

LAKSON ASSET ALLOCATION DEVELOPED MARKETS FUND  
Quarterly Report (September 30, 2018)



**LAKSON INVESTMENTS**  
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN





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## 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

### Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman  
Mr. Babar Ali Lakhani - Chief Executive Officer  
Mr. Jamil Ahmed Mughal  
Mr. Mahomed J. Jaffer  
Mr. Amin Mohammed Lakhani  
Mr. Jacques John Visser  
Mr. Daniel Scott Smaller  
Mr. Zahid Zakiuddin

### 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

### Human Resource and Remuneration Committee

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

### Trustee

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

### Auditors

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

### Bankers to the Fund

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



**Legal Adviser**

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

**Registrar**

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

**Distributor**

Rabia Fida

**Rating**

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



## **Review Report of the Directors of the Management Company For the quarter ended September 30, 2018**

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Asset Allocation Developed Markets Fund ("LAADMF") is pleased to submit its review report together with Condensed Interim Financial Information for the period ended September 30, 2018

### **Fund Objective**

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

### **Principal activities**

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

### **Fund performance**

The LAADMF provided a return of 4.1% in 1QFY19, outpacing return of 2.0% for the previous year. The fund's benchmark during the period was 3.6%, causing the fund to outperform by 50bps.

### **Earning per Unit (EPU)**

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

### **Economic Review**

Growth appeared to slow in the starting of FY19, with Large Scale Manufacturing Index up only 0.50% YoY in July. As mentioned by the State Bank in its latest monetary policy statement, there are high chances that growth target will be missed due to monetary and fiscal measures that need to be taken to get the economy back on track. These measures include further monetary tightening, PKR devaluation, and gas and electricity tariff hike. Due to these measures SBP is now expecting GDP to grow by only 5.0% in FY19 compared with 5.8% in FY18.

Inflation averaged 5.60% in 1QFY19 compared with 4.36% in 4QFY18 and 3.39% in 1QFY18. The rise in inflation was partly attributable to the surge in international crude oil prices ahead of sanctions on Iran. Inflationary pressures were also attributable to PKR devaluation and the resultant imported inflation. PKR depreciated by only 2.3% during 1QFY19, but had previously depreciated by 15.16% from December 2017 to June 2018. After the end of 1QFY19 the government raised gas tariffs, which will further propel inflation.

Problems in the external position continued in 1QFY19, with foreign exchange currency reserves down to USD 14.9bn from USD 16.4bn at the end of June 2018. However, the current account deficit showed remarkable improvement with the deficit recorded at only USD 600m in August 2018 versus USD 2.1bn in July 2018. Reason for the month-on-month improvement was a decline in imports, especially machinery imports. For the first two months of FY19, current account deficit was recorded at USD 2.7bn as against USD 2.5bn in 2MFY18.

In light of the inflation outlook and external position crisis, SBP increased its policy rate by 200bps during the quarter.



### **Fixed Income Market Review**

SBP raised its policy rate by a cumulative 200bps in 1QFY19 (100bps in July and 100bps at the end of Sep'18) to 8.5% (Discount Rate is now 9.0%). Although non-oil imports began to respond to contractionary measures in the outgoing quarter, unprecedented rise in oil prices masked this improvement. Weak external position and inflationary threats therefore called for further monetary tightening. The PKR devalued by 2.2% in 1QFY19 (15.9% in FY18) against the USD. This sparked inflationary pressures, with core inflation (NFNE) rising to 7.8% in 1QFY19 (vs. 5.5% in SPLY). General inflation rose to 5.6% 1QFY19 compared to 3.5% in 1QFY18, and is expected to keep on rising.

Participation in PIB auctions during 1QFY19 remained weak amid rising interest rates (100bps in Jul'18) and expectation of further hikes down the road. Participation was limited to 5-year tenor PIBs while SBP was unable to get acceptable bids in the remaining tenors. The push in yields was frontloaded to the < 1 year tenor instruments during 1QFY19. For less than 1 year tenor, yields rose in the range of 60bps-152bps. For 1 to 8 year instruments, yields rose in the range of 70-142bps, while for instruments with longer tenors (9-30 years), yields rose in the range of 25-102bps. Weighted average yields for 3-YR, 5-YR and 10-YR tenors climbed to 9.27%, 9.54% and 10.05% by Sep'18. This reflects market expectation of high inflation and an even higher exchange rate, ahead of entry into a fresh IMF program and the accompanying prerequisites that follow. Upward pressure on crude oil price is mostly short term (Iran and Venezuela's issues), while downward pressure, on the back of slowing global economic growth, is medium-term.

Broad Money (M2) growth decelerated to 10.7%yoy in 1QFY19, vs. 12.7%yoy in 1QFY18. The slowdown was mostly due to a decline in net foreign assets of the banking system (Sep'18-end monetary impact down PKR 151bn). This was partially compensated by rise in Government's borrowing for budgetary support (up PKR 116bn) and increment in private sector credit (up PKR 123bn). Private sector credit picked up due to improved availability of energy and higher working capital needs due to capacity additions in the last three years. However, rising interest rates and a slowing economy may now lead to a deceleration in the pace of credit offtake.

### **Developed Markets Review**

MSCI's Europe, Australasia and Far East Index closed almost flat in 1QFY19 after two negative quarters. The Index posted returns of 0.8% during the quarter. USA and Japan were two of the best performers within developed markets, while other countries like UK lagged behind.

USA's equities were among the best performers in the quarter mainly because of strong economic growth. Data released in the quarter showed that the country's economy expanded by 4.1% in 4QFY18, which is the best pace in nearly four years. Further, the Federal Open Market Committee has increased its projection of economic growth in 2018 to 3.1%, compared to its projection of 2.8% made in June. Sentiments in the market were also helped by reaching of a trade deal between USA and Mexico, which was later joined by Canada. This trade deal will replace NAFTA. The rally in USA's equities was also attributable to strong corporate earnings growth, which in turn was attributable to tax cuts. However, big technology companies did not have a good earnings season as Facebook and Netflix disappointed investors by their earnings reports and Twitter worried investors due to its effort to improve the health of its platform. The S&P 500 Index rose by 7.2% during the quarter.

Japan's Nikkei 225 Index was also a top performer among developed markets as re-election of Prime Minister Abe to another three year term as leader of Japan's ruling party boosted sentiments. Investors welcomed the policy continuity and stability his re-election will bring. Trade dispute USA and China and scandals related to Abe before his re-election held the market back during some parts of the quarter. The Nikkei 225 Index rose by 8.1% during 1QFY18.

