruments

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

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

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

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 3.3.1.2 Debt instruments

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

- at amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVPL)

**based on the business model of the entity.**

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

### 3.3.2 Impairment

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

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### 3.3.2.1 Impairment loss on debt securities

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

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

### 3.3.3 Regular way contracts

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

### 3.3.4 Initial recognition and measurement

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

#### 3.3.4.1 Subsequent Measurement

##### a) At amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are subsequently measured at amortised cost.

##### b) Fair value through other comprehensive income (FVOCI):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

##### c) Fair value through profit or loss (FVPL):

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the income statement in the period in which it arises.

### 3.3.5 Derecognition

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

### 3.3.6 Derivatives

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 3.4 Financial liabilities

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

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

### 3.5 Offsetting of financial assets and financial liabilities

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

### 3.6 Provisions

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

### 3.7 Net assets value per unit

The net asset value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

### 3.8 Issue and redemption of units

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

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

### 3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

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

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

### 3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.
- Dividend income is recognised when the Fund's right to receive the same is established i.e. on the commencement of date of book closure of the investee company / institution declaring the dividend.
- Profit on balances with banks, income on sukuk certificates and government securities is recognised on a time proportionate basis using the effective yield method except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.

### 3.12 Expenses

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

### 3.13 Taxation

#### Current

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

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised,

## Notes to the Financial Statements

For The Year Ended June 30, 2020

is distributed amongst the unitholders. Provided that, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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

### Deferred

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

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

### 3.14 Earnings / (loss) per unit

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

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

### 3.15 Foreign currency translation

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

### 3.16 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred in connection with incorporation, registration, establishment and authorisation of the Fund till the close of the Initial Public Offering period. These costs are to be amortised over a period of five years in accordance with the requirements of Trust Deed.

4	BALANCES WITH BANKS	Note	2020	2019
			----- (Rupees) -----	
	PLS savings account	4.1	<u>227,836,478</u>	<u>58,132,779</u>

## Notes to the Financial Statements

For The Year Ended June 30, 2020

- 4.1 These carry mark-up ranging between 5% and 14.30% (June 30, 2019: 5% and 12.25%) per annum and include balance of Rs. 207.48 million (June 30, 2019: Rs.1.434 million) held with Faysal Bank Limited, a related party.

5	INVESTMENTS	Note	2020	2019
			(Rupees)	
<b>At fair value through profit or loss</b>				
	Shariah compliant listed equity securities	5.1	14,959	95,123,493
	Sukuk certificate	5.2	1,360,760,089	-
	GoP ijara sukuk certificate	5.2	213,400,000	20,000,000
			<u>1,574,175,048</u>	<u>115,123,493</u>

### 5.1 Shariah compliant listed equity securities - at fair value through profit and loss

Name of investee company	Number of shares					As at June 30, 2020			Investment as percentage of	
	As at July 1, 2019	Purchased during the period	Bonus / right shares received	Disposed off during the period	As at June 30, 2020	Carrying value	Market value	Unrealised gain / (loss) on revaluation	Net assets	Total investments
						Rupees			Percentage	
<b>Commercial banks</b>										
Meezan Bank Limited	82,500	90,000	-	172,500	-	-	-	-	-	-
<b>Chemical</b>										
ICI Pakistan Limited	700	150	-	850	-	-	-	-	-	-
Engro Polymer & Chemicals Limited	575,000	721,000	-	1,296,000	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	350,000	1,282,500	-	1,632,500	-	-	-	-	-	-
<b>Cement</b>										
Cherat Cement Company Limited	-	157,500	-	157,500	-	-	-	-	-	-
D.G Khan Cement Company Limited	-	30,000	-	30,000	-	-	-	-	-	-
Kohat Cement Company Limited	-	136,000	-	136,000	-	-	-	-	-	-
Lucky Cement Limited	-	60,000	-	60,000	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	465,000	210,000	675,000	-	-	-	-	-	-

