



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2020

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



MCB PAKISTAN STOCK MARKET FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
Board of Directors	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
Human Resource & Remuneration Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Chief Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Altaf Ahmad Faisal	
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 Silk Bank Limited Bank Al Habib Limited Habib Bank Limited Allied Bank Limited Bank Alfalah Limited Habib Metropolitan Bank Limited Standard Chartered Bank Limited United Bank Limited JS Bank Limited National Bank Of Pakistan	
Auditors	Ernst & Young Ford Rhodes Chartered Accountants Progressive Plaza, Beaumont Road, P.O.Box 15541 Karachi, Sindh-75530, Pakistan.	
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 Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **MCB Pakistan Stock Market Fund** accounts review for the year ended June 30, 2020.

ECONOMY OVERVIEW

FY20 was a tale of two halves as macroeconomic consolidation process which was on track during the first half was seriously disrupted by the Covid'19 pandemic in the second half. Global cases topped 17 million, while more than 650,000 people became the morsel of death as the fatal outbreak continued to spread throughout the world. The pandemic wreaked havoc on the global economy as worldwide lockdowns lowered the overall consumption patterns along with causing massive unemployment. The IMF predicts that the global economy will shrink 4.9% this year, which would be the worst annual contraction after the Second World War.

On the local front, the economy was locked down at a large scale till May as the health infrastructure was overwhelmed with number of cases. As a result of the output gap, the forecasts for economic growth were lowered to -0.4%, compared to earlier growth expectations of 2.4%. Large Scale Manufacturing (LSM) and Services sector had to bear the major brunt resulting from lockdowns. LSM contracted by 10.3% during the first eleven months of FY20. Amongst the major industries, Automobiles and Iron & Steel witnessed a sharp downfall, declining by 44.8% and 17.0% respectively. Textile with the largest weight in LSM, also contracted by 11.0% after global lockdowns put a halt on exports. Moreover, the Agriculture sector also disappointed as the production of major crops (Cotton, Wheat and Sugar) remained well below the target levels.

Fiscal consolidation was seriously disrupted after the lockdowns caused massive shortfall in tax collection. FBR managed to collect PKR 4.0 trillion against the earlier envisaged target of PKR 4.8 trillion. Till Feb 2020, the tax collection was growing at a rate of ~16% YoY, however during the last four months of the fiscal year, the tax collection saw a massive contraction of ~20% YoY which resulted in a huge shortfall. Alongside, government rolled out a social safety program to insulate masses from vulnerabilities posed by lockdown, which resulted in more than desired expenditures. As a result of this, it is expected that fiscal deficit will fall north of 9.0% of GDP.

Lagged impacts of policy action in terms of monetary tightening and exchange rate adjustments continued to bear fruits as reflected in improvement in Balance of Payments position. The current account deficit during the year contracted by ~78% on Year on Year basis to USD 2.8 billion. A major portion of reduction in current account deficit was explained by decline in Imports of goods and services as it compressed by ~19%, translating into a reduction of USD ~12 billion. Remittances also remained resilient as they increased by ~6% during the year to USD 23.1 billion. Foreign Direct Investment (FDI) stood at USD ~2.5 billion, up 75% compared to last year as renewal of Telecom Licenses and onset of power sector projects fetched new investments. Debt related flows from IMF and multilateral institutions also kept the overall financial flows in the positive zone. Pakistan received USD 2.4 billion from IMF and more than USD ~5 billion were disbursed by the multilateral institutions for various programs. Overall, the financial account generated a surplus of USD ~7 billion. As a result, foreign exchange reserves of SBP grew by USD 4.9 billion during the year to close at USD 12.1 billion. While import cover improved from 1.7x to 2.6x, it is still below the accepted global benchmarks. PKR saw a nominal depreciation of 3.2% against USD during the year to close at 168.2.

Average CPI for FY20 clocked in at 10.8%, compared to 6.8% witnessed during the preceding year. Food inflation was prominent during the year averaging at 14.5%, after supply side weakness caused a spike in the prices of some essential commodities and perishable food items. Sugar prices increased by ~29%, while Wheat flour saw an increase of ~16% during the year. Among perishable items, onion and potatoes witnessed a hike of ~70% and ~65% respectively. However, the inflationary pressures have started trending downwards with inflation for June clocking in at 8.6% as lower petroleum prices along with easing food inflation have put a break on overall inflation. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 7.9% for the period.

The MPC committee remained proactive throughout the calendar year and reduced the interest rates by record 625 bps to bring the policy rate at 7.0%. Recessionary pressures due to Covid'19 and lower expectation of inflation were the primary drivers behind the unprecedented move. Alongside, the central bank announced various schemes to lessen the burden of financial emergencies in the system. Nearly PKR 650 billion of loans were deferred by commercial banks for one year, while close to PKR 150 billion of loans were restructured.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

EQUITIES MARKET OVERVIEW

Similar to economic story, the equity markets were also a tale of two halves. During the first half, investors cherished the gains posted by macroeconomic consolidation with the benchmark KSE-100 index rallying by 19.8%. However, as panic hit equity markets around the globe post novel coronavirus spread, KSE-100 Index was no different. The benchmark index plunged by ~16% in the second half of the fiscal year, reversing most of the gains of the fiscal year. Notwithstanding, the KSE-100 managed to post a nominal positive return of 1.5% for full year of FY20, breaking the streak of two successive years of negative returns. Foreigners selling remained unabated, as they sold USD 285 million of equities, remaining in the red zone for the fifth successive year. Individuals and Insurance companies remained net buyers adding USD 213 and USD 128 respectively to their positions. Daily traded volumes averaged at 194 mn shares (up 26.2% YoY), while daily traded value averaged PKR 7.2 bn (up 10.4% YoY) during the period.

Pharmaceuticals, Construction & Materials & Fertilizers were the major outperformers during the year, posting returns of ~45%, ~43% and ~23% respectively. Pharmaceutical companies were in limelight as Covid'19 unleashed the potential of the sector. Cement sector companies gained traction as interest rates were lowered and the marketing arrangement between the players strengthened. While, fertilizer plays had a decent run as dividend yielding stocks got highlighted after successive interest rate cuts. On the flip side, the major index heavy weights, Commercial Banks and E&P's underperformed the benchmark by posting negative returns of ~14% and ~10% respectively. Commercial banks underperformed as record monetary easing caused NIMS compression, while E&P's underperformance was explained by a slump in crude oil prices, after Saudi Arabia started a price war as an agreement wasn't reached between OPEC and Russia. Alongside, a weak global demand amidst the contagious virus added fuel to the fire.

FUND PERFORMANCE

During the period, PSM generated a return of -2.37% as compared to a return of 1.53% witnessed by the KSE100 Index. Overall equity exposure stood at 95.5% on June 30, 2020. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments. The allocation was mainly held in Commercial Banks, Oil & Gas Exploration Companies and Cement.

The Net Assets of the fund as at June 30, 2020 stood at Rs. 8,804 million as compared to Rs. 9,556 million as at June 30, 2019 registering a decrease of 7.9%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 77.4230 as compared to opening NAV of Rs. 79.3006 per unit as at June 30, 2019 registering a decrease of 1.8776 per unit.

