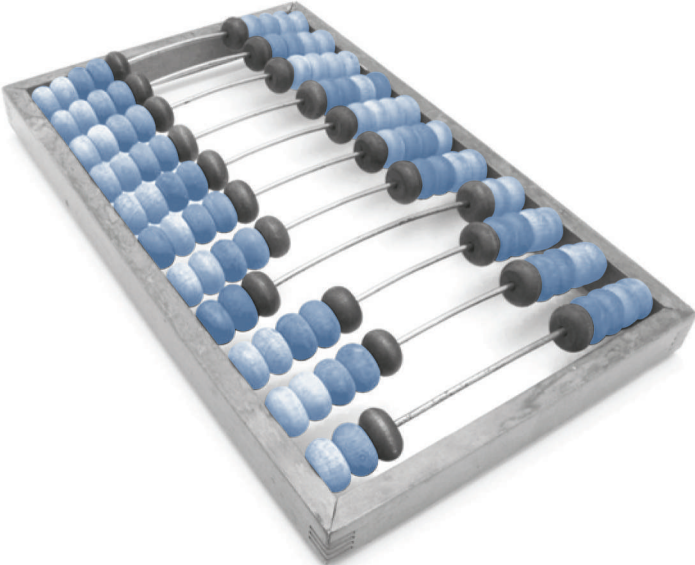


Faysal Asset Management

MTS Fund

Financial Statements
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

Soneri Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
JS Bank Limited
Zarai Taraqiati Bank Limited
Allied 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 STATEMENT

Faysal MTS Fund (FMTSF) endeavours to provide investors competitive returns primarily through investment into MTS market.

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.

MONEY MARKET REVIEW

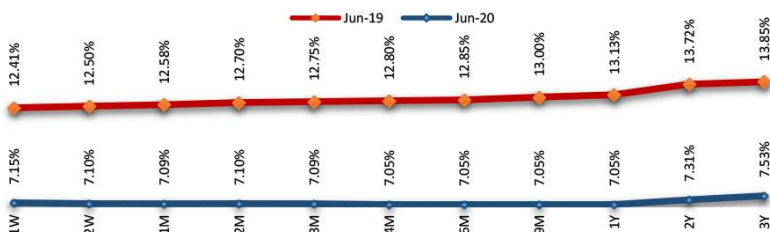
During FY20, Government borrowed 1) PKR 14.75tn in Treasury Bills and 2) PKR 2.07tn in Pakistan Investment Bonds. The weighted average yields declined as Central bank, in a series of meetings, reduced policy rate by 625bps to 7.0%. TTM fiscal deficit for March 2020 has clocked in at 7.2% vs. 5.0% of GDP in March 2019 as Ministry of Finance underperformed on revenue targets and privatization process. Going forward, we expect deficits to remain on higher side as Government shall face difficulties in revenue mobilization.

Weighted average yields



Yield curve

During the year, the entire yield curve shifted downward in 2HFY20 as Central bank undertook rounds of monetary easing. It remained inverted at shorter end because of expectations of subdued inflation due to COVID-19.

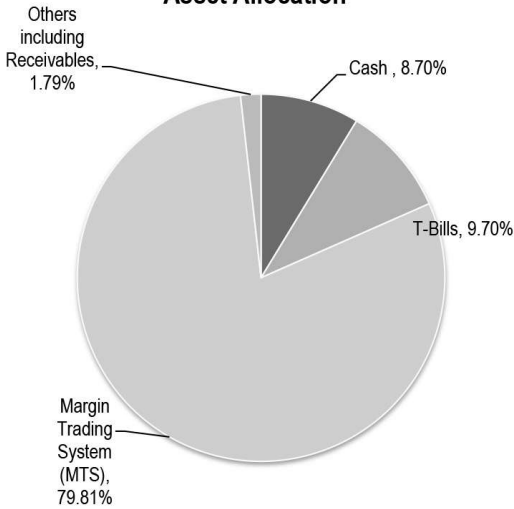


As of March 2020, Pakistan total debt stands at PKR 40.5trn or 93% of GDP. The domestic/external debt ratio is 38%/62% of GDP respectively. Central bank is making proactive approach to promote growth and employment by conducting monetary easing. The current macro-environment is expected to continue until the Country fully recovers from COVID-19.

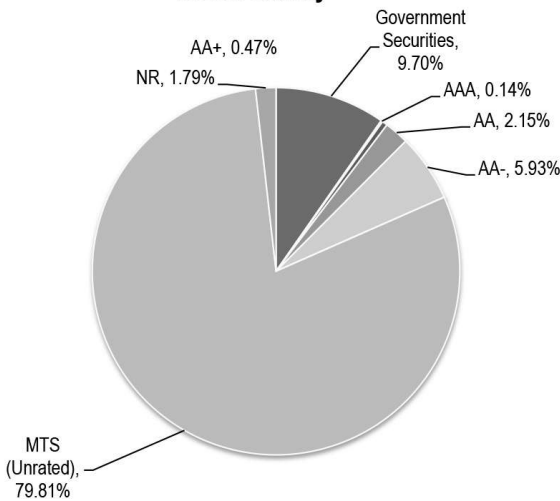
Fund Information	
Fund Type	Open Ended
Category	Income scheme
Stability Rating	"A+"f (PACRA)
Risk Profile	Moderate
Launch Date	April 8, 2016
Custodian/Trustee	CDC
Auditor	A.F. Ferguson & Co.
Management Fee	Upto 1% of Average Annual N.A. (Actual Rate of Management Fee Charged is 0.7%)
Selling and Marketing Expense	0.30%
Front/Back end Load	FEL up to 2% of NAV & BEL 0%
Min Subscription	PKR. 5,000
Benchmark	Six months KIBOR rates
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM2 (VIS)
NAV per Unit (PKR)	101.00
Net Assets(PKR mn)	1,000.64
Leverage	Nil