## Notes to the Financial Statements

For The Year Ended June 30, 2020

Name of investee company	Number of shares					As at June 30, 2020			Investment as percentage of	
	As at July 1, 2019	Purchased during the period	Bonus / right shares received	Disposed off during the period	As at June 30, 2020	Carrying value	Market value	Unrealised gain / (loss) on revaluation	Net assets	Total investments
----- Rupees ----- Percentage -----										
<b>Fertilizer</b>										
Engro Corporation Limited	45,900	181,300	-	227,200	-	-	-	-	-	-
Engro Fertilizers Limited	-	50,000	-	50,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Foods &amp; Personal Care Products</b>										
At-Tahur Limited	-	201,000	-	201,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Engineering</b>										
Amreli Steel Limited	-	115,000	-	115,000	-	-	-	-	-	-
International Steel Limited	-	246,000	-	246,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Oil and gas marketing companies</b>										
Hascol Petroleum Limited	1,100	35,000	-	35,000	1,100	75,481	14,959	(60,522)	0.001%	0.001%
Sui Northern Gas Pipelines Limited	91,000	235,000	-	326,000	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	70,000	3,000	73,000	-	-	-	-	-	-
						75,481	14,959	(60,522)	0.001	0.001
<b>Oil and gas exploration companies</b>										
Mari Petroleum Company Limited	9,350	5,000	935	15,285	-	-	-	-	-	-
Pakistan Oil Fields Limited	31,100	39,000	-	70,100	-	-	-	-	-	-
Oil & Gas Development Company Limited	127,400	296,500	-	423,900	-	-	-	-	-	-
Pakistan Petroleum Limited	39,500	375,100	12,900	427,500	-	-	-	-	-	-
						-	-	-	-	-
<b>Pharmaceuticals</b>										
AGP Limited	12,000	70,000	-	82,000	-	-	-	-	-	-
The Searle Company Limited	-	20,000	-	20,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Power generation and distribution</b>										
The Hub Power Company Limited	-	180,500	-	180,500	-	-	-	-	-	-
K-Electric Limited	-	500,000	-	500,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Textile composite</b>										
Nishat Mills Limited	29,900	18,600	-	48,500	-	-	-	-	-	-
						-	-	-	-	-
<b>Vanaspati &amp; Allied Industries</b>										
Unity Foods Limited	-	65,000	-	65,000	-	-	-	-	-	-
						-	-	-	-	-
<b>June 30, 2020</b>						<u>75,481</u>	<u>14,959</u>	<u>(60,522)</u>	<u>0.00</u>	<u>0.00</u>
<b>June 30, 2019</b>						<u>113,288,650</u>	<u>95,123,493</u>	<u>(18,145,157)</u>		

**5.1.1** This investment includes 1,100 bonus shares having market value of Rs.0.0149 million as at June 30, 2020, which is equivalent to 5% (representing tax impact of a bonus announcement) that has been withheld by the investee company during a previous period.

**5.1.2** Following shares have been pledged with National Clearing Company of Pakistan Limited (NCCPL) security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by SECP:

## Notes to the Financial Statements

### For The Year Ended June 30, 2020

	2020	2019	2020	2019
	--- (Number of shares) ---		----- (Rupees) -----	
Sui Northern Gas Pipelines Limited	-	91,000	-	6,323,590
Engro Corporation Limited	-	30,000	-	7,968,000
Engro Polymer and Chemicals Limited	-	100,000	-	2,696,000
Lotte Chemical Pakistan Limited	-	300,000	-	4,575,000
Mari Petroleum Company Limited	-	4,000	-	4,037,320
Oil & Gas Development Company Limited	-	115,000	-	15,121,350
	-	640,000	-	40,721,260