FUTURE OUTLOOK

GDP growth for FY21 is projected at 2.0% by government and various institutions. Pakistan has essentially survived the first wave of pandemic, as number of daily cases (~1K) have reduced to one-sixth of the peak daily cases (~6K) witnessed during early June. While most of the sectors have been opened, few sectors are still virtually closed and operating below the potential capacity. Barring a second wave of Covid, we expect the economy to fully gear up by the second quarter of fiscal year. A potential vaccine by the end of the calendar year will also allow the global activities to fully resume in the next calendar year. With a lower base and various stimulus measures, we expect government to meet the annual target for GDP growth. Monetary stimulus announced by central bank will pave the way to revive the growth in cyclical industries. Moreover, government's construction package will also provide the much needed impetus to demand led growth.

Balance of Payment worries are over for now as current account deficit has adjusted to reasonable level since the policy actions taken by the central government. The fall of international oil prices to USD 40/BBL has come as a blessing in disguise. Global economy has started to recover and the news flow suggests that the exports are gaining momentum. Remittances have also been far above the general expectations and in fact 50% YoY growth in June has surprised everyone. Even accounting for a 10% decline in remittances, the overall situation will remain in comfortable zone. We expect CAD to settle at 1.6% of GDP in the FY21, which can be easily financed via flows from foreign investments and debt flows. Swift continuation of IMF program will be a key prerequisite to keep the financial account in positive zone. With the current scenario, we expect foreign exchange reserves to further increase by USD 2 billion during the next year, which will help alleviate any pressure on currency.

CPI is expected to tone down to an average of ~7.5% during the next year assuming average oil prices of USD 40/BBL. Central bank has already adjusted the policy rate to 7.0% in the wake of lower expected inflation. The inflation trajectory would remain below 7.0% during the first half of the fiscal year due to lower petroleum prices, thus causing the policy rate to remain positive. However, during the second half as the impact of low base resumes, inflation will move above the

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

policy rate, which means that central bank will be prompted to adjust the interest rates under the normal economic scenario. However, a better than expected scenario on the balance of payment side will allow central bank to continue the current policy rate.

Fiscal department will remain an Achilles heel for the government as it is expected to remain north of 7.0%. With limited expected growth in taxes, we believe government will not have much room to provide impetus via public development spending. Alongside, government reliance on borrowing via domestic sources will continue to crowd out private sector investment. In an environment where government muscles have been reined in, the importance of private sector will continue to dominate in reviving the overall economic growth.

From capital market perspective, particularly equities, we are getting a much clearer picture now. As covid curve continues to flatten out, the valuations are catching up with historical norms. Barring a second wave of the virus, we think equities have a lot to offer to the investors. Market cap to GDP ratio is at 17.5%, still at a discount of 33% from its historical average. Similarly, risk premiums are close to 4.0%, compared to historical average of 0.9% signifying decent upside for long term investors. We believe a micro view of sectors and stock will remain more important this year and investment selection should focus on companies which trade at a deep discount to their intrinsic value. Similarly, focus should also revert back to companies that are expected to exhibit stellar earnings growth over the medium term.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With four (4) Non-Executive Directors, three (3) Independent Directors and one (1) Executive Director on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance.

The Board consists of 1 female and 7 male directors. The details are as under:

Sr. No.	Name	Status	Membership in other Board Committees
1.	Mr. Haroun Rashid	Non-Executive Director	None
2.	Mr. Nasim Beg	Non-Executive Director	(i) Audit Committee; and (ii) HR&R* Committee
3.	Mr. Ahmed Jahangir	Non-Executive Director	(i) Audit Committee; and (ii) HR&R* Committee.
4.	Mr. Kashif A. Habib	Non-Executive Director	Audit Committee
5.	Syed Savail Meekal Hussain	Independent Director	HR&R* Committee
-6.	Mr. Mirza Qamar Beg	Independent Director	(i) Audit Committee (Chairman); and (ii) HR&R* Committee (Chairman).
7.	Ms. Mavra Adil Khan	Independent Director	HR&R* Committee
8.	Mr. Muhammad Saqib Saleem	Executive Director	HR&R* Committee

* HR&R stands for Human Resource and Remuneration

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.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2020

- 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.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. 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.
- j. As at June 30, 2020, the Company is in compliance with the requirements of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. 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, 2020:

1. Meeting of the Audit Committee.

During the year, eight (8) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid (Former Chairman)*	8	5	4	1
2. Mirza Qamar Beg (Chairman)	8	8	8	0
3. Mr. Nasim Beg	8	8	8	0
4. Mr. Ahmed Jahangir	8	8	7	1
5. Mr. Kashif A. Habib	8	3	3	0
6. Syed Savail Meekal Hussain	8	3	3	0

* Mr. Haroun Rashid ceased to be chairman/member of the committee effective February 07, 2020.

**Syed Savail Meekal Hussain and Ms. Mavra Adil Khan were elected on the Board on February 06, 2020.

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2. Meeting of the Human Resource and Remuneration Committee.

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

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Mirza Qamar Beg	4	4	4	-
2. Mr. Haroun Rashid*	4	4	4	-
3. Mr. Ahmed Jahangir	4	4	4	-
4. Mr. Nasim Beg	4	4	4	-
5. Ms. Mavra Adil Khan**	4	-	-	-
6. Syed Savail Meekal Hussain**	4	-	-	-
7. Mr. Muhammad Saqib Saleem (CEO)	4	4	4	-

* Mr. Haroun Rashid ceased to be member of the committee effective February 07, 2020.

** Ms. Mavra Adil Khan and Syed Savail Meekal Hussain were appointed members of the committee post elections.

- m. 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)		
01	Muhammad Saqib Saleem	Chief Executive Officer	296,922	322,418	-
02	Syed Savail Meekal Hussain	Director	5,527	5,527	-
03	Mr. Nasim Beg	Director	59,077	-	-

External Auditors

The fund's external auditors, **Ernst & Young Ford Rhodes Chartered Accountants** have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2021. The audit committee of the Board has recommended reappointment of **Ernst & Young Ford Rhodes Chartered Accountants** as auditors of the fund for the year ending June 30, 2021.

