

Funds Managed by:  
**AKD Investment Management Ltd.**

**1st Quarter Report**  
**September 30, 2018**  
**(Un-audited)**



# quarterly report



**Partner with AKD**  
**Profit from the**  
**Experience**



**AKD Investment  
Management Ltd.**

# TABLE OF CONTENTS

**03** Corporate Information

**04** Vision

**05** Mission Statement

**06** Report of the Directors of the Management Company

**11** AKD Opportunity Fund - Financial Statements First Quarter FY19

**37** AKD Index Tracker Fund - Financial Statements First Quarter FY19

**65** AKD Cash Fund - Financial Statements First Quarter FY19

**87** AKD Aggressive Income Fund - Financial Statements First Quarter FY19

**111** AKD Islamic Income Fund - Financial Statements First Quarter FY19

**133** AKD Islamic Stock Fund - Financial Statements First Quarter FY19



## **MANAGEMENT COMPANY**

AKD Investment Management Limited  
216-217, Continental Trade Centre, Block-8,  
Clifton, Karachi-74000

## **BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

### **Chairman**

Mr. Abdul Karim

### **Director & Chief Executive Officer**

Mr. Imran Motiwala

### **Directors**

Ms. Anum Dhedhi

Mr. Ali Wahab Siddiqui

Mr. Hasan Ahmed

Mr. Saim Mustafa Zuberi

Ms. Aysha Ahmed

## **CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY**

Mr. Muhammad Munir Abdullah

## **CHIEF OPERATING OFFICER AND COMPANY SECRETARY OF THE MANAGEMENT COMPANY**

Mr. Muhammad Yaqoob Sultan, CFA

## **HEAD OF COMPLIANCE OF THE MANAGEMENT COMPANY**

Mr. Rashid Ahmed

## **AUDIT COMMITTEE**

Mr. Ali Wahab Siddiqui (Chairman)

Mr. Hasan Ahmed (Member)

Mr. Saim Mustafa Zuberi (Member)

Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

## **HUMAN RESOURCE AND REMUNERATION (HR & R) COMMITTEE**

Ms. Aysha Ahmed (Chairman)

Mr. Abdul Karim (Member)

Mr. Imran Motiwala (Member)

Ms. Anum Dhedhi (Member)

Mr. Saim Mustafa Zuberi (Member)

Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

## **RATING**

AKD Investment Management Ltd. (AMC)  
AM3++ (AM Three Plus Plus) issued by PACRA

**CORPORATE  
INFORMATION**

# *Vision*

*To serve investors in Pakistan's  
capital markets with diligence,  
integrity and professionalism,  
thereby delivering consistent  
superior returns and  
unparalleled  
customer service.*

# *Mission Statement*

*AKD Fund shall continuously strive to:*

- *Keep primary focus on investing clients' interest*
- *Achieve highest standards of regulatory compliance and good governance*
- *Prioritize risk management while endeavoring to provide inflation adjusted returns on original investment*
- *Enable the investing public and clients to make AKDIML Funds a preferred part of their overall savings and investment management strategy*
- *Distinguish themselves and compete on the basis of unparalleled service quality while setting industry standards for professionalism, transparency and consistent superior performance*
- *Foster and encourage technical, professional, ethical development of human capital to provide our people the best opportunities and environment for their personal growth*

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of AKD Opportunity Fund (AKDOF), AKD Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF) and AKD Islamic Stock Fund (AKDISSF) is pleased to present its Quarterly report along with the Funds' unaudited financial statements for Quarter ended September 30, 2018.

## FUNDS' FINANCIAL PERFORMANCE

### AKD Opportunity Fund (AKDOF)

For the 1QFY19, the return of AKD Opportunity Fund stood at -4.74% compared to the benchmark KSE-100 Index return of -2.18%.

### AKD Index Tracker Fund (AKDITF)

For the 1QFY19, the return of AKD Index Tracker Fund stood at -2.54% compared to the benchmark KSE-100 Index return of -2.18%.

### AKD Cash Fund (AKDCF)

For the 1QFY19, the annualized return of AKD Cash Fund stood at 5.81% compared to benchmark return of 6.59%.

### AKD Aggressive Income Fund (AKDAIF)

For the 1QFY19, the annualized return of AKD Aggressive Income Fund stood at 3.10% compared to benchmark return of 8.39%.

### AKD Islamic Income Fund (AKDISIF)

For the 1QFY19, the annualized return of AKD Islamic Income Fund stood at 6.22% compared to benchmark return of 2.51%.

### AKD Islamic Stock Fund (AKDISSF)

For the 1QFY19, the return of AKD Islamic Stock Fund stood at -3.72% compared to the benchmark KMI-30 Index return of -2.57%.

## MACRO PERSPECTIVE

After achieving a growth rate of 5.8% in FY18 - the highest in 13 years and up from 5.3% in FY17, Gross Domestic Product (GDP) is likely to slow down to 5.0% in FY19 on the back of rising inflation, large twin deficits and lower output in the agriculture sector.

The challenges on the external front have increased to alarming levels in 1QFY19. The Current Account Deficit (CAD) reached USD 2.72 billion (5.3% of GDP) in 2MFY19 as opposed to USD 2.47 billion (4.6% of GDP) in the corresponding period last year. The primary reason for this deterioration is an upsurge in import bills by 10.92% to USD 9.95bn vs USD 8.97bn in the same period last year. Moreover, higher remittances (up by 13.44%) could not ease the Balance of Payment (BOP) issue. Consequently, foreign reserves have fallen to USD 14.89 billion (-9.23% YoY) by end of 1QFY19.

On the fiscal front, Federal Board of Revenue (FBR) collected total tax revenue of PKR 836 billion in 1QFY19 as against PKR 766 billion during the same period of the previous fiscal year. The tax collection has increased by 9.2% YoY, but fell short of first quarter target by PKR 56 billion. In

addition to disappointing collection results, the number of income tax filers also fell short of expectations due to which the Government announced a two-month extension in the deadline to file tax returns for FY18.