## 5.2 Sukuk certificates - at fair value through profit and loss

### Sukuk certificates

Name of investee company	Issue Date	Number of Certificates				As at June 30, 2020			Market value as percentage of	
		As at July 01, 2019	Purchased during the period	Sold / matured during the period	As at June 30, 2020	Carrying value	Market value	Unrealised gain / (loss) on revaluation	Net assets	Total investments
					-----Rupees-----			-----Percentage-----		
The Hub Power Company Limited - Sukuk (PACRA: A1+)		4,000	-	4,000	-	-	-	-	-	-
Engro Polymer & Chemicals Limited - Sukuk (PACRA: AA)	11-Jan-19	-	770	-	770	77,972,500	78,191,960	219,460	4.26%	4.97%
The Hub Power Company Limited - Sukuk (PACRA: AA+)	22-Aug-19	-	1,710	-	1,710	173,857,500	174,667,608	810,108	9.52%	11.10%
Byco Petroleum Pakistan Limited - Sukuk (PACRA: AAA)	18-Jan-17	-	1,125	-	1,125	66,117,184	65,789,081	(328,102)	3.59%	4.18%
Dubai Islamic Bank Pakistan Limited - Tier II Capital Sukuk (VIS: A+)	14-Jul-17	-	120	-	120	121,200,000	123,148,080	1,948,080	6.71%	7.82%
Dubai Islamic Bank Pakistan Limited - Tier I Capital Sukuk (VIS: AA-)	25-Dec-18	-	28,000	-	28,000	140,000,000	140,000,000	-	7.63%	8.89%
Aspin Pharma (Private) Limited - Sukuk I (VIS: A)	30-Nov-17	-	1,500	-	1,500	106,050,000	106,050,000	-	5.78%	6.74%
Meezan Bank Limited - Tier II Modaraba Sukuk (VIS: AA-)	22-Sep-16	-	75	-	75	75,750,000	76,875,000	1,125,000	4.19%	4.88%
Meezan Bank Limited - Tier I Modaraba Sukuk (VIS: AA)	01-Aug-18	-	190	-	190	190,000,000	190,000,000	-	10.36%	12.07%
Al-Baraka Bank Tier - I Modaraba Sukuk (VIS: A)	22-Aug-17	-	100	-	100	100,500,000	100,500,000	-	5.48%	6.38%
Agp Limited - Sukuk (PACRA: A+)	09-Jun-17	-	2,000	-	2,000	80,800,000	80,116,720	(683,280)	4.37%	5.09%
International Brands Limited - Sukuk (VIS: AA)	15-Nov-17	-	970	-	970	68,640,391	68,640,390	(1)	3.74%	4.36%
K-Electric - Sukuk 4 (VIS: AA+)	17-Jun-15	-	21,250	-	21,250	43,031,250	43,031,250	-	2.35%	2.73%
Shakarganj Food Products Limited - Sukuk I (VIS: A)	10-Jul-18	-	50	-	50	42,500,000	42,500,000	-	2.32%	2.70%
TPL Corp Limited - Sukuk (PACRA: A)	13-Apr-16	-	95	-	95	71,250,000	71,250,000	-	3.89%	4.53%
						1,357,688,824	1,360,760,089	3,091,265	73.20%	55.44%

Particular	Issue Date	Number of Certificates				As at June 30, 2020			Market value as percentage of	
		As at July 01, 2019	Purchased during the period	Sold / matured during the period	As at June 30, 2020	Carrying value	Market value	Unrealised gain / (loss) on revaluation	Net assets	Total investments
					-----Rupees-----			-----Percentage-----		
Government of Pakistan Ijarah Sukuk	30-Apr-20	-	2,200	-	2,200	217,335,550	213,400,000	(3,935,550)	11.64%	13.56%

## Notes to the Financial Statements

For The Year Ended June 30, 2020

	Note	2020	2019
		----- (Rupees) -----	
<b>6 DEPOSITS AND OTHER RECEIVABLES</b>			
Security deposits			
- National Clearing Company of Pakistan Limited		2,500,000	2,500,000
- Central Depository Company of Pakistan Limited		100,000	100,000
		2,600,000	2,600,000
Profit receivable on bank balances	6.1	1,337,338	702,272
Advance tax	6.2	578,272	578,272
Dividend receivable		391,800	491,800
Profit receivable on debt securities		32,252,525	256,410
		<u>37,159,935</u>	<u>4,628,754</u>

**6.1** This includes profit receivable amounting to Rs.1.002 million (June 30, 2019: Rs.0.069 million) on bank balance held with Faysal Bank Limited, a related party.

**6.2** As per clause 47(B) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profits paid to the Fund was deducted by various withholding agents based on the interpretation issued by the FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on bonus shares issued to the Fund and profit on debt securities amounts to Rs 0.578 million .

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

	Note	2020	2019
		----- (Rupees) -----	
<b>7 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Balance at beginning of the year		462,069	849,776
Amortised during the year	7.1	<u>(388,768)</u>	<u>(387,707)</u>
Balance at end of the year		<u>73,301</u>	<u>462,069</u>

## Notes to the Financial Statements

For The Year Ended June 30, 2020

- 7.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from September 09, 2015.

	Note	2020	2019
		----- (Rupees) -----	
<b>8</b>			
<b>PAYABLE TO FAYSAL ASSET MANAGEMENT LIMITED</b>			
<b>- THE MANAGEMENT COMPANY</b>			
Management fee payable	8.1	99,582	309,104
Sindh sales tax payable on management fee	8.2	12,945	40,181
Selling and marketing charges payable	8.3	65,113	-
Allocated expenses payable	8.4	94,198	126,416
		<u>271,838</u>	<u>475,701</u>

- 8.1** As per regulation 61 of the NBFC Regulations, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the offering document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company was charging its remuneration at the rate of 2% per annum of the average net assets of the Fund till January 12, 2020 (2% from July 1, 2018 till June 30, 2019).

