

LAKSON EQUITY 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

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Karachi-74200, Pakistan.
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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. Daniel Scott Smaller
Mr. Zahid Zakiuddin
Mr. Jacques John Visser

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 Shakra-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
Askari Bank Limited
Bank Al-Falah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
National Bank of Pakistan
Silk Bank Limited
Sindh Bank Limited
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

Distributors

Metro Securities Pvt. Limited
Ismail Iqbal Securities
BMA Financial
Amir Noorani
Topline Securities (Pvt.) Limited
Adam Securities
Elixir Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited
Pearl Securities Pvt. Limited
Rabia Fida

Rating by PACRA

1 Year : 3-Star (Average)
3 Year : 3-Star (Average)
5 Year : 3-Star (Average)
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 Equity Fund ("LEF") is pleased to submit its review report together with Condensed Interim Financial Information for the period ended September 30, 2018

Fund Objective

The objective of the Fund is to provide long term capital appreciation by investing mainly in equity and related listed securities. Investments will be made in companies of substance, financial strength and demonstrably superior management skills with some exposure given to smaller capitalized value stocks.

Principal activities

The Fund is an actively managed open-end equity fund and is listed on Pakistan Stock Exchange Limited. LEF maintains an average exposure of 70% of Net Assets in listed equity securities. The asset allocation to different sectors and stocks is made on the basis of relative attractiveness of each sector and individual stocks in that particular sector. The allocations may change from time to time keeping in view the market conditions, opportunities, political and economic factors. LEF is allowed to borrow up to 15% of Net Assets to meet redemptions however LEF did not utilize this facility during the period under review.

Fund performance

LEF generated a 1QFY19 return of -0.3% vs -10.7% YoY. This was mainly due to a better market, which generated a return of -1.9% for the period vs -10% YoY. Exposure was maintained at the 90% mark, focusing more on Banks, Oil exploration and Chemicals in FY19, whilst trimming out of Construction and Oil marketing.

Loss per Unit (LPU)

LPU has not been disclosed as we feel the determination of weighted average units for calculating LPU 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.



Equity Market Review

KSE-100 posted 2.2%QoQ decline in 1QFY19 to close at 40,999pts. Investor sentiment remained weak during the quarter, beginning with (i) Pakistan being placed on the FATF grey list, (ii) post-election anticlimax (iii) insipid 2QCY18 earnings season and finally, (iv) negative but necessary policy changes (46% upward revision in gas tariffs and deep cuts in PSDP expenditure, in the new Mini-Budget FY19). However, CA deficit witnessed meaningful improvement during Aug'18, (US\$600mn vs. FY18 monthly average of US\$1,500mn). Nevertheless, market activity remained weak, with ADTO declining even further to US\$45mn during 1QFY19 vs. US\$69mn in SPLY, (US\$49mn in 4QFY18). Foreign selling witnessed some deceleration during the month, with FIPI outflow narrowing to US\$189mn (US\$165mn outflow in 4QFY18), with the bulk concentrated in Banks (US\$82mn), Oil & Gas (US\$59mn), Cements (US\$28mn) and Power (US\$10mn). 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. Pakistan marginally underperformed EM markets by 0.2% in 3QCY18. Key checkpoints which will drive sentiment include: clarity on (i) entry into a potential IMF program and (ii) any resultant devaluation of the PKR vs. the US\$.

Banks HBL, NESTLE and UBL were among the top contributors to the Index's decline. In the case of HBL and UBL, the decline was largely led by foreign outflow. To recall HBL was penalized by New York State's Department of Financial Services for USD 225mn, which wiped off most of the company's earnings in 2017. Moreover, both HBL and UBL, were subject to pension fund related charges (ordered by the Supreme Court), which laid further pressure on their earnings. Cements were also top contributors to the Index's decline due to rise in coal prices and foreign selling pressure.

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.

Market direction will be determined by when Pakistan enters into an IMF program, the terms thereof and how strict are the economic measures that IMF will make Pakistan undertake. Pakistan trades at a forward P/E of 7.1x. This is at a 31% discount to MSCI EM and stacks up well against projected 15%yoy earnings growth in 2019F for our universe. While macroeconomic pressures will likely escalate further in the near term (e.g. hike in gas/electricity tariffs, additional taxation measures, and cut in development expenditure), most of it has already been priced-in by the market. Nonetheless, Pakistan is bracing itself for meaningfully slower GDP growth (IMF now forecasts 4.0% for FY19) and inflationary environment (IMF sees 7.5% for FY19), in our view.

Exposure maintenance will remain critical in the coming period, as market oscillates to lack of investor interest and subsequent volumes. LEF will look to capture positions in thematically strong sectors trading below their fundamental value. The fund will be maintaining a close watch on key macro indicators that will dictate the direction of index heavy sectors, which will garner most investor interest.