During 1QFY19, average Consumer Price Index (CPI) clocked in at 5.6% as compared to 3.4% in SPLY. The jump is even more pronounced in core inflation (up by 7.7% YoY) - a key measure reflecting the underlying inflationary pressures in the economy. Moreover, State Bank of Pakistan (SBP) has adjusted the average inflation (CPI) projections and inflation is now expected to fall in the revised forecast range of 6.5%-7.5% in FY19. This upward revision is due to following factors: (i) Higher than anticipated increase in international Oil Prices (Up 42.32% YoY). (ii) An upward revision in domestic gas prices (Up to 143%). (iii) Further increase in regulatory duties on imports (iv) 16.92% YoY depreciation of the PKR against USD.

Therefore to ensure macroeconomic stability, State Bank of Pakistan (SBP) raised the policy rate by 100bps to 8.5% in its monetary policy statement of September 2018.

Agriculture sector growth is expected to remain below its target in FY19 mainly due to the looming water crisis, which is likely to constrain agriculture production. In addition, as per latest information, cotton production is expected to miss its FY19 target of 14.4 million bales by ~4 million bales, which will further hinder agriculture growth.

The large scale manufacturing sector (LSM) which constitutes 80% of total manufacturing and 11% of the overall GDP, exhibited a marginal growth of 0.5% YoY during the first month of FY19, yet it decently grew by 6.99% MoM. The major sectors that showed growth included electronics (11.74%), engineering products (13.18%), automobiles (9.75%), and rubber products (8.31%).

On the other hand, the LSM sectors that showed negative growth were wood products (55.64% YoY), pharmaceuticals (10.80% YoY), fertilizers (6.81% YoY), and iron and steel products (2.77% YoY).

In our view, PKR-USD depreciation of 19.89% in 9MCY18 will relieve some pressure on the Current Account. Furthermore, a possible bailout by the IMF, financial assistance from friendly countries (China, UAE) with expected improvement in remittances from overseas Pakistanis may provide a much needed breather to the external account.

Lastly, CPEC investments will continue to play a major role in attracting investment in Pakistan and provide support to the deteriorating external account. Furthermore, the circular debt situation in the power sector has again reached alarming levels and concrete steps are required. However, given the limited fiscal space, any one-off settlement seems unlikely. Overall, clarity about the economic policies and reforms of the Current government will remain a key determinant of macro performance.

## **EQUITY MARKET REVIEW**

During 1QFY19, KSE-100 index started the fiscal year at 41,910 points and ended the period at 40,999, exhibiting a decline of 2.18%. Gains seen in the first week after elections (+5%) have reversed in the last two months of 1QFY19. This decline can be largely attributed to faltering investor confidence stemming from lack of policy clarity (Increase in gas prices and budgetary amendments regarding tax filers) and growing economic concerns (BOP, currency movement) which worsened SBP's forex reserves that fell below US\$10bn (Two-month import cover). Owing to this, Moody's downgraded outlook on Pakistan to negative and continuous foreign selling from emerging market (US \$189mn net outflow from the Pakistani stock market) resulted in reduced trading volumes.

Moving ahead, we believe that drastic and unprecedented economic reforms are on the cards under the Incumbent government. Austerity measures (curb in PSDP and unproductive spending),

strict steps against rampant corruption, call for across the board accountability, radical efforts to expand the tax base and focus on addressing core issues (health, education, justice, and unemployment) will determine the overall performance of the economy and the direction of equity markets. Furthermore, sector specific policies such as those for cements (Dam, PSDP), autos (interest rate, auto policy), fertilizer (subsidy), and steel (import duties) among others, will set the tone of the market. Recovering of wealth parked abroad and the role of overseas Pakistanis will remain a key component of government policy.

These above reforms announced by current government were unprecedented in political history of Pakistan and likely to slow down the economic growth in FY19. However, development on reforms will have positive impact in the long term.

The increasing level of inflation is expected to warrant further hikes in discount rates, where we expect another hike of 100bps in the upcoming Monetary Policy Statement (MPS). We believe this will have a negative impact on the market as investors will realign their portfolios from equity market to debt market for higher yield. However, the KSE-100 index currently trades at a forward PE of ~6.94x with a dividend yield of 7.09%, which offers a significant discount compared to MSCI Emerging Markets Index and regional economies.

## **MONEY MARKET REVIEW**

During 1QFY19, The State Bank of Pakistan (SBP) carried out 7 T-bills auctions where the government managed to raise PKR 4.61 trillion. During this period, weighted average yield on 3, and 6 months T-bills were at 7.60% and 7.85% respectively up from 5.84% and 5.88% during the corresponding period last year.

SBP conducted auctions of PIBs and managed to raise PKR 20.59 billion during 1QFY19. The PIBs auction maintained an upward trend where weighted average maturities yield on 5-year PIB increased to 9.25%, up from 6.89% in the corresponding period of last year.

The Government announced Monetary Policy Statement on September 29, 2018, where the committee decided to change the policy rate by 100bps to 8.5%. State Bank of Pakistan conducted 15 open market operations (OMOs) of different maturities and injected average amount of PKR 855.06 billion per OMO at an average cut-off yield of 7.43%.

State Bank of Pakistan (SBP) will raise Rs 4.9 trillion by sale of three to 20-year Pakistan Investment Bonds (PIBs) and three to 12-month treasury bills during 2QFY19 to pay back the maturing debt of Rs 4.44 trillion. In addition, SBP will raise another Rs 150 billion through the auction of 10-year PIBs at a floating rate.