During the year ended June 30, 2020, via a circular resolution of the Board of Directors dated December 16, 2019, the Management Company has changed its remuneration structure from the one mentioned above to a variable fee structure where the Management Company has defined a maximum fee level in the Fund's offering document at the rate of 2% of net assets. The Trustee has consented this revision via its letter CDC/T&C-S II/DH/0003/2020 dated January 1, 2020. The Board of the Management Company has also defined a minimum threshold of 1% of net assets through the aforementioned circular resolution. As a consequence thereof, the Management Company is now charging its remuneration variably keeping in view the overall return of the Fund and subject to the maximum percentage approved by the Board, the Trustee and the SECP and the minimum percentage approved by the Board and subject always to the total expense ratio of the Fund as defined under the NBFC Regulations.

The summary of rates of management fee charged by the Management Company from January 13, 2020 to June 30, 2020 is as follows:

Date		% of net assets
From	To	
13-Jan-20	26-Feb-20	1.00
27-Feb-20	17-May-20	0.05
18-May-20	30-Jun-20	0.10

- 8.2** During the year, an amount of Rs. 259,135 (2019: Rs 863,629) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011.
- 8.3** The SECP had allowed asset management companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the fund or actual expenses whichever is lower.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

As a consequence thereof, the Board of Directors of the Management Company has approved the annual plan for charging of selling and marketing expenses to the funds under the management of the Management Company through a circular resolution dated December 16, 2019. Furthermore, the Board, through the same circular resolution, has given a descretion for charging of selling and marketing expenses directly to the Fund as proposed by the management. Therefore, the Management Company is now charging the selling and marketing expenses variably keeping in view the overall return of the Fund and subject to the total expense ratio of the Fund as defined under the NBFC Regulations.

The summary of rates of selling and marketing expenses charged by the Management Company from January 13, 2020 to June 30, 2020 is as follows:

Date		% of net assets
From	To	
13-Jan-20	26-Feb-20	1.00
27-Feb-20	17-May-20	0.05

- 8.4** In accordance with regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a collective investment scheme (CIS).

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

The Management Company has charged such expenses to the Fund at the rate of 0.1% from July 1, 2019 to February 26, 2020 of the net assets (0.1% from July 1, 2018 to June 30, 2019 of the net assets).

During the year ended June 30, 2020, the Board of Directors of the Management Company, in its 106th meeting held on April 17, 2020, has given a descretion for charging of allocated expenses directly to the Fund as proposed by the management. Therefore, the Management Company is now charging the allocated expenses variably keeping in view the overall return of the Fund subject to the total expense ratio of the Fund as defined under the NBFC Regulations.

The Management Company charged allocated expenses at 0.10% of net assets for the period from July 1, 2019 to February 26, 2020

## Notes to the Financial Statements

For The Year Ended June 30, 2020

	Note	2020 ----- (Rupees)	2019 -----
<b>9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE</b>			
Trustee fee payable	9.1	181,550	54,226
Sales tax on Trustee fee payable	9.2	23,601	7,022
		<u>205,151</u>	<u>61,248</u>

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

Net Assets (Rs.)	Fee
- up to Rs. 1 billion	0.2% per annum of net assets
- exceeding Rs. 1 billion	Rs 2 million plus 0.10% per annum of net assets, on amount exceeding Rs. 1 billion.

June 30, 2019 were as follows:

Net Assets (Rs.)	Fee
- up to Rs. 1 billion	Rs 0.7 million or 0.2% per annum of net assets, whichever is higher
- exceeding Rs. 1 billion	Rs 2 million plus 0.10% per annum of net assets, on amount exceeding Rs. 1 billion).

9.2 During the year, an amount of Rs 112,455 (2019: Rs. 99,191) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011.

	Note	2020 ----- (Rupees)	2019 -----
<b>10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	10.1	<u>88,265</u>	<u>315,528</u>

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

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs.

	Note	2020 ----- (Rupees)	2019 -----
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Transaction charges payable		256,656	153,765
Accrued liabilities		1,306,214	831,001
Provision for Sindh workers' welfare fund (SWWF)	11.1	2,477,728	1,493,304
Provision for federal excise duty (FED)	11.2	680,669	680,669
		<u>4,721,267</u>	<u>3,158,739</u>

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from September 9, 2015 to June 30, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.10 per unit (2019: Re 0.54 per unit).

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

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

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made till June 30, 2016 amounting to Rs 0.68 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Re 0.03 (2019: Re 0.24) per unit.

