



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT | 2017

Annual Report for Funds Under Management of
MCB-Arif Habib Savings and Investments Limited



PAKISTAN CAPITAL MARKET FUND

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FUND'S INFORMATION

| | | |
|--|--|--|
| Management Company | MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, O Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi. | |
| Board of Directors | Mian Mohammad Mansha Chairman Mr. Nasim Beg Vice Chairman Mr. Muhammad Saqib Saleem Chief Executive Officer Dr. Syed Salman Ali Shah Director Mr. Haroun Rashid Director Mr. Ahmed Jahangir Director Mr. Samad A. Habib Director Mr. Mirza Qamar Beg Director | |
| Audit Committee | Mr. Haroun Rashid Chairman Mr. Ahmed Jahangir Member Mr. Mirza Qamar Beg Member Mr. Nasim Beg Member | |
| Human Resource & Remuneration Committee | Dr. Syed Salman Ali Shah Chairman Mr. Nasim Beg Member Mr. Haroun Rashid Member Mr. Ahmed Jahangir Member Mr. Muhammad Saqib Saleem Member | |
| Chief Executive Officer | Mr. Muhammad Saqib Saleem | |
| Chief Financial Officer & Company Secretary | Mr. Abdul Basit | |
| Trustee | Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com | |
| Bankers | MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited Standard Chartered Bank Limited Zarai Taraqati Bank Limited | |
| Auditors | Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350. | |
| Legal Advisor | Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi | |
| Transfer Agent | MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, O Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi. | |
| Rating | AM2++ Asset Manager Rating assigned by PACRA | |

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Capital Market Fund's** accounts review for the year ended June 30, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

Pakistan's economy achieved its decade high growth of 5.28% in FY17 which though missed the target of 5.7% but still reflects progressive movement from stabilization phase to growth trajectory. Agriculture sector remained the main stay, posting a growth of 3.50% compared to a modest of 0.26% a year back. This was well supported by Services with 6% YoY growth. On the industrial front, large scale manufacturing sector recorded growth of 5.7% for 11MFY17 with major contribution coming from consumer, construction and power segment. Auto sector recorded double digits growth as demand continued to grow and new models were introduced by local OEMs. CPEC related and other infrastructure investment continued to provide boom to construction related industries including steel and cement.

On the external front, a 17.7% rise in imports and 1.4% drop in exports widened the trade deficit to USD 26.9 billion in FY17 compared to USD 19.3 billion a year back. Major contribution in imports came from Petroleum products, which posted an increase of 21% to USD 10.6 billion, followed by Food (15% YoY rise) and Machinery (10% YoY rise). Increase in oil prices, LNG imports to fill the natural gas deficit, fast growing demand of consumer products and capital goods import for various projects guided the import bill to USD 48.5 billion in FY17.

Remittance marginally declined during FY17 to USD 19.30 billion, ~3.08% lower than last year, where major reasons can be attributed to employment situation in Middle East and slower than expected global recovery.

The above two factors (declining remittance and rising CA deficit) have started to put pressure on FX reserves, wiping out ~USD 1.72 billion since July 1, 2016 to end the year at USD 21.368 billion.

Despite a 19% YoY increase in average Arab Light prices, CPI remained subdued, posting a 4.15% YoY rise in FY17. This was mainly on account of benign growth in Food, transportation and house rent.

The government managed to contain the fiscal deficit at 4.2%, moderately higher than the set target of 3.8%. Total expenditure and total revenue both advanced by 12%YoY while fiscal balance hiked by 11%YoY. The government has set a fiscal deficit target of 4.1% in FY18.

Along with CA deficit, another point of concern is rising fiscal deficit and public and private debt to finance these increasing gaps. Pakistan's total debt stood at ~PKR 23.95 trillion (till March, 2017) reflecting an increase of ~PKR 2.33 trillion over a year.

State Bank of Pakistan in its latest monetary policy review for next two months maintained the policy rate at 5.75% for the seventh consecutive time. The policy committee remains positive based on future expected inflows due to CPEC and other projects which have kept the rupee relatively stable during the year. Ongoing political uncertainty also temporarily reflected in currency markets where on a single day, a temporary relaxation from SBP turned into a sharp depreciation of near 4% which however recovered in the following days as Finance Minister clarified and expressed the firm resolve to fight any speculative movement.

BOP deficits have caused Net Foreign Asset of the banking system to shrink from PKR 1.0 trillion at the end of FY16 to PKR 601 billion only at the end of FY17. M2 growth remains elevated (+13.7% Y/Y) owing to the government running large budget deficits, which has also led to Net Domestic Asset of the banking system to grow by 18.3% YoY. The government relied on SBP for funding with borrowings of PKR 908 billion leaving local banks with substantial liquidity. In second half of FY17, Yield Curve has remained flat; whereas liquidity was adequately managed by SBP.

Shariah Instruments market remained thinly supplied as State Bank of Pakistan conducted a sole Ijara Sukuk auction in FY17 based on fixed rate rental arrangement offering yields of 5.24% and borrowing PKR 71 billion against the maturing Ijara Sukuk of PKR 50 billion evidencing a scarcity of avenues for Islamic investments.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

EQUITIES MARKET OVERVIEW

Despite taking significant battering in the last one and a half month of FY17, index managed to post a gain of 23.24%. The index declined by 11.94% from its high of 52,876 points witnessed in May, 2017 by end of June, 2017. Increased concerns regarding JIT proceedings and disappointing net foreign flows post MSCI up gradation led to negative returns. Foreigners remained net sellers, liquidating a massive USD 652 million worth of equities with majority of the selling absorbed by mutual funds (USD 575 million). Average volumes increased by ~64% to 340 million shares and value traded increased by ~58 % to PKR 15 billion.

Among the best performers, Steel sector lead the charts, outperforming the benchmark index by a massive ~198% as strong infrastructural activities under the CPEC regime, along with government's favorable policies in terms of imposition of regulatory and anti-dumping duties on various steel products provided strong investor's interest in the sector. Furthermore, the share prices started incorporating capacity enhancement projects. Phenomenal return of ~98% made the Auto Sector, second best performer in the market. The outperformance came in due to stream of new model launches, impressive sales volumes and announcement of taxi scheme in the budget. Oil and Gas sector witnessed an astounding growth driven by two factors; one of which is a volumetric growth of ~10% in OMCs while the second is announcement of capital projects worth PKR 110 billion by SNGP which are to be completed by 2018.

On the flip side, Fertilizers remained among the weak performers by losing ~11% as rising inventories coupled with discounts on urea prices took a toll on the sector. Furthermore, depressing international fertilizer prices abraded the pricing power of local manufacturers and dampened the potential export margins. Similarly, underperformance of cement sector by ~7% against the benchmark was also witnessed during the period under review, as international coal prices surged by ~30% YoY reaching a peak of \$100 in November, 2016. Furthermore, Cherat Cement's expansion in the North region challenged the dynamics of pricing arrangement, as a result of which cement prices were reduced by 4-5% in the region keeping the stock prices under pressure.

FUND PERFORMANCE

During the period under review, the fund posted a return of 25.36% compared to the return of 19.62% posted by the benchmark.

On the equities front, the overall allocation was extensively decreased to 39%. This decrease is attributable to the exposure in Oil & Gas Exploration Companies, Cement and Power Generation & Distribution.

On the fixed income side, the fund had decreased its exposure in T-Bills to 21.5% and shifted its exposure towards cash to benefit from attractive rates offered by banks.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 675 million as compared to Rs. 627 million as at June 30, 2016 registering an increase of 7.65%.

The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 11.53 as compared to opening NAV of Rs. 10.69 per unit as at June 30, 2016 showing an increase of Rs. 0.84 per unit.

FUTURE OUTLOOK

The windfall gains that emerged in past couple of years had been a byproduct of subdued oil prices, which painted a rosy picture on external account, CPI, discount rate and even fiscal account in terms of less burden in terms of subsidies. Though international commodity outlook still appear bearish but rising current account deficit is posing a challenging scenario going ahead.

The trade imbalance of USD 27 billion in FY17 could deteriorate further with machinery imports under CPEC and several local capital projects are expected to lead the import bill. Exports on the other hand, are expected to remain under pressure given muted response of government towards the rebates under the textile package and government's resilience to support Pakistani rupee through foreign exchange reserves. With widening trade deficit and little help from remittances, we expect next year current account deficit to reach near USD 15 billion (~4% of GDP) still far from what we have seen in our last balance of payment crisis, which dragged CAD to ~USD 14 billion (8% of GDP) back in 2008. However widening CAD

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

coupled with interest repayment may create a financing need of USD 18-19bn in FY18, which points towards strong possibility of PKR depreciation.

The Consumer Price Index (CPI) is expected to remain well anchored in FY18. We expect inflation to average around 4.5% in FY18. Currency devaluation and commodity prices though pose risk to estimates, low CPI reading next year is expected to prevent need for near term significant monetary tightening.

Low interest rate environment coupled with support from CPEC related projects, government's GDP target of 6% does not look too lofty, if external account shock and political destabilization does not derail the growth.

The equity market is set to take its cue from the outcome of Panama issue. With almost 13% fall from its peak, the market appears to have incorporated the risk of change in the PM house, however disintegration of PML(N) in aftermath of court judgment and disqualification of Finance Minister could further dent the short term market sentiments, as it would hint a hung parliament in the next election.

Themes of currency depreciation, interest rate rise and economic growth are expected to set the investment tone in the coming fiscal year. Sectors positively linked with currency weakness are expected to garner lime light namely, Commercial Banks, Exploration & Production and Power sector. Select growth plays in Power, Steel, Construction and Consumer space are also expected to add positive contributions to market performance.

We expect fundamentals to reign in over the political noise in the coming months given our market is trading at PER of 9x (a ~30% discount to the Emerging Markets), creating room for re-rating. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. The KSE-100 Index currently trades at an equity risk premium of ~3% and provides a dividend yield of ~5.5%.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With three (3) independent Directors on the Board, as governing body of the Management Company the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts whatsoever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- k. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- m. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below are the details of committee meetings held during the year ended June 30, 2017:

1. Meeting of the Audit Committee.

During the year, six (6) meetings of the Audit Committee were held. The attendance of each participant is as follows:

| S. No. | Name of Persons | Number of meetings held | Number of meetings | | |
|--------|--------------------|-------------------------|---------------------|----------|---------------|
| | | | Attendance required | Attended | Leave granted |
| 1 | Mr. Haroun Rashid | 6 | 6 | 3 | 3 |
| 2 | Mr. Samad A. Habib | 6 | 4 | 3 | 1 |
| 3 | Mr. Ahmed Jahangir | 6 | 6 | 6 | - |
| 4 | Mr. Nasim Beg | 6 | 6 | 6 | - |
| 5 | Mirza Qamar Beg | 6 | 2 | 2 | - |

2. Meeting of the Human Resource and Remuneration Committee.

During the year, four (4) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

| S. No. | Name of Persons | Number of meetings | Number of meetings | | |
|--------|---------------------------|--------------------|---------------------|----------|---------------|
| | | | Attendance required | Attended | Leave granted |
| 1 | Dr. Syed Salman Shah | 4 | 4 | 4 | - |
| 2 | Mr. Nasim Beg | 4 | 4 | 4 | - |
| 3 | Mr. Ahmed Jahangir | 4 | 4 | 4 | - |
| 4 | Mr. Haroun Rashid | 4 | 4 | 3 | 1 |
| 5 | Mr. Muhammad Saqib Saleem | 4 | 4 | 4 | - |

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

- n. The trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

| S. No. | Name | Designation | Investment | Redemption | Dividend Distribution |
|--------|---------------------------|---|-------------------|------------|-----------------------|
| | | | (Number of Units) | | |
| 1 | Muhammad Saqib Saleem | Chief Executive Officer | - | - | - |
| 2 | Muhammad Asif Mehdi Rizvi | Chief Operating Officer | - | - | - |
| 3 | Abdul Basit | Chief Financial Officer and Company Secretary | - | - | - |
| 4 | Fahad Sultan | Chief Internal Auditor | - | - | - |

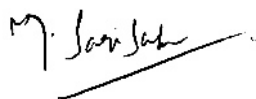
External Auditors

The fund's external auditors, **Deloitte Yousuf Adil**, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2018. The audit committee of the Board has recommended reappointment of **Deloitte Yousuf Adil** as auditors of the fund for the year ending June 30, 2018.

