

LAKSON ASSET ALLOCATION DEVELOPED MARKETS FUND
Annual Report 2018










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

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

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

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

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

Fund's Information

Management Company

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

Lakson Investments Limited
(Regulated by the DFSA as a Representative Office)
Level 15, Gate Building
DIFC, P.O. Box 507054
Dubai, U.A.E.
Phone: +971.4 401.9284
Fax: +971.4 401.9578

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal (March 30, 2018)
Mr. Mahomed J. Jaffer
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Mr. Daniel Scott Smaller
Mr. Zahid Zakiuddin
Mr. Aziz H. Ebrahim (Till February 02, 2018)

Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

Audit Committee

Mr. Zahid Zakiuddin - Chairman
Mr. Amin Mohammed Lakhani
Mr. Iqbal Ali Lakhani
Mr. Aziz H. Ebrahim (Till February 02, 2018)

Human Resource and Remuneration Committee

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani
Mr. Daniel Scott Smaller

Trustee

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

Auditors

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

Bankers to the Fund

Allied Bank Limited
Bank Alfalah Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Habib Bank AG Zurich
National Bank of Pakistan
United Bank Limited

Legal Adviser

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

Registrar

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

Distributor

Rabia Fida

Rating

5-Star (One Year)
5-Star (Three Years)
4-Star (Five Years)
Fund Performance Ranking (By JCR-VIS)
AM2+ : Asset Manager Rating by PACRA



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Asset Allocation Developed Markets Fund ('LAADMDF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2018.

Fund Objective

The investment objective of the Fund is to provide long-term capital appreciation by investing in a mix of domestic debt and Developed Markets Securities.

Principal activities

LAADMDF is an open end asset allocation scheme and is listed on Pakistan Stock Exchange Limited. The Scheme is managed using an active investment management style which focuses on an analysis of the macro factors such as government policies, global economic data, commodities prices and supply/demand dynamics. The Scheme switches exposure between the domestic Government Securities and the Developed Markets securities based on the outlook of the Investments Team of the performance of the Developed Markets. The Scheme may overweight or underweight countries relative to its benchmark for Developed Markets investments, the MSCI World Index. Exposure of the Scheme in the fixed income securities is managed through duration and yield curve management by shifting between different maturities of the Government Securities.

Development and Performance Review

LAADMDF generated an absolute return of 13.06% in the FY18 compared to the Benchmark return of 13.03%. The LAADMDF has outperformed the benchmark by 0.03%. As of June 29, 2018, allocation in Developed Market Equities was 44% and remaining in cash (55%).

Earnings Per Unit (EPU)

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

Income Distribution

The Board of Directors of the Management Company in its meeting held on July 03, 2018, declared a final payout of PKR 2.3801 per unit for the year ended June 30, 2018.

Principal Risk and Uncertainties

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

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has upgraded the asset manager rating of the Management Company to AM2+ from AM2. The JCR-VIS Credit Rating Company Limited has given the one year and three years performance rankings of "5-Star" and five years performance ranking of "4-Star" to the LAADMDF.

Additional Matters:

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. During the year ended June 30, 2018, the Directorship of Mr. A. Aziz H. Ebrahim was ceased on February 2, 2018 due to his sad demise (May Allah rest his departed soul in eternal peace). The Board Members placed their gratitude on record for the services rendered by him for the Lakson Group and the Company.

Mr. Jamil Ahmed Mughal was appointed as a Director to fill the casual vacancy with effect from March 30, 2018. The Securities & Exchange Commission of Pakistan pursuant to the requirement of the Non-Banking Finance Companies & Notified Entities Regulations, 2008, accorded its approval for the appointment of Mr. Jamil Ahmed Mughal.

3. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
4. Proper books of accounts of the Fund have been maintained.
5. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
6. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
7. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
8. There are no significant doubts upon the Fund's ability to continue as a going concern.
9. Key financial data as has been summarized in this Annual Report.
10. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
11. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
12. The pattern of unit holding as at June 30, 2018 is given in note No. 20.1 of the Financial Statements.
13. A performance table / key financial data is annexed to this annual report.

External Auditor

The existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2019. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the year ending June 30, 2019.

ECONOMY REVIEW

Inflation was recorded at 5.21% YoY in June, which is the highest growth in 44 months (since October 2014). This brought the FY18 inflation to 3.92%, which is lower than FY17 average of 4.15%. Recent inflationary pressures are mostly attributable to local fuel prices, which have surged following the rise in international crude oil prices. CPI growth is expected to remain north of 5.5% for the remainder of the year due to the base effect as well as high fuel prices. Going forward oil prices are expected to remain high due to the upcoming sanctions on Iran, which will affect a majority of the 2.5m b/d of oil that Iran currently exports. Furthermore, economic problems in Venezuela may also disrupt supply in that country and thereby prop up oil prices. On the other hand the trade war may restrain oil prices because disruption in trade will affect global economic growth.

Pakistan's external position remained problematic in June as PKR depreciated by 5.1% during the month to reach PKR 121.4972/USD. During FY18 PKR depreciated by 15.9%, while in 1HCY18 it depreciated by 10.0%. Due to Pakistan's heightened external vulnerability, Moody's changed the outlook on its rating for Pakistan, B3, to "Negative" from its previous outlook of "Stable". In order to

stabilize the external position, the government has borrowed USD 1bn from China in June and may borrow further from the country. Moreover, the government appears to be upbeat over attracting foreign exchange through its amnesty scheme, the deadline for which has been extended till the end of July. According to news sources, revenue worth PKR 65bn had been generated through this scheme till the end of June.

Fixed Income Market Review

SBP raised its policy rate by 75bps in the second half of the fiscal year as the deteriorating external position and inflationary threats called for monetary tightening. PKR devalued by a further 10.0% in 2HFY18 after losing 5.3% of its value against the USD in 1HFY18. In total PKR depreciated by 15.9% during FY18. The PKR devaluation led to inflationary pressures, resulting in average CPI growth of 4.09% for 2HFY18 compared to 3.75% in 1HFY18. Hike in fuel prices as OPEC decided to increase output also contributed to domestic inflation. Inflation was recorded at 3.92% in FY18 versus 4.15% in FY17.

Due to market participants' outlook on interest rates ahead of the hike, SBP was unable to get acceptable bids for PIB auctions from Aug 2017 to Mar 2018; hence, it rejected all bids during this period. To resolve the issue, SBP introduced floating rate PIBs in May 2018. The floating rate of such PIBs is based on the weighted average yield of the 6-month MTB as determined in the latest successful 6-month MTB auction held prior to the floating rate PIB's auction and/or the start of the coupon period (plus/minus a margin decided in the auction).

Yields rose by a greater amount for middle tenor instruments than for the short or long end during FY18. For 1 to 8 year instruments, yields rose in the range of 107 to 185bps, while for instruments with tenor shorter than 1 year, yields rose in the range of 63 to 102bps. Similarly, yields rose by only 39 to 98bps in the long end. This shows the market's expectations that inflation will be high in the medium term and then decline in the long-term. This thesis is supported by the point of view that upward pressure on oil price is mostly short term (Iran and Venezuela's issues), while downward pressure, on the back of slowing global economic growth and rising US production, is long-term.

Broad Money (M2) growth slowed to 10.59% in FY18 compared to 13.69% in FY17 and 13.67% in FY16. The slowdown was mostly due to a decline in net foreign assets of the banking system of PKR 793 billion. This decline partly compensated for the rise in Government's borrowing for budgetary support (PKR 1.4 trillion) and increment in credit to private sector (PKR 768 billion).

Developed Market Review

Developed Markets were mostly under pressure during June as USA's tariffs against other developed countries created jitters. The MSCI EAFE Index declined 1.4% during the month to bring the FY18 return down to positive 4.0% and the 1HCY18 return to negative 4.5%. European stocks especially performed poorly because of the trade war.

USA's equities lost steam during the month, and the S&P 500 Index gave a positive return of only 0.5% in June compared to 2.16% in May. The Index closed the year with gains of 12.2%, and half year CY18 with gains of 1.7% only. Limiting of gains during the month was attributable to retaliatory tariffs by Canada, China and the European Union as the trade war intensified. During the month (i) EU enacted tariffs on more than USD 3bn worth of USA's goods, (ii) USA announced to levy 25% tariffs on up to USD 50bn of Chinese goods, (iii) China vowed to introduce taxation measures against USA "of the same scale and the same strength", and (iv) Canada retaliated by unveiling the list of USA's products that it plans to hit with tariffs. USA's tariffs against its trade partners, and China and Canada's tariffs against USA will become applicable from July.

Germany was one of the worst performers during the month due to the trade war as well as politics related to European Union's migration policy. The DAX Index declined 2.4% during June, and dipped by 4.7% in 1HCY18. DAX gave a return of -0.2% for FY18.

Contrary to most developed markets. Australia and New Zealand performed well during the month of June. Australia's S&P/ASX 200 Index rose 3.0% during the month to take the fiscal year return to 4.8%. New Zealand's S&P/NZ 50 Gross Index surged by 3.3% during the month to bring FY18 return to 17.5%.

Future Outlook

Since the end of the fiscal year the central bank has already increased the policy rate by a further 100bps. Nevertheless, further tightening is on the cards due to the inflationary threats ahead. Crude oil prices are expected to remain at an elevated level because supply disruption due to sanctions on Iran and economic problems in Venezuela are likely to be countered by prospects of slowdown in global growth due to the US-China trade war. Moreover, the recent PKR devaluation is likely to have a lagged effect on inflation in the coming months. Given the outlook on the exchange rate and inflation, further policy rate hike of 50bps is expected in the upcoming monetary policy which is expected in Sept'18.

Despite greater energy availability and improvement in physical infrastructure, economic growth is likely to slow in FY19. The World Bank in its report issued in June commented that Pakistan's growth in FY19 is likely to moderate to 5.0% (against 5.8% estimated for FY18) due to tighter policies to improve macroeconomic stability.

The general elections brought the Pakistan Tehreek e Insaaf (PTI) to power at the head of a coalition government. The immediate concerns which need to be addressed are the current account and fiscal deficits which threaten to derail macroeconomic stability.

Tough decisions in the form of fiscal and monetary adjustments will have to be made which will test the resolve and vision of the new government. Austerity measures including reduction in subsidies, lower development spending and rationalization of gas/power tariffs will have to be complemented by a comprehensive reform program targeting tax collection and loss making public sector enterprises.

Higher interest rates, currency depreciation and increase in import duties will be employed to defuse inflationary pressures and contain the external account as FX reserves have dipped to dangerously low levels. There is an emergent need to obtain funding from multilateral creditors (IMF/WB/ADB/IDB) and friendly countries (KSA/UAE/China) to plug a financing gap of over USD 20 billion. As a result of these expected measures, FY19 is expected to be a year of macroeconomic consolidation with GDP projected to slow down to 4.8%.

Post elections the weighted average yields for 3M and 6M tenor have remained flat at 7.75% and 7.85%, respectively. Moreover, notably participation has been visible in 3M papers likewise the trend which has been visible for the last few quarters indicating further monetary tightening. The increase in yield (~100bps) across different tenors was recorded pre-elections (recall SBP raised key policy rate by 100bps to 7.5% and DR to 8.0% on 14th July '18 whereas elections took place on 25th July). Aug'18 CPI clocked in at 5.84% YoY while core inflation was at 7.7%, YoY which re-iterates market expectations of future interest rate hikes, thus rates will rise in the upcoming auctions in line with spike in IR.

Acknowledgment

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

For and on behalf of the Board

Chief Executive Officer

Director

**Dated: August 15, 2018
Karachi**



لیکسن ایسٹ ایلوکیشن ڈیولپڈ مارکیٹس فنڈ
30 جون 2018ء کو ختم ہونے والے سال کے لیے
مہینہ گنت کمپنی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکن ایسٹ ایلوکیشن ڈیولپڈ مارکیٹس فنڈ ("LAADMF" یا فنڈ) کی مہینہ گنت کمپنی،
30 جون 2018ء کو ختم ہونے والے مالی سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

فنڈ کا مقصد

لیکسن ایسٹ ایلوکیشن ڈیولپڈ مارکیٹس فنڈ کی سرمایہ کاری کا مقصد مختلف طرح کے ملکی قرضوں اور ڈیولپڈ مارکیٹس سیکورٹیز میں سرمایہ کاری کرتے ہوئے
طویل مدت کے لیے اصل سرمائے کی قدر میں اضافہ کرنا ہے۔

نمایاں سرگرمیاں

LAADMF ایک اوپن اینڈ ایسٹ ایلوکیشن فنڈ ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ ایکٹیم کو انویسٹمنٹ مہینہ گنت کے ایک فعال انداز کو اختیار کرتے
ہوئے چلایا جائے گا جس میں بڑے عوامل جیسے حکومتی پالیسیوں، گلوبل اکنامک ڈیٹا، کموڈٹی کی قیمتیں اور سپلائی/ڈیمانڈ ڈائنامکس کے تجزیوں کو پیش نظر رکھا جائے گا۔ اس
آئٹم سے ڈویڈنڈ گورنمنٹ سیکورٹیز اور ایسی ڈیولپڈ مارکیٹس سیکورٹیز کے درمیان تبدیلیوں کے ساتھ سرمایہ کاری کی جاتی ہے، جس کا ڈیولپڈ مارکیٹس کی سرمایہ
کاری کے منظر نامے اور اپنی انویسٹمنٹس ٹیم کی پیشگوئیوں پر انحصار ہوتا ہے۔ یہ آئٹم ڈیولپڈ مارکیٹس کی سرمایہ کاری سے متعلق بیچ مارک MSCI World
Index کے حوالے سے متعلق ممالک اور روایت یا انڈر ویت کر سکتی ہے۔ ایکٹیم کی سرمایہ کاری فیکٹرز آف ریسٹریکشن میں اس کی مدت اور yield curve مہینہ گنت
کے ذریعے مختلف میچورٹیز اور حکومتی سیکورٹیز کے درمیان منتقل کرتے ہوئے منظم کیا جائے گا۔