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
August 22, 2020



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

m. دوران سال مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے یونٹس کی خرید و فروخت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	واپسی	ڈیویڈنڈ کی تقسیم
					یونٹس کی تعداد
۱	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	296,922	322,418	-
۲	سید ساویل میکال حسین	ڈائریکٹر	5,527	5,527	-
۳	جناب نسیم بیگ	ڈائریکٹر	59,077	-	-

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ارنسٹ اینڈ ینگ فورڈرھوڈز چارٹرڈ اکاؤنٹنٹس نے 30 جون 2021ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2021ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر 'ارنسٹ اینڈ ینگ فورڈرھوڈز چارٹرڈ اکاؤنٹنٹس کی 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 ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار 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
22 اگست 2020ء

ڈائریکٹرز رپورٹ

۱۔ آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی آٹھ (8) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
1	4	5	8	۱۔ جناب ہارون رشید (سابقہ چیئرمین)*
0	8	8	8	۲۔ مرزا محمد قمر بیگ (چیئرمین)
0	8	8	8	۳۔ جناب نسیم بیگ
1	7	8	8	۴۔ جناب احمد جہانگیر
0	3	3	8	۵۔ جناب کاشف اے حبیب
0	3	3	8	۶۔ سید ساویل میکال حسین**

* جناب ہارون رشید 07 فروری 2020ء سے کمیٹی کے چیئرمین اُرکن نہیں ہیں۔

** سید ساویل میکال حسین کا 06 فروری 2020ء کو بورڈ میں انتخاب ہوا۔

۲۔ ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن کمیٹی کی چار (4) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
-	4	4	4	۱۔ جناب مرزا قمر بیگ
-	4	4	4	۲۔ جناب ہارون رشید*
-	4	4	4	۳۔ جناب احمد جہانگیر
-	4	4	4	۴۔ جناب نسیم بیگ
-	-	-	4	۵۔ محترمہ ماوراء عادل خان**
-	-	-	4	۶۔ سید ساویل میکال حسین**
-	4	4	4	۷۔ جناب محمد ثاقب سلیم (سی ای او)

* جناب ہارون رشید 07 فروری 2020ء سے کمیٹی کے چیئرمین اُرکن نہیں ہیں۔

** محترمہ ماوراء عادل خان اور سید ساویل میکال حسین کی بعد از انتخابات کمیٹی کے رکن کی حیثیت سے تقرری کی گئی۔

ڈائریکٹرز رپورٹ

6.	جناب مرزا قمر بیگ	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی (چیرمین)؛ اور (ii) ایچ آر اینڈ آر کمیٹی* (چیرمین)
7.	محترمہ ماوراء عادل خان	خود مختار ڈائریکٹر	ایچ آر اینڈ آر کمیٹی*
8.	جناب محمد ثاقب سلیم	ایگزیکٹو ڈائریکٹر	ایچ آر اینڈ آر کمیٹی*

* ایچ آر اینڈ آر : ہیومن ریسورس اینڈ ریمونریشن

انتظامیہ بہترین طریقوں، خاص طور پر Non ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے کارپوریٹ گورننس کے ضابطہء اخلاق کی دفعات کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکوٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

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

c. مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا باقاعدگی کے ساتھ 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 معیار (پاکستان میں اطلاق کی حد تک)، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) 2003ء اور نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انٹیلیجنز ریگولیشنز 2008ء کی دفعات، متعلقہ ٹرسٹ ڈیڈز کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

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

f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شبہات نہیں ہیں۔

g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے۔

h. واجب الاداء ٹیکسز، ڈیویڈنڈز، محصولات اور چارجز کو (اگر کوئی ہیں تو) مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔

i. پراویڈنٹ / گریجویٹ فنڈ اور پنشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں بلکہ منجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

j. 30 جون 2020ء کو کمپنی کوڈ آف کارپورٹ گورننس کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کی شرائط پر تعمیل پیرا ہے۔

k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔

l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2020ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

ڈائریکٹرز رپورٹ

مرکزی بینک نے افراط زر میں متوقع کمی کے تناظر میں پہلے ہی پالیسی شرح میں ترمیم کر کے اسے 7.0 فیصد کر دیا ہے۔ مالی سال کے نصف اوّل کے دوران افراط زر کی رفتار پٹرولیم کی کم قیمتوں کے باعث 7.0 فیصد سے کافی کم رہے گی اور پالیسی شرح کو مثبت رکھنے میں کردار ادا کرے گی۔ تاہم نصف آخر کے دوران چونکہ کم تر base کا اثر بحال ہوگا چنانچہ افراط زر پالیسی شرح سے اوپر جائے گی، جس کا مطلب ہے کہ عمومی معاشی صورتحال کے تحت مرکزی بینک کو انٹریسٹ کی شرحوں میں ترمیم کرنا ہوگی۔ تاہم اگر ادائیگیوں کے توازن کی صورتحال متوقع سے بہتر ہوگئی تو مرکزی بینک موجودہ پالیسی شرح کو جاری رکھ سکے گا۔

مالیاتی محکمہ حکومت کے لیے ڈھکتی رگ بنا رہے گا کیونکہ اس کا 7.0 فیصد کے شمال میں رہنا متوقع ہے۔ ٹیکسوں میں محدود متوقع اضافے کے باعث ہم سمجھتے ہیں کہ حکومت کے پاس عوامی ترقیاتی خرچ کے ذریعے محرک فراہم کرنے کی زیادہ گنجائش نہیں ہوگی۔ ساتھ ساتھ، مقامی ذرائع سے حصول قرض پر حکومتی انحصار سے پرائیویٹ سیکٹر میں سرمایہ کاری متاثر ہوگی۔ حکومت پر بڑھتے ہوئے بوجھ کے ماحول میں مجموعی معاشی ترقی کی تجدید کے لیے پرائیویٹ سیکٹر کی اہمیت بدستور حاوی رہے گی۔

کیپیٹل مارکیٹ، خصوصاً ایکویٹیز، کے نظریے سے ہمیں اب کافی واضح صورتحال نظر آرہی ہے۔ جہاں کووڈ کے ختم کے ہموار ہونے کا سلسلہ جاری ہے وہاں valuations بتدریج پرانے رجحانات کے ساتھ ہم آہنگ ہو رہی ہیں۔ وائرس کی دوسری لہر کا سدّ باب کرتے ہوئے ہم سمجھتے ہیں کہ ایکویٹیز میں سرمایہ کاروں کے لیے بہت فوائد مضمر ہیں۔ مارکیٹ کیپیٹلائزیشن کا جی ڈی پی کے ساتھ تناسب 17.5 فیصد ہے، جواب بھی اپنے پرانے اوسط سے 33 فیصد کم ہے۔ اسی طرح رسک پریمیم 0.4 فیصد کے قریب ہیں جو اپنے پرانے اوسط 0.9 فیصد کے مقابلے میں طویل المیعاد سرمایہ کاروں کے لیے قابل قبول بہتری ہے۔ ہم سمجھتے ہیں کہ سیکٹرز اور اسٹاک کی خوردقصور اس سال زیادہ اہم رہے گی اور سرمایہ کاری کے انتخاب کا انحصار ایسی کمپنیوں پر ہونا چاہیے جو اپنی اندرونی قدر میں گہری رعایت پر تجارت کرتی ہیں۔ اسی طرح ایسی کمپنیوں کی طرف بھی توجہ دوبارہ مرکوز ہونی چاہیے جن کی درمیانی مدت کی آمدنی میں زبردست ترقی متوقع ہے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ چار (4 Non) ایگزیکٹو ڈائریکٹرز، تین (3) خود مختار ڈائریکٹرز اور ایک (1) ایگزیکٹو ڈائریکٹر کے ساتھ بورڈ، مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے، عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ بورڈ 1 خاتون اور 7 حضرات ڈائریکٹرز پر مشتمل ہے۔ تفصیلات درج ذیل ہیں:

نمبر شمار	نام	عہدہ	دیگر بورڈ کمیٹیوں میں رکنیت
1.	جناب ہارون رشید	Non ایگزیکٹو ڈائریکٹر	کوئی نہیں
2.	جناب نسیم بیگ	Non ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
3.	جناب احمد جہانگیر	Non ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
4.	جناب کاشف اے حبیب	Non ایگزیکٹو ڈائریکٹر	آڈٹ کمیٹی
5.	سید سادیل میکال حسین	خود مختار ڈائریکٹر	ایچ آر اینڈ آر کمیٹی *

ڈائریکٹر رپورٹ

سے زیادہ مالیاتی تسہیل کے باعث NIMS میں سنکڑن تھی، جبکہ ای اینڈ پی کی کمزور کارکردگی کی وجہ خام تیل کی قیمتوں میں گراوٹ تھی کیونکہ سعودی عرب نے اوپیک اور روس کے درمیان معاہدہ نہ ہونے پر قیمت کی ایک جنگ کا آغاز کر دیا۔ ساتھ ساتھ، وباء کے تناظر میں عالمی سطح پر مانگ میں کمی نے صورتحال کو ابتر کر دیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے - 2.37 فیصد منافع دیا جبکہ کراچی اسٹاک ایکسچینج KSE-100 انڈیکس کا منافع 1.53 فیصد تھا۔ 30 جون 2020ء کو ایکویٹیز میں مجموعی سرمایہ کاری 95.5 فیصد تھی۔ فنڈ خارجی عوامل سے چوکتا رہا اور بنیادی نوعیت کی تبدیلیوں کے پیش نظر سرمایہ کاری کی حکمت عملی میں ترمیم کی گئی۔ سرمایہ کاری کا اکثر حصہ کمرشل بینکوں، تیل اور گیس کی دریافت، اور سیمنٹ کے شعبے میں تھی۔

30 جون 2020ء کو فنڈ کے net اثاثہ جات 8,804 ملین روپے تھے جو 30 جون 2019ء کو 9,556 ملین روپے کے مقابلے میں 7.9 فیصد کمی ہے۔ 30 جون 2020ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 77.4230 روپے تھی جو 30 جون 2019ء کو ابتدائی این اے وی 79.3006 روپے فی یونٹ کے مقابلے میں 1.8776 روپے فی یونٹ کمی ہے۔

مستقبل کا منظر نامہ

حکومت اور مختلف اداروں کے مطابق مالی سال 2020-21ء کے لیے مجموعی ملکی پیداوار (جی ڈی پی) میں متوقع ترقی 2.0 فیصد ہے۔ پاکستان وباء کی پہلی لہر سے نمٹنے میں کامیاب ہوا ہے اور متاثرہ افراد کی یومیہ تعداد (ایک ہزار) ماہ جون کے اوائل میں بلند ترین یومیہ تعداد (چھ ہزار) کا چھٹا حصہ رہ گئی ہے۔ اگرچہ اکثر شعبے کھول دیئے گئے ہیں لیکن کچھ تاحال بالکل بند ہیں اور کچھ استعداد سے کم کام کر پارہے ہیں۔ کووڈ کی دوسری لہر کا سد باب کرتے ہوئے ہم اُمید ہیں کہ مالی سال کی دوسری سہ ماہی تک معیشت مکمل بحال ہو جائے گی۔ علاوہ ازیں، متوقع طور پر دسمبر تک ویکسین کے منظر عام پر آ جانے سے جنوری سے عالمی سطح پر سرگرمیاں بھی مکمل بحال ہو جائیں گی۔ ہم اُمید کرتے ہیں کہ حکومت کم تر base اور مختلف محکمہ کا نہ اقدامات کے ساتھ جی ڈی پی میں ترقی کا سالانہ ہدف حاصل کر سکے گی۔ مرکزی بینک کا اعلان کردہ مالیاتی محرک گردش صنعتوں میں ترقی بحال کرنے کی راہ ہموار کرے گا۔ علاوہ ازیں، حکومت کے تعمیرات سے متعلق پیکیج سے مانگ پر مبنی ترقی کو مطلوبہ محرک حاصل ہوگا۔

ادائیگی کے توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ کرنٹ اکاؤنٹ خسارہ مرکزی حکومت کے پالیسی اقدامات کے بعد معقول سطح تک آ گیا ہے۔ تیل کی بین الاقوامی قیمتوں کا 40 ڈالر فی بیرل تک کم ہو جانا زحمت کے بھیس میں رحمت ثابت ہوا ہے۔ عالمی معیشت بحال ہونا شروع ہو گئی ہے اور جو خبریں گردش میں ہیں اُن کے مطابق برآمدات میں تیزی آرہی ہے۔ ترسیلات زر بھی عمومی متوقع سطح سے کافی زیادہ ہوئی ہیں، بلکہ ماہ جون میں 50 فیصد YoY ترقی نے سب کو حیران کر دیا ہے۔ ترسیلات زر میں 10 فیصد کمی کو شامل کرنے کے باوجود مجموعی صورتحال قابل قبول رہے گی۔ ہمیں اُمید ہے کہ کرنٹ اکاؤنٹ کا خسارہ مالی سال 2020-21ء میں مجموعی ملکی پیداوار کے 1.6 فیصد پر رہے گا، اور اس کے لیے غیر ملکی سرمایہ کاریوں اور قرضہ جاتی آمدات سے باسانی رقم فراہم کی جاسکتی ہے۔ مالی اکاؤنٹ کو مثبت حدود میں رکھنے کے لیے آئی ایم ایف پروگراموں کا سبک رفتاری کے ساتھ جاری رہنا کلیدی شرط ہے۔ موجودہ صورتحال میں ہمیں اُمید ہے کہ غیر ملکی زرمبادلہ کے ذخائر میں اگلے سال کے دوران 2 بلین ڈالر کا مزید اضافہ ہوگا جس سے روپے پر کسی قسم کے دباؤ کو ختم کرنے میں مدد ملے گی۔

اگلے سال کے دوران تیل کی قیمتوں کے اوسط 40 فی بی بی ایل کے مفروضے پر صارفی قیمت کے انڈیکس (سی پی آئی) کا متوقع اوسط 7.5 فیصد ہوگا۔

ڈائریکٹر رپورٹ

ڈالر منافع حاصل کیا۔ نتیجتاً اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر دوران سال 4.9 بلین ڈالر بڑھ کر 12.1 بلین ڈالر تک پہنچ گئے۔ اگرچہ درآمدات کے cover میں بہتری آئی، یعنی 1.7x سے 2.6x، لیکن یہ اب بھی مقبول عالمی معیارات سے کم ہے۔ ڈالر کے مقابلے میں روپے کی قدر دوران سال 3.2 فیصد کم ہو کر 168.2 ہو گئی۔