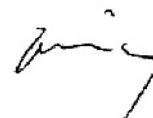
ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
Karachi: August 4, 2017



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

| میٹنگز کی تعداد | | | منعقدہ میٹنگز کی تعداد | نام |
|-----------------|-------|--------------|------------------------|------------------------|
| منظور شدہ رخصت | حاضری | مطلوبہ حاضری | | |
| - | 4 | 4 | 4 | 1. جناب سید سلمان شاہ |
| - | 4 | 4 | 4 | 2. جناب نسیم بیگ |
| - | 4 | 4 | 4 | 3. جناب احمد جہانگیر |
| 1 | 3 | 4 | 4 | 4. جناب ہارون رشید |
| - | 4 | 4 | 4 | 5. جناب محمد ثاقب سلیم |

n. دوران سال مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شوہرا کی بیوی اور نابالغ بچوں نے فنڈ کے یونٹس کی خرید و فروخت کی۔

| نمبر شمار | نام | عہدہ | سرمایہ کاری | رڈیمپشن | ڈیویڈنڈ کی تقسیم |
|-----------|--------------------|------------------------------------|-------------|---------|------------------|
| 1. | محمد ثاقب سلیم | چیف ایگزیکٹو آفیسر | - | - | - |
| 2. | محمد آصف مہدی رضوی | چیف آپریٹنگ آفیسر | - | - | - |
| 3. | عبدالباسط | چیف فنانشل آفیسر اور کمپنی سیکرٹری | - | - | - |
| 4. | فہد سلطان | چیف انٹرنل آڈیٹر | - | - | - |

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز 'ڈلائٹ یوسف عادل' نے 30 جون 2018ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے کے لئے رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2018ء کو ختم ہونے والے سال کے لئے 'ڈلائٹ یوسف عادل' کی فنڈ کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

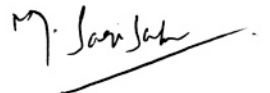
اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکرگزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
04 اگست 2017ء

ڈائریکٹر زر پورٹ

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی نکات واضح کیے جا رہے ہیں:

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورت حال، اس کی سرگرمیوں کے نتائج، نقدی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

b. فنڈ کی درست بلس آف اکاؤنٹس تیار کی گئی ہیں۔

c مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non- بینکنگ فنانس کمپنیز (اسٹامبلشمنٹ اور ریکو لیشنز) کے ضوابط، 2003ء، Non- بینکنگ فنانس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریکو لیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور ریکو لیز اینڈ ایکچن کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور نافذ ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

f. کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

g. لسٹنگ قوانین میں تفصیلاً بیان کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

h. کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق مطلوبہ کلیدی مالیاتی اعداد و شمار کا خلاصہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

i. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔

ج. پراویڈنٹ فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیمینٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن اینجمنٹ کمپنی پر ہوتا ہے، چنانچہ اینجمنٹ کمپنی کی ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

k. تمام ڈائریکٹرز ڈائریکٹر ٹریننگ پروگرام، کورس مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔

۱۔ این بی ایف سی کے قواعد و ضوابط اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

m. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2017ء کو ختم ہونے والے سال کے دوران ہونے والی کمپنی میٹنگز کی تفصیلات درج ذیل ہیں:

آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی چھ (06) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

| میٹنگز کی تعداد | | | | |
|-----------------|-------|--------------|------------------------|----------------------|
| منظور شدہ رخصت | حاضری | مطلوبہ حاضری | منعقدہ میٹنگز کی تعداد | نام |
| 3 | 3 | 6 | 6 | 1. جناب ہارون رشید |
| 1 | 3 | 4 | 6 | 2. جناب صدقہ حبیب |
| - | 6 | 6 | 6 | 3. جناب احمد جہانگیر |
| - | 6 | 6 | 6 | 4. جناب نسیم بیگ |
| - | 2 | 2 | 6 | 5. مرزا قمر بیگ |

ہیومن ریسورس اینڈ رمیو نیشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن کمیٹی کی چار (04) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

مستقبل کا منظر

گزشتہ چند برسوں میں حاصل ہونے والے خطیر منافع جات تیل کی قیمتوں میں کمی کے ثمرات ہیں جس کی بدولت خارجی اکاؤنٹ، CPI، ڈسکاؤنٹ کی شرح اور ٹی کے مالیاتی اکاؤنٹ کی بھی صورتحال سبب دیز کے بوجھ میں کمی کے اعتبار سے بہتر ہوئی۔ بین الاقوامی اشیاء کا مستقبل ابھی تک ناہموار نظر آتا ہے اور کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کے باعث مستقبل کی راہیں مشکلات سے پر نظر آرہی ہیں۔

مالی سال 2017ء میں 27 بلین ڈالر کا تجارتی خسارہ CPEC کے تحت مشینری کی درآمدات کے باعث مزید بڑھ سکتا ہے اور متعدد مقامی کمپنیاں منصوبے درآمدات کے بل پر غالب ہوں گے۔ دوسری جانب ٹیکسٹائل سیکٹر کے تحت ری بیٹس کے حوالے سے حکومت کی خاموشی اور زر مبادلہ کے ذخائر کے ذریعے پاکستانی روپے کی معاونت کرنے کے لئے حکومتی چلک کے باعث برآمدات متوقع طور پر دباؤ میں رہیں گی۔ بڑھتے ہوئے تجارتی خسارے اور ترسیلات زر کی کمزور صورتحال کی بنیاد پر ہم اگلے سال کرنٹ اکاؤنٹ کے خسارے کو 15 بلین ڈالر (مجموعی ملکی پیداوار کا 4 فیصد) تک پہنچتا دیکھ رہے ہیں، جو 2008ء میں ادائیگیوں کے توازن کے بحران میں پیدا ہونے والے حالات سے اب بھی بہت دور ہے، جب کرنٹ اکاؤنٹ کا خسارہ 14 بلین ڈالر (مجموعی ملکی پیداوار کا 8 فیصد) تک پہنچ گیا تھا۔ تاہم بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے کے ساتھ ساتھ انٹریسٹ کی ادائیگی کے باعث مالی سال 2018ء میں 18-19 بلین ڈالر کی مالیت کی فراہمی کی ضرورت پیدا ہو سکتی ہے، جس کے باعث پاکستانی روپے کی قدر میں کمی کا واضح امکان ہے۔

کنزیومر پرائس انڈیکس (CPI) مالی سال 2018ء میں مناسب حد تک قابو میں رہے گا۔ ہمارے اندازے کے مطابق مالی سال 2018ء میں افراط زر کا اوسط 4.5 فیصد ہوگا۔ اگرچہ روپے کی قدر میں کمی اور اشیاء کی قیمتوں کے باعث تخمینوں کو خطرات لاحق ہیں، لیکن توقع ہے کہ اگلے سال CPI کی پست سطح کے سبب مدت قریب میں مالیاتی تنگی کی ضرورت نہیں پڑے گی۔

انٹریسٹ کی پست شرح کے ماحول کے ساتھ ساتھ CPEC سے منسلک منصوبوں کی بنیاد پر حکومت کا مجموعی ملکی پیداوار کا 6 فیصد ہدف زیادہ بلند نہیں معلوم ہوتا، اگر خارجی اکاؤنٹ کا جھٹکا اور سیاسی عدم استحکام ترقی کی گاڑی کو پٹری سے اُتار دے۔

ایکویٹی مارکیٹ پاناما مسئلے کے نتیجے کی بنیاد پر اپنا اگلا قدم طے کرنے کے لئے تیار ہے۔ مارکیٹ اپنے عروج سے تقریباً 13 فیصد زوال کے بعد بظاہر وزیر اعظم ہاؤس میں تبدیلی کے خطرے کے حوالے سے احتیاطی تدابیر اختیار کر چکی ہے، تاہم عدالتی فیصلے کے نتیجے میں پی ایم ایل (این) کا شیرازہ بکھرنے اور وزیر خزانہ کی نااہلیت سے مختصر المیعاد مارکیٹ کے حالات مزید بگڑ سکتے ہیں کیونکہ یہ اگلے انتخابات میں معلق پارلیمنٹ کے امکانات کا اشارہ ہوگا۔

روپے کی قدر میں کمی، انٹریسٹ کی شرح میں اضافہ اور معاشی ترقی آئندہ مالی سال میں سرمایہ کاری کا رجحان طے کرنے والے عوامل ہوں گے۔ روپے کے ضعف سے مثبت طور پر منسلک شعبے مثلاً کمرشل بینک، ایکسپلوریشن اینڈ پروڈکشن اور بجلی متوقع طور پر شرحہ سرخیوں میں آجائیں گے۔ علاوہ ازیں، بجلی، اسٹیل، تعمیرات اور صارفین شعبوں میں ترقیاتی عمل متوقع طور پر مارکیٹ کی کارکردگی میں مثبت کردار ادا کرے گا۔

ہم اُمید کرتے ہیں کہ آنے والے مہینوں میں اصول سیاسی شور پر غالب ہوں گے، کیونکہ ہماری مارکیٹ 9x کے PER پر تجارت کر رہی ہے (جو ابھرتی ہوئی مارکیٹس کو 30 فیصد ڈسکاؤنٹ ہے) جس سے شرحوں کے دوبارہ تعین کے لئے حالات سازگار ہوں گے۔ علاوہ ازیں، انٹریسٹ کی پست شرحیں مقررہ آمدنی کے منافعوں کو پست رکھے ہوئے ہیں، جس سے ایکویٹی مارکیٹ کی طرف مزید لیکویڈٹی مائل ہو رہی ہے۔ KSE-100 انڈیکس میں فی الوقت ایکویٹی کے خطرات کے 3 فیصد پر بینیم پر تجارت ہو رہی ہے اور 5.5 فیصد ڈیویڈنڈ فراہم ہوتا ہے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے کوشاں ہے۔ بورڈ میں تین (3) خود مختار ڈائریکٹرز ہیں، اور منجمنٹ کمپنی کی گورنگ باڈی کے طور پر بورڈ عہدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق میں متعین کردہ بہترین طریقوں سے متعلق شقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو با تفصیل واضح کیا گیا ہے۔

ڈائریکٹر رپورٹ

دوسری ششماہی میں پیداواری خم سیدھا رہا، جبکہ اسٹیٹ بینک آف پاکستان نے لکویڈٹی کا انتظام خاطر خواہ حد تک چلایا۔ مارکیٹ میں شریعہ انسٹرمنٹس کی رسد کمزور رہی کیونکہ اسٹیٹ بینک آف پاکستان نے مالی سال 2017ء میں مقررہ شرح پر ریٹیل کی ترتیب پر مبنی صرف ایک اجارہ سلگ نیلامی کا انعقاد کیا جس نے 5.24 فیصد منافع جات پیش کیے اور میچور ہونے والے 50 بلین روپے کے اجارہ سلگ کے بالمقابل 71 بلین روپے قرض حاصل کیے۔ چنانچہ اسلامی سرمایہ کاری کے مواقع کی قلت کی نشاندہی ہوئی۔

ایکویٹیز مارکیٹ کا جائزہ

مالی سال 2017ء کے آخری ڈیڑھ ماہ میں قابل ذکر کمی کے باوجود انڈیکس 23.24 فیصد ترقی کرنے میں کامیاب ہوا۔ انڈیکس مئی 2017ء میں اپنے عروج کی سطح 52,876 پوائنٹس سے جون 2017ء کے اختتام پر 11.94 فیصد کم ہو گیا۔ جے آئی ٹی کے معاملات کے حوالے سے بڑھتی ہوئی تشویش اور MSCI اپ گریڈیشن کے بعد net غیر ملکی آمدات کی مایوس گن صورت حال کے نتیجے میں منافع کی سطح گر گئی۔ Net فروخت کار بدستور غیر ملکی افراد رہے جنہوں نے 652 ملین ڈالر کی خطر مالیت کی ایکویٹیز کو نقد میں تبدیل کیا اور فروخت کا اکثر حصہ میوچل فنڈز نے جذب کیا (575 ملین ڈالر)۔ اوسط حجم 64 فیصد زیادہ ہو کر 340 ملین حصص ہو گئے اور تجارت کردہ قدر 58 فیصد بڑھ کر 15 بلین روپے ہو گئی۔

بہترین کارکردگی کا مظاہرہ کرنے والوں میں اسٹیل کا شعبہ مقررہ معیار سے 198 فیصد زیادہ ترقی کر کے سب سے آگے رہا کیونکہ CPEC پروگرام کے تحت انفراسٹرکچر کے ضمن میں متحرک سرگرمیوں اور اسٹیل کی متعدد مصنوعات پر ریگولیٹری اور فضلات کے انتظام کی محصولات عائد کرنے کے حوالے سے حکومت کی موافق پالیسیوں کی بدولت اس شعبے میں سرمایہ کاروں کی بھرپور دلچسپی پیدا ہوئی۔ علاوہ ازیں، حصص کی قیمتوں میں استعداد میں اضافے کے منصوبوں کی عکاسی ہونے لگی۔ آٹو سیکٹر 98 فیصد ترقی کر کے مارکیٹ میں دوسرے نمبر پر بہترین کارکردگی کا حامل شعبہ رہا۔ اس شاندار کامیابی کے اسباب نئے ماڈل، فروخت کے بڑے حجم اور بجٹ میں ٹیکسی اسکیم کا اعلان ہیں۔ تیل اور گیس کے شعبے میں دو عوامل کیے باعث زبردست ترقی ہوئی: OMCs کے حجم میں 10 فیصد اضافہ اور SNGP کی جانب سے 110 بلین روپے مالیت کے کپٹل منصوبوں کا اعلان، جو 2018ء میں مکمل ہوں گے۔

اس کے برعکس کھاد کے شعبے نے 11 فیصد کم ترقی کر کے کمزور کارکردگی کا مظاہرہ کیا کیونکہ انویسٹریز میں اضافے اور یوریا کی قیمتوں میں ڈسکاؤنٹس نے اس شعبے پر منفی اثرات مرتب کئے۔ علاوہ ازیں، کھاد کی بین الاقوامی قیمتوں میں کمی کے باعث مقامی مینوفیکچررز کی قیمت متعین کرنے کی طاقت اور متوقع برآمداتی آمدنی متاثر ہوئی۔ سیمنٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران مقررہ معیار سے 7 فیصد کم ترقی کی کیونکہ کونسل کی بین الاقوامی قیمتیں 30 فیصد YoY اضافے کا شکار ہو کر نومبر 2016ء میں 100 ڈالر کی بلند ترین سطح تک پہنچ گئیں۔ علاوہ ازیں، چراٹ سیمنٹ کی شمالی خطے میں توسیع کے باعث قیمتوں کے تعین کے نظام کے لئے مشکلات پیدا ہوئیں جس کے نتیجے میں خطے میں سیمنٹ کی قیمتیں 4 سے 5 فیصد کم ہو گئیں اور اسٹاک کی قیمتیں دباؤ میں آ گئیں۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا منافع 25.36 فیصد تھا جبکہ مقررہ معیار 19.62 فیصد تھا۔ ایکویٹیز کے میدان میں مجموعی سرمایہ کاری کو بڑے پیمانے پر کم کر کے 39 فیصد کر دیا گیا جس کا سبب آئل اینڈ گیس ایکسپلوریشن کمپنیوں، سیمنٹ، اور بجلی کی پیداوار اور تقسیم کے شعبوں میں سرمایہ کاری ہے۔

مقررہ آمدنی کے گوشے میں فنڈ نے فی بلز میں سرمایہ کاری کو کم کر کے 21.5 فیصد کر دیا اور نقد میں سرمایہ کاری میں اضافہ کر دیا تاکہ بینکوں کی پیش کردہ پُرکشش شرحوں سے فائدہ اٹھایا جاسکے۔

30 جون 2017ء کو فنڈ کے net اثاثہ جات 675 ملین روپے تھے، جو 30 جون 2016ء کو 627 ملین روپے کے مقابلے میں 7.65 فیصد اضافہ ہے۔

30 جون 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 11.53 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 10.69 روپے فی یونٹ کے مقابلے میں 0.84 روپے فی یونٹ اضافہ ہے۔