UK's FTSE-100 Index retreated by 1.7% in 1QFY19 as nerves were frayed due to prospects of a "No-deal Brexit". The country has been trying to broker a deal before March 2019, when its exit from European Union will start. The rout was also partly attributable to anxiety over merging markets, Turkey and Russia. Turkey's inflation and currency crisis and Russia's Rouble slide pressurized UK's exporters towards the middle of the quarter.



### **Future Outlook**

Tough measures suggested by IMF are likely to hit economic growth in FY19. In the case of PKR devaluation and gas and electricity tariff hike, they will also result in inflationary pressures, leading to further monetary tightening. Consequently, further policy rate hike is likely in the coming months.

Since the end of the fiscal year the central bank has already increased the policy rate by a further 200bps since Jun'18. Nevertheless, we note that Pakistan now appears ahead of the region on monetary tightening - Pakistan's 275bps increase in interest rates this year (CYTD) is far quicker than peers (next quickest is Indonesia with a 150bps increase). Moreover, the PKR has weakened to a record low, ahead of entry into the IMF program. Given that these two factors are key checkpoints for foreign investors in particular, the Pakistan market may find grounds to attract foreign inflows ahead of peer markets.

Trade war and its implications on global economic growth will affect developed markets in the coming months. Hike in commodity prices, and prospects of further monetary tightening may also restrain developed market equities in the future.

LAADMF will be cautious of its largest exposure in foreign markets, recalibrating as the terrain in the global markets keep changing. On the local front, active management of government papers in various tenures will create option to contribute positively to the NAV, whilst reducing M2M impacts as interest rates continue to rise. Further devaluation in currencies will prove to be beneficial for the bottom line.

### **Acknowledgement**

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: October 13, 2018**



لیکسن ایسٹ ایلیوکیشن ڈیویلیڈ مارکیٹس فنڈ  
30 ستمبر 2018ء کو ختم ہونے والی مدت کے لیے  
میٹجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکن ایسٹ ایلیوکیشن ڈیویلیڈ مارکیٹس فنڈ ("LAADMF" یا فنڈ) کی میٹجمنٹ کمپنی، 30 ستمبر 2018ء کو ختم ہونے والی مدت کے لیے اپنی جائزہ رپورٹ مع مختصر عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

فنڈ کا مقصد

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

نمایاں سرگرمیاں

LAADMF ایک اوپن اینڈ ایسٹ ایلیوکیشن اسکیم ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لحد ہے۔ اسکیم کو انویسٹمنٹ میٹجمنٹ کے ایک فعال انداز کو اختیار کرتے ہوئے چلایا جائے گا جس میں بڑے حوالے جیسے حکومتی پالیسیوں، گلوبل اکنامک ڈیٹا، کموڈٹیز کی قیمتیں اور سپلائی / ڈیمانڈ اکنامکس کے تجزیوں کو پیش نظر رکھا جائے گا۔ اس اسکیم سے ڈومیسٹک گورنمنٹ سیکورٹیز اور ایسی ڈیویلیڈ مارکیٹس سیکورٹیز کے درمیان تبدیلیوں کے ساتھ سرمایہ کاری کی جاتی ہے، جس کا ڈیویلیڈ مارکیٹس کی سرمایہ کاری کے منظر نامے اور اپنی انویسٹمنٹس ٹیم کی پیشگوئیوں پر انحصار ہوتا ہے۔ یہ اسکیم ڈیویلیڈ مارکیٹس کی سرمایہ کاری سے متعلق بیچ مارک MSCI World Index کے حوالے سے متعلق ممالک کو اور وہ بہت یا اندر رہت کر سکتی ہے۔ اسکیم کی سرمایہ کاری کو فیکٹس ڈیٹا سیکورٹیز میں اس کی مدت اور yield curve میٹجمنٹ کے ذریعے مختلف میچورٹیز اور حکومتی سیکورٹیز کے درمیان منتقل کرتے ہوئے منظم کیا جائے گا۔

فنڈ کی کارکردگی کا جائزہ

LAADMF نے مالی سال 2019ء کی پہلی سہ ماہی کے دوران 4.1% منافع فراہم کیا، اور اس طرح گزشتہ سال کے 2.0% منافع کو پیچھے چھوڑ دیا۔ اس مدت کے دوران فنڈ کا بیچ مارک 3.6% تھا، لہذا فنڈ نے بیچ مارک کے مقابلے میں 50 بنیادی پوائنٹس بہتر کارکردگی کا مظاہرہ کیا۔

نی یونٹ آمدنی (EPU)

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

معاشی جائزہ

مالی سال 2019ء کے آغاز میں منو کی رفتار درست دکھائی دے رہی ہے، جیسا کہ لارنج اسکیل میں میڈیو فیکچرنگ اٹنڈیکس جولائی میں سال بہ سال بنیاد پر صرف



0.50% بڑھا۔ جیسا کہ اسٹیٹ بینک نے اپنی تاثر میں مانیٹری پالیسی اسٹیٹمنٹ میں ذکر کیا، معیشت کو دوبارہ ٹریک پر لانے کے لیے کیے جانے والے خزانہ جاتی اور مالیاتی اقدامات کی وجہ سے نمونہ ہدف حاصل نہیں کیا جاسکے گا۔ ان اقدامات میں مزید مالیاتی سختی، پاکستانی روپے کی قدر میں کمی، اوور سیس اور بجلی کے نرخوں میں اضافہ شامل ہے۔ ان اقدامات کے نتیجے میں اسٹیٹ بینک آف پاکستان GDP میں مالی سال 2018 میں 5.8% کے مقابلے میں مالی سال 2019 میں صرف 5.0% تک نمونہ توقع رکھتا ہے۔

مالی سال 2018 کی چوتھی سہ ماہی میں 4.36% اور مالی سال 2018 کی پہلی سہ ماہی میں 3.39% کے مقابلے میں مالی سال 2019 کی پہلی سہ ماہی میں افراط زر کی اوسط شرح 5.60% رہی۔ افراط زر میں اضافہ جزوی طور پر ایران پر پابندیوں سے پہلے تیل کی بین الاقوامی قیمتوں میں تیزی کا نتیجہ تھا۔ افراط زر کے باوجود جزوی طور پر پاکستانی روپے کی قدر میں کمی اور اس کے نتیجے میں درآمداتی افراط زر کے بھی نتیجے تھے۔ مالی سال 2019 کی پہلی سہ ماہی کے دوران پاکستانی روپے کی قدر میں صرف 2.3% کی ہونے لگی۔ لیکن دسمبر 2017 سے جون 2018 تک قدر میں پہلے ہی 15.16% کمی ہو چکی تھی۔ مالی سال 2019 کی پہلی سہ ماہی کے اختتام کے بعد حکومت نے گیس کے نرخ بڑھادیے جس سے افراط زر کو مزید بڑھا دیا گیا۔