پیش رفت اور کارکردگی کا جائزہ

LAADMF نے مالی سال 2018ء کے دوران گزشتہ بیچ مارک ریسٹریکشن 13.03% کے مقابلے میں 13.06% ریسٹریکشن حاصل کیا۔ فنڈ نے بیچ مارک کے
مقابلے میں 0.03% بہتر کارکردگی کا مظاہرہ کیا ہے۔ 29 جون 2018ء کے مطابق ڈیولپڈ مارکیٹ ایکویٹیز میں فنڈ 44% مختص کیا گیا، جبکہ بقیہ 55% کیش
میں کیا گیا۔

نی یونٹ آمدنی (EPU)

نی یونٹ آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے تخمینہ شدہ اوسط یونٹس کا تین اوپن اینڈ فنڈز کے
لیے قابل عمل نہیں ہے۔

آمدنی کی تقسیم

مہینہ جنت کمپنی کے بورڈ آف ڈائریکٹرز نے 03 جولائی 2018 کو منعقد ہونے والے اجلاس میں ختم ہونے والے سال 30 جون 2018 کے لیے 2.3801 پاکستانی روپے فی یونٹ کی حتمی اداگی کا اعلان کیا ہے۔

نمایاں خطرات اور خدشات

معاشی عدم استحکام، کرنٹ اکاؤنٹ کے خساروں اور تیل کی قیمتوں میں اضافہ، مسلسل کم ہوتے زرمبادلہ کے ذخائر، امریکا اور دیگر دوست ممالک کی طرف سے مالی امداد میں کمی، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں بھاری کمی، آئی ایم ایف پروگرام کی طرف واپسی، مرکزی بینک کی طرف سے مالیاتی سختی اور بگڑتے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے خطرات بنے رہے۔ یہ خطرات غیر ملکی اور مقامی سرمایہ کاروں اپنی سرمایہ کاریوں سے پیسہ نکالنے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات مرتب ہو سکتے اور فنڈ کی منافع کمانے کی اہلیت بھی متاثر ہو سکتی ہے۔

لیسیٹ میجبر اینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے مہینہ جنت کمپنی کی AM2 لیسیٹ میجبر اینڈ کو بڑھا کر AM2+ کر دیا ہے۔ JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے LAADMF کو ایک سال اور تین سالہ پرفارمنس پر '5 اسٹار' اور پانچ سالہ پرفارمنس پر '14 اسٹار' ریٹنگ دی ہے۔

اضافی معاملات

- 1- مہینہ جنت کمپنی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- مالی سال 30 جون 2018 کے دوران، 2 فروری 2018 کو جناب عزیز ایچ ابراہیم صاحب کا انتقال ہو گیا تھا (اللہ اُن کی مغفرت فرمائے اور جنت میں اعلیٰ مقام عطا فرمائے) جس کے باعث اُن کی ڈائریکٹرشپ ختم ہو گئی۔ بورڈ کے ارکان نے ان کی خدمات کو ٹیکنس گروپ اور کمپنی کے لیے کوسر اہا ہے۔ 30 مارچ 2018 کو جناب جمیل احمد مغل صاحب کو بطور ڈائریکٹر تعینات کیا گیا۔ سیکورٹی اینڈ ایگزیکٹو کمیشن آف پاکستان نے نان بینکنگ فنانس کمپنیز اور مطلع شدہ اداروں کی ریگولیشنز، 2008 کے مطابق جناب جمیل احمد مغل کی تقرری کی منظوری دی ہے۔
- 3- مہینہ جنت کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کمیشن فلو ز اور یونٹ ہولڈر کے فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 4- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 5- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کمیٹی ہے اور شریاتی تخمینے مناسب اور معقول نظر لیا جاتی ہیں۔
- 6- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (ایگزیکٹو اینڈ ریگولیشن) (روز 2003) کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینڈ ریگولیشنز، 2008 (NBFC ریگولیشنز)، سیکورٹیز اینڈ ایگزیکٹو کمیشن آف پاکستان کے جاری کردہ ڈائریکٹرز کی تشکیلی دستاویزات کے تقاضوں کی بیرونی کمیٹی ہے اور ان سے کسی بھی انحراف کی مناسب انداز

- میں نشان دہی کی گئی ہے۔
- 7- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 8- فنڈ کی روائیوں اور اس رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 9- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 10- ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 11- پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات منجھت کپنی کی طرف سے برداشت کیے جاتے ہیں۔
- 12- 30 جون 2018 کے مطابق پونٹ ہولڈنگ کا پینرن مالیاتی گوشوارے کے نوٹ نمبر 20.1 میں دیا گیا ہے۔
- 13- کارکردگی کی جدول / اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

بیرونی آڈیٹر

موجودہ آڈیٹر ڈی بی اے ایم سی ایم نے اپنی ایکسپریٹس کے تحت 30 جون 2019 کو ختم ہونے والے سال کیلئے بطور آڈیٹر بار بارہ تقرری کے لیے اپنی رضامندی ظاہر کی ہے۔ آڈٹ کمپنی کی سفارش پر بورڈ آف ڈائریکٹرز نے ڈی بی اے ایم سی ایم کو آڈیٹر مقرر کیا ہے، چارٹرڈ اکاؤنٹنٹس کو 30 جون 2019 کو ختم ہونے والے سال کے لیے دوبارہ مقرر کر دیا ہے۔

معاشی جائزہ

جون میں سال بہ سال بنیاد پر 5.21% فراڈز ریکارڈ کیا گیا جو 44 مہینوں میں (اکتوبر 2014 سے) بلند ترین نمونہ ہے۔ اس نے مالی سال 2018 کے فراڈز کو 3.92% تک پہنچا دیا جو مالی سال 2017 کی 4.15% اوسط سے کم ہے۔ فراڈز کا حالیہ دو یا زیادہ تریفیل کی مقامی قیمتوں کا نتیجہ ہے، جن میں شامل تیل کی بین الاقوامی قیمتوں میں اضافے کے بعد تیزی آئی ہے۔ گزشتہ عرصے میں فراڈز کی کم ترین سطح کے اثرات (Base effect) اور فیول کی بلند قیمتوں کی وجہ سے سال کی بقیہ مدت میں CPI نمو 5.5% کے لگ بھگ رہنے کی توقع ہے۔ آئندہ بھی ایران پر لاگو ہونے والی پابندیوں کی وجہ سے تیل کی قیمتیں بلند رہنے کی توقع ہے جس سے 2.5 بلین بیرل روزانہ تیل کا بڑا حصہ متاثر ہوگا جو ایران اس وقت برآمد کرتا ہے۔ مزید برآں ویزویلا میں معاشی مسائل بھی اس ملک کی سپلائی معطل کر سکتے ہیں جس کے نتیجے میں تیل کی قیمتوں میں اضافہ ہو جائے گا۔ دوسری طرف تجارتی جنگ تیل کی قیمتوں کو محدود کر سکتی ہے کیوں کہ تجارت میں بندش عالمی معاشی نمو کو متاثر کرے گی۔

پاکستان کی بیرونی صورت حال جون میں پریشان کن رہی جیسا کہ مہینے کے دوران روپے کی قدر 5.1% کم ہو کر 121.4972 روپے فی امریکی ڈالر تک پہنچی۔ مالی سال 2018 میں روپے کی قدر میں 15.9% کمی ہوئی، جب کہ موجودہ سال 2018 کے پہلے نصف میں اس کی قدر 10.0% گرتی ہے۔ پاکستان کی برصغیر کی کرنیوں اور حالات کی وجہ سے موڈیز نے پاکستان کے لیے توقعات پر اپنی ریٹنگوں، سابقہ توقعات B3 "مستحکم" سے کم کر کے "مفتی" کر دی۔ بیرونی صورت حال کو مستحکم کرنے کے لیے حکومت نے جون چین سے ایک ارب ڈالر قرض لیا ہے اور اس ملک سے مزید قرض لیا جاسکتا ہے۔ مزید برآں حکومت اپنی ایکسپنڈیٹو اسکیم کے ذریعے، جس کی آخری تاریخ جولائی تک بڑھادی گئی ہے، زرمبادلہ کو راغب کرنے کے بارے میں ہر امید ہے۔ خبروں



کے ذرائع کے مطابق اس اسکیم کے ذریعے جون کے آخر تک 65 ارب روپے اکٹھے کیے جا چکے ہیں۔

فلسفہ انکم مارکیٹس کا جائزہ

SBP نے مالی سال کے دوسرے نصف میں اپنے پالیسی ریٹ میں 75 بنیادی پوائنٹس کا اضافہ کر دیا، جیسا کہ گزرتی ہوئی بیرونی صورت حال اور افراط زر کے خطرات مالیاً بے تحاشی کا تقاضا کرتے تھے۔ مالی سال 2018 کے پہلے نصف میں امریکی ڈالر کے مقابلے میں اپنی 5.3% قدر رکھنے کے بعد مالی سال 2018 کے دوسرے نصف میں پاکستانی روپے کی قدر میں مزید 10% کمی کی گئی۔ مجموعی طور پر مالی سال 2018 میں روپے کی قدر میں 15.9% کمی ہوئی۔ روپے کی قدر میں کمی کا نتیجہ افراط زر کے دباؤ کی صورت میں نکلا جس کے نتیجے میں مالی سال 2018 کے پہلے نصف میں 3.75% کے مقابلے میں مالی سال 2018 کے دوسرے نصف میں اوسط CPI نمو 4.09% رہی۔ فیول کی قیمتوں میں اضافے نے بھی ملکی افراط زر میں اپنا حصہ شامل کیا، جیسا کہ اوپیک نے پیداوار میں اضافے کا فیصلہ کیا۔ مالی سال 2017 میں 4.15% کے مقابلے میں 2018 میں 3.92% افراط زر ریکارڈ کی گئی۔

اضافے سے پہلے شرح سود پر مارکیٹ کے شرکاء کی توقعات کے باعث SBP اگست 2017 سے مارچ 2018 تک PIB کی بنیاد میں کمی کے لیے قابل قبول پیشکشیں حاصل کرنے میں ناکام رہا، بالہذا اس نے اس مدت کے دوران تمام پیشکشیں مسترد کر دیں۔ اس مسئلے کو حل کرنے کے لیے SBP نے مئی 2018 میں فلوئنگ ریٹ والے PIBs متعارف کرائے۔ ایسے PIBs کا فلوئنگ ریٹ MTB کے ہتھیاروں کے لیے تخمینہ شدہ اوسط منافع ہے جس کا تعین PIB کے فلوئنگ والی بنیاد اور ایسا کو پین پیئر (بنیادی میں فیصلہ شدہ مثبت / منفی منافع) سے قبل منعقدہ MTB کی تازہ ترین کامیاب ششماہی بنیاد کی بنیاد پر کیا جاتا ہے۔

مالی سال 2018 کے دوران مختصر یا طویل میعاد کے مقابلے میں درمیانی مدت والے ترسکات کے منافع جات کی مالیت میں زیادہ اضافہ ہوا۔ ایک تا آٹھ سال میعاد کے ترسکات کے منافع جات میں 107 تا 185 بنیادی پوائنٹس کا اضافہ ہوا جب کہ ایک سال سے کم میعاد والے ترسکات 63 سے 102 بنیادی پوائنٹس کی حد میں بڑھے۔ اس طرح طویل میعاد والے ترسکات کے منافع جات میں صرف 39 تا 98 بنیادی پوائنٹس کا اضافہ ہوا۔ اس سے مارکیٹ کی توقعات کا اظہار ہوتا ہے کہ افراط زر میں درمیانی میعاد میں اضافہ ہوگا اور پھر طویل میعاد میں کمی آئے گی۔ اس نظر لیے کو اس نکتہ نظر سے تقویت ملتی ہے کہ تیل کی قیمتوں میں اوپر کی جانب دباؤ (ایران اور یٹیزو ویلا کے مسائل) زیادہ تر مختصر مدتی ہوتے ہیں، جب کہ عالمی اقتصادی نمو میں مندی اور امریکا کی طرف سے تیل کی پیداوار میں اضافے کے پس منظر میں نیچے کے جانب دباؤ طویل مدتی ہوگا۔

مالی سال 2016 میں 13.67% اور مالی سال 2017 میں 13.69% کے مقابلے میں براڈ منی (M2) کی نمو مالی سال 2018 میں 10.59% رہ گئی۔ یہ مندی بنیادی طور پر 793 ارب روپے کے بینکنگ سسٹم کے خالص غیر ملکی اثاثہ جات میں کمی کا نتیجہ تھی۔ حکومت کی طرف سے بجٹ میں معاونت کے لیے حاصل کردہ قرض (1.4 ٹریلین روپے) اور نجی شعبے کے حاصل کردہ قرضوں میں اضافے (768 ارب روپے) نے اس کمی کی جزوی تلافی کر دی۔

ڈیویڈنڈ مارکیٹس کا جائزہ

جون کے دوران ڈیویڈنڈ مارکیٹس پر زیادہ تر دباؤ رہا جس کی وجہ دیگر ترقی یافتہ ملکوں پر امریکی ٹیرف تھا۔ اس ماہ کے دوران MSCI EAFE انڈیکس میں کمی آئی جس کے نتیجے میں مالی سال 2018 کے ریٹرن مثبت 4.0% اور 1HCY18 کے ریٹرن منفی 4.5% ہو گئے۔ خاص طور پر یورپین اسٹاکس نے