## 12 CONTINGENCIES AND COMMITMENTS

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

	2020	2019
	----- (Rupees) -----	
<b>13 AUDITORS' REMUNERATION</b>		
Audit fee	400,000	400,000
Review and other certifications	150,000	150,000
Out of pocket expenses	99,989	106,070
	<u>649,989</u>	<u>656,070</u>
Sales tax	51,999	44,000
	<u>701,988</u>	<u>700,070</u>

### 14 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund as at June 30, 2020 is 1.77% (2019: 3.39%) which includes 0.33% (2019: 0.42%) representing government levies on the Fund such as provision for sindh workers' welfare fund, sales taxes, annual fee to the SECP etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Asset allocation scheme.

### 15 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2020 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

### 16 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

**16.1** Connected persons and related parties include Faysal Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, Faysal Asset Management Limited - Staff Provident Fund, Faysal Asset Management Limited - Staff Gratuity Fund, Faysal Bank Limited, Faysal Bank Limited - Staff Provident Fund, Faysal Bank Limited - Staff Gratuity Fund and other entities under common management and / or directorship and the directors and officers of the Management Company and the Trustee, key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund at year end.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

**16.2** Connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons.

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

	2020	2019
	----- (Rupees) -----	
<b>16.3.1 Transactions during the year</b>		
<b>Faysal Asset Management Limited (the Management Company)</b>		
Remuneration of Faysal Asset Management Limited - the Management Company	1,993,344	6,643,292
Sindh sales tax on remuneration of the Management Company	259,135	863,629
Selling and marketing charges	237,754	-
Allocated expenses	94,198	333,924
<b>Faysal Bank Limited (group / associated Company)</b>		
Profit on balances with banks	1,458,334	1,922,868
Bank charges	-	589
<b>Directors and Key Management Personnel of the Management Company</b>		
Issue of 25,332 units (June 30, 2019: Nil units)	1,771,946	-
<b>Central Depository Company of Pakistan Limited - (the Trustee)</b>		
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	865,039	763,010
Sindh sales tax on remuneration of the Trustee	112,455	99,191
Settlement charges	52,509	51,425
<b>Unit holder holding 10% or more units</b>		
Issue of 72,646,512 units (June 30, 2019: Nil units)	5,162,332,752	-
Redemption of 48,431,008 units (June 30, 2019: Nil units)	3,462,332,752	-

## Notes to the Financial Statements

For The Year Ended June 30, 2020

	2020	2019
	----- (Rupees) -----	
<b>15.3.2 Outstanding balances</b>		
<b>Faysal Asset Management Limited (the Management Company)</b>		
Management fee payable	99,582	309,104
Sindh sales tax payable on management fee	12,945	40,181
Selling and marketing charges payable	65,113	-
Allocated expenses payable	94,198	126,416
<b>Faysal Bank Limited (group / associated Company)</b>		
Balance in savings account	207,483,234	1,433,922
Return receivable on bank balance	1,002,006	69,063
<b>Directors and Key Management Personnel of the Management Company</b>		
Units in issue 25,332 units (June 30, 2019: Nil units)	1,813,741	-
<b>Central Depository Company of Pakistan Limited - (the Trustee)</b>		
Security deposit	100,000	100,000
Trustee fee payable	181,550	54,226
Sales tax on Trustee fee payable	23,601	7,022
<b>Unit holder holding 10% or more units</b>		
Units in issue 24,215,504 (June 30, 2019: Nil units)	1,733,830,081	-

### 17 FINANCIAL INSTRUMENTS BY CATEGORY

#### Financial assets

	----- 2020 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees -----		
Balances with banks	227,836,478	-	227,836,478
Investments	-	1,574,175,048	1,574,175,048
Deposits and other receivables	36,581,663	-	36,581,663
	<u>264,418,141</u>	<u>1,574,175,048</u>	<u>1,838,593,189</u>

#### Financial liabilities

	----- 2020 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees -----		
Payable to Faysal Asset Management Limited - the Management Company	271,838	-	271,838
Payable to Central Depository Company of Pakistan Limited - the Trustee	205,151	-	205,151
Accrued expenses and other liabilities	1,562,870	-	1,562,870
	<u>2,039,859</u>	<u>-</u>	<u>2,039,859</u>

## Notes to the Financial Statements

For The Year Ended June 30, 2020

	2019		
	At amortised cost	At fair value through profit or loss	Total
----- Rupees -----			
<b>Financial assets</b>			
Balances with banks	58,132,779	-	58,132,779
Investments	-	115,123,493	115,123,493
Deposits and other receivables	4,050,482	-	4,050,482
Receivable against sale of investments	5,689,440	-	5,689,440
	67,872,701	115,123,493	182,996,194