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 ایکویٹی 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، لیکسن ایکویٹی فنڈ ("LEF") کی میٹجمنٹ کمپنی، 30 ستمبر 2018ء کو ختم ہونے والی مدت کے لیے اپنی جائزہ رپورٹ مع مختصر عبوری مالیاتی گوثوارے پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

فنڈ کا مقصد

فنڈ کا مقصد بنیادی طور پر ایکویٹی اور متعلقہ سٹاک سیکیورٹیز میں انویسٹمنٹ کے ذریعے طویل مدتی خطیر منافع جات حاصل کرنا ہے۔ یہ انویسٹمنٹس ممتاز، مالیاتی طاقت اور ثابت شدہ اعلیٰ انتظامی مہارت کی حامل کمپنیوں میں کی جائیں گی جب کہ کچھ حصہ مختصر سرماہ جاتی قدر والے اسٹاکس کے لیے مختص کیا جائے گا۔

نمایاں سرگرمیاں

LEF ایک فعال انداز میں چلا یا جانے والا اوپن اینڈ ایکویٹی فنڈ ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں سٹاک ہے۔ LEF خالص اثاثوں کا کم از کم 70% حصہ سٹاک ایکویٹی سیکیورٹیز میں رکھتا ہے۔ مختلف شعبوں اور اسٹاکس میں اثاثے کو ہر شعبے اور اس مخصوص شعبے میں انفرادی اسٹاکس متعلقہ کشش کی بنیاد پر مخصوص کیا جاتا ہے۔ یہ تخصیص مارکیٹ کے حالات، مواقع، سیاسی اور اقتصادی عوامل کو پیش نظر رکھتے ہوئے وقتاً فوقتاً تبدیل کی جاسکتی ہے۔ LEF کوریڈ پیسٹرنل کی حیثیت کے لیے خالص اثاثوں کے 15 فی صد تک قرض لینے کی اجازت ہے، تاہم LEF نے اس سہولت کو زیر جائزہ مدت کے دوران استعمال نہیں کیا۔

فنڈ کی کارکردگی کا جائزہ

LEF نے مالی سال 2019 کی پہلی سہ ماہی میں سال بہ سال بنیاد پر 10.7% کے مقابلے میں 0.3% منافع پیدا کیا۔ اس کی مرکزی بہتر مارکیٹ تھی جس نے سال بہ سال بنیاد پر 10% کے مقابلے میں مدت کے لیے 1.9% کا منافع پیدا کیا۔ سرمایہ کاری 90% کی سطح پر برقرار رکھی گئی، مالی سال 2019 میں بینکس، آئل ایکسپلوریشن ٹیکنیکل پر زیادہ توجہ رکھی گئی، جب کہ کنڈسٹرکشن اور آئل مارکیٹنگ سے کوئی کمی گئی۔

نیوٹن نقصان (LPU)

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



معاشی جائزہ

مالی سال 2019 کے آغاز میں نمونہ کی رفتار سست دکھائی دے رہی ہے، جیسا کہ لارج اسکیل مینوفیکچرنگ انڈیکس جولائی میں سال پہ سال بنیاد پر صرف 0.50% بڑھا۔ جیسا کہ اسٹیٹ بینک نے اپنی تازہ ترین مائیکرو پالیسی اسٹیٹمنٹ میں ذکر کیا، معیشت کو دوبارہ ٹریک پر لانے کے لیے کئے جانے والے خزانہ جاتی اور مالیاتی اقدامات کی وجہ سے نمونہ کا بہت حاصل نہیں کیا جاسکے گا۔ ان اقدامات میں مزید مالیاتی سختی، پاکستانی روپے کی قدر میں کمی، اور گیس 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 کی 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 دباؤ جزوی طور پر پاکستانی روپے کی قدر میں کمی اور اس کے نتیجے میں درآمداتی افراط زر کے بھی نتیجے میں تھے۔ مالی سال 2019 کی پہلی سہ ماہی کے دوران پاکستانی روپے کی قدر میں صرف 2.3% کمی ہوئی 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 قرضہ پیمانے مالی سال 2019 کی پہلی سہ ماہی میں بھی جاری رہے جیسا کہ زرمبادلہ 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 مشینوں کی درآمدات میں کمی تھی۔ مالی سال 2019 کے پہلے دو ماہ میں کرنٹ اکاؤنٹ خسارہ مالی سال 2018 کے پہلے دو ماہ 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۔

ایکویٹی مارکیٹ کا جائزہ

مالی سال 2019 کی پہلی سہ ماہی میں KSE-100 نے سہ ماہی بہ ماہی بنیادی پر 2.2% کمی درج کرائی اور 40,999 پوائنٹس پر بند ہوا۔ سہ ماہی کے دوران سرمایہ کاروں کے جذبات کمزور رہے، جس کی ابتدا درج ذیل امور سے ہوئی (i) پاکستان کو FATF کی گریسٹ میں رکھا جانا (ii) انتخابات کے بعد ایشیائی مارکیٹس (iii) موجودہ سال 2018 کی دوسری سہ ماہی میں آمدنی کا کمزور ریزن اور آخری میں (iv) پالیسی میں منفی لیکن ضروری تبدیلیاں (منفی منی بجٹ میں گیس کے نرخوں میں 46% اضافہ اور PSDP اخراجات میں خطرے کو توٹی)۔ تاہم اگست 2018 کے دوران CA خسارے میں سے معنی بہتری دیکھنے میں آئی (مالی سال 2018 میں 1500 ملین امریکی ڈالر کی ماہانہ اوسط کے مقابلے میں 600 ملین امریکی ڈالر)۔ بہر حال مارکیٹ کی سرگرمی کمزور رہی جہاں ADTO گزشتہ سال اسی مدت میں 69 ملین امریکی ڈالر کے مقابلے میں مالی سال 2019 کی پہلی سہ ماہی میں 45 ملین امریکی ڈالر تک مزید کم ہو گیا۔ مہینے کے دوران غیر ملکی سرمایہ کاروں کی طرف سے فروخت میں کچھ کمی دیکھنے میں آئی، جہاں FIPI بیرونی اخراج 189 ملین امریکی ڈالر تک کم ہو گیا (مالی سال 2018 کی چوتھی سہ ماہی میں بیرونی اخراج 165 ملین امریکی ڈالر)، جہاں زیادہ ارتکاز ٹیکنیکل (82 ملین امریکی ڈالر)، آئل اور گیس (59 ملین امریکی ڈالر) سیکٹرز (28 ملین امریکی ڈالر) اور پاور (10 ملین امریکی ڈالر) میں رہا۔ زیریں سست دباؤ بھی ملک سے غیر ملکی سرمایے