Fund Returns (% p.a)		
	FY20	FY19
YTD	13.04%	9.04
Benchmark (YTD)	12.22%	10.21

Asset Allocation



Asset Quality



FUND PERFORMANCE

Faysal MTS Fund (FMTSF) yielded an annualized return of 13.04% during FY20 relative to its benchmark of 12.22%. By the end of the period, MTS exposure stood at 79.81% due to improvement in stock market sentiments and MTS market as well. In near future, investors' confidence will primarily derive the yield of your fund.

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

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

**TRUSTEE REPORT TO THE UNIT HOLDERS****FAYSAL MTS 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 MTS 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) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (ii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

We would like to draw the attention of the unit holders towards the fact that during the period, the Management Company has not complied with the requirement of clause 2.1.1 of Offering Document pertaining to MTS which requires, "Minimum 70 % will be maintained based on quarterly average investment calculated on daily basis". However, the Management Company has clarified that due to deteriorated market condition the demand for MTS share financing had considerably low.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 28, 2020



A.F. FERGUSON & Co.

INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of Faysal MTS Fund

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer notes 4, 5 and 6 to the financial statements)	
	<p>The investments, receivable against margin trading system (MTS) 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 99,709 million while receivable against MTS and balances with banks aggregated to Rs. 820,524 million and Rs 92,091 million respectively.</p> <p>The existence and proper valuation of investments, receivable against margin trading system (MTS) 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"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio 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; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and ▪ Tested purchase and sale transactions of securities over margin trading system (MTS) on sample basis



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



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S.No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> ▪ Tested closing balance of receivable against MTS by recalculation of reports extracted from NCCPL. ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis.

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 evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not



**A·F·FERGUSON&CO.**

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 handwritten signature in blue ink, appearing to read 'A. F. Ferguson & Co.'.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Date: September 28, 2020

Statement of Assets and Liabilities

As at June 30, 2020

	Note	2020	2019
		----- (Rupees) -----	
Assets			
Balances with banks	4	92,091,386	676,334,499
Investments	5	99,709,100	49,710,501
Receivable against margin trading system (MTS)	6	820,523,657	119,844,640
Prepayments, deposits and other receivables	7	15,576,597	11,133,585
Preliminary expenses and floatation costs	8	169,022	382,207
Total assets		1,028,069,762	857,405,432
Liabilities			
Payable to Faysal Asset Management Limited - the Management Company	9	8,557,805	7,302,754
Payable to Central Depository Company of Pakistan Limited - the Trustee	10	84,501	125,758
Payable to the Securities and Exchange Commission of Pakistan	11	203,705	467,650
Accrued and other liabilities	12	18,588,405	6,533,305
Dividend payable		-	1,267,907
Total liabilities		27,434,416	15,697,374
NET ASSETS		<u>1,000,635,346</u>	<u>841,708,058</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>1,000,635,346</u>	<u>841,708,058</u>
CONTINGENCIES AND COMMITMENTS	13		
		----- (Number of units) -----	
Number of units in issue		<u>9,907,051</u>	<u>8,350,509</u>
		----- (Rupees) -----	
Net assets value per unit		<u>101.00</u>	<u>100.80</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) -----	
Income			
Profit on government securities		17,684,255	4,554,460
Income from margin trading system (MTS)		63,288,135	43,613,695
Profit on commercial papers		3,496,561	-
Profit on balances with banks		56,917,990	22,302,549
Capital gain / (loss) on disposal of investments - net		4,405,181	(26,789)
Unrealised gain / (loss) on re-measurement of investments classified as at fair value through profit and loss - net		44,838	(43,121)
Total income		<u>145,836,960</u>	<u>70,400,794</u>
Expenses			
Remuneration of Faysal Asset Management Limited - the Management Company	9.1	8,458,726	6,235,656
Sindh sales tax on remuneration of the Management Company	9.2	1,099,634	810,635
Selling and marketing charges	9.3	1,726,503	-
Allocated expenses	9.4	312,651	-
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	10.1	763,892	1,060,098
Sindh sales tax on remuneration of the Trustee	10.2	99,306	137,813
Bank charges		52,779	57,557
Auditors' remuneration	14	216,700	200,020
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	203,705	467,650
Fees and subscription		277,126	276,064
Transaction charges		5,285,141	4,998,932
Printing charges and other expenses		26,327	6,093
Amortisation of preliminary expenses and floatation costs	8	213,185	214,952
Total operating expenses		<u>18,735,675</u>	<u>14,465,470</u>
Net profit from operating activities		<u>127,101,285</u>	<u>55,935,324</u>
Provision for Sindh workers' welfare fund (SWWF)		2,542,026	1,118,706
Net profit for the year before taxation		<u>124,559,259</u>	<u>54,816,618</u>
Taxation	15	-	-
Net profit for the year after taxation		<u>124,559,259</u>	<u>54,816,618</u>
Earnings per unit	3.15		
Allocation of net profit for the year			
Net profit for the year		124,559,259	54,816,618
Income already paid on units redeemed		(54,909,849)	(23,458,821)
		<u>69,649,410</u>	<u>31,357,797</u>
Accounting profit available for distribution			
Relating to capital gains		4,450,019	-
Excluding capital gains		65,199,391	31,357,797
		<u>69,649,410</u>	<u>31,357,797</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