ڈائریکٹر ز رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان کیپٹل مارکیٹ فنڈ کے 30 جون 2017ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

مالی سال 2017ء میں پاکستان کی معیشت نے 5.28 فیصد ترقی کی جو گزشتہ دس سالوں میں سب سے زیادہ ترقی ہے۔ اگرچہ 5.7 فیصد کا ہدف حاصل نہ ہو سکا لیکن اس کے باوجود استحکام کے مرحلے سے ترقی کی بلند شرح کی طرف سفر خوش آئند ہے۔ زرعی شعبہ سب سے آگے رہا جس نے ایک سال قبل 0.26 فیصد ترقی کی تھی جبکہ اس سال 3.5 فیصد ترقی کی۔ اس کی معاونت سروسز نے 6 فیصد YoY ترقی کے ساتھ کی۔ صنعتی رُخ پر بڑے پیمانے کے مینوفیکچرنگ شعبے نے 11MFY17 میں 5.7 فیصد ترقی کی، اور اس میں اہم ترین کردار صارفی، تعمیری اور توانائی کے شعبوں نے ادا کیا۔ گاڑیوں کے شعبے نے دو عدد پر مشتمل ترقی کی؛ اس شعبے میں مانگ بڑھتی رہی اور مقامی OEMs نے نئے ماڈل متعارف کرائے۔ CPEC سے منسلک اور دیگر انفراسٹرکچر کی سرمایہ کاری کی بدولت تعمیرات سے منسلک صنعتوں مثلاً اسٹیل اور سینٹ کوکوت فراہم ہونے کا عمل جاری رہا۔

خارجی رُخ پر درآمدات میں 17.7 فیصد اضافے اور برآمدات میں 1.4 فیصد کمی کے باعث تجارتی خسارہ وسیع ہو کر مالی سال 2017ء میں 26.9 بلین ڈالر ہو گیا جبکہ ایک سال قبل 19.3 بلین ڈالر تھا۔ درآمدات میں اہم ترین کردار پٹرولیم مصنوعات نے 10.6 بلین ڈالر یعنی 21 فیصد زیادہ ترقی کی صورت میں ادا کیا۔ دوسرے نمبر پر خوراک (15 فیصد YoY اضافہ) اور مشینری (10 فیصد YoY اضافہ) کے شعبے رہے۔ تیل کی قیمتوں میں اضافے، گیس کی کمی کو پورا کرنے کے لئے ایل این جی کی درآمدات، صارفی مصنوعات کی مانگ میں تیزی سے بڑھتے ہوئے اضافے، اور مختلف منصوبوں کے لئے کیپٹل اشیاء کی درآمد کے باعث مالی سال 2017ء میں درآمدات کا بل 48.5 بلین ڈالر تک پہنچ گیا۔

مالی سال 2017ء میں ترسیل زر گزشتہ سال کے مقابلے میں 3.08 فیصد کمی کا شکار ہو کر 19.3 بلین ڈالر ہو گئیں، اور اس کے اہم ترین اسباب مشرق وسطیٰ میں روزگار کی صورتحال اور عالمی سطح پر متوقع سے کم حصولیات ہیں۔

مندرجہ بالا دو اسباب (ترسیل زر میں کمی اور CA خسارے میں اضافے) کے نتیجے میں غیر زرمبادلہ کے ذخائر پر دباؤ بڑھ رہا ہے، جو زیر جائزہ سال کے اختتام پر 21.368 بلین ڈالر تھے، اور یہ یکم جولائی 2016ء سے تاحال 1.72 بلین ڈالر کمی ہے۔

عرب لائٹ کی اوسط قیمتوں میں 19 فیصد YoY اضافے کے باوجود CPI کی سطح پست رہی اور اس میں مالی سال 2017ء کے دوران 4.15 فیصد اضافہ ہوا، جس کی سب سے بڑی وجہ خوراک، نقل و حمل اور رہائشی کرائے کے شعبوں میں قابل ذکر ترقی ہے۔

حکومت مالیاتی خسارے کو 4.2 فیصد پر برقرار رکھ سکی جو متعین شدہ ہدف 3.8 فیصد سے تھوڑا زیادہ ہے۔ مجموعی اخراجات اور مجموعی آمدنی، دونوں میں 12 فیصد YoY اضافہ ہوا جبکہ مالیاتی توازن میں 11 فیصد YoY اضافہ ہوا۔ حکومت نے مالی سال 2018ء کے لئے مالیاتی خسارے کا ہدف 4.1 فیصد متعین کیا ہے۔ CA خسارے کے علاوہ ایک اور تشویشناک امر تجارتی خسارے میں اضافہ، اور اس بڑھتے ہوئے فرق کو پُر کرنے کے لئے مالیات فراہم کرنے کے لئے پبلک اور پرائیویٹ قرضہ جات میں اضافہ ہے۔ مارچ 2017ء تک پاکستان مجموعی طور پر 23.95 ٹریلین روپے کا قرضہ دار تھا، جو ایک سال کے دوران 2.33 ٹریلین روپے کا اضافہ ہے۔

اسٹیٹ بینک آف پاکستان نے اپنے تازہ ترین مالیاتی پالیسی کے جائزے برائے اگلے دو ماہ میں پالیسی کی شرح کو متواتر ساتویں مرتبہ 5.75 فیصد برقرار رکھا ہے۔ پالیسی کمیٹی کی بدستور مثبت خیالی کی بنیاد CPEC اور دیگر منصوبے ہیں جن کی بدولت دوران سال روپیہ نسبتاً مستحکم رہا اور ان کے ذریعے مستقبل میں آمدات متوقع ہیں۔ بازار زر میں موجودہ غیر یقینی سیاسی صورتحال کی بھی عکاسی ہوئی، جہاں اسٹیٹ بینک آف پاکستان کی فراہم کردہ ایک عارضی چھوٹ کے نتیجے میں ایک دن میں تقریباً 4 فیصد کمی ہوئی۔ تاہم بعد ازاں وزیر خزانہ کی پیش کردہ صفائی اور قیاسی کارروائیوں سے جنگ کے بھرپور عزم کے اظہار کے نتیجے میں صورتحال بحال ہو گئی۔

ادائیگیوں کے توازن کے خسارہ جات کے باعث بینکاری کے نظام کے Net غیر ملکی اثاثہ جات سکڑ گئے۔ مالی سال 2016ء کے اختتام پر 1.0 ٹریلین روپے تھے جبکہ مالی سال 2017ء کے اختتام پر صرف 601 بلین روپے رہ گئے۔ حکومت کے خطیر بجٹ خساروں سے نمٹنے کے باعث M2 ترقی بلند سطح پر قائم رہی

(+13.7 فیصد Y/Y) اور بینکاری کے نظام کے Net مقامی اثاثہ جات میں 18.3 فیصد YoY ترقی ہوئی۔ حکومت نے مالیات کے لئے اسٹیٹ بینک آف پاکستان پر انحصار کرتے ہوئے 908 بلین روپے قرضہ حاصل کیا جس کے نتیجے میں مقامی بینکوں کو خاطر خواہ لکویڈٹی فراہم ہوئی۔ مالی سال 2017ء کی

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2017

Fund Type and Category

Pakistan Capital Market Fund (PCMF) is an Open-End Balanced Scheme

Fund Benchmark

The benchmark for Pakistan Capital Market Fund is KSE 100 Index and Six (6) months KIBOR rates on the basis of actual proportion held by the Scheme

Investment Objective

The objective of the Fund is to maximize returns available from Pakistan's capital market by investing the Fund Property in equity as well as debt instruments while diversifying the risk within the market.

Investment Strategy

Pakistan Capital Market Fund (PCM) is an open-end balanced fund that invests in a range of asset classes such as equity and debt in Pakistani market. The asset allocation to equities and debt is made on the basis of relative attractiveness of each asset class. The investment process is driven by fundamental research. For equities investment, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. For debt investment, interest rate outlook is the key determining factor and allocation to this segment is increased when the yields are comparatively higher compared to the total returns on equities. Investment is made in corporate bonds (investment grade) and government bonds. Cash is kept in deposits with highly rated banks. PCM is a long only Fund and cannot undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Manager's Review

During the period under review, the fund posted a return of 25.36% compared to the return of 19.62% posted by the benchmark.

On the equities front, the overall allocation was extensively decreased to 39%. This decrease is attributable to the exposure in Oil & Gas Exploration Companies, Cement and Power Generation & Distribution.

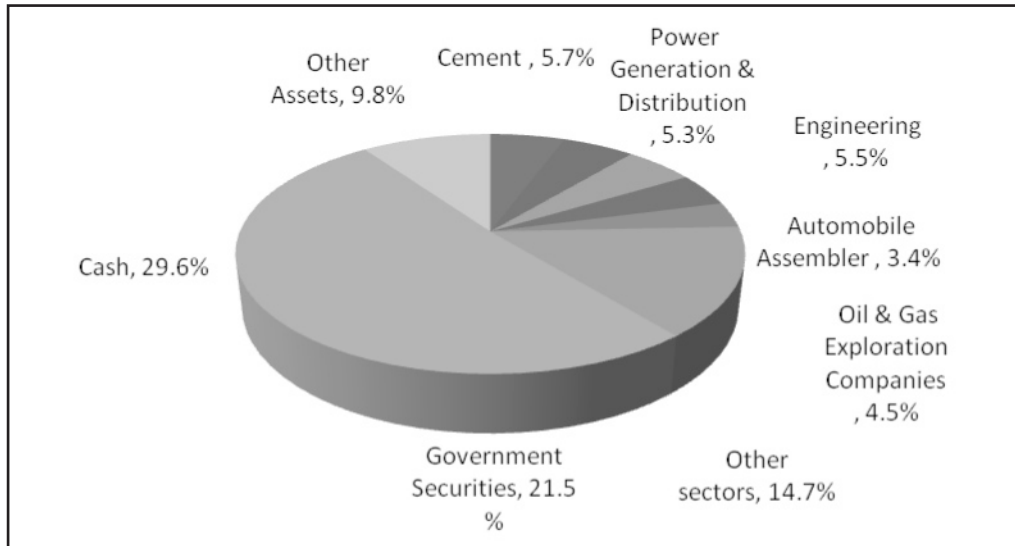
On the fixed income side, the fund had decreased its exposure in T-Bills to 21.5% and shifted its exposure towards cash to benefit from attractive rates offered by banks.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 675 million as compared to Rs. 627 million as at June 30, 2016 registering an increase of 7.65%.

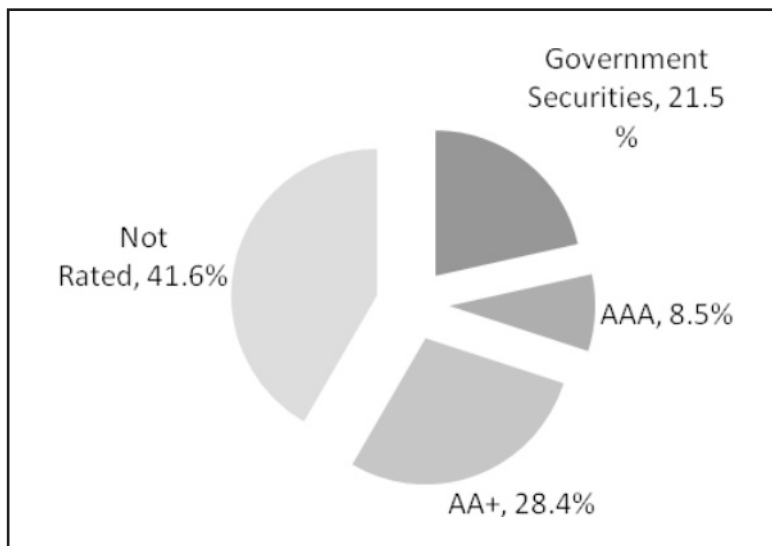
The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 11.53 as compared to opening NAV of Rs. 10.69 per unit as at June 30, 2016 showing an increase of Rs. 0.84 per unit.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2017

Asset Allocation as on June 30, 2017 (% of total assets)



Asset Quality as on June 30, 2017 (% of total assets)



Syed Abid Ali
Fund Manager

Karachi: August 04, 2017

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahr-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdc-pakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CAPITAL MARKET FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Capital Market Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 08, 2017



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Capital Market Fund to comply with the Code of Corporate Governance (the code) contained in regulation # 5.19 of chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

| Category | Names |
|---------------------------|---|
| Independent Directors | 1. Dr. Syed Salman Ali Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Qamar Beg |
| Executive Directors | 1. Mr. Muhammad Saqib Saleem—Chief Executive Officer |
| Non – Executive Directors | 1. Mian Mohammad Mansha-Chairman 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib 4. Mr. Nasim Beg – Vice Chairman |

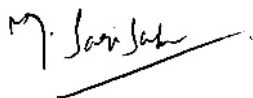
The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Company.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. Out of the total eight meetings only one meeting of the Board was presided over by the chairman which was held on August 5, 2016. Five meetings were presided over by Mr. Nasim Beg and two meetings were presided by Dr. Syed Salman Ali Shah duly elected by the board for the purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, one director Mr. Mirza Qamar Beg was included on the Board of Directors and is complied with the Director's Training Programme. All remaining directors on the board already possess the required training or are exempt on the basis of specified qualification and experience as required by the Code.
10. Company Secretary and Head of Internal Audit continued their services and there was no change in these positions during the year. The Chief Financial Officer was appointed during the year on February 02, 2017 and the board has approved the remuneration and terms and conditions of the employment of the CFO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

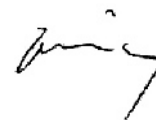
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the chairman of the committee who is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are non-executive directors and one is executive Director and the chairman of the committee is also a non-executive director.
18. The Board has set up an effective internal audit function, the members of which are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done in the board meeting held on August 04, 2017.
24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Muhammad Saqib Saleem
Chief Executive Officer
Karachi: August 04, 2017



Nasim Beg
Director / Vice Chairman

REVIEW REPORT TO UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

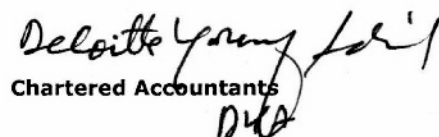
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company (the Company) of **Pakistan Capital Market Fund (the Fund)** for the year ended June 30, 2017 to comply with the requirements of clause no. 5.19 of chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.