تجارتی جنگ کی وجہ سے خراب کارکردگی دکھائی۔

امریکی ایکویٹیڈ اس ماہ اپنی کارکردگی برقرار نہیں رکھ سکیں اور S&P500 انڈیکس مئی میں 2.16% کے مقابلے میں جون میں صرف 0.5% مثبت ریٹرن دے سکا۔ سال کا اختتام انڈیکس کے 12.2% اضافے کے ساتھ ہوا، جبکہ موجودہ سال 2018 کے وسط میں اضافہ 1.7% رہا۔ اس ماہ اضافہ محدود ہونے کی وجہ کیٹیڈ، چائنا اور یورپین یونین کا جو بیٹا ٹیرف لگانا ہے، جس سے اس تجارتی جنگ میں تیزی آئی۔ اس ماہ کے دوران (i) یورپین یونین نے امریکہ کی 3 بلین سے زائد امریکی ڈالر کی ایشیا ٹیرف لاگو کی (ii) امریکہ نے چائنا کی 50 بلین امریکی ڈالر کی ایشیا پر 25% ٹیکسز لاگو کرنے کا اعلان کیا۔ (iii) چائنا نے امریکہ کے مقابلے میں اسی پیمانے اور طاقت کے ساتھ ٹیکسیشن کے اقدامات متعارف کرانے کا عزم کیا، اور (iv) کیٹیڈ نے اس فہرست کو ظاہر کیا، جس میں وہ امریکی ایشیا ٹیرف کے ذریعے نشانہ بنانا چاہتا تھا۔ امریکہ کے وہ ٹیرف جو اس کے ٹریڈ پارٹنرز کے خلاف ہیں، اور چائنا اور کیٹیڈ کے وہ ٹیرف جو امریکہ کے خلاف ہیں جو لائی سے لاگو ہوں گے۔

جرمنی کی کارکردگی اس ماہ سب سے خراب رہی، جس کی وجہ تجارتی جنگ اور اس کے ساتھ ساتھ یورپین یونین کی انگریجیشن پالیسی سے متعلق سیاست تھی۔ DAX انڈیکس میں جون کے دوران 2.4% کمی ہوئی، جبکہ 1HCY18 میں 4.7% نیچے گیا۔ DAX نے مایاتی سال 2018 میں 0.2% کا ریٹرن دیا۔

اکٹرڈیویڈنڈ مارکیٹس کے برخلاف، آسٹریلیا اور نیوزی لینڈ نے اس جون کے مہینے کے دوران اچھی کارکردگی دکھائی۔ آسٹریلیا کے S&P/ASX200 انڈیکس میں اس ماہ کے دوران 3.0% اضافہ ہوا جس وجہ سے مایاتی سال کا ریٹرن 4.8% ریکارڈ ہوا۔ نیوزی لینڈ کے S&P/NZ50 گروس انڈیکس میں اس ماہ کے دوران 3.3% اضافہ ہوا جس وجہ سے مایاتی سال 2018 کا ریٹرن 17.5% ریکارڈ ہوا۔

مستقبل کی توقعات

اگرچہ مالی سال کے اختتام سے اب تک مرکزی بینک پہلے ہی پالیسی ریٹ میں مزید 100 بنیادی پوائنٹس کا اضافہ کر چکا ہے، تاہم مستقبل میں افراط زر کے خطرات کی وجہ سے سختی متوقع ہے۔ ایران پر پابندیوں اور یورپیہ میں اقتصادی مسائل کی وجہ سے سپلائی میں خلل کی وجہ سے خام کی قیمتیں بلند سطح پر برقرار رہنے کی توقع ہے اور چینی امریکی تجارتی جنگ کی وجہ سے عالمی نمونے میں مندی کے امکانات ہیں۔ مزید برآں روپے کی قدر میں حالیہ کمی کے آئندہ مہینوں میں افراط زر پر تاخیر سے اثرات مرتب ہونے کے امکانات ہیں۔ شرح مبادلہ اور افراط زر کے حوالے سے توقعات کے پیش نظر پالیسی ریٹ میں 50 بنیادی پوائنٹس کے مزید اضافے کی توقع ہے۔

بنگلی کی بہتر دستیابی اور فزیکل انفراسٹرکچر میں بہتری کے باوجود، مالی سال 2019 میں معاشی نموست رہنے کے امکانات ہیں۔ ورلڈ بینک نے جون میں جاری کردہ اپنی رپورٹ میں تبصرہ کیا ہے کہ مجموعی اقتصادی استحکام میں بہتری کے لیے نسبتاً سخت پالیسیوں کی وجہ سے مالی سال 2019 میں پاکستان کی نمو 5.0% تک متوسط رہنے کا امکان ہے۔

عام انتخابات پاکستان تحریک انصاف (PTI) کو ایک اتحادی حکومت کے بل پر اقتدار میں لے آئے۔ فوری خدشات جن سے عہدہ برآ ہونے کی ضرورت ہے، گرنٹ اور مایاتی خسارہ ہیں جن سے مجموعی اقتصادی استحکام کے پھری سے اترنے کا خطرہ وجود میں ہے۔

مایاتی اور مالی ایڈجسٹمنٹس کی شکل میں مشکل فیصلے کرنے پڑیں گے جوئی حکومت کے عزم اور بصیرت کی آزمائش کریں گے۔ سادگی پسندانہ اقدامات بشمول سوسائٹی میں کمی، ہزرتی مصارف میں کٹوتی اور گیس/بنگلی کے نرخوں کے عقل پسندانہ تعین کو جامع اصلاحاتی پروگرام سے تقویت دینی ہوگی، جس کا ٹیکس جمع



کرنا اور خسارے میں چلنے والے سرکاری ادارے ہدف ہوں۔

بلند شرح سود، کرنسی کی قدر میں کمی اور ایپورٹ ڈیویڈنڈز میں اضافے سے افریقا زکادیاؤ کم کیا جائے گا اور بیرونی اکاؤنٹ کو تباہیوں میں رکھا جائے گا جیسا کہ زری مبادلہ کے ذخائر خزانہ کا سطح تک گرنے لگے ہیں۔ 20 ارب امریکی ڈالر سے زائد کا مالیاتی خلاء پر کرنے کے لیے متعدد قدرتی فراہم کرنے والوں (IMF/WB/ADB/IDB) اور دوست ممالک (سعودی عرب، متحدہ عرب امارات، چین) سے فنڈ حاصل کرنے کی بجائی ضرورت ہے۔ ان متوقع اقدامات کے نتیجے میں مالی سال 2019 کے مجموعی اقتصادی استحکام کا سال بننے کی توقع ہے، جیسا کہ GDP میں 4.8% تک مندی کی پیش گوئی کی جاتی ہے۔

انتخابات کے بعد تین ماہ اور چھ ماہ کی مدتوں کے لیے تخمینہ شدہ اوسط منافع جات بالترتیب 7.75% اور 7.85% پر ہموار رہی۔ مزید برآں تین ماہ کے تمسکات میں نمایاں شمولیت دیکھی گئی ہے اور اوگرتشہ دوسرے ماہوں میں بھی ایسا ہی رجحان نظر آیا ہے جو مزید مالیاتی سختی کی نشان دہی کرتا ہے۔ انتخابات سے پہلے مختلف معادوں میں منافع جات میں اضافہ (100~ بنیادی پوائنٹس) ریکارڈ کیا گیا (یاد رہے کہ SBP نے 14 جولائی 2019 کو پالیسی ریٹ 100 بنیادی پوائنٹ اضافے کے ساتھ 7.5% اور DR کو 8.0% تک بڑھا دیا تھا جب کہ انتخابات 25 جولائی کو منعقد ہوئے تھے)۔ اگست 2018 میں CPI نے سال بہ سال بنیاد پر 5.84% کی سطح چھو لی جب کہ مرکزی افریقا زری سال بہ سال بنیاد پر 7.7% تھی جو مارکیٹ کی طرف سے مستقبل میں شرح سود میں مزید اضافے کی توقعات کا اعادہ کرتی ہے، چنانچہ آنے والی نیلامیوں میں شرح سود میں اضافے کے مطابق شرحوں میں اضافہ ہوگا۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈیپازٹری کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج کی مینجمنٹ کا، ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ مینجمنٹ کمیٹی کے ڈائریکٹرز فنڈ کی ترقی اور عمدہ نظم و نسق کے لیے اپنی ٹیم کی کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے اور از طرف بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

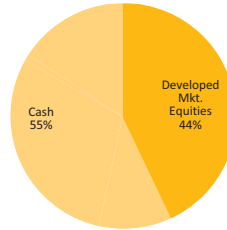
تاریخ: 15 اگست 2018

**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2018**

Fund Facts

| | |
|-----------------------|--|
| Fund Type | Open-End |
| Category | Asset Allocation Fund |
| Net Assets (PKR Mil.) | 278 |
| NAV (30.06.2018) | 134.4997 |
| Pricing Mechanism | Forward Day |
| Trustee | CDC Pakistan Limited |
| Auditor | KPMG Taseer Hadi & Co. |
| Management Fee | 15% of the gross earnings of the Scheme, calculated on a daily basis. The fee is subject to a minimum of 1.25% and maximum of 2% of the average annual net assets of the Scheme. Current - 1.55% |
| Front End Load | 2.50% |
| Back End Load | None |
| Launch Date | October 11, 2011 |
| Benchmark | Weighted average daily return of 6M KIBOR and the MSCI World Index based on the Scheme's actual proportion in the debt securities and developed market securities |
| Dealing Days | Mon - Fri |
| Cut-Off Time | 04:00 PM |
| Asset Manager Rating | AM2+ by PACRA (15.5.2017) |

Asset Allocation



QQQ ETF

As of June 2018

| Contry | Exposure |
|----------------|----------|
| United States | 97.2% |
| China | 1.8% |
| United Kingdom | 0.4% |

VANGUARD S&P 500

As of June 2018

| Sectors | Exposure |
|----------------|----------|
| United States | 97.9% |
| Ireland | 1.1% |
| United Kingdom | 0.4% |
| Switzerland | 0.4% |

| Fund Performance | LAADMF | Benchmark |
|------------------|--------|-----------|
| FY18 | 13.06% | 13.03% |
| June-18 | 2.38% | 2.22% |
| 2 Months | 3.80% | 2.75% |
| 3 Months | 4.34% | 3.44% |
| 6 Months | 6.36% | 5.51% |
| 12 Months | 13.06% | 13.03% |
| CY18-YTD | 6.36% | 5.51% |
| 3 Years | 33.10% | 26.18% |
| 5 Years | 57.26% | 49.35% |
| Since Inception | 84.95% | 86.93% |

the benchmark of the fund was changed in September 2016

Investment Committee

| | |
|-----------------------|----------|
| Babar Ali Lakhani | Chairman |
| Kashif Mustafa | |
| Mustafa O. Pasha, CFA | |
| Syed Saifullah Kazmi | |
| Shahbaz Ashraf, CFA | |
| Hassan Bin Nasir | |
| Junaid Arshad, ACCA | |
| M. Fakhir Musharraf | |

Investment Objective

The investment objective of the Lakson Asset Allocation Developed Markets Fund ("LAADMF") is to provide long-term capital appreciation by investing in a mix of domestic debt and Developed Markets securities.

The LAADMF achieved its investment objective by investing in a mix of risk free PIBs, T-Bills and Exchange Traded Funds ("ETFs") that tracked the performance of the MSCI World Index. The domestic debt component provides investors with long term capital protection; whereas the international portion aims to provide long term capital appreciation and a powerful currency hedge.



Investment Strategy

The Fund maintained concentration to Developed Market exposure in US markets like the S&P and NASDAQ during the year. The domestic debt component of the LAADMF portfolio was constructed by investing in liquid and risk free instruments like PIBs and T-Bills, which were trimmed at intervals when the market allowed for booking hefty gains. The exposure in T-Bills was managed based on the relative yield analysis of these instruments and our yield curve expectations. High exposure in cash enabled the fund to benefit from lower marked to market volatility, while maintaining liquidity and meeting all its obligations in a timely manner.

As of 29th June 2018, the Fund had the following asset allocation; Developed Market Equities (44%), Cash (55%) and Others (1%).

Economic Review

Inflation was recorded at 5.21% YoY in June, which is the highest growth in 44 months (since October 2014). This brought the FY18 inflation to 3.92%, which is lower than FY17 average of 4.15%. Recent inflationary pressures are mostly attributable to local fuel prices, which have surged following the rise in international crude oil prices. CPI growth is expected to remain north of 5.5% for the remainder of the year due to the base effect as well as high fuel prices. Going forward oil prices are expected to remain high due to the upcoming sanctions on Iran, which will affect a majority of the 2.5m b/d of oil that Iran currently exports. Furthermore, economic problems in Venezuela may also disrupt supply in that country and thereby prop up oil prices. On the other hand the trade war may restrain oil prices because disruption in trade will affect global economic growth.

Pakistan's external position remained problematic in June as PKR depreciated by 5.1% during the month to reach PKR 121.4972/USD. During FY18 PKR depreciated by 15.9%, while in 1HCY18 it depreciated by 10.0%. Due to Pakistan's heightened external vulnerability, Moody's changed the outlook on its rating for Pakistan, B3, to "Negative" from its previous outlook of "Stable". In order to stabilize the external position, the government has borrowed USD 1bn from China in June and may borrow further from the country. Moreover, the government appears to be upbeat over attracting foreign exchange through its amnesty scheme, the deadline for which has been extended till the end of July. According to news sources, revenue worth PKR 65bn had been generated through this scheme till the end of June.

