

LAKSON 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

Allied Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Habib Bank AG Zurich
JS Bank Limited
Telenor Microfinance Bank Limited
United Bank Limited
NRSP Microfinance Bank Limited
National Bank of Pakistan
Mobilink Microfinance Bank Limited
Silk Bank Limited
Sindh Bank Limited
Finca Microfinance Bank Limited

Legal Adviser

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

Registrar

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

Rating

1 Year : 4-Star
3 Year : 3-Star
5 Year : 3-Star
AM2+ : Asset Manager Rating by PACRA





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

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

Fund Objective

The investment objective of the LTF is to provide long-term capital appreciation by investing in a mix of securities comprising debt, equity and commodities future contracts.

Principal activities

LTF is an open end asset allocation fund and is listed on Pakistan Stock Exchange Limited. The Fund is managed using an active investment management style which focuses on an analysis of macro factors such as government policies, interest rates, liquidity, exchange rates and economic growth. The Fund switches exposure between domestic debt securities and domestic equities based on the forward price to earnings multiple of the equity market. Asset allocation to different sectors and stocks will be made on the basis of earnings growth and management quality. Exposure of the scheme in fixed income securities is managed through duration and yield curve management. The Fund may overweight or underweight commodities relative to its benchmark for commodities investment.

Development and Performance Review

LTF generated an absolute return of -3.21% against the benchmark return of -2.87% in the 4QFY18. This pushed the FY18 return to -5.70% for the fund vs. -3.04% for the benchmark for the same period. The fund has underperformed the benchmark by 2.66% during the year. As of June 29, 2018, LTF portfolio was invested 44% in Equities, 6% in Placements with Banks & DIFs, 41% in Cash and 7% in TFCs/Sukuks.

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 incurred losses on its equity proportion which reflected in its returns. The downward movement in the market, KSE100 FY18 return of -10%, was reflected in the portfolio, which is highly correlated to the benchmark. Exposure in underperforming sectors, such as Cements, and specific stocks, like HBL and UBL, 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 performance rankings of "4-Star" and three years & five years performance ranking of "3-Star" to the LTF.

Additional Matters:

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

Commodities Review

Crude oil prices rallied during the month of June despite a rise in OPEC's output cap by 1m bpd. On real basis the hike will be of only 770,000 bpd because several countries that had suffered production declines would struggle to reach full quotas. Arab Light Crude price rallied 4.0% during June to take FY18 gains to 68.9%. In 1HCY18 Arab Light price rose 19.1%. Going forward sanctions on Iran are expected to keep oil prices at an elevated level. Economic problems in Venezuela may also disrupt supply and consequently boost oil prices. On the other hand, heightened oil production in USA and global growth fears in the wake of a trade war are expected to keep oil prices limited.

Following the rise in crude oil price, Middle Eastern Urea prices too trended upwards during the month of June partly due to the cost push factor. Prices were also driven by strong demand from Brazil despite the truckers' strike. According to news reports, demand in South East Asia was also healthy. Urea price surged 16.7% during the month to take total gains in 1HCY18 to 24.4% and return in FY18 to 51.4%.

Coal prices lost steam during the month of June, with the Richard Bay Coal price up only 0.2% compared to 7.1% in May and 6.1% in April 2018. Australian coal prices, however, rose at the beginning of the month as Asian demand heated up. Heatwave in China and hot weather in Japan and Korea pushed up demand for air conditioning, and consequently coal, in the early part of the month.

Going forward, developments related to the trade war between USA and its trade partners (China, Canada, Mexico and EU) will affect most commodity prices as trade will be impacted. Decline in South Korea's exports for the month of June show that the trade war has already started affecting trade, which is likely to soon start impacting commodity prices.



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 ٹیکٹیکل فنڈ

30 جون 2018ء کو ختم ہونے والے سال کے لیے

منجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن ٹیکٹیکل فنڈ (LTF یا فنڈ) کی منجمنٹ کمپنی، آڈٹ شدہ مالیاتی گوشواروں کے ساتھ 30 جون 2018ء کو ختم ہونے والے سال کے لیے اپنی رپورٹ جمع کرانے پر اظہار مسرت کرتی ہے۔

فنڈ کا مقصد

لیکسن ٹیکٹیکل فنڈ کی سرمایہ کاری کا مقصد مختلف طرح کی سکیورٹیز بشمول ڈیپٹ، ایکویٹی اور کموڈٹی سٹریٹجیوں کو پیش نظر رکھا جاتا ہے۔ اس فنڈ مدت کے لیے اصل سرمائے کی قدر میں اضافہ کرتا ہے۔

بنیادی سرگرمیاں

LTF ایک لامحدود دلچسپ لیڈ میں اسٹاک آپکھنچ لیڈ میں لگتا ہے۔ فنڈ کو انویسٹمنٹ منجمنٹ کے ایک فعال طریقہ کار کے تحت چلایا جاتا ہے جس میں بڑے عوامل جیسے حکومتی پالیسیوں، منافع کی شرح، ایکویٹی، آپکھنچ ریس اور اقتصادی ترقی کے تجزیوں کو پیش نظر رکھا جاتا ہے۔ اس فنڈ سے ڈیپٹ سیکورٹیز اور ڈومیسٹک ایکویٹی کے درمیان ایک پیوڈر کے مواقع تبدیل ہو جاتے ہیں، جن کا ایکویٹی مارکیٹ کی گنا آمدنی کی پیشگی قیمتوں پر انحصار ہوتا ہے۔ مختلف سیکٹرز کے لیے لیسٹ ایکویٹی اور اسٹاکس، آمدنی میں اضافے اور منجمنٹ کو الٹی کی بنیاد پر ترتیب دیے جائیں گے۔ ایکسٹیم کا ایک پیوڈر فکسڈ انکم سیکورٹیز میں اس کی مدت اور yield curve منجمنٹ کے ذریعے منظم کیا جاتا ہے۔ فنڈ کموڈٹی سٹریٹجی سرمایہ کاری کے بیچ مارک سے تعلق کی بنیاد پر اوورویٹ یا انڈروویٹ ہو سکتا ہے۔

پیش رفت اور کارکردگی کا جائزہ

LTF نے مالی سال 2018ء کی چوتھی سہ ماہی کے دوران بیچ مارک منافع 2.87% کے مقابلے میں 3.21% منافع فراہم کیا۔ جس نے گذشتہ سال کی اسی مدت کے بیچ مارک 3.04% کے مقابلے میں مالی سال 2018ء کے منافع کو 5.70% پیچھے دکھیل دیا۔ یوں اس سال فنڈ کی بیچ مارک کارکردگی میں 2.66% کمی واقع ہوئی۔ 29 جون 2018ء کے مطابق LTF نے ایکویٹی میں 44% پلےسٹمنٹس کے ساتھ بینک اینڈ DIFs میں 6% بیش میں 41% اور TFCs اور ویکلوکس میں 7% سرمایہ کاری کی۔

ٹی نیٹ انحصان (LPU)

ٹی نیٹ انحصان (LPU) ظاہر نہیں کیا گیا ہے کیوں کہ ہم محسوس کرتے ہیں کہ LPU شمار کرنے کے لیے تخمینہ شدہ اوسط پینس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔



تقصان کی وجہ

فنڈ نے ایکویٹی 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 چھوئے کے بعد سے پستی کی جانب رخ برقرار رکھا۔ چون کہ ایکویٹی والے حصے کا اپنے شیئنگ 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 سٹیمس 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 شدتات

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 پیسے نکلانے 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 مینجری اینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے مینجمنٹ کمپنی کی AM2 ایسٹ مینجری ریٹنگ کو بڑھا کر AM2+ کر دیا ہے۔ JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے LTF کو ایک سالہ پرفارمنس پر "4" اسٹار اور تین سالہ اور پانچ سالہ پرفارمنس کی "3" اسٹار ریٹنگ دی ہے۔

اضافی معاملات

- 1- مینجمنٹ کمپنی کے ڈائریکٹرز کی تفصیل اس سال اندر رپورٹ میں ظاہر کی گئی ہے۔
- 2- مالی سال 30 جون 2018 کے دوران، 2 فروری 2018 کو جناب عزیز ایچ ابراہیم صاحب کا انتقال ہو گیا تھا (اللہ ان کی مغفرت فرمائے اور جنت میں اعلیٰ مقام عطا فرمائے) جس کے باعث ان کی ڈائریکٹر شپ ختم ہو گئی۔ بورڈ کے ارکان نے ان کی خدمات کو ٹیکس گروپ اور کمپنی کے لیے کو سہا ہے۔ 30 مارچ 2018 کو جناب جمیل احمد مصل صاحب کو بطور ڈائریکٹر تعینات کیا گیا۔ سیکورٹی اینڈ اینڈیکس کمیشن آف پاکستان نے نان بینکنگ فنانس کمپنیز اور مطلع شدہ اداروں کی ریگولیشنز، 2008 کے مطابق جناب جمیل احمد مصل کی تقرری کی منظور دی ہے۔
- 3- مینجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کمیشن فلووز اور پونٹ 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 پیروی 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)



انٹیلیسٹ اینڈ ریگولیشن (روولز 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ ہینڈیلرز ریگولیشنز، 2008 (NBFC) ریگولیشنز)، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ڈائریکٹوریٹ اور فنڈ کی تشکیل دینے والے دستاویزات کے تقاضوں کی پیروی 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 روئے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

9- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔

10- سیکورٹیز، ڈیویڈنڈز، حصص اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