بیرونی محاذ پر مسائل مالی سال 2019 کی پہلی سہ ماہی میں بھی جاری رہے جیسا کہ ذرا مبادلہ کے ذخائر جون 2018 کے اختتام پر 16.4 ارب ڈالر سے 14.9 ارب ڈالر تک کم ہو گئے۔ تاہم کرنٹ اکاؤنٹ خسارے میں غیر معمولی بہتری دکھائی دی جو جولائی 2018 میں 2.1 ارب ڈالر کے مقابلے میں اگست 2018 میں صرف 600 ملین ڈالر ریکارڈ کیا گیا۔ ماہ بہ ماہ بنیاد پر اس بہتری کی وجہ درآمدات، خصوصاً مشینری کی درآمدات میں کمی تھی۔ مالی سال 2019 کے پہلے دو ماہ میں کرنٹ اکاؤنٹ خسارہ مالی سال 2018 کے پہلے دو ماہ میں 2.5 ارب ڈالر کے مقابلے میں 2.7 ارب ڈالر ریکارڈ کیا گیا۔

افراط زر کی توقعات اور بیرونی صورت حال کے بحران کی روشنی میں اسٹیٹ بینک آف پاکستان نے سہ ماہی کے دوران پالیسی ریٹ میں 200 بنیادی پوائنٹس کا اضافہ کر دیا۔

#### گلوبل ڈیٹ مارکیٹ کا جائزہ

اسٹیٹ بینک آف پاکستان نے مالی سال 2019 کی پہلی سہ ماہی میں پالیسی ریٹ میں 200 بنیادی پوائنٹس کے مجموعی اضافے کے ساتھ (جولائی میں 100 بنیادی پوائنٹس اور ستمبر 2018 کے اختتام پر 100 بنیادی پوائنٹس) اسے 8.5% تک بڑھا دیا (ڈسکاونٹ ریٹ اب 9% ہے)۔ اگرچہ تیل کے سوا درآمدات نے گزشتہ سہ ماہی میں بندش اقدامات پر عمل دکھانا شروع کر دیا ہے، تاہم تیل کی قیمتوں میں غیر معمولی اضافے نے اس بہتری پر پردہ ڈال دیا۔ لہذا کمزور بیرونی صورت حال نے افراط زر کے خطرات نے مزید مالیاتی سختی کی راہ ہموار کر دی۔ مالی سال 2019 کی پہلی سہ ماہی میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 2.2% کمی ہوئی (مالی سال 2018 میں 15.9%)۔ اس سے افراط زر کا باؤ بڑھ گیا جب کہ مرکزی افراط زر (NFNE) میں مالی سال 2019 کی پہلی سہ ماہی میں (گزشتہ سال اسی مدت میں 5.5% کے مقابلے میں) 7.8% تک اضافہ ہو گیا۔ مالی سال 2018 کی پہلی سہ ماہی میں 3.5% کے مقابلے میں مالی سال 2019 کی پہلی سہ ماہی میں عمومی افراط زر 5.6% تک بڑھ گیا اور اس میں اضافہ جاری رہنے کی توقع ہے۔

مالی سال 2019 کی پہلی سہ ماہی کے دوران PIB میں شوٹ بوتل بڑھتی ہوئی شرح سود (جولائی 2018 میں 100 بنیادی پوائنٹس) کے دوران کمزور رہی اور مستقبل میں مزید اضافے کی توقعات ہیں۔ شوٹ بوتل صرف 5 سالہ میعاد کے PIBs تک محدود رہی جب کہ اسٹیٹ بینک آف پاکستان بقیہ میعادوں کے لیے قابل قبول پیشکشیں حاصل کرنے میں ناکام رہا۔ مالی سال 2019 کی پہلی سہ ماہی کے دوران منافع جات کے لیے ایک سال سے کم میعاد والے تمسکات پر زور رہا۔ ایک سال سے کم میعاد والے تمسکات کے منافع جات میں 60 سے 152 بنیادی پوائنٹس تک اضافہ ہوا۔ ایک سے 8 سال تک کی میعاد والے تمسکات کے لیے منافع جات میں 70 سے 142 بنیادی پوائنٹس تک اضافہ ہوا، جب کہ طویل مدتی تمسکات (9 تا 30 سال) کے لیے منافع جات 25 سے 102 بنیادی پوائنٹس کی حد میں بڑھے۔ 3 سالہ 5 سالہ اور 10 سالہ میعادوں کے لیے تخمینہ شدہ اوسط منافع جات میں ستمبر 2018 تک بائرنٹیپ 9.27%، 9.54% اور 10.05% تک اضافہ ہوا۔



اس سے مارکیٹ کی طرف سے تازہ آئی ایم ایف میں شمولیت اور اس سے منسلک شرائط سے پہلے بلند افراط زر اور اس سے بھی بلند شرح مبادلہ کی توقعات کی عکاسی ہوتی ہے۔ خام تیل کی قیمتوں میں اوپر کی جانب دباؤ زیادہ تر مختصر مدتی ہے (ایران اور ویتنام کے مسائل)، جب عالمی معیشت کی نمونہیں سستی کی وجہ سے نیچے کی طرف دباؤ وسط مدتی ہے۔

وسیع تر مابائی (براڈ مین- M2) نمونہ رقم رسانی سال 2018 کی پہلی سہ ماہی میں سال بہ سال بنیاد پر 12.7% کے مقابلے میں مالی سال 2019 کی پہلی سہ ماہی میں سال بہ سال بنیاد پر 10.7% تک کم ہو گئی۔ یہ مندی زیادہ تر بینکنگ سسٹم کے خالص غیر ملکی اثاثوں میں کمی (ستمبر 2018 کے اختتام پر مابائی اثر سے 151 ارب روپے کم) کا نتیجہ تھی۔ حکومت کی طرف سے بجٹ میں سپورٹ کے لیے قرضوں میں اضافے (116 ارب روپے اضافہ) اور نجی شعبے کی طرف سے قرض میں اضافے (123 ارب روپے اضافہ) سے جزوی طور پر اس کی تلافی ہو گئی۔ نجی شعبے کی طرف قرض میں اضافہ بجلی کی بہتر دستیابی گزشتہ تین سالوں میں گنجائش میں اضافے کی وجہ سے سرمایہ کی بلند ضروریات کا نتیجہ تھا۔ تاہم بلند ہوتی شرح سود اور معیشت میں مندی کا نتیجہ قرض لینے کی رفتار میں سستی کی صورت میں نکل سکتا ہے۔

