

LAKSON ISLAMIC TACTICAL FUND

Annual Report 2018



LAKSON INVESTMENTS

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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

Habib Bank AG Zurich
Habib Metropolitan Islamic Bank Limited
Bank Islami Pakistan Limited
Al Baraka Bank (Pakistan) Limited
Dubai Islamic Bank Pakistan Limited



Legal Adviser

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

Shari'ah Adviser

Al Hilal Shariah Advisors

Registrar

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

Rating

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





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

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

Fund Objective

The investment objective of the LITF is to provide long-term capital appreciation by exclusively investing in Shari'ah Compliant avenues including equities, fixed income instruments and emerging market securities.

Principal activities

LITF is an open end asset allocation fund and is listed on Pakistan Stock Exchange Limited. The Fund is managed using an active investment management style which focuses on an analysis of the macro factors such as government policies, global economic data, commodities prices and supply/demand dynamics. The Fund switches exposure between equities and fixed income based on the outlook of the investments team. Exposure of the Scheme in fixed income securities is managed through duration and yield curve management.

Development and Performance Review

LITF provided return of -7.71% for FY18 against the Benchmark return of -4.61%. The fund has underperformed the benchmark by 3.1% during the period. As of June 29, 2018, the Fund had 43% exposure in equities, 50% in cash, and 6% in Sukuk on a total asset basis.

Loss Per Unit (LPU)

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

Reason for loss

The fund under performed on the equity front, where the KSE 100 declined by 10% at the end of FY 18. The market maintained a downward trajectory during the year after ascending to its peak in May'17. Since the equity portion is highly correlated with its benchmark, the downward movement echoed in the returns. Exposure in underperforming sectors, such as Cements, aided in the underperformance. Given these factors, the Board has not proposed any distribution 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 "3-Star" and five years performance ranking of "2-Star" to the LITF.

Additional Matters:

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. 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. 21.1 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).

Emerging Market Review

Emerging Markets (EM) performed poorly during the month of June due to the intensifying trade war between USA and China. MSCI's EM index declined 4.6% in June to bring the FY18 return down to positive 5.8% and the 6MCY18 return to negative 7.7%. A flight of capital was witnessed from Emerging Markets, which led China and other countries that will directly or indirectly be affected by USA's tariffs to perform poorly during the month. China's Shanghai Composite declined 8.0% during the month as the rift between USA and China worsened. The Index gave a negative return of 10.8% for FY18 and negative 13.9% for 6MCY18. Effects of the trade war have already become visible, with China's PMI Index recorded at only 51.5 in June, versus 51.9 in May. Moreover, South Korea's exports unexpectedly declined in June, which shows that global trade has already started being negatively affected by the trade war.

Brazilian equities too performed poorly during the month with the Ibovespa index down 5.2%, which brought the full fiscal year's return down to 15.7%. The Index's return in the past six months has been a negative 4.8%. Reasons for the decline in June included the (i) trade war and overall pessimism in Emerging Markets, and (ii) politics ahead of the general elections in October. Bearish sentiment was also attributable to a trucker's strike that led Brazil's central bank to cut its growth estimate. The bank reduced its GDP growth estimate to 1.6% for 2018 from its previous estimate of 2.6%.

Turkish equities were among the worst performers in June as their president was re-elected and their currency continued to depreciate. The Borsa Istanbul 100 Index gave returns of -4.1% in June, -16.3% in 1HCY18 and -3.9% in FY18. After the end of the month, official numbers showed that inflation was recorded at a disconcertingly high level of 15.39% in June, which worsens outlook on the country.

Equities of two other important emerging markets, India and Russia, were little changed during the month of June. India's BSE Sensex Index rose 0.3% in June to bring the 6MCY18 return to 4.0% and the fiscal year's return to 14.6%. Meanwhile, Russia's IMOEX Index declined 0.3% during June to take the 1HCY18 return to 8.8% and the FY18 return to 22.2%. These two were among the best performing emerging markets for the year.



Greece was also able to escape the overall pessimism in emerging markets due partly to its historic deal to end its debt crisis. Eurozone finance ministers agreed on a deal to push back the repayment deadlines on EUR 96bn in bailout loans. The ASE Index rose 0.2% in June to take the full year return to negative 8.0% and the six month CY18 return to negative 5.6%.

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

Director

Chief Executive Officer

Dated: August 15, 2018
Karachi



لیکسن اسلامک ٹیکٹیکل فنڈ

30 جون 2018 کو ختم ہونے والے سال کے لیے

منجمنٹ کمیٹی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن اسلامک ٹیکٹیکل فنڈ ("LITF" یا فنڈ) کی منجمنٹ کمیٹی 30 جون 2018 کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

فنڈ کا مقصد

لیکسن اسلامک ٹیکٹیکل فنڈ کی سرمایہ کاری کا مقصد، خاص طور پر بشرطیہ سے مطابقت رکھنے والے ذرائع بشمول ایکویٹیز، فکسڈ انکم اینڈ انٹرنیشنل اور ایمریکن مارکیٹس سکیورٹیز میں سرمایہ کاری کرتے ہوئے سرمائے کی قدر میں طویل مدتی اضافہ کرنا ہے۔

نمایاں سرگرمیاں

LITF ایک اوپن اینڈ لمیٹڈ ایلیکشن اسکیم ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ اس اسکیم کا انتظام و انصرام ایک ایکٹیو انویسٹمنٹ منجمنٹ اسٹائل استعمال کرتے ہوئے کیا جاتا ہے جو اقتصادی ماحول کے تجربے پر توجہ مرکوز رکھتا ہے مثلاً کھوٹی پالیسیز، عالمی اقتصادی ڈینا، کموڈیٹیز کی قیمتیں اور رسد/طلب کا تحریک شامل ہے۔ اسکیم انویسٹمنٹ ٹیم کی توقعات کی بنیاد پر ایکویٹیز اور فکسڈ انکم میں سرمایہ کاری تبدیل کرتی ہے۔ فکسڈ انکم سیکورٹیز میں اسکیم کی سرمایہ کاری کا انتظام و انصرام درمیانی اور مختلف میچورٹیز کے درمیان سرمایہ کاری کے تبادلے اور yield curve منجمنٹ کو مد نظر رکھ کر کیا جاتا ہے۔

پیش رفت اور کارکردگی کا جائزہ

LITF نے شیئ مارک منافع % 4.61 کے مقابلے میں مالی سال 2018 کے لیے % 7.71 منافع فراہم کیا۔ فنڈ نے مدت کے دوران شیئ مارک سے % 3.1 کم تر کارکردگی کا مظاہرہ کیا۔ 29 جون 2018 کے مطابق فنڈ مجموعی اثاثوں کی بنیاد پر ایکویٹیز میں % 43، اکیٹس میں % 50 اور وکسوک میں % 6 سرمایہ کاری رکھتا ہے۔

فی یونٹ نقصان (LPU)

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

نقصان کی وجہ

فنڈ نے ایکویٹیز کے شعبے میں کم تر کارکردگی کا مظاہرہ کیا جہاں KSE 100 نے مالی سال 2018 کے اختتام پر % 10.0 کمی دکھائی۔ مارکیٹ نے مئی 2017 اس کی بلند ترین سطح چھونے کے بعد سے پستی کی جانب رخ برقرار رکھا۔ چونکہ ایکویٹیز والے حصے کا پچھلے شیئ مارک کے ساتھ گہرا تعلق ہے، چنانچہ پستی کی جانب حرکت کی بازگشت پورٹ فولیو تک بھی پہنچی۔ کم تر کارکردگی دکھانے والے شعبوں، مثلاً اسکیمس میں سرمایہ کاری نے کم تر کارکردگی میں اضافہ کیا۔ ان



عوامل کے پیش نظر بورڈ نے 30 جون 2018 کو ختم ہونے والے سال کے لیے منافع کی تقسیم کی تجویز پیش نہیں کی۔

نمایاں خطرات اور خطرات

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 گزرتے 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۔

ایسٹ انڈینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی ایسٹ (PACRA) نے مینجمنٹ کمپنی کی AM2 ایسٹ منیجر بینک کو بڑھا کر AM2+ کر دیا ہے۔ PACRA نے LITF کو ایک سالہ اور تین سالہ پرفارمنس پر '3' اسٹار' اور پانچ سالہ پرفارمنس کی '2' اسٹار' رینٹنگ دی ہے۔

اضافی معاملات

- 1- مینجمنٹ 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 ابرہیم صاحب کا انتقال ہو گیا تھا (اللہ اُن کی مغفرت فرمائے اور جنت میں اعلیٰ مقام عطا فرمائے) جس کے باعث اُن کی ڈائریکٹر شپ ختم ہو گئی۔ بورڈ کے ارکان نے ان کی خدمات کو لیکس گروپ اور کمپنی کے لیے کوہا ہے۔
- 30 مارچ 2018 کو جناب جمیل احمد فضل 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 فضل کی تقرری کی منظوری دی ہے
- 3- مینجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کمپنیز فلوز 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 کی گئی ہے اور شماراتی تخمینے مناسب اور معقول نظریات پر مبنی 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) 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ منیجر ریگولیشنز، 2008 (NBFC ریگولیشنز)، سیکورٹیز اینڈ ایگزیکٹو کمیشن آف پاکستان کے جاری کردہ ڈائریکٹریز اور فنڈ کی تشکیلی دستاویزات کے تقاضوں کی بیرونی کی گئی 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 روائے دو اس رینٹنگ 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، مجموعی صورت اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 11- پروڈیونٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات میٹجمنٹ کمپنی کی طرف سے برداشت کیے جاتے ہیں۔
- 12-30 جون 2018 کے مطابق یونٹ ہولڈنگ کا پیرین مالیاتی گوشوارے کے نوٹ نمبر 21.1 میں دیا گیا ہے۔
- 13- کارکردگی کی جدول/اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