Outlook

Despite greater energy availability and improvement in physical infrastructure, economic growth is likely to slow in FY19. The World Bank in its report issued in June commented that Pakistan's growth in FY19 is likely to moderate to 5.0% (against 5.8% estimated for FY18) due to tighter policies to improve macroeconomic stability.

Developed Markets Review

Developed Markets were mostly under pressure during June as USA's tariffs against other developed countries created jitters. The MSCI EAFE Index declined 1.4% during the month to bring the FY18 return down to positive 4.0% and the 1HCY18 return to negative 4.5%. European stocks especially performed poorly because of the trade war.

USA's equities lost steam during the month, and the S&P 500 Index gave a positive return of only 0.5% in June compared to 2.16% in May. The Index closed the year with gains of 12.2%, and half year CY18 with gains of 1.7% only. Limiting of gains during the month was attributable to retaliatory tariffs by Canada, China and the European Union as the trade war intensified. During the month (i) EU enacted tariffs on more than USD 3bn worth of USA's goods, (ii) USA announced to levy 25% tariffs on up to USD 50bn of Chinese goods, (iii) China vowed to introduce taxation measures against USA "of the same scale and the same strength", and (iv) Canada retaliated by unveiling the list of USA's products that it plans to hit with tariffs. USA's tariffs against its trade partners, and China and Canada's tariffs against USA will become applicable from July.

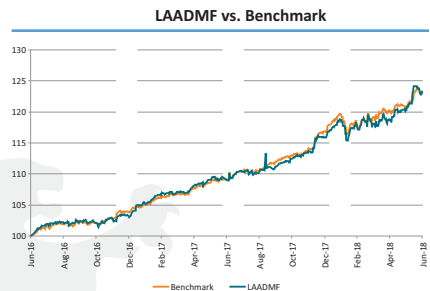
Germany was one of the worst performers during the month due to the trade war as well as politics related to European Union's migration policy. The DAX Index declined 2.4% during June, and dipped by 4.7% in 1HCY18. DAX gave a return of -0.2% for FY18.

Contrary to most developed markets. Australia and New Zealand performed well during the month of June. Australia's S&P/ASX 200 Index rose 3.0% during the month to take the fiscal year return to 4.8%. New Zealand's S&P/NZ 50 Gross Index surged by 3.3% during the month to bring FY18 return to 17.5%.

Fund Performance

The LAADMF provided a return of 13.1 in FY18, outpacing FY17 return of 9.0%. The fund's benchmark during FY18 was 13.0%, matching the fund's performance.

| Performance Table | FY18 | FY17 |
|-----------------------------------|-------------|-------------|
| Net Assets - Beginning (PKR Mil.) | 227 | 290 |
| Net Assets - Ending (PKR Mil.) | 278 | 227 |
| Highest Offer Price (PKR) | 138.8550 | 127 |
| Lowest Offer Price (PKR) | 121.8366 | 116.2507 |
| Highest Redemption Price (PKR) | 135.4682 | 124.0976 |
| Lowest Redemption Price (PKR) | 118.8649 | 113.4153 |
| Beginning NAV - Ex-Div. (PKR) | 118.9544 | 113.2854 |
| Interim Distributions (PKR) | - | 4.5573 |
| Final Distribution (PKR) | 2.3801 | - |
| Ending NAV - Ex-Div. (PKR) | 132.1196 | 119.5012 |
| Return | 13.06% | 9.01% |
| Net Income / (Loss) (PKR Mil.) | 32.00 | 8.00 |
| Distributions | FY18 | FY17 |
| Interim Distribution | - | 4.5573 |
| Final Distribution | 2.3801 | - |
| NAV before Distribution | 134.4997 | 124.0585 |
| NAV after Distribution | 132.1196 | 119.5012 |
| Distribution Date | 03-Jul-18 | 22-Jun-17 |



Future Outlook

Since the end of the fiscal year the central bank has already increased the policy rate by a further 100bps. Nevertheless, further tightening is on the cards due to the inflationary threats ahead. Crude oil prices are expected to remain at an elevated level because supply disruption due to sanctions on Iran and economic problems in Venezuela are likely to be countered by prospects of slowdown in global growth due to the US-China trade war. Moreover, the recent PKR devaluation is likely to have a lagged effect on inflation in the coming months. Given the outlook on the exchange rate and inflation, further policy rate hike of 50bps is expected in the upcoming monetary policy which is expected in Sept'18.

Post elections the weighted average yields for 3M and 6M tenor have remained flat at 7.75% and 7.85%, respectively. Moreover, notably participation has been visible in 3M papers likewise the trend which has been visible for the last few quarters indicating further monetary tightening. The increase in yield (~100bps) across different tenors was recorded pre-elections (recall SBP raised key policy rate by 100bps to 7.5% and DR to 8.0% on 14th July '18 whereas elections took place on 25th July). Aug'18 CPI clocked in at 5.84% YoY while core inflation was at 7.7%, YoY which re-iterates market expectations of future interest rate hikes, thus rates will rise in the upcoming auctions in line with spike in IR.

The LAADMF will continue to favor a higher exposure in cash, as interest rates will continue to rise and depreciation in PKR against USD is yet to bottom out. The LAADMF will continue to maintain the current exposure in the ETFs which provide exposure to US equities.

Income Distribution

The Board of Directors of the Management Company in its meeting held on July 03, 2018, declared a final payout of PKR 2.3801 per unit for the year ended June 30, 2018.

Circumstances Materially Affecting Interests of Unit Holders

PACRA upgraded the Asset manager Rating of Lakson Investments to 'AM2+' during FY18.

As of June 29, 2018 the LAADMF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 1.19mn. If the same were not made the NAV per unit of the LAADMF would be higher by PKR 0.5760 and the return of the LAADMF for FY18 would be higher by 0.26%.

Other Disclosures

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

There was no unit split undertaken during the year.

As of June 29, 2018 the LAADMF does not employ any leverage.

Breakdown of Unit Holding by Size

| Units Range | No. of Clients | Units Held |
|-----------------------|----------------|------------------|
| 1 - 100 | 2 | 116 |
| 101 - 500 | 4 | 774 |
| 501 - 1,000 | 2 | 1,540 |
| 1,001 - 5,000 | 3 | 6,270 |
| 5,001 - 10,000 | 3 | 25,511 |
| 10,001 - 50,000 | 5 | 113,762 |
| 50,001 - 100,000 | 1 | 95,174 |
| 100,001 - 500,000 | 3 | 405,194 |
| 500,001 - 1,000,000 | 2 | 1,418,683 |
| 1,000,001 - 5,000,000 | 0 | - |
| 5,000,001 - above | 0 | - |
| | 25 | 2,067,026 |

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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Karachi - 74400, Pakistan.
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Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON ASSET ALLOCATION DEVELOPED MARKETS FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Asset Allocation Developed Markets Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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


Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018



INDEPENDENT AUDITOR'S REPORT
To the Unit holders of Lakson Asset Allocation Developed Markets Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Lakson Asset Allocation Developed Markets Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, statement of cash flows for the year then ended, and notes to the financial statements, including 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 30 June 2018, 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 (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Following are the Key audit matters:

| S.# | Key audit matters | How the matter was addressed in our audit |
|-----|--|--|
| 1. | <p>Valuation of Investments</p> <p>Refer to note 5 to the financial statements for the details of investments and the accounting policy in note 3.2 to the financial statements.</p> <p>At 30 June 2018, the Fund's investment portfolio classified as at "Fair value through income statement" comprised of listed equity shares of Rs. 100.19 million representing 36.04 % of net assets value of the Fund as of that date.</p> <p>We identified the valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund.</p> | <p>Our audit procedures to assess the valuation of investments included the following:</p> <ul style="list-style-type: none"> obtained an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and assessed whether the investments were valued at fair value based on the rates quoted on the respective stock exchanges as at 30 June 2018. |

| S.# | Key audit matters | How the matter was addressed in our audit |
|-----|---|---|
| 2. | <p>Amendments to the NBFC Regulations, 2008</p> <p>Refer to note 3.1 to the accompanying financial statements with respect to element of income.</p> <p>The amendments to NBFC Regulations, 2008 brought through SRO 756(I)/2017 dated 03 August 2017 issued by Securities and Exchange Commission of Pakistan (SECP), have necessitated changes in accounting policies with respect to the recording of element of income / loss on net basis from income statement to unit holders' fund directly and consideration of Income already paid on units redeemed as dividend. The said SRO also required certain presentation changes. The fund has applied these changes with effect from 1 July 2017.</p> <p>We identified the said changes as a key audit matter because application of these changes involved complex calculations and judgment in respect of the determination of income already paid on units redeemed, distribution and refund of capital (element of income) to conform with the methodology specified by MUFAP for such calculations.</p> | <p>Our audit procedures in respect of change in accounting policies due to amendments in NBFC Regulations 2008 included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design and operating effectiveness of controls in place for estimation of income already paid on units redeemed (element of income), distribution and refund of capital (element of income). • Testing, on sample basis, that income already paid on units redeemed (element of income), distribution and refund of capital (element of income) have been determined as per methodology specified by Mutual Fund Association of Pakistan in the consultation with SECP. • Assessing the adequacy of disclosures made with respect to change in accounting policies and the requirements of NBFC Regulations, 2008. |

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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



Report on Other Legal and Regulatory Requirements:

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

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

Date: August 15, 2018

Karachi

**KPMG Taseer Hadi & Co.
Chartered Accountants**



**Statement of Assets and Liabilities
As at June 30, 2018**

| | Note | 2018 (Rupees) | 2017 |
|--|------|--------------------|-------------|
| Assets | | | |
| Bank balances | 4 | 184,316,259 | 36,277,056 |
| Investments | 5 | 100,190,600 | 195,471,917 |
| Dividend receivables (on held for trading investments) | | 271,511 | 217,464 |
| Markup accrued | 6 | 340,041 | 2,049,393 |
| Prepayments | | - | 43,910 |
| Total assets | | 285,118,411 | 234,059,740 |
| Liabilities | | | |
| Payable to the Management Company | 7 | 5,211,244 | 5,142,687 |
| Remuneration payable to the Trustee | 8 | 65,016 | 132,195 |
| Annual fee payable to Securities and Exchange Commission of Pakistan | 9 | 242,137 | 269,297 |
| Accrued expenses and other liabilities | 10 | 1,585,504 | 1,179,770 |
| Total liabilities | | 7,103,901 | 6,723,949 |
| Contingencies and commitments | 12 | | |
| Net assets | | 278,014,510 | 227,335,791 |
| Unit holders' fund (As per attached statement) | | 278,014,510 | 227,335,791 |
| | | (Number) | |
| Number of units in issue | 13 | 2,067,026 | 1,911,116 |
| | | (Rupees) | |
| Net assets value per unit | | 134.4997 | 118.9543 |

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

**Income Statement
For the year ended June 30, 2018**

| | Note | 2018 | 2017 |
|--|------|-------------------|-------------------|
| | | (Rupees) | |
| Income | | | |
| Gain on sale of held for trading investments - net | | 387,304 | 2,803,112 |
| Unrealised gain on revaluation of held for trading investments - net | | 26,385,787 | 10,916,665 |
| | | <u>26,773,091</u> | <u>13,719,777</u> |
| Dividend income (on held for trading investments) | | 944,537 | 1,016,660 |
| Markup on bank balances | | 2,962,949 | 671,699 |
| Markup on Government securities (held for trading) | | 7,684,046 | 14,306,981 |
| Exchange gain / (loss) on bank balance | | 627,755 | (5,957) |
| | | <u>38,992,378</u> | <u>29,709,160</u> |
| Reversal of provision against workers' welfare fund | 10.2 | - | 2,659,188 |
| | | <u>38,992,378</u> | <u>32,368,348</u> |
| Expenses | | | |
| Remuneration of the Management Company | 7.1 | 3,924,644 | 4,314,853 |
| Sindh Sales Tax on remuneration of the Management Company | 7.3 | 510,204 | 560,931 |
| Remuneration of the Trustee | 8 | 791,002 | 791,002 |
| Annual fee to the Securities and Exchange Commission of Pakistan (SECP) | 9 | 242,138 | 269,297 |
| Auditors' remuneration | 14 | 289,101 | 303,110 |
| Custody charges | | 173,958 | 176,238 |
| Fees and subscription | | 158,500 | 105,000 |
| Credit rating fee | | 170,000 | 188,453 |
| Printing charges | | 97,954 | 72,740 |
| Brokerage, settlement and bank charges | | 128,289 | 110,421 |
| SECP supervisory fee | | 2,500 | 4,000 |
| Amortisation of deferred formation cost | | - | 140,583 |
| Total Expenses | | <u>6,488,290</u> | <u>7,036,628</u> |
| Net income from operating activities | | <u>32,504,088</u> | <u>25,331,720</u> |
| Element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed - net | | - | (16,360,625) |
| Provision for Sindh workers' welfare fund (SWWF) | 10.1 | (650,082) | (540,504) |
| Net income for the year before taxation | | <u>31,854,006</u> | <u>8,430,591</u> |
| Taxation | 16 | - | - |
| Net income for the year after taxation | | <u>31,854,006</u> | <u>8,430,591</u> |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | 31,854,006 | - |
| Income already paid on units redeemed | | (19,107,852) | - |
| | | <u>12,746,154</u> | <u>-</u> |
| Accounting income available for distribution | | | |
| - Relating to capital gains - net | | 10,687,500 | - |
| - Excluding capital gains | | 2,058,654 | - |
| | | <u>12,746,154</u> | <u>-</u> |

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Comprehensive Income
For the year ended June 30, 2018**

| | 2018 | 2017 |
|--|--------------------------|-------------------------|
| | (Rupees) | |
| Net income for the year | 31,854,006 | 8,430,591 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | <u><u>31,854,006</u></u> | <u><u>8,430,591</u></u> |

The annexed notes from 1 to 21 form an integral part of these financial statements.