## **FUTURE OUTLOOK**

Overall, we believe that the economic outlook for FY19 remains challenging. Real growth is expected to slow down its momentum as average inflation is expected to remain above its target due to recent PKR depreciation. It is also likely that an IMF program with stringent conditions will remain a major issue to deal with for the current Government. Current account deficit remains a grave concern and needs urgent remedial measures to boost foreign inflow and control unproductive imports. Key risks can stem from any increase in international oil prices and uncertainty in emerging market. There is hope that Overseas Pakistanis might support the incumbent government and increasing remittances will provide some respite. Pakistan has managed to get US\$6bn support package from Saudi Arabia. The support package comprises i) US\$3bn for balance of payment support and ii) deferred payment facility up to US\$3bn for oil imports. Aforementioned financial assistance from KSA will ease pressure to some extent pertaining to the external account in the near term. The impact of measures being announced by the Government is yet to be seen and will majorly influence any possible improvement in the economy.

Continuous surge rise in oil price and aggressive stance on interest rates in upcoming monetary policy meeting will keep the market heavy weighted sectors (Banks, Exploration & Production) in the limelight.

We believe a significant reversal in equity market will be more dependent on liquidity rather than valuations (The KSE-100 Index trading at a Price-to-earnings (P/E) and Dividend Yield (DY) of 6.94x and 7.09% respectively as compared to Emerging Market P/E and DY of 13.32x and 2.70% respectively).

On the fixed income side, the rapid surge in interest rates has made the situation severe. Yields on 6 Month T-Bills have surged from under 6% in 2017 to around 9% currently and are likely to be in double digits by the end of 2018. Therefore, equity markets will have to offer more to entice investors as competing asset classes (Pakistan Investment Bonds, Income Funds, National Saving Certificates and Bank Deposit) are beginning to offer attractive yields.

For and on behalf of the Board

**Imran Motiwala**  
Chief Executive Officer

**Abdul Karim**  
Chairman

Karachi: October 27, 2018

# **AKD Islamic Stock Fund**

## **Financial Statements - First Quarter FY19**

### **Contents**

**134 Fund Information**

**135 Fund Manager's Report**

**140 Condensed Interim Statement of Assets and Liabilities**

**141 Condensed Interim Income Statement**

**142 Condensed Interim Statement of Comprehensive Income**

**143 Condensed Interim Cash Flow Statement**

**144 Condensed Interim Statement of Movement in Unit Holders' Fund**

**145 Notes to the Condensed Interim Financial Statements**

# AKD Islamic Stock Fund



## MANAGEMENT COMPANY

AKD Investment Management Limited  
216-217, Continental Trade Centre, Block-8,  
Clifton, Karachi-74000

## TRUSTEE

MCB Financial Services Limited  
4th Floor, Perdesi House,  
2/1 R-Y Old Queens Road,  
Karachi-74200

## BANKERS

BankIslami Paskistan Limited  
Dubai Islamic Bank Pakistan Limited  
Summit Bank Limited (Islamic Banking)

## AUDITORS

Deloitte Yousuf Adil  
Chartered Accountants  
Cavish Court A-35, Block 7 & 8  
KCHSU, Sharah-e-Faisal,  
Karachi-75350, Pakistan

## LEGAL ADVISER

Sattar & Sattar  
Attorneys -at -law  
3rd Floor, UBL Building  
I.I Chundrigar Road,  
Karachi.

## REGISTRAR

AKD Investment Management Limited.  
216 - 217, Continental Trade Centre,  
Block-8, Clifton Karachi-74000  
UAN: 111-253-465 (111-AKDIML)

## DISTRIBUTORS

AKD Investment Management Limited  
Metro Capital (Private) Ltd.

## RATING

Asset Management Company  
PACRA: AM3++(AM-Three Plus Plus)

## FUND MANAGER'S REPORT

**i) Description of the Collective Investment Scheme Category and types:**

Open -end Islamic Equity Scheme

**ii) Statement of Collective Investment Scheme's investment objective:**

AKD Islamic Stock fund (AKDISSF) is designed to earn competitive returns by investing in the stock market. The objective of AKD Islamic Stock Fund is to invest in the capital Markets through an optimal combination of strategies in Shariah compliant equities providing growth and dividends.

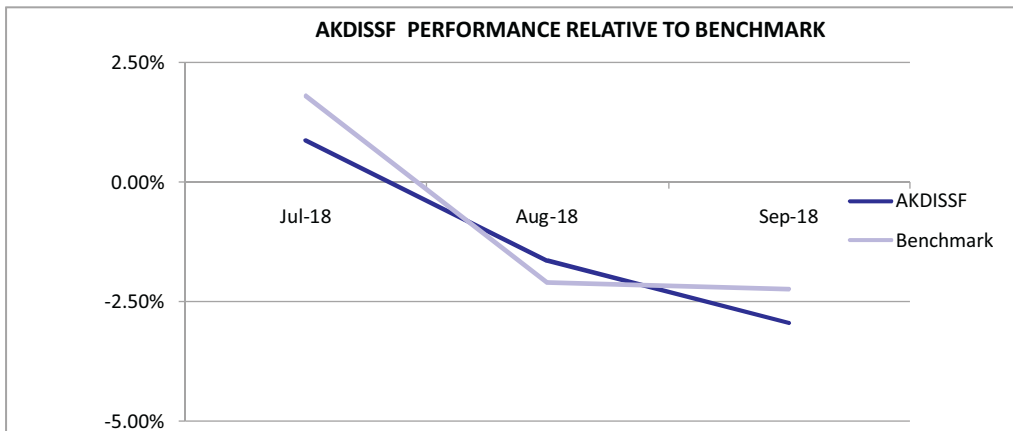
**iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:**

For the 1QFY19, the return of AKD Islamic Stock Fund stood at -3.72% compared to the benchmark KMI-30 Index return of -2.57%.