بیرونی آڈیٹر

موجودہ آڈیٹر زیمسز KPMG تا شہر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بنیاد پر 30 جون 2019 کو ختم ہونے والے سال کیلئے بطور آڈیٹر زود پارہ تقرری کے لیے اپنی رضامندی ظاہر کی ہے۔ ڈٹ کمپنی کی -فارش پر بورڈ آف ڈائریکٹرز نے زیمسز KPMG تا شہر ہادی اینڈ کمپنی، 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% افراط زر ریکارڈ کیا گیا جو 44 مہینوں میں (اکتوبر 2014 سے) بلند ترین نمونہ ہے۔ اس نے مالی سال 2018 کے افراط زر کو 3.92% تک پہنچا دیا جو مالی سال 2017 کی 4.15% اوسط سے کم ہے۔ افراط زر کا حالیہ دباؤ زیادہ تر فول کی مقامی قیمتوں کا نتیجہ ہے، جن میں خام تیل کی بین الاقوامی قیمتوں میں اضافے کے بعد تیزی آئی ہے۔ گزشتہ مہینے میں افراط زر کی کم ترین سطح کے اثرات (Base effect) اور فول کی بلند قیمتوں کی وجہ سے سال کی اہلیت مدد میں CPI نمونہ 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 ملین بیرل روزانہ تیل کا بڑا حصہ متاثر ہوگا جو ایران اس وقت برآمد کرتا ہے۔ مزید برآں ویزو بلا میں معاشی مسائل بھی اسی 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 پہنچ گئی۔ 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% گر گئی۔ پاکستان کی بڑھتی بیرونی کمزور حالت کی وجہ سے سوڈین نے پاکستان کے لیے توقعات پر اپنی ریٹنگ، سابقہ توقعات B3 "مستحکم" سے کم کر کے "مغنی" کر دی۔ بیرونی صورت حال کو مستحکم کرنے کے لیے حکومت نے جون مہینے میں ایک ارب ڈالر خرچہ لیا ہے اور اس ملک سے مزید قرض لیا جاسکتا ہے۔ مزید برآں حکومت اپنی اہم سٹی اسکیم کے ذریعے، جس کی آخری تاریخ جولائی تک بوحدی گئی ہے، زرمبادلہ کو راضی کرنے کے بارے میں پُر امید ہے۔ خبروں کے ذرائع کے مطابق اس اسکیم کے ذریعے جون کے آخر تک 65 ارب روپے اکٹھے کیے جا چکے ہیں۔

گلوبل 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 بگڑتی ہوئی بیرونی صورت حال اور افراط زر کے خطرات مالیاتی سختی کا تقاضا کرتے تھے۔ مالی سال 2018 کے پہلے نصف میں امریکی ڈالر کے مقابلے میں اپنی 5.3% قدر کو نوٹنے 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۔ نیول کی قیمتوں میں اضافے نے بھی ملکی افراط زر میں اچھا 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 کا رڈ کی گئی۔

اضافے سے پہلے شرح سود پر مارکیٹ کے شرکاء کی توقعات کے باعث SBP اگست 2017 سے مارچ 2018 تک PIB کی نیلا میوں کے لیے قابل قبول پیشکشیں حاصل کرنے میں ناکام رہا، لہذا 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 چھ ماہ کے لیے تخمینہ شدہ اوسط منافع ہے جس کا تعین PIB کے فلوئنگ والی نیلامی اور لیا کو پیرینڈ (نیلامی میں فیصلہ شدہ مثبت / منفی منافع) سے قبل منعقدہ MTB کی تازہ ترین کامیاب ششماہی نیلامی 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 ماریٹ 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۔ اسی 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 نظریے کو اس نکتہ نظر سے تقویت ملتی ہے کہ تیل کی قیمتوں میں اوپر کی جانب دباؤ (ایران اور ویتنوم کے مسائل) زیادہ تر مختصر مدتی ہوتے ہیں، جب کہ عالمی اقتصادی نموشیں 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 مین (M2) کی نمو مالی سال 2018 میں کم ہو کر 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 معاہدات کے لیے حاصل کردہ قرض (1.4 ٹریلین روپے) اور نجی شعبے کے حاصل کردہ قرضوں میں اضافے (768 ارب روپے) نے اس کی کمی کو جزوی طور پر تلافی کر دی۔

ایئر بینگ مارکیٹ کا جائزہ

ایئر بینگ مارکیٹ (EM) نے امریکا اور چین کے درمیان تجارتی جنگ شدید ہونے کی وجہ سے جون کے مہینے کے دوران ناقص کارکردگی کا مظاہرہ کیا۔ جون میں MSCI کے EM انڈیکس میں 4.6% کمی ہوئی جس سے مالی سال 2018 کے منافع جات کم ہو کر 5.8% تک اور موجودہ سال 2018 کے ششماہی منافع جات کم ہو کر منفی 7.7% ہو گئے۔ ایئر بینگ مارکیٹس سے سرمایے کا اخراج دیکھا گیا جس کے نتیجے میں چین اور امریکا کے ٹیئرفس (کرایا جات) سے براہ راست یا بالواسطہ متاثر ہونے والے دیگر ممالک نے اس مہینے کے دوران کمزور کارکردگی کا مظاہرہ کیا۔

چین کے ہنگامی کمپوز میں اس مہینے کے دوران 8.0% کمی کی ہوئی جیسا کہ امریکا اور چین کے درمیان چپقلش بد سے برتر ہو گئی۔ انڈیکس نے مالی سال 2018 کے لیے منفی 10.8% اور موجودہ سال 2018 کی ششماہی کے لیے منفی 13.9% منافع جات دیے۔

اس تجارتی جنگ کے اثرات پہلے ہی واضح ہو چکے ہیں جیسا کہ چین کے PMI انڈیکس نے مئی میں 51.9 کے مقابلے میں جون میں صرف 51.5 کا اضافہ ریکارڈ کیا۔ مزید برآں جون میں جنوبی کوریا کی برآمدات میں غیر متوقع کمی ہوئی جس سے ظاہر ہوتا ہے کہ اس تجارتی جنگ کے عالمی تجارت پر منفی اثرات مرتب ہونا شروع ہو گئے ہیں۔

برازیل کی ایکٹیوٹیور بوائز نے Ibovespa انڈیکس میں 5.2% کمی کے ساتھ اس ماہ کے دوران کمزور کارکردگی کا مظاہرہ کیا جس سے پورے مالی سال کے منافع جات 15.7% تک گر گئے۔ گزشتہ چھ ماہ میں انڈیکس کے منافع جات منفی 4.8% رہے ہیں۔ جون میں اس کمی میں درج ذیل وجوہات شامل



ہیں: (i) تجارتی جنگ اور ایمر جنگ مارکیٹ میں مجموعی ناامیدی کے جذبات، اور (ii) اکتوبر میں عام انتخابات سے پہلے سیاسی ماحول۔ مندی کی کیفیات میں بڑک والوں کی پڑتال کا بھی حصہ تھا جس کے نتیجے میں برازیل کے مرکزی بینک کو فوٹو کے تخمینہ جات میں ٹوٹی کرنا پڑی۔ بینک نے 2018 کے لیے GDP کی نمو کا اپنا تخمینہ کم کر کے 1.6% کر دیا، جب کہ سابقہ تخمینہ 2.6% تھا۔

ترکی کی ایکویٹیز جون میں بدترین کارکردگی کا مظاہرہ کرنے والوں میں شامل رہیں جیسا کہ ان کے صدر کا دوبارہ انتخاب ہو اور ان کی کرنسی کی قدر میں کمی کا سلسلہ جاری رہا۔ Borsa Istanbul 100 انڈیکس نے جون میں 4.1%، موجودہ سال 2018 کے پہلے نصف میں 16.3% اور مالی سال 2018 میں 3.9% کے منافع جات دیے۔ مینے کے اختتام کے بعد سرکاری اعداد و شمار دکھاتے ہیں کہ جون میں افراط زر 15.39% کی آتش لیش ناک حد تک بلند سطح پر یکاڑ کیا گیا جس سے ملک کی بابت توقعات بگڑ گئیں۔

دو دیگر اہم ایمر جنگ مارکیٹس، انڈیا اور روس کی ایکویٹیز میں جون کے مینے میں معمولی ردوبدل ہوا۔ جون میں انڈیا کے BSE Sensex انڈیکس میں 0.3% اضافہ ہوا جس سے موجودہ سال 2018 کے چھ ماہ کے منافع جات 4.0% اور مالی سال کے منافع جات 14.6% تک پہنچ گئے۔ دریں اثناء روس کے IMOX انڈیکس میں جون کے دوران 0.3% کمی ہوئی جس سے موجودہ سال 2018 کے پہلے نصف کے منافع جات 8.8% اور مالی سال 2018 کے منافع جات 22.2% تک پہنچ گئے۔ یہ دونوں سال کی سب سے بہتر کارکردگی دکھانے والی ایمر جنگ مارکیٹس میں شامل تھیں۔