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

| | | |
|----------------------------------|----------------------------------|-------------------|
| _____ Chief Executive Officer | _____ Chief Financial Officer | _____ Director |
|----------------------------------|----------------------------------|-------------------|

**Statement Of Movement in Unit Holders' Fund
For the year ended June 30, 2018**

| | Year ended 2018 | | Year ended 2017 | | Total | |
|---|----------------------|----------------------|--------------------|----------------------|-------------------|--------------------|
| | Capital value | Undistributed income | Capital value | Undistributed income | | |
| | ----- (Rupees) ----- | | | | | |
| Net assets at beginning of the year | 191,111,582 | 36,224,209 | 227,335,791 | 255,842,108 | 33,989,902 | 289,832,010 |
| Issuance of 1,825,205 units (2017: 568,349 units) | | | | | | |
| Total proceeds on issuance of units | 240,553,087 | - | 240,553,087 | 56,834,900 | 11,092,558 | 67,927,458 |
| Redemption of 1,669,295 units (2017: 1,215,654 units) | | | | | | |
| Total payments on redemption of units | (202,620,522) | (19,107,852) | (221,728,373) | (121,565,426) | (27,453,183) | (149,018,609) |
| Distribution to the unit holders in cash | | | | | (6,196,284) | (6,196,284) |
| Element of loss and capital losses in prices of units sold less those in units redeemed - net | | | | | 16,360,625 | 16,360,625 |
| Total comprehensive income for the year | - | 31,854,006 | 31,854,006 | - | 8,430,591 | 8,430,591 |
| Net assets as at end of the year | <u>229,044,147</u> | <u>48,970,363</u> | <u>278,014,510</u> | <u>191,111,582</u> | <u>36,224,209</u> | <u>227,335,791</u> |
| Undistributed income brought forward: | | | | | | |
| - Realized income | 25,307,544 | | | | 31,167,705 | |
| - Unrealized income | 10,916,665 | | | | 2,822,197 | |
| | 36,224,209 | | | | 33,989,902 | |
| Accounting income available for distribution: | | | | | | |
| Relating to capital gains | 10,687,500 | | | | - | |
| Excluding capital gains | 2,058,654 | | | | - | |
| | 12,746,154 | | | | | |
| Net income for the year after taxation | | | | | 8,430,591 | |
| Interim distribution for 2017: Rs. 4.56 per Unit approved on 22 June 2017 | | | | | (6,196,284) | |
| Undistributed income at end of the year | <u>48,970,363</u> | | | | <u>36,224,209</u> | |
| Undistributed income carried forward | | | | | | |
| - Realized income | 38,428,117 | | | | 25,307,544 | |
| - Unrealized income | 10,542,247 | | | | 10,916,665 | |
| Undistributed income at end of the period | <u>48,970,363</u> | | | | <u>36,224,209</u> | |
| Net assets value per unit at beginning of the year | | | 118.9544 | | | 113.2854 |
| Net assets value per unit at end of the year | | | 134.4997 | | | 118.9544 |

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Cash Flow
For the year ended June 30, 2018**

| | 2018 | 2017 |
|--|--------------------|---------------------|
| | (Rupees) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year | 31,854,006 | 8,430,591 |
| Adjustments for: | | |
| Unrealised gain on revaluation of held for trading investments - net | (26,385,787) | (10,916,665) |
| Element of (income) / loss and capital (gains) / losses in prices of units sold less those in units redeemed - net | - | 16,360,625 |
| Amortisation of deferred formation cost | - | 140,583 |
| Dividend income (on held for trading investments) | (944,537) | (1,016,660) |
| Markup on bank balances and Government securities | (10,646,995) | (14,978,680) |
| | <u>(6,123,313)</u> | <u>(1,980,206)</u> |
| Decrease in assets | | |
| Investments | 121,667,104 | 31,912,238 |
| Prepayment | 43,910 | (3,647) |
| | 121,711,014 | 31,908,591 |
| Increase / (decrease) in liabilities | | |
| Payable to the Management Company | 68,557 | (113,839) |
| Remuneration payable to the Trustee | (67,179) | 66,788 |
| Annual fee payable to Securities and Exchange Commission of Pakistan | (27,160) | (15,063) |
| Accrued expenses and other liabilities | 405,734 | (1,762,419) |
| | 379,952 | (1,824,533) |
| Dividend income received | 890,490 | 1,042,399 |
| Markup received on bank balances and Government securities | 12,356,347 | 17,647,830 |
| Net cash flows from operating activities | <u>129,214,490</u> | <u>46,794,081</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of units | 240,553,087 | 67,927,458 |
| Payments on redemption of units | (221,728,373) | (149,018,609) |
| Distribution to unit holders' in cash | - | (6,196,284) |
| Net cash flows from financing activities | 18,824,713 | (87,287,435) |
| Net increase in cash and cash equivalents | <u>148,039,203</u> | <u>(40,493,354)</u> |
| Cash and cash equivalents at beginning of the year | 36,277,056 | 76,770,410 |
| Cash and cash equivalents at end of the year | <u>184,316,259</u> | <u>36,277,056</u> |

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Financial Statements For the year ended June 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The Lakson Asset Allocation Developed Markets Fund) (the "Fund") was established under the Trust Deed executed on 30 May 2011 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on 7 July 2011 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2 The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore, while the head office is in the Lakson Square Building No. 2, Karachi.
- 1.3 The Fund is an open end mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Asset Allocation Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and is authorised to invest within the prescribed limit mentioned in the offering document of the fund in Government securities, deposits and foreign currency deposits with local or foreign banks etc. in Pakistan. Further, as allowed by SECP and State Bank of Pakistan, the Fund can invest abroad up to 30% of the aggregated funds mobilized (including foreign currency funds) subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities / debt with exposure in the commodities, index tracker funds tracking different commodities indices, actively managed commodities based funds, equities and debt securities of companies with exposure in commodities, future contracts of different commodities and foreign currency deposits etc.

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

- 1.4 The Pakistan Credit Rating Company Limited (PACRA) has maintained asset manager rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) dated 22 December 2017 (AM2+ as on 15 May 2017).

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assessed the fund performance rankings for the one, three and five year periods ended 27 March 2018. Following are the star rankings for period end 31 December 2017:

1-year ranking: MFR 5-Star
3-year ranking: MFR 5-Star
5-year ranking: MFR 4-Star

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the note 3.2.2 regarding the Classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in the following notes:

- Note 3.2.3 - Valuation of investments
- Notes 3.11 and 3.15 - Impairment of financial instruments and other assets
- Notes 10.1, 7.3 and 7.2 - Recognition of provision for Sindh Workers' Welfare Fund, Federal Excise Duty and Sindh Sales Tax on Federal Excise Duty respectively
- Notes 3.6 and 16 - Taxation

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non- investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Fund's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The management is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on the adoption of the standard. However the management considers that the impact would not be significant.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The management is in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments on the adoption of the standard and impairment required under the expected credit loss model. However the management considers that there would not be a significant financial impact.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, the Fund now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Fund's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when the Fund increases its interest in a joint operation that meets the definition of a business. The Fund remeasures its previously held interest in a joint operation when it obtains control of the business. The Fund does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that the Fund treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Fund's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to periods presented except for the change in accounting policy of element of income.

New, Amended and Revised Standards and Interpretations of IFRSs

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

3.1 Element of Income / (loss)

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement on a net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets 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. It also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be 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 will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and

“Statement of Movement in Unit Holders' Fund” and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. "MUFAP, in consultation with the SECP, has specified a methodology for the determination of income paid on units redeemed (income already paid) under which such income is paid on gross element receipt basis and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 3.169 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been lower by Re 0.0313.

3.2 Investments

3.2.1 All investments are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged to the income statement.

3.2.2 The Fund classifies its investments in the following categories:

Financial assets at fair value through profit or loss

This category has two sub-categories, namely; financial instruments classified as held for trading, and those designated at fair value through profit or loss upon initial recognition:

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented investment strategy.

After initial recognition, above investments are remeasured at fair value determined with reference to the period-end quoted rates. Gains or losses on re-measurement of these investments are recognised in income statement.

3.2.3 Basis of valuation of investments

Fair value of the investments in Government Securities comprising Treasury Bills and Pakistan Investment Bonds is determined by reference to the quotations obtained from the PKRV rate sheet notified by the Mutual Fund Association of Pakistan (MUFAP) as of the year end.

Fair value of the investments in listed securities are determined on the basis of available quoted market prices. Overseas investments are valued at the year-end rates quoted by the respective exchanges.

3.2.4 All regular way purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments.

3.2.5 Income accrued on Treasury Bills are included in the carrying value of investments.

3.3 Formation cost

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

3.4 Issue and redemption of units

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

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

3.5 Net asset value per unit

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

3.6 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

3.7 Revenue recognition

- Dividend income is recognised when the right to receive dividend is established.
- Gains or losses on sale of securities of securities classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.
- Mark-up on bank balances is recognised on accrual basis.
- Unrealised gain or loss arising on revaluation of investment classified as held for trading is included in the income statement in the period in which it arises.
- Income on term deposits and investments in Treasury Bills and Pakistan Investment Bonds are recognised at rate of return implicit in the instrument on a time proportionate basis.

3.8 Element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed - net

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

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

3.9 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund ceases to be a party to such contractual provisions of the instrument, that is, when the rights to receive cash flows have expired, the balance has been realised or when the Fund has transferred substantially all the risk and rewards incidental to ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or when it has expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

All financial assets are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, financial assets (other than investments mentioned in note 3.2 above) comprising of loans and receivables (representing non-derivative financial assets with fixed or determinable payments that are not quoted in an active market) are carried at amortised cost. However, these are estimated to approximate to its fair value.

Financial liabilities are initially recognised at fair value and subsequently stated at amortised cost, which is also estimated to approximate to its fair value.

3.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.11 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

3.12 Provisions

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

3.13 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances including term deposits with banks (with maturity period of less than three months from the date of deposit) that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.14 Dividend distribution

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

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

3.15 Other assets

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

3.16 Foreign currency transactions

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

3.17 Earnings per unit (EPU)

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

| | Note | 2018 (Rupees) | 2017 |
|----------------------------------|------|--------------------|-------------------|
| 4. BANK BALANCES | | | |
| Local currency | | | |
| Current accounts | | 7,874 | 15,764 |
| Profit and loss sharing accounts | 4.1 | 178,749,002 | 34,796,471 |
| Foreign currency | | | |
| In current account | 4.2 | 5,559,383 | 1,464,821 |
| | | <u>184,316,259</u> | <u>36,277,056</u> |



- 4.1 These carry mark-up rates ranging from 4.00% to 7.30% (30 June 2017: from 3.75% to 6.50%) per annum.
- 4.2 This represents USD denominated current account maintained in a foreign country amounting to USD 45,757 (2017: USD 13,970).

5. INVESTMENTS

At fair value through profit or loss - held for trading

| | Note | 2018 | 2017 |
|---|------|---------------------------|---------------------------|
| | | (Rupees) | |
| Government Securities | | | |
| - Market Treasury Bills | 5.1 | - | 81,350,770 |
| - Pakistan Investment Bonds | 5.2 | - | 43,495,802 |
| Exchange Traded Funds (foreign investments) | 5.3 | 100,190,600 | 70,625,345 |
| | | <u>100,190,600</u> | <u>195,471,917</u> |

5.1 Government securities - Market Treasury Bills At fair value through income statement - held for trading

| Name of Investee Company | Date of Maturity | Number certificates | | | Balance as at June 30, 2018 | | | Market value as % of total investments (based on market value) | Market value as % of net assets (based on market value) | |
|---------------------------------|--------------------|----------------------------|-----------------------------|--------------------------------------|-----------------------------|---|--|--|---|-----------------|
| | | Holding as at 01 July 2017 | Purchases during the period | Disposed / matured during the period | Holding as at 30 June 2018 | Carrying value as of the year ended 30 June 2018 before revaluation | Market value as of the year ended 30 June 2018 (After revaluation) | | | Unrealised gain |
| | | (Number of Certificates) | | | | (Rupees) | | | | |
| 6 month Treasury Bills | 7 June 2018 | - | 1,642 | 1,642 | - | - | - | - | - | |
| 3 month Treasury Bills | 6 July 2017 | 455 | - | 455 | - | - | - | - | - | |
| 3 month Treasury Bills | 20 July 2017 | 360 | - | 360 | - | - | - | - | - | |
| 3 month Treasury Bills | Upto 12 April 2018 | - | 6,193 | 6,193 | - | - | - | - | - | |
| Total as at 30 June 2018 | | | | | | | | | | |
| Cost as at 30 June 2018 | | | | | | | | | | |
| Total as at 30 June 2017 | | | | | | 81,352,424 | 81,350,770 | (1,654) | | |
| Cost as at 30 June 2017 | | | | | | 81,352,424 | | | | |