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

12- 30 جون 2018 کے مطابق پونٹ ہولڈنگ کا پیرن مالیتی 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 سمسرز KPMG تاخیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بنیاد پر 30 جون 2019 کو ختم ہونے والے سال کیلئے بطور آڈیٹرز دوبارہ تقرری کے لیے اپنی رضامندی ظاہر کی ہے۔ آڈٹ کمپنی کی سفارش پر بورڈ آف ڈائریکٹرز نے سمسرز KPMG تاخیر 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 پہنچایا جو مالی سال 2017 کی 4.15% اوسط سے کم ہے۔ افراط زر کا حالیہ دباؤ زیادہ تر فیول کی مقامی قیمتوں کا نتیجہ ہے، جن میں خام تیل کی بین الاقوامی قیمتوں میں اضافے کے بعد تیزی آئی ہے۔ گزشتہ عرصے میں افراط زر کی کم ترین سطح کے اثرات (Base effect) اور فیول کی بلند قیمتوں کی وجہ سے سال کی بقید مدت میں CPI نمو 5.5% کے لگ بھگ رہنے کی توقع ہے۔ آئندہ بھی ایران پر لاگو ہونے والی پابندیوں کی وجہ سے تیل کی قیمتیں بلند رہنے کی توقع ہے جس سے 2.5 ملین بیرونی روپے کا بڑا حصہ متاثر ہوگا جو ایران اس وقت برآمد کرتا ہے۔ مزید برآں ویزویلا میں معاشی مسائل بھی اس ملک کی سپلائی معطل کر سکتے ہیں جس کے نتیجے میں تیل کی قیمتوں میں اضافہ ہو جائے گا۔ دوسری طرف تجارتی جنگ تیل کی قیمتوں کو محدود کر سکتی ہے کیوں کہ تجارت میں بندش عالمی معاشی نمو کو متاثر کرے گی۔

پاکستان کی بیرونی صورت حال جون میں پریشان کن رہی جیسا کہ صیغے کے دوران روپے کی قدر 5.1% کم ہو کر 121.4972 روپے فی امریکی ڈالر تک پہنچی۔ مالی سال 2018 میں روپے کی قدر میں 15.9% کمی ہوئی، جب کہ موجودہ سال 2018 کے پہلے نصف میں اس کی قدر 10.0% گر گئی



پاکستان کی بڑھتی بیرونی کمزور حالت کی وجہ سے موڈیز نے پاکستان کے لیے تو قعات پر اپنی ریٹنگوں، سابقہ تو قعات B3 "مستحکم" سے کم کر کے "مغنی" کر دی۔ بیرونی صورت حال کو مستحکم کرنے کے لیے حکومت نے جون چین سے ایک ارب ڈالر قرض لیا ہے اور اس ملک سے مزید قرض لایا جا سکتا ہے۔ مزید برآں حکومت اپنی پینشنی اسکیم کے ذریعے، جس کی آخری تاریخ جولائی تک بڑھادی گئی ہے، ہزرو ماہانہ گورنر غائب کرنے کے بارے میں ہر امید ہے۔ خبروں کے ذرائع کے مطابق اس اسکیم کے ذریعے جون کے آخر تک 65 ارب روپے اکٹھے کیے جا چکے ہیں۔

فلسفہ اکم 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 کو تقاضا کرتے تھے۔ مالی سال 2018 کے پہلے نصف میں امریکی ڈالر کے مقابلے میں اپنی 3.3% قدر رکھنے کے بعد مالی سال 2018 کے دوسرے نصف میں پاکستانی روپے کی قدر میں مزید 10% کمی کی گئی۔ مجموعی طور پر مالی سال 2018 میں روپے کی قدر میں 15.9% کمی ہوئی۔ روپے کی قدر میں کمی کا نتیجہ افراط زر کے دباؤ کی صورت میں نکلا جس کے نتیجے میں مالی سال 2018 کے پہلے نصف میں 3.75% کے مقابلے میں مالی سال 2018 کے دوسرے نصف میں اوسط CPI نمو 4.09% رہی۔ فیول کی قیمتوں میں اضافے نے بھی ملکی افراط زر میں اپنا حصہ شامل کیا، جیسا کہ اوپیک نے پیداوار میں اضافے کا فیصلہ کیا۔ مالی سال 2017 میں 4.15% کے مقابلے میں 2018 میں 3.92% افراط زر ریکارڈ کی گئی۔

اضافے سے پہلے شرح سود پر مارکیٹ کے شرکاء کی تو قعات کے باعث SBP اگست 2017 سے مارچ 2018 تک PIB کی نیلامیوں کے لیے قابل قبول پیشکشیں حاصل کرنے میں ناکام رہا، بالہذا اس نے اس مدت کے دوران تمام پیشکشیں مسترد کر دیں۔ اس مسئلہ کو حل کرنے کے لیے SBP نے مئی 2018 میں فلوئنگ ریٹ والے PIBs متعارف کرائے۔ ایسے PIBs کا فلوئنگ ریٹ MTB کے نتیجے میں ماہ کے لیے تخمینہ شدہ اوسط منافع ہے جس کا تین PIB کے فلوئنگ والی نیلامی اور ایسا کو پین بیئر (نیلامی میں فیصلہ شدہ مثبت / منفی منافع) سے قبل منعقدہ MTB کی تا زہ ترین کامیاب شہنامی نیلامی کی بنیاد پر کیا جاتا ہے۔

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

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



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، کرنٹ اور مالیاتی خسارہ ہیں جن سے مجموعی اقتصادی استحکام کے پٹری سے اترنے کا خطرہ درپیش ہے۔

مالیاتی اور مالی اینڈ جسٹمنٹس کی شکل میں مشکل فیصلے کرنے پڑیں گے جو نئی حکومت کے عزم اور بصیرت کی آزمائش کریں گے۔ سادگی پسندانہ اقدامات بشمول سویڈ پز میں کمی، برقیاتی مصارف میں کوئی اور گیس/ 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 زر مبادلہ کے ذخائر خطرناک سطح تک گر چکے ہیں۔ 20 ارب امریکی ڈالر سے زائد کا مالیاتی غلطیہ حل 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 ہنگامی 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 مندری کی پیشگوئی کی جاتی ہے۔

انتخابات کے بعد تین ماہ اور چھ ماہ کی مدتوں کے لیے تخمینہ شدہ اوسط منافع جات بالترتیب 7.75% اور 7.85% پر ہموار رہی۔ مزید برآں تین ماہ کے ترسکات میں نمایاں شمولیت دیکھی گئی ہے اور اوگرسٹ دو سو ماہوں میں بھی ایسا ہی رجحان نظر آیا ہے جو مزید مالیاتی سختی 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 پوائنٹ اضافے کے ساتھ 7.5% اور DR کو 8.0% تک بڑھا دیا تھا جب کہ انتخابات 25 جولائی کو منعقد ہوئے تھے)۔ اگست 2018 میں CPI نے سال بہ سال بنیاد پر 5.84% کی سطح چھو لی جب کہ مرکزی افراط زر رسالہ 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۔

انتظار و تشکر

یہ بورڈ اپنے قابل قدر انویسٹمنٹس، سیکورٹیز اینڈ ایڈجسٹمنٹس آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈپازیریٹی کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایسچینج کمیٹی کی مہجنت کا، ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ مہجنت کمیٹی کے ڈائریکٹرز فنڈ کی ترقی اور عمدہ نظم و نسق کے لیے اپنی ٹیم کی کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے اور اطراف بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 15 اگست 2018

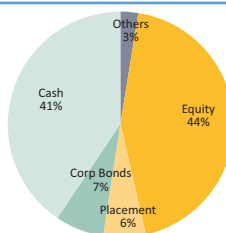


**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2018**

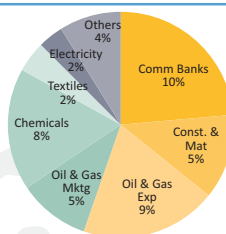
Fund Facts

Fund Type	Open-End
Category	Asset Allocation Fund
Net Assets (PKR Mil.)	1220
NAV (30.06.2018)	100.6215
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	KPMG Taseer Hadi & Co.
Management Fee	10% of the gross earnings of the Scheme, calculated on a daily basis. The fee is subject to a minimum of 1% and maximum of 2% of the average annual net assets of the Scheme. Current-1.23%
Front End Load	2.50%
Back End Load	None
Launch Date	October 11, 2011
Benchmark	Weighted average daily return of KSE-30 Index, 6M KIBOR & DBIQ Optimum Yield Diversified Commodity Index excess returns based on the Scheme's actual proportion in equity, debt and commodities
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (15.5.2017)

Asset Allocation



Sectorwise Exposure



Fund Performance	LTF	Benchmark
FY18	-5.70%	-3.04%
June-18	-0.74%	-0.34%
2 Months	-3.07%	-2.57%
3 Months	-3.21%	-2.87%
6 Months	3.82%	4.29%
12 Months	-5.70%	-3.04%
CY18-YTD	3.82%	4.29%
3 Years	18.12%	9.91%
5 Years	34.05%	15.95%
Since Inception	46.76%	31.71%

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	

the benchmark of the fund was changed in September 2016

Investment Objective

The investment objective of the Lakson Tactical Fund ("LTF") is to provide long-term capital appreciation by investing in a mix of securities comprising debt, equity and commodities future contracts.

The LTF achieved its investment objective by investing in a mix of risk-free T-Bills, PIBs, equities and Equities. The debt component provides investors with long term capital protection; whereas the equity portion provides investors exposures to a fundamentally attractive market that is characterized by strong earnings growth and cheap valuations.

Investment Strategy

The debt component of the LTF portfolio was constructed by investing in low risk options, where marked to market volatility did not chip away at returns. The fund focused exposure in Bank/DFI/Daily accrual placements over various tenures, supplemented with corporate bonds, where the yield was comfortably above par. Equity exposure of the Fund was determined by carrying out an analysis of the prevalent price to earnings (PE) ratio or multiple of the KSE-30 Index. An increase in the PE ratio will lead to a reduction in equity exposure and vice versa. The balance will remain invested in high quality fixed income instruments of varying duration.