	2020	2019
	----- (Rupees) -----	-----
Net profit for the year after taxation	124,559,259	54,816,618
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>124,559,259</u>	<u>54,816,618</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 ----- (Rupees) -----	2019 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit from operating activities		124,559,259	54,816,618
Adjustments for non-cash and other items:			
Profit on government securities		(17,684,255)	(4,554,460)
Income from margin trading system (MTS)		(63,288,135)	(43,613,695)
Profit on commercial papers		(3,496,561)	-
Profit on balances with banks		(56,917,990)	(22,302,549)
Capital (gain) / loss on disposal of investments - net		(4,405,181)	26,789
Unrealised (gain) / loss on re-measurement of investments classified as at fair value through profit and loss - net		(44,838)	43,121
Amortisation of preliminary expenses and floatation costs		213,185	214,952
		<u>(21,064,516)</u>	<u>(15,369,224)</u>
(Increase) / decrease in assets			
Prepayments, deposits and other receivables		(10,141,571)	1,010,031
Increase / (decrease) in liabilities			
Payable to Faysal Asset Management Limited - the Management Company		1,255,051	6,557,163
Payable to Central Depository Company of Pakistan Limited - the Trustee		(41,257)	24,054
Payable to the Securities and Exchange Commission of Pakistan		(263,945)	209,743
Accrued and other liabilities		12,055,100	5,459,518
		13,004,949	12,250,478
Proceeds from redemption of investments		3,253,664,742	210,297,150
Payments made against purchase of investments		(3,299,213,322)	(215,767,995)
Receipts / payments made against Margin Trading System (MTS)		(700,679,017)	293,079,145
Profits and returns received		147,085,500	58,463,860
Net cash (used in) / generated from operating activities		<u>(617,343,235)</u>	<u>343,963,445</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received against issuance of units		1,582,539,456	1,069,943,700
Payments made against redemption of units		(1,431,363,657)	(1,055,613,055)
Dividend paid		(118,075,677)	(46,776,970)
Net cash generated from / (used in) financing activities		33,100,122	(32,446,325)
Net (decrease) / increase in cash and cash equivalents during the year		<u>(584,243,113)</u>	<u>311,517,120</u>
Cash and cash equivalents at beginning of the year		676,334,499	364,817,379
Cash and cash equivalents at end of the year	4	<u>92,091,386</u>	<u>676,334,499</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

	2020			2019		
	Capital value	Accumulated Loss	Total	Capital value	Accumulated Loss	Total
	----- (Rupees) -----			----- (Rupees) -----		
Net assets at beginning of the year	844,416,039	(2,707,981)	841,708,058	630,296,681	13,979,099	644,275,780
Issuance of 14,704,227 units (June 30, 2019: 10,147,725 units)						
- Capital value (at net assets value per unit at beginning of the year)	1,482,186,082	-	1,482,186,082	974,552,465	-	974,552,465
- Element of income	100,353,374	-	100,353,374	38,835,728	-	38,835,728
Total proceeds on issuance of units	1,582,539,456	-	1,582,539,456	1,013,388,193	-	1,013,388,193
Redemption of 13,147,685 units (June 30, 2019: 7,878,668 units)						
- Capital value (at net assets value per unit at beginning of the year)	(1,325,286,648)	-	(1,325,286,648)	(792,357,641)	-	(792,357,641)
- Element of Loss	(51,167,160)	(54,909,849)	(106,077,009)	(6,911,194)	(23,458,821)	(30,370,015)
Total payments on redemption of units	(1,376,453,808)	(54,909,849)	(1,431,363,657)	(799,268,835)	(23,458,821)	(822,727,656)
Total comprehensive income for the year	-	124,559,259	124,559,259	-	54,816,618	54,816,618
Dividends paid	(48,503,474)	(68,304,296)	(116,807,770)	-	(48,044,877)	(48,044,877)
Net assets at end of the year	<u>1,001,998,213</u>	<u>(1,362,867)</u>	<u>1,000,635,346</u>	<u>844,416,039</u>	<u>(2,707,981)</u>	<u>841,708,058</u>
Undistributed income brought forward						
- Realised (loss) / income		(2,664,860)			13,983,917	
- Unrealised loss		(43,121)			(4,818)	
		<u>(2,707,981)</u>			<u>13,979,099</u>	
Dividend paid						
Cash distribution @ Rs.12.95 per unit (date of declaration: June 25, 2020)		(68,304,296)			-	
Cash distribution @ Rs.5.08 per unit (date of declaration: June 25, 2019)		-			(35,268,447)	
Cash distribution @ Rs.2.10 per unit (date of declaration: June 29, 2018)		-			(12,776,430)	
		<u>(68,304,296)</u>			<u>(48,044,877)</u>	
Accounting income available for distribution						
- Relating to capital gains		4,450,019			-	
- Excluding capital gains		65,199,391			31,357,797	
		<u>69,649,410</u>			<u>31,357,797</u>	
Undistributed income carried forward		<u>(1,362,867)</u>			<u>(2,707,981)</u>	
Undistributed income carried forward						
- Realised loss		(1,407,705)			(2,664,860)	
- Unrealised gain / (loss)		44,838			(43,121)	
		<u>(1,362,867)</u>			<u>(2,707,981)</u>	
				-- (Rupees) --		-- (Rupees) --
Net assets value per unit at the beginning of the year			<u>100.80</u>			<u>105.94</u>
Net assets value per unit at the end of the year			<u>101.00</u>			<u>100.80</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 MTS Fund (the Fund) is an open-end income fund constituted under a trust deed entered into on November 17, 2015 between Faysal Asset Management Limited (FAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The investment activities and administration of the Fund are managed by the Management Company.
- 1.2 The Management Company of the Fund has been licensed to act as an asset management company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company 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 has been categorised as an open end income scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular no. 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs. 10 per unit. Thereafter, the units were being offered for public subscription on a continuous basis from April 09, 2016 and are transferable and redeemable by surrendering them to the Fund.
- 1.4 The objective of the Fund is to provide competitive returns primarily through investment in Margin Trading System (MTS) market.
- 1.5 The Fund is categorised as an "Income Scheme" as per the Circular No. 7 of 2009 issued by SECP.
- 1.6 The Management Company has been assigned a quality rating of AM2 by VIS Credit Rating Company Limited dated February 18, 2020 (2019: AM3+ dated June 24, 2019). Further, The Pakistan Credit Rating Agency Limited (PACRA) has assigned a "AA-(f)" rating to Faysal MTS Fund as of April 17, 2020 (2019: "A+(f)" dated April 17, 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. Accounting and reporting standards as applicable in Pakistan comprise of:

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

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

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

2.2.1 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, 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 and taxation (notes 3.2, 3.14, 5 and 15).

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

3.2 Financial assets

3.2.1 Classification of financial assets

3.2.1.1 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 group of assets and whose performance is measured on a fair value basis, to be recognised at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

Notes to the Financial Statements

For The Year Ended June 30, 2020

3.2.2 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.

3.2.3 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on 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.

3.2.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.2.5 Initial recognition and measurement

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

3.2.6 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.

Notes to the Financial Statements

For The Year Ended June 30, 2020

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 (NAV) 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 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net assets value of the units as of the close of that business day plus the allowable sales load, provision for duties and charges and provision for transaction costs, if applicable.

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

3.9 Distribution 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.

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

Notes to the Financial Statements

For The Year Ended June 30, 2020

3.11 Revenue recognition

Gains / (losses) arising on sale of investments are included in income statement and are recognised 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.

Mark-up on government securities, debt securities, profit on commercial papers, profit on balances with banks and income from margin trading system (MTS) are recognised on a time proportion basis using effective yield method.

3.12 Expenses

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

3.13 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 not exceeding sixty months in accordance with the trust deed.

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

Notes to the Financial Statements

For The Year Ended June 30, 2020

Deferred

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 based on substantively enacted tax rates.

3.15 Earnings / (loss) per unit

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

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

3.16 Foreign currency translation

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

	Note	2020	2019
4 BALANCES WITH BANKS		----- (Rupees) -----	-----
PLS savings accounts	4.1 & 4.2	<u>92,091,386</u>	<u>676,334,499</u>
4.1	These carry mark-up ranging between 6.50% to 8.80% (June 30, 2019: 5.00% to 13.60%) per annum		
4.2	The balance in PLS savings accounts includes a balance of Rs. 9.376 million (June 30, 2019: Rs. 9.486 million) held with Faysal Bank Limited (a related party).		
5 INVESTMENTS		----- (Rupees) -----	-----
Investments at fair value through profit or loss			
Government securities	5.1	<u>99,709,100</u>	<u>49,710,501</u>

Notes to the Financial Statements

For The Year Ended June 30, 2020

- 7.1** This includes margin deposits maintained with National Clearing Company of Pakistan Limited against MTS losses for regular exposure margin by the Fund in addition to Market Treasury Bills pledged as security in note 5.1
- 7.2** This includes profit receivable amounting to Rs.0.191 million (June 30, 2019: Rs.0.373 million) on bank balance held with Faysal Bank Limited (a related party).
- 7.3** 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 profits paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 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 withholdor. The tax withheld on profits on bank balances amounts to Rs 0.55 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.

8	Note	2020	2019
		----- (Rupees) -----	
		382,207	597,159
	8.1	<u>(213,185)</u>	<u>(214,952)</u>
		<u>169,022</u>	<u>382,207</u>

- 8.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These are being amortised over five years commencing from the end of the initial offering period in accordance with the Trust Deed of the Fund and the NBFC Regulations.