**iv) Statement of benchmark (s) relevant to the Collective Investment Scheme:**

KMI-30 index

**v) Comparison of the Collective Investment Scheme's performance during the period compared with its said benchmark:**



Monthly yield	Jul-18	Aug-18	Sep-18
<b>AKDISSF</b>	0.87%	-1.64%	-2.94%
<b>Benchmark</b>	1.80%	-2.11%	-2.24%

**vi) Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance:**

AKD Islamic Stock Fund is an open - end Islamic equity scheme; the return of the Fund is generated through investment in Islamic stocks which have strong growth potential. AKDISSF is fully complied with the relevant policies and procedures as per Fund's regulatory requirements.

- vii) Disclosure of Collective Investment Scheme's asset allocation as the date of report and particulars of significant changes in asset allocation since the last report (if applicable):

Asset Allocation (% of Total Assets)	30-Sep-18	30-June-18
Equities	83.64%	96.56%
Cash	14.07%	1.75%
Other Assets	2.29%	1.68%

- viii) Analysis of the Collective Investment Scheme's performance:

1QFY 19 Return	-3.72%
Benchmark Return	-2.57%

- ix) Changes in the total NAV and NAV per unit since the last reviewed period:

Net Asset Value			NAV Per Unit	
30-Sep-18	30-June-18	Change in Net Assets	30-Sep-18	30-June-18
(Rupees In "000")			Rs.	Rs.
214,180	215,691	-0.70%	45.2479	46.9975

- x) Disclosure on the markets that the Collective Investment Scheme has invested in including - review of the market (s) invested in and returns during the period:

### MACRO PERSPECTIVE

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Moving ahead, we believe that drastic and unprecedented economic reforms are on the cards under the Incumbent government. Austerity measures (curb in PSDP and unproductive spending), strict steps against rampant corruption, call for across the board accountability, radical efforts to expand the tax base and focus on addressing core issues (health, education, justice, and unemployment) will determine the overall performance of the economy and the direction of equity markets. Furthermore, sector specific policies such as those for cements (Dam, PSDP), autos (interest rate, auto policy), fertilizer (subsidy), and steel (import duties) among others, will set the tone of the market. Recovering of wealth parked abroad and the role of overseas Pakistanis will remain a key component of government policy.

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The increasing level of inflation is expected to warrant further hikes in discount rates, where we expect another hike of 100bps in the upcoming Monetary Policy Statement (MPS). We believe this will have a negative impact on the market as investors will realign their portfolios from equity market to debt market for higher yield. However, the KSE-100 index currently trades at a forward PE of ~6.94x with a dividend yield of 7.09%, which offers a significant discount compared to MSCI Emerging Markets Index and regional economies.

## FUTURE OUTLOOK

Overall, we believe that the economic outlook for FY19 remains challenging. Real growth is expected to slow down its momentum as average inflation is expected to remain above its target due to recent PKR depreciation. It is also likely that an IMF program with stringent conditions will remain a major issue to deal with for the current Government. Current account deficit remains a grave concern and needs urgent remedial measures to boost foreign inflow and control unproductive imports. Key risks can stem from any increase in international oil prices and uncertainty in emerging market. There is hope that Overseas Pakistanis might support the incumbent government and increasing remittances will provide some respite. Pakistan has managed to get US\$6bn support package from Saudi Arabia. The support package comprises i) US\$3bn for balance of payment support and ii) deferred payment facility up to US\$3bn for oil imports. Aforementioned financial assistance from KSA will ease pressure to some extent pertaining to the external account in the near term. The impact of measures being announced by the Government is yet to be seen and will majorly influence any possible improvement in the economy.

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On the fixed income side, the rapid surge in interest rates has made the situation severe. Yields on 6 Month T-Bills have surged from under 6% in 2017 to around 9% currently and are likely to be in double digits by the end of 2018. Therefore, equity markets will have to offer more to entice investors as competing asset classes (Pakistan Investment Bonds, Income Funds, National Saving Certificates and Bank Deposit) are beginning to offer attractive yields.

**xii) Description and explanation of any significant changes in the state of the affairs of the Collective Investment Scheme during the period and up till the date of Fund Manager's report, not otherwise disclosed in the financial statements:**

There were no significant changes in the state of affairs during the period and up till the date of Fund Manager's report under review.

**xii) Disclosure of any split (if any), comprising:**

There were no unit splits during the period.

**xiii) Break down of unit holding size:**

Range (Units)	No. of Investors
0.1 - 9,999	263
10,000 - 49,999	45
50,000 - 99,999	4
100,000 - 499,999	8
500,000 and above	1
	<b>321</b>

**xiv) Disclosure of circumstances that materially affect any interests of unit holders:**

Investments are subject to credit and market risk.

**xv) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker (s) or dealers by virtue of transaction conducted by the Collective Investment Scheme:**

No soft commission has been received by the AMC from its broker or dealer by virtue of transactions conducted by the Collective Investment Scheme.