As of June 29, 2018, the Fund had 44% exposure to equities, 6% in term placements, 7% in Corporate Bonds and 41% in Cash.



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.

Equity Market Review

The KSE-100 Index declined by 10.0% during FY18 mostly because of the continuously deteriorating external position. Foreign exchange reserves slipped from USD 21.4 billion to 16.4 billion and PKR devalued by 15.9%. Further, politics created jitters as the ex-Prime Minister was disqualified in July 2017 and sentenced in July 2018. The downward pressure was also attributable to flight of foreign capital from the country as foreign portfolio investors were wary of movement in the exchange rate ahead of PKR's depreciation. Another reason for the foreign portfolio outflow was the trade war between US and China, which prompted foreign investors to pull out of emerging markets at large. Net FPI was reported at negative USD 289 million in FY18, compared to negative USD 652 million in FY17. KSE-100 closed the period at a forward P/E of 9.41, which was at a 21.0% discount to MSCI's EM Index (last five years average is 24.8% discount). Activity also took a downturn as daily average volume traded was recorded at only 175 million shares compared to 349 million shares in FY17.

Banks HBL and UBL were among the top contributors to the Index's decline due to certain one-offs. HBL was penalized by New York State's Department of Financial Services for USD 225 million, which wiped off most of the company's earnings in 2017. Moreover, both HBL and UBL, along with other top banks MCB and ABL, were ordered by the Supreme Court to pay their pensioners, which again dented their earnings. Cements were also top contributors to the Index's decline due to rise in coal prices, slippage in Northern cement prices, and certain detrimental tax measures in the Federal Budget including a rise in Federal Excise Duty.

Commodities Review

Crude oil prices rallied during the month of June despite a rise in OPEC's output cap by 1m bpd. On real basis the hike will be of only 770,000 bpd because several countries that had suffered production declines would struggle to reach full quotas. Arab Light Crude price rallied 4.0% during June to take FY18 gains to 68.9%. In 1HCY18 Arab Light price rose 19.1%. Going forward sanctions on Iran are expected to keep oil prices at an elevated level. Economic problems in Venezuela may also disrupt supply and consequently boost oil prices. On the other hand, heightened oil production in USA and global growth fears in the wake of a trade war are expected to keep oil prices limited.

Following the rise in crude oil price, Middle Eastern Urea prices too trended upwards during the month of June partly due to the cost push factor. Prices were also driven by strong demand from Brazil despite



the truckers' strike. According to news reports, demand in South East Asia was also healthy. Urea price surged 16.7% during the month to take total gains in 1HCY18 to 24.4% and return in FY18 to 51.4%.

Coal prices lost steam during the month of June, with the Richard Bay Coal price up only 0.2% compared to 7.1% in May and 6.1% in April 2018. Australian coal prices, however, rose at the beginning of the month as Asian demand heated up. Heatwave in China and hot weather in Japan and Korea pushed up demand for air conditioning, and consequently coal, in the early part of the month.

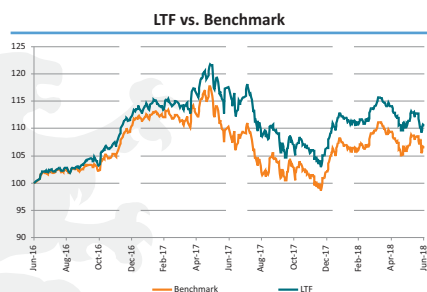
Going forward, developments related to the trade war between USA and its trade partners (China, Canada, Mexico and EU) will affect most commodity prices as trade will be impacted. Decline in South Korea's exports for the month of June show that the trade war has already started affecting trade, which is likely to soon start impacting commodity prices.

Fund Performance

The LTF provided a return of -5.7% in FY18 vs 17.2% during FY17, showing a significant underperformance, year on year. During the same period, the benchmark recorded a return of -3.0%, clocking an out underperformance of -2.7% for the fund.

Performance Table	FY18	FY17
Net Assets - Beginning (PKR Mil.)	1,226.00	706
Net Assets - Ending (PKR Mil.)	1,220.00	1,226
Highest Offer Price (PKR)	110.2289	128
Lowest Offer Price (PKR)	96.0606	105.2030
Highest Redemption Price (PKR)	107.5403	124.9292
Lowest Redemption Price (PKR)	93.7176	102.6370
Beginning NAV - Ex-Div. (PKR)	106.6898	102.6247
Interim Distributions (PKR)	-	13.2631
Final Distribution (PKR)	-	-
Ending NAV - Ex-Div. (PKR)	100.6215	103.9525
Return	-5.70%	17.23%
Net Income / (Loss) (PKR Mil.)	(67.00)	124.00

Distributions	FY18	FY17
Interim Distribution	-	13.2631
NAV before Distribution	100.6215	117.2156
NAV after Distribution	100.6215	103.9525
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 LTF will continue to favor exposure in avenues where marked to market volatility will not affect returns. However, the fund may switch between different maturities depending upon the liquidity conditions of the market and interest rates outlook. The LTF will continue to maintain exposure to equities based on the forward P/E multiple of the KSE 30 Index.



Circumstances Materially Affecting Interests of Unit Holders

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

As of June 29, 2018 the LTF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 3.61 mn. If the same were not made the NAV per unit of the LTF would be higher by PKR 0.2979 and the return of the LTF for FY18 would be higher by 0.1%.

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 LTF does not employ any leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	3	128
101 - 500	1	183
501 - 1,000	0	-
1,001 - 5,000	5	17,081
5,001 - 10,000	1	5,258
10,001 - 50,000	13	383,491
50,001 - 100,000	3	189,671
100,001 - 500,000	9	2,218,235
500,001 - 1,000,000	5	3,453,308
1,000,001 - 5,000,000	4	5,858,470
5,000,001 - above	0	-
	44	12,125,825

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON TACTICAL FUND

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Lakson Tactical Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, the 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.#	Key audit matters	How the matter was addressed in our audit
1.	<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. 648.957 million classified as at "Fair value through income statement". It represents 53.19% 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 standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements:

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

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

Date: August 15, 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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

	Note	2018 (Rupees)	2017
Assets			
Bank balances	4	508,923,987	137,797,289
Investments	5	723,956,618	1,113,495,682
Dividend receivable		935,474	2,200,979
Receivable against sale of investments		1,559,370	-
Markup accrued	6	3,489,496	3,506,530
Deposits, prepayments and other receivables	7	2,882,985	2,758,366
Total assets		1,241,747,930	1,259,758,846
Liabilities			
Remuneration payable to the Management Company	8	3,475,331	3,510,455
Remuneration payable to the Trustee	9	207,078	219,129
Annual fee payable to Securities and Exchange			
Commission of Pakistan	10	1,150,911	1,341,116
Payable against redemption of units		1,500,000	-
Payable against purchase of investments		10,890,683	-
Accrued expenses and other liabilities	11	4,404,201	28,324,532
Total liabilities		21,628,204	33,395,232
Contingencies and commitments	13		
Net assets		1,220,119,726	1,226,363,614
Unit holders' fund (as per the statement attached)		1,220,119,726	1,226,363,614
		(Number)	
Number of units in issue	14	12,125,825	11,494,659
		(Rupees)	
Net assets value per unit		100.6215	106.6898

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

Income	Note	2018	2017
		(Rupees)	
(Loss) / gain on sale of held for trading investments - net		(50,842,523)	115,616,247
Unrealised (loss) / gain on revaluation of held for trading investments - net		(69,098,906)	22,938,468
Dividend income on held for trading investments		30,912,792	26,308,706
Markup on bank balances (including the term deposit receipts)		37,956,133	55,012,771
Markup on Government and other debt securities (held for trading and loans and receivable)		7,968,206	10,545,935
Exchange gain on foreign currency bank balance		87,153	103
		(43,017,145)	230,422,230
Reversal of workers' welfare fund provision	11.1	-	1,210,503
		(43,017,145)	231,632,733
Expenses			
Remuneration of the Management Company	8.1	16,040,296	19,174,727
Sindh Sales Tax on remuneration of the Management Company	8.2	2,085,238	2,492,715
Remuneration of the Trustee	9	2,498,978	2,712,365
Annual fee to the Securities and Exchange Commission of Pakistan	10	1,150,911	1,341,116
Auditors' remuneration	15	266,490	304,600
Fees and subscription		566,540	368,453
Printing charges		123,211	73,936
Brokerage expenses		982,121	2,032,163
Settlement charges		324,413	405,913
Bank and other charges		35,406	43,630
SECP supervisory fee		2,500	5,000
Provision for Sindh workers' welfare fund (SWWF)	11.1	-	3,612,862
Amortisation of deferred formation cost		-	137,741
Total Expenses		24,076,104	32,705,221
Element of income / (loss) and capital gains (losses) / in prices of units sold less those in units redeemed - net		-	(74,568,382)
Net (loss) / income before taxation		(67,093,249)	124,359,130
Taxation	17	-	-
Net (loss) / income for the year after taxation		(67,093,249)	124,359,130
Allocation of net income for the year after taxation			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
		-	-
Accounting income available for distribution			
- Relating to capital gains		-	-
- 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 (loss) / income for the year	(67,093,249)	124,359,130
Other comprehensive income for the year	-	-
Total comprehensive (loss) / income for the year	<u>(67,093,249)</u>	<u>124,359,130</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	Undistributed income	Capital value	Undistributed income
	----- (Rupees) -----			
Net assets at beginning of the year	1,149,465,898	76,897,716	687,641,335	18,048,818
Issuance of 1,007,336 units (2017: 17,262,564 units)				
Total proceeds on issuance of units	99,243,235	-	1,726,256,440	136,699,877
Redemption of 376,170 units (2017: 12,644,319 units)				
Total payments on redemption of units	(38,393,874)	-	(1,264,431,877)	(211,268,259)
Distribution to the unit holders in cash	-	-	-	(65,510,232)
Element of loss and capital losses in prices of units sold less those in units redeemed - net	-	-	-	74,568,382
Total comprehensive income for the year	-	(67,093,249)	-	124,359,130
Net assets as at end of the year	1,210,315,259	9,804,467	1,149,465,898	76,897,716
Undistributed income brought forward:				
- Realized income	53,959,248			14,301,498
- Unrealized income	22,938,468			3,747,320
	76,897,716			18,048,818
Accounting income available for distribution:				
Relating to capital gains	-	-	-	-
Excluding capital gains	-	-	-	-
Net (loss) / income for the year after taxation		(67,093,249)		124,359,130
Interim distribution for 2017: Rs. 13-261 per Unit approved on 22 June 2017				
Undistributed income at end of the year		9,804,467		(65,510,232)
Undistributed income carried forward				
- Realized income	78,903,373			53,959,248
- Unrealized income	(69,098,906)			22,938,468
	9,804,467			76,897,716
Net assets value per unit at beginning of the year			106.6898	102.6247
Net assets value per unit at end of the year			100.6215	106.6898