Notes to the Financial Statements

For The Year Ended June 30, 2020

9	PAYABLE TO FAYSAL ASSET MANAGEMENT LIMITED - THE MANAGEMENT COMPANY	Note	2020	2019
			----- (Rupees) -----	
	Remuneration of the Management Company	9.1	695,417	646,379
	Sindh sales tax on remuneration of the Management Company	9.2	90,404	85,029
	Sales load payable		6,576,138	6,571,346
	Selling and marketing charges	9.3	883,195	-
	Allocated expenses	9.4	312,651	-
			<u>8,557,805</u>	<u>7,302,754</u>

- 9.1** 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 1% per annum of the average net assets of the Fund till January 12, 2020 (1% from July 1, 2018 till June 30, 2019).

During the year ended June 30, 2020, through 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 1% of net assets. The Trustee has consented this revision via its letter CDC/T&C-S II/DH/0001/2020 dated January 1, 2020. The Board of the Management Company has also defined a minimum threshold of 0.2% 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 to the total expense ratio of the Fund as defined under the NBFC Regulations.

The Management Company charged management fee at 0.7% of net assets for the period from January 13, 2019 to June 30, 2020.

The remuneration is payable to the Management Company monthly in arrears.

- 9.2** During the year, an amount of Rs.1.100 million (2019: Rs 0.811 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011.
- 9.3** The SECP has 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.

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.

Notes to the Financial Statements

For The Year Ended June 30, 2020

10.2 During the year, an amount of Rs 0.10 million (2019: Rs 0.138 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011.

	Note	2020	2019
		----- (Rupees) -----	
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>203,705</u>	<u>467,650</u>

11.1 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).

11.2 Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Accordingly, the Fund has charged the SECP fee at the rate of 0.02% of net assets during the year (June 30, 2019: 0.075% of net assets).

	Note	2020	2019
		----- (Rupees) -----	
12 ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration payable		187,464	132,764
Brokerage expenses payable		90,254	1,114
Settlement charges payable		436,029	56,739
Withholding tax payable		13,467,137	4,459,902
Provision for Sindh workers' welfare fund (SWWF)	12.1	4,184,897	1,642,870
Provision for federal excise duty and related Sindh sales tax on management fee	12.2	66,238	66,282
Other accrued liabilities		<u>156,386</u>	<u>173,634</u>
		<u>18,588,405</u>	<u>6,533,305</u>

12.1 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).

Notes to the Financial Statements

For The Year Ended June 30, 2020

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from April 8, 2016 to June 30, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Rs. 0.42 per unit (2019: Rs. 0.20 per unit).

- 12.2** 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 for the period from April 8, 2016 till June 30, 2016 amounting to Rs. 0.0662 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 Rs 0.01 (June 30, 2019: Rs. 0.01).

	2020	2019
	----- (Rupees) -----	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Contingencies		
There were no contingencies as at June 30, 2020 and June 30, 2019.		
13.2 Commitments		
Margin trading system (MTS) transactions entered into by the Fund which have not been settled as at year end:		
Purchase transactions	49,584,132	-
Sale transactions	84,664,980	24,781,575

Notes to the Financial Statements

For The Year Ended June 30, 2020

14 AUDITORS' REMUNERATION

Audit fee	100,000	100,000
Review and other certifications	87,000	80,000
Out of pocket expenses	13,648	5,620
	200,648	185,620
Sindh sales tax @ 8%	16,052	14,400
	216,700	200,020

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 Section 4B of the Income Tax Ordinance, 2001.

16 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund as at June 30, 2020 is 2.09% (2019: 2.50%) which includes 0.39% (2019: 0.41%) representing government levies on the Fund such as provision for Sindh workers' welfare fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum prescribed limit of 2.5% under the NBFC Regulations for a collective investment scheme categorised as a income scheme.

17 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

17.1 Connected persons include Faysal Asset Management Limited being the Management Company, the 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.

17.2 Transactions with connected persons are 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.

Notes to the Financial Statements

For The Year Ended June 30, 2020

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

17.3.1 Transactions during the year	2020	2019
	----- (Rupees) -----	
Faysal Asset Management Limited (the Management Company)		
Remuneration of Management Company	8,458,726	6,235,656
Sindh sales tax on remuneration of the Management Company	1,099,634	810,635
Issuance of 988,148 units (2019: 156,991 units)	106,712,699	16,000,000
Dividend Declared	4,375	-
Redemption of 741,430 units (2019: 156,855 units)	80,307,534	16,044,513
Reimbursement of allocated expenses to the Management Company	312,651	-
Reimbursement of selling and marketing charges to the Management Company	1,726,503	-
Sales load paid	872,915	-
Faysal Bank Limited (group / associated company)		
Return on PLS savings account	2,182,215	989,778
Central Depository Company of Pakistan Limited - (the Trustee)		
Remuneration of the Trustee	763,892	1,060,098
Sales tax on Trustee fee	99,306	137,813
Settlement charges	827,847	791,297
Holding more than 10%		
Issuance of 498,210 units (2019: 616,337 units)	52,249,854	62,126,751
Dividend Declared	10,219,531	2,012,331
Redemption of 47,085 units (2019: Nil units)	5,000,000	-
17.3.2 Outstanding balances	2020	2019
	----- (Rupees) -----	
Faysal Asset Management Limited (the Management Company)		
Management fee payable	695,417	646,379
Sales tax payable on Management fee	90,404	85,209
Sales load payable	6,576,138	6,571,346
Reimbursement of allocated expenses to Management Company	312,651	-
Reimbursement of selling and marketing charges to the Management Company	883,195	-
Outstanding 246,866 (2019: 148) units - at net asset value	24,933,449	14,918
17.3.2 Outstanding balances	2020	2019
	----- (Rupees) -----	
Faysal Bank Limited (group / associated company)		
Balance in PLS saving accounts	9,376,415	9,486,318
Return receivable on PLS saving account	190,811	372,766
Central Depository Company of Pakistan Limited - (the Trustee)		
Security deposit	100,000	100,000
Remuneration payable to the Trustee	74,509	111,291
Sales tax payable on Trustee fee	9,992	14,467
Unit holders holding 10% or more units		
Outstanding 1,067,461 (2019: 616,337) units at net asset value	107,813,541	62,126,751