	2019		
	At amortised cost	At fair value through profit or loss	Total
----- Rupees -----			
<b>Financial liabilities</b>			
Payable to Faysal Asset Management Limited - Management Company - the Management Company	475,701	-	475,701
Payable to Central Depository Company of Pakistan Limited - the Trustee	61,248	-	61,248
Accrued expenses and other liabilities	984,766	-	984,766
	1,521,715	-	1,521,715

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risks managed and measured by the Fund are explained below:

### 18.1 Market risk

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

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

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### (i) 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 market interest rates. As of June 30, 2020, the Fund's exposure to the risk of changes in market interest rates relates primarily to balances with banks. The balances with banks and floating rate debt securities are subject to profit rates as declared by the respective bank on periodic basis. As at June 30, 2020, approximately 98.01% (June 30, 2019: 42.70%) of the Fund's financial assets are subject to profit rates risk.

Incase an increase of 100 basis points in the interest rate, with all other factors remaining constant, would increase the Fund's income and increase the net assets of the Fund by Rs. 18.02 million (June 30, 2019: Rs. 0.781 million) and a decrease of 100 basis points would result in a decrease of the Fund's income and the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

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

----- 2020 -----					
Effective profit rate (%)	Exposed to interest rate risk			Not exposed to interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

#### Financial assets

----- Rupees -----						
Balances with banks	5% - 14.3%	227,836,478	-	-	-	227,836,478
Investments	8.65% - 15.39%	314,557,998	1,259,602,091	-	14,959	1,574,175,048
Deposits and other receivables		-	-	-	36,581,663	36,581,663
		542,394,476	1,259,602,091	-	36,596,622	1,838,593,189

#### Financial liabilities

Payable to Faysal Asset Management Limited - Management Company		-	-	-	271,838	271,838
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	205,151	205,151
Accrued expenses and other liabilities		-	-	-	1,562,870	1,562,870
		-	-	-	2,039,859	2,039,859

<b>On-balance sheet gap (a)</b>		542,394,476	1,259,602,091	-	34,556,763	1,836,553,330
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<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
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<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
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<b>Total profit rate sensitivity gap (a+b)</b>		542,394,476	1,259,602,091	-		
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<b>Cumulative profit rate sensitivity gap</b>		542,394,476	1,801,996,567	1,801,996,567		
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## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

Rupees					
<b>Financial assets</b>					
Balances with banks	5% to 12.25%	58,132,779	-	-	58,132,779
Investments	10.6% to 14.93%	20,000,000	-	95,123,493	115,123,493
Receivable against sale of investments		5,689,440	-	-	5,689,440
Deposits and other receivables		-	-	4,050,482	4,050,482
		83,822,219	-	99,173,975	182,996,194

### Financial liabilities

Payable to Faysal Asset Management Limited - Management Company		-	-	475,701	475,701
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	61,248	61,248
Accrued expenses and other liabilities		-	-	984,766	984,766
		-	-	1,521,715	1,521,715

<b>On-balance sheet gap (a)</b>	83,822,219	-	-	97,652,260	181,474,479
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<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
--	---	---	---	---	---

<b>Off-balance sheet gap (b)</b>	-	-	-	-	-
----------------------------------	---	---	---	---	---

<b>Total profit rate sensitivity gap (a+b)</b>	83,822,219	-	-		
--	------------	---	---	--	--

<b>Cumulative profit rate sensitivity gap</b>	83,822,219	83,822,219	83,822,219		
---	------------	------------	------------	--	--

### (ii) Currency risk

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

### (iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The equity price risk exposure arises from the Fund's investment in equity securities. The Fund does not have any significant equity instruments and is not exposed to such risk

### 18.2 Liquidity risk

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

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

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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

For maturity profile of Fund's financial instruments, refer note 18.1 to these financial statements.

### 18.3 Credit risk

**18.3.1** Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed.

Credit risk arises from balances with banks and financial instruments, profit receivable on balances with banks, investments in sukuk certificates and credit exposure arising as a result of receivable against sale of investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund minimises the credit risk. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

	2020	2019
	----- (Rupees) -----	
Balances with banks	227,836,478	58,132,779
Investments	1,360,760,089	20,000,000
Deposits and other receivables	36,581,663	4,050,482
Receivable against sale of investments	-	5,689,440
	<u>1,625,178,230</u>	<u>87,872,701</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets.