یونان بھی ایمر جنگ مارکیٹس میں مجموعی ایلوپی کی کیفیات سے بچ نکلنے میں کامیاب رہا جس کی تیزی وجہ اپنے قرضوں کے بحران کا خاتمہ کرنے والی تاریخی ڈیل ہے۔ یورو زون کے وزرائے خزانہ نے تیل آؤٹ قرضوں میں 96 ارب یورو کی واپسی کی آخری تاریخ آگے بڑھانے کی ڈیل پر اتفاق کر لیا۔ جون میں ASE انڈیکس میں 0.2% اضافہ ہوا جس نے پورے سال کے منافع جات کو منفی 8.0% اور موجودہ سال 2018 کے چھ ماہ کے منافع جات کو منفی 5.6% تک پہنچا دیا۔

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 ویزو بیلا 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 نمو 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۔

بھلی کی بھڑستہ پائی اور فیکل انفراسٹرکچر میں بہتری کے باوجود، مالی سال 2019 میں معاشی نمو سست رہنے کے امکانات ہیں۔ ورلڈ بینک نے جون میں جاری کردہ اپنی رپورٹ میں تیسرے 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، کرفٹ اور مالیاتی خسارہ ہیں جن سے مجموعی اقتصادی استحکام کے پڑی سے اترنے کا خطرہ درپیش ہے۔

مالیاتی 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 سبڈیز میں کمی، ترقیاتی مصارف میں کوئی اور گیس اور بجلی 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 ڈیویڈنڈ میں اضافے سے افراط زر کا دباؤ کم کیا جائے گا اور بیرونی اکاؤنٹ کو قابو میں رکھا جائے گا جیسا کہ زرمبادلہ کے ذخائر خطرناک سطح تک گر چکے ہیں۔ 20 ارب امریکی ڈالر سے زائد کا مالیاتی غلطی پر کرنے کے لیے متعدد قرض فراہم کرنے والوں (IMF/WB/ADB/IDB) اور دوست ممالک (سعودی عرب، متحدہ عرب امارات، چین) سے فنڈ حاصل کرنے کی بیگانی 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 پچھتے ماہ کی مدتوں کے لیے تخمینہ شدہ اوسط منافع جات بالترتیب %7.75 اور %7.85 پر ہمواری۔ مزید برآں تین ماہ کے تمسکات میں نمایاں شمولیت دیکھی گئی ہے اور اور گزشتہ دو سالوں میں بھی ایسا ہی رجحان نظر آیا ہے جو مزید مالیاتی تیزی کی نشان دہی کرتا ہے۔ انتخابات سے پہلے مختلف میعادوں میں منافع جات میں اضافہ (100~ بنیادی پوائنٹس) ریکارڈ کیا گیا (یاد رہے کہ SBP نے 14 جولائی 2019 کو پالیسی ریٹ 100 بنیادی پوائنٹس 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 افراط زر 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۔

اظہارِ نظر

یہ بورڈ اپنے قابل قدر انویسٹرز، سیکورٹیز اینڈ ایچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، مینٹنرل ڈیپازٹری کمیٹی آف پاکستان، لیبینڈ اور پاکستان اسٹاک ایچینج 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

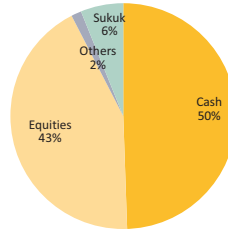
تاریخ: 15 اگست 2018



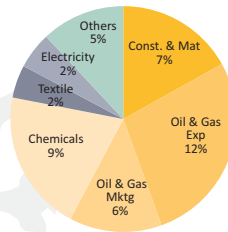
**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2018**

Fund Facts	
Fund Type	Open-End
Category	Shariah Compliant Asset Allocation Fund
Net Assets (PKR Mil.)	165
NAV (30.06.2018)	93.7663
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	10% of the gross earnings of the Scheme, calculated on a daily basis. The fee is subject to a minimum of 1% and maximum of 2% of the average annual net assets of the Scheme. Current - 1.15%
Front End Load	2.50%
Back End Load	None
Launch Date	October 11, 2011
Benchmark	Weighted average daily return of KMI- 30 Index, 6M deposit rates of three A rated Islamic Banks or Islamic windows of Conventional Banks and MSCI Emerging Markets Islamic Index based on the Scheme's actual proportion in the equity, debt and emerging market securities
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (15.5.2017)

Asset Allocation



Sectorwise Exposure



Fund Performance	LITF	Benchmark
FY18	-7.71%	-4.61%
June-18	-1.11%	-1.01%
2 Months	-3.35%	-3.12%
3 Months	-3.17%	-2.97%
6 Months	2.94%	3.09%
12 Months	-7.71%	-4.61%
CY18-YTD	2.94%	3.09%
3 Years	5.03%	3.30%
5 Years	17.30%	16.33%
Since Inception	31.41%	37.95%

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 Islamic Tactical Fund ("LITF") is to provide long-term capital appreciation by investing in a mix of shariah compliant avenues. The LITF achieved its investment objective by investing in a mix of risk-free government securities, corporate bonds, emerging market securities and equity market.

Investment Strategy

The asset allocation of LITF portfolio was constructed by investing in liquid and risk-free instruments like Shariah Government securities, Shariah compliant equities and high yielding Shariah bonds. The exposure of LITF in risk free options and bonds was managed based on the relative yield analysis of these instruments and our yield curve expectations. Exposure in cash enabled the LITF to benefit from adverse movements in secondary yields, while maintaining liquidity and meeting all its obligations in a timely manner. Equity exposure of the Fund will be determined by carrying out an analysis of the prevalent price to earnings (PE) ratio or multiple of the KSE-30 Index. An increase in the PE ratio will



lead to a reduction in equity exposure and vice versa. The balance will remain invested in high quality Shariah compliant fixed income instruments of varying duration.

As of 29th June 2018, the Fund had 43% in equities, 6% in Sukkuks, 1% in Other and 50% allocated to cash in order to provide protection in an uncertain regulatory and market environment.

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.

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).

Emerging Markets Review

Emerging Markets (EM) performed poorly during the month of June due to the intensifying trade war between USA and China. MSCI's EM index declined 4.6% in June to bring the FY18 return down to positive 5.8% and the 6MCMY18 return to negative 7.7%. A flight of capital was witnessed from Emerging Markets, which led China and other countries that will directly or indirectly be affected by USA's tariffs to perform poorly during the month. China's Shanghai Composite declined 8.0% during the month as the rift between USA and China worsened. The Index gave a negative return of 10.8% for FY18 and negative 13.9% for 6MCMY18. Effects of the trade war have already become visible, with China's PMI Index recorded at only 51.5 in June, versus 51.9 in May. Moreover, South Korea's exports unexpectedly declined in June, which shows that global trade has already started being negatively affected by the trade war.

Brazilian equities too performed poorly during the month with the Ibovespa index down 5.2%, which brought the full fiscal year's return down to 15.7%. The Index's return in the past six months has been a negative 4.8%. Reasons for the decline in June included the (i) trade war and overall pessimism in Emerging Markets, and (ii) politics ahead of the general elections in October. Bearish sentiment was also attributable to a trucker's strike that led Brazil's central bank to cut its growth estimate. The bank reduced its GDP growth estimate to 1.6% for 2018 from its previous estimate of 2.6%.

Turkish equities were among the worst performers in June as their president was re-elected and their currency continued to depreciate. The Borsa Istanbul 100 Index gave returns of -4.1% in June, -16.3% in 1HMY18 and -3.9% in FY18. After the end of the month, official numbers showed that inflation was recorded at a disconcertingly high level of 15.39% in June, which worsens outlook on the country.

Equities of two other important emerging markets, India and Russia, were little changed during the month of June. India's BSE Sensex Index rose 0.3% in June to bring the 6MCMY18 return to 4.0% and the fiscal year's return to 14.6%. Meanwhile, Russia's IMOEX Index declined 0.3% during June to take the 1HMY18 return to 8.8% and the FY18 return to 22.2%. These two were among the best performing emerging markets for the year.

Greece was also able to escape the overall pessimism in emerging markets due partly to its historic deal to end its debt crisis. Eurozone finance ministers agreed on a deal to push back the repayment deadlines on EUR 96bn in bailout loans. The ASE Index rose 0.2% in June to take the full year return to negative 8.0% and the six months CY18 return to negative 5.6%.

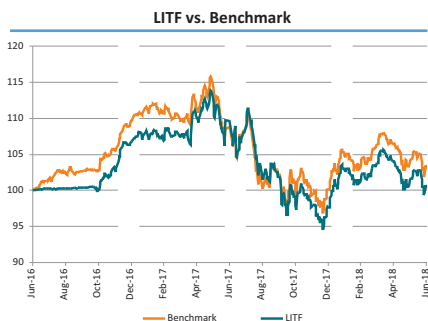
Fund Performance

The LITF provided a return of -7.7% in FY18 vs 9.0% during FY17. The corresponding benchmark return for FY18 was -4.6% recording an underperformance of 3.1%. The fund suffered from its equity exposure, where the equity benchmark suffered by -10% for FY18. The bottom line was protected by placing liquidity where returns were above par and protected against marked to market volatility.