مالی سال 2020ء کے لیے صارفی قیمت کے انڈیکس (سی پی آئی) کا اوسط 10.8 فیصد جبکہ دوران سال گزشتہ 6.8 فیصد تھا۔ دوران سال اشیائے خورد و نوش کا افراط زر نمایاں تھا جس کا اوسط 14.5 فیصد تھا کیونکہ رسد کی جہت میں کمزوری کے باعث کچھ ضروری اشیاء اور جلد خراب ہو جانے والی اشیاء کی قیمتوں میں اضافہ ہو گیا۔ چینی کی قیمتوں میں دوران سال 29 فیصد جبکہ گندم کے آٹے کی قیمت میں 16 فیصد اضافہ ہوا۔ جلد خراب ہو جانے والی اشیاء میں پیاز اور آلو کی قیمتوں میں بالترتیب 70 فیصد اور 65 فیصد اضافہ ہوا۔ تاہم افراط زر کے دباؤ میں کمی آغاز ہو گیا ہے اور جون میں افراط زر 8.6 فیصد تھی کیونکہ پٹرولیم کی کم تر قیمتوں کے ساتھ ساتھ اشیائے خورد و نوش کی افراط زر میں تسہیل سے مجموعی افراط زر رُک گئی۔ بہر حال، اہم ترین افراط زر، جس کی پیمائش اشیائے خورد و نوش اور توانائی کے شعبے کے علاوہ ہوتی ہے، پھر بھی محدود تھی اور زیر جائزہ مدت کے لیے اس کا اوسط 7.9 فیصد تھا۔

مانیٹری پالیسی کمیٹی (ایم پی سی) سارا سال متحرک رہی اور اس نے انٹریسٹ کی شرحوں میں 625 بیس پوائنٹس (بی پی ایس) کی ریکارڈ کمی کر کے پالیسی کی شرح کو 7.0 فیصد تک پہنچا دیا۔ کووڈ 19 کے باعث مندی کے دباؤ اور افراط زر کی کم تر توقع اس اہم اقدام کے بنیادی اسباب تھے۔ ساتھ ساتھ مرکزی بینک نے نظام میں مالیاتی ہنگامی صورتحال کے بوجھ کو کم کرنے کے لیے مختلف اسکیموں کا اعلان کیا۔ کمرشل بینکوں نے تقریباً 650 بلین روپے کے قرضہ جات ایک سال کے لیے ملتوی کیے، جبکہ تقریباً 150 بلین ڈالر کے قرضہ جات کی تشکیل نو کی گئی۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

معاشی صورتحال کی طرح ایکویٹیز مارکیٹوں کی صورتحال بھی سال کے نصف اول اور نصف آخر کے دوران بہت مختلف تھی۔ نصف اول کے دوران سرمایہ کاروں نے گلاں معاشی یکجائی کے حاصل کردہ منافع جات کا خیر مقدم کیا اور بنچ مارک KSE-100 انڈیکس میں 19.8 فیصد کا زبردست اضافہ ہوا۔ تاہم کورونا وائرس کے وُرد کے بعد ایکویٹی مارکیٹیں بد حالی سے دوچار ہو گئیں اور KSE-100 انڈیکس بھی متاثر ہوا۔ بنچ مارک انڈیکس مالی سال کے نصف آخر میں 16 فیصد گر گیا جس سے نصف اول میں حاصل کیے گئے منافع جات بے اثر ہو گئے۔ بہر حال KSE-100 نے مجموعی طور پر پورے سال کے لیے 1.5 فیصد معمولی منافع پوسٹ کیا اور گزشتہ دو متواتر سالوں سے منفی منافعوں کا رجحان ختم ہوا۔ غیر ملکیوں کی جانب سے ہونے والی ایکویٹیز کی فروخت کمی سے محفوظ رہی اور 285 ملین ڈالر مالیت کی ایکویٹیز کی فروخت کے ساتھ پانچویں متواتر سال ریڈ زون میں رہی۔ افراد اور بیمہ کمپنیاں بالترتیب 213 ڈالر اور 128 ڈالر مالیت کی ایکویٹیز خرید کر net خریدار رہے۔ خرید و فروخت کے یومیہ حجم کا اوسط دوران مدت 194 ملین حصص تھا (26.2 فیصد YoY اضافہ)، جبکہ یومیہ قدر کا اوسط 7.2 بلین روپے (10.4 فیصد YoY اضافہ) تھا۔

دوران سال دواسازی، تعمیرات اور مواد، اور کھاد کے شعبے بالترتیب 45 فیصد، 43 فیصد اور 23 فیصد منافع جات پوسٹ کر کے سبقت لے گئے۔ دوساز کمپنیاں مرکز نگاہ تھیں کیونکہ کووڈ 19 نے اس شعبے کی استعداد میں اضافہ کر دیا تھا۔ سیمنٹ کے شعبے میں تحریک ہوئی جس کے اسباب انٹریسٹ کی شرحوں میں کمی اور فریقوں کے درمیان مارکیٹنگ انتظام کا استحکام تھے۔ کھاد کے شعبے نے قابل قبول کارکردگی کا مظاہرہ کیا کیونکہ انٹریسٹ کی شرح میں متواتر کمی کے بعد ڈیویڈنڈ دینے والے اسٹاکس منظر عام پر آ گئے۔ دوسری جانب کمرشل بینکوں اور دریافت اور پیداوار (ای این ڈی پی) کے شعبے کی کارکردگی انڈیکس کے مضبوط فریق ہونے کے باوجود بنچ مارک سے کم تھی۔ بالترتیب 14 فیصد اور 10 فیصد منفی منافع۔ کمرشل بینکوں کی کمزور کارکردگی کی وجہ اب تک کی سب

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ کے گوشواروں برائے مدتِ مختتمہ 30 جون 2020ء کا جائزہ پیش خدمت ہے۔

معیشت اور بازارز کا مجموعی جائزہ

مالی سال 2020ء کے نصف اول کی صورتحال نصف آخر کے حالات سے کافی مختلف تھی۔ گلاں معاشیاتی یکجائی، جو نصف اول میں صحیح راہ پر گامزن تھی، کو وڈ 19 کے باعث نصف آخر میں شدید متاثر ہوئی۔ اس قاتل وباء سے جہاں عالمی سطح پر 17 ملین سے زائد افراد متاثر ہوئے اور 650,000 سے زائد لقمہ اجل بنے وہیں عالمی معیشت بھی تباہی سے دوچار ہوئی کیونکہ دنیا بھر میں لاک ڈاؤن کے باعث صرفی رجحان میں کمی ہوئی اور بڑے پیمانے پر بے روزگاری پھیلی۔ انٹرنیشنل مانیٹری فنڈ (آئی ایم ایف) کے مطابق اس سال عالمی معیشت 4.9 فیصد سکڑ جائے گی جو دوسری جنگ عظیم کے بعد ایک سال کے دوران بدترین تنزلی ہے۔