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

### AS AT SEPTEMBER 30, 2018

Assets	Note	(Un-Audited) September 30, 2018	(Audited) June 30, 2018
Rupees in '000			
Bank balances	4	30,621	3,822
Investments	5	182,070	210,611
Dividend and Profit receivable on bank deposits	6	1,335	17
Deposits, prepayments and other receivables	7	2,768	2,705
Preliminary expenses and floatation cost	8	899	951
<b>Total Assets</b>		<b>217,693</b>	218,106
<b>Liabilities</b>			
Payable to the Management Company	9	1,605	1,741
Payable to the Trustee	10	25	25
Payable to Securities and Exchange Commission of Pakistan	11	53	73
Payable against Redemption of units		4	-
Payable against purchase of investment		923	-
Accrued expenses and other liabilities	12	903	576
<b>Total Liabilities</b>		<b>3,513</b>	2,415
<b>Net Assets</b>		<b>214,180</b>	215,691
<b>Unit Holders' Fund (as per statement attached)</b>		<b>214,180</b>	215,691
<b>Contingencies and Commitments</b>			
<b>Number of units</b>			
<b>Number of units in issue</b>	13	<b>4,733,484</b>	4,589,409
<b>Rupees</b>			
<b>Net assets value per unit</b>		<b>45.2479</b>	46.9975

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

For AKD Investment Management Limited  
(Management Company)

Abdul Karim  
Chairman

Muhammad Munir Abdullah  
Chief Financial Officer

Imran Motiwala  
Chief Executive Officer

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

### FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

	Note	Rupees in '000
<b>Income</b>		
Capital gain on sale of investments		1,898
Net unrealised diminution on remeasurement of investments classified as 'financial assets at fair value through profit and loss'	5.2	(10,131)
Dividend income		2,157
Profit on bank deposits		415
<b>Total loss</b>		<b>(5,661)</b>
<b>Expenses</b>		
Remuneration of the Management Company		1,108
Sales tax on the remuneration of the Management Company		144
Remuneration of the Trustee		67
Sales tax on the Trustee remuneration		9
Annual fee to the Securities and Exchange Commission of Pakistan		53
Expenses allocated by the Management Company		55
Securities transaction costs		216
Auditors' remuneration		45
Settlement and bank charges		13
Amortisation of preliminary expenses and floatation costs		52
Fee and subscription		145
Printing and related cost		40
Legal and professional charges		66
Charity		215
<b>Total expenses</b>		<b>2,228</b>
<b>Net loss for the period before taxation</b>		<b>(7,889)</b>
Taxation	15	-
<b>Net loss for the period after taxation</b>		<b>(7,889)</b>
<b>Allocation of net income for the period</b>		
Net income for the period after taxation		-
Income already paid on units redeemed		-
		-
<b>Accounting income available for distribution</b>		
Relating to capital gain		-
Excluding capital gains		-
		-

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

**For AKD Investment Management Limited  
(Management Company)**

\_\_\_\_\_  
**Abdul Karim**  
Chairman

\_\_\_\_\_  
**Muhammad Munir Abdullah**  
Chief Financial Officer

\_\_\_\_\_  
**Imran Motiwala**  
Chief Executive Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018**

Rupees in '000

<b>Net loss for the period after taxation</b>	<b>(7,889)</b>
Other comprehensive income for the period	-
<b>Total comprehensive income / (loss) for the period</b>	<b>(7,889)</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

**For AKD Investment Management Limited  
(Management Company)**

**Abdul Karim**  
Chairman

**Muhammad Munir Abdullah**  
Chief Financial Officer

**Imran Motiwala**  
Chief Executive Officer

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

### FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

	Note	Rupees in '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period before taxation		(7,889)
<b>Adjustments</b>		
Amortisation of preliminary expenses and floatation costs		52
Capital gain on sale of investments		(1,898)
Net unrealised diminution on remeasurement of investments classified as 'financial assets at fair value through profit and loss'		10,131
		396
<b>(Increase) / decrease in assets</b>		
Investments		20,308
Dividend and Profit receivable on bank deposits		(1,318)
Deposits, prepayments and other receivables		(63)
		18,927
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company		(136)
Payable to Securities and Exchange Commission of Pakistan		(20)
Payable against Redemption of units		4
Payable against purchase of investment		923
Accrued expenses and other liabilities		327
		1,098
<b>Net cash generated from operating activities</b>		20,421
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units		15,640
Payment against redemption of units		(9,262)
<b>Net cash generated from financing activities</b>		6,378
<b>Net increase in cash and cash equivalents</b>		26,799
Cash and cash equivalents at beginning of the period		3,822
<b>Cash and cash equivalents at end of the period</b>	4	30,621

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

For AKD Investment Management Limited  
(Management Company)

Abdul Karim  
Chairman

Muhammad Munir Abdullah  
Chief Financial Officer

Imran Motiwala  
Chief Executive Officer

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

	Capital value	Undistributed income (Rupees in '000)	Net assets
<b>Net assets at beginning of the period</b>	232,689	(16,998)	215,691
Issuance of 342,019 units			
- Capital value (at net asset value per unit at the beginning of the period)	16,074	-	16,074
- Element of income	434	-	434
Total proceeds on issuance of units	15,640	-	15,640
Redemption of 197,944 units			
- Capital value (at net asset value per unit at the beginning of the period)	9,303	-	9,303
- Element of income	41	-	41
Total payments on redemption of units	9,262	-	9,262
Total comprehensive income / (loss) for the period	-	(7,889)	(7,889)
Distribution during the period	-	-	-
Net (loss) / income for the period less distribution	-	(7,889)	(7,889)
<b>Net assets at end of the period</b>	239,067	(24,887)	214,180
Undistributed loss brought forward			
- Realised		(1,315)	
- Unrealised		(15,683)	
		(16,998)	
Accounting income available for distribution			
- Relating to capital gains	-		
- Excluding capital gains	-		
		-	
Net loss for the period after taxation		(7,889)	
Distribution during the period		-	
Undistributed loss carried forward		(24,887)	
Undistributed loss carried forward			
- Realised loss		(14,756)	
- Unrealised loss		(10,131)	
		(24,887)	
Net assets value per unit at beginning of the period			(Rupees) 46.9975
Net assets value per unit at end of the period			45.2479

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

**For AKD Investment Management Limited  
(Management Company)**

\_\_\_\_\_  
**Abdul Karim**  
Chairman

\_\_\_\_\_  
**Muhammad Munir Abdullah**  
Chief Financial Officer

\_\_\_\_\_  
**Imran Motiwala**  
Chief Executive Officer

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018**

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

AKD Islamic Stock Fund (the Fund) was established under a Trust Deed, dated August 30, 2017, executed between AKD Investment Management Limited (AKDIML) as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on May 30, 2017. The initial Public Offering (IPO) of the Fund was made during the period from February 19, 2018 to February 20, 2018 and the Fund commenced operations from February 21, 2018. In accordance with the Trust Deed, the first accounting period of the Fund commenced on the date on which the Fund property was first transferred to the Trustee i.e. February 19, 2018.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 216-217, Continental Trade Centre, Block-8, Clifton, Karachi, in the province of Sindh.