5.2 Government securities - Pakistan Investment Bonds At fair value through income statement - held for trading

| Name of Investee Company | Date of Maturity | Number certificates | | | Balance as at June 30, 2018 | | | Market value as % of total investments (based on market value) | Market value as % of net assets (based on market value) | |
|-----------------------------------|------------------|----------------------------|-----------------------------|--------------------------------------|-----------------------------|---|--|--|---|-----------------|
| | | Holding as at 01 July 2017 | Purchases during the period | Disposed / matured during the period | Holding as at 30 June 2018 | Carrying value as of the year ended 30 June 2018 before revaluation | Market value as of the year ended 30 June 2018 (After revaluation) | | | Unrealised gain |
| | | (Number of Certificates) | | | | (Rupees) | | | | |
| 10 years Pakistan Investment Bond | 17 July 2024 | 265 | - | 265 | - | - | - | - | - | |
| 5 years Pakistan Investment Bond | 17 July 2019 | 100 | - | 100 | - | - | - | - | - | |
| Total as at 30 June 2018 | | | | | | | | | | |
| Cost as at 30 June 2018 | | | | | | | | | | |
| Total as at 30 June 2017 | | | | | | 45,226,595 | 43,495,802 | (1,730,793) | | |
| Cost as at 30 June 2017 | | | | | | 37,340,972 | | | | |

**5.3 Exchange Traded Funds (foreign investment)
At fair value through income statement - held for trading**

| Particulars | Number of units | | | | Balance as at June 30, 2018 | | | Market value as % of total investments | Market value as % of net assets |
|--|----------------------------|---------------------------|--------------------------|----------------------------|---|--|-----------------------|--|---------------------------------|
| | Holding as at 01 July 2017 | Purchases during the year | Disposal during the year | Holding as at 30 June 2018 | Carrying value as of the year ended 30 June 2018 before revaluation | Market value as of the year ended 30 June 2018 (After revaluation) | Unrealised gain - net | | |
| | | | | | Rupees | | | | |
| Powershares QQQ Trust Series 1 (5.3.1) | 2,430 | 160 | 170 | 2,420 | 35,442,046 | 50,469,086 | 15,027,040 | 50.37% | 18.15% |
| Vanguard Funds Plc Vanguard S&P 500 | | | | | | | | | |
| UCITS of Exchange Trade Funds USD shares (5.3.2) | 7,370 | 500 | - | 7,870 | 38,362,767 | 49,721,514 | 11,358,747 | 49.63% | 17.88% |
| Total as at 30 June 2018 | | | | | 73,804,813 | 100,190,600 | 26,385,787 | 100.00% | 36.04% |
| Cost as at 30 June 2018 | | | | | 61,525,529 | | | | |
| Total as at 30 June 2017 | | | | | 57,976,233 | 70,625,345 | 12,649,112 | | |
| Cost as at 30 June 2017 | | | | | 57,869,999 | | | | |

5.3.1 Powershares QQQ Trust Series 1 is an Exchange Traded Fund incorporated in the USA. It tracks the performance of the Nasdaq 100 Index and holds large cap U.S. stocks. Its investments exclude the financial sector and therefore, tend to be focused on the technology and consumer sector. These are valued at the rate quoted on a daily basis by NASDAQ 100 Index. Total value of the units at USD 171.65 per unit as at the year-end amounted to USD 415,393 (2017: USD 334,465).

5.3.2 Vanguard S&P 500 is also an Exchange Traded Fund, incorporated in Ireland. The Fund seeks to track the performance of the S&P 500 Index, comprising of the stocks of large U.S. companies. These are valued at the rates quoted on a daily basis by the London Stock Exchange. Total value of the units at USD 52.00 per unit as at the year-end amounted to USD 409,240 (2017: USD 339,094).

5.3.3 Above units are held by Habib Bank AG Zurich as a custodian.

| Note | 2018 | 2017 |
|------|----------|------|
| | (Rupees) | |

6. MARK-UP RECEIVABLE

Markup Receivable on:

| | | |
|---|----------------|------------------|
| - Profit and loss sharing bank balances | 340,041 | 75,484 |
| - Pakistan Investment Bonds | - | 1,973,909 |
| | 340,041 | 2,049,393 |

7. PAYABLE TO THE MANAGEMENT COMPANY

| | | | |
|---|-----|------------------|------------------|
| Remuneration payable to the Management Company | 7.1 | 340,695 | 280,025 |
| Sales tax payable on remuneration to the Management Company | 7.2 | 683,180 | 675,293 |
| Federal excise duty payable on remuneration to the Management Company | 7.3 | 4,184,410 | 4,184,410 |
| Sales load payable to the Management Company | | 2,959 | 2,959 |
| | | 5,211,244 | 5,142,687 |



- 7.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 2% per annum of the average annual net assets of the Fund. However, the Management Company is currently charging fee at 15% of the gross earnings of the scheme for the year ended 30 June 2018. The fee is subject to a minimum of 1.25% and maximum of 2% of the average annual net assets of the Fund. The effective management fee rate for the year ended 30 June 2018 is 1.54% of the average net assets. Remuneration is paid to the Management company in arrears on a monthly basis.
- 7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (till 30 June 2017: 13%) on Management Company's remuneration. Above liability includes Rs. 638,891 (2017: Rs. 638,891) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 7.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.31 (2017: Re. 0.33) per unit. This amount is payable to the management company for the onwards payment to the government
- 7.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period up to 30 June 2016 aggregating to Rs. 4.184 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2018 would have been higher by Rs. 2.02 (2017: Rs. 2.19) per unit.

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

- 7.4 As per the clause 60(s) of the Non-Banking Finance Companies and Notified Entities Regulation, 2008 fees and expenses for registrar services, accounting, operation and valuation services relating to the Fund up to a maximum of 0.1% of the average annual net assets of the Fund or actual expenses, whichever is less, shall be charged to the Fund by the Management Company.

However, above mentioned expenses have not been charged by the Management Company to the Fund during the period under audit. Had the above expenses been charged to the Fund, these would not have been material.

8. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed as follows:

- Net assets ranging from Rs. 1 million to Rs. 1 billion Rs. 0.7 million or 0.20% per annum of the daily average net assets of the Fund, which ever is higher.
- Net assets exceeding Rs. 1 billion Rs. 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs. 1 billion.

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

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.095% of the average daily net assets of the Fund.

| Note | 2018 | 2017 |
|---|-------------------------|-------------------------|
| | (Rupees) | |
| 10. ACCRUED EXPENSES AND OTHER LIABILITIES | | |
| Sindh Workers' Welfare Fund | 10.1 1,190,585 | 540,503 |
| Withholding tax payable (subsequent paid) | 14,359 | 359,865 |
| Auditors' remuneration | 198,937 | 230,611 |
| Custody fee payable | 38,953 | 28,293 |
| Rating fee payable | 121,987 | - |
| Other Fees Payable | 20,683 | 20,498 |
| | <u>1,585,504</u> | <u>1,179,770</u> |

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

The total provision for SWWF till 30 June 2018 is Rs. 1.190 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.58 (2017: Re. 0.28 per unit.)

10.2 Furthermore on 10 November 2016, Honourable Supreme Court of Pakistan (SCP) passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition with the SCP against the said judgment, which is pending hearing. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the Sindh High Court (SHC), the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's judgment has removed the very basis

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

Pursuant to above and on recommendation of MUFAP the entire provision of Rs. 2.659 million against WWF held by the CISs till 30 June 2015, had been reversed on 12 January 2017.

11. TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, require that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2018 is 2.80% which includes 0.61% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc). As per the NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 4%.

12. CONTINGENCIES AND COMMITMENTS

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

13. NUMBER OF UNITS IN ISSUE

| | Note | 2018 (Number) | 2017 |
|------------------------------------|------|-------------------------|------------------|
| Total outstanding as of 1 July | | 1,911,116 | 2,558,421 |
| Issued during the year | 13.1 | 1,825,205 | 568,349 |
| Redemptions during the year | 13.2 | (1,669,295) | (1,215,654) |
| Total units in issue as of 30 June | | <u>2,067,026</u> | <u>1,911,116</u> |

13.1 Includes 975,110 (2017: Nil) units on the conversion of units from the related funds.

13.2 Includes 316,135 (2017: 7,992) units on the conversion of units to the related funds.

14. AUDITORS' REMUNERATION

| | 2018 (Rupees) | 2017 |
|---|-----------------------|----------------|
| Annual audit fee | 150,000 | 150,000 |
| Fee for the review of half yearly financial statements | 52,500 | 52,500 |
| Report on the statement of income and expenses and agreed upon procedures | 35,000 | 35,000 |
| Out of pocket and sales tax expenses | 51,601 | 40,610 |
| Fee for the review of statement of compliance with the best practices of Code of Corporate Governance | - | 25,000 |
| | <u>289,101</u> | <u>278,110</u> |

15. INTERIM DISTRIBUTIONS FOR THE YEAR

| | Distribution per unit ------(Rupees)----- | Distribution Amount ----- |
|--|---|---------------------------------|
| | 2018 | |
| Interim cash distribution | - | - |
| | 2017 | |
| Interim Cash distribution declared on 22 June 2017 | 4.5573 | 6,196,284 |

16. TAXATION

16.1 The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements. Refer note 20.6 to these financial statement.

16.2 During the year ended 30 June 2014, FBR had issued show cause notices to the Fund under section 122(9) for proceeding u/s 122(5A) of the Income Tax Ordinance, 2001 for the amendment of assessment on the grounds that exemption from tax claimed under clause 99 of Part-I of the Second Schedule is not as per law. Total tax including Workers' Welfare Fund payable as per the amended assessment would be Rs. 7.203 million and Rs 19.001 million for the tax years 2012 and 2013 respectively. A suit has been in the High Court of Sindh for declaration and permanent injunction for which a stay order has been granted by the Sindh High Court. The management expects a favourable outcome and, accordingly, no provision has been recorded in respect of this matter.

17. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Habib Bank AG Zurich Switzerland being the Custodian, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company and the holding company, key management personnel, other funds being managed by the Management Company and entities having holding 10% or more in the units of the Fund as at 30 June 2018. It also includes staff retirement funds of the above related parties / connected persons.

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

| 17.1 | Details of balance with related parties / connected persons at the year end | 2018 | 2017 |
|---|---|------------------|------------------|
| | Note | (Rupees) | |
| Lakson Investments Limited - Management Company of the Fund | | | |
| Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty amounting to Rs. 4.867 million (2017: Rs. 4.859 million)) * | | | |
| | 17.4 | <u>5,208,285</u> | <u>5,139,728</u> |
| Sales load payable | | | |
| | | <u>2,959</u> | <u>2,959</u> |
| Central Depository Company of Pakistan Limited - Trustee of the Fund | | | |
| Remuneration payable (including Sindh Sales tax of Rs. 7,478 (2017: Rs. 15,207))* | | | |
| | 17.4 | <u>65,016</u> | <u>132,195</u> |
| Habib Bank AG Zurich - Custodian | | | |
| Bank Deposits | | | |
| | | <u>5,559,383</u> | <u>1,464,821</u> |
| Custodian fee payable | | | |
| | | <u>38,953</u> | <u>28,293</u> |
| *Sales tax is paid / payable to the management company for onwards payment to the Government. | | | |
| 17.2 | Details of transaction with related parties / connected persons at the year end | | |
| Lakson Investments Limited - Management Company of the Fund | | | |
| Remuneration for the year | | | |
| | | <u>3,924,644</u> | <u>4,314,853</u> |
| Sindh sales tax on remuneration of Management Company * | | | |
| | | <u>510,204</u> | <u>560,931</u> |
| Central Depository Company of Pakistan Limited - Trustee of the Fund | | | |
| Remuneration for the year (including Sindh Sales tax of Rs. 91,002 (2017: 91,002))* | | | |
| | | <u>791,002</u> | <u>791,002</u> |
| Habib Bank AG Zurich - Custodian | | | |
| Brokerage and settlement charges | | | |
| | | <u>65,246</u> | <u>101,430</u> |
| Custody charges | | | |
| | | <u>173,958</u> | <u>176,238</u> |
| Directors, Chief Executive and their spouse and minors | | | |
| Dividend paid | | | |
| | | <u>-</u> | <u>2,762,549</u> |
| Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund | | | |
| Dividend paid | | | |
| | | <u>-</u> | <u>451,793</u> |
| Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust | | | |
| Dividend paid | | | |
| | | <u>-</u> | <u>242,425</u> |
| Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust | | | |
| Dividend paid | | | |
| | | <u>-</u> | <u>1,243,492</u> |
| Century Paper & Board Mills Limited - Employees Gratuity Fund | | | |
| Dividend paid | | | |
| | | <u>-</u> | <u>670,231</u> |
| * Sales tax is paid / payable to the management company for onwards payment to the Government. | | | |