Performance Table	FY18	FY17
Net Assets - Beginning (PKR Mil.)	178	101
Net Assets - Ending (PKR Mil.)	165	178
Highest Offer Price (PKR)	106.4014	116
Lowest Offer Price (PKR)	90.4679	102.1384
Highest Redemption Price (PKR)	103.8062	113.4907
Lowest Redemption Price (PKR)	88.2613	99.6472
Beginning NAV - Ex-Div. (PKR)	101.5686	102.5835
Interim Distributions (PKR)	-	9.8783
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	93.7663	100.0000
Return	-7.71%	8.99%
Net Income / (Loss) (PKR Mil.)	(14.00)	6.00

Distributions	FY18	FY17
Interim Distribution	-	2.8984
NAV before Distribution	-	102.8984
NAV after Distribution	-	100.0000
Distribution Date	-	19-Sep-16
Interim Distribution	-	6.9799
NAV before Distribution	93.7663	106.9799
NAV after Distribution	93.7663	100.0000
Distribution Date	Nil	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 LITF will continue to maintain exposure in equities and cash. The Fund may switch between corporate bonds and government securities, depending upon the liquidity conditions of the market and interest rates outlook. The LITF will exercise prudence in increasing its risk profile by managing portfolio returns.

Circumstances Materially Affecting Interests of Unit Holders

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

As of June 29, 2018 the LITF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 0.16mn. If the same were not made the NAV per unit of the LITF would be higher by PKR 0.0900 and the return of the LITF for FY18 would be higher by 0.0%.



Other Disclosures

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

There was no unit split undertaken during the year.

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

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	1	55
101 - 500	1	356
501 - 1,000	1	895
1,001 - 5,000	2	4,811
5,001 - 10,000	2	14,689
10,001 - 50,000	5	174,695
50,001 - 100,000	3	216,769
100,001 - 500,000	4	828,229
500,001 - 1,000,000	1	517,823
1,000,001 - 5,000,000	0	-
5,000,001 - above	0	-
	20	1,758,320

**CENTRAL DEPOSITORY COMPANY
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TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON ISLAMIC TACTICAL FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Islamic Tactical Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 Islamic Tactical Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Lakson Islamic Tactical Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 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 Matter

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

Following is the Key audit matter(s):

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 had investments in listed equity securities and debt securities of Rs. 82 million classified as at "Fair value through income statement". It represents 49.73% 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 on a sample basis whether the investments were valued at fair value based on the rates quoted on the Pakistan Stock Exchange in respect of listed equity securities and Mutual Fund Association of Pakistan in respect of debt securities as at 30 June 2018.



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

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 26, 2018

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

We would like to bring it to the notice of the investors that we, Al-Hilal Shariah Advisors has taken over Lakson Investments as the **Shariah Advisors** in May 2018. For major part of the year, Lakson was monitored by another Shariah Advisor. Therefore have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines provided by the previous Shariah Advisor. To the best of our knowledge, the Information provided by the management company, all operations of the fund for the year ended June 30, 2018 comply with the provided Shariah guidelines. Hence, it is resolved that investments in Lakson Islamic Tactical Fund (LITF) managed by Lakson Investments are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt.) Limited.



Mufti Irshad Ahmad Aljaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited

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Karachi, Pakistan. Tel: +92-21-35307931-52, Web: www.alhilal.com

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

	Note	2018 (Rupees)	2017
Assets			
Bank balances	4	82,851,982	103,166,988
Investments	5	82,000,670	96,411,523
Markup accrued	6	454,172	474,157
Dividend receivable		130,730	306,598
Deposits, prepayments and other receivables	7	2,646,087	2,667,983
Receivable against sale of securities		285,450	-
Total assets		168,369,091	203,027,249
Liabilities			
Remuneration payable to the Management Company	8	1,500,011	1,497,017
Remuneration payable to the Trustee	9	72,751	72,747
Annual fee payable to Securities and Exchange Commission of Pakistan	10	158,582	126,267
Accrued expenses and other liabilities	11	557,933	1,834,460
Payable against purchase of investments		1,208,475	21,855,121
Total liabilities		3,497,752	25,385,612
Contingencies and commitments	13		
Net assets		164,871,339	177,641,637
Unit holders' fund (as per the statement attached)		164,871,339	177,641,637
		(Number)	
Number of units in issue	14	1,758,321	1,748,981
		(Rupees)	
Net assets value per unit		93.7663	101.5686

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



Income Statement
For the year ended June 30, 2018

		2018	2017
Income	Note	(Rupees)	
(Loss) / gain on sale of held for trading investments - net		(8,813,326)	7,956,063
Unrealised loss on revaluation of held for trading investments - net		(8,324,705)	(2,462,586)
Dividend income on held for trading investments		4,212,503	1,493,790
Markup on:			
-Bank balances		3,789,368	4,179,755
-Sukuk		515,963	-
-Commercial Paper		158,577	-
-GoP Ijara Sukuk		-	10,686
Government and other debt securities		-	672,379
		4,463,908	4,862,820
Exchange gain / (loss) on foreign currency bank balance		12,806	(18,954)
		(8,448,814)	11,831,133
Reversal of provision against workers' welfare fund	11.1	-	38,883
		(8,448,814)	11,870,016
Expenses			
Remuneration of the Management Company	8.1	2,191,143	1,628,538
Sindh Sales Tax on remuneration of the Management Company	8.2	284,849	211,710
Remuneration of the Trustee	9	791,002	791,002
Annual fee to the Securities and Exchange Commission of Pakistan	10	158,582	126,267
Auditors' remuneration	15	277,760	299,377
Fees and subscription		367,000	160,000
Printing charges		121,575	77,326
Credit rating fee		203,400	185,476
Brokerage, custody, settlement and bank charges		570,767	475,325
Shariah advisor fees		194,544	130,035
Charity expense		113,942	319,903
SECP supervisory fee		2,500	3,000
Provision for Sindh workers' welfare fund (SWWF)		-	158,219
Amortisation of deferred formation cost		-	140,528
Total Expenses		5,277,064	4,706,706
Element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed - net		-	(1,315,863)
Net (loss) / Income before taxation		(13,725,878)	5,847,447
Taxation	17	-	-
Net (loss) / income for the year after taxation		(13,725,878)	5,847,447
Allocation of net income for the period:			
Net income for the period		-	-
Income already paid on units redeemed		-	-
Accounting income available for distribution		-	-
-Related to capital gains - net		-	-
-Excluding capital gains		-	-

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



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

	2018	2017
	(Rupees)	
Net income for the year	(13,725,878)	5,847,447
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>(13,725,878)</u>	<u>5,847,447</u>

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



For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

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

	Year ended 2018		Year ended 2017	
	Capital value	Total	Capital value	Total
	----- (Rupees) -----			
Net assets at beginning of the year	174,898,036	177,641,637	98,264,360	100,803,075
Issuance of 89,349 units (2017: 2,455,180 units)				
Total proceeds on issuance of units	2,743,601	8,598,052	245,918,000	253,560,095
Redemption of 80,009 units (2017: 1,692,843 units)				
Total payments on redemption of units	(7,642,472)	(7,642,472)	(169,284,324)	(178,242,282)
Distribution to the unit holders in cash	-	-	-	(5,642,561)
Element of loss and capital losses in prices of units sold less those in units redeemed - net	-	-	-	1,315,863
Total comprehensive income for the year	(13,725,878)	(13,725,878)	5,847,447	5,847,447
Net assets as at end of the year	175,855,616	164,871,339	174,898,086	177,641,637
Undistributed income brought forward:				
- Realized income	5,206,187		1,402,361	
- Unrealized income	(2,462,586)		1,136,354	
	2,743,601		2,538,715	
Accounting income available for distribution:				
Relating to capital gains	-		-	
Excluding capital gains	-		-	
Total comprehensive (loss) / income for the year	(13,725,878)		5,847,447	
Interim distributions for 2017: Rs. 2,8980 and Rs. 6,9799 per Unit approved on 20 September 2016 and 22 June 2017 respectively				
Undistributed (loss) / income at end of the year				
- Realized income	(10,982,277)		(5,642,561)	
- Unrealized income	(2,657,572)		2,743,601	
	(6,324,705)			
	(10,982,277)			
Net assets value per unit at beginning of the year		101.5686		102.5835
Net assets value per unit at end of the year		95.7663		101.5686

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

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

Chief Executive Officer

Chief Financial Officer

Director



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

	2018	2017
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the year	(13,725,878)	5,847,447
Adjustments for:		
Unrealised loss on revaluation of held for trading investments - net	8,324,705	2,462,586
Element of loss and capital (gains) / losses in prices of units sold less those in units redeemed - net	-	1,315,863
Amortisation of deferred formation cost	-	140,528
Dividend income on held for trading investments	(4,212,503)	(1,493,790)
Mark-up on bank balance and investment	(4,463,908)	(4,862,820)
	(14,077,584)	3,409,814
Decrease / (Increase) in assets		
Investments	6,086,148	(78,002,509)
Deposits, prepayments and other receivables	21,896	(2,606,623)
Receivable Against Investment In Equity Securities	(285,450)	
	5,822,594	(80,609,132)
(Decrease) / Increase in liabilities		
Payable to the Management Company	2,994	(71,948)
Remuneration payable to the Trustee	4	(18,320)
Annual fee payable to Securities and Exchange Commission of Pakistan	32,315	15,266
Payable against purchase of investments	(20,646,646)	21,855,121
Accrued expenses and other liabilities	(1,276,527)	685,448
	(21,887,860)	22,465,567
Dividend income received on held for trading investments	4,388,371	1,187,192
Mark-up received on bank balance	4,483,893	6,781,568
Income tax paid	-	(21,896)
Net cash flows from operating activities	(21,270,586)	(46,786,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	8,598,052	253,560,095
Payments on redemption of units	(7,642,472)	(178,242,282)
Distribution to unit holders' in cash	-	(5,642,561)
Net cash flows from financing activities	955,580	69,675,252
Net (decrease)/increase in cash and cash equivalents	(20,315,006)	22,888,365
Cash and cash equivalents at beginning of the year	103,166,988	80,278,623
Cash and cash equivalents at end of the year	82,851,982	103,166,988

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Notes to and forming part of the Financial Statements For the year ended June 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Fund is categorised as "Shariah Compliant/Islamic Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and is authorised to invest in Shariah compliant investments within the limits prescribed in the offering document so as to ensure a riba-free return on investments. All investments of the Fund are as per the guidelines of the Shariah principles provided by the Shariah Advisor of the Fund and comprise of the investments permissible as 'Authorised Investments' under the Trust Deed.