Notes to the Financial Statements

For The Year Ended June 30, 2020

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

18 FINANCIAL INSTRUMENTS BY CATEGORY

----- 2020 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Financial assets			
Balances with banks	92,091,386	-	92,091,386
Investments	-	99,709,100	99,709,100
Receivable against margin trading system (MTS)	-	820,523,657	820,523,657
Deposits and other receivables	14,821,809	-	14,821,809
	<u>106,913,195</u>	<u>920,232,757</u>	<u>1,027,145,952</u>

----- 2020 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Financial liabilities			
Payable to Faysal Asset Management Limited - the Management Company	8,557,805	-	8,557,805
Payable to Central Depository Company of Pakistan Limited - the Trustee	84,501	-	84,501
Accrued and other liabilities	870,133	-	870,133
	<u>9,512,439</u>	<u>-</u>	<u>9,512,439</u>

----- 2019 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Financial assets			
Balances with banks	676,334,499	-	676,334,499
Investments	-	49,710,501	49,710,501
Receivable against margin trading system (MTS)	-	119,844,640	119,844,640
Deposits and other receivables	10,520,368	-	10,520,368
	<u>686,854,867</u>	<u>169,555,141</u>	<u>856,410,008</u>

----- 2019 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Financial liabilities			
Payable to Faysal Asset Management Limited - Management Company	7,302,754	-	7,302,754
Payable to Central Depository Company of Pakistan Limited - Trustee	125,758	-	125,758
Accrued and other liabilities	364,251	-	364,251
Dividend payable	1,267,907	-	1,267,907
	<u>9,060,670</u>	<u>-</u>	<u>9,060,670</u>

Notes to the Financial Statements

For The Year Ended June 30, 2020

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

19.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(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, government securities and receivable against Margin Trading System (MTS). The balances with banks are subject to rates as declared by the respective banks on a periodic basis. The government securities are subject to fixed interest rates and valued by reference to the quotations obtained from Financial Market Association of Pakistan. Receivable against Margin Trading System (MTS) are also subject to fixed interest rates which have been negotiated between the participants. As at June 30, 2020, approximately 98.54% (June 30, 2019: 98.77%) of the Fund's financial assets are subject to Interest rates.

(a) Sensitivity analysis for variable rate instruments

In case of an increase of 100 basis points in the floating interest rate, with all other factors remaining constant, the Fund's income and the net assets would increase by Rs. 0.92 million (June 30, 2019: Rs. 6.76 million) and a decrease of 100 basis points would decrease the Fund's income and decrease the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(b) Sensitivity analysis for fixed rate instruments

In case of an increase of 100 basis points in the fixed interest rate, with all other factors remaining constant, would increase the Fund's income and increase the net assets of the Fund by Rs. 0.77 million (June 30, 2019: Rs. 0.14 million) and a decrease of 100 basis points would decrease the Fund's income and decrease 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:

Notes to the Financial Statements

For The Year Ended June 30, 2020

----- 2020 -----					
Effective interest 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		

----- Rupees -----

Financial assets

Balances with banks	6.50% - 8.00%	92,091,386	-	-	-	92,091,386
Investments	8.31%	99,709,100	-	-	-	99,709,100
Receivable against margin trading system		820,523,657	-	-	-	820,523,657
Deposits and other receivables		-	-	-	14,821,809	14,821,809
		1,012,324,143	-	-	14,821,809	1,027,145,952

Financial liabilities

Payable to Faysal Asset Management Limited - the Management Company		-	-	-	8,557,805	8,557,805
Payable to Central Depository Company Limited - the Trustee		-	-	-	84,501	84,501
Dividend payable		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	18,588,405	18,588,405
		-	-	-	27,230,711	27,230,711

On-balance sheet gap (a)

1,012,324,143	-	-	(12,408,902)	999,915,241
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Off-balance sheet financial instruments

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

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

1,012,324,143	-	-		
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Cumulative profit rate sensitivity gap

1,012,324,143	1,012,324,143	1,012,324,143		
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Notes to the Financial Statements

For The Year Ended June 30, 2020

----- 2019 -----					
Effective interest 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		

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

Financial assets

Balances with banks	5.00% - 13.60%	676,334,499	-	-	-	676,334,499
Investments	10.80%	49,710,501	-	-	-	49,710,501
Receivable against margin trading system		119,844,640	-	-	-	119,844,640
Deposits and other receivables		-	-	-	10,520,368	10,520,368
		845,889,640	-	-	10,520,368	856,410,008