کے اخراج کا نتیجہ تھا جیسا کہ غیر ملکی پورٹ فولیو کے سرمایہ کار روپے کی قدر میں کمی سے پہلے شرح مبادلہ میں نقل و حرکت سے متاثر تھے۔ پاکستان نے موجودہ سال 2018 کی تیسری سہ ماہی میں EM مارکیٹ سے 0.2% کی برائے نام کم تر کارکردگی کا مظاہرہ کیا۔ جذبات کو تخریک دینے والے اہم ایشیا ٹی ٹکنکات میں درج ذیل شامل ہیں: درج ذیل پرو واضح صورت حال (i) آئی ایم ایف پروگرام میں مکمل شمولیت (ii) اس کے نتیجے میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کوئی کمی۔

ٹیکس HBL، بیسٹ اور UBL انڈیکس کو گرانے کے حصہ داروں میں سر فہرست ہے۔ HBL اور UBL کے معاملے میں گراؤ زیادہ تر غیر ملکی اخراج کا نتیجہ تھی۔ یہاں یہ یاد دلانا مناسب ہے کہ HBL پر نیو یارک اسٹیٹ ڈپازٹمنٹ آف فنانشل سروسز کی طرف سے 225 ملین امریکی ڈالر جرمانہ عائد کیا گیا تھا جس نے 2017 میں کمپنی کی بیش تر آمدنی کا صفایا کر دیا تھا۔ مزید برآں HBL اور UBL دونوں پر پینشن فنڈ سے متعلق جرمانے (سپریم کورٹ کے حکم کے مطابق) عائد کیے گئے جس سے ان کی آمدنی پر مزید دباؤ پڑا۔ سٹیٹس بھی کوئلے کی قیمتوں میں اضافے اور غیر ملکی فروخت کے دباؤ کی وجہ سے انڈیکس کے زوال میں بڑی حصہ دار ہیں۔

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 افراتفرار کے دباؤ کی صورت میں بھی نکلے گا، جس کا نتیجہ مزید مالیاتی سختی کی شکل میں سامنے آنے کا نتیجہ آئے والے مہینوں میں پالیسی ریٹ میں مزید اضافے کا امکان ہے۔

مارکیٹ کی سمت کا تعین اس پر ہوگا کہ پاکستان کب آئی ایم ایف پروگرام میں شامل ہوگا، اس سے متعلق شرائط اور یہ کہ وہ معاشی اقدامات کتنے سخت ہوں گے جن پر آئی ایم ایف پاکستان سے عمل کروائے گا۔ پاکستان 7.1x کے فارورڈ P/E پر لیمن دین کرتا ہے۔ یہ MSCI EM کے مقابلے میں 31% ڈس کاؤنٹ ہے اور ہماری دنیا کے لیے سال 2019 میں آمدنی کی سال بہ سال 15% نمو کی پیش گوئی کے مقابلے میں اچھے مواقع رکھتا ہے۔ جہاں مستقبل قریب میں مجموعی معاشی دباؤ مزید بڑھنے کا امکان ہے (مثلاً گیس اور بجلی کے نرخوں میں اضافہ، بجلی کے اضافی اخراجات میں کمی)، مارکیٹ نے اس میں سے پیش تر کی قیمتوں کا تعین پہلے ہی کر لیا ہے۔ بہر حال ہماری رائے میں پاکستان GDP کی باہمی سمت نمو (آئی ایم ایف مالی سال 2019 کے لیے اب 4.0% کی پیش گوئی کر رہا ہے) اور افراتفرار کے ماحول (آئی ایم ایف مالی سال 2019 کے لیے 7.5% دیکھ رہا ہے) کے لیے خود کو تیار کر رہا ہے۔

آنے والی مدت میں سرمایہ کاری برقرار رکھنا باریک بینی کا تقاضا کرتا ہے، جیسا کہ مارکیٹ سرمایہ کاری کی کم دل چسپی اور اس کے نتیجے میں حجم کی کمی سے اٹار چڑھاؤ کا شکار ہے۔ LEF اپنی بنیادی قدر سے کم پر خرید کے لیے دستیاب اصلاحی مستحکم شعبوں میں مواقع سے فائدہ اٹھانے کی کوشش کرے گا۔ فنڈ انڈیکس میں اہمیت کے حامل شعبوں کی سمت کا تعین کرنے والے کلیدی مجموعی اشاروں پر گہری نظر رکھے گا، جو سرمایہ کاروں کی سب سے زیادہ دلچسپی کا مرکز بنیں گے۔



اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، مینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ 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 کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے اور از طرف بورڈ

.....
ڈائریکٹر

.....
چیف ایگزیکٹو آفیسر

تاریخ: 13 اکتوبر 2018



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

	Note	September 30, 2018 (Unaudited) (Rupees)	June 30, 2018 (Audited)
Assets			
Bank balances	6	311,805,547	574,381,423
Investments	7	3,009,871,318	2,724,525,859
Dividend and profit receivable		32,278,537	9,883,204
Advances and deposits		2,993,479	10,150,000
Receivable against sale of marketable securities		-	18,765,382
Total assets		<u>3,356,948,881</u>	<u>3,337,705,868</u>
Liabilities			
Payable to the Management Company	8	27,297,171	27,471,148
Remuneration payable to the Trustee		398,249	406,947
Annual fee payable to Securities and Exchange Commission of Pakistan		787,567	3,333,685
Accrued expenses and other liabilities	9	40,343,289	39,232,962
Payable against purchase of marketable securities		7,042,473	32,759,230
Total liabilities		<u>75,868,749</u>	<u>103,203,972</u>
Contingencies and commitments	10		
Net assets		<u>3,281,080,132</u>	<u>3,234,501,896</u>
Unit holders' fund (as per the statement attached)		<u>3,281,080,132</u>	<u>3,234,501,896</u>
		(Number of units)	
Number of units in issue (face value: Rs 100 per unit)		<u>28,801,707</u>	<u>28,314,022</u>
		(Rupees)	
Net assets value per unit		<u>113.9196</u>	<u>114.2367</u>

The annexed notes from 1 to 16 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	2017
		(Rupees)	
Income			
Gain / (loss) on sale of held for trading investments - net		23,261,770	(75,129,034)
Unrealised loss on revaluation of held for trading investments - net	7.1	<u>(56,072,986)</u>	<u>(382,776,432)</u>
		(32,811,216)	(457,905,466)
Dividend income on held for trading investment		39,078,616	27,481,260
Return / markup on:			
- bank balances		6,951,387	6,057,286
- Government Securities		383,724	-
		<u>13,602,511</u>	<u>(424,366,920)</u>
Expenses			
Remuneration of the Management Company		16,580,356	19,069,529
Sindh Sales Tax on remuneration of the Management Company		2,155,446	2,479,039
Remuneration of the Trustee		1,221,612	1,362,250
Annual fee to the Securities and Exchange Commission of Pakistan		787,567	905,803
Auditors' remuneration		75,226	82,657
Fees and subscription		174,595	80,179
Printing charges		5,041	5,041
Brokerage expenses		1,370,418	1,041,160
Settlement charges		156,467	155,774
		<u>22,526,728</u>	<u>25,181,432</u>
Net (loss) for the period before taxation		(8,924,217)	(449,548,352)
Taxation	11	-	-
Net (loss) for the period after taxation		(8,924,217)	(449,548,352)
Allocation of Net Income for the period:			
Net income for the period		-	(449,548,352)
Income already paid on units redeemed		-	97,314,442
Accounting income available for distribution		-	(352,233,910)
Relating to capital gains / (loss)		-	(358,781,947)
Excluding capital gains		-	6,548,037
Accounting income available for distribution		-	(352,233,910)

The annexed notes from 1 to 16 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 (loss) for the period	(8,924,217)	(449,548,352)
Other comprehensive income for the period	-	-
Total comprehensive (loss) for the period	<u><u>(8,924,217)</u></u>	<u><u>(449,548,352)</u></u>

The annexed notes from 1 to 16 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**

	For the quarter ended September 30, 2018		For the quarter ended September 30, 2017	
	Capital value	Undistributed Income	Capital value	Undistributed Income
	(Rupees)			
Net assets at beginning of the period				
Issuance of 628,791 units (2017: 6,403,411)	2,761,512,701	472,989,195	3,234,501,896	995,784,006
Total proceeds on issuance of units			3,221,006,224	995,784,006
Redemption of 141,106 units (2017: 8,597,239)				
Total payments on redemption of units	(16,284,922)	-	(1,125,206,451)	97,314,442
Total comprehensive (loss) for the period	-	(8,924,217)	-	(449,548,352)
Net assets as at end of the period	2,817,015,154	464,064,978	3,281,080,132	643,550,096
Undistributed income brought forward:				
- Realized income	817,171,580			743,719,379
- Unrealized income	(344,182,385)			252,064,627
	<u>472,989,195</u>			<u>995,784,006</u>
Accounting income available for distribution:				
Relating to capital gains				(358,781,947)
Excluding capital gains				6,548,037
				<u>(352,233,910)</u>
Net (loss) for the period after taxation		(8,924,217)		-
Undistributed income at end of the period		<u>464,064,978</u>		<u>643,550,096</u>
Undistributed income brought forward:				
- Realized income	520,137,964			1,026,326,528
- Unrealized (loss) / income	(56,072,986)			(382,776,432)
	<u>464,064,978</u>			<u>643,550,096</u>
Undistributed income at end of the period		<u>114,2367</u>		<u>130,9153</u>
Net assets value per unit at beginning of the period				
Net assets value per unit at end of the period		<u>113.9196</u>		<u>116.8535</u>