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The Fund is categorised as an open end Shariah Complaint (Islamic) Equity Scheme in accordance with Circular 7 of 2009, issued by the Securities and Exchange Commission of Pakistan (SECP). Al-Hilal Shariah Advisors (Pvt.) Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.

The Pakistan Credit Rating Company Limited (PACRA) has assigned asset manager rating of 'AM3++' to the Management Company dated 10 August 2018.

Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

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

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

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

These condensed interim financial statements are unaudited.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the published financial statements of the Fund for the period from February 19, 2018 to June 30, 2018 except the following.

During the current period IFRS-9 became applicable, according to the standard, all equity investments are to be measured at fair value in the statement of financial position with value change recognized in profit or loss. Standard also retains an option in respect of equity investments (other than held for trading) for which the entity may elect to report value change in 'other comprehensive income'. For the purpose of measurement of debt instruments, SECP vide its letter to MUFAP dated November 21, 2017 relaxed the applicability of IFRS-9 impairment requirements for debt securities on mutual funds and deferred it till further instructions. As at June 30, 2018 and September 30, 2018 all the equity investment of the Fund were classified in 'Financial assets at fair value through profit or loss'.

	Note	(Un-Audited) 30-Sep-2018	(Audited) 30-Jun-2018
Rupees in '000			
<b>4. BANK BALANCES</b>			
In saving accounts	4.1	<u>30,621</u>	<u>3,822</u>
<b>4.1</b>	This represent bank accounts held with different banks. Mark-up rates on these accounts range between 5.50% to 7.45% (June 30, 2018: 4.50% to 6.50%) per annum.		
<b>5. INVESTMENTS</b>			
At fair value through profit and loss'			
- Listed equity securities	5.1	<u>182,070</u>	<u>210,611</u>

5.1 Listed Equity Securities - financial assets at 'fair value through profit or loss'

Name of the investee company	Face value per share	Number of shares				Balance as at September 30, 2018			Percentage in relation to			
		Opening balance	Purchases during the period	Bonus / right issue	Sales during the period	Closing balance	Carrying cost	Market value	Appreciation/ (diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
<b>SHARES OF LISTED COMPANIES - fully paid ordinary shares</b>												
<b>Automobile Assembler</b>												
Ghanshara Nissan Limited	10	37,999	-	-	-	37,999	6,827	4,697	(2,130)	2.58	2.19	0.08
Millat Tractors Limited	10	10,820	-	-	10,820	-	-	-	-	-	-	-
							<b>6,827</b>	<b>4,697</b>	<b>(2,130)</b>			
<b>Automobile Parts &amp; Accessories</b>												
Thal Limited	5	25,000	-	-	-	25,000	11,938	10,925	(1,013)	6.00	5.10	0.03
The General Tyre and Rubber Company of Pakistan Limited	10	20,000	-	-	-	20,000	3,324	3,258	(66)	1.79	1.52	0.03
							<b>15,262</b>	<b>14,183</b>	<b>(1,079)</b>			
<b>Cable &amp; Electrical Goods</b>												
Pakistan Cables Limited	10	19,375	8,000	-	-	27,375	5,224	5,428	204	2.98	2.53	0.10
							<b>5,224</b>	<b>5,428</b>	<b>204</b>			
<b>Cement</b>												
Dewan Cement Limited	10	500,000	-	-	100,000	400,000	7,200	5,652	(1,548)	3.10	2.64	0.08
D.G.Khan Cement Company Limited	10	-	50,000	-	50,000	-	-	-	-	-	-	-
Javedan Corporation Limited	10	541,500	101,500	-	-	643,000	23,067	24,254	1,187	13.32	11.32	0.24
							<b>30,267</b>	<b>29,906</b>	<b>(361)</b>			
<b>Chemical</b>												
Bicfo Industries Limited	10	9,300	-	-	-	9,300	2,976	2,725	(251)	1.50	1.27	0.04
Engro Polymer and Chemicals Limited	10	964,449	704,500	-	1,668,949	-	-	-	-	-	-	-
Loife Chemical Pakistan Limited	10	800,000	-	-	-	800,000	9,568	10,792	1,224	5.93	5.04	0.05
							<b>12,544</b>	<b>13,517</b>	<b>973</b>			
<b>Commercial Banks</b>												
Bankislami Pakistan Limited	10	144,500	143,000	-	-	287,500	3,527	3,706	179	2.04	1.73	0.03
<b>Engineering</b>												
Aisha Steel Mills Limited *	10	500,000	-	-	-	500,000	7,885	6,420	(1,465)	3.53	3.00	0.06
Crescent Steel and Allied Products Limited	10	20,000	-	-	-	20,000	1,823	1,530	(293)	0.84	0.71	0.03
International Industries Limited	10	40,000	-	-	-	40,000	9,292	8,608	(684)	4.73	4.02	0.03
							<b>19,000</b>	<b>16,558</b>	<b>(2,442)</b>			
<b>Fertilizer</b>												
Engro Corporation Limited	10	40,000	25,000	-	-	65,000	20,429	20,256	(173)	11.13	9.46	0.01
							<b>20,429</b>	<b>20,256</b>	<b>(173)</b>			