Chartered Accountants

Date: 04 AUG 2017
Karachi

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017

Deloitte.

Deloitte Yousuf Adil
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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan Capital Market Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, distribution statement, statement of movements in unit holder's fund, cash flow statement for the year then ended and a summary of significant accounting policies together and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (MCB-Arif Habib Savings and Investments Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's financial position as at June 30, 2017 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Member of
Deloitte Touche Tohmatsu Limited

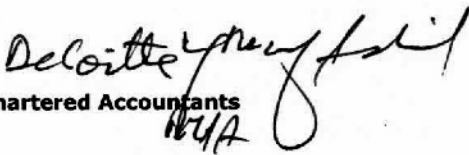
**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2017**

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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


Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Date: 04 AUG 2017
Karachi

Member of
Deloitte Touche Tohmatsu Limited

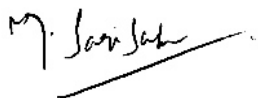
STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2017

| | Note | 2017 (Rupees in '000) | 2016 |
|---|------|--------------------------|-------------------|
| ASSETS | | | |
| Balances with banks | 5 | 204,777 | 80,904 |
| Investments | 6 | 468,729 | 566,333 |
| Receivable against sale of investments | | 10,154 | - |
| Dividend and profit receivables | 7 | 2,800 | 1,599 |
| Advances deposits and prepayments | 8 | 6,049 | 5,057 |
| Total assets | | 692,509 | 653,893 |
| LIABILITIES | | | |
| Payable to Management Company | | 1,549 | 1,332 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 128 | 119 |
| Payable to Securities and Exchange Commission of Pakistan | | 568 | 647 |
| Payable against redemption of units | | 216 | 1,218 |
| Accrued expenses and other liabilities | 9 | 14,866 | 23,655 |
| Total liabilities | | 17,327 | 26,971 |
| NET ASSETS | | 675,182 | 626,922 |
| Unit holders' funds (as per statement attached) | | 675,182 | 626,922 |
| Contingencies and commitments | 10 | | |
| | | (Number of units) | |
| NUMBER OF UNITS IN ISSUE | | 58,575,216 | 58,632,774 |
| | | ----- (Rupees) ----- | |
| NET ASSETS VALUE PER UNIT | 4.12 | 11.53 | 10.69 |

The annexed notes from 1 to 27 form an integral part of these financial statements.

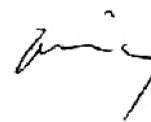
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



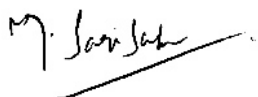
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 (Rupees in '000) | 2016 |
|--|------|--------------------------|---------------|
| INCOME | | | |
| Capital gain on sale of investments - net | | 138,037 | 7,705 |
| Dividend income | | 18,303 | 27,010 |
| Income from government securities | | 8,322 | 12,699 |
| Income from term finance certificate | | - | 787 |
| Income from pre IPO Sukuk | | 32 | - |
| Income from term deposit receipts | | 743 | - |
| Profit on bank deposits | | 4,517 | 4,927 |
| Income on deposit with NCCPL against exposure margin | | 14 | 20 |
| Unrealised (diminution) / appreciation on re-measurement of investments classified at fair value through profit or loss - net | 6.4 | (1,323) | 1,314 |
| Reclassification of opening reserve on impairment of available for sale investments | | - | (3,605) |
| Impairment loss on investment in equity securities | | - | (12,621) |
| Total income | | 168,645 | 38,236 |
| EXPENSES | | | |
| Remuneration of Management Company | 11 | 13,373 | 15,175 |
| Sindh Sales tax and Federal Excise Duty on remuneration of Management Company | | 1,739 | 4,889 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 12 | 1,337 | 1,518 |
| Sales tax on remuneration of the trustee | 13 | 174 | 212 |
| Securities and Exchange Commission of Pakistan - fee | 14 | 568 | 647 |
| Allocated expense | 15 | 756 | 496 |
| Securities transaction cost | | 3,209 | 1,446 |
| Settlement and bank charges | | 699 | 482 |
| Fees and subscription | | 207 | 170 |
| Auditors' remuneration | 16 | 609 | 614 |
| Printing and related cost | | 362 | 349 |
| Legal and professional charges | | 60 | 162 |
| Total expenses | | 23,093 | 26,160 |
| Net income from operating activities | | 145,552 | 12,076 |
| Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed arising | | | |
| -from realised / unrealised capital gain / (loss) | | 638 | 841 |
| -from other than capital gain / (loss) and unrealised gain / (loss) | | (1,629) | (5,258) |
| Net reversal of provision for Workers' Welfare Fund | | 6,831 | - |
| Net income for the year before taxation | | 151,392 | 7,659 |
| Taxation | 17 | - | - |
| Net income for the year after taxation | | 151,392 | 7,659 |
| Earnings per unit | 4.11 | - | - |

The annexed notes from 1 to 27 form an integral part of these financial statements.

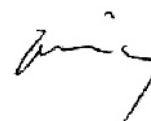
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



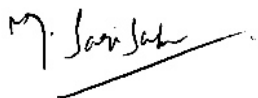
Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017**

| | Note | 2017 (Rupees in '000) | 2016 |
|--|------|--------------------------|---------------|
| Net income for the year after taxation | | 151,392 | 7,659 |
| Other comprehensive income for the year | | | |
| <i>Items that may be reclassified to profit and loss account</i> | | | |
| Unrealised (diminution) / appreciation in value of investments classified as available for sale' - net | | (5,885) | 10,347 |
| Reclassification adjustment relating to impairment to investments classified available for sale | | - | 3,605 |
| Total comprehensive income for the year | | 145,507 | 21,611 |

The annexed notes from 1 to 27 form an integral part of these financial statements.

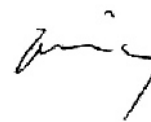
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



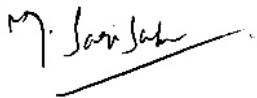
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 (Rupees in '000) | 2016 |
|--|--------------------------|----------------------|
| Undistributed income brought forward | | |
| - Realised gains | (137,052) | (2,293) |
| - Unrealised gains | 150,336 | 24,429 |
| | <u>13,284</u> | <u>22,136</u> |
| Net element of income / (loss) and capital gain / (loss) included in the prices of units issued less those in units redeemed - amount representing unrealised income | <u>(3,854)</u> | <u>5,822</u> |
| Net income for the year after taxation | <u>151,392</u> | <u>7,659</u> |
| | <u>147,538</u> | <u>13,481</u> |
| Distributions | | |
| Final cash distribution for the year ended June 30, 2016 at Re. 0.40 per unit (Date of distribution: June 27, 2016) | - | (22,333) |
| Final cash distribution for the year ended June 30, 2017 at Re. 1.85 per unit (Date of distribution: June 22, 2017) | (92,819) | - |
| Undistributed income carried forward | <u><u>68,003</u></u> | <u><u>13,284</u></u> |
| Represented by: | | |
| - Realised gain / (loss) | 72,282 | (137,052) |
| - Unrealised (loss) / gains | (4,279) | 150,336 |
| | <u><u>68,003</u></u> | <u><u>13,284</u></u> |

The annexed notes from 1 to 27 form an integral part of these financial statements.

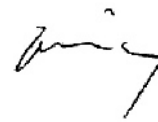
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



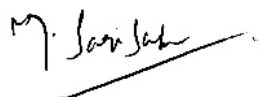
Director

STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 (Rupees in '000) | 2016 |
|---|--------------------------|-------------------|
| Net assets at beginning of the year | 626,922 | 681,887 |
| Issue of 28,510,841 units (2016: 33,936,154 units) (including 6,679,361 units (2016: 1,739,231 units) reinvested by the unitholders against their dividend entitlement amounting to Rs. 76 million - net of tax) | 347,560 | 356,209 |
| Redemption of 28,568,399 units (2016: 39,942,647 units) | (352,979) | (414,869) |
| | (5,419) | (58,660) |
| | 621,503 | 623,227 |
| Net element of (income)/ loss and capital (gains)/ losses included in prices of units issued less those in units redeemed | | |
| --amount representing (gain)/ loss and capital (gains) / losses transferred to the Income Statement | | |
| Arising from realised / unrealised (capital gain) / loss | (638) | (841) |
| Arising from other income | 1,629 | 5,258 |
| --amount representing (gain)/ loss and capital (gains) / losses that form part of unit holders' fund - transferred to the Distribution Statement - net | 3,854 | (5,822) |
| | 4,845 | (1,405) |
| Net income for the year transferred from the Distribution Statement | | |
| Capital gain / (loss) on sale of investments | 138,037 | 7,705 |
| Unrealised appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss' - net | (1,323) | 1,314 |
| Other net operating income | 14,678 | (1,360) |
| Net element of gain / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income | (3,854) | 5,822 |
| | 147,538 | 13,481 |
| Distributions made during the year | (92,819) | (22,333) |
| Unrealised appreciation / (diminution) in value of investments classified as available for sale' - net | (5,885) | 10,347 |
| Reclassification adjustment relating to impairment to investments classified available for sale | - | 3,605 |
| Net assets at end of the year | 675,182 | 626,922 |
| | (Number of units) | |
| NUMBER OF UNITS IN ISSUE | 58,575,216 | 58,632,774 |
| | (Rupees) | |
| NET ASSET VALUE PER UNIT | 11.53 | 10.69 |

The annexed notes from 1 to 27 form an integral part of these financial statements.

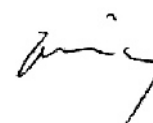
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



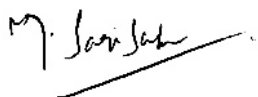
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 (Rupees in '000) | 2016 (Rupees in '000) |
|---|------------|--------------------------|--------------------------|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year | | 151,392 | 7,659 |
| <i>Adjustments for:</i> | | | |
| Unrealised diminution / (appreciation) in value of investments classified as at fair value through profit or loss - net | | 1,323 | (1,314) |
| Net element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed | | | |
| Arising from realised / unrealised (capital gain) / loss | | (638) | (841) |
| Arising from other than capital gain / (loss) and unrealised gain / (loss) | | 1,629 | 5,258 |
| Reclassification adjustment relating to impairment of investments classified as available for sale | | - | 3,605 |
| Impairment loss on investment in equity securities | | - | 12,621 |
| Net reversal of provision for Workers' Welfare Fund | | (6,831) | - |
| | | 146,875 | 26,988 |
| Decrease / (increase) in assets | | | |
| Investments | | 90,396 | (98,578) |
| Receivable against sale of investment | | (10,154) | - |
| Dividend and profit receivables | | (1,201) | (285) |
| Advances deposits and prepayments | | (992) | (56) |
| | | 78,049 | (98,919) |
| Increase / (decrease) in liabilities | | | |
| Payable to Management Company | | 217 | 41 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 9 | 23 |
| Payable to Securities and Exchange Commission of Pakistan | | (79) | 253 |
| Payable against purchase of investment | | - | (8,512) |
| Payable against redemption of units | | (1,002) | 1,002 |
| Accrued expenses and other liabilities | | (1,958) | 73 |
| | | (2,813) | (7,120) |
| Net cash generated / (used in) from operating activities | A | 222,111 | (79,051) |
| B. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (92,819) | (22,333) |
| Cash received from units sold | | 347,560 | 356,209 |
| Cash paid on units redeemed | | (352,979) | (414,869) |
| Net cash generated from financing activities | B | (98,238) | (80,993) |
| Net increase / (decrease) in cash and cash equivalents during the year | A+B | 123,873 | (160,044) |
| Cash and cash equivalents at beginning of the year | | 80,904 | 240,948 |
| Cash and cash equivalents at end of the period | | 204,777 | 80,904 |

The annexed notes from 1 to 27 form an integral part of these financial statements.

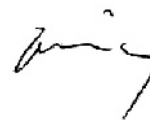
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Capital Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB - Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, O Shaheed-e-Millat Expressway, near KPT Interchange, Karachi, Pakistan.
- 1.3 During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund has been categorised as "Balanced Scheme" and offers units for public subscription on continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on Pakistan Stock Exchange.
- 1.4 The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned as asset manager of "AM2++" dated June 23, 2017 to the Management Company and long term performance rating of 4-star and short term performance rating of 4-star to the Fund dated June 15, 2017.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, and the said directives shall prevail.

During the year, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Fund shall prepare the financial statements for periods closing after June 30, 2017 in accordance with the provisions of the new Companies Act. The Fund is currently in process of determining impact, if any, on future financial statements due to implementation of the Act.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Standards / amendments / interpretations | Effective date (accounting period beginning on or after) |
|--|--|
| Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception | January 01, 2016 |
| Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations | January 01, 2016 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative | January 01, 2016 |
| Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization | January 01, 2016 |
| Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants | January 01, 2016 |
| Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements | January 01, 2016 |

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| | |
|--|------------------|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | January 01, 2018 |
| Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative | January 01, 2017 |
| Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses | January 01, 2017 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2017 |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 01, 2018 |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |

Certain annual improvements have also been made to a number of IFRSs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments' : Recognition and Measurement'.

3.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised by the management in application of accounting policies principally relate to classification, valuation and impairment of investments (refer note 4.1).

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pak Rupees which is the Fund's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

4.1 Financial assets

The Fund classifies its financial assets in the following categories:

a) At fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Financial instruments as at fair value through profit or loss are measured at fair value and changes therein are recognised in the Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets. All derivatives in a net payable position (negative fair value), are reported as financial liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

b) Available-for-sale

Available for sale are non-derivative financial assets that are either designated in this category or not classified in any other category.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as at fair value through profit or loss or available for sale.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the financial assets.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not as at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Transaction costs on financial instruments at fair value through profit or loss are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as at fair value through profit or loss and available for sale are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets as at fair value through profit or loss are recognised in the Income Statement. Changes in the fair value of financial instruments classified as available-for-sale are recognised in Other Comprehensive Income until derecognised or impaired, when the accumulated adjustments recognised in Other Comprehensive Income are included in the Income Statement. The financial instruments classified as loans and receivables are subsequently measured at amortised cost less provision for impairment, if any.