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	(67,093,249)	124,359,130
Adjustments for:		
Unrealised loss/(gain) on revaluation of held for trading investments - net	69,098,906	(22,938,468)
Element of (income) / loss and capital (gains)/ losses included in prices of units issued less those in units redeemed - net	-	74,568,382
Amortisation of deferred formation cost	-	137,741
Dividend income on held for trading investments	(30,912,792)	(26,308,706)
Markup on bank balances and investments	(45,924,339)	(65,558,706)
	(74,831,474)	84,259,373
Decrease / (Increase) in assets		
Investments - net	320,440,158	(621,888,511)
Receivable against sale of investments	(1,559,370)	-
Deposits, prepayments and other receivables	(124,619)	(2,378)
	318,756,169	(621,890,889)
(Decrease) / increase in liabilities		
Payable to the Management Company	(35,124)	747,221
Remuneration payable to the Trustee	(12,051)	92,015
Annual fee payable to Securities and Exchange Commission of Pakistan	(190,205)	1,101,977
Payable against purchase of investments	10,890,683	-
Accrued expenses and other liabilities	(23,920,331)	26,440,590
	(13,267,028)	28,381,803
Dividend income received	32,178,297	25,006,685
Markup on bank balances and investments	45,941,373	64,444,741
Income tax paid	-	(102,601)
Net cash flows from operating activities	308,777,337	(419,900,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	99,243,235	1,862,956,317
Payments on redemption of units	(36,893,874)	(1,625,700,136)
Distribution to unit holders' in cash	-	(65,510,232)
Net cash flows from financing activities	62,349,361	171,745,949
Net increase/(decrease) in cash and cash equivalents	371,126,698	(248,154,938)
Cash and cash equivalents at beginning of the year	137,797,289	385,952,227
Cash and cash equivalents at end of the year	508,923,987	137,797,289

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

The Fund is categorised as "Asset Allocation Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and is authorised to invest within the prescribed limits as mentioned in the offering documents of the Fund in listed equity securities, Government securities, debt securities, deposits with banks, preference shares, placement of funds with financial institutions, reverse repo, margin trading system, money market placement, commercial paper, unlisted equity securities only if an application for listing of such securities has been accepted by the stock exchange, future contracts of equity and commodity and any other instruments authorized by SECP in Pakistan. Further, as allowed by SECP and the State Bank of Pakistan, the Fund can invest abroad up to 30% of the aggregated funds mobilized (including foreign currency funds) subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities / debt with exposure in the commodities, index tracker funds tracking different commodities indices, actively managed commodities based funds, equities and debt securities of companies with exposure in commodities, future contracts of different commodities and foreign currency deposits etc.

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

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

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

1 Year ranking: 4-Star
3 Year ranking : 3-Star
5 Year ranking: 3-Star

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 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. 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 considered not 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.

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 higher by Rs. 2.267 million 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 and Pakistan Investment Bonds is determined by reference to the quotations obtained from the PKRV rate sheet notified by the Mutual Fund Association of Pakistan (MUFAP) as of the year end.

Fair value of the investments in listed securities are determined on the basis of available quoted market prices as of the year end. Debt securities comprising of term finance certificates and the sukuk certificates are valued at the year end rates quoted by MUFAP.

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 term deposits, bank balances, debt securities 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 re-measured 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 only 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 realise 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 equivalent comprise of bank balances including term deposits with banks (that are readily convertible to known amount of cash) are subject to an insignificant risk of significant changes of values and have maturities of less than three months from the date of acquisition

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 settlement 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	508,279,836	137,232,705
In current account		8,674	16,157
Foreign Currency			
In current account	4.2	<u>635,477</u>	<u>548,427</u>
		<u>508,923,987</u>	<u>137,797,289</u>

4.1 These carry mark-up rates ranging from 4% to 7.3% per annum (30 June 2017: from 3.75% to 8.00% per annum).

4.2 This represents USD denominated current account maintained in a foreign country amounting to USD 5,210 (2017: USD 5,230).

5. INVESTMENTS

**At fair value through income statement
- held for trading**

Listed equity securities	5.1	538,637,404	679,365,644
Term finance certificates	5.2	35,377,020	25,061,150
Sukuk certificates	5.3	50,047,194	20,140,120
Government securities	5.4	24,895,000	-
Advance for Investment in Term Finance Certificate		-	40,000,000
		<u>648,956,618</u>	<u>764,566,914</u>
Loans and receivable			
Term deposit receipts	5.5	<u>75,000,000</u>	<u>348,928,768</u>
		<u>723,956,618</u>	<u>1,113,495,682</u>

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

Sector / Companies	Number of Shares		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 30 June 2018	Market value as of 30 June 2018 (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 a percentage of total paid up capital of the investee company
Commercial Banks													
Allied Bank Limited	81,704	-	81,704	-	-	-	59,133	3,369,625	4,661,454	1,291,829	0.64	0.38	0.00%
Bank Al Habib Limited	437,419	-	444,071	-	-	-	190,360	39,996,508	31,683,518	(8,312,990)	4.38	2.60	0.01%
Habib Bank Limited	166,890	-	132,400	-	-	-	190,360	-	-	-	-	-	0.00%
JS Bank Limited	153,870	-	839,060	-	-	-	839,060	-	-	-	-	-	0.00%
MCB Bank Limited	158,451	-	42,225	-	-	-	204,676	42,909,337	40,478,773	(2,431,164)	5.59	3.70	0.00%
Bank Al Falah Limited	180,300	-	367,076	-	-	-	164,314	6,546,337	2,045,642	1.19	0.70	0.01%	
Mezzan Bank Limited	175,682	-	67,280	-	-	-	8,247,104	8,756,380	509,276	1.21	0.72	0.01%	
United Bank Limited	175,111	-	94,500	-	-	-	194,098	42,086,966	32,798,680	(9,288,286)	4.53	2.69	0.02%
								143,156,477	126,970,784	(16,185,693)	17.54	10.41	
Chemicals													
Archroma Pakistan Limited	16,482	-	9,440	-	-	-	12,192	8,655,933	6,156,960	(2,498,973)	0.85	0.50	0.04%
ICI Pakistan Limited	8,985	-	10,850	-	-	-	18,793	18,582,661	15,062,590	(3,520,071)	2.08	1.23	0.02%
Engro Polymer & Chemicals Limited	-	-	229,400	-	-	-	229,400	8,438,805	7,193,984	(1,244,821)	0.99	0.59	0.03%
Engro Polymer & Chemicals Limited - Lor	-	-	78,578	-	-	-	78,578	-	693,146	693,146	0.10	0.06	0.03%
								35,677,939	29,106,680	(6,570,191)	4.02	2.39	
Fertilizers													
Engro Corporation Limited	111,773	-	30,700	-	-	-	101,887	32,922,345	31,978,254	(944,091)	4.42	2.62	0.00
Fauji Fertilizer Bin Qasim Limited	-	-	368,410	-	-	-	28,351	998,427	1,094,349	95,922	0.15	0.09	0.00
Fauji Fertilizers Company Limited	-	-	134,000	-	-	-	134,000	13,357,825	13,251,260	(106,565)	1.83	1.09	0.00
Engro Fertilizers Limited	-	-	236,164	-	-	-	236,164	17,720,484	17,691,045	(29,439)	2.44	1.45	0.00
								64,999,081	64,014,908	(984,173)	8.84	5.25	
Pharma & Bio Tech													
The Searl Company Limited (5:1.2)	58	-	-	-	11	-	69	29,695	23,426	(6,269)	0.00	0.00	0.00%
Glass and Ceramics													
Tariq Glass Industries Limited	60,700	-	72,039	-	-	-	132,739	-	-	-	-	-	-
Cable and electrical goods													
Pak Electron Limited	123,883	-	383,000	-	-	-	328,500	14,668,120	11,648,610	(3,019,510)	1.61	0.95	0.07%
Textile Composite													
Gul Ahmed Textile Mills Limited	159,765	-	40,500	-	-	-	136,923	5,578,485	5,878,104	299,619	0.81	0.48	0.04%
Nishat Mills Limited	145,667	-	90,000	-	-	-	126,067	19,860,345	17,765,362	(2,094,983)	2.45	1.46	0.04%
Kohnoor Textile Mills Limited	53,788	-	13,400	-	4,031	-	71,219	23,438,830	23,643,466	(1,795,364)	3.27	1.94	0.00%
Cement													
D.G Khan Cement Company Limited	129,956	-	45,800	-	-	-	55,140	9,474,280	6,312,979	(3,161,301)	0.87	0.52	0.01%
Kohat Cement Company Limited	90,300	-	22,300	-	-	-	45,500	9,364,323	5,599,685	(3,764,638)	0.77	0.46	0.03%
Lucky Cement Company Limited	52,921	-	6,400	-	-	-	23,663,019	14,718,288	(8,944,731)	2.03	1.21	0.01%	
Pioneer Cement Company Limited	114,450	-	83,800	-	-	-	141,821	14,509,266	6,645,732	(7,863,534)	0.92	0.54	0.06%
Maple Leaf Cement Factory Limited	38,700	-	165,400	-	6,700	-	135,500	9,789,747	6,875,270	(2,914,477)	0.95	0.56	0.02%
								66,800,635	40,151,554	(26,648,680)	5.55	3.29	