مقامی سطح پر معیشت میں ماہِ مئی تک بڑے پیمانے پر لاک ڈاؤن رہا اور صحت عامہ کے شعبے میں متاثر افراد کا فوری رہا۔ ماحصل میں فرق کے نتیجے میں معاشی ترقی میں -0.4 فیصد تک کمی کی پیش گوئی کی گئی بالقابل سابقہ متوقع ترقی کے جو 2.4 فیصد تھی۔ بڑے پیمانے کی مینوفیکچرنگ (ایل ایس ایم) اور خدمات کے شعبے لاک ڈاؤن سے سب سے زیادہ متاثر ہوئے۔ ایل ایس ایم مالی سال 2020ء کے پہلے گیارہ ماہ کے دوران 10.3 فیصد سکڑ گیا۔ بڑی صنعتوں میں گاڑیوں اور لوہے اور اسٹیل کی صنعتیں سنگین متاثر ہوئیں اور ان میں بالترتیب 44.8 فیصد اور 17.0 فیصد تنزلی ہوئی۔ ایل ایس ایم کی سب سے بڑی فریق ٹیکسٹائل صنعت بھی عالمی لاک ڈاؤن کے نتیجے میں برآمدات رُک جانے کے باعث 11.0 فیصد سکڑ گئی۔ مزید برآں، زراعت کے شعبے کی کارکردگی بھی مایوس کن رہی کیونکہ اہم فصلوں (کپاس، گندم اور گنا) ہدف سے کافی پست سطح پر رہیں۔

لاک ڈاؤن کے باعث ٹیکس وصولی میں سنگین کمی کے نتیجے میں مالی یکجائی شدید متاثر ہوئی۔ فیڈرل بورڈ آف ریونیو (ایف بی آر) سابقہ متوقع ہدف 4.8 ٹریلین روپے کے مقابلے میں 0.4 ٹریلین روپے جمع کر سکا۔ فروری 2020ء تک ٹیکس وصولی 16 فیصد سال در سال (YoY) کی شرح سے بڑھ رہی تھی، تاہم مالی سال کے آخری چار ماہ کے دوران 20 فیصد YoY کی خطیر شرح سے سکڑ گئی جس کے نتیجے میں شدید کمی پیدا ہو گئی۔ مزید برآں، حکومت نے لاک ڈاؤن سے پیدا ہونے والے خطرات سے عوام کی حفاظت کے مقصد سے ایک سماجی تحفظ کا پروگرام شروع کیا لیکن اس میں مطلوبہ سے زیادہ اخراجات ہو گئے جس کے نتیجے میں مالیاتی خسارے کا مجموعی ملکی پیداوار (جی ڈی پی) سے 9.0 فیصد زیادہ ہونا متوقع ہے۔

پالیسی اقدام کے سبب رفتار اثرات بحوالہ مالیاتی سختی اور زرمبادلہ کی شرح میں ترمیم کے ثمرات حاصل ہونے کا سلسلہ جاری رہا جس کی عکاسی ادائیگیوں کے توازن کی صورتحال میں بہتری میں ہوئی۔ کرنٹ اکاؤنٹ خسارہ دوران سال 78 فیصد YoY بنیاد پر سکڑ کر 2.8 بلین ڈالر ہو گیا۔ کرنٹ اکاؤنٹ خسارے میں کمی کی بڑی وجہ اشیاء کی درآمدات میں کمی ہے جو 19 فیصد سکڑ گئیں جس کے نتیجے میں 12 بلین ڈالر کی کمی ہوئی۔ ترسیلات زر بھی لچکدار رہیں اور دوران سال 6 فیصد بڑھ کر 23.1 بلین ڈالر ہو گئیں۔ غیر ملکی براہ راست سرمایہ کاری (ایف ڈی آئی) 2.5 بلین ڈالر کی سطح پر تھی جو سال گزشتہ کے مقابلے میں 75 فیصد زیادہ ہے کیونکہ ٹیلی کام لائسنسوں کی تجدید اور بجلی کے شعبے میں منصوبوں کے آغاز کی بدولت نئی سرمایہ کاریاں آئیں۔ آئی ایم ایف اور کثیر الجہتی اداروں سے قرضوں سے متعلقہ آمدات نے بھی مجموعی مالیاتی آمدات کو مثبت سمت میں قائم رکھا۔ پاکستان کو آئی ایم ایف سے 2.4 بلین روپے موصول ہوئے اور کثیر الجہتی اداروں نے مختلف منصوبوں کے لیے 5 بلین ڈالر سے زائد جاری کیے۔ مجموعی طور پر مالی اکاؤنٹ نے 7 بلین

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2020

Fund Type and Category

Pakistan Stock Market Fund (PSM) is an Open-End Equity Scheme.

Fund Benchmark

The benchmark for PSM is KSE 100 Index.

Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investment in Pakistani equities

Investment Strategy

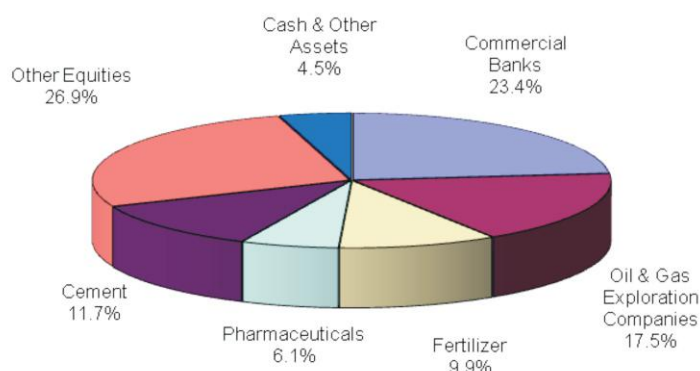
Pakistan Stock Market Fund (PSM) is an open end equity fund that invests in quality stocks listed in Pakistan. The fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors/companies and DCF (discounted cash flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the fund's portfolio is high quality liquid stocks. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/ placements.

Manager's Review

During the period, PSM generated a return of -2.37% as compared to a return of 1.53% witnessed by the KSE100 Index. Overall equity exposure stood at 95.5% on June 30, 2020. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments. The allocation was mainly held in Commercial Banks, Oil & Gas Exploration Companies and Cement.

The Net Assets of the fund as at June 30, 2020 stood at Rs. 8,804 million as compared to Rs. 9,556 million as at June 30, 2019 registering a decrease of 7.9%. The Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 77.4230 as compared to opening NAV of Rs. 79.3006 per unit as at June 30, 2019 registering a decrease of 1.8776 per unit.

Asset Allocation as on June 30, 2020 (% of total assets)



Syed Abid Ali
Fund Manager

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

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Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN STOCK 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 MCB Pakistan Stock 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, 2020 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.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 17, 2020



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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INDEPENDENT AUDITORS' REPORT

To the Unit holders of MCB Pakistan Stock Market Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MCB Pakistan Stock Market Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2020, and the income statement, comprehensive income, cash flows statement and movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Fund as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Existence, valuation and classification of bank balances and investments	
As disclosed in note 5 and 6 to the accompanying financial statements of the Fund for the year ended 30 June 2020, the bank balances and investments (comprised of listed equity securities) held by the Fund represent 98% of the total assets of the Fund as at the year end.	We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedures included the following: <ul style="list-style-type: none">- We obtained independent confirmations for verifying the existence of the bank balances as at 30 June 2020 and reconciled it with the books and records of the Fund.- We tested controls over acquisition, disposals and periodic valuation of investments portfolio.