Fair value measurement principles

Investment in debt securities are valued at the rates determined and notified by Mutual Funds Association of Pakistan (MUFAP) as per the methodology prescribed by SECP via Circular 1 of 2009, Circular 3 of 2010, Circular 33 of 2012 and Circular 35 of 2012. These Circulars also specify the criteria for application of discretionary discount to yield of any debt security calculated by MUFAP and contain criteria for the provisioning of non-performing debt securities.

Investment in thinly and non-traded debt securities with maturity up to six months are valued at their amortised cost in accordance with the requirements of Circular 1 of 2009 as amended by Circular 13 of 2009 and Circular 33 of 2012 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

Basis of valuation of Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan, except the Government of Pakistan Ijarah Sukuks, which are valued on the basis of rates announced by Reuters.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement. Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'Other Comprehensive Income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'Other Comprehensive Income' is transferred to the 'Income Statement'.

4.2 Securities under repurchase/ resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amounts paid under these agreements are recognised as receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the agreement. All reverse repo transactions are accounted for on the settlement date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

4.3 Impairment

Financial assets not carried at fair value through profit or loss are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss events had an impact on the future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. In case of equity security classified as available for sale, a significant or prolonged decline in fair value below its cost is objectively considered as evidence of impairment. If any such impairment exists for available for sale financial assets, cumulative gains or losses previously recognised in other comprehensive income are reclassified to Income Statement in the period.

Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

The Board of Directors of the Management Company has formulated a comprehensive policy for making provision against non-performing investments in compliance with Circular 13 of 2009 and Circular 33 of 2012 issued by the SECP.

4.4 Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

4.5 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.6 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortized cost. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to the Management Company and other liabilities. Financial liabilities other than those at fair value through profit and loss are measured at amortised cost using effective interest rate method.

4.7 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised initially at fair value and subsequently stated at amortised cost.

4.8 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.9 Other assets

Other assets are stated at cost less impairment losses, if any.

4.10 Taxation

Current

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund, like in current year, intends to continue availing the tax exemption in future years as well by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealised, to its unit holders every year.

4.11 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

4.12 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

4.13 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the net asset value representing the investors' right to a residual interest in the Fund assets.

4.14 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for applications received by distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable on units for which the distributors receive redemption applications during business hours on that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.15 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the Income Statement and the remaining portion of element of income / (loss) and capital gains / (losses) is held in separate reserve account and at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

4.16 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase transactions and debt securities (including government securities) is recognised on a time proportion basis using effective interest rate method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

- Markup on government securities is recognised on an accrual basis.
- Unrealised gains / (losses) arising on valuation / remeasurement of investments classified as at fair value through profit or loss and derivatives are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on time proportion basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed realised during the year is included in the Income Statement on the date of issue and redemption of units.

4.17 Expenses

All expenses including Management fee, Trustee fee and Securities Exchange Commission of Pakistan fee are recognised in the Income Statement on an accrual basis.

4.18 Dividend distribution and appropriation

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are approved.

4.19 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

| | Note | 2017 (Rupees in '000) | 2016 |
|-------------------------------|------|--------------------------|--------|
| 5. BALANCES WITH BANKS | | | |
| In current accounts | | 6,757 | 2,781 |
| In deposit accounts | 5.1 | 198,020 | 78,123 |
| | | 204,777 | 80,904 |

5.1 These accounts carry profit at the rate ranging from 3.75% to 6.18% (2016: 3.75% to 7%) per annum.

6. INVESTMENTS

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

| | | | |
|--------------------------|-----|---------|---------|
| Listed equity securities | 6.1 | 211,352 | 15,113 |
| Government securities | 6.2 | 148,851 | 148,962 |
| | | 360,203 | 164,075 |

Loans and receivable

| | | | |
|----------------------|-----|--------|---|
| Term deposit receipt | 6.3 | 50,000 | - |
|----------------------|-----|--------|---|

Available for sale

| | | | |
|--------------------------|-----|---------|---------|
| Listed equity securities | 6.4 | 58,526 | 402,258 |
| | | 468,729 | 566,333 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

6.1 Listed equity securities 'at fair value through profit or loss'

| Name of the Investee Company | As at July 1, 2016 | Purchases during the period | Bonus / right issue during the period | Sales during the period | As at June 30, 2017 | As at June 30, 2017 | | | Market value as a percentage of total investments | Market value as percentage of capital of the investee company |
|--|--------------------|-----------------------------|---------------------------------------|-------------------------|---------------------|---------------------|---------------|-----------------------------|---|---|
| | | | | | | Carrying Value | Market value | Appreciation / (diminution) | | |
| | | | | | | | | | | Rupees in '000 |
| | | | | | | | | | | % |
| Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise | | | | | | | | | | |
| AUTOMOBILE AND PARTS | | | | | | | | | | |
| Atlas Honda Limited | - | 19,300 | - | - | 19,300 | 11,098 | 11,658 | 560 | 1.73 | 0.02 |
| Ghandhara Industries Limited | - | 17,500 | - | 8,000 | 9,500 | 7,818 | 6,176 | (1,642) | 0.91 | 0.02 |
| Hinopak Motors Limited | - | 8,000 | - | 3,560 | 4,440 | 7,011 | 5,816 | (1,195) | 0.86 | 0.04 |
| Indus Motor Company Limited | - | 8,000 | - | 8,000 | - | - | - | - | - | - |
| Pak Suzuki Motor Company Limited | - | 25,000 | - | 25,000 | - | - | - | - | - | - |
| | | | | | | 25,927 | 23,650 | (2,277) | 3.50 | 5.05 |
| PAPER & BOARD | | | | | | | | | | |
| Packages Limited | 150 | - | - | 150 | - | - | - | - | - | - |
| Century Paper & Board Mills Limited | - | 175,500 | - | 175,500 | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - |
| CABLE & ELECTRICAL GOODS | | | | | | | | | | |
| Pak Elektron Limited | - | 298,000 | - | 159,000 | 139,000 | 14,042 | 15,334 | 1,292 | 2.27 | 0.03 |
| CEMENT | | | | | | | | | | |
| Cherat Cement Company Limited | - | 100,000 | - | 100,000 | - | - | - | - | - | - |
| Deewan Cement Limited | - | 180,000 | - | 180,000 | - | - | - | - | - | - |
| D.G. Khan Cement Company Limited | - | 175,400 | - | 175,400 | - | - | - | - | - | - |
| Fauji Cement Company Limited | - | 150,000 | - | - | 150,000 | 6,862 | 6,154 | (708) | 0.91 | 0.01 |
| Kohat Cement Limited | - | 48,000 | - | - | 48,000 | 13,440 | 11,004 | (2,436) | 1.63 | 0.03 |
| * Lucky Cement Limited | - | 78,100 | - | 55,000 | 23,100 | 18,083 | 19,318 | 1,235 | 2.86 | 0.01 |
| Maple Leaf Cement Factory Limited | - | 185,000 | - | 185,000 | - | - | - | - | - | - |
| Pioneer Cement Limited | - | 90,000 | - | 90,000 | - | - | - | - | - | - |
| Thatta Cement Company Limited | - | 170,000 | - | 100,000 | 70,000 | 2,958 | 2,798 | (160) | 0.41 | 0.07 |
| | | | | | | 41,343 | 39,274 | (2,069) | 5.81 | 7.78 |
| COMMERCIAL BANKS | | | | | | | | | | |
| Allied Bank Limited | - | 76,500 | - | 76,300 | 200 | 24 | 18 | (6) | 0.00 | - |
| Habib Bank Limited | - | 178,100 | - | 178,100 | - | - | - | - | - | - |
| ** MCB Bank Limited | - | 139,500 | - | 137,000 | 2,500 | 580 | 526 | (54) | 0.08 | 0.00 |
| United Bank Limited | - | 242,000 | - | 242,000 | - | - | - | - | - | - |
| | | | | | | 604 | 544 | (60) | 0.08 | 0.11 |
| ENGINEERING | | | | | | | | | | |
| International Industries Limited | - | 55,500 | - | - | 55,500 | 11,971 | 20,456 | 8,485 | 3.03 | 0.05 |
| International Steels Limited | - | 305,000 | - | 255,000 | 50,000 | 7,875 | 6,395 | (1,480) | 0.95 | 0.01 |
| Mughal Iron and Steel Industries Limited | - | 135,500 | - | - | 135,500 | 8,844 | 10,939 | 2,095 | 1.62 | 0.05 |
| | | | | | | 28,690 | 37,790 | 9,100 | 5.60 | 8.05 |
| FERTILIZER | | | | | | | | | | |
| Dawood Hercules Corporation Limited | - | 23,000 | - | 23,000 | - | - | - | - | - | - |
| Engro Fertilizer Limited | - | 200,000 | - | 200,000 | - | - | - | - | - | - |
| Engro Corporation Limited | 5,600 | 60,000 | - | 65,600 | - | - | - | - | - | - |
| ** Fatima Fertilizer Company Limited | - | 185,000 | - | 185,000 | - | - | - | - | - | - |
| Fauji Fertilizer Company Limited | - | 40,000 | - | 40,000 | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Name of the Investee Company | As at July 1, 2016 | Purchases during the period | Bonus / right issue during the period | Sales during the period | As at June 30, 2017 | As at June 30, 2017 | | | | Market value as a percentage of net assets | Market value as a percentage of total investments | Market value as percentage of total paid up capital of the investee company |
|--|--------------------|-----------------------------|---------------------------------------|-------------------------|---------------------|---------------------|--------------|-----------------------------|------|--|---|---|
| | | | | | | Rupees in '000' | | | | | | |
| | | | | | | Carrying Value | Market value | Appreciation / (diminution) | | | | |
| CHEMICALS | | | | | | | | | | | | |
| Engro Polymer & Chemicals Limited | - | 282,000 | - | - | 282,000 | 9,170 | 10,292 | 1,122 | 1.52 | 2.20 | | 0.04 |
| GLASS & CERAMICS | | | | | | | | | | | | |
| Shabbir Tiles & Ceramics Limited | - | 450,000 | - | 189,500 | 260,500 | 4,033 | 4,994 | 961 | 0.74 | 1.07 | | 0.11 |
| Tariq Glass Industries Limited | - | 107,500 | - | - | 107,500 | 12,057 | 11,906 | (151) | 1.76 | 2.54 | | 0.15 |
| | | | | | | 16,090 | 16,900 | 810 | 2.50 | 3.61 | | |
| INSURANCE | | | | | | | | | | | | |
| Pakistan Reinsurance Company Limited | - | 150,000 | - | - | 150,000 | 7,646 | 7,322 | (324) | 1.08 | 1.56 | | 0.05 |
| INVESTMENT SECURITIES | | | | | | | | | | | | |
| Arif Habib Limited | - | 122,000 | - | 66,000 | 56,000 | 5,573 | 4,503 | (1,070) | 0.67 | 0.96 | | 0.10 |
| LEASING COMPANIES | | | | | | | | | | | | |
| Orix Leasing Pakistan Limited | - | 263,000 | - | 182,500 | 80,500 | 3,638 | 3,240 | (398) | 0.48 | 0.69 | | 0.10 |
| LEATHER & TANNERIES | | | | | | | | | | | | |
| Bata Pakistan Limited | 1,240 | 220 | - | 910 | 550 | 2,313 | 1,815 | (498) | 0.27 | 0.39 | | 0.01 |
| Service Industries Limited | - | 8,900 | - | - | 8,900 | 12,977 | 12,273 | (704) | 1.82 | 2.62 | | 0.07 |
| | | | | | | 15,290 | 14,088 | (1,202) | 2.09 | 3.01 | | |
| MULTIUTILITIES (GAS AND WATER) | | | | | | | | | | | | |
| Sui Southern Gas Company Limited | - | 210,000 | - | 210,000 | - | - | - | - | - | - | | - |
| OIL & GAS EXPLOURATION COMPANY | | | | | | | | | | | | |
| Hascol Petroleum Limited | - | 20,000 | - | 20,000 | - | - | - | - | - | - | | - |
| Mari Petroleum Company Limited | - | 2,400 | - | 2,200 | 200 | 262 | 315 | 53 | 0.05 | 0.07 | | 0.00 |
| Oil & Gas Development Company Limited | - | 40,000 | - | 40,000 | - | - | - | - | - | - | | - |
| Pakistan Petroleum Limited | 30 | 45,000 | - | - | 45,030 | 7,362 | 6,671 | (691) | 0.99 | 1.42 | | 0.00 |
| | | | | | | 7,624 | 6,986 | (638) | 1.04 | 1.49 | | |
| OIL & GAS MARKETING COMPANIES | | | | | | | | | | | | |
| Attock Petroleum Limited | - | 5,000 | - | 5,000 | - | - | - | - | - | - | | - |
| Hi-tech Lubricants Limited | - | 87,400 | - | 70,000 | 17,400 | 2,137 | 1,897 | (240) | 0.28 | 0.40 | | 0.02 |
| Pakistan State Oil Company Limited | - | 42,000 | - | 42,000 | - | - | - | - | - | - | | - |
| Sui Northern Gas Pipelines Limited | - | 332,000 | - | 332,000 | - | - | - | - | - | - | | - |
| | | | | | | 2,137 | 1,897 | (240) | 0.28 | 0.40 | | |
| PHARMACEUTICALS | | | | | | | | | | | | |
| The Searle Company Limited | - | 19,000 | 39 | 18,606 | 433 | 235 | 222 | (13) | 0.03 | 0.05 | | 0.00 |
| POWER GENERATION AND DISTRIBUTION | | | | | | | | | | | | |
| Hub Power Company Limited | - | 156,000 | - | 45,000 | 111,000 | 14,081 | 13,035 | (1,046) | 1.93 | 2.78 | | 0.01 |
| Kot Addu Power Company Limited | - | 200,000 | - | 200,000 | - | - | - | - | - | - | | - |
| K-Electric Limited (Par value of Rs. 3.5 each) | - | 1,000,000 | - | - | 1,000,000 | 6,880 | 6,900 | 20 | 1.02 | 1.47 | | 0.00 |
| | | | | | | 20,961 | 19,935 | (1,026) | 2.95 | 4.25 | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Name of the Investee Company | As at July 1, 2016 | Purchases during the period | Bonus / right issue during the period | Sales during the period | As at June 30, 2017 | As at June 30, 2017 | | | Market value as a percentage of net assets | Market value as a percentage of total investments | Market value as percentage of capital of the investee company |
|---------------------------------------|--------------------|-----------------------------|---------------------------------------|-------------------------|---------------------|---------------------|----------------|-----------------------------|--|---|---|
| | | | | | | Carrying Value | Market value | Appreciation / (diminution) | | | |
| REAL ESTATE INVESTMENT & DISTRIBUTION | | | | | | | | | | | |
| Dolmen City Reit | - | 249,500 | | | 249,500 | 2,886 | 2,952 | 66 | 0.44 | 0.63 | 0.01 |
| REFINERY | | | | | | | | | | | |
| National Refinery Limited | - | 17,500 | - | 17,500 | - | - | - | - | - | - | - |
| Attock Refinery Limited | - | 27,000 | - | 27,000 | - | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - | - |
| SUGAR & ALLIED PRODUCTS | | | | | | | | | | | |
| Faran Sugar Mills Limited | - | 44,000 | - | - | 44,000 | 7,257 | 3,531 | (3,726) | 0.52 | 0.75 | 0.18 |
| TECHNOLOGY & COMMUNICATION | | | | | | | | | | | |
| Netsoft Technologies Limited | - | 50,000 | - | - | 50,000 | 3,525 | 2,892 | (633) | 0.43 | 0.62 | 0.06 |
| TEXTILE COMPOSITE | | | | | | | | | | | |
| *** Nishat Chumian Power Limited | - | 130,000 | - | 130,000 | - | - | - | - | - | - | - |
| *** Nishat Mills Limited | 75,000 | 142,000 | - | 217,000 | - | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - | - |
| Total at June 30, 2017 | | | | | | 212,638 | 211,352 | (1,286) | 31.29 | 44.48 | |
| Total at June 30, 2016 | | | | | | 13,828 | 15,113 | 1,285 | 2.42 | 2.67 | |