The annexed notes from 1 to 16 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)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) for the period	(8,924,217)	(449,548,352)
Adjustments for:		
(Gain) / loss on sale of held for trading investments - net	(23,261,770)	75,129,034
Unrealised loss on revaluation of held for trading investments - net	56,072,986	382,776,432
	23,886,999	8,357,114
Decrease / (Increase) in assets		
Investments	(318,156,675)	241,052,461
Dividend and profit receivable	(22,395,333)	(12,209,589)
Receivable against sale of marketable securities	18,765,382	165,191,504
Advances and deposits	7,156,521	(15,711)
	(314,630,105)	394,018,665
(Decrease) / Increase in liabilities		
Payable to the Management Company	(173,977)	(1,601,577)
Remuneration payable to the Trustee	(8,698)	(80,081)
Annual fee payable to Securities and Exchange Commission of Pakistan	(2,546,118)	(2,865,253)
Payable against purchase of marketable securities	(25,716,757)	(4,697,256)
Accrued expenses and other liabilities	1,110,327	(39,165,514)
	(27,335,223)	(48,409,681)
Net cash (flows) / generated from operating activities	(318,078,329)	353,966,098
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	71,787,375	768,153,328
Payments on redemption of units	(16,284,922)	(1,027,892,009)
Net cash (used in) / generated from financing activities	55,502,453	(259,738,681)
Net increase in cash and cash equivalents during the period	(262,575,876)	94,227,417
Cash and cash equivalents at beginning of the period	574,381,423	211,565,577
Cash and cash equivalents at end of the period	311,805,547	305,792,993

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

Chief Executive Officer

Chief Financial Officer

Director



Notes to the Condensed Interim Financial Statements (Unaudited) For the quarter ended September 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The Lakson Equity Fund (the "Fund") was established under the Trust Deed executed on 2 September 2009 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 18 September 2009 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 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 "Equity Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and it primarily invests in listed equity securities and other avenues of investment, which include cash or near cash instruments, cash in bank accounts (excluding TDR) and treasury bills not exceeding 90 days maturity and any other investment authorised by SECP.

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

- 1.4 The Pakistan Credit Rating Company Limited (PACRA) has maintained asset manager rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) dated 28 August 2018 (AM2+ as on 22 December 2017).

On 24 May 2018, PACRA assigned following rankings to the Fund based on the performance review for the period ended 31 December 2017 (trailing 12 months for 1 Year ranking, trailing 36 months for 3Year ranking, and trailing 60 months for 5 Year ranking.)

1 Year : 3-Star (Average)
3 Year : 3-Star (Average)
5 Year : 3-Star (Average)

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.

The comparative Statement of Assets and Liabilities presented in these condensed interim financial information as at 30 June 2018 has been extracted from the audited financial statements of the Company for the year ended 30 June 2018, whereas the comparative profit and loss account, statement of comprehensive income, the cash flow statement and statement of changes in equity for the quarter ended 30 September 2018 have been extracted from the unaudited condensed interim financial information for the period then ended.

- 2.2 This condensed interim financial information do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the latest annual financial statements as at and for the year ended 30 June 2018. However, selected explanatory notes are included to explain events and transactions that are significant.

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.

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 Functional and presentation currency

These Condensed interim financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupees.

2.4 Basis of measurement

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

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of condensed interim financial information requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the Management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2018.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial informations 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 4.1



- 4.1 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 amount 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;
- 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.

5. FINANCIAL RISK MANAGEMENT

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

		September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	Note	(Rupees)	
6. BANK BALANCES			
In profit and loss sharing accounts	6.1	311,797,639	574,373,515
Current Account		7,908	7,908
		<u>311,805,547</u>	<u>574,381,423</u>

6.1 These accounts carry profit at the rates of 5.50% to 8.55% (June 30, 2018: 4.00% to 7.30%) per annum.

7. INVESTMENTS

**At fair value through profit or loss
- held for trading**

Listed equity securities	7.1	<u>3,009,871,318</u>	<u>2,724,525,859</u>
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7.1 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