Further, as allowed by SECP and the State Bank of Pakistan, the Fund can invest abroad up to 30% of the aggregated funds mobilized (including foreign currency funds) subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities / debt with exposure in the commodities, index tracker funds tracking different commodities indices, actively managed commodities based funds, equities and debt securities of companies with exposure in commodities, future contracts of different commodities and foreign currency deposits etc.

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

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

On March 27, 2018, JCR-VIS assigned following rankings to the Fund based on the performance review for the period ended 31 December 2017:

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

2. BASIS OF PREPARATION



2.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, 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 - 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 - Valuation of investments
- Notes 3.11 and 3.15 - Impairment of financial instruments and other assets
- Notes 11.1, 8.3 and 8.2 - Recognition of provision for Sindh Workers' Welfare Fund, Federal Excise Duty and Sindh Sales Tax on Federal Excise Duty respectively
- Notes 3.6 and 17 - 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 Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. 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 not considered to be relevant or do not have any significant effect on the 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 loss of the Fund would have been lower by Rs. 21,575 in respect of element of income. However the NAV per unit would still have been the same.

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, Pakistan Investment Bonds and GoP Ijarah Sukuk is determined by reference to the quotations obtained from the PKRV / PKISRV 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.

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 five years i.e. effective from 14 November 2009.

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

- Gains or losses on sale of securities and unrealised gains or losses arising on the revaluation of securities classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Income on bank balances certificate of investments, sukuk certificates and investments in Treasury Bills are recognised at rate of return implicit in the instrument on a time proportionate basis.
- Dividend income on equity securities is recognised when the right to receive dividend is established.

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 the 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 the held for trading investments) 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. Held for trading investment are remeasured to fair value, subsequent to their initial recognition in the manner explained in note 3.2.3.

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			
In profit and loss sharing accounts	4.1	82,758,473	103,086,285
Foreign Currency			
In current account	4.2	93,509	80,703
		<u>82,851,982</u>	<u>103,166,988</u>
4.1	This includes balance carry profit rates ranging from 3.28% to 6.5% (2017: 3.28% to 5.6%) per annum.		
4.2	This represents USD denominated current account maintained in a foreign country amounting to USD 770 (2017: USD 770).		
5. INVESTMENTS			
At fair value through income statement			
- held for trading			
Listed equity securities	5.1	71,989,471	96,411,523
Sukuk certificates	5.2	10,011,199	-
		<u>82,000,670</u>	<u>96,411,523</u>



5.1 Shares of listed company
At fair value through profit or loss - held for trading
Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the investee company	Holding as at July 01, 2017	Purchased during the year	* Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2018	Number of Shares				Market Value (Rupees)				Unrealised gain / (loss) - net	Market value as percentage of total investments	Market value as percentage of net assets	Par value of shares held as percentage of capital of the investee company
						Holding as at July 01, 2017	Purchased during the year	* Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2018	Carrying value before revaluation as of June 30, 2018	Market value as of 30 June 2018 (after revaluation)	Market value as of 30 June 2018 (after revaluation)				
Commercial Banks																	
Meezan Bank Limited	52,953	15,680	3,928	52,952	19,609	1,494,533	1,602,447	1,075,514	1,075,514	1,95	0.97	0.20%					
Chemicals																	
Archroma Pakistan Limited	3,267	1,220	-	2,171	2,316	1,635,608	1,169,580	(466,028)	1,43	0.71	0.68%						
Engro Polymer & Chemical	-	41,356	-	-	14,560	1,529,218	1,296,924	(232,294)	1.58	0.79	0.62%						
Engro Polymer & Chemical - LoR	2,208	2,104	14,560	-	3,457	-	128,428	128,428	0.16	0.08	1.58%						
ICI Pakistan Limited	-	-	-	855	-	3,399,816	2,770,786	(629,030)	3.38	1.68	0.37%						
						6,564,642	5,365,718	(1,198,924)	6.54	3.25							
Fertilizers																	
Engro Fertilizers Limited	-	41,800	-	-	41,800	3,135,567	3,131,238	(4,329)	3.82	1.90	0.31%						
Engro Corporation Limited (S.1.1)	21,128	12,207	-	13,995	19,340	5,984,207	6,070,052	85,845	7.40	3.68	0.37%						
						9,119,774	9,201,290	81,516	11.22	5.58							
Pharma & Bio Tech																	
The Searf Company Limited	5	-	1	-	6	2,560	2,037	(523)	0.00	0.00	0.00%						
Textile Composite																	
Nishat Mills Limited (S.1.1)	31,339	18,550	-	24,440	25,449	3,971,008	3,586,273	(384,735)	4.37	2.18	0.72%						
Khinloor Textile Mills Limited	9,514	8,600	1,074	18,988	-	3,971,008	3,586,273	(384,735)	4.37	2.18	0.00%						
Cement																	
D.G Khan Cement Company Limited (S.1.1)	27,162	10,000	-	27,219	9,943	1,751,774	1,138,374	(613,400)	1.39	0.69	0.23%						
Kohat Cement Company Limited	12,754	4,653	-	8,786	8,621	1,770,163	1,060,986	(709,207)	1.29	0.64	0.56%						
Lucky Cement Company Limited (S.1.1)	9,347	700	-	4,791	5,256	4,380,283	2,669,680	(1,710,603)	3.26	1.62	0.16%						
Pioneer Cement Company Limited	20,582	17,979	-	10,709	27,852	2,836,195	1,531,145	(1,305,050)	1.59	0.79	1.23%						
Maple Leaf Cement Limited	11,400	33,411	1,725	24,525	22,011	1,591,067	1,116,838	(474,229)	1.36	0.68	0.42%						
						12,329,512	7,291,023	(5,038,489)	8.89	4.42							
Power Generation & Distribution																	
K-Electric Limited (Face value Rs. 3.57 each)	389,452	-	-	389,452	40,893	4,723,922	3,768,669	(955,253)	4.60	2.29	0.30%						
Hub Power Company Limited	42,155	34,700	-	35,962	-	4,723,922	3,768,669	(955,253)	4.60	2.29	0.35%						
Oil and Gas Exploration Companies																	
Mari Petroleum Company Limited	3,228	1,550	-	1,713	3,065	4,791,913	4,616,442	(175,471)	5.63	2.80	0.28%						
Pakistan Oilfield Limited (S.1.1)	17,350	6,105	-	4,454	21,794	2,306,121	2,692,153	686,032	3.65	1.81	0.19%						
Pakistan Petroleum Limited (S.1.1)	36,105	22,122	-	17,678	34,572	3,579,117	4,683,531	1,104,414	5.71	2.84	0.11%						
Oil and Gas Development Company Limited	-	46,652	-	-	48,185	7,320,273	7,498,550	178,277	9.14	4.55	0.11%						
						17,997,424	19,790,676	1,793,252	24.13	12.00							

Sectors / Companies	Holding as at July 01, 2017	Number of Shares			Holding as at June 30, 2018	Market value as percentage of total investments	Market value as percentage of net assets	Par value of shares held as a percentage of total paid up capital of the investee company			
		Purchased during the year	*Bonus shares / letter of right received during the year	Disposed during the year					Carrying value before revaluation as of June 30, 2018	Market value as of 30 June 2018 (after revaluation)	Unrealised gain / (loss) - net
Oil and Gas Marketing Companies											
Attock Petroleum Limited	2,286	2,500	-	1,605	3,181	1,873,189	1,876,758	3,569	2.29	1.14	0.40%
Pakistan State Oil Company Limited (5:1.3)	13,299	5,943	2,037	8,210	13,069	4,247,622	4,159,993	(87,629)	5.07	2.52	0.20%
Sui Northern Gas Pipeline Limited	38,561	19,880	-	22,320	36,121	4,950,865	3,620,041	(1,330,824)	4.41	2.20	1.00%
						11,071,676	9,656,792	(1,414,884)	11.78	5.86	
Food & Personal Care Products											
Al-Sheher Corporation Limited	28,018	7,100	-	35,118	-	-	-	-	-	-	0.00%
Automobile Assemblers											
Milatt Tractors Limited	1,884	1,340	-	3,101	123	161,292	146,131	(15,161)	0.18	0	0.03%
Indus Motors Company Limited	1,596	-	-	857	739	1,325,471	1,050,459	(275,012)	1.28	1	0.17%
Pak Suzuki Company Limited	3,497	300	-	3,797	-	-	-	-	-	-	0.00%
						1,486,763	1,196,590	(290,173)	1.46	0.73	
Engineering											
Crescent Steel & Allied Products	-	10,842	-	10,842	-	-	-	-	-	-	0.00%
Mughal Iron & Steel Limited	14,807	8,150	-	22,957	3,742	1,083,564	869,219	(214,345)	1.06	0.53	0.06%
International Industries Limited	3,600	4,975	-	4,353	38,961	4,848,357	3,962,234	(886,123)	4.83	2.40	0.36%
International Steels Limited	23,000	18,700	-	2,739	-	5,931,821	4,881,563	(1,100,258)	5.89	2.93	0.30%
						2,250,065	2,900,763	650,698	3.54	1.76	2.56%
Technology & Communication											
Systems Limited	23,359	9,500	-	4,201	28,658	-	-	-	-	-	0.00%
Paper and Boards											
Cheerat Packaging Limited	-	4,500	-	-	4,500	646,250	646,605	355	0.79	0.39	1.34%
Cabel and Electronic Goods											
Pak-Electon Limited	30,105	66,400	-	35,903	60,602	2,735,025	2,149,025	(586,000)	2.62	1.30	1.22%
						80,325,375	71,989,471	(8,335,904)	87.79	43.66	
Total as at 30 June 2018						81,534,011					
Total cost as at 30 June 2018						98,874,109	96,411,523	(2,462,586)	100.00	54.00	
Total as at 30 June 2017											
Total cost as at 30 June 2017											