A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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Key audit matter	How our audit addressed the key audit matter
In view of the significance of bank balances and investment in relation to the total assets and the Net Asset Value (NAV) of the Fund, we have considered the existence, valuation and classification of such bank balances and investments as a key audit matter.	<ul style="list-style-type: none"> - We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at 30 June 2020. - We evaluated the appropriateness of the classification of the investments in accordance with the requirements of IFRS 9 and the valuations in accordance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). - We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard. - We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



-: 3 :-

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



-: 4 :-

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Chartered Accountants

Date: 18 September 2020

Karachi

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

		June 30, 2020	June 30, 2019
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	5	351,866	929,080
Investments	6	8,666,891	8,600,528
Receivable against sale of investments		27,085	163,621
Dividend and profit receivables	7	18,647	29,655
Advances, deposits and other receivables	8	14,272	9,473
Total assets		9,078,761	9,732,357
LIABILITIES			
Payable to the Management Company	9	45,048	29,739
Payable to the Trustee	10	888	1,020
Payable to the Securities and Exchange Commission of Pakistan	11	1,770	10,579
Payable against purchase of investments		91,477	-
Accrued expenses and other liabilities	12	135,295	134,799
Payable against redemption of units		386	386
Total liabilities		274,864	176,523
NET ASSETS		8,803,897	9,555,834
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		8,803,897	9,555,834
Contingencies and Commitments	13		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		113,711,578	120,501,368
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		77.4230	79.3006

The annexed notes 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

		June 30, 2020	June 30, 2019
	Note	----- (Rupees in '000) -----	
INCOME			
Gain / (loss) on sale of investments - net		178,935	(465,344)
Dividend income		455,409	555,018
Income from Government securities		34,762	46,495
Profit on balances with banks		41,909	64,418
Unrealised loss on re-measurement of investments classified as at fair value through profit or loss - net	6.1	(508,581)	(1,784,981)
Other income		19	3,340
Total Income / (loss)		202,453	(1,581,054)
EXPENSES			
Remuneration of the Management Company	9.1	177,041	222,717
Sindh Sales Tax on remuneration of the Management Company	9.2	23,016	28,954
Remuneration of the Trustee	10.1	9,852	12,136
Sindh Sales Tax on remuneration of the Trustee		1,280	1,578
Annual fee of the Securities and Exchange Commission of Pakistan	11	1,770	10,579
Allocated expenses	9.3	8,851	11,134
Selling and marketing expenses	9.4	99,930	44,543
Auditors' remuneration	14	1,084	955
Securities transaction cost		40,763	26,827
Settlement and bank charges		2,981	2,466
Legal and professional charges		76	199
Fees and subscriptions		41	21
Total expenses		366,685	362,109
Net loss for the year before element of income and capital gains included in the prices of units issued less those in units redeemed - net		(164,232)	(1,943,163)
Taxation	15	-	-
Net loss for the year after taxation		(164,232)	(1,943,163)
Allocation of net income for the year			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
		-	-
Accounting income available for distribution			
- relating to capital gains		-	-
- excluding capital gains		-	-
		-	-

The annexed notes 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
Net loss for the year after taxation	(164,232)	(1,943,163)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(164,232)</u>	<u>(1,943,163)</u>

The annexed notes 1 to 23 form an integral part of these financial statements.


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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020			June 30, 2019			
	Capital value	Undistributed income / (loss)	Total	Capital value	Undistributed income / (loss)	Unrealised appreciation on available for sale investments	Total
(Rupees in '000)							
Net assets at the beginning of the year	6,482,505	3,073,329	9,555,834	5,096,092	4,646,316	370,176	10,112,584
Re-classification under IFRS 9	-	-	-	-	370,176	(370,176)	-
Issuance of 102,220,593(2019: 93,222,067) units:							
- Capital value (at net asset value per unit at the beginning of the year) at Rs.79.3006	8,106,154	-	8,106,154	8,837,972	-	-	8,837,972
- Element of loss	(16,214)	-	(16,214)	(409,146)	-	-	(409,146)
	8,089,940	-	8,089,940	8,428,826	-	-	8,428,826
Redemption of 109,010,383 (2019: 79,387,245) units:							
- Capital value (at net asset value per unit at the beginning of the year) at Rs.79.3006	8,644,589	-	8,644,589	7,526,354	-	-	7,526,354
- Element of income / (loss)	33,056	-	33,056	(483,941)	-	-	(483,941)
	8,677,645	-	8,677,645	7,042,413	-	-	7,042,413
Total comprehensive loss for the year	-	(164,232)	(164,232)	-	(1,943,163)	-	(1,943,163)
Distributions during the year	-	-	-	-	-	-	-
Net loss for the year less distribution	-	(164,232)	(164,232)	-	(1,943,163)	-	(1,943,163)
Net assets as at the end of the year	5,894,800	2,909,097	8,803,897	6,482,505	3,073,329	-	9,555,834
Undistributed income / (loss) brought forward comprising of:							
- Realised		4,858,310			5,005,515		
- Unrealised		(1,784,981)			(359,199)		
- Re-classification under IFRS 9		-			370,176		
		3,073,329			5,016,492		
Accounting income available for distribution:							
- Relating to capital gains		-			-		
- Excluding capital gains		-			-		
Net loss for the year after taxation		(164,232)			(1,943,163)		
Distribution during the year		-			-		
Undistributed income carried forward		2,909,097			3,073,329		
Undistributed income / (loss) carried forward:							
- Realised		3,417,678			4,858,310		
- Unrealised		(508,581)			(1,784,981)		
		2,909,097			3,073,329		
		(Rupees)			(Rupees)		
Net assets value per unit at beginning of the year		79.3006			94.8056		
Net assets value per unit at end of the year		77.4230			79.3006		

The annexed notes 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(164,232)	(1,943,163)
Adjustments for non cash and other items:		
Unrealised loss on re-measurement of investments classified as at fair value through profit or loss - net	508,581	1,784,981
	<u>344,349</u>	<u>(158,182)</u>
(Increase) / decrease in assets		
Investments - net	(574,945)	(662,451)
Receivable against sale of investments	136,536	(110,698)
Dividend and profit receivables	11,008	(18,676)
Advances, deposits and receivables	(4,799)	(1,390)
	<u>(432,200)</u>	<u>(793,215)</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	15,309	(2,361)
Payable to the Trustee	(132)	(63)
Payable to the Securities and Exchange Commission of Pakistan	(8,809)	615
Payable against purchase of investments	91,477	(165,428)
Accrued expenses and other liabilities	497	(2,707)
	<u>98,342</u>	<u>(169,944)</u>
Net cash generated from / (used) in operating activities	<u>10,491</u>	<u>(1,121,341)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issuance of units	8,089,940	8,428,826
Amount paid on redemption of units	(8,677,645)	(7,042,413)
Net cash (used) in / generated from financing activities	<u>(587,705)</u>	<u>1,386,413</u>
Net (decrease) / increase in cash and cash equivalents during the year	<u>(577,214)</u>	<u>265,072</u>
Cash and cash equivalents at the beginning of the year	929,080	664,008
Cash and cash equivalents at the end of the year	<u>351,866</u>	<u>929,080</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Stock 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. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company has been changed from 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi to 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund has been categorised as equity scheme and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange. The Fund primarily invests in listed equity securities. However, it also invests in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.4 The Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of "AM2++" dated October 08, 2019 to the Management Company.
- 1.5 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund. The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund.