Name of investee company	Period ended September 30, 2018										
	Number of Shares					Rupees					(%)
	Holding as at July 01, 2018	Purchased during the period	*Bonus / right shares received during the year	Disposed during the period	Holding as at September 30, 2018	Carrying value as of 30 September 2018	Market value as of 30 September 2018	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											
Askari Bank Limited	-	2,452,000	-	-	2,452,000	56,051,660	60,147,560	4,095,900	2.00	1.83	0.21
Bank Al-Habib Limited	267,938	-	-	267,938	-	-	-	-	-	-	-
Bank Al-Falah Limited	753,600	1,224,100	-	148,000	1,992,150	98,152,004	98,890,326	738,322	3.29	3.01	0.12
Habib Bank Limited	961,126	583,700	*162,450	-	1,544,826	251,281,034	233,840,312	(17,440,722)	7.77	7.13	0.11
MCB Bank Limited	1,043,952	149,400	-	-	1,193,352	236,137,179	240,114,356	3,977,177	7.98	7.32	0.11
Meezan Bank Limited	469,775	-	*7,307	396,700	80,382	5,971,689	7,116,467	1,196,778	0.24	0.22	0.01
United Bank Limited	931,350	388,800	-	-	1,320,150	220,824,986	203,303,100	(17,521,886)	6.75	6.20	0.11
						868,418,552	843,464,121	(24,954,431)	28.02	25.71	
Chemicals											
Archroma Pakistan Limited	61,800	-	-	61,800	-	-	-	-	-	-	-
Engro Polymer & Chemicals	1,138,700	385,307	384,273	1,305,100	603,180	17,299,040	17,516,347	217,307	0.58	0.53	0.01
ICI Pakistan Limited	88,900	-	-	300	88,600	71,012,900	67,210,188	(3,802,712)	2.23	2.05	0.10
						88,311,940	84,726,535	(3,585,405)	2.81	2.58	
Fertilizers											
Engro Corporation Limited (5.1.1)	557,938	88,200	-	21,800	624,168	195,303,988	194,509,474	(794,514)	6.46	5.93	0.01
Engro Fertilizers Limited	1,082,700	381,900	-	65,000	1,399,600	105,281,184	105,655,804	374,620	3.51	3.22	0.01
Fauji Fertilizers Bin Qasim Limited	127,400	-	-	127,400	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	711,000	112,000	-	113,500	709,500	70,056,161	69,275,580	(780,581)	2.30	2.11	0.01
						370,641,333	369,440,858	(1,200,475)	12.27	11.26	
Pharma & Bio Tech											
The Searl Company Limited (5.1.2)	5,294	-	-	-	5,294	1,797,313	1,672,533	(124,780)	0.06	0.05	0.00
Textile Composite											
Gul Ahmed Textile Mill Limited	633,426	-	-	565,500	67,926	2,916,063	3,320,902	404,839	0.11	0.10	0.02
Nishat Mills Limited	667,800	58,500	-	21,400	704,900	98,847,739	99,101,901	254,171	3.29	3.02	0.20
						101,765,793	102,422,803	659,010	3.40	3.12	
Cement											
Lucky Cement Company Limited (5.1.1)	147,514	85,100	-	19,000	213,614	107,365,252	109,571,165	2,205,913	3.64	3.34	0.07
D C Khan Cement Company Limited	280,973	499,000	-	38,500	741,473	80,905,777	75,934,250	(4,971,527)	2.52	2.31	0.17
Maple Leaf Cement Factory Limited	706,400	573,500	-	70,500	1,209,400	59,223,963	56,962,740	(2,261,223)	1.89	1.74	0.23
Kohat Cement Company Limited	248,972	-	-	248,972	-	-	-	-	-	-	-
Pakistan Cement Company Limited	741,942	-	-	78,000	663,942	31,112,322	28,854,919	(2,257,403)	0.96	0.88	0.29
						278,607,313	271,323,074	(7,284,240)	9.01	8.27	
Power Generation & Distribution											
The Hub Power Company Limited	1,200,488	271,500	-	-	1,471,988	134,846,629	128,754,790	(6,091,839)	4.28	3.92	0.13
						134,846,629	128,754,790	(6,091,839)	4.28	3.92	



Name of investee company	Number of Shares				Period ended September 30, 2018				Rupees		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	
	Holding as at July 01, 2018	Purchased during the period	*Bonus / right shares received during the year	Disposed during the period	Holding as at September 30, 2018	Carrying value as of 30 September 2018	Market value as of 30 September 2018	Unrealised gain / (loss) - net	(%)	(%)				
Oil and Gas Exploration Companies														
Mari Petroleum Company Limited (5.1.2)	78,416	3,160	-	-	81,576	122,566,561	127,122,328	4,555,767	4,22	3,87	0.07			
Oil and Gas Development Company Limited (5.1.1)	1,310,766	259,400	-	33,500	1,536,666	237,672,054	235,094,531	(2,577,523)	7.81	7.17	0.04			
Pakistan Offfield Limited	112,050	10,000	*19,650	23,800	117,900	65,599,131	64,748,322	(850,809)	2.15	1.97	0.05			
Pakistan Petroleum Limited (5.1.1)	653,884	222,000	-	-	875,884	186,462,590	186,913,646	451,056	6.21	5.70	0.04			
						613,300,335	613,878,827	1,578,491	20.40	18.71				
Oil and Gas Marketing Companies														
Attock Petroleum Limited	102,910	-	*20,582	-	123,492	60,715,871	54,811,924	(5,903,947)	1.82	1.67	0.05			
Pakistan State Oil Company Limited (5.1.2)	377,786	23,500	-	132,400	268,886	85,338,797	85,731,612	392,815	2.85	2.61	0.32			
Sui Northern Gas Pipeline Limited	916,467	258,000	-	150,336	1,024,131	100,554,172	91,270,555	(9,283,617)	3.03	2.78	0.16			
						246,608,840	231,814,091	(14,794,749)	7.70	7.07				
Food & Personal Care Products														
At-Tahir Ltd.	-	802,860	-	802,860	-	-	-	-	-	-	-			
Cable and Electrical Goods														
Pak Elektron Limited	1,664,000	176,064	-	1,340,200	499,864	17,627,243	15,365,819	(2,261,424)	0.51	0.47	0.10			
Technology and Communication														
Systems Limited	810,474	-	-	185,220	625,254	63,288,210	75,274,329	11,986,119	2.50	2.29	0.56			
Automobile and Parts														
Thal Limited (Face value of Rs. 5 each)	103,150	-	-	103,150	-	49,257,220	45,077,582	(4,179,638)	1.50	1.37	0.13			
Automobile Assemblers														
Indus Motor Company Limited	18,629	-	-	11,930	6,699	9,522,361	9,369,556	(152,805)	0.31	0.29	0.01			
Milatt Tractors Limited	2,753	-	-	2,753	-	9,522,361	9,369,556	(152,805)	0.31	0.29	-			
Engineering														
Amrell Steels Limited.	-	185,500	-	-	185,500	12,751,000	12,048,225	(702,775)	0.40	0.37	0.15			
International Industries Limited	108,766	96,500	-	11,500	193,766	43,117,709	41,698,443	(1,419,266)	1.39	1.27	0.04			
International Steels Limited	1,133,844	112,500	-	71,000	1,175,344	118,636,176	106,921,044	(11,715,132)	3.55	3.26	0.98			
Mughal Iron & Steel Industries Limited	-	-	-	-	-	-	-	-	-	-	-			
						174,504,885	160,667,712	(13,837,173)	5.34	4.90				
Paper and Board														
Cherat Packaging Company Limited	107,400	278,900	-	59,100	327,200	48,448,335	56,618,688	8,170,353	1.88	1.73	-			
Roshan Packages Limited	-	-	-	-	-	48,448,335	56,618,688	8,170,353	1.88	1.73	-			
						3,065,944,302	3,009,871,318	(56,072,986)	100.00	91.73				
Total as at 30 September 2018														
Total cost as at 30 September 2018						3,217,085,597								
Total as at 30 June 2018						3,068,708,248	2,724,525,859	(344,182,385)	100.00	84.23				
Total cost as at 30 June 2018						2,917,508,312								