Sector / Companies	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 30 June 2018	Market value as of 30 June 2018 (after revaluation)	Unrealised gain / (loss) net	Market value as percentage of total investments	Market value as percentage of net assets	Par value of shares held as a percentage of total paid up capital of the investee company
			Number of Shares			(Rupees)	(%)				
Power Generation & Distribution											
Hub Power Company Limited	206,824	140,600	-	128,522	218,902	25,737,765	20,174,008	(5,563,757)	2.79	1.65	0.02%
K-Electric Limited (Face value of Rs. 3.5 each)	2,458,726	-	-	2,458,726	-	25,737,765	20,174,008	(5,563,758)	2.79	1.65	0.00%
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	16,320	4,480	-	5,460	15,340	24,399,218	23,104,801	(1,294,417)	5.53	1.89	0.01%
Oil and Gas Development Company Limited	220,903	169,300	-	132,800	257,403	39,012,036	40,057,055	1,045,019	3.28	3.28	0.01%
Pakistan Oilfield Limited	21,377	31,280	-	27,898	24,759	12,992,417	16,632,849	3,640,432	2.30	1.36	0.01%
Pakistan Petroleum Limited	102,055	111,500	-	95,874	117,681	19,619,895	25,289,647	5,669,752	3.49	2.07	0.01%
						96,023,566	105,084,352	9,060,787	14.52	8.61	
Oil and Gas Marketing Companies											
Pakistan State Oil Limited (S-1,2)	52,930	51,970	11,316	46,165	70,051	22,564,146	22,297,934	(266,212)	3.08	1.83	0.02%
Attock Petroleum Limited	10,700	15,600	-	3,828	22,472	13,486,081	13,258,555	(227,526)	1.83	1.09	0.03%
Sui Northern Gas Pipeline Limited	159,810	124,900	-	89,963	194,747	62,865,943	59,573,733	(6,488,399)	2.70	1.60	0.00%
						62,816,170	59,073,733	(7,342,437)	7.61	4.51	
Food & Personal Care Products											
Al-Shaher Corporation Limited	160,810	14,000	-	174,810	-	-	-	-	-	-	0.00%
Technology and Communication											
Systems Limited	84,806	94,600	-	8,472	170,934	13,640,829	17,301,939	3,661,110	2.39	1.42	0.15%
Automobile Assemblers											
Millat Tractors Limited	8,986	5,360	-	13,736	610	819,993	724,717	(95,276)	0.10	0.06	0.00%
Indus Motor Company Limited	13,006	4,800	-	13,796	4,010	7,146,103	5,700,055	(1,446,048)	0.79	0.47	0.00%
Pak Suzuki Motor Company Limited	18,130	-	-	18,150	-	7,956,096	6,424,772	(1,541,324)	0.89	0.53	0.00%
Engineering											
Mughal Iron & Steel Limited	118,242	369	-	118,611	-	-	-	-	-	-	-
International Steels Limited	104,321	122,100	-	18,299	208,122	25,781,808	21,166,007	(4,615,801)	2.92	1.73	0.00
Crescent Steel and Allied Product Limited	-	61,800	-	61,800	-	6,042,873	4,943,131	(1,099,742)	0.68	0.41	0.00
International Industries Limited	13,225	23,600	-	15,545	21,280	31,824,681	26,109,138	(5,715,543)	3.61	2.14	0.00
Automobile & Parts											
Thal Limited (Face value of Rs. 5 each)	10,679	8,800	-	148	19,331	11,003,933	9,231,132	(1,772,801)	1.28	0.76	0.02%
Paper and Board											
Cherat Packaging Company Limited	-	25,600	-	-	25,600	3,676,250	3,678,502	2,252	0.51	0.30	0.08%
Total as at 30 June 2018						609,059,527	538,637,404	(64,422,122)	74.40	44.15	
Total cost as at 30 June 2018						590,350,796					
Total as at 30 June 2017						656,628,460	679,385,644	22,737,185	61.01	55.39	
Total cost as at 30 June 2017						654,372,573					



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

	2018	2017	2018	2017
	----- (Number of shares) -----		----- (Rupees) -----	
D.G Khan Cement Company Limited	-	70,000	-	14,921,200
Engro Corporation Limited	20,000	20,000	6,277,200	6,518,200
Habib Bank Limited	50,000	50,000	8,322,000	13,457,000
The Hub Power Company Limited	100,000	-	9,216,000	-
	170,000	140,000	23,815,200	34,896,400

5.1.2 Finance act, 2014 had introduced tax on bonus shares issued by the companies. Most of the equity funds including the Fund have challenged the applicability of withholding tax provision on bonus shares before Honourable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. In the Fund's case, tax in the shape of 69 shares in case of The Searl Company Limited and 566 shares in the case of Pakistan State Oils Limited have been withheld by CDC. Market value of these shares as at 30 June 2018 amounted to Rs. 23,426 and Rs. 180,163 respectively, and are included in the Fund's investments in these financial statements.

5.2 Term Finance 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 year during the	Disposed / matured during the year	Holding as at 30 June 2018	Carrying value as of the year ended 30 June 2018 before revaluation	Market value as of the year ended 30 June 2018 (after revaluation)	Unrealised appreciation	Credit rating	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue
Note				----- Number of certificates -----		----- (Rupees) -----							
NRSP Microfinance Bank Limited	30-Jun-18	3 months KIBOR + base rate of 2.25%	10,000	-	-	10,000	-	-	-	-	0.00%	0.00%	0.00%
Silk Bank Limited	5.2.1 10-Aug-25	6 months KIBOR + 1.85%	-	8,000	-	8,000	39,996,000	35,377,022 (4,618,978)	-	A-	4.89%	2.90%	2.00%
			Total as at 30 June 2018				39,996,000	35,377,022 (4,618,978)			4.89%	2.90%	2.00%
			Total cost as at 30 June 2018				39,996,000						
			Total as at 30 June 2017				25,000,000	25,061,150	61,150				
			Total cost as at 30 June 2017				25,000,000						

5.2.1 This represents investments in Term Finance Certificates of Silk Bank Limited carrying an effective profit rate of 6 months Karachi Inter Bank Offered Rates (KIBOR) per annum plus 1.85% receivable semi-annually in arrears. The instrument is structured to redeem 0.14% of the issue amount during the first 7 years of issue while the remaining 99.86% in the last 2 equal semi annual instalments of 49.93% each from 10 February 2018 to 10 August 2025. These are secured by first pari passu charge on the bank's assets with 25% margin. Total face value of the individual investment is Rs. 5,000 (Rs. 40 million in total), whereas at the year end total face value of the principal amount was Rs. 39.99 million

5.3 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 year during the	Disposed / matured during the year	Holding as at 30 June 2018	Carrying value as of the year ended 30 June 2018 before revaluation	Market value as of the year ended 30 June 2018 (after revaluation)	Unrealised appreciation	Credit rating	Market value as % of total investments	Market value as % of net assets	Face value as % of size of the issue
Pak Elektron Limited	25 Nov 17	3 months KIBOR + 2.50%	20	-	20	-	-	-	-	-	0.00%	0.00%	0.00%
Dawood Hercules Corporation Limited	5.3.1 15-Nov-22	3 months KIBOR + 1.00%	-	110	-	110	11,000,000	11,022,000	22,000	AA-	1.52%	0.90%	1.83%
Dawood Hercules Corporation Limited	5.3.2 1-Mar-23	3 months KIBOR + 1.00%	-	390	-	390	39,000,000	39,025,194	25,194	AA-	5.39%	3.20%	6.50%
Total as at 30 June 2018							50,000,000	50,047,194	47,194		6.91%	4.10%	8.33%
Total Cost as at 30 June 2018							50,000,000						
Total as at 30 June 2017							20,000,000	20,140,120	140,120				
Total Cost as at 30 June 2017							20,000,000						

5.3.1 This represents investment in sukuk certificates of Dawood Hercules Corporation Limited carrying an effective profit rate of 3 months Karachi Inter-bank Offer Rate (KIBOR) per annum plus margin of 1.0% per annum receivable quarterly in arrears. The principal is redeemable in eight semi-annual instalments starting from the eighteenth (18th) month from the date of issue, i.e. from May 2019 to November 2022 in the six semi-annual instalments of Rs 1.1 million each and the last two semi-annual instalments on May 2022 and November 2022 at Rs. 2.2 million each. These sukuk certificates are secured by way of first pari passu charge against ordinary shares of Engro Corporation Limited with 50% margin and charge over all of the assets of investee company with a 25% margin.

5.3.2 This represents investment in sukuk certificates of Dawood Hercules Corporation Limited carrying an effective profit rate of 3 months Karachi Inter-bank Offer Rate (KIBOR) per annum plus margin of 1.0% per annum receivable quarterly in arrears. The principal is redeemable in eight semi-annual instalments starting from the eighteenth (18th) month from the date of issue, i.e. from September 2019 to March 2023 in the six semi-annual instalments of Rs 3.9 million each and the last two semi-annual instalments on September 2022 and March 2023 at Rs. 7.8 million each. These sukuk certificates are secured by way of first pari passu charge against ordinary shares of Engro Corporation Limited with 50% margin and charge over all of the assets of investee company with a 25% margin.