#### ڈیولپڈ مارکیٹس کا جائزہ

MSCI کے یورپ، آسٹریلیا اور فار ایٹ انڈیکس دو مئی سہ ماہیوں کے بعد مالی سال 2019 کی پہلی سہ ماہی میں لگ بھگ برابری کی سطح پر (فلٹ) بند ہوئے۔ انڈیکس نے سرمایہ کے دوران 0.8% کے منافع جات درج کرائے۔ امریکا اور جاپان نے ڈیولپڈ مارکیٹ میں سب سے اچھی کارکردگی کا مظاہرہ کیا، جب کہ برطانیہ جیسے دیگر ممالک پیچھے رہ گئے۔

امریکا کی ایکویٹی نے سرمایہ میں سب سے عمدہ کارکردگی کا مظاہرہ کیا جس کی بنیاد میں مستحکم معاشی نمونہ۔ سرمایہ میں جاری کردہ ڈیٹا سے ظاہر ہوتا ہے کہ ملک کی معیشت میں مالی سال 2018 کی چوتھی سہ ماہی میں 1.1% اضافہ ہوا جو تقریباً چار سالوں میں سب سے اچھی رفتار ہے۔ مزید برآں فیڈرل اوپن مارکیٹ کمیٹی نے 2018 میں معاشی نمونہ کی پیش گوئی، جون میں 2.8% کی اپنی پیش گوئی کے مقابلے میں 3.1% تک بڑھادی ہے۔ مارکیٹ کے جذبات کو امریکا اور میکسیکو کے درمیان تجارتی سمجھوتے سے بھی مدد ملی، جس میں بعد ازاں کینیڈا بھی شامل ہو گیا۔ یہ تجارتی سمجھوتہ NAFTA کی جگہ لے گا۔ امریکی ایکویٹی میں تیزی کا رو باری منافع جات میں مستحکم نمونہ بھی نتیجہ تھی، جو اپنی جگہ ٹیکسوں میں کوٹنی کا نتیجہ تھی۔ تاہم بڑی بین الاقوامی کمپنیاں بیزنس میں اچھے منافع جات نہ کما سکیں جیسا کہ فیس بک اور اینٹیلکس نے اپنے منافع جات کی رپورٹس سے سرمایہ کاروں کو مایوس کیا اور ڈیویڈنڈس نے اپنے پلیٹ فارم کی صحت بہتر بنانے کی کوششوں کی وجہ سے سرمایہ کاروں کو بھگڑ میں مبتلا کیا۔

S&P 500 میں سرمایہ کے دوران 17.2% اضافہ ہوا۔

جاپان کے Nikkei 225 انڈیکس نے بھی ڈیولپڈ مارکیٹس میں اعلیٰ کارکردگی کا مظاہرہ کیا جیسا کہ جاپان کی حکمران پارٹی کے قائد کی حیثیت سے مزید تین سال کے لیے وزیر اعظم ایسے کے دوبارہ انتخاب سے مارکیٹ کے جذبات کو تقویت ملے گی۔ سرمایہ کاروں نے اس کے دوبارہ انتخاب کے ذریعے آنے والی پالیسی کے تسلسل اور استحکام کا خیر مقدم کیا۔ امریکا اور چین کے تجارتی تنازعے اور دوبارہ انتخاب سے پہلے ایسے سے منسوب اسکیئرڈ نے سرمایہ کے کچھ حصوں میں مارکیٹ کو پیچھے رکھا۔

مالی سال 2019 کی پہلی سہ ماہی کے دوران Nikkei 225 انڈیکس میں 18.1% اضافہ ہوا۔

برطانیہ کے FTSE-100 انڈیکس میں مالی سال 2019 کی پہلی سہ ماہی کے دوران 1.7% کمی ہوئی جیسا کہ بغیر کسی معاہدے کے یورپی یونین چھوڑنے (No-deal Brexit) کے امکان سے بدحواسی طاری رہی۔ ملک مارچ 2019 سے پہلے ایک معاہدہ طے کرنے کی کوشش کرتا رہا ہے، جب یورپی یونین سے اس کے اخراج کا آغاز ہوگا۔ جزوی طور پر بدحواسی ابھر جگ مارکیٹس، ترکی اور روس پر پریشانی کا بھی نتیجہ تھی۔ روس کے افراط زر اور کرنسی کے بحران اور روس کے روئلے کے گرنے سے سرمایہ کے وسط میں برطانیہ کی برآمدات پر دباؤ پڑا۔



### مستقبل کی توقعات

آئی ایم ایف کے تجویز کردہ سخت اقدامات سے مالی سال 2019 میں معاشی نمو کو ضرب لگنے کا امکان ہے۔ روپے کی قدر میں کمی اور گیس اور بجلی کے نرخوں میں اضافے کا نتیجہ افراط زر کے دباؤ کی صورت میں بھی لگنے کا، جس کا نتیجہ مزید مالیاتی سختی کی شکل میں سامنے میں آئے گا۔ نتیجتاً آنے والے مہینوں میں پالیسی ریٹ میں مزید اضافے کا امکان ہے۔

مرکزی بینک مالی سال کے اختتام پر پالیسی ریٹ میں جون 2018 سے اب تک 200 بنیادی پوائنٹس کا سہلے ہی اضافہ کر چکا ہے۔ بہر حال ہمارے لیے یہ قابل توجہ ہے کہ پاکستان مالیاتی سختی میں اب بظاہر خطے سے آگے ہے۔ پاکستان کی طرف سے اس سال (CYTD) شرح سود میں 275 بنیادی پوائنٹس اضافہ ہم خطہ ممالک سے بہت تیز ہے (اگلا تیز ترین ملک 150 بنیادی پوائنٹس کے ساتھ انڈونیشیا ہے)۔ مزید برآں آئی ایم ایف پروگرام میں شمولیت سے سہلے پاکستانی روپیہ ریکارڈ سطح تک کمزور ہو چکا ہے۔ اس امر کے پیش نظر یہ دو عوامل غیر ملکی سرمایہ کاروں کے لیے اہم چیک پوائنٹس ہیں، پاکستانی مارکیٹ ہم خطہ مارکیٹس سے سہلے غیر ملکی سرمایہ کاری کو راغب کرنے کے لیے بنیادیں تلاش کر سکتی ہے۔