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

	September 30 2018	June 30 2018	September 30 2018	June 30 2018
	----- (Number of shares) -----		----- (Rupees) -----	
Engro Corporation Limited	85,000	85,000	26,488,550	26,678,100
Oil and Gas Development Company Limited	70,000	70,000	10,709,300	10,893,400
Pakistan Petroleum Limited	330,000	330,000	70,422,000	70,917,000
Lucky Cement Company Limited	50,000	50,000	25,647,000	25,396,500
	535,000	535,000	133,266,850	133,885,000

7.1.2 Finance Act, 2014 had introduced tax on bonus shares issued by the Companies. Most 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, up to the year end, tax in the shape of 5,294 shares of The Searle Company Limited (June 30, 2018: 5,294 shares), 2,644 shares of Pakistan State Oils Company Limited (June 30, 2018: 2,644) and 1,010 shares of Mari Petroleum Limited (June 30, 2018: 1,010 shares) had been withheld by CDC. Market value of these shares as at 30 September 2018 amounted to Rs. 4.089 millions (30 June 2018: 4.160 million) and are included in the Fun these financial statements.

Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	(Rupees)	

8. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	8.1	5,404,797	5,558,759
Sindh Sales Tax on Management Company's remuneration		3,402,050	3,422,065
Federal Excise Duty on Management Company's remuneration	8.2	18,483,430	18,483,430
Sales load payable to the Management Company		6,894	6,894
		27,297,171	27,471,148

8.1 Under the provisions of Non-Banking Finance Companies and Notified Entities Regulations 2008, an Asset Management Company shall be entitled to remuneration equal to an amount not exceeding 2% of average annual net assets. Management Company has charged remuneration at 2% per annum based on the daily net assets of the Fund during the period ended 30 September 2018. Remuneration is paid to the Management company in arrears on a monthly basis.

The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2018: 13%) on Management Company's remuneration. Above liability includes Rs. 2,699,429 (2018: Rs. 2,699,429) 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 September 2018 would have been higher by Re. 0.0937 (30 June 2018: Re. 0.0953) per unit. The amount is payable to the management company for onwards payment to the Government.



- 8.2 As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percenton 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. 18.843 million. Had the provision not been made, NAV per unit of the Fund as at 30 September 2018 would have been higher by Re. 0.6417 (30 June 2018: Re. 0.6528) per unit.

	Note	September 30, 2018 (Unaudited) (Rupees)	June 30, 2018 (Audited)
9. ACCRUED EXPENSES AND OTHER LIABILITIES			
Withholding tax payable		29,770	-
Payable to Sindh workers' welfare fund	9.1	38,096,893	38,096,893
Brokerage payable		1,729,652	359,234
Auditors' remuneration		240,201	164,975
Fee payable to Central Depository Company of Pakistan Limited		21,667	17,400
Fee payable to National Clearing Company of Pakistan Limited		32,000	40,000
Capital Gain Tax Payable		-	534,460
Payable against Redemption of units		96,563	-
Payable against Rating fee		71,501	-
Other liabilities		25,041	20,000
		<u>40,343,288</u>	<u>39,232,962</u>

- 9.1 Provision for Sindh Workers' Welfare Fund is being made on a daily basis going forward pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in 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 September 2018 is Rs. 38.069 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 September 2018 would have been higher by Re. 1.32 (30 June 2018: Re. 1.35) per unit.



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.

10 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 September 2018 is 2.72% which includes 0.41% representing the government levies, (comprising of Sindh Workers Welfare Fund and SECP fee, etc.). As per the NBFC Regulation total expense ratio of the Equity Scheme shall be capped up to 4%.

11. CONTINGENCIES AND COMMITMENTS

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

12. 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. 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 atleast 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 this condensed interim financial statement.

13. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

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:

13.1 Balance as at period ended

	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable (including the Sindh sales tax and federal excise duty amounting to Rs. 21.885 million (30 June 2018: Rs. 21.905 million)*)	<u>27,290,277</u>	<u>27,464,254</u>
Sales load payable	<u>6,894</u>	<u>6,894</u>

*Sales tax and FED is paid / payable to the management company for onward payment to the Government.

Central Depository Company of Pakistan Limited - Trustee of the Fund

Remuneration payable	<u>398,249</u>	<u>406,947</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
Settlement charges payable	<u>21,667</u>	<u>164,975</u>

**Quarter ended
September 30,**

2018 2017

(Unaudited)
(Rupees)

13.2 Transactions during the period

Lakson Investments Limited - Management Company of the Fund

Remuneration to the Management Company	<u>16,580,356</u>	<u>19,069,529</u>
Sindh sales tax on remuneration of Management Company *	<u>2,155,446</u>	<u>2,479,039</u>

*Sales tax and FED is paid / payable to the management company for onward payment to the Government.

Central Depository Company of Pakistan Limited - Trustee of the Fund

Remuneration for the period	<u>1,221,612</u>	<u>1,362,250</u>
Settlement charges	<u>67,800</u>	<u>39,550</u>

13.3 This reflects the position of related party / connected person status that existed as at September 30, 2018.

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

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



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

	Quarter ended September 30, 2018				Balance at the year ended 30 September 2018 (Investment at current NAV)
	Number of Units		Rupees		
	Number of units as at 01 July 2018	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 September 2018	Balance as at July 01, 2018
Lakson Investments Limited - Management Company of the Fund	836,717	-	-	836,717	95,583,789
Directors, Chief Executive and their spouse and minors	7,784,965	353	-	7,785,318	889,328,746
Other key management personnel	13,108	588	-	13,696	1,497,457
Associated companies / undertakings of the Management Company					
- Century Insurance Company Limited	2,793,706	-	-	2,793,706	319,143,754
- Siza Service (Private) Limited	4,573,911	-	-	4,573,911	522,508,455
- Premier Fashions (Private) Limited	2,459,304	-	-	2,459,304	280,942,808
- Siza Private Limited	1,838,321	-	-	1,838,321	210,003,753
- Siza Foods Private Limited Employees Contributor	10,067	-	-	10,067	1,149,973
- Accuracy Surgical Limited Employees Contributor	14,006	-	-	14,006	1,599,999
- Cyber Internet Services (Pvt.) Ltd. Empl. CPFT	15,756	-	-	15,756	1,799,913
- Gam Corporation Private Limited Employees Contributor	22,759	-	-	22,759	2,599,913
- Lakson Business Solutions Limited Employees Contributor	1,263	-	-	1,263	144,281
- Century Paper & Board Mills Limited ECPFT	140,057	-	-	140,057	15,999,649
- Century Paper & Board Mills Limited EGF	60,400	-	-	60,400	6,899,897
- Merit Packaging Limited ECPFT	23,635	-	-	23,635	2,699,984
- Merit Packaging Limited EGF	9,454	-	-	9,454	1,079,994
- Sindh Province Pension Fund (Being more than 10% unit holding)	3,217,393	-	-	3,217,393	367,544,380

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



Number of Units		Period ended September 30, 2017			Rupees		
Number of units as at 01 July 2017	Units issued during the year	Units redeemed during the year	Number of holdings at the year ended 30 September 2017	Balance as at July 01, 2017	Units issued during the year	Units redeemed during the year	Balance at the year ended 30 September 2017 (Investment at Current NAV)
1,185,566	-	-	1,185,566	155,208,729	-	-	155,208,729
12,490,259	9,274	(4,715,570)	17,215,103	1,635,166,004	1,140,000	(550,000,000)	2,253,720,343
15,500	822	(8,438)	24,760	2,029,187	100,000	(1,063,077)	3,241,408
2,793,706	-	-	2,793,706	365,738,859	-	-	365,738,859
2,859,158	1,714,753	-	4,573,911	374,307,527	200,000,000	-	598,794,881
1,601,928	857,376	-	2,459,304	209,716,885	100,000,000	-	321,960,561
-	1,838,321	-	1,838,321	-	214,412,415	-	240,664,378

Lakson Investments Limited - Management Company of the Fund

Directors, Chief Executive and their spouse and minors

Other key management personnel

Associated companies / undertakings of the Management Company

- Century Insurance Company Limited

- Siza Service (Private) Limited

- Premier Fashions (Private) Limited

- Siza (Private) Limited



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 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 (that is, as prices) or indirectly (that is, derived from prices) (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.

Investments of the Fund carried at fair value are categorised as follows:

As at September 30, 2018				
----- Un-audited -----				
	Level 1	Level 2	Level 3	Total
----- Rupees -----				
Assets				
Financial assets at fair value through profit and loss account	3,009,871,318	-	-	3,009,871,318

As at June 30, 2018				
----- Audited -----				
	Level 1	Level 2	Level 3	Total
----- Rupees -----				
Assets				
Financial assets at fair value through profit and loss account	2,724,525,859	-	-	2,724,525,859



15. GENERAL

Figures have been rounded off to the nearest rupee.

16. DATE OF AUTHORIZATION OF ISSUE

This condensed interim financial information was authorised for issue on October 13, 2018 by the Board of Directors of the Management Company.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



A Lakson Group Company

Lakson Investments Limited

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