5.4 Government securities 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 year during the	Disposed / matured during the year	Holding as at 30 June 2018	Carrying value as of the year ended 30 June 2018 before revaluation	Market value as of the year ended 30 June 2018 (after revaluation)	Unrealised appreciation (diminution)	Market value as % of total investments (based on market value)	Market value as % of net assets (based on market value)
10 years Pakistan Investment Bond 5.4.1	31-May-28	6.85%	-	250,000	-	250,000	25,000,000	24,895,000	(105,000)	3.44%	2.04%
Total as at 30 June 2018							25,000,000	24,895,000	(105,000)	3.44%	2.04%
Total Cost as at 30 June 2018							25,000,000				
Total as at 30 June 2017							-	-	-		
Total Cost as at 30 June 2017							-	-	-		

5.4.1 This represents investments in 10 years Pakistan Investment Bond carrying an effective profit rate of 6.85% and having maturity on 31 May 2028. The face value of Pakistan Investment Bond as at 30 June 2018 amounted to Rs. 25 million



5.5 Term deposit receipts

Face Value		Maturity date	Coupon rate per annum	2018	2017
2018	2017			(Rupees)	
----- (Rupees) -----					
-	80,000,000	29-Sep-17	11.00%	-	80,000,000
-	70,000,000	25-Jul-17	6.80%	-	70,000,000
-	70,000,000	31-Jul-17	6.75%	-	70,000,000
-	53,928,768	29-Sep-17	11.49%	-	53,928,768
-	50,000,000	30-May-18	9.33%	-	50,000,000
-	25,000,000	12-Feb-18	9.60%	-	25,000,000
75,000,000	-	5-Sep-18	7.75%	75,000,000	-
75,000,000	348,928,768			75,000,000	348,928,768

6. MARKUP ACCRUED	Note	2018	2017
		(Rupees)	
Mark-up accrued on:			
- Term deposit receipt		700,686	2,819,004
- Profit and loss sharing accounts		1,010,109	505,359
- Term finance certificates & Sukuk certificates		1,633,653	182,167
- Government securities		145,048	-
		3,489,496	3,506,530

7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposit to:

- National Clearing Company of Pakistan Limited	2,500,000	2,500,000
- Central Depository Company of Pakistan Limited	100,000	100,000
Prepayments	47,780	43,920
Withholding tax recoverable	224,385	102,601
Other receivable	10,820	11,845
	2,882,985	2,758,366

8. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	8.1	1,353,686	1,384,768
Sindh Sales Tax on Management Company's remuneration	8.2	432,609	436,651
Federal Excise Duty on Management Company's remuneration	8.3	1,686,556	1,686,556
Sales load payable to the Management Company		2,480	2,480
		3,475,331	3,510,455

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 maximum of 2% of the average annual net assets of the Fund. Currently the effective rate of Management Company remuneration for the year end 30 June 2018 is 1.32% of 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. 256,629 (2017: Rs. 256,632) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 8.3 below. Had the provision on FED not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.02 (2017: Re. 0.02) per unit. This amount is payable to the 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. 1.686 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.14 (30 June 2017: Re. 0.15) per unit.

The amount is payable to the management company, if any, for onwards payment 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, which ever is higher.

Net assets exceeding Rs. 1 billion Rs 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

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

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 (Rupees)	2017
Payable to Sindh workers' welfare fund	11.1	3,612,862	3,612,862
Brokerage charges payable		63,045	731,863
Fee payable to National Clearing Company of Pakistan		515,631	260,311
Auditors' remuneration		178,099	232,099
Fee payable to Central Depository Company		4,567	580
Other liabilities		29,997	26,496
Capital gain tax payable on redemption		-	15,967,104
Withholding income tax payable		-	7,493,217
		4,404,201	28,324,532

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

Total provision for SWWF till 30 June 2018 is Rs. 3.61 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. 0.30 (30 June 2017: Re. 0.31) per unit.

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.

Pursuant to above and on recommendation of MUFAP the entire provision of Rs. 1.210 million against WWF held by the Fund till 30 June 2015, had been reversed on 12 January 2017.

12. TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, required that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2018 is 1.99% which includes 0.31% 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, except as those mentioned elsewhere in the financial statements.

14. NUMBER OF UNITS IN ISSUE

	Note	2018 (Number)	2017
Total outstanding as of 1 July		11,494,659	6,876,413
Issued during the year	14.1	1,007,336	17,262,564
Redemptions during the year	14.2	(376,170)	(12,644,319)
Total units in issue as of 30 June		<u>12,125,825</u>	<u>11,494,659</u>

14.1 Includes 0.096 million (2017: 0.378 million) units on the conversion of units from the related funds.

14.2 Includes 0.010 million (2017: 2.06 million) units on the conversion of units to the related funds.

15. AUDITORS' REMUNERATION

	2018 (Rupees)	2017
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	46,490	44,600
Fee for the review of statement of compliance with the best practices of Code of Corporate Governance	-	25,000
	<u>266,490</u>	<u>304,600</u>



16. INTERIM DISTRIBUTIONS DURING THE YEAR

	Distribution per unit (Rupees) 2018	Cash
Cash distribution	-	-
	2017	
Cash distribution on 22 June 2017	13.2631	65,510,232

17. TAXATION

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

18. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

**Lakson Investments Limited - Management
Company of the Fund**

	2018	2017
	(Rupees)	
Remuneration payable (including the Sindh Sales Tax and Federal Excise Duty amounting to Rs. 2.12 million (2017: Rs. 2.12 million) *	3,472,851	3,507,975
Sales load payable	2,480	2,480

**Central Depository Company of Pakistan
Limited - Trustee of the Fund**

Remuneration payable (including Sindh Sales Tax of Rs. 23,821 (2017: Rs. 25,207)*)	207,078	219,129
Security deposit	100,000	100,000
Settlement charges payable	4,567	580

	2018	2017
	(Rupees)	
Habib Bank AG Zurich - Custodian		
Bank Deposits	<u>635,477</u>	<u>548,427</u>
18.2 Details of transaction with related parties / connected persons at the year end		
Lakson Investments Limited - Management Company of the Fund		
Remuneration for the year	<u>16,040,296</u>	<u>19,174,727</u>
Sindh sales tax on remuneration of Management Company *	<u>2,085,238</u>	<u>2,492,715</u>
* Sales tax is paid / payable to the management company / Trustee for onwards payment to the Government.		
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year (including Sindh Sales Tax of Rs. 287,493 (2017: Rs. 312,042))*	<u>2,498,978</u>	<u>2,712,365</u>
CDS charges for the year	<u>53,996</u>	<u>85,866</u>
Directors, Chief Executive and their spouse and minors		
Dividend paid	<u>-</u>	<u>859,870</u>
Other key management personnel		
Dividend paid	<u>-</u>	<u>136,618</u>
SIZA Services (Private) Limited Employees Contributory Provident Fund Trust		
Dividend paid	<u>-</u>	<u>541,130</u>
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund		
Dividend paid	<u>-</u>	<u>8,417,587</u>
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust		
Dividend paid	<u>-</u>	<u>3,504,646</u>
Century Paper & Board Mills Limited Employees Gratuity Fund		
Dividend paid	<u>-</u>	<u>8,002,469</u>
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust		
Dividend paid	<u>-</u>	<u>8,635,526</u>