Financial liabilities

Payable to Faysal Asset Management Limited - the Management Company		-	-	-	7,302,754	7,302,754
Payable to Central Depository Company Limited - the Trustee		-	-	-	125,758	125,758
Dividend payable		-	-	-	1,267,907	1,267,907
Accrued expenses and other liabilities		-	-	-	364,251	364,251
		-	-	-	9,060,670	9,060,670

On-balance sheet gap (a)		<u>845,889,640</u>	<u>-</u>	<u>-</u>	<u>1,459,698</u>	<u>847,349,338</u>
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Off-balance sheet financial instruments		-	-	-	-	-
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Off-balance sheet gap (b)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
----------------------------------	--	----------	----------	----------	----------	----------

Total profit rate sensitivity gap (a+b)		<u>845,889,640</u>	<u>-</u>	<u>-</u>		
--	--	--------------------	----------	----------	--	--

Cumulative profit rate sensitivity gap		<u>845,889,640</u>	<u>845,889,640</u>	<u>845,889,640</u>		
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19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Notes to the Financial Statements

For The Year Ended June 30, 2020

19.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(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, government securities and receivable against Margin Trading System (MTS). The balances with banks are subject to rates as declared by the respective banks on a periodic basis. The government securities are subject to fixed interest rates and valued by reference to the quotations obtained from Financial Market Association of Pakistan. Receivable against Margin Trading System (MTS) are also subject to fixed interest rates which have been negotiated between the participants. As at June 30, 2020, approximately 98.54% (June 30, 2019: 98.77%) of the Fund's financial assets are subject to Interest rates.

(a) Sensitivity analysis for variable rate instruments

In case of an increase of 100 basis points in the floating interest rate, with all other factors remaining constant, the Fund's income and the net assets would increase by Rs. 0.92 million (June 30, 2019: Rs. 6.76 million) and a decrease of 100 basis points would decrease the Fund's income and decrease the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(b) Sensitivity analysis for fixed rate instruments

In case of an increase of 100 basis points in the fixed interest rate, with all other factors remaining constant, would increase the Fund's income and increase the net assets of the Fund by Rs. 0.77 million (June 30, 2019: Rs. 0.14 million) and a decrease of 100 basis points would decrease the Fund's income and decrease 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:

Notes to the Financial Statements

For The Year Ended June 30, 2020

----- 2020 -----					
Effective interest 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		

----- Rupees -----

Financial assets

Balances with banks	6.50% - 8.00%	92,091,386	-	-	-	92,091,386
Investments	8.31%	99,709,100	-	-	-	99,709,100
Receivable against margin trading system		820,523,657	-	-	-	820,523,657
Deposits and other receivables		-	-	-	14,821,809	14,821,809
		1,012,324,143	-	-	14,821,809	1,027,145,952

Financial liabilities

Payable to Faysal Asset Management Limited - the Management Company		-	-	-	8,557,805	8,557,805
Payable to Central Depository Company Limited - the Trustee		-	-	-	84,501	84,501
Dividend payable		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	18,588,405	18,588,405
		-	-	-	27,230,711	27,230,711

On-balance sheet gap (a)		1,012,324,143	-	-	(12,408,902)	999,915,241
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		1,012,324,143	-	-		
Cumulative profit rate sensitivity gap		1,012,324,143	1,012,324,143	1,012,324,143		

Notes to the Financial Statements

For The Year Ended June 30, 2020

----- 2019 -----					
Effective interest 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		

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

Financial assets

Balances with banks	5.00% - 13.60%	676,334,499	-	-	-	676,334,499
Investments	10.80%	49,710,501	-	-	-	49,710,501
Receivable against margin trading system		119,844,640	-	-	-	119,844,640
Deposits and other receivables		-	-	-	10,520,368	10,520,368
		845,889,640	-	-	10,520,368	856,410,008

Financial liabilities

Payable to Faysal Asset Management Limited - the Management Company		-	-	-	7,302,754	7,302,754
Payable to Central Depository Company Limited - the Trustee		-	-	-	125,758	125,758
Dividend payable		-	-	-	1,267,907	1,267,907
Accrued expenses and other liabilities		-	-	-	364,251	364,251
		-	-	-	9,060,670	9,060,670

On-balance sheet gap (a)		845,889,640	-	-	1,459,698	847,349,338
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		845,889,640	-	-		
Cumulative profit rate sensitivity gap		845,889,640	845,889,640	845,889,640		

(ii) Foreign currency risk

Foreign 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 equity instrument; therefore, it is not exposed to such risk.

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

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

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

For maturity profile of the Fund's financial instruments, refer note 19.1 to these financial statements.

19.3 Credit risk

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

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

Notes to the Financial Statements

For The Year Ended June 30, 2020

Particulars	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
	----- Rupees -----			
Balances with banks	92,091,386	92,091,386	676,334,499	676,334,499
Investments	99,709,100	-	49,710,501	-
Receivable against Margin Trading System (MTS)	820,523,657	820,523,657	119,844,640	119,844,640
Deposits and other receivables	14,821,809	14,821,809	10,520,368	10,520,368
	<u>1,027,145,952</u>	<u>927,436,852</u>	<u>856,410,008</u>	<u>806,699,507</u>

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 equity instrument; therefore, it is not exposed to such risk.