تجارتی جنگ اور عالمی معاشی نمو پر اس کے اثرات آئندہ مہینوں میں ڈیولپمنٹ مارکیٹس کو متاثر کریں گے۔ اجناس (کموڈیٹیز) کی قیمتوں میں اضافہ اور مزید مالیاتی سختی کے امکانات بھی مستقبل میں ڈیولپمنٹ مارکیٹ ایکویٹیز کو حصہ ودر کر سکتے ہیں۔

LAADMF غیر ملکی مارکیٹس میں اپنی سب سے بڑی سرمایہ کاری کے حوالے سے احتیاط اور دوبارہ تعین کرنے کا کیوں کہ عالمی مارکیٹس کے حالات بدلتے رہتے ہیں۔ مقامی حماؤ پر مختلف مہیادوں میں سکھوتی ترسکات کا فہام انتظام NAV میں مثبت حصہ شامل کرنے کے مواقع پیدا کرے گا جب کہ M2M اثرات میں کمی آئے گی، جیسا کہ شرح سود میں اضافہ جاری ہے۔ کرنسی کی قدر میں مزید کمی مجموعی منافع جات کے لیے فائدہ مند ثابت ہوگی۔

### اطلبہ تشکر

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

برائے اور از طرف بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

13 اکتوبر 2018



**Condensed Interim Statement of Assets and Liabilities  
As at September 30, 2018**

	Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees)	
<b>ASSETS</b>			
Bank balances	6	11,606,898	184,316,259
Investments	7	285,611,384	100,190,600
Dividend and Mark-up receivable		873,389	611,552
Prepayment		347,772	-
<b>TOTAL ASSETS</b>		<b>298,439,443</b>	<b>285,118,411</b>
<b>LIABILITIES</b>			
Payable to the Management Company	8	5,222,915	5,211,244
Payable to the Trustee		65,017	65,016
Annual fee payable to the Securities and Exchange Commission of Pakistan		68,755	242,137
Accrued expenses and other liabilities	9	2,150,793	1,585,504
<b>TOTAL LIABILITIES</b>		<b>7,507,480</b>	<b>7,103,901</b>
<b>NET ASSETS</b>		<b>290,931,963</b>	<b>278,014,510</b>
<b>UNIT HOLDERS' FUND (as per statement of movement in unit holders' fund)</b>		<b>290,931,963</b>	<b>278,014,510</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b>2,115,182</b>	<b>2,067,026</b>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>137.5446</b>	<b>134.4997</b>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



**Condensed Interim Income Statement (Unaudited)  
For the quarter ended September 30, 2018**

	Note	2018 (Rupees)	2017
<b>INCOME</b>			
Income from Government securities		3,056,508	2,143,551
Mark-up income		246,262	410,945
Dividend income		287,087	198,817
Exchange gain / (loss) on foreign currency deposits		123,796	7,751
		<u>3,713,653</u>	<u>2,761,064</u>
Capital loss on sale of investments - net		(50,386)	(233,113)
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net		9,786,109	3,576,405
		<u>9,735,723</u>	<u>3,343,292</u>
<b>Total Income</b>		<b>13,449,376</b>	<b>6,104,356</b>
<b>EXPENSES</b>			
Remuneration to the Management Company	8.1	1,119,402	904,338
Sindh Sales tax on remuneration to the Management Company	8.2	145,522	117,564
Remuneration to the Trustee		199,376	199,376
Annual fee to the Securities and Exchange Commission of Pakistan		68,756	55,102
Annual Supervisory fee of SECP on PSX Annual Fee		630	644
Custody charges		52,439	36,429
Auditors' remuneration		86,970	85,720
Fees and subscription		37,598	22,822
Credit rating fee		41,930	41,930
Printing charges		5,041	5,041
		<u>1,757,664</u>	<u>1,468,966</u>
Net income from operating activities		<u>11,691,712</u>	<u>4,635,390</u>
Sindh Worker's Welfare Fund	9.1	(233,834)	(92,708)
<b>Net Income for the period before Taxation</b>		<b>11,457,878</b>	<b>4,542,682</b>
Taxation	11	-	-
<b>Net income for the period after taxation</b>		<b><u>11,457,878</u></b>	<b><u>4,542,682</u></b>
<b>Allocation of Net Income for the period:</b>			
Net income for the year after taxation		11,457,878	4,542,682
Less: Income already paid on units redeemed		(19,338)	-
		<u>11,438,540</u>	<u>4,542,682</u>
<b>Accounting income available for distribution:</b>			
Relating to capital gains		9,719,003	3,343,292
Excluding capital gains		1,719,537	1,199,390
Accounting income available for distribution		<u>11,438,540</u>	<u>4,542,682</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director



**Condensed Interim Statement of Comprehensive Income (Unaudited)  
For the quarter ended September 30, 2018**

	2018	2017
	(Rupees)	
Net income for the period after taxation	11,457,878	4,542,682
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<u>11,457,878</u>	<u>4,542,682</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

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

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

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

\_\_\_\_\_  
Director

**Condensed Interim Statement of Movement In Reserve or Unit Holders' Fund (Unaudited)  
For the quarter ended September 30, 2018**