	2018	2017
	(Rupees)	
Century Insurance Company Limited		
Dividend paid	-	25,156,614
	<u> </u>	<u> </u>
Century Insurance Company Limited Employees Contributory Provident Fund Trust		
Dividend paid	-	-
	<u> </u>	<u> </u>
Merit Packaging Limited Employees Gratuity Fund		
Dividend paid	-	104,241
	<u> </u>	<u> </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							
	Number of Units as at July 01, 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	Balance at the year ended 30 June 2018 (Investment at current NAV)
Directors, Chief Executive and their spouse and minors	72,276	124,906	52,406	144,776	7,711,112	12,510,000	5,300,000	14,567,578
Other key management personnel	17,995	589	3,973	14,611	1,919,883	60,000	416,496	1,470,181
Lakson Investments Limited - Management Company	1,142,709	357,679	-	1,500,388	121,915,430	35,000,000	-	150,971,291
Associated companies / undertakings of the Management Company								
Lakson Business Solutions Limited Employees Contributory Provident Fund Trust	5,258	-	-	5,258	560,957	-	-	529,068
Princeton Travels (Private) Limited Employees Contributory Provident Fund Trust	21,343	-	-	21,343	2,277,113	-	-	2,147,565
Lakson Investments Limited Employees Contributory Provident Fund Trust	2,838	-	-	2,838	302,733	-	-	285,564
Tetley Clover (Private) Limited Employees Contributory Provident Fund Trust	9,565	-	9,565	-	1,020,525	-	940,349	-
Century Insurance Company Limited Employees Contributory Provident Fund Trust	64,630	-	-	64,630	6,895,324	-	-	6,503,168
GAMI Corporation (Private) Limited Employees Contributory Provident Fund Trust	210,746	-	-	210,746	22,484,405	-	-	21,205,579
SIZA Foods (Private) Limited Employees Contributory Provident Fund Trust	152,205	-	-	152,205	16,238,737	-	-	15,315,095
Hasanali Karabhai Foundation Employees Contributory Provident Fund Trust	30,824	-	-	30,824	3,288,626	-	-	3,101,557
Colgate Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust	1,217,641	-	-	1,217,641	129,909,895	-	-	122,520,864
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund SIZA Services (Private) Limited Employees Contributory Provident Fund Trust	715,637	-	-	715,637	76,351,217	-	-	72,008,468
Cyber Internet Services (Private) Limited Employees Contributory Provident Fund Trust	46,005	-	-	46,005	4,908,286	-	-	4,629,092
Ment Packaging Limited Employees Contributory Provident Fund Trust	297,954	-	-	297,954	31,788,676	-	-	29,980,578
Ment Packaging Limited Employees Gratuity Fund	61,819	-	-	61,819	6,595,426	-	-	6,220,321
Century Paper & Board Mills Limited Employees Contributory Provident Fund Trust	24,353	-	-	24,353	2,598,151	-	-	2,450,435
Century Paper & Board Mills Limited Employees Gratuity Fund Clover Pakistan Limited Employees Contributory Provident Fund Trust	651,094	-	-	651,094	69,465,098	-	-	65,514,055
Century Insurance Company Limited Premier Fashions (Private) Limited Siza Commodities (Private) Limited Syzid (Private) Limited Employees Contributory Provident Fund Trust	603,363	-	-	603,363	64,372,717	-	-	60,711,290
Century Insurance Company Limited Premier Fashions (Private) Limited Siza Commodities (Private) Limited Syzid (Private) Limited Employees Contributory Provident Fund Trust	19,488	-	19,488	-	2,079,161	-	1,977,417	-
Century Insurance Company Limited Premier Fashions (Private) Limited Siza Commodities (Private) Limited Syzid (Private) Limited Employees Contributory Provident Fund Trust	2,078,238	-	-	2,078,238	221,726,783	-	-	209,115,425
Century Insurance Company Limited Premier Fashions (Private) Limited Siza Commodities (Private) Limited Syzid (Private) Limited Employees Contributory Provident Fund Trust	975,107	-	-	975,107	104,033,961	-	-	98,116,729
Century Insurance Company Limited Premier Fashions (Private) Limited Siza Commodities (Private) Limited Syzid (Private) Limited Employees Contributory Provident Fund Trust	1,062,202	-	-	1,062,202	113,326,121	-	-	106,880,359
Century Insurance Company Limited Gratuity Fund	63,224	-	-	63,224	6,745,322	-	-	6,361,694
Century Insurance Company Limited Gratuity Fund	40,390	-	-	40,390	4,309,234	-	-	4,064,102
Siza Private Limited	418,428	-	-	418,428	44,642,016	-	-	42,102,853

	Year ended June 30, 2017				Rupees			
	Number of Units as at July 01, 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)
Directors, Chief Executive and their spouse and minors	-	72,276	-	72,276	-	8,273,883	-	7,711,112
Other key management personnel	-	17,995	-	17,995	-	1,925,000	-	1,919,883
Lakson Investments Limited - Management Company	1,072,161	1,142,709	1,072,161	1,142,709	110,030,201	122,000,000	125,233,133	121,915,430
Associated companies / undertakings of the Management Company								
Lakson Business Solutions Limited Employees	4,805	5,258	4,805	5,258	493,112	561,346	561,280	560,957
Contributory Provident Fund Trust	-	-	-	-	-	-	-	-
Princeton Travels (Private) Limited Employees	19,488	21,362	19,506	21,344	1,999,950	2,280,850	2,278,424	2,277,153
Contributory Provident Fund Trust	-	-	-	-	-	-	-	-
Lakson Investments Limited Employees Contributory	2,587	2,844	2,593	2,838	265,490	303,653	302,908	302,755
Provident Fund Trust	-	-	-	-	-	-	-	-
Tieley Clover (Private) Limited Employees Contributory	8,742	9,566	8,743	9,565	897,145	1,021,316	1,021,195	1,020,525
Provident Fund Trust	-	-	-	-	-	-	-	-
Century Insurance Company Limited Employees	58,844	64,629	58,843	64,630	6,038,848	6,900,000	6,873,164	6,895,323
Contributory Provident Fund Trust	-	-	-	-	-	-	-	-
GAM Corporation (Private) Limited Employees	193,400	210,746	193,399	210,746	19,847,617	22,500,000	22,589,905	22,484,465
Contributory Provident Fund Trust	-	-	-	-	-	-	-	-
SIZA Foods (Private) Limited Employees Contributory	139,177	152,205	139,177	152,205	14,282,998	16,250,000	16,256,452	16,238,768
Provident Fund Trust	-	-	-	-	-	-	-	-
Hasanali Karabhai Foundation Employees Contributory	-	-	-	-	-	-	-	-
Provident Fund Trust	28,172	30,824	28,171	30,825	2,891,143	3,290,907	3,290,519	3,288,713
Colgate Palmolive (Pakistan) Limited Employees	1,102,653	1,217,641	1,102,652	1,217,642	113,159,433	130,000,000	128,794,574	129,910,029
Contributory Provident Fund Trust	634,662	80,975	-	715,637	65,131,997	8,417,587	-	76,551,203
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	-	-	-	-	-	-	-	-
SIZA Services (Private) Limited Employees Contributory	40,799	5,206	-	46,005	4,186,985	541,130	-	4,908,216
Provident Fund Trust	-	-	-	-	-	-	-	-
Cyber Internet Services (Private) Limited Employees	264,240	33,714	-	297,954	27,117,551	3,504,646	-	31,788,643
Contributory Provident Fund Trust	-	-	-	-	-	-	-	-
Merit Packaging Limited Employees Contributory	56,673	61,819	56,673	61,819	5,816,050	6,600,000	6,619,671	6,595,411
Provident Fund Trust	22,176	24,353	22,176	24,352	2,275,805	2,600,000	2,590,306	2,598,151
Merit Packaging Limited Employees Gratuity Fund	-	-	-	-	-	-	-	-
Century Paper & Board Mills Limited Employees	144,657	589,509	83,072	651,094	14,846,381	61,632,526	8,886,303	69,465,089
Contributory Provident Fund Trust	472,292	602,530	76,982	997,840	48,468,825	63,002,469	8,234,862	106,459,333
Century Paper & Board Mills Limited Employees Gratuity Fund	-	-	-	-	-	-	-	-
Clover Pakistan Limited Employees Contributory	17,811	19,488	17,811	19,488	1,827,849	2,080,603	2,080,358	2,079,203
Provident Fund Trust	1,935,558	2,078,238	1,935,558	2,078,238	198,636,959	235,867,460	220,661,005	221,726,770
Century Insurance Company Limited	238,739	1,655,101	918,734	975,107	24,500,518	174,106,119	107,312,118	104,033,965
Premier Fashions (Private) Limited	223,627	1,839,339	1,000,764	1,062,202	22,949,654	193,404,725	116,893,613	113,326,107
Siza Commodities (Private) Limited	-	-	-	-	-	-	-	-
Hybrid (Private) Limited Employees Contributory	66,550	63,224	66,550	63,224	6,829,674	6,750,000	7,754,928	6,745,340
Provident Fund Trust	144,828	40,390	36,914	3,476	4,312,223	4,311,714	370,857	370,857
Century Insurance Company Limited EGF	-	418,428	394,476	23,953	-	44,672,979	46,076,484	2,555,494

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)	585,634,782	585,634,782	490,050,420	490,050,420
Investments (including profit due but excluding TDRs)	650,735,319	87,057,867	764,749,081	85,383,437
Dividend receivable	935,474	935,474	2,200,979	2,200,979
Deposits and other receivable	2,610,820	2,610,820	2,611,845	2,611,845
Receivable against sale of investments	1,559,370	1,559,370	-	-
	1,241,475,765	677,798,313	1,259,612,325	580,246,681

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. 538.64 million and government securities of Rs.24.89 million (2017: equity shares of Rs. 679.36 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)		(%)	
AAA	185,557	2,942,506	0.03	0.60
AA+	24,169,929	146,650,100	4.13	29.93
AA	137,577	120,140,831	0.02	24.52
AA-	337,104,895	22,578,519	57.56	4.61
A+	-	123,950,181	0.00	25.29
A	-	73,239,856	0.00	14.95
A-	126,418,489	-	21.59	-
Other*	97,618,335	548,427	16.67	0.10
Total balance including profit due	585,634,782	490,050,420	100.00	100.00

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

* This includes balance in Habib Bank AG Zurich Switzerland and other microfinance banks. Rating of these banks are not available, however, the management considers that these are reputable banks 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)	524,567,769	77.41	530,050,420	91.35
Micro Finance Bank	97,722,701	14.42	25,068,555	4.32
Fertilizers	50,402,179	7.44	20,314,882	3.50
National Clearing Company of Pakistan Limited	4,070,190	0.60	2,511,845	0.43
Oil and Gas Marketing Companies - Dividend receivable	700,510	0.10	-	-
Fertilizers - Dividend receivable	234,964	0.03	-	-
Central Depository Company of Pakistan Limited	100,000	0.01	100,000	0.02
Oil and Gas Marketing Companies - Dividend receivable	-	-	860,665	0.15
Fertilizers sector - Dividend receivable	-	-	558,865	0.10
Engineering sector - Dividend receivable	-	-	367,815	0.06
Power generation - Dividend receivable	-	-	413,634	0.07
	677,798,313	100.01	580,246,681	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 a level below ten percent of the units then in issue.

Maturity analysis for financial liabilities

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

	2018	
	Contractual cash flows	
	Carrying amount	Less than 3 month
	----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)		
Payable to the Management Company *	1,356,166	1,356,166
Remuneration payable to the Trustee	207,078	207,078
Accrued expenses and other liabilities *	791,339	791,339
Payable against redemption of units	1,500,000	1,500,000
Payable against purchase of investments	10,890,683	10,890,683
	<u>14,745,266</u>	<u>14,745,266</u>
 Unit holders' fund	 <u>1,220,119,726</u>	 <u>1,220,119,726</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 *	1,387,248	1,387,248
Remuneration payable to the Trustee	219,129	219,129
Accrued expenses and other liabilities *	1,251,349	1,251,349
	<u>2,857,726</u>	<u>2,857,726</u>
 Unit holders' fund	 <u>1,226,363,614</u>	 <u>1,226,363,614</u>

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

Above financial liabilities do not carry any mark-up.