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

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

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

For maturity profile of the Fund's financial instruments, refer note 19.1 to these financial statements.

19.3 Credit risk

19.3.1 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.

Notes to the Financial Statements

For The Year Ended June 30, 2020

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

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

Rating category	2020	2019
	----- % -----	----- % -----
AAA, AA+, AA, AA-	100%	85.02%
Unrated	0%	14.98%
	<u>100%</u>	<u>100%</u>

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

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

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	----- (Rupees) -----			
- Market Treasury Bills	-	99,709,100	-	99,709,100
- Receivable against MTS*	-	820,523,657	-	820,523,657
	<u>-</u>	<u>920,232,757</u>	<u>-</u>	<u>920,232,757</u>
	----- (Rupees) -----			
	2019			
	Level 1	Level 2	Level 3	Total
Financial assets 'at fair value through profit or loss'	----- (Rupees) -----			
- Market Treasury Bills	-	49,710,501	-	49,710,501
- Receivable against MTS*	-	119,844,640	-	119,844,640
	<u>-</u>	<u>169,555,141</u>	<u>-</u>	<u>169,555,141</u>

During the year ended June 30, 2020, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

*The carrying value of these securities approximate their fair value since these are short term in nature and are placed with counter parties which have high credit ratings.

Notes to the Financial Statements

For The Year Ended June 30, 2020

21 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies as stated in note 19, 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.

22 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	Number of unit holders	Investment amount	Percentage of total	Number of unit holders	Investment amount	Percentage of total
Individuals	408	825,205,047	82.47%	265	566,930,750	67.35%
Associated companies / directors	1	24,933,998	2.49%	-	-	-
Retirement funds	10	114,617,310	11.45%	9	195,446,966	23.22%
Others	17	35,878,990	3.59%	14	79,330,341	9.42%

23 LIST OF BROKERS BY PERCENTAGE OF COMMISSION PAID

Name of broker	2020	2019
	Percentage of commission paid	Percentage of commission paid
Invest One Markets Limited	28.52%	-
Bright Capital (Private.) Limited	22.01%	-
Arif Habib Limited	18.17%	-
C&M Management (Private) Limited	11.69%	-
Magenta Capital (Private) Limited	8.49%	33.14%
Vector Capital (Private) Limited	6.85%	-
BMA Capital Management Limited	2.98%	-
BIPL Securities Limited	1.28%	-
Next Capital Limited	-	66.86%
	<u>100%</u>	<u>100%</u>

Notes to the Financial Statements

For The Year Ended June 30, 2020

24 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Name	Designation	Qualification	Overall experience
Mr. Khaldoon Bin Latif	Chief Executive Officer	B.Sc. Economics	Over 16 years
Mr. Ayub Khuuro	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	Sr. Fund Specialist - Fixed Income	B.Com	Over 28 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
Mr. Khurram M. Arif	Fund Specialist - Equities	B.Com , CFA	Over 10 years

25 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other funds managed by the Fund manager
Mr. Syed Shahid Iqbal	Sr. Fund Specialist - Fixed Income	B.com	FIGF, FSGF, FMMF, FFSOF, FFVF, FGSG

26 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

Notes to the Financial Statements

For The Year Ended June 30, 2020

27 GENERAL

27.1 Corresponding figures have been reclassified and rearranged 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	467,650

27.2 Round off

Figures have been rounded off to the nearest thousand rupees 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.

Notes to the Financial Statements

For The Year Ended June 30, 2020

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 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)

Chief Financial Officer

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 Rupees	June 30, 2019 Rupees	June 30, 2018 Rupees
(i) PERFORMANCE TABLE			
Net assets	1,000,635,346	841,708,058	644,275,780
Net assets value per unit	101.00	100.80	105.94
Offer price per unit	103.02	102.82	108.06
Repurchase price per unit	101.00	100.80	105.94
Highest offer price per unit	116.03	111.65	108.06
Highest repurchase price per unit	113.75	109.46	105.94
Lowest offer price per unit	102.84	102.65	101.32
Lowest repurchase price per unit	100.82	100.64	100.31
 Total return:			
- capital growth	13.04%	9.04%	5.63%
- income distribution	0.19%	0.24%	-17.96%
	12.85%	8.80%	23.59%
 Average annual return: (Launch date: Decemeber 13, 2010)			
- one year	13.04%	9.04%	5.63%
- two years	11.04%	7.34%	5.89%
- three years	9.24%	6.94%	5.91%
 Distribution per unit:			
- Interim distribution (% per unit)	12.85%	8.80%	0.00%
- Final distribution (% per unit)	-	0.00%	5.35%
	<u>12.85%</u>	<u>8.80%</u>	<u>5.35%</u>

* Announced on 25 June 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) MEETINGS OF THE AUDIT COMMITTEE

Following is the analysis of the attendance in the meetings of the Audit Committee of the Management Company during the year:

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

(iii) 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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Head Office

West wing, 7th Floor, Faysal House, ST-02,
Shahrah-e-Faisal, Karachi, Pakistan.

Karachi

U 92 21 111329725
F 92 21 38657800

Lahore

T 92 42 35785558
F 92 42 35755196

Islamabad

T 92 51 2605721 / 23
F 92 51 2275252

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