	2018		2017		Total
	Capital value	Undistributed income	Capital value	Undistributed income	
					(Rupees)
<b>Net assets at beginning of the period</b>	229,044,147	48,970,363	191,111,582	36,224,209	227,335,791
Total proceeds on issuance of 63,896 units (2017: Nil units)	5,544,549	-	5,544,549	-	-
Total payments on redemption of 15,740 units (2017: Nil units)	(2,103,583)	(19,338)	(2,122,921)	-	-
Total comprehensive income for the period	-	11,457,878	11,457,878	4,542,682	4,542,682
Final Distribution during the period is Rs. 2.3801 on July 03, 2018 (2017: Nil)	-	(1,962,053)	(1,962,053)	-	-
Net income for the period less distribution	-	9,495,825	9,495,825	4,542,682	4,542,682
<b>Net assets as at end of the period</b>	<b>232,485,113</b>	<b>58,446,850</b>	<b>290,931,963</b>	<b>40,766,891</b>	<b>231,878,473</b>
<b>Undistributed income brought forward:</b>					
- Realized income	38,428,117			25,320,746	
- Unrealized income	10,542,247			10,903,463	
	48,970,363			36,224,209	
<b>Accounting income available for distribution:</b>					
Relating to capital gains	9,719,003			3,343,292	
Excluding capital gains	1,719,537			1,199,390	
	11,438,540			4,542,682	
Net income for the period after taxation	-			-	
Final Distribution during the period is Rs. 2.3801 on July 03, 2018 (2017: Nil)	(1,962,053)				
<b>Undistributed income at end of the period</b>	<b>58,446,850</b>			<b>40,766,891</b>	
<b>Undistributed income carried forward</b>					
- Realized income	48,660,741			37,190,486	
- Unrealized income	9,786,109			3,576,405	
Undistributed income at end of the period	58,446,850			40,766,891	
Net assets value per unit at beginning of the period			134.4997		118.9544
Net assets value per unit at end of the period			137.5446		121.3314

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director



**Condensed Interim Cash Flow Statement (Unaudited)  
For the quarter ended September 30, 2018**

	2018	2017
	(Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income for the period before Taxation	11,457,878	4,542,682
<b>Adjustments for non-cash charges and other items:</b>		
Capital loss on sale of investments - net	50,386	233,113
Unrealised appreciation in the fair value of investments classified as held for trading' - net	(9,786,109)	(3,576,405)
	<u>1,722,155</u>	<u>1,199,390</u>
<b>(Increase) in assets</b>		
Investments - net	(175,685,061)	(29,511,454)
Mark-up receivable	(261,837)	1,157,412
Prepayment	(347,772)	21,513
	<u>(176,294,670)</u>	<u>(28,332,529)</u>
<b>Increase in liabilities</b>		
Payable to the Management Company	11,671	22,055
Payable to the Trustee	1	(67,180)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(173,382)	(214,195)
Accrued expenses and other liabilities	565,289	345,727
	<u>403,579</u>	<u>86,407</u>
<b>Net cash (used in) operating activities</b>	<u>(174,168,936)</u>	<u>(27,046,732)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash received from issue of units	5,544,549	-
Cash paid on redemption of units	(2,122,921)	-
Cash dividend paid	(1,962,053)	-
Net cash flow from financing activities	1,459,575	-
<b>Net (decrease) in cash and cash equivalent during the period</b>	<u>(172,709,361)</u>	<u>(27,046,732)</u>
Cash and cash equivalent at the beginning of the period	184,316,259	36,277,056
<b>Cash and cash equivalent at the end of the period</b>	<u>11,606,898</u>	<u>9,230,324</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

**Notes to and Forming Part of the Condensed Interim  
Financial Statements (Unaudited)  
For the quarter ended September 30, 2018**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

Lakson Asset Allocation Developed Markets Fund ("the Fund") was established under Trust Deed executed on May 30, 2011 between Lakson Investments Limited as its Management Company and Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a notified entity on July 7, 2011 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The Management Company of the Fund has been licensed by SECP as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Fund has commenced its operations on October 11, 2011. The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore.

The Fund is an open end mutual fund and is listed on Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units can also be redeemed by surrendering them to the Fund.

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

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

Pakistan Credit Rating Company Limited (PACRA) has maintained asset manager rating of the Company to AM2+ (stable outlook) on August 28, 2018 (2018: AM2+ as on December 22, 2017).

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assessed the fund performance rankings on September 10, 2018 for the one, three and five year periods ended 30 June 2018. Following are the star rankings for period end 30 June 2018:

1-year ranking: MFR 5-Star  
3-year ranking: MFR 5-Star  
5-year ranking: MFR 5-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 VIII A 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 VIII A 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 VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations) and are unaudited.

- 2.2 In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at September 30, 2018.

### 2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for investments that are stated at fair values.

This Condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

### 2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2018 except with respect to of adoption of IFRS- 9 as explained in detail in note 3.1

- 3.1 In July 2014 IASB issued a revised version of IFRS 9 'Financial Instruments' which supersedes all its previous versions and is mandatorily effective for periods beginning on or after January 1, 2018. The SECP has adopted the IFRS 9 effectively from July 1, 2018 and will be applicable for the Fund as well. Further, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. From July 01, 2018 the Fund has adopted IFRS-9 as per approved accounting and reporting standards as applicable in Pakistan.

### Key requirements of IFRS 9:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt and equity instruments are measured at their fair value at the end of subsequent



accounting periods. In addition, under IFRS 9, entities may make an irrevocable election at initial recognition to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. However, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

**Classification and measurement:**

Classification and Measurement of Financial Assets and Financial Liabilities after the adoption of IFRS 9 is discussed as under:

- Listed equity securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognized in profit or loss;
- Debt securities (Listed / Unlisted) and government securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognized in profit or loss;
- All other financial assets and financial liabilities under IFRS - 9 will continue to be measured on the same bases as was adopted under IAS 39.

**4. Significant judgement and estimates**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.



The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to financial statements for the year ended June 30, 2018.

**5. FINANCIAL RISK MANAGEMENT**

The Fund financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 30 June 2018.

	Note	September 30, 2018 (Unaudited) (Rupees)	June 30, 2018 (Audited)
<b>6. BANK BALANCES</b>			
<b>In local currency</b>			
In profit and loss sharing accounts	6.1	5,644,334	178,749,002
In current accounts		7,874	7,874
<b>In foreign currency</b>			
In current account	6.2	5,954,690	5,559,383
		<u>11,606,898</u>	<u>184,316,259</u>

6.1 These carry mark-up rates ranging from 5.50% to 5.85% (2018: from 4.00% to 7.30%) per annum.

6.2 This represents USD denominated current account maintained in foreign country.

**7. INVESTMENTS - financial assets at fair value through profit or loss - held for trading**

**In local currency**

Government securities			
Market Treasury Bills	7.1	175,611,744	-
Pakistan Investment Bonds		-	-

**In foreign currency**

Exchange traded fund	7.2	109,999,640	100,190,600
		<u>285,611,384</u>	<u>100,190,600</u>