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

| | Year ended June 30, 2018 | | | | | Balance at the year end 30 on June 2018 (Investment at current NAV) |
|--|------------------------------|--------------------------------|-------------------------------------|-----------------------------|------------------------------|---|
| | Number of Units | | Number of units as at June 30, 2018 | Rupees | | |
| Number of Units as at July 01, 2017 | Units issued during the year | Units redeemed during the year | | Balance as at July 01, 2017 | Units issued during the year | Units redeemed during the year |
| Directors, Chief Executive and their spouse and minors | 626,987 | - | 15,560 | 74,582,862 | - | 84,329,563 |
| Other key management personnel | - | 641 | 641 | - | 80,000 | 83,979 |
| Associated companies / undertakings of the Management Company | | | | | | |
| Lakson Investments Limited | - | 816,972 | - | 816,972 | 112,204,919 | 109,882,469 |
| Lakson Business Solutions Limited - Employees | 5,385 | 1,073.00 | 5,385.10 | 640,569 | 144,246 | 144,304 |
| Contributory Provident Fund Trust | - | - | - | - | - | - |
| Lakson Investments Limited - Employees Contributory Provident Fund Trust | 2,900 | 2,899.00 | 2,899.67 | 344,968 | 388,677 | 389,959 |
| GAM Corporation (Private) Limited - Employees | 44,343 | 23,793.00 | 44,342.71 | 5,274,795 | 3,200,000 | 3,200,191 |
| Contributory Provident Fund Trust | - | - | - | - | - | - |
| SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust | 25,936 | 17,102.00 | 25,936.30 | 3,085,201 | 2,300,000 | 2,300,173 |
| Colgate Palmolive (Pakistan) Limited - Employees | 301,196 | - | 301,196.00 | 35,828,589 | - | 40,372,820 |
| Contributory Provident Fund Trust | - | - | - | - | - | - |
| Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund | 102,917 | 102,609.00 | 102,916.70 | 12,242,430 | 13,800,000 | 13,800,921 |
| Cyber Internet Services (Private) Limited - Employees | 55,224 | 40,895.00 | 55,223.59 | 6,569,138 | 5,500,000 | 5,500,420 |
| Contributory Provident Fund Trust | - | - | - | - | - | - |
| Accuracy Surgicals Limited - Employees Contributory Provident Fund Trust | 50,199 | 11,897.00 | 50,199.29 | 5,971,392 | 1,600,000 | 6,728,803 |
| Merit Packaging Limited - Employees Contributory Provident Fund Trust | 63,586 | 20,076.00 | 63,585.77 | 7,563,834 | 2,700,000 | 8,925,650 |
| Merit Packaging Limited - Employees Gratuity Fund | - | - | - | - | - | - |
| Century Paper & Board Mills Limited - Employees | 25,100 | 8,105.00 | 25,099.65 | 2,985,755 | 1,090,000 | 3,365,388 |
| Contributory Provident Fund Trust | - | - | - | - | - | - |
| Century Paper & Board Mills Limited - Employees Gratuity Fund | 272,857 | 118,967.00 | 272,857.18 | 32,457,541 | 16,000,000 | 36,574,267 |
| Contributory Provident Fund Trust | - | - | - | - | - | - |
| Century Paper & Board Mills Limited - Employees Gratuity Fund | 147,068 | 95,174.00 | 147,067.55 | 95,174 | 12,800,000 | 19,713,199 |

| Year ended June 30, 2017 | | | | | | |
|-------------------------------------|------------------------------|--------------------------------|-------------------------------------|-----------------------------|------------------------------|--------------------------------|
| Number of Units | | | Rupees | | | |
| Number of Units as at July 01, 2016 | Units issued during the year | Units redeemed during the year | Number of units as at June 30, 2017 | Balance as at July 01, 2016 | Units issued during the year | Units redeemed during the year |
| 1,113,711 | 20,806 | 507,530 | 626,987 | 126,167,195 | 2,486,294 | 62,000,000 |
| 177,525 | - | 177,525 | - | 20,110,991 | - | 21,429,832 |
| 5,195 | 5,385.00 | 5,195.00 | 5,385 | 588,518 | 643,647 | 643,571 |
| 5,328 | - | 5,328 | - | 603,585 | - | 614,644 |
| 2,797 | 2,900.00 | 2,797.00 | 2,900 | 316,859 | 346,579 | 346,538 |
| 42,625 | 44,343.00 | 42,625.00 | 44,343 | 4,828,790 | 5,300,000 | 5,280,582 |
| 25,309 | 25,936.00 | 25,309.00 | 25,936 | 2,867,140 | 3,100,000 | 3,135,345 |
| 289,052 | 301,196.00 | 289,052.00 | 301,196 | 32,745,371 | 36,000,000 | 35,828,589 |
| 99,136 | 3,781.00 | - | 102,917 | 11,230,661 | 451,793 | - |
| 53,195 | 2,029.00 | - | 55,224 | 6,026,217 | 242,425 | - |
| 46,621 | 50,199.00 | 46,621.00 | 50,199 | 5,281,479 | 6,000,000 | 5,775,636 |
| 61,274 | 63,586.00 | 61,274.00 | 63,586 | 6,941,450 | 7,600,000 | 7,590,836 |
| 23,977 | 25,100.00 | 23,977.00 | 25,100 | 2,716,244 | 3,000,000 | 2,970,327 |
| 272,857 | 10,406.00 | 10,406.00 | 272,857 | 30,910,714 | 1,243,492 | 1,237,872 |
| 147,068 | 5,609.00 | 5,609.00 | 147,068 | 16,660,657 | 670,231 | 667,201 |

Directors, Chief Executive and their spouse and minors

Other key management personnel

Associated companies / undertakings of the Management Company

- Lakson Business Solutions Limited - Employees
- Contributory Provident Fund Trust
- Princeton Travels (Private) Limited - Employees
- Contributory Provident Fund Trust
- Lakson Investments Limited - Employees
- Contributory Provident Fund Trust
- GAM Corporation (Private) Limited - Employees
- Contributory Provident Fund Trust
- SIZA Foods (Private) Limited - Employees
- Contributory Provident Fund Trust
- Colgate Palmolive (Pakistan) Limited - Employees
- Contributory Provident Fund Trust
- Colgate Palmolive (Pakistan) Limited - Employees
- Cyber Internet Services (Private) Limited - Employees
- Contributory Provident Fund Trust
- Accury Surgicals Limited - Employees
- Contributory Provident Fund Trust
- Merit Packaging Limited - Employees
- Contributory Provident Fund Trust
- Merit Packaging Limited - Employees
- Century Paper & Board Mills Limited - Employees
- Contributory Provident Fund Trust
- Century Paper & Board Mills Limited - Employees

17.4 Remuneration payable to the Management Company and the Trustee have been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.

17.5 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are at agreed rates.

18. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Introduction and overview

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

- credit risk (refer note 18.1)
- liquidity risk (refer note 18.2)
- market risk (refer note 18.3)
- Operational Risk (refer note 18.4)

Risk management framework

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

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

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

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

18.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and financial institutions, investments in equity traded funds and as a result of dividend receivable on equity securities.

Management of credit risk

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

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

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing of credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.
- Credit risk on dividend receivable is minimal due to statutory protection.

Exposure to credit risk

The maximum exposure to credit risk as at 30 June 2018 was as follows:

| | 2018 | | 2017 | |
|--------------------------------------|---|---------------------------|---|---------------------------|
| | Balance as per the Statement of Asset and Liabilities | Maximum exposure | Balance as per the Statement of Asset and Liabilities | Maximum exposure |
| | ----- (Rupees) ----- | | ----- (Rupees) ----- | |
| Bank balances (including profit due) | 184,656,300 | 184,656,300 | 36,352,540 | 36,352,540 |
| Investments (including profit due) | 100,190,600 | 100,190,600 | 197,445,826 | 70,625,345 |
| Dividend receivables | 271,511 | 271,511 | 217,464 | 217,464 |
| | <u>285,118,411</u> | <u>285,118,411</u> | <u>234,015,830</u> | <u>107,195,349</u> |

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investments in government securities amounting to Rs. Nil (2016: Rs. 126,820,481) do not carry credit risk.

Bank balances

The Fund held cash and cash equivalents at 30 June 2017 with banks had following credit ratings:

| Rating | 2018 | 2017 | 2018 | 2017 |
|---------------|---------------------------|--------------------|----------------------|---------------|
| | AAA | 170,324,334 | 33,206,379 | 92.24 |
| AA+ | 8,772,583 | 1,673,552 | 4.75 | 4.60 |
| AA | - | 7,788 | 0.00 | 0.02 |
| Other* | 5,559,383 | 1,464,821 | 3.01 | 4.03 |
| Total balance | <u>184,656,300</u> | <u>36,352,540</u> | <u>100.00</u> | <u>100.00</u> |

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

* The reported balance is in Habib Bank AG Zurich Switzerland. Rating of the bank is not available, however, the management consider that this is a reputable bank of good credit standing.

Concentration of credit risk

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

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

| | 2018 | | 2017 | |
|--------------------------------|---------------------------|----------------------|--------------------|---------------|
| | (Rupees) | (%) | (Rupees) | (%) |
| Commercial banks | 184,656,300 | 64.76 | 36,352,540 | 33.91 |
| Exchange Trade Funds - USA | 50,546,704 | 17.73 | 35,137,516 | 32.78 |
| Exchange Trade Funds - Ireland | 49,915,407 | 17.51 | 35,705,293 | 33.31 |
| | <u>285,118,411</u> | <u>100.00</u> | <u>107,195,349</u> | <u>100.00</u> |

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at 30 June 2018.

Settlement risk

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

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

18.2 Liquidity risk

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

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

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

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

time of borrowing with repayment within 90 days of such borrowings. No such borrowing were made during the year.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, during the period no such option was exercised or considered necessary.

Maturity analysis for financial liabilities

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

| | 2018 | |
|--|-------------------------------|--------------------------|
| | Contractual cash flows | |
| | Carrying amount | Less than 3 month |
| | ----- (Rupees) ----- | |
| Non-derivative financial liabilities (excluding unit holders' fund) | | |
| Payable to the Management Company * | 343,654 | 343,654 |
| Remuneration payable to the Trustee | 65,016 | 65,016 |
| Accrued expenses and other liabilities * | 380,560 | 380,560 |
| | <u>789,230</u> | <u>789,230</u> |
| Unit holders' fund | <u>278,014,510</u> | <u>278,014,510</u> |
| | | |
| | 2017 | |
| | Contractual cash flows | |
| | Carrying amount | Less than 3 month |
| | ----- (Rupees) ----- | |
| Non-derivative financial liabilities (excluding unit holders' fund) | | |
| Payable to the Management Company * | 282,984 | 282,984 |
| Remuneration payable to the Trustee | 132,195 | 132,195 |
| Accrued expenses and other liabilities * | 279,402 | 279,402 |
| | <u>694,581</u> | <u>694,581</u> |
| Unit holders' fund | <u>227,335,791</u> | <u>227,335,791</u> |

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

Above financial liabilities do not carry any mark-up.

18.3 Market risk

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

Management of market risks

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

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

18.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has a bank balance and investments in foreign exchange traded funds which are exposed to foreign exchange risk.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

The Fund's total exposure to foreign exchange at 30 June are as follows:

| | 2018 | |
|---|-------------------------|----------------|
| | (Rupees) | (USD) |
| Financial Assets | | |
| Bank balance | 5,559,383 | 45,757 |
| Exchange Traded Funds (foreign investments) | 100,462,111 | 826,868 |
| On balance sheet gap in foreign currency exposure | <u>106,021,494</u> | <u>872,625</u> |
| | 2017 | |
| | (Rupees) | (USD) |
| Financial Assets | | |
| Bank balance | 1,464,821 | 13,970 |
| Exchange traded funds (foreign investments) | 70,842,809 | 675,633 |
| On balance sheet gap in foreign currency exposure | <u>72,307,630</u> | <u>689,603</u> |
| | Average rates | |
| | 2018 | 2017 |
| Rupees / US Dollars | <u>110.00</u> | <u>104.73</u> |
| | Balance sheet date rate | |
| | 2018 | 2017 |
| Rupees / US Dollars | <u>121.50</u> | <u>104.85</u> |

A five percent strengthening of Pakistani Rupee against US dollar would have decreased the net assets of the fund by Rs. 5.301 million (2017: Rs. 3.615 million). This analysis assumes that all other variables in particular interest rate remain constant. Weakening of Pakistani Rupee by the same percentage would have a vice versa impact.

18.3.2 Interest rate risk

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

Exposure to interest rate risk

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

| | 2018 | 2017 |
|----------------------------------|--------------------|-------------------|
| | (Rupees) | |
| Variable-rate instrument | | |
| Financial assets (bank balances) | <u>178,749,002</u> | <u>34,796,471</u> |

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 1,782,717 (2017: Rs. 347,965). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

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

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

| | 2018 | 2017 |
|--------------------------------------|----------|--------------------|
| | (Rupees) | |
| Fixed rate instruments | | |
| Investments in Government securities | <u>-</u> | <u>124,846,572</u> |

Fair value sensitivity analysis for fixed rate instruments

As at 30 June 2018, the Funds held in Government securities which are classified as held for trading, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2018, with all other variables held constant, the net assets would have increased / decreased by Rs. Nil (2017: Rs. 1,248,465).

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

| ----- June 30, 2018 ----- | | | | |
|--------------------------------------|-------------------------------|--------------------|-----------------------------------|--------------------|
| Interest rate % | Exposed to interest rate risk | | Not exposed to interest rate risk | Total |
| | No later than one month | More than one year | | |
| | ----- Rupees ----- | | | |
| Financial assets | | | | |
| Investments | | | | |
| - Exchange Trade Units | - | - | 100,190,600 | 100,190,600 |
| Dividend receivables | - | - | 271,511 | 271,511 |
| Bank balances (including profit due) | 4.1 | 178,749,002 | - | 5,907,298 |
| | | <u>178,749,002</u> | <u>-</u> | <u>106,369,409</u> |
| | | | <u>184,656,300</u> | <u>285,118,411</u> |

| ----- June 30, 2017 ----- | | | | | |
|--------------------------------------|-------------------------------|--------------------|-----------------------------------|-------------------|--------------------|
| Interest rate % | Exposed to interest rate risk | | Not exposed to interest rate risk | Total | |
| | No later than one month | More than one year | | | |
| | ----- Rupees ----- | | | | |
| Financial assets | | | | | |
| Investments | | | | | |
| - Government Securities | 5.1 & 5.2 | 81,350,770 | 43,495,802 | 1,973,909 | 126,820,481 |
| - Exchange Trade Units | | - | - | 70,625,345 | 70,625,345 |
| Dividend receivables | | - | - | 217,464 | 217,464 |
| Bank balances (including profit due) | 4.1 | 34,796,471 | - | 1,556,069 | 36,352,540 |
| | | <u>116,147,241</u> | <u>43,495,802</u> | <u>74,372,787</u> | <u>234,015,830</u> |

18.3.3 Market price risk

Price risk is the risk of unfavorable changes in the fair value of Exchange Traded Funds and units of mutual funds as the result of changes in the levels of respective indices and the value of individual securities. This arises from the investment held by the Fund for which prices in the future are uncertain. The Fund is exposed to price risk because of investments held by the Fund in the Exchange Traded Funds.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

Sensitivity analysis - Equity price risk

The Fund's listed equity investments are listed Nasdaq Index and London Stock Exchange. For such investments classified as at fair value through income statement the impact on income statement and unit holders' fund, to a 5% increase or decrease in the fair values of the equity investments, would have been an increase or decrease of Rs. 5,009,530 (2017: Rs. 9,773,595).