* The above include shares with a market value aggregating to Rs. 16.73 million (June 30, 2016: Rs. Nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

** These represent transactions with related parties.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

6.2 Government securities - 'at fair value through profit or loss'

| Issue date | Face value | | | | | As at June 30, 2017 | | | Market value as a percentage of net assets | Market value as a percentage of total investments |
|----------------------------------|--------------------|-----------------------------|----------------------------|---------------------------|---------------------|---------------------|----------------|-----------------------------|--|---|
| | As at July 1, 2016 | Purchased during the period | Disposed during the period | Matured during the period | As at June 30, 2017 | Carrying value | Market value | Appreciation / (diminution) | | |
| | | | | | | | | | | % |
| | | | | | | | | | | |
| Treasury bills - 12 months | - | 250,000 | - | 250,000 | - | - | - | - | - | - |
| Treasury bills - 6 months | 50,000 | - | 15,000 | 35,000 | - | - | - | - | - | - |
| Treasury bills - 3 months | 100,000 | 685,000 | 400,000 | 235,000 | 150,000 | 148,888 | 148,851 | (37) | 22.05 | 31.76 |
| Total as at June 30, 2017 | | | | | | 148,888 | 148,851 | (37) | 22.05 | 31.76 |
| | | | | | | | | | | |
| Total as at June 30, 2016 | | | | | | 148,933 | 148,962 | 29 | 23.76 | 26.30 |

6.3 Term deposit receipt - Loans and receivables

| Particulars | Profit / mark-up rates | Issue date | Maturity date | At June 30, 2017 | Carrying value as a percentage of net assets | Carrying value as a percentage of total investments |
|-----------------------------|------------------------|------------|---------------|------------------|--|---|
| | | | | | | |
| | | | | | | |
| Zarai Taraqati Bank Limited | 6.50% | 31-May-17 | 13-Sep-17 | 50,000 | 7% | 11% |
| As at June 30, 2017 | | | | 50,000 | 7% | 11% |
| | | | | | | |
| As at June 30, 2016 | | | | - | 0% | 0% |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

6.4 Listed equity securities - 'Available for sale'

Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise

| Name of the Investee Company | As at July 1, 2016 | Purchases during the period | Bonus / right issue during the period | Sales during the period | As at June 30, 2017 | As at June 30, 2017 | | | Market value as a percentage of net assets | Market value as a percentage of total investments | Market value as a percentage of total paid up capital of the investee company |
|--|--------------------|-----------------------------|---------------------------------------|-------------------------|---------------------|---------------------|--------------|-----------------------------|--|---|---|
| | | | | | | Cost | Market value | Appreciation / (diminution) | | | |
| | | | | | | | | | | | |
| ----- Rupees in '000' ----- | | | | | | | | | | | |
| | | | | | | | | | | | |
| ----- % ----- | | | | | | | | | | | |
| ----- | | | | | | | | | | | |
| AUTOMOBILE AND PARTS | | | | | | | | | | | |
| Ghandhara Nissan Limited | - | 27,000 | - | 27,000 | - | - | - | - | - | - | - |
| Indus Motors Company Limited | - | 6,000 | - | 5,950 | 50 | 66 | 90 | 24 | 0.01 | 0.02 | - |
| | | | | | | 66 | 90 | 24 | 0.01 | 0.02 | |
| HOUSEHOLD GOODS | | | | | | | | | | | |
| Pak Elektron Limited | 338,625 | 87,000 | - | 425,625 | - | - | - | - | - | - | - |
| CEMENT | | | | | | | | | | | |
| Dewan Cement Limited | - | 230,000 | - | 230,000 | - | - | - | - | - | - | - |
| ** D.G. Khan Cement Company Limited | - | 187,000 | - | 187,000 | - | - | - | - | - | - | - |
| Lucky Cement Limited | 45,200 | - | - | 45,200 | - | - | - | - | - | - | - |
| Maple Leaf Cement Factory Limited | - | 100,000 | - | 100,000 | - | - | - | - | - | - | - |
| Pioneer Cement Limited | 79,000 | 24,500 | - | 103,500 | - | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - | - |
| CHEMICALS | | | | | | | | | | | |
| Archroma Pakistan Limited | - | 8,900 | - | 8,900 | - | - | - | - | - | - | - |
| Engro Polymer & Chemicals Limited | - | 200,000 | - | 200,000 | - | - | - | - | - | - | - |
| ICI Pakistan Limited | 40,900 | - | - | 33,400 | 7,500 | 3,182 | 8,209 | 5,027 | 1.22 | 1.75 | 0.01 |
| Linde Pakistan Limited | 3,000 | - | - | 3,000 | - | - | - | - | - | - | - |
| | | | | | | 3,182 | 8,209 | 5,027 | 1.22 | 1.75 | |
| COMMERCIAL BANKS | | | | | | | | | | | |
| Askari Bank Limited | - | 300,000 | - | 300,000 | - | - | - | - | - | - | - |
| Bank Al Habib Limited | - | 290,000 | - | 290,000 | - | - | - | - | - | - | - |
| Habib Bank Limited | 200,600 | 55,000 | - | 254,300 | 1,300 | 250 | 350 | 100 | 0.05 | 0.07 | 0.00 |
| Habib Metropolitan Bank Limited | - | 205,000 | - | 205,000 | - | - | - | - | - | - | - |
| ** MCB Bank Limited | 25,000 | 59,000 | - | 83,900 | 100 | 22 | 21 | (1) | - | - | - |
| Meezan Bank Limited | - | 67,500 | - | 67,500 | - | - | - | - | - | - | - |
| United Bank Limited | 174,800 | 50,000 | - | 224,800 | - | - | - | - | - | - | - |
| | | | | | | 272 | 371 | 99 | 0.05 | 0.07 | |
| INDUSTRIAL METALS AND MINING | | | | | | | | | | | |
| Amreli Steels Limited | - | 125,000 | - | 125,000 | - | - | - | - | - | - | - |
| Crescent Steel and Allied Products Limited | 400 | 50,000 | - | 50,400 | - | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - | - |
| FERTILIZER | | | | | | | | | | | |
| Engro Fertilizer Limited | 230,000 | 206,500 | - | 436,500 | - | - | - | - | - | - | - |
| Engro Corporation Limited | 142,900 | - | - | 142,900 | - | - | - | - | - | - | - |
| Fauji Fertilizer Company Limited | - | 60,000 | - | 60,000 | - | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - | - |
| FOOD & PERSONAL CARE PRODUCTS | | | | | | | | | | | |
| Al-Shaheer Corporation Limited | 700 | - | 105 | - | 805 | 43 | 32 | (10) | 0.01 | 0.01 | - |
| Shezan International Limited | 2,600 | - | - | - | 2,600 | 1,174 | 1,235 | 61 | 0.18 | 0.26 | 0.03 |
| | | | | | | 1,217 | 1,267 | 51 | 0.19 | 0.27 | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Name of the Investee Company | As at July 1, 2016 | Purchases during the period | Bonus / right issue during the period | Sales during the period | As at June 30, 2017 | As at June 30, 2017 | | | | Market value as a percentage of total paid up capital of the investee company |
|--|--------------------|-----------------------------|---------------------------------------|-------------------------|---------------------|---------------------|---------------|-----------------------------|--|---|
| | | | | | | Cost | Market value | Appreciation / (diminution) | Market value as a percentage of net assets | |
| | | | | | | | | | | |
| GLASS & CERAMICS | | | | | | | | | | |
| Tariq Glass Industries Limited | 153,000 | - | - | 153,000 | - | - | - | - | - | - |
| NON LIFE INSURANCE COMPANIES | | | | | | | | | | |
| IGI Insurance Limited | 200 | - | - | 200 | - | - | - | - | - | - |
| MULTIUTILITIES (GAS AND WATER) | | | | | | | | | | |
| Sui Northern Gas Pipeline Limited | - | 75,000 | - | 75,000 | - | - | - | - | - | - |
| OIL AND GAS EXPLORATION COMPANIES | | | | | | | | | | |
| Haseco Petroleum Limited | - | 12,000 | - | 12,000 | - | - | - | - | - | - |
| Mari Petroleum Company Limited | 20,000 | - | - | 4,600 | 15,400 | 8,964 | 24,264 | 15,300 | 3.59 | 5.18 |
| Oil & Gas Development Company Limited | 168,600 | 45,000 | - | 213,600 | - | - | - | - | - | - |
| Pakistan Oilfields Limited | 72,500 | 30,000 | - | 102,500 | - | - | - | - | - | - |
| | | | | | | 8,964 | 24,264 | 15,300 | 3.59 | 5.18 |
| OIL AND GAS MARKETING COMPANIES | | | | | | | | | | |
| Pakistan State Oil Co Limited | 15,200 | 42,500 | - | 57,700 | - | - | - | - | - | - |
| Sui Northern Gas Pipelines Limited | - | 165,000 | - | 165,000 | - | - | - | - | - | - |
| PHARMACEUTICALS | | | | | | | | | | |
| Abbott Laboratories Pakistan Limited | - | 25,000 | - | 25,000 | - | - | - | - | - | - |
| The Searle Company Limited | 2,100 | - | 294 | 2,394 | - | - | - | - | - | - |
| POWER GENERATION AND DISTRIBUTION | | | | | | | | | | |
| * Hub Power Company Limited | - | 200,000 | - | 60,000 | 140,000 | 17,440 | 16,440 | (1,000) | 2.44 | 3.51 |
| Kot Addu Power Company Limited | 285,000 | - | - | 285,000 | - | - | - | - | - | - |
| K-Electric Limited (Par value of Rs. 3.5 each) | 1,925,630 | - | - | 1,925,630 | - | - | - | - | - | - |
| ** Lalpur Power Limited | 465,000 | - | - | 465,000 | - | - | - | - | - | - |
| *** Pakgen Power Limited | 530,000 | - | - | 530,000 | - | - | - | - | - | - |
| | | | | | | 17,440 | 16,440 | (1,000) | 2.44 | 3.51 |
| REFINERY | | | | | | | | | | |
| Attock Refinery Limited | - | 18,000 | - | 18,000 | - | - | - | - | - | - |
| TECHNOLOGY & COMMUNICATIONS | | | | | | | | | | |
| NetSol Technologies Limited | 190,000 | 32,000 | - | 222,000 | - | - | - | - | - | - |
| Systems Limited | 165 | 61,500 | - | 61,665 | - | - | - | - | - | - |
| TELECOMMUNICATION | | | | | | | | | | |
| Pakistan Telecommunication Company Limited | - | 330,000 | - | 330,000 | - | - | - | - | - | - |
| TEXTILE | | | | | | | | | | |
| Kohinoor Textile Mills Limited | - | 75,000 | - | - | 75,000 | 6,030 | 7,885 | 1,855 | 1.17 | 1.68 |
| ** Nishat Chumain Limited | - | 415,000 | - | 415,000 | - | - | - | - | - | - |
| ** Nishat Mills Limited | 16,000 | 179,500 | - | 195,500 | - | - | - | - | - | - |
| Gadoon Textile Mills Limited | - | 79,000 | - | 79,000 | - | - | - | - | - | - |
| | | | | | | 6,030 | 7,885 | 1,855 | 1.17 | 1.68 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Name of the Investee Company | As at July 1, 2016 | Purchases during the period | Bonus / right issue during the period | Sales during the period | As at June 30, 2017 | As at June 30, 2017 | | | Market value as percentage of total paid up capital of the investee company |
|--|--------------------|-----------------------------|---------------------------------------|-------------------------|---------------------|---------------------|----------------|-----------------------------|---|
| | | | | | | Cost | Market value | Appreciation / (diminution) | |
| | | | | | | | | | |
| TRANSPORT | | | | | | | | | |
| Pakistan National Shipping Corporation Limited | 18,600 | - | - | - | 18,600 | - | - | - | 0.01 |
| Total - June 30, 2017 | | | | | | 37,171 | 58,526 | 21,356 | 12.48 |
| Total - June 30, 2016 | | | | | | 376,001 | 402,258 | 26,257 | 71.03 |

* The above include shares with a market value aggregating to Rs. 17.6 million (June 30, 2016: Rs. 23,875) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