## 7.1 Market Treasury Bills

Note	Number of treasury bills				Balance as at September 30, 2018			Market value as a percentage of net assets of the Fund	Market value as a percentage of total investments	
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Carrying value	Market value	Unrealized (diminution)			
Treasury Bills - 3 months (face value of Rs. 100,000 each)	7.1.1	-	3,510	1,750	1,760	175,634,675	175,611,744	(22,931)	60.36%	61.49%
Total - September 30, 2018						175,634,675	175,611,744	(22,931)	60.36%	61.49%
Total - June 30, 2018										

7.1.1 These represent 3 months Government Treasury bill carrying a fixed mark-up rate ranging from 7.6400% to 7.75% per annum and will mature from October 11, 2018. The face value of Treasury Bills held as at September 30, 2018 amounted to Rs. 176 million. (June 30, 2018: Nil)

## 7.2 Exchange traded fund: Foreign investment

Note	Number of units				Balance as at September 30, 2018			Market value as a percentage of net assets of the Fund	Market value as a percentage of total investments
	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Carrying value	Market value	Unrealized appreciation		
Powershares QQQ Trust Series 1	2,420	-	-	2,420	50,469,086	55,863,907	5,394,821	19.20%	19.56%
Vanguard S&P 500 UCITS ETF	7,870	-	-	7,870	49,721,514	54,135,733	4,414,219	18.61%	18.95%
<b>Total - September 30, 2018</b>					<b>100,190,600</b>	<b>109,999,640</b>	<b>9,809,040</b>	<b>37.81%</b>	<b>38.51%</b>
Total - June 30, 2018					73,804,813	100,190,600	26,385,787	100.00%	36.04%
<b>Total investment - September 30, 2018</b>					<b>275,825,275</b>	<b>285,611,384</b>	<b>9,786,109</b>	<b>98.17%</b>	<b>100.00%</b>
Total investment - June 30, 2018					73,804,813	100,190,600	26,385,787	100.00%	36.04%

<b>September 30, 2018 (Unaudited)</b>	<b>June 30, 2018 (Audited)</b>
<b>Note</b>	<b>(Rupees)</b>

## 8. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	8.1	<b>351,023</b>	340,695
Sales tax payable on remuneration to the Management Company	8.2	<b>684,523</b>	683,180
Federal excise duty payable on remuneration to the Management Company	8.3	<b>4,184,410</b>	4,184,410
Sales load payable		<b>2,959</b>	2,959
		<b><u>5,222,915</u></b>	<b><u>5,211,244</u></b>

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 fee at 15% of the gross earnings of the scheme for the year ended 30 September 2018. The fee is subject to a minimum of 1.25% and maximum of 2% of the average annual net assets of the Fund. The effective management fee rate for the year ended 30 September 2018 is 1.55% of the average net assets. Remuneration is paid to the Management company in arrears on a monthly basis.

8.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on Management Company's remuneration. Above liability includes Rs. 638,891 (June 30, 2018: Rs. 638,891) accrued on Federal Excise Duty (FED) charged on the management remuneration as more fully explained in note 11.3 below. Had the provision relating to FED not been made, net asset value



per unit of the Fund as at September 30, 2018 would have been higher by Re. 0.30 (June 30, 2018: Re. 0.31) per unit.

- 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 from 13 June 2013 to 30 Sep 2018 aggregating to Rs. 4.184 million. Had the provision not been made, NAV per unit of the Fund as at 30 September 2018 would have been higher by Re. 1.98 (30 June 2018: Re. 2.02) per unit.

		<b>September 30, 2018 (Unaudited)</b>	June 30, 2018 (Audited)
	<b>Note</b>	<b>(Rupees)</b>	
<b>9. ACCRUED AND OTHER LIABILITIES</b>			
Sindh Workers' Welfare Fund	9.1	<b>1,424,419</b>	1,190,585
Withholding income tax payable		<b>176,885</b>	14,359
Auditors' remuneration		<b>268,457</b>	198,937
Custody fee payable		<b>91,391</b>	38,953
Rating fee payable		<b>163,917</b>	121,987
Others		<b>25,724</b>	20,683
		<u><b>2,150,793</b></u>	<u>1,585,504</u>

**9.1 Sindh Workers' Welfare Fund**

Provision for Sindh Workers' Welfare Fund is being made on a daily basis going forward pursuant to MUFAP's recommendation to all its members on January 12, 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. This is on the premise that mutual funds are included in 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 July 01, 2014).

Total provision for SWWF as of June 30, 2018 amounted to Rs. 1.424 million. Had the provision not been made the net assets value per unit of the Fund as at September 30, 2018 would have been higher by Re. 0.6734 per unit (2018: Re. 0.576 per unit)



Furthermore on November 10, 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 High Court of Sindh (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 off in light of the earlier judgement of the SCP.

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

#### **10. CONTINGENCIES AND COMMITMENTS**

There were no other contingencies and commitments as at September 30, 2018.

#### **11. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of 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. 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 management intends to distribute at least 90% of the income earned by the year end by this Fund 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. Accordingly, no provision has been made in these condensed interim financial information.

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

#### **12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS**

Related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, Habib Bank AG Zurich being the Custodian, SIZA Services (Private) Limited being the holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company and unit holders holding more than 10% in the units of the Funds as at September 30, 2018.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively. Other transactions are in normal course of business, at contracted rates and terms determined in accordance with the market rates.



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

	<b>September 30, 2018 (Unaudited)</b>	<b>June 30, 2018 (Audited)</b>
<b>12.1 Balance as at period / year end</b>	<b>(Rupees)</b>	
<b>Lakson Investments Limited - Management Company</b>		
Payable to Management Company	<u>5,219,956</u>	<u>5,208,285</u>
Sales load payable	<u>2,959</u>	<u>2,959</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<u>65,017</u>	<u>65,016</u>
<b>Habib Bank AG Zurich - Custodian</b>		
Bank deposits	<u>5,954,690</u>	<u>5,559,383</u>
Custody fee payable	<u>91,391</u>	<u>38,953</u>



**12.2 Unit Holders' Fund**

Quarter ended September 30, 2018									
Number of Units					Rupees				
Number of Units as at July 01, 2018	Units issued during the period	Refund / Adjustment of units as Element of income	Units redeemed during the period	Number of holdings at the end of the period	Balance as at July 01, 2018	Units issued during the period	Refund / Adjustment of units as Element of income	Units redeemed during the period	Balance at the end of the period (Investment at current NAV)