# AKD Islamic Stock Fund - Quarterly Report September 2018

Name of the investee company	Face value per share	Number of shares				Balance as at September 30, 2018			Percentage in relation to			
		Opening balance	Purchases during the period	Bonus / right issue	Sales during the period	Closing balance	Carrying cost	Market value	Appreciation/ (diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
Rupees in '000												
<b>Food and Personal Care - Product</b>												
Al-Sharheer Corporation Limited	10	-	873,000	-	-	873,000	26,707	24,008	(2,699)	13.19	11.21	0.61
<b>Oil &amp; Gas Exploration Companies</b>												
Oil & Gas Development Company Limited**	10	100,000	-	-	-	100,000	15,562	15,299	(263)	8.40	7.14	0.00
Pakistan Oilfields Limited	10	10,000	-	2,000	-	12,000	6,718	6,590	(128)	3.62	3.08	0.01
Pakistan Petroleum Limited	10	50,000	-	-	21,700	28,300	6,082	6,039	(43)	3.32	2.82	0.00
							<b>28,362</b>	<b>27,928</b>	<b>(434)</b>			
<b>Oil &amp; Gas Marketing Companies</b>												
Sui Southern Gas Company Limited	10	500,000	150,000	-	650,000	-	-	-	-	-	-	-
<b>Paper &amp; Board</b>												
Pakistan Paper Products Limited	10	500	-	-	-	500	60	70	10	0.04	0.03	0.01
<b>Power Generation &amp; Distribution</b>												
K-Electric Limited	3.5	1,000,000	-	-	-	1,000,000	5,680	5,350	(330)	2.94	2.50	0.00
Nisbat Power Limited	10	72,500	-	-	-	72,500	2,149	1,900	(249)	1.04	0.89	0.02
							<b>7,829</b>	<b>7,250</b>	<b>(579)</b>			
<b>Technology and Communication</b>												
Pakistan Telecommunication Company Limited	10	1,100,000	-	-	-	1,100,000	12,584	11,000	(1,584)	6.04	5.14	0.03
<b>Textile Composite</b>												
Nisbat Mills Limited	10	25,000	-	-	-	25,000	3,523	3,515	(8)	1.93	1.64	0.01
<b>Vanaspafi &amp; Allied Industries</b>												
Punjab Oil Mills Limited	10	100	100	-	-	200	56	48	(8)	0.03	0.02	0.00
<b>Total listed equity securities as at September 30, 2018</b>							<b>192,201</b>	<b>182,070</b>	<b>(10,131)</b>			
Total listed equity securities as at June 30, 2018							226,294	210,611	(15,683)			

\* This includes 200,000 shares pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin.

\*\* This includes 100,000 shares pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin.

## AKD Islamic Stock Fund - Quarterly Report September 2018

		(Un-Audited) 30-Sep-2018	(Audited) 30-Jun-2018
		Rupees in '000	
<b>5.2</b>	<b>Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>	<b>Note</b>	
	Market value of investments	5.1	182,070
	Carrying amount of investments	5.1	(192,201)
			<u>(10,131)</u>
<b>6</b>	<b>Dividend and Profit receivable on bank deposits</b>		
	Profit on bank balance		278
	Dividend Receivable		17
			<u>-</u>
			<u>1,335</u>
<b>7</b>	<b>DEPOSITS AND PREPAYMENTS</b>		
	Security deposits with		
	- National Clearing Company of Pakistan Limited		2,500
	- Central Depository Company of Pakistan Limited		100
	Prepaid Rating Fee		84
	Prepaid PSX Listing Fee		20
	Prepaid Shairah Advisor fee		64
			<u>105</u>
			<u>2,768</u>
<b>8</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COST</b>		
	Preliminary expenses and floatation cost		951
	Less: Amortised during the period	8.1	(52)
			<u>1,024</u>
			<u>(73)</u>
			<u>899</u>
<b>8.1</b>	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.		
<b>9</b>	<b>PAYABLE TO MANAGEMENT COMPANY</b>		
	Remuneration	9.1	362
	Sales tax on management fees	9.2	47
	Expenses allocated by the management company	9.3	18
	Formation cost		1,024
	Sales load payable		154
	Others		-
			<u>93</u>
			<u>133</u>
			<u>1,605</u>
			<u>1,741</u>

**9.1** The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the amended NBFC Regulations dated November 25, 2015, of an amount not exceeding 2 percent of the average daily net assets of the Fund. The Management Company charged remuneration at the rate of 2 percent per annum of the average daily net assets of the Fund.

**9.2** Sindh sales tax at the rate of 13% (2018: 13%) on gross value of management fee is charged under the provisions of Sindh Sales Tax on Services Act, 2011.

**9.3** This represents the amount payable to the Management Company under NBFC Regulation 60(3)(s), wherein the Management Company is allowed to charge their cost to Collective Investment Schemes (CIS) in respect of fees and expenses related to registrar, accounting, and other services related to CIS. The maximum cost that can be charged in this regard is up to 0.1% of the average annual net assets of that CIS or actual, whichever is less.

## AKD Islamic Stock Fund - Quarterly Report September 2018

	Note	(Un-Audited)	(Audited)
		30-Sep-2018	30-Jun-2018
<b>10 PAYABLE TO THE TRUSTEE</b>			
Trustee fee	10.1	22	22
Sindh Sales Tax	10.2	3	3
		<b>25</b>	<b>25</b>

- 10.1** The Trustee is entitled to a monthly remuneration to be paid monthly in arrears for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

The tariff structure applicable to the fund is as follows:

### Amount of Funds Under Management [Average Net Assets Value (NAV)]

### Tariff per annum

Upto Rs 1,000 million

0.12% of Net Assets

Exceeding Rs 1,000 million and up to Rs.5,000 million

Rs. 1.2 million plus 0.065% per annum of the amount exceeding Rs. 1,000 million

Exceeding Rs. 5,000 million and up to Rs. 10,000 million

Rs. 3.8 million plus 0.06% per annum of the amount exceeding Rs. 5,000 million

- 10.2** Sindh Sales Tax is charged at 13% (2018: 13%) on Trustee fee.