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

	2018 ----- (Number of shares) -----	2017	2018 ----- (Rupees) -----	2017
D.G Khan Cement Company limited	3,000	3,000	343,470	639,480
Engro Corporation Limited	2,000	2,000	627,720	651,820
Lucky Cement Company Limited	2,500	2,500	1,269,825	2,090,650
Nishat Mills Limited	10,000	10,000	1,409,200	1,586,800
Pakistan Oilfield Limited	1,500	1,500	1,007,685	687,225
Pakistan Petroleum Limited	300	300	64,470	44,442
	19,300	19,300	4,722,370	5,700,417

5.1.2 Above investment track PSX KMI all shares Islamic Index for its performance and compliance with the offering document.

5.1.3 Finance act, 2014 had introduced tax on bonus shares issued by the companies. Most of the equity funds including the Fund have challenged the applicability of withholding tax provision on bonus shares before Honourable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. In the Fund's case, tax in the shape of 102 shares of Pakistan State Oils Limited have been withheld by CDC. Market value of these shares as at 30 June 2018 amounted to Rs. 32,468 and are included in the Fund's investments in these financial statements.

**5.2 Sukuk certificates
At fair value through income statement - held for trading**

Name of Security	Date of Maturity	Mark-up rate	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	Unrealised appreciation / (diminishing)	Credit rating	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue	
							(Rupees)	(Rupees)	(Rupees)					
Dawood Hercules Corporation Limited 5.2.1	15 November 2022	3 months KIBOR + 1.00%	-	35	-	35	3,500,000	3,507,000	7,000	AA-	4.28%	2.13%	0.58%	
Dawood Hercules Corporation Limited 5.2.2	01 March 2023	3 months KIBOR + 1%	-	65	-	65	6,500,000	6,504,199	4,199	AA-	7.93%	3.95%	1.08%	
Total as at 30 June 2018							10,000,000	10,011,199	11,199		12.21%	6.07%	1.67%	
Total Cost as at 30 June 2018							10,000,000							
Total as at 30 June 2017														
Total Cost as at 30 June 2017														

5.2.1 This represents investment in sukuk certificates of Dawood Hercules Corporation Limited carrying an effective profit rate of 3 months Karachi Inter-bank Offer Rate (KIBOR) per annum plus margin of 1.0% per annum receivable quarterly in arrears. The principal is redeemable in eight semi-annual instalments starting from the eighteenth (18th) month from the date of issue, i.e. from May 2019 to November 2022 in the six semi-annual instalments of Rs 0.35 million each and the last two semi-annual instalments on May 2022 and November 2022 at Rs. 0.70 million each. These sukuk certificates are secured by way of first pari passu charge against ordinary shares of Engro Corporation Limited with 50% margin and charge over all of the assets of investee company with a 25% margin.

5.2.2 This represents investment in sukuk certificates of Dawood Hercules Corporation Limited carrying an effective profit rate of 3 months Karachi Inter-bank Offer Rate (KIBOR) per annum plus margin of 1.0% per annum receivable quarterly in arrears. The principal is redeemable in eight semi-annual instalments starting from the eighteenth (18th) month from the date of issue, i.e. from September 2019 to March 2023 in the six semi-annual instalments of Rs 0.65 million each and the last two semi-annual instalments on September 2022 and March 2023 at Rs. 1.3 million each. These sukuk certificates are secured by way of first pari passu charge against ordinary shares of Engro Corporation Limited with 50% margin and charge over all of the assets of investee company with a 25% margin.



6.	MARKUP ACCRUED	Note	2018 (Rupees)	2017
	Profit receivable on			
	- Profit and loss sharing accounts		385,072	474,157
	- Sukuk certificates		69,100	-
			<u>454,172</u>	<u>474,157</u>

7. DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES

Security deposit to:

- Central Depository Company of Pakistan Limited	100,000	100,000
- National Clearing Company of Pakistan Limited	2,500,000	2,500,000
Prepayments	46,087	46,087
Withholding tax recoverable	-	21,896
	<u>2,646,087</u>	<u>2,667,983</u>

8. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	8.1	173,646	170,996
Sindh Sales Tax on Management Company's remuneration	8.2	189,432	189,088
Federal Excise Duty on Management Company's remuneration	8.3	1,132,564	1,132,564
Sales load payable to the Management Company		4,369	4,369
		<u>1,500,011</u>	<u>1,497,017</u>

8.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 2% per annum of the average annual net assets of the Fund. However, the Management Company is currently charging a fee at 10% of the gross earnings of the scheme for the year ended 30 June 2018. The fee is subject to a minimum of 1% and a maximum of 2% of the average annual net assets of the Fund. Currently the effective rate of Management Company remuneration for the year ended 30 June 2018 is 1.31% (2017 1.22%) of the average net assets. Remuneration is paid to the Management company in arrears on a monthly basis.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2017: 13%) on Management Company's remuneration. Above liability includes Rs. 166,859 (2017: Rs. 166,859) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 8.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by 0.095 (2017: 0.15) per unit. This amount is payable to management company for onwards payment to the Government.

8.3 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration



is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

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

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

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period up to 30 June 2016 aggregating to Rs. 1.132 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.64 (2017: Re. 0.65) per unit.

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

- 8.4** 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.

9. REMUNERATION PAYABLE TO THE TRUSTEE

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

Net assets up to 1 billion	Rs. 0.7 million or 0.20% per annum of the daily average net assets of the Fund, whichever is higher.
Net assets exceeding Rs 1 billion	Rs 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

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

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

This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Company is required to pay SECP an amount at the rate of 0.095% per annum of the average daily net assets of the fund in accordance with the regulation 62 of the NBFC Regulation 2008.



11. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2018	2017
		(Rupees)	
Payable to Sindh workers' welfare fund	11.1	158,219	158,219
Charity Payable	11.3	136,363	1,202,741
Auditors' remuneration		184,711	227,467
Brokerage charges payable		95	80,299
Fee payable to Shariah Advisor		4,220	42,622
Fee payable to National Clearing Company of Pakistan		49,240	32,658
Other liabilities		20,873	20,000
Fee payable to Central Depository Company		4,212	1,966
Withholding tax payable on dividends		-	68,488
		557,933	1,834,460

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

11.2 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.

However, due to the conversion of the Fund to Shariah Compliant Category (as more fully explained in note 1.3) income resulting from the above reversal is required to be transferred to charity payable as this expense relates to the income which is not compliant with Shariah Islamic principles. Therefore, Rs 0.882 million representing the provision for the above mentioned Federal WWF has been transferred to charity payable (net of SWWF as explained above). This practice has been concurred by the Fund's Shariah advisor.

Above decisions regarding the reversal and the recognition of WWF and SWWF were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective. Accordingly, the Fund has recorded these adjustments in its books on 12 January 2017.



Total provision for SWWF till 30 June 2018 is Rs. 0.158 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. 0.09 per unit.

11.3 This relates to the amount taken out from dividend income for purification and gain on sale of non shariah compliant investments.

12. TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, require that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2018 is 3.16% which includes 0.39% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc). As per NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 4%.

13. CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the year end.

	Note	2018	2017
14. NUMBER OF UNITS IN ISSUE		(Number)	
Total outstanding as of 1 July		1,748,981	982,644
Issued during the year	14.1	89,349	2,459,180
Redemptions during the year	14.2	(80,009)	(1,692,843)
Total units in issue as of 30 June		<u>1,758,321</u>	<u>1,748,981</u>

14.1 Includes 0.8 (2017: 0.67) million units on the conversion of units from the related funds.

14.2 These relate to conversion of units to the related funds.

	2018	2017
15. AUDITORS' REMUNERATION	(Rupees)	
Annual audit fee	150,000	150,000
Fee for the review of half yearly financial statements	50,000	50,000
Report on the statement of income and expenses and agreed upon procedures report	20,000	35,000
Out of pocket and sales tax expenses	57,760	39,377
Fee for the review of statement of compliance with the best practices of Code of Corporate Governance	-	25,000
	<u>277,760</u>	<u>299,377</u>

16. INTERIM DISTRIBUTIONS DURING THE YEAR

	2018	
	Distribution per unit	Distribution Amount
	(Rupees)	
Cash Distribution	-	-
	2017	
Cash distribution on 20 September 2016	2.8980	(1,026,211)
Cash distribution on 22 June 2017	6.9799	(4,616,350)



17. TAXATION

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

18. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, 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:

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

	2018	2017
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty amounting to Rs. 1.321 million (2017: Rs. 1.321 million)) *	<u>1,495,642</u>	<u>1,492,648</u>
Sales load payable	<u>4,369</u>	<u>4,369</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable (including Sindh Sales Tax of Rs. 15,209 (2017: Rs. 15,208))*	<u>72,751</u>	<u>72,747</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
Settlement charges payable	<u>4,212</u>	<u>1,741</u>
Habib Bank AG Zurich - Custodian		
Bank Deposits	<u>93,509</u>	<u>80,703</u>

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



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

	2018	2017
	(Rupees)	
Lakson Investments Limited - Management		
Company of the Fund		
Remuneration for the year	<u>2,191,143</u>	<u>1,628,538</u>
Sindh sales tax on remuneration of Management Company *	<u>284,849</u>	<u>211,710</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year (including Sindh Sales Tax of Rs. 91,002 (2017: Rs. 91,002))*		
	<u>791,002</u>	<u>791,002</u>
CDS charges for the year	<u>32,490</u>	<u>22,303</u>
Security deposit made	<u>-</u>	<u>100,000</u>
Directors, Chief Executive, their spouse and minors		
Dividend paid	<u>-</u>	<u>653,190</u>
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust		
Dividend paid	<u>-</u>	<u>351,032</u>
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust		
Dividend paid	<u>-</u>	<u>965,610</u>
Century Paper & Board Mills Limited Employees Gratuity Fund		
Dividend paid	<u>-</u>	<u>1,526,056</u>
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund		
Dividend paid	<u>-</u>	<u>1,098,549</u>

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

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

	Year ended June 30, 2018				Rupees			
	Number of units as at 01 July 2017	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2018		Balance as at July 01, 2017	Units issued during the year	Units redeemed during the year
Lakson Investments Limited	517,823	-	-	517,823	52,594,545	-	-	48,554,370
Directors, Chief Executive, their spouse and minors	99,573	-	-	99,573	10,113,490	-	-	9,336,596
Associated companies / undertakings of the Management Company								
Lakson Business Solutions Limited Employees	5,349	-	-	5,349	543,245	-	-	501,556
Contributory Provident Fund Trust	2,791	-	-	2,791	283,478	-	-	261,702
Lakson Investments Limited Employees Contributory Provident Fund Trust	43,966	-	-	43,966	4,465,575	-	-	4,122,531
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust	25,403	-	-	25,403	2,580,147	-	-	2,381,946
Colgate Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust	302,877	-	-	302,877	30,762,793	-	-	28,399,669
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	168,373	-	-	168,373	17,101,410	-	-	15,787,721
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust	53,802	-	-	53,802	5,464,594	-	-	5,044,817
Accuracy Surgicals Limited Employees Contributory Provident Fund Trust	48,851	-	-	48,851	4,961,728	-	-	4,580,580
Merit Packaging Limited Employees Contributory Provident Fund Trust	63,507	-	-	63,507	6,450,317	-	-	5,954,819
Merit Packaging Limited Employees Gratuity Fund	33,219	-	-	33,219	3,374,007	-	-	3,114,824
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust	138,342	-	-	138,342	14,051,203	-	-	12,971,824
Century Paper & Board Mills Limited Employees Gratuity Fund	218,637	-	-	218,637	24,568,733	-	-	20,500,792

	Year ended June 30, 2017							
	Number of Units			Rupees				
	Number of units as at 01 July 2016	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 June 2017	Balance as at July 01, 2016	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 June 2017 (Investment at current NAV)
Lakson Investments Limited	65,301	1,023,758	571,237	517,823	6,698,805	106,701,200	60,741,644	52,594,523
Directors, Chief Executive, their spouse and minors	90,899	99,573	90,899	99,573	9,324,826	9,965,058	9,358,658	10,113,538
Associated companies / undertakings of the Management Company								
Lakson Business Solutions Limited Employees Contributory Provident Fund Trust	4,967	10,475	10,094	5,348	509,532	1,060,519	1,058,761	543,237
Lakson Investments Limited Employees Contributory Provident Fund Trust	2,675	2,790	2,675	2,791	274,411	285,597	285,563	283,455
GAM Corporation (Private) Limited Employees Contributory Provident Fund Trust	40,755	86,155	82,945	43,966	4,180,791	8,722,414	8,700,581	4,465,525
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust	24,199	50,472	49,268	25,403	2,482,418	5,109,031	5,168,075	2,580,153
Colgate Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust	276,373	588,805	562,301	302,877	28,351,310	59,616,318	58,982,758	30,762,830
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	84,942	83,431	-	168,373	8,713,648	8,898,549	-	17,101,460
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust	50,292	3,510	-	53,802	5,159,129	351,032	-	5,464,626
Accurray Surgical Limited Employees Contributory Provident Fund Trust	44,576	94,825	90,550	48,851	4,572,762	9,601,122	9,497,972	4,961,717
Merit Packaging Limited Employees Contributory Provident Fund Trust	58,586	123,975	119,054	63,507	6,009,957	12,551,782	12,487,949	6,450,273
Merit Packaging Limited Employees Gratuity Fund	22,925	65,240	54,946	33,219	2,351,727	6,668,089	5,779,092	3,374,039
Century Paper & Board Mills Limited Employees	138,342	9,656	9,656	138,342	14,191,607	965,610	986,878	14,051,203
Century Paper & Board Mills Limited Employees Gratuity Fund	74,674	182,480	15,261	241,893	7,660,320	17,880,290	1,559,677	24,568,735
Century Insurance Company Limited Employees Gratuity Fund	-	22,291	22,291	-	-	2,400,000	2,380,009	-



- 18.4 Remuneration payable to the Management Company and the Trustee have been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.
- 18.5 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are at agreed rates.
19. **FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT**

Introduction and overview

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

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

Risk management framework

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

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

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

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

19.1 Credit risk

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

Management of credit risk

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

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



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

Exposure to credit risk

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

	June 30, 2018		June 30, 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)	83,237,054	83,237,054	103,641,145	103,641,145
Investments (including profit due)	82,069,770	10,080,299	96,411,523	-
Dividend receivable	130,730	130,730	306,598	306,598
Deposits	2,600,000	2,600,000	2,600,000	2,600,000
Receivable against sale of securities	285,450	285,450	-	-
	<u>168,323,004</u>	<u>96,333,533</u>	<u>202,959,266</u>	<u>106,547,743</u>

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in equity securities of Rs. 71.99 million (2017: Equity securities Rs. 96.41 million) do not carry credit risk.

Bank balances

The Fund held cash and cash equivalents at 30 June 2018 with banks had following credit ratings:

Rating	2018	2017	2018	2017
	(Rupees)		(%)	
AA+	5,281,074	654,937	6.34	0.63
AA-	330,929	31,994,667	0.40	30.87
A+	77,531,542	897,838	93.15	0.87
A	-	70,013,000	-	67.55
Other*	93,509	80,703	0.11	0.08
Total balance including profit due	<u>83,237,054</u>	<u>103,641,145</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 (including profit due)	83,237,054	86.41	103,641,145	97.27
Fertilizers - sukuk certificates	10,080,299	10.46		
National Clearing Company of Pakistan Limited	2,785,450	2.89	2,500,000	2.35
Central Depository Company of Pakistan Limited - security deposit	100,000	0.10	100,000	0.09
Oil and Gas sector - Dividend receivable	130,730	0.14	150,148	0.14
Fertilizers sector - Dividend receivable	-	0.00	91,140	0.09
Power sector - Dividend receivable	-	0.00	65,310	0.06
	96,333,533	100.00	106,547,743	100.00

Past due and impaired assets and collaterals held

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

19.2 Liquidity risk

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

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption



calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

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

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

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to level below ten percent of the units then in issue.

Maturity analysis for financial liabilities

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

	2018	
	Contractual cash flows Carrying amount	Less than 3 month (Rupees)
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	178,015	178,015
Remuneration payable to the Trustee	72,751	72,751
Accrued expenses and other liabilities *	399,714	399,714
Payable against purchase of investments	1,208,475	1,208,475
	<u>1,858,955</u>	<u>1,858,955</u>
Unit holders' fund	<u>164,871,339</u>	<u>164,871,339</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 *	175,365	175,365
Remuneration payable to the Trustee	72,747	72,747
Accrued expenses and other liabilities *	1,607,753	1,607,753
	21,855,122	21,855,122
	<u>23,710,986</u>	<u>23,710,986</u>
Unit holders' fund	<u>177,641,637</u>	<u>177,641,637</u>



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

Above financial liabilities do not carry any mark-up.

19.3 Market risk

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

Management of market risks

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

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

Currency risk

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

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

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

	2018	
	(Rupees)	(USD)
Financial Assets		
Bank balance	93,509	770
On balance sheet gap in foreign currency exposure	93,509	770
	2017	
	(Rupees)	(USD)
Financial Assets		
Bank balance	80,703	770
On balance sheet gap in foreign currency exposure	80,703	770

Fair value sensitivity analysis of foreign currency exposure:

	Average rates		Balance sheet date rate	
	2018	2017	2018	2017
Rupees / US Dollars	110.00	104.73	121.50	104.85

A five percent strengthening of Pakistani Rupee against US dollar would have decreased the net assets of the fund by Rs. 4,675 (2017: Rs. 4,035). This analysis assumes that all other variables in particular interest rate remain constant. Weakening of Pakistani Rupee by the same percentage would have a vice versa impact.