Directors, Chief Executive and their spouse and minors

611,427 12,532 623,959 84,329,563 1,655,749 85,822,191

Other key management personnel

**Associated companies / undertakings of the Management Company**

Lakson Investments Limited	816,972	344	14,313	831,629	109,882,469	45,439	-	-	114,386,058
Lakson Business Solutions Limited - Employees Contributory Provident Fund Trust	1,073	-	19	1,092	144,304	1	-	-	150,186
Lakson Investments Limited - Employees Contributory Provident Fund Trust	2,899	1	51	2,952	389,959	186	-	-	405,994
GAM Corporation (Private) Limited - Employees Contributory Provident Fund Trust	23,793	-	428	24,222	3,200,191	32	-	-	3,331,541
SIZA Foods (Private) Limited - Employees Contributory Provident Fund Trust	17,102	-	308	17,410	2,300,173	23	-	-	2,394,634
Colgate Palmolive (Pakistan) Limited - Employees Gratuity Fund	102,609	1	1,847	104,457	13,800,921	138	-	-	14,367,538
Cyber Internet Services (Private) Limited - Employees Contributory Provident Fund Trust	40,895	-	736	41,632	5,500,420	55	-	-	5,726,233
Accuracy Surgicals Limited - Employees Contributory Provident Fund Trust	11,897	-	214	12,111	1,600,104	16	-	-	1,665,779
Merit Packaging Limited - Employees Contributory Provident Fund Trust	20,076	-	361	20,437	2,700,247	27	-	-	2,811,058
Merit Packaging Limited - Employees Gratuity Fund	8,105	-	146	8,251	1,090,168	11	-	-	1,134,940
Century Paper & Board Mills Limited - Employees Contributory Provident Fund Trust	118,967	1	2,142	121,110	16,001,002	160	-	-	16,658,029
Century Paper & Board Mills Limited - Employees Gratuity Fund	95,174	1	1,714	96,889	12,800,936	128	-	-	13,226,621



Quarter ended September 30, 2017										
	Number of Units				Rupees				Balance at the end of the period (Investment at current NAV)	
	Number of Units as at July 01, 2017	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Number of holdings at the end of the period	Balance as at July 01, 2017	Units issued during the period	Bonus units issued during the period		Units redeemed during the period
Directors, Chief Executive and their spouse and minors	626,987	-	-	-	626,987	74,582,862	-	-	-	76,073,210
Other key management personnel	-	-	-	-	-	-	-	-	-	-
<b>Associated companies / undertakings of the Management Company</b>										
Lakson Business Solutions Limited - Employees										
Contributory Provident Fund Trust										
Princeton Travels (Private) Limited - Employees	5,385	-	-	-	5,385	640,569	-	-	-	653,370
Contributory Provident Fund Trust										
Lakson Investments Limited - Employees	2,900	-	-	-	2,900	344,968	-	-	-	351,861
Contributory Provident Fund Trust										
GAM Corporation (Private) Limited - Employees	44,343	-	-	-	44,343	5,274,795	-	-	-	5,380,198
Contributory Provident Fund Trust										
SFA Foods (Private) Limited - Employees	25,936	-	-	-	25,936	3,085,201	-	-	-	3,146,851
Contributory Provident Fund Trust										
Colgate Palmolive (Pakistan) Limited - Employees	301,196	-	-	-	301,196	35,828,589	-	-	-	36,544,532
Contributory Provident Fund Trust	102,917	-	-	-	102,917	12,242,430	-	-	-	12,487,064
Colgate Palmolive (Pakistan) Limited - Employees										
Cyber Internet Services (Private) Limited - Employees	55,224	-	-	-	55,224	6,569,138	-	-	-	6,700,405
Contributory Provident Fund Trust										
Accury Surgicals Limited - Employees	50,199	-	-	-	50,199	5,971,392	-	-	-	6,090,715
Contributory Provident Fund Trust										
Merit Packaging Limited - Employees	63,586	-	-	-	63,586	7,563,834	-	-	-	7,714,978
Contributory Provident Fund Trust	25,100	-	-	-	25,100	2,985,755	-	-	-	3,045,418
Century Paper & Board Mills Limited - Employees										
Contributory Provident Fund Trust	272,857	-	-	-	272,857	32,457,541	-	-	-	33,106,122
Century Paper & Board Mills Limited - Employees	147,068	-	-	-	147,068	17,494,386	-	-	-	17,843,966
Contributory Provident Fund Trust										



	September 30,	
	2018	2017
	(Unaudited)	
	(Rupees)	
<b>12.3 Other transactions during the period</b>		
<b>Lakson Investments Limited - Management Company of the Fund</b>		
Remuneration to the Management Company	<u>1,119,402</u>	<u>904,338</u>
Sindh sales tax on remuneration to Management Company	<u>145,522</u>	<u>117,564</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>		
Remuneration for the period	<u>199,376</u>	<u>199,376</u>
<b>Habib Bank AG Zurich - Custodian</b>		
Custody charges	<u>52,439</u>	<u>36,429</u>

**13. Total Expense Ratio (TER)**

As per the SECP circular vide direction no. 23 dated July 20, 2016 and as referred in Regulations 60(5) the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations"), total Expense Ratio (TER) calculated inclusive of Sindh Sales Tax and SECP fee is 2.75% as of September 30, 2018 and this includes 0.66% representing Government Levies and and SECP fee.

**14. 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 Asset Management Company 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 (level 1);

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and



Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at September 30, 2018			
----- Un-audited -----			
Level 1	Level 2	Level 3	Total
----- Rupees -----			
<b>Assets</b>			
Financial assets at fair value			
through profit or loss			
109,999,640	175,611,744	-	285,611,384

As at June 30, 2018			
----- Audited -----			
Level 1	Level 2	Level 3	Total
----- Rupees -----			
<b>Assets</b>			
Financial assets at fair value			
through profit or loss			
100,190,600	-	-	100,190,600

**15. Date of Authorization for Issue**

This condensed interim financial statements were authorized for issue by Board of Directors of the Management Company on October 13, 2018

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

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

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

\_\_\_\_\_  
Director



A Lakson Group Company

**Lakson Investments Limited**

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

T +92.21 3840.0000

F +92.21 3568.1653

**Lakson Investments (DIFC) Limited**

(Regulated by the DFSA)

Level 15, Gate Building  
DIFC, P.O. Box 507054  
Dubai, U.A.E.

T +971.4 401.9284

F +971.4 401.9578