** These represent transactions with related parties.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | | 2017 | 2016 |
|---|----------|------------------|-----------|
| | Note | (Rupees in '000) | |
| 6.5 Unrealised (diminution)/ appreciation in value of investments at fair value through profit or loss - net | | | |
| Market value of investments | 6.1, 6.2 | 360,203 | 164,075 |
| Carrying value of investments | 6.1, 6.2 | (361,526) | (162,761) |
| | | (1,323) | 1,314 |
| 7. DIVIDEND AND PROFIT RECEIVABLE | | | |
| Dividend receivable | | 1,956 | 1,288 |
| Profit accrued on bank deposits | | 830 | 311 |
| Accrued profit on term finance certificate | | 14 | - |
| | | 2,800 | 1,599 |
| 8. ADVANCES, DEPOSITS AND PREPAYMENTS | | | |
| Advance tax | | 401 | 379 |
| Security deposits - National Clearing Company of Pakistan Limited | 8.1 | 4,293 | 4,293 |
| - Central Depository Company of Pakistan Limited | 8.2 | 300 | 300 |
| Advance against IPO subscription | 8.3 | 1,000 | - |
| Prepayments | | 55 | 85 |
| | | 6,049 | 5,057 |

8.1 This represents deposit in respect of trading of listed securities.

8.2 This represents deposit on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.

8.3 This represents pre IPO of sukuks issued by Byco Oil Pakistan Limited carrying profit of 3 months + 1.05% per annum.

| | | 2017 | 2016 |
|---|------|------------------|--------|
| | Note | (Rupees in '000) | |
| 9. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Provision for Workers' Welfare Fund | 9.1 | 3,900 | 10,732 |
| Provision for Federal Excise Duty and related tax | 9.2 | | |
| - On management fee | | 5,872 | 5,872 |
| - Sales load | | 393 | 393 |
| Legal and professional charges | | 54 | 60 |
| Withholding tax | | 111 | 2,396 |
| Dividend | | 2,784 | 2,783 |
| Auditors' remuneration | | 453 | 419 |
| Zakat | | 1 | 125 |
| Brokerage | | 838 | 540 |
| Other | | 460 | 335 |
| | | 14,866 | 23,655 |

9.1 The Supreme Court passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, MUFAP decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017. The provision reversed on January 12, 2017, amounted to Rs. 10.73 million. This has resulted in an increase in NAV per unit of Rs. 0.2015 on January 12, 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. are not establishments but only pass through vehicles and hence, do not have any worker and no SWWF is payable by them. This fact has been communicated to SRB who have responded on November 11, 2016 that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP as an abundant caution, decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The provision made for SWWF on January 12, 2017, amounted to Rs. 2.558 million. This has resulted in a decrease in NAV per unit of Rs. 0.048 on January 12, 2017.

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD/AMCW/MUFAP/2017 - 405 dated February 01, 2017.

- 9.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 04, 2013, a constitutional petition was filed in Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order on the FED. The management is, however, of the view that since the Federal Government still has the right to appeal against the order, the previous balance of FED can not be reversed.

Further, the Federal Government vide Finance Act 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of prudence, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013 to June 30, 2015. However, the Management Company of the Fund has not made any further provision for FED after the year ended June 30, 2015. The aggregate balance of FED provision in the book of accounts of the Fund as on June 30, 2017 is Rs. 6.265 million. Had this provision not been made, the NAV of the Fund would have been higher by Rs. 0.11 per unit.

10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2017 and June 30, 2016 other than those disclosed in note 9.1 and note 9.2.

| | Note | 2017 (Rupees in '000) | 2016 |
|---|------|--------------------------|---------------|
| 11. REMUNERATION OF MANAGEMENT COMPANY | | | |
| Management fee | 11.1 | <u>13,373</u> | <u>15,175</u> |
| 11.1 Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. During the year, the Management Company has charged its remuneration at the rate of 2% (2016: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on monthly basis in arrears. In 2011, the Provincial Government (Sindh) has levied General Sales Tax at the rate of 13% (2016:14%) on the remuneration of the Management Company. | | | |

| | Note | 2017 (Rupees in '000) | 2016 |
|---|------|--------------------------|--------------|
| 12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee fee | 12.1 | <u>1,337</u> | <u>1,518</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

- 12.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund from July 01, 2016 to June 30, 2017 is as follows:

**Amount of funds under
management (Average NAV)**

Tariff per annum

Up to Rs. 1,000 million

Rs. 0.7 million or 0.20% p.a. of Net Assets, whichever is higher

Over Rs. 1,000 million

Rs. 2 million plus 0.10% p.a. of Net Assets exceeding Rs. 1,000 million

The remuneration is paid to the trustee monthly in arrears.

13. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13th 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 14% is applicable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 (amended upto 2015). Accordingly, the Fund has made an accrual at the rate of 13% p.a. (2016: 14%) on account of Sindh Sales Tax on custodianship services.

| | Note | 2017 (Rupees in '000) | 2016 |
|--|------|--------------------------|------|
| 14. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE | | | |
| Annual fee | 14.1 | 568 | 647 |

- 14.1** Under the provisions of the NBFC Regulations, the Fund is required to pay as an annual fee to the SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund.

15. ALLOCATED EXPENSE

The SECP via its SRO 1160 dated November 25, 2015 has amended Clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund is charging such expense at a rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the Fund.

| | 2017 (Rupees in '000) | 2016 |
|-----------------------------------|--------------------------|------|
| 16. AUDITORS' REMUNERATION | | |
| Annual audit fee | 291 | 291 |
| Half yearly review fee | 145 | 145 |
| Other certifications | 116 | 116 |
| Out of pocket expenses | 57 | 62 |
| | 609 | 614 |

17. TAXATION

The Fund's income is exempt from Income Tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) 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. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Ordinance. As the management intends to distribute at least 90% of income earned during current year to the unit holders, therefore, no provision for taxation has been made in this condensed interim financial information.

18. EXPENSE RATIO

The expense ratio of the Fund from July 1 2016 to June 30, 2017 is 3.92%, the total expense ratio includes 0.90% representing government levy and SECP fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an balanced fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

19 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the fund.

Remuneration to the Management Company and the Trustee are determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Details of transactions with connected persons and balances with them at year end are as follows:

| | 2017 | 2016 |
|--|------------------|---------|
| | (Rupees in '000) | |
| 19.1 Details of the transaction with connected persons | | |
| MCB - Arif Habib Savings and Investments Limited - Management Company | | |
| Remuneration including indirect taxes | 15,112 | 20,064 |
| Allocated Expense including indirect taxes | 669 | 496 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration including indirect taxes | 1,511 | 1,730 |
| CDS charges | 224 | 75 |
| Nishat Mills Limited Employees Provident Fund Trust | | |
| Redemption of Nil units (2016: 15,507,222 units) | - | 162,981 |
| Arif Habib Limited | | |
| Brokerage * | 218 | 199 |
| Next Capital Limited | | |
| Brokerage * | 178 | 170 |
| MCB Bank Limited | | |
| Bank charges | 17 | 35 |
| Dividend income | 565 | 18 |
| Mark-up income | 151 | 1,104 |
| Purchase of securities face value: (2016: 50,000,000) | - | 49,215 |
| Sale of securities of 164,000,000 | 163,605 | - |
| Nishat Mills Limited | | |
| Dividend income | 803 | - |
| Nishat (Chunian) Mills Limited | | |
| Dividend income | 713 | - |
| D.G. Khan Cement Limited | | |
| Dividend income | 288 | 202 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | 2016 |
|---|------------------|--------|
| | (Rupees in '000) | |
| Lalpir Power Limited | | |
| Dividend income | - | 1,030 |
| Pakgen Power Limited | | |
| Dividend income | 480 | 1,060 |
| Directors and executives of the Management Company | | |
| Conversion In of 497,236 units | 6,862 | - |
| Redemption of 3,577 units (2016: 17,544 units) | 50 | 182 |
| Conversion Out of 393,131 units | 5,500 | - |
| Dividend of 14,682 units | 167 | - |
| Separately Managed Accounts | | |
| 103,806 units issued (2016: Nil) | 1,200 | - |
| Conversion Out of 114,349 units (2016: Nil) | 1,312 | - |
| * The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them as the ultimate counter parties are not connected persons. | | |
| | 2017 | 2016 |
| | (Rupees in '000) | |
| 19.2 Amount outstanding at the year end | | |
| MCB - Arif Habib Savings and Investments limited - Management Company | | |
| Remuneration payable | 1,131 | 1,043 |
| Sales tax payable on management fee | 147 | 146 |
| Sales load payable | 189 | 80 |
| Sindh sales tax payable on sales load | 26 | 11 |
| Allocated expense payable | 56 | 52 |
| Central Depository Company of Pakistan Limited-Trustee | | |
| Security deposit | 300 | 300 |
| Remuneration payable | 113 | 104 |
| Sindh sales tax payable on remuneration of trustee | 15 | 15 |
| MCB Bank Limited | | |
| Balance with Bank | 6,152 | 13,170 |
| Profit receivable on bank deposit | 41 | 93 |
| 2,600 shares held (June 30, 2016: 25,000) | 547 | 5,500 |
| Arif Habib Limited - Brokerage House | | |
| Brokerage payable | 91 | 85 |
| Next Capital Private Limited - Brokerage House | | |
| Brokerage payable | 63 | 58 |
| Pakgen Power Limited | | |
| Shares held (June 30, 2016: 530,000 shares) | - | 12,746 |
| Lalpir Power Limited | | |
| Shares held (June 30, 2016: 465,000 shares) | - | 10,091 |
| Nishat Mills Limited | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 (Rupees in '000) | 2016 |
|---|--------------------------|----------------------|
| Shares held (June 30, 2016: 91,000 shares) | - | 9,819 |
| Directors, executives and employees of the Management Company | | |
| 115,211 units held | 350,052 | - |
| 20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER | | |
| 20.1 Details of members of the investment committee of the Fund are as follows: | | |
| | 2017 (Percentage) | 2016 (Percentage) |
| | % | % |
| 20.2 Syed Abid Ali is the Fund Manager. Details of the other funds managed by fund manager are as follows: | | |
| - MCB Pakistan Asset Allocation Fund | | |
| - MCB Pakistan Stock Market Fund | | |
| - Pakistan Pension Fund | | |
| 21. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID | | |
| | 2017 (Percentage) | 2016 (Percentage) |
| | % | % |
| Arif Habib Limited | 7.83 | 7.91 |
| Insight Securities Limited | 5.24 | 6.97 |
| AKD Securities Limited | 5.20 | 6.71 |
| IGI Finex Securities Limited | 5.08 | 6.66 |
| Taurus Securities Limited | 5.70 | 6.45 |
| Next Capital Limited | 6.08 | 6.32 |
| Foundation Securities (Private) Limited | 5.54 | 5.68 |
| Invest & Finance Securities Limited | 4.22 | 4.95 |
| BIPL Securities Limited | 4.69 | 4.51 |
| Intermarket Securities (Private) Limited | 4.09 | 4.23 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

22. PATTERN OF UNIT HOLDINGS

| | As at June 30, 2017 | | | |
|---------------------|------------------------|----------------------|---------------------------------------|-------------------------|
| | Number of unit holders | Number of Units held | Investment amount (Rupees in '000) | Percentage investment % |
| Individuals | 2609 | 54,007,170 | 622,527 | 92.20 |
| Insurance companies | 2 | 139,195 | 1,604 | 0.24 |
| NBFCs | 2 | 31,029 | 358 | 0.05 |
| Others | 47 | 4,397,822 | 50,693 | 7.51 |
| | 2,660 | 58,575,216 | 675,182 | 100.00 |

| | As at June 30, 2016 | | | |
|---------------------|------------------------|----------------------|---------------------------------------|-------------------------|
| | Number of unit holders | Number of Units held | Investment amount (Rupees in '000) | Percentage investment % |
| Individuals | 2,663 | 54,791,441 | 585,849 | 93.45 |
| Insurance companies | 3 | 598,836 | 6,403 | 1.02 |
| Banks / DFIs | 1 | 359 | 4 | 0.00 |
| NBFCs | 2 | 27,662 | 296 | 0.05 |
| Others | 42 | 3,214,476 | 34,370 | 5.48 |
| | 2,711 | 58,632,774 | 626,922 | 100.00 |

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, eight board meetings were held on July 12, 2016 (126th meeting), August 5, 2016 (127th meeting), August 15, 2016 (128th meeting), October 21, 2016 (129th meeting), February 02, 2017 (130th meeting), March 20, 2017 (131st meeting), April 21, 2017 (132nd meeting) and May 12, 2017 (133rd meeting) Information in respect of attendance by Directors in the meetings is given below :

| Name of persons attending the meetings | Designation | Number of meetings held | Number of meetings | | Meetings not attended |
|--|-------------------------|-------------------------|--------------------|---------------|--|
| | | | Attended | Leave granted | |
| Mr. Mian Mohammad Mansha | Chairman | 8 | 1 | 7 | 126th 128th 129th 130th 131st 132nd 133rd |
| Mr. Nasim Beg | Director | 8 | 6 | 2 | 127th 130th |
| Dr. Syed Salman Ali Shah | Director | 8 | 7 | 1 | 126th |
| Mr. Haroun Rashid | Director | 8 | 2 | 6 | 126th 127th 128th 130th 131th 132th |
| Mr. Ahmed Jahangir | Director | 8 | 8 | - | - |
| Mr. Samad A. Habib | Director | 8 | 5 | 3 | 128th 129th 131th |
| Mr. Mirza Mehmood Ahmed | Director | 5 | 1 | 4 | 126th 127th 128th 130th |
| Mr. Saqib Saleem | Chief Executive Officer | 8 | 8 | - | - |
| Mr. Mirza Qamar Beg* | Director | 3 | 3 | - | - |

* Mr. Mirza Qamar Beg was appointed on February 06, 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

24. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mentioned risks. The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund financial assets primarily comprise of balance with banks, investment in equity securities of listed companies classified at 'fair value through profit or loss' and at 'available for sale' and investment in government securities. The Fund also has dividend and profit receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Management Company, Trustee and SECP and accrued and other liabilities.

24.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the Securities and Exchange Commission of Pakistan and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), The Non Banking Finance Companies (establishment and Regulation) Rules, 2003 (the Rules).

Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

24.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

24.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis of variable rate instruments

As at June 30, 2017, the Fund does not hold any variable interest based investment except balances with banks in deposit accounts exposing the Fund to cash flow interest rate risk.

b) Sensitivity analysis of fixed rate instruments

As at June 30, 2017, the Fund holds government securities which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2017, with all other variables held constant, the net income for the year and net assets would be lower by Rs. 0.708 million (2016: lower by Rs. 0.175 million). In case of 100 basis points decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2016, with all other variables held constant, the net income for the year and net assets would be higher by Rs. 992 million (2016: higher by Rs. 0.176 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

| 2017 | | | | | | |
|--|--------------------------|---|--------------------------|---|---------|---------|
| Exposed to Yield / Interest rate risk | | | | | | |
| Yield / effective interest rate (%) | Up to three months | More than three months and up to one year | More than one year | Not exposed to Yield / Interest rate risk | Total | |
| ----- Rs in '000 ----- | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial Assets | | | | | | |
| Balances with banks | 3.75% to 6.18% | 198,020 | - | - | 6,757 | 204,777 |
| Investments | | | | | | |
| at fair value through ' profit and loss - net | | | | | | |
| - Listed equity securities | | - | - | - | 211,352 | 211,352 |
| - Government securities | 5.99% | 148,851 | - | - | - | 148,851 |
| Loans and receivables | | | | | | |
| - Term deposit receipt | 6.50% | 50,000 | - | - | - | 50,000 |
| Available for sale | | | | | | |
| - Listed equity securities | | - | - | - | 58,526 | 58,526 |
| Receivable against sale of investments | | - | - | - | 10,154 | 10,154 |
| Dividend and profit receivables | | - | - | - | 2,800 | 2,800 |
| Security deposits | | - | - | - | 4,593 | 4,593 |
| | | 396,871 | - | - | 294,182 | 691,053 |
| Financial Liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 1,549 | 1,549 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 128 | 128 |
| Accrued expenses and other liabilities | | - | - | - | 4,589 | 4,589 |
| Payable against redemption of units | | - | - | - | 216 | 216 |
| | | - | - | - | 6,482 | 6,482 |
| On-balance sheet gap | | 396,871 | - | - | 287,700 | 684,571 |

There is no off-balance sheet financial instrument as at year ended June 30, 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| 2016 | | | | | | |
|--|--|---------------------------------------|---|--------------------------|--|----------------|
| | | Exposed to Yield / Interest rate risk | | | | |
| | Yield / effective interest rate (%) | Up to three months | More than three months and up to one year | More than one year | Not exposed to Yield/ Interest rate risk | Total |
| | | ----- Rs in '000 ----- | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial Assets | | | | | | |
| Balances with banks | 3.75% To 7% | 78,123 | - | - | 2,781 | 80,904 |
| Investments | | | | | | |
| at fair value through ' profit and loss - net | | | | | | |
| - Listed equity securities | | - | - | - | 15,113 | 15,113 |
| - Government securities | | 148,962 | - | - | | 148,962 |
| Available for sale | | | | | | |
| - Listed equity securities | | - | - | - | 402,258 | 402,258 |
| Dividend and profit receivable | | - | - | - | 1,599 | 1,599 |
| Security deposits | | - | - | - | 4,593 | 4,593 |
| | | <u>227,085</u> | <u>-</u> | <u>-</u> | <u>426,344</u> | <u>653,429</u> |
| Financial Liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 1,332 | 1,332 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 119 | 119 |
| Payable against purchase of investments | | - | - | - | - | - |
| Accrued expenses and other liabilities | | - | - | - | 4,137 | 4,137 |
| Payable against redemption of units | | - | - | - | 1,218 | 1,218 |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,806</u> | <u>6,806</u> |
| On-balance sheet gap | | <u>227,085</u> | <u>-</u> | <u>-</u> | <u>419,538</u> | <u>646,623</u> |

There is no off-balance sheet financial instrument as at year ended June 30, 2016.

24.1.3 Price risk

The Fund is exposed to equity price risk because of equity securities held by the Fund and classified on the balance sheet as at fair value through profit or loss and available-for-sale. To manage its price risk arising from investment in equity securities, the Fund's investment policy, as restricted by the NBFC Regulations, the NBFC Rules, restricts investments in listed shares of one company to 10% of the Fund's net assets and investment in listed securities of a particular company have also been restricted to 10% of paid-up capital of investee company. Moreover, the sector limits have been restricted to 30% of the net assets of the Fund or index weight whichever is higher. The Investment Committee and Fund manager closely monitor the security performance and risk assessment with them and accordingly make their investment decision.

In case of 5% increase / decrease in PSX 100 index on June 30, 2017, the net income for the year and net assets would be increase/ decrease by 14.454 million (2016: Rs. 22.932 million) as a result of gains / losses on equity securities classified as 'financial assets at fair value through profit or loss' and available for sale investments.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

24.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on balances with banks, security deposits, profit, dividend and other receivables. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The Fund has adopted a policy of only dealing with creditworthy, reputable and diverse counterparties and investee companies and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk from balances with banks and financial institutions is managed in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimize the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2017 and June 30, 2016 is the carrying amounts of following financial assets.

| | 2017 | 2016 |
|--------------------------------|------------------|--------|
| | (Rupees in '000) | |
| Balances with banks | 204,777 | 80,904 |
| Dividend and profit receivable | 2,800 | 1,599 |
| Security deposits | 4,593 | 4,593 |
| | 212,170 | 87,096 |

The analysis below summarizes the credit rating quality of the Fund's financial assets as at June 30, 2017 and June 30, 2016:

| Bank Balances by rating category | 2017 | 2016 |
|----------------------------------|--------|--------|
| | % | |
| AAA / A1+ | 3.96 | 19.60 |
| AA+ / A1+ | 94.81 | 76.77 |
| AA / A1+ | 1.17 | 3.62 |
| AAA / A-1+ | 0.06 | 0.01 |
| | 100.00 | 100.00 |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2017 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Investment in fixed income securities

Investment in treasury bills do not expose the Fund to credit risk as the counter party to the investment is the Government of Pakistan and management does not expect to incur any credit loss on such investments.

Security deposits

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

Other receivables

Other receivable includes dividend receivable, profit receivable on bank deposits and government securities and receivable against sale of investments. These are considered secured by the management and as such the Fund is not materially exposed to credit risk on these financial assets.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

24.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. During the current year, the Fund did not avail any borrowing. As per the NBFC regulation the maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets up to 90 days and would be secured by the assets of the Fund and bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| | 2017 | | | |
|--|------------------------------|--|-----------------------|--------------|
| | Up to three months | Over three months and up to one year | More than one year | Total |
| | ----- (Rupees in '000) ----- | | | |
| Payable to the Management Company | 1,549 | - | - | 1,549 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 128 | - | - | 128 |
| Payable against redemption of units | 216 | - | - | 216 |
| Accrued expenses and other liabilities | 4,589 | - | - | 4,589 |
| | 6,482 | - | - | 6,482 |

| | 2016 | | | |
|--|------------------------------|---|-----------------------|--------------|
| | Up to three months | More than three months and up to one year | More than one year | Total |
| | ----- (Rupees in '000) ----- | | | |
| Payable to the Management Company | 1,332 | - | - | 1,332 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 119 | - | - | 119 |
| Payable against redemption of units | 1,218 | - | - | 1,218 |
| Accrued expenses and other liabilities | 4,137 | - | - | 4,137 |
| | 6,806 | - | - | 6,806 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

24.4 Financial instruments by category

| 2017 | | | |
|--|---|--------------------------------|----------------|
| Loans and receivables | Assets at fair value through profit or loss | Available for sale investments | Total |
| (Rupees in '000) | | | |
| Financial Assets | | | |
| Balances with banks | 204,777 | - | 204,777 |
| Investments | 50,000 | 360,203 | 468,729 |
| Receivable against sale of investments | 10,154 | - | 10,154 |
| Dividend and profit receivable | 2,800 | - | 2,800 |
| Security deposits | 4,593 | - | 4,593 |
| | 272,324 | 360,203 | 691,053 |

| 2017 | | | |
|--|--|-----------------------------|--------------|
| | Liabilities at fair value through profit or loss | Other financial liabilities | Total |
| (Rupees in '000) | | | |
| Financial Liabilities | | | |
| Payable to the Management Company | - | 1,549 | 1,549 |
| Payable to the Central Depository Company of Pakistan Limited- Trustee | - | 128 | 128 |
| Payable against redemption of units | - | 216 | 216 |
| Accrued expenses and other liabilities | - | 4,589 | 4,589 |
| | - | 6,482 | 6,482 |

| 2016 | | | |
|--------------------------------|---|--------------------------------|----------------|
| Loans and receivables | Assets at fair value through profit or loss | Available for sale investments | Total |
| (Rupees in '000) | | | |
| Financial Assets | | | |
| Balances with banks | 80,904 | - | 80,904 |
| Investments | - | 164,075 | 566,333 |
| Dividend and profit receivable | 1,599 | - | 1,599 |
| Security deposits | 4,593 | - | 4,593 |
| | 87,096 | 164,075 | 653,429 |

| 2016 | | | |
|--|--|-----------------------------|--------------|
| | Liabilities at fair value through profit or loss | Other financial liabilities | Total |
| (Rupees in '000) | | | |
| Financial Liabilities | | | |
| Payable to the Management Company | - | 1,332 | 1,332 |
| Payable to the Central Depository Company of Pakistan Limited- Trustee | - | 119 | 119 |
| Payable against redemption of units | - | 1,218 | 1,218 |
| Accrued expenses and other liabilities | - | 4,137 | 4,137 |
| | - | 6,806 | 6,806 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

24.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

24.6 Fair value hierarchy

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. 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.

Financial assets which are trade able in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7, Financial Instruments : Disclosure requires an entity shall 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:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

| | -----June 30, 2017----- | | | |
|--|--------------------------|----------------|----------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | -----Rupees in '000----- | | | |
| Investment classified | | | | |
| - at fair value through profit or loss | 211,352 | 148,851 | - | 360,203 |
| - available for sale | 58,526 | - | - | 58,526 |
| | <u>269,878</u> | <u>148,851</u> | <u>-</u> | <u>418,729</u> |
| | | | | |
| | -----June 30, 2016----- | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | -----Rupees in '000----- | | | |
| Investment classified | | | | |
| - at fair value through | 15,113 | 148,962 | - | 164,075 |
| - available for sale | 402,258 | - | - | 402,258 |
| | <u>417,371</u> | <u>148,962</u> | <u>-</u> | <u>566,333</u> |

25. UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holder's Fund is represented by redeemable units. They are entitled to distribution and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement of unit holder's fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million during the life of the scheme. The units issued by the Fund provides an investor with The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

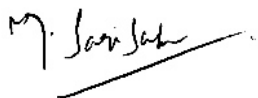
26. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

27. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on August 04, 2017 by the Board of Directors of the Management Company.

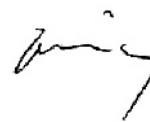
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2017**

| Category | No.of Unit Holders | Units |
|---|--------------------|-------------------|
| Associated Companies, undertakings and related Parties | - | - |
| Directors and their spouse (s) and minor children | - | - |
| Executives | 2 | 115,211 |
| Public sector companies and corporations | | |
| Banks, Development Finance Institutos, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds | 15 | 2,353,951 |
| Unitholders holding 5 percent or more Voting interest in the listed company RONAK IQBAL LAKHANI | 1 | 3,257,208 |
| Others | 2,642 | 52,848,846 |
| | 2,660 | 58,575,216 |

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2017**

| No. of Unit Holder | Unit holdings | Total Units Held |
|---------------------------|----------------------|-------------------------|
| 1859 | 1-10000 | 5,593,991 |
| 683 | 10001-100000 | 19,566,641 |
| 114 | 100001-1000000 | 25,680,105 |
| 4 | 1000001 onwards | 7,734,479 |
| 2,660 | | 58,575,216 |

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2017

| Performance Information | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------|--------|--------|-------|-------|
| Total Net Assets Value – Rs. in million | 675 | 627 | 682 | 365 | 401 |
| Net Assets value per unit – Rupees | 11.53 | 10.69 | 10.55 | 9.06 | 9.67 |
| Closing Offer Price | 11.79 | 10.98 | 10.84 | 9.31 | 9.94 |
| Closing Repurchase Price | 11.53 | 10.69 | 10.55 | 9.06 | 9.67 |
| Highest offer price per unit | 14.70 | 11.63 | 12.41 | 10.83 | 10.23 |
| Lowest offer price per unit | 10.99 | 10.07 | 9.06 | 8.75 | 7.78 |
| Highest Redemption price per unit | 14.38 | 11.32 | 12.08 | 10.54 | 9.99 |
| Lowest Redemption price per unit | 10.74 | 9.80 | 8.82 | 8.51 | 7.62 |
| Distribution per unit – Rs. * | 1.85 | 0.40 | 1.35 | 1.51 | 1.28 |
| Average Annual Return - % | | | | | |
| One year | 25.36 | 5.17 | 31.11 | 26.10 | 28.08 |
| Two year | 15.27 | 18.14 | 28.61 | 27.09 | 28.08 |
| Three year | 20.55 | 20.79 | 28.43 | 27.42 | 28.08 |
| Net Income for the year – Rs. in million | 145.507 | 21.611 | 142.91 | 79.12 | 87.78 |
| Distribution made during the year – Rs. in million | 92.819 | 22 | 66 | 52 | 53 |
| Accumulated Capital Growth – Rs. in million | 52.688 | (15) | 77 | 27 | 35 |

* Date of Distribution

| 2017 | |
|---------------|------|
| Date | Rate |
| June 22, 2017 | 1.85 |

| 2016 | |
|---------------|------|
| Date | Rate |
| June 27, 2016 | 0.4 |

| 2015 | |
|---------------|------|
| Date | Rate |
| June 22, 2015 | 1.35 |

| 2014 | |
|---------------|------|
| Date | Rate |
| June 27, 2014 | 1.51 |

| 2013 | |
|---------------|------|
| Date | Rate |
| July 04, 2013 | 1.28 |

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.

**PROXY ISSUED BY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

The Board of Directors of MCB - Arif Habib Savings and Investment Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 22 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

| | Resolutions | For | Against | Abstain | Reason for Abstaining |
|---------|--------------------|------------|----------------|----------------|------------------------------|
| Number | 30 | 30 | 0 | 0 | - |
| (%ages) | 100 | 100 | 0 | 0 | - |

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided without any charges on request of unit holders.

MCB-Arif Habib Savings and Investments Limited

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