19.3.1 Interest rate risk

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

Exposure to interest rate risk

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

Variable-rate instrument	2018	2017
	(Rupees)	
Financial assets (bank balances)	82,758,473	103,086,285
Sukuk certificates	10,011,199	-
	92,769,672	103,086,285

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 0.927 million (2017: Rs. 1.03 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

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

----- June 30, 2018 -----				
Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total
	No later than one month	More than one year (note 5.2)		
----- Rupees -----				
Financial assets				
Investments - Listed equity securities	-	-	71,989,471	71,989,471
Investments- Sukuks	-	10,011,199	69,100	10,080,299
Dividend receivable	-	-	130,730	130,730
Bank balances (including profit due)	3.28 to 6.5	82,758,473	478,581	83,237,054
Deposits	-	-	2,600,000	2,600,000
Receivable against sale of securities	-	-	285,450	285,450
		82,758,473	75,553,332	168,323,004



----- 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 - Listed Securities		-	-	96,411,523	96,411,523
Dividend receivables				306,598	306,598
Bank balances (including profit due)	3.28 to 5.60	103,086,285	-	554,860	103,641,145
Deposits				2,600,000	2,600,000
		<u>103,086,285</u>	<u>-</u>	<u>99,872,981</u>	<u>202,959,266</u>

19.3.2 Other market price risk

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

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

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

Details of the Fund's investment in industrial / economic sector are given in note 5.1.

Sensitivity analysis - Price risk

In respect of the 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 investments, would have been an increase or decrease of Rs. 4.10 million (2017: Rs. 4.82 million).

19.4 Operational risks

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

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



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

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

19.5 Unit holder's fund risk management

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

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

19.6 Fair value of financial instruments

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

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

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

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

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

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

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



		June 30, 2018				Fair Value	
		Carrying amount			Total	Level 1	Total
		Held for trading investments	Loans and receivables	Other financial liabilities			
On-balance sheet financial instruments		----- (Rupees) -----					
	Note						
Financial assets measured at fair value							
Listed equity securities	5	71,989,471	-	-	71,989,471	71,989,471	71,989,471
Sukuk certificates	5	10,011,199	-	-	10,011,199	10,011,199	10,011,199
		<u>82,000,670</u>			<u>82,000,670</u>	<u>82,000,670</u>	<u>82,000,670</u>
Financial assets not measured at fair value							
Bank balances	4	-	82,851,982	-	82,851,982	-	-
Markup accrued	6	-	454,172	-	454,172	-	-
Dividend receivable	-	-	130,730	-	130,730	-	-
Deposits	7	-	2,600,000	-	2,600,000	-	-
Receivable against sale of securities	-	-	285,450	-	285,450	-	-
			<u>86,322,334</u>		<u>86,322,334</u>		
Financial liabilities not measured at fair value							
Payable to the Management Company	8	-	-	178,015	178,015	-	-
Remuneration payable to the Trustee	9	-	-	72,751	72,751	-	-
Accrued expenses and other liabilities	11	-	-	399,714	399,714	-	-
Payable against purchase of investments	-	-	-	1,208,475	1,208,475	-	-
				<u>1,858,955</u>	<u>1,858,955</u>		

		June 30, 2017				Fair Value	
		Carrying amount			Total	Level 1	Total
		Held for trading investments	Loans and receivables	Other financial liabilities			
On-balance sheet financial instruments		----- (Rupees) -----					
	Note						
Financial assets measured at fair value							
Pakistan Investment Bonds	5	96,411,523	-	-	96,411,523	96,411,523	96,411,523
Financial assets not measured at fair value							
Bank balances	4	-	103,166,988	-	103,166,988	-	-
Markup receivable	6	-	474,157	-	474,157	-	-
Dividend receivable	-	-	306,598	-	306,598	-	-
Deposits	7	-	2,600,000	-	2,600,000	-	-
			<u>106,547,743</u>		<u>106,547,743</u>		
Financial liabilities not measured at fair value							
Payable to the Management Company	8	-	-	175,365	175,365	-	-
Remuneration payable to the Trustee	9	-	-	72,747	72,747	-	-
Accrued expenses and other liabilities	11	-	-	1,607,753	1,607,753	-	-
Payable against purchase of investments	-	-	-	21,855,122	21,855,122	-	-
				<u>23,710,986</u>	<u>23,710,986</u>		

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

20 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2017	-	-	-
Receivable against issuance of units	9,075,029	-	9,075,029
Payable against redemption of units	-	8,126,373	8,126,373
	9,075,029	8,126,373	17,201,402
Amount received on issuance of units	(9,075,029)	-	(9,075,029)
Amount paid on redemption of units	-	(8,126,373)	(8,126,373)
Dividend paid	-	-	-
	(9,075,029)	(8,126,373)	(17,201,402)
Closing balance as at 30 June 2018	-	-	-



21. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

21.1 Unit holding pattern of the Fund

Category	June 30, 2018		
	No. of unit holders	Investment amount (Rupees)	% of total
Individuals	4	998,168	0.61
Associated Companies and Directors	14	115,318,838	69.94
Banks and DFIs	-	-	-
NBFC's (Management Company)	1	48,554,335	29.45
Retirement Funds	-	-	-
Other Corporates	-	-	-
Total	19	164,871,341	100.00

Category	June 30, 2017		
	No. of unit holders	Investment amount (Rupees)	% of total
Individuals	3	132,570	0.07
Associated Companies and Directors	15	124,914,522	70.32
Banks and DFIs	-	-	-
NBFC's (Management Company)	1	52,594,545	29.61
Retirement Funds	-	-	-
Other Corporates	-	-	-
Total	19	177,641,637	100.00

21.2 List of top 10 brokers by percentage of commission paid

Name of Broker	Commission paid (Percentage %) 2018
BMA Capital Management Limited	12.20%
Topline Securities Limited	11.08%
Foundation Securities (Private) Limited	10.81%
Alfalah Securities (Private) Limited	9.74%
Inter Market Securities Limited	9.66%
Arif Habib Limited	9.33%
Ismail Iqbal Securities (Private) Limited	7.84%
AKD Securities Limited	7.14%
Insight Securities (Private) Limited	6.97%
Elixir Securities Pakistan (Private) Limited	6.43%
	2017
Inter Market Securities Limited	14.76%
BMA Capital Management Limited	12.65%
Insight Securities (Private) Limited	12.63%
Alfalah Securities (Private) Limited	10.85%
Elixir Securities Pakistan (Private) Limited	10.81%
AKD Securities Limited	10.79%
ISMAIL	10.41%
Next Capital Limited	8.86%
Arif Habib Limited	4.68%
Arif Habib Securities Limited	3.56%



21.3 Particulars of the Investment Committee and Fund manager

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

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

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

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

Mr. Mustafa O. Pasha, CFA – Head of Fixed Income

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 Sukuks. He is also managing the following funds:

- Lakson Equity 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
- Lakson Asset Allocation Developed Markets Fund

Mr. Junaid Arshad

Mr. Junaid 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 Musharraf

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.



21.4 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

21.5 Rating of the Fund and the management company

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

22. GENERAL

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 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.)	178	101	101	167	281	328	253
Net Assets - Ending (PKR Mil.)	165	178	101	102	167	281	328
Net Asset value per share	93.7663	101.5686	102.5835	109.4964	104.3227	105.8777	106.2340
Selling Price for units	96.1105	104.1079	105.1481	112.2339	106.9308	108.5247	108.8899
Repurchase Price for units	93.7663	101.5686	102.5835	109.4964	104.3227	105.8777	106.2340
Highest Offer Price (PKR)	106.4014	116.328	117.2329	112.8120	109.5537	111.2543	108.8742
Lowest Offer Price (PKR)	90.4679	102.1384	105.1008	106.4155	102.0721	102.5221	100.0000
Highest Redemption Price (PKR)	103.8062	113.4907	114.3735	110.0604	106.8816	108.5407	106.2187
Lowest Redemption Price (PKR)	88.2613	99.6472	102.5373	102.2883	99.5825	100.0215	100.0230
Beginning NAV - Ex-Div. (PKR)	101.5686	102.5835	-	-	100.2938	100.3969	100.0000
Interim Distributions (PKR)	Nil	9.8783	11.7546	-	2.3877	-	-
Final Distribution (PKR)	Nil	-	-	-	-	5.5839	5.8371
Ending NAV - Ex-Div. (PKR)	93.7663	100.0000	102.6138	-	104.2589	100.2938	100.3969
Return	-7.71%	8.99%	4.42%	4.96%	6.40%	5.46%	6.23%
Net Income / (loss) (PKR Mil.)	(14)	6	-1	2	10	14	19
Income Distribution	Nil	6	5	-	18	18	-
Accumulated Capital Growth	(11)	3	3	9	7	15	19
Average Annual return of the Fund							
One Year	-7.68%	-7.70%	4.42%	4.96%	6.40%	5.46%	6.23%
Two year	0.62%	0.31%	4.81%	5.84%	6.10%		
Three year	5.06%	1.69%	5.55%	5.92%			
Since inception (October 10, 2011)	31.45%	4.69%	6.50%	6.75%	7.05%	6.98%	6.23%
Distributions	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Interim Distribution	Nil	2.8984	11.7546	Nil	2.3877	-	-
Final Distribution	Nil	-	-	Nil	-	5.5839	5.8371
NAV before Distribution	Nil	102.8984	114.3684	Nil	106.6466	105.8777	106.2340
NAV after Distribution	Nil	100.0000	102.6138	Nil	104.2589	100.2938	100.3969
Distribution Date	Nil	19-Sep-16	27-Jun-16	N/A	24-Jun-14	08-Jul-13	05-Jul-12

Summary of Actual Proxy voted by CIS:

	Resolutions	For	Against	Abstain*
Number	3	3	-	-
(%ages)		100%	-	-

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



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