19.3 Market risk

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

Management of market risks

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

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

Currency risk

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

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

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

	2018	
	(Rupees)	(USD)
Financial Assets		
Bank balance	635,477	5,230
On balance sheet gap in foreign currency exposure	<u>635,477</u>	<u>5,230</u>

	2017	
	(Rupees)	(USD)
Financial Assets		
Bank balance	548,427	5,230
On balance sheet gap in foreign currency exposure	548,427	5,230

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. 32,301 (2017: Rs. 27,421). 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:

	2018	2017
	(Rupees)	
Variable-rate instrument		
Financial assets (bank balances)	508,279,836	137,232,705
Investment in Term Finance Certificates	35,377,020	25,061,150
Investment in Sukuk Certificates	50,047,194	20,140,120
Investment in Government Securities	24,895,000	-
	618,599,050	182,433,975

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. 6.19 million (2017: Rs. 1.82 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

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

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

	2018	2017
	(Rupees)	
Fixed rate instruments		
Term Deposit Receipts	75,000,000	348,928,768



Fair value sensitivity analysis for fixed rate instruments

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

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

June 30, 2018				
Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total
	No later than one year	Between two months to one year		
Note	----- Rupees -----			
Financial assets				
Investments				
- Listed equity securities		-	538,637,404	538,637,404
- Term Finance Certificates	5.2	35,377,020	1,279,302	36,656,322
- Sukuk certificates	5.3	50,047,194	354,351	50,401,545
- Government Securities	5.4	24,895,000	145,048	25,040,048
- Term deposit receipt	5.5	75,000,000	700,686	75,700,686
Bank Balances (including profit due)	4.1	508,279,836	1,654,260	509,934,096
Dividend receivable		-	935,474	935,474
Deposits and other receivable		-	2,610,820	2,610,820
Receivable against sale of investments		-	1,559,370	1,559,370
		<u>508,279,836</u>	<u>185,319,214</u>	<u>547,876,715</u>
			<u>1,241,475,765</u>	

June 30, 2017				
Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total
	No later than one year	Between two months to one year		
Note	----- Rupees -----			
Financial assets				
Investments				
- Listed equity securities		-	679,365,644	679,365,644
- Term Finance Certificates	5.2	25,061,150	7,405	25,068,555
- Sukuk certificates	5.3	20,140,120	174,762	20,314,882
- Term deposit receipt	5.6	140,000,000	2,819,004	351,747,772
- Advance for Investment in Term Finance Certificate	5.5	-	40,000,000	40,000,000
Bank Balances (including profit due)	4.1	137,232,705	1,069,943	138,302,648
Dividend receivable		-	2,200,979	2,200,979
Deposits and other receivable		-	2,611,845	2,611,845
		<u>277,232,705</u>	<u>254,130,038</u>	<u>728,249,582</u>
			<u>1,259,612,325</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. 32,447,831 (2017: Rs. 38,228,346).

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							
		Carrying amount				Fair Value			
		Held for trading investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments		(Rupees)							
	Note								
Financial assets measured at fair value									
Investment in listed equity securities	5	538,637,404	-	-	538,637,404	538,637,404	-	-	538,637,404
Term finance certificates	5	35,377,020	-	-	35,377,020	-	35,377,020	-	35,377,020
Sukuk certificates	5	50,047,194	-	-	50,047,194	-	50,047,194	-	50,047,194
Government Securities	5	24,895,000	-	-	24,895,000	-	24,895,000	-	24,895,000
		648,956,618	-	-	648,956,618	538,637,404	110,319,214	-	648,956,618
Financial assets not measured at fair value									
Term deposit receipt	5	-	75,000,000	-	75,000,000	-	-	-	-
Bank balances	4	-	508,923,987	-	508,923,987	-	-	-	-
Dividend receivable		-	935,474	-	935,474	-	-	-	-
Mark-up accrued	6	-	3,489,496	-	3,489,496	-	-	-	-
Deposits and other receivables	7	-	2,610,820	-	2,610,820	-	-	-	-
Receivable against sale of investments		-	1,559,370	-	1,559,370	-	-	-	-
		-	592,519,147	-	592,519,147	-	-	-	-
Financial liabilities not measured at fair value									
Remuneration payable to the Management Company	8	-	-	1,356,166	1,356,166	-	-	-	-
Remuneration payable to the Trustee	9	-	-	207,078	207,078	-	-	-	-
Accrued expenses and other liabilities	11	-	-	791,339	791,339	-	-	-	-
Payable against redemption of units		-	-	1,500,000	1,500,000	-	-	-	-
Payable against purchase of investments		-	-	10,890,683	10,890,683	-	-	-	-
		-	-	2,354,583	2,354,583	-	-	-	-



21.1 Unit holding pattern of the Fund

Category	June 30, 2018		
	No. of Investors	Investment amount (Rupees)	% of total asset
Individuals	17	111,826,051	9.17
Associated Companies and Directors	23	894,332,337	73.30
NBFC's (Management Company)	1	150,971,381	12.37
Retirement Funds	2	35,617,982	2.92
Other Corporates	1	27,371,975	2.24
Total	44	1,220,119,726	100.00

Category	June 30, 2017		
	No. of Investors	Investment amount (Rupees)	% of total asset
Individuals	19	94,105,105	7.67
Associated Companies and Directors	24	943,631,653	76.95
NBFC's (Management Company)	1	121,916,185	9.94
Retirement Funds	2	37,766,017	3.08
Other Corporates	1	28,944,653	2.36
Total	47	1,226,363,614	100.00

21.2 List of top 10 brokers by percentage of commission paid

Name of Broker	Commission paid (Percentage %) 2018
Inter Market Securities Limited	11.47%
BMA Capital Management Limited	9.94%
Topline Securities Limited	9.55%
Alfalah Securities (Private) Limited	8.03%
Ismail Iqbal Securities (Private) Limited	7.54%
Arif Habib Limited	7.50%
Elixir Securities Limited	6.97%
AKD Securities Limited	6.84%
Insight Securities (Private) Limited	6.66%
Foundation Securities Limited	6.38%
	2017
Inter Market Securities Limited	15.12%
Alfalah Securities (Private) Limited	12.20%
Ismail Iqbal Securities (Private) Limited	11.09%
AKD Securities Limited	10.89%
BMA Capital Management Limited	9.42%
NEXT Capital Limited	9.06%
Elixir Securities Pakistan (Private) Limited	7.42%
Insight Securities (Private) Limited	7.31%
JS Global Securities Limited	4.22%
Topline Securities Limited	4.11%



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. 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 Sukkuks. He is also managing the following funds:

- Lakson Equity Fund
- Lakson Islamic 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 1st 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
Net Assets - Beginning (PKR Mil.)	1,226	706	186	354	276	374
Net Assets - Ending (PKR Mil.)	1,220	1,226	706	186	354	276
Net Asset value per share	100.6215	106.6898	102.6247	103.9714	100.1987	103.7427
Selling Price for units	103.1371	109.3571	105.1904	106.5707	102.7037	106.3362
Repurchase Price for units	100.6215	106.6898	102.6247	103.9714	100.1987	103.7427
Highest Offer Price (PKR)	110.2289	128.0525	114.5475	112.6349	107.1807	108.3975
Lowest Offer Price (PKR)	96.0606	105.2030	102.9788	102.7041	102.5416	103.0715
Highest Redemption Price (PKR)	107.5403	124.9292	111.7536	109.9605	104.5665	105.7536
Lowest Redemption Price (PKR)	93.7176	102.6370	100.4671	100.1991	100.0405	100.5575
Beginning NAV - Ex-Div. (PKR)	106.6898	102.6247	104.0714	108.9264	100.1871	100.2923
Interim Distributions (PKR)	Nil	13.2631	8.3311	5.0976	-	-
Final Distribution (PKR)	Nil	-	-	-	4.2376	3.5556
Ending NAV - Ex-Div. (PKR)	100.6215	103.9525	100.9256	103.8288	100.131	100.1871
Return	-5.70%	17.23%	6.85%	8.86%	4.24%	3.44%
Net Income / (loss) (PKR Mil.)	(67)	124	38	15	14	9
Income Distribution	Nil	66	27	9	23	20
Accumulated Capital Growth	9	76	18	7	1	10
Average Annual return of the Fund						
One Year	-5.69%	-5.70%	6.85%	8.86%	4.24%	3.45%
Two year	10.56%	5.28%	8.15%	6.74%	3.92%	-
Three year	18.13%	6.04%	5.69%	5.69%	-	-
Since inception	46.37%	6.89%	6.85%	6.42%	5.19%	5.51%
Distributions	FY18	FY17	FY16	FY15	FY14	FY13
Interim Distribution	Nil	13.2631	8.3311	5.0976	4.2376	-
Final Distribution	Nil	-	-	-	-	3.5556
NAV before Distribution	Nil	117.2156	109.2567	108.9264	104.3686	103.7427
NAV after Distribution	Nil	103.9525	100.9256	103.8288	100.1310	100.1871
Distribution Date	Nil	22-Jun-17	27-Jun-16	25-Jun-15	24-Jun-14	08-Jul-13

Disclaimer

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

Summary of Actual Proxy voted by CIS:

	Resolutions	For	Against	Abstain*
Number	4	4	-	-
(%ages)		100%	-	-

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



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