### 18.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its balances with banks and profit accrued thereon and against investments. The credit rating profile of balances with banks is as follows:

	2020	2019
	----- % -----	
AAA, AA+, AA, AA-	94.20	90.35
A+, A, A-	5.80	0.22
Unrated	-	9.43
	<u>100.00</u>	<u>100.00</u>

Rating of investments are being given under note 5.2 to these financial statements

#### 18.3.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. As transactions are entered with credit worthy parties thereby any significant concentration of credit risk is mitigated.

All financial assets of the Fund as at June 30, 2020 are unsecured and are not impaired.

## 19 FAIR VALUE MEASUREMENT

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

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

### Fair value hierarchy

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

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

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

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

As at the reporting date, the Fund held the following financial instruments measured at fair values:

	2020			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>	----- (Rupees) -----			
<b>Financial assets at fair value through profit or loss</b>				
- Ordinary shares of listed companies	14,959	-	-	14,959
- Sukuk certificates	-	1,574,160,089	-	1,574,160,089
	<u>14,959</u>	<u>1,574,160,089</u>	<u>-</u>	<u>1,574,175,048</u>

	2019			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>	----- (Rupees) -----			
<b>Financial assets at fair value through profit or loss</b>				
- Ordinary shares of listed companies	95,123,493	-	-	95,123,493
- Sukuk certificates	-	20,000,000	-	20,000,000
	<u>95,123,493</u>	<u>20,000,000</u>	<u>-</u>	<u>115,123,493</u>

## 20 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'statement of movement in unit holders' fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

### 21 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	Number of unit holders	Units held	Percentage of total	Number of unit holders	Units held	Percentage of total
Retirement funds	8	6,344,585	24.77%	12	1,030,953	36.98%
Individuals	142	988,172	3.86%	145	1,643,023	58.93%
Others	4	18,282,949	71.37%	7	114,065	4.09%
	154	25,615,706	100.00%	164	2,788,041	100.00%

### 22 LIST OF BROKERS BY PERCENTAGE OF COMMISSION PAID

Name of broker	2020
	Percentage of commission paid

Next Capital Limited	20.46%
Topline Securities Limited	18.21%
Khadim Ali Shah Bukhari Securities (Private) Limited	9.33%
Intermarket Securities Limited	8.74%
EFG Hermes Pakistan Limited	6.61%
AKD Securities Limited	5.95%
Ismail Iqbal Securities (Private) Ltd	5.69%
Shajar Capital Pakistan (Private) Ltd	5.48%
Taurus Securities Limited	3.75%
IGI Finex Securities Limited	3.67%

Name of broker	2019
	Percentage of commission paid

Intermarket Securities Limited	10.93%
DJM Securities (Private) Limited	9.98%
Invest & Finance Securities	9.53%
Taurus Securities Limited	7.07%
Arif Habib Securities Limited	7.06%
Foundation Securities	6.81%
Abbasi Securities (Private) Limited	6.37%
Adam Securities (Private) Limited	6.27%
Shajar Capital Pakistan Limited	6.14%
JS Global Capital Limited	5.71%

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 23 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall Experience
Mr. Khaldoon Bin Latif	Chief Executive Officer	B.Sc. Economics	Over 16 years
Mr. Ayub Khuhro	Chief Investment Officer	B.Sc. Economics	Over 11 years
Mr. Faisal Ali Khan	CFO and Company Secretary	B.com, CA	Over 16 years
Syed Shahid Iqbal	Senior Fund Specialist - Fixed Income	B.com	Over 28 years
Mr. Mustajab Alam	Fund Manager	MBA Finance	Over 7 years
Mr. Muhammad Akbar Latif Khan	Head of Research	B.com	Over 5 years
Mr. Khurram Salman	Head of Compliance and Internal Audit	B.com, CA	Over 15 years
Mr. Mohammad Qasim	Head of Risk	B. S. (Actuarial Science & Risk Management) & MBA (Finance)	Over 10 years

### 24 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other funds managed by the Fund manager
Mustajab Alam	Fund manager	MBA Finance	FISGF, FHAIF

### 25 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Name of directors	Designation	Attended meeting held on					
		August 19, 2019	September 12, 2019	October 21, 2019	January 01, 2020	January 31, 2020	April 17, 2020
Mr. Salman Ahmed Usmani	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Osman Asghar Khan	Director	No	Yes	No	No	Yes	Yes
Mr. Farooq Hassan*	Director	Yes	Yes	No	No	No	No
Mr. Tahir Yaqoob Bhatti	Director	Yes	Yes	No	Yes	Yes	Yes
Mr. Syed Muhammad Fraz Zaidi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mian Salman Ali	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Nadir Rahman**	Director	No	No	Yes	Yes	Yes	Yes
Mr. Khaldoon Bin Latif	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes	Yes