18.4 Operational risks

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

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

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;

- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

18.5 Unit holder's fund risk management

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

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

18.6 Fair value of financial instruments

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

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

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

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

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

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

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

| | | 2018 | | | | | | |
|---|----|------------------------------------|-----------------------|-----------------------------|--------------------|--------------------|----------|--------------------|
| | | Carrying amount | | | Fair Value | | | |
| | | Fair value through profit and loss | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Total |
| ----- (Rupees) ----- | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Government securities | 5 | - | - | - | - | - | - | - |
| Exchange traded funds | 5 | 100,190,600 | - | - | 100,190,600 | 100,190,600 | - | 100,190,600 |
| | | <u>100,190,600</u> | <u>-</u> | <u>-</u> | <u>100,190,600</u> | <u>100,190,600</u> | <u>-</u> | <u>100,190,600</u> |
| Financial assets not measured at fair value | | | | | | | | |
| Bank balances | 4 | - | 184,316,259 | - | 184,316,259 | - | - | - |
| Dividend receivables | | - | 271,511 | - | 271,511 | - | - | - |
| Markup accrued | 6 | - | 340,041 | - | 340,041 | - | - | - |
| | | <u>-</u> | <u>184,927,811</u> | <u>-</u> | <u>184,927,811</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | | |
| Payable to the Management Company | 8 | - | - | 343,654 | 343,654 | - | - | - |
| Remuneration payable to the Trustee | 9 | - | - | 65,016 | 65,016 | - | - | - |
| Accrued expenses and other liabilities | 11 | - | - | 380,560 | 380,560 | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>789,230</u> | <u>789,230</u> | <u>-</u> | <u>-</u> | <u>-</u> |

| | | 2017 | | | | | | |
|---|----|------------------------------------|-----------------------|-----------------------------|--------------------|-------------------|--------------------|--------------------|
| | | Carrying amount | | | Fair Value | | | |
| | | Fair value through profit and loss | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Total |
| ----- (Rupees) ----- | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Government securities | 5 | 124,846,572 | - | - | 124,846,572 | - | 124,846,572 | 124,846,572 |
| Exchange traded funds | 5 | 70,625,345 | - | - | 70,625,345 | 70,625,345 | - | 70,625,345 |
| | | <u>195,471,917</u> | <u>-</u> | <u>-</u> | <u>195,471,917</u> | <u>70,625,345</u> | <u>124,846,572</u> | <u>195,471,917</u> |
| Financial assets not measured at fair value | | | | | | | | |
| Bank balances | 4 | - | 36,277,056 | - | 36,277,056 | - | - | - |
| Dividend receivables | | - | 217,464 | - | 217,464 | - | - | - |
| Markup accrued | 6 | - | 2,049,393 | - | 2,049,393 | - | - | - |
| | | <u>-</u> | <u>38,543,913</u> | <u>-</u> | <u>38,543,913</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | | |
| Payable to the Management Company | 8 | - | - | 282,984 | 282,984 | - | - | - |
| Remuneration payable to the Trustee | 9 | - | - | 132,195 | 132,195 | - | - | - |
| Accrued expenses and other liabilities | 11 | - | - | 279,402 | 279,402 | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>694,581</u> | <u>694,581</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

19. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

| | Receivable against issuance of units | Payable against redemption of units | Total |
|--------------------------------------|--------------------------------------|-------------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | | |
| Opening balance as at 1 July 2017 | - | - | - |
| Receivable against issuance of units | 240,553,087 | - | 240,553,087 |
| Payable against redemption of units | - | 221,728,373 | 221,728,373 |
| | <u>240,553,087</u> | <u>221,728,373</u> | <u>462,281,460</u> |
| Amount received on issuance of units | (240,553,087) | - | (240,553,087) |
| Amount paid on redemption of units | - | (221,728,373) | (221,728,373) |
| | <u>(240,553,087)</u> | <u>(221,728,373)</u> | <u>(462,281,460)</u> |
| Closing balance as at 30 June 2018 | - | - | - |

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

20.1 Unit holding pattern of the Fund

| Category | 2018 | | |
|------------------------------------|----------------------|--------------------|---------------|
| | No. of unit holders | Investment amount | % of total |
| | ----- (Rupees) ----- | | |
| Individuals | 10 | 1,670,832 | 0.60 |
| Associated Companies and Directors | 14 | 166,461,209 | 59.88 |
| Banks and DFIs | - | - | - |
| NBFC's (Management Company) | 1 | 109,882,469 | 39.52 |
| Retirement Funds | - | - | - |
| Other corporates | - | - | - |
| | 25 | 278,014,510 | 100.00 |

| Category | 2017 | | |
|------------------------------------|----------------------|--------------------|---------------|
| | No. of unit holders | Investment amount | % of total |
| | ----- (Rupees) ----- | | |
| Individuals | 10 | 452,442 | 0.20 |
| Associated Companies and Directors | 15 | 226,883,349 | 99.80 |
| Banks and DFIs | - | - | - |
| NBFC's (Management Company) | - | - | - |
| Retirement Funds | - | - | - |
| Other corporates | - | - | - |
| | 25 | 227,335,791 | 100.00 |

20.2 List of top ten brokers by percentage of commission paid

| Broker Name | 2018 | 2017 |
|---|------------------------------|--------|
| | Commission paid (Percentage) | |
| Habib Bank AG Zurich | 91.14% | 97.67% |
| Invest Finance Securities (Private) Limited | 3.42% | 0.31% |
| Invest Capital Management Limited | 5.44% | - |
| Vector Securities | - | 2.23% |

20.3 Particulars of the Investment Committee and Fund manager

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

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Kashif Mustafa
- Mr. Mustafa O. Pasha
- Mr. Shahbaz Ashraf
- Mr. Syed Saifullah Kazmi
- Mr. Hassan Bin Nasir (Fund Manager)
- Mr. Junaid Arshad
- M. Fakhir Musharaf

Mr. Babar Ali Lakhani - Chief Executive Officer

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

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

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

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

Mr. Kashif Mustafa – Executive Director and COO

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

Mr. Mustafa O. Pasha, CFA

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

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

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

Mr. Muhammad Shahbaz Ashraf

Mr. Ashraf has approximately 10 years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Syed Saifullah Kazmi - Head of Equities

Mr. Saifullah has over ten years of experience and currently holds positions of Head of Equities Investments in Lakson Investments Limited. He is a qualified Finance major from Kingston University. He has experience in Emerging and Frontier Financial Markets, with focus in Pakistan, Strong Fixed Income background, with investment strategy and trading experience in instruments including, Government Securities, Corporate Bonds, Banking Products and Islamic Sukkuks. He is also managing the following funds:

- Lakson Equity Fund
- Lakson Islamic Tactical Fund
- Lakson Tactical Fund

Mr. Hassan Bin Nasir

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

- Lakson Income Fund
- Lakson Money Market Fund

Mr. Junaid Arshad

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

Mr. Muhammad Fakhir Musharaf

Mr. Fakhir Musharraf has over 20 years of experience in the field of Capital Markets, Trade Finance & Academics. Prior to his current assignment he has served as Ist HoD of Actuarial Science & Risk Management at Institute of Business Management , Karachi. Mr. Musharraf has done his MBA from University of Leicester, UK, and submitted his PhD thesis with Edinburgh Napier University UK.

20.4 Directors meeting attendance

2018

| Name of directors | Meeting Attended | August 25, 2017 | October 16, 2017 | February 27, 2018 | March 30, 2018 | April 16, 2018 |
|-----------------------------|------------------|-----------------|------------------|-------------------|----------------|----------------|
| - Mr. Babar Ali Lakhani | 5 | ✓ | ✓ | ✓ | ✓ | ✓ |
| - Mr. A. Aziz H. Ebrahim | 2 | ✓ | ✓ | N/A | N/A | N/A |
| - Mr. Mahomed J. Jaffer | 5 | ✓ | ✓ | ✓ | ✓ | ✓ |
| - Mr. Amin Mohammed Lakhani | 4 | ✓ | ✓ | X | ✓ | ✓ |
| - Mr. Daniel Scott Smaller | 4 | ✓ | ✓ | X | ✓ | ✓ |
| - Mr. Jacques John Visser | 4 | ✓ | ✓ | X | ✓ | ✓ |
| - Mr. Zahid Zakiuddin | 4 | ✓ | ✓ | ✓ | X | ✓ |
| - Mr. Iqbal Ali Lakhani | 4 | ✓ | X | ✓ | ✓ | ✓ |
| - Mr. Jamil Ahmed Mughal | 2 | N/A | N/A | N/A | ✓ | ✓ |
| | | 8 | 7 | 4 | 7 | 8 |

20.5 Rating of the Fund and the management company

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

20.6 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 03 July 2018 has approved a final distribution of Rs. 2.3801 per unit (for full year). The aggregate cash distribution is Rs. 1.962 million in addition to refund of capital / element of income by issuing 22,386 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP).

The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

21. GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 15, 2018.



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

Chief Executive Officer

Chief Financial Officer

Director

| Performance Table | FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net Assets - Beginning (PKR Mil.) | 227 | 290 | 321 | 598 | 541 | 329 | 253 |
| Net Assets - Ending (PKR Mil.) | 278 | 227 | 290 | 321 | 598 | 541 | 329 |
| Net Asset value per share | 134.4997 | 118.9544 | 113.2854 | 114.9738 | 106.6908 | 111.0748 | 106.4208 |
| Selling Price for units | 137.8622 | 121.9283 | 116.1176 | 117.8482 | 109.3581 | 113.8517 | 109.0814 |
| Repurchase Price for units | 134.4997 | 118.9544 | 113.2854 | 114.9738 | 106.6908 | 111.0748 | 106.4208 |
| Highest Offer Price (PKR) | 138.855 | 127.2001 | 127.5054 | 118.7873 | 116.9237 | 114.8591 | 109.0655 |
| Lowest Offer Price (PKR) | 121.8366 | 116.2507 | 107.5162 | 108.4261 | 106.8714 | 102.7875 | 100.0000 |
| Highest Redemption Price (PKR) | 135.4682 | 124.0976 | 124.3955 | 115.8900 | 114.0719 | 112.0576 | 106.4053 |
| Lowest Redemption Price (PKR) | 118.8649 | 113.4153 | 104.3846 | 105.7815 | 104.2647 | 100.2804 | 100.0230 |
| Beginning NAV - Ex-Div. (PKR) | 118.9544 | 113.2854 | 115.0565 | - | 104.0389 | 100.5055 | 100.0000 |
| Interim Distributions (PKR) | Nil | 4.5573 | 10.8068 | - | - | - | - |
| Final Distribution (PKR) | Nil | - | - | - | 7.3744 | 7.0359 | 5.9153 |
| Ending NAV - Ex-Div. (PKR) | 134.4997 | 119.5012 | 112.4897 | - | 106.6975 | 104.0389 | 100.5055 |
| Return | 13.06% | 9.01% | 8.00% | 7.76% | 9.64% | 10.52% | 6.42% |
| Net Income (PKR Mil.) | 32 | 8 | 14 | 4 | 54 | 52 | 19 |
| Less: Income already paid on units redeemed | (19) | - | - | - | - | - | - |
| Income Distribution | Nil | 6 | 22 | - | 70 | 18 | - |
| Accumulated Capital Growth | 48 | 35 | 33 | 41 | 37 | 53 | 19 |
| Average Annual return of the Fund | | | | | | | |
| One Year | 13.07% | 9.03% | 8.00% | 7.76% | 9.64% | 10.52% | 6.42% |
| Two year | 23.25% | 8.85% | 8.18% | 9.07% | 10.58% | | |
| Three year | 33.11% | 8.95% | 9.19% | 10.19% | | | |
| Since inception | 84.97% | 11.11% | 10.59% | 10.46% | 10.63% | 10.22% | 6.42% |
| Distributions | | | | | | | |
| | FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 |
| Interim Distribution | Nil | 4.5573 | 10.8068 | Nil | 7.3744 | - | - |
| Final Distribution | 2.3801 | - | - | Nil | - | 7.0359 | 5.9153 |
| NAV before Distribution | 134.4997 | 124.0585 | 123.2965 | Nil | 114.0719 | 111.0748 | 106.4208 |
| NAV after Distribution | 132.1196 | 119.5012 | 112.4897 | Nil | 106.6975 | 104.0389 | 100.5055 |
| Distribution Date | 03-Jul-18 | 22-Jun-17 | 27-Jun-16 | N/A | 25-Jun-14 | 08-Jul-13 | 05-Jul-12 |

Disclaimer

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



A Lakson Group Company

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