	Note	(Un-Audited)	(Audited)
		30-Sep-2018	30-Jun-2018
<b>11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)</b>			
Annual fee payable to SECP	11.1	53	73

- 11.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a equity scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

## 12 ACCRUED AND OTHER LIABILITIES

Payable to brokers	52	68
Auditors remuneration	190	145
Printing charges payable	110	70
Others	551	293
	<b>903</b>	<b>576</b>

- 12.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not

employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Despite the above explained position, the management intends to record SWWF provision as a matter of abandon precaution. However, no provision has been made in the current period since the fund incurred losses.

### **13 CONTINGENCIES AND COMMITMENTS**

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

### **14 TOTAL EXPENSE RATIO**

The expense ratio of the Fund from July 01, 2018 to September 30, 2018 is 1.01%, the total expense ratio includes 0.11% representing government levy and SECP fee.

### **15 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 to the unit holders in cash. However, the Fund has incurred loss for the period, therefore there is no distribution for the current period ended accordingly, no provision for current and deferred tax has been made in this financial statements. 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.

### **16 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons include AKD Investment Management Limited, being the Management MCB Financail Services Limited, being the Trustee, Aqeel Karim Dhedhi Securities (Private) Limited, AKD Securities Limited, directors, officers and other connected persons of the Management Company, and directors of the Company and their connected persons.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates. Details of transactions and balances with connected persons are as follows:

## AKD Islamic Stock Fund - Quarterly Report September 2018

	(Un-audited) For the period ended September 30, 2018 Rupees in '000	
<b>16.1 Transactions during the period</b>		
<b>AKD Investment Management Limited - Management Company</b>		
Remuneration to Management Company	1,108	
Expenses allocated by the Management Company	55	
Sindh Sales Tax on management remuneration	144	
<b>MCB Financial Services Limited - Trustee</b>		
Trustee remuneration	67	
Sindh Sales Tax on trustee remuneration	9	
<b>AKD Securities Limited</b>		
Brokerage Expense	3	
<b>Hina Aqeel - Close family member of the Chairman of the Group</b>		
Redemption of 40,000 units	1,917	
<b>Afshen Aqeel Dhedhi - Close family member of the Chairman of the Group</b>		
Redemption of 20,000 units	959	
	(Un-Audited)	(Audited)
	30-Sep-2018	30-Jun-2018
	Rupees in '000	
<b>16.2 Balances outstanding at the period / year end</b>		
<b>AKD Investment Management Limited - Management Company</b>		
Remuneration payable	362	366
Sales Tax Provincial on Management Remuneration	47	48
Expenses allocated by the Management Company	18	77
Payable against formation cost	1,024	1,024
Sales Load Payable	154	93
Others	-	133
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration payable	22	22
Sales tax on trustee remuneration payable	3	3
<b>Aqeel Karim Dhedhi Securities (Private) Limited - Staff Provident Fund</b>		
Outstanding 200,000 units (June 30, 2018: 200,000 units)	9,050	9,400
<b>Saim Mustafa Zuberi - Director of the Management Company</b>		
Outstanding 10,078 units (June 30, 2018: 10,078 units)	456	474
<b>Muhammad Farid Alam - Key Management Personnel of Associated Company</b>		
Outstanding 30,000 units (June 30, 2018: 30,000 units)	1,357	1,410
<b>Hina Aqeel - Close family member of the Chairman of the Group</b>		
Outstanding Nil units (June 30, 2018: 40,000 units)	-	1,880

	(Un-Audited) 30-Sep-2018	(Audited) 30-Jun-2018
	Rupees in '000	
<b>Afsheen Aqeel Dhedhi - Close family member of the Chairman of the Group</b> Outstanding Nil units (June 30, 2018: 20,000 units)	-	940
<b>Anum Dhedhi - Chief Investment Officer &amp; Director of the Management Company</b> Outstanding 75,434 units (June 30, 2018: 75,434 units)	<b>3,413</b>	3,545
<b>Yasmeen Dhedhi - Close family member of the Chairman of the Group</b> Outstanding 20,000 units (June 30, 2018: 20,000 units)	<b>905</b>	940
<b>Toqir Hussain - Key Management Personnel of the Management Company</b> Outstanding 600 units (June 30, 2018: 600 units)	<b>27</b>	28
<b>Hamdard Laboratories (Waqf) Pakistan - Connected person due to more than 10% holding</b> Outstanding 1,451,998 units (June 30, 2018: 1,451,998 units)	<b>65,700</b>	68,240

## 17. 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. Consequently, differences can arise between carrying values and the fair value estimates.

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 are based on the quoted market prices at the close of trading on the period end date. The quoted market price 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.

The Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

## AKD Islamic Stock Fund - Quarterly Report September 2018

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

	September 30, 2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>ASSETS</b>				
Investments in listed equity securities - at fair value through profit and loss	<b>182,070</b>	-	-	<b>182,070</b>

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>ASSETS</b>				
Investments in listed equity securities - at fair value through profit and loss	210,611	-	-	210,611

During the period ended September 30, 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

### 18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 27, 2018 by the Board of Directors of the Management Company.

### 19. GENERAL

19.1 Figures have been rounded off to the nearest thousand rupees.

**For AKD Investment Management Limited  
(Management Company)**

\_\_\_\_\_  
**Abdul Karim**  
Chairman

\_\_\_\_\_  
**Muhammad Munir Abdullah**  
Chief Financial Officer

\_\_\_\_\_  
**Imran Motiwala**  
Chief Executive Officer



**AKD Investment  
Management Ltd.**

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