\*retired

\*\*elected in September 2019

### 26 NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Chief Executive Officer, as authorised by the Board of Directors of the Management Company, on July 01, 2020 approved a final distribution of Rs. 6.27 per unit on the face value of Rs. 100 each (i.e 6.27%) amounting to Rs. 160.61 million (including refund of capital amounting to Rs. 152.55 million). The financial statements of the Fund for the year ended June 30, 2020 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2021.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 27 GENERAL

#### 27.1 Corresponding figures

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statements except for the following:

Reclassification from the statement of assets and liabilities	Reclassification to the statement of assets and liabilities	June 30, 2019 -----Rupees-----
Accrued and other liabilities	Payable to the Securities and Exchange Commission of Pakistan	315,528

#### 27.2 Rounding off

Figures have been rounded off to the nearest rupee unless otherwise stated.

#### 27.3 Impacts of COVID-19

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

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

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

##### 27.3.1 Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company

## Notes to the Financial Statements

For The Year Ended June 30, 2020

has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (VPN) connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

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

### 28 DATE OF AUTHORISATION FOR ISSUE

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

For Faysal Asset Management Limited  
(Management Company)

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Chief Financial Officer

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Chief Executive Officer

---

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION**  
**DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS SUB CLAUSE (I)**  
**AND CLAUSE 11 - PERFORMANCE TABLE OF THE 5TH SCHEDULE TO THE**  
**NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

	June 30, 2020	June 30, 2019	June 30, 2018
	Rupees	Rupees	Rupees
<b>(i) PERFORMANCE TABLE</b>			
Net assets	1,833,958,241	180,025,319	428,617,840
Net assets value per unit	71.60	64.57	80.17
Offer price per unit	73.75	66.51	82.58
Repurchase price per unit	71.60	64.57	80.17
Highest offer price per unit	78.66	85.75	102.95
Highest repurchase price per unit	76.36	83.25	100.93
Lowest offer price per unit	61.93	65.26	80.88
Lowest repurchase price per unit	60.12	63.35	78.52
Total return:	10.89%	-19.46%	-19.77%
- capital growth	1.18%	-19.46%	-19.77%
- income distribution	9.71%	-	-
Average annual return: (Launch date: September 9, 2015)			
- one year	10.89%	-19.46%	-19.77%
- two years	-4.29%	-19.62%	1.64%
- three years	-9.45%	-5.40%	-0.25%
Distribution per unit:			
- Interim distribution (% per unit)	-	-	-
- Final distribution (% per unit)*	9.71%	-	-
	<u>9.71%</u>	<u>-</u>	<u>-</u>

\* Announced on 01 July 2020

The Fund's past performance is not necessarily indicative of future performance. Therefore, the unit prices and investment returns may go down, as well as up.

**(ii) Responsibilities towards Proxy Voting as per Regulation 38A**

Faysal Asset Management Limited (FAML) on behalf of Faysal Islamic Asset Allocation Fund (FIAAF) a collective investment scheme (CIS) under its management did not participate in shareholders' meetings. Further, the proxy voting policy of the FIAAF is available on the website of the FAML and detailed information regarding actual proxies voted by the FAML (if any) in respect of the CIS is also available without charge, upon request, to all unit holders.

**(iv) MEETINGS OF THE AUDIT COMMITTEE**

Following is the analysis of the attendance in the meetings of the Audit Committee of the

Name of Member	Meetings attended	Meeting held on				
		Aug 19, 2019	Sep 12, 2019	Oct 21, 2019	Jan 31, 2020	Apr 17, 2020
Mr. Osman Asghar Khan	4	-	1	1	1	1
Mr. Mian Salman Ali	5	1	1	1	1	1
Syed Muhammad Fraz Zaidi	5	1	1	1	1	1

**MEETINGS OF THE HUMAN RESOURCE AND REMUNERATION COMMITTEE**

Following is the analysis of the attendance in the meetings of the Human Resource and Remuneration Committee of the Management Company during the year:

Name of Member	Meetings attended	Meeting held on	
		Nov 29, 2019	Apr 17, 2020
Mr. Osman Asghar Khan	2	1	1
Mr. Salman Ahmed Usmani	2	1	1
Mr. Nadir Rehman	2	1	1

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

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