2. STATEMENT OF COMPLIANCE

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

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

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

3. BASIS OF PREPARATION

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an on going basis.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the Fund's functional and presentation currency.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

4.1 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 16 – Leases

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRS 3 – Business Combinations – Previously held interests in a joint operation

IFRS 9 – Financial instruments – Prepayment Features with Negative Compensation (Amendments)

IAS 28 – Long-term Interests in Associates and Joint Ventures (Amendments)

IFRS 11 – Joint Arrangements – Previously held interests in a joint operation

IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity

IAS 23 – Borrowing Costs - Borrowing costs eligible for capitalisation

IAS 19 – Employee Benefits – Plan Amendment, Curtailment or Settlement (Amendments)

IFRS 14 – Regulatory Deferral Accounts

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017 which became effective in the current period.

The adoption of the above standards, amendments and improvements to accounting standards and interpretations did not have any material effect on the financial statements.

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
Definition of a Business - Amendments to IFRS 3	January 01, 2020
Interest rate benchmark reform - Amendment to IFRS 9, IAS 39 and IFRS 7	January 01, 2020
IAS – 1: Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
Covid-19-Related Rent Concessions – Amendment to IFRS 16	June 01, 2020
Property, Plant and Equipment: Proceeds before Intended Use – - Amendments to IAS 16	January 01, 2020
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2020
Classification of liabilities as current or non-current - Amendment to IAS 1	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 17 – Insurance Contracts	January 01, 2023

4.3 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, 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.

4.4 Investments

4.4.1 Classification

Business model assessment

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessments whether contractual cash flows are solely payments of principal and interest (SPPI)

As a second step of its classification process the Fund assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Fund applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Equity instruments

An equity instrument held for trading purposes is classified as measured at FVTPL.

Initial Measurement

Investments are initially measured at their fair value except in the case of financial assets recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

Subsequent Measurement

Financial assets at fair value through profit or loss

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss when the right to the payment has been established.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, October 24, 2012 will be followed.

4.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

4.6 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

4.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is 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.

4.8 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 amount of the obligation can be made. Provisions, if any, are regularly reviewed and adjusted to reflect the current best estimate.

4.9 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.10 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which these are approved by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

4.11 Issue and redemption of units

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

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of 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, and charges on redemption, if applicable.

4.12 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in 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 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit / mark-up on bank balances and government securities is recognised on an effective interest rate method.

4.14 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

4.15 (Loss) / earnings per unit

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

	Note	June 30, 2020 ----- (Rupees in '000) -----	June 30, 2019
5. BALANCES WITH BANKS			
In current accounts	5.1	22,057	11,672
In savings accounts	5.2	329,809	917,408
		<u>351,866</u>	<u>929,080</u>

5.1 These include a balance of Rs.12.609 (2019: Rs.5.66) million maintained with MCB Bank Limited, a related party.

5.2 These carry profits at the rates ranging from 5.50% to 8.83% (2019: 10.00% to 13.00%) per annum and include Rs.63.120 (2019: Rs.14.90) million maintained with MCB Bank Limited, a related party which carries profit at the ranging from 5.50% to 8.83% (2019: 10.25%) per annum.

6. INVESTMENTS

At fair value through profit or loss

Listed equity securities	6.1	8,666,891	8,600,528
Government securities	6.2	-	-
		<u>8,666,891</u>	<u>8,600,528</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Name of the investee company	No. of shares				Balance as at June 30, 2020			Market value as a % of net assets of the Fund	% of paid-up capital of the investee company
	As at July 01, 2019	Purchased during the year	Bonus / Right Issue during the year	Sold during the year	As at June 30, 2020	Carrying Value	Market value as at June 30, 2020		
							Unrealised (loss) / gain		
Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise									
Automobile assembler									
Milat Tractors Limited	-	211,750	-	75,000	136,750	97,587	96,567	(1,020)	1.10%
Indus Motor Company Limited	-	52,940	-	52,940	-	-	-	-	0.00%
						97,587	96,567	(1,020)	0.27%
Automobile parts and accessories									
Thal Limited	-	714,800	-	-	714,800	243,505	232,267	(11,238)	0.88%
Cable and electrical goods									
Pak Elektron Limited	1,850,000	11,191,000	-	12,141,000	900,000	20,460	20,637	177	0.23%
Cement									
Pioneer Cement Company Limited	-	3,937,500	-	3,937,500	-	-	-	-	0.00%
Kohat Cement Company Limited	553,670	-	-	119,000	434,670	22,833	59,745	36,912	0.68%
Lucky Cement Limited	4,061	2,642,800	-	1,115,261	1,531,600	649,306	706,956	57,650	8.03%
Maple Leaf Cement Factory Limited	1,058,500	24,525,000	-	23,083,500	2,500,000	65,395	64,950	(445)	0.74%
D.G. Khan Cement Company Limited	-	4,803,000	-	4,803,000	-	-	-	-	0.00%
Cherat Cement Company Limited	-	1,662,500	-	1,662,500	-	-	-	-	0.00%
Fauji Cement Company Limited	-	13,768,500	-	130,000	13,638,500	234,865	230,218	(4,647)	2.61%
						972,399	1,061,869	89,470	12.06%
Chemical									
Engro Polymer and Chemicals Limited	13,400,155	2,202,000	-	4,245,500	11,356,655	317,981	283,689	(34,292)	3.22%
Lotte Chemicals Pakistan Limited	210,000	-	-	210,000	-	-	-	-	0.00%
Archroma Pakistan Limited	65,850	-	-	35,000	30,850	14,658	18,183	3,525	0.09%
Akzo Nobel Pakistan Limited	-	100,000	-	100,000	-	-	-	-	0.00%
						332,639	301,872	(30,767)	3.43%
Commercial banks									
Bank AL Habib Limited	5,606,000	4,826,508	-	3,377,231	7,055,277	508,463	368,991	(139,472)	4.19%
The Bank of Punjab Limited	1,778,000	11,629,500	-	1,778,000	11,629,500	143,620	97,688	(45,932)	1.11%
Faysal Bank Limited	7,415,725	-	-	7,312,500	103,225	2,221	1,438	(783)	0.02%
Habib Bank Limited	2,079,900	6,745,309	-	4,026,900	4,798,309	609,354	464,812	(144,542)	5.28%
Bank Alfalah Limited	16,786,100	547,862	-	16,924,981	408,981	16,137	13,730	(2,407)	0.16%
MCB Bank Limited	2,771,900	3,111,142	-	3,051,900	2,831,142	410,689	458,843	48,154	5.21%
Allied Bank Limited	-	1,939,100	-	70,000	1,869,100	182,184	143,136	(39,048)	1.63%
Askari Bank Limited	10,540,000	-	-	10,540,000	-	-	-	-	0.00%
United Bank Limited	209,200	7,832,008	-	3,155,700	4,885,508	604,687	504,966	(99,721)	5.74%
National Bank of Pakistan Limited	1,238,500	-	-	1,238,500	-	-	-	-	0.00%
Habib Metropolitan Bank Limited	825,500	1,874,000	-	-	2,699,500	101,458	75,073	(26,385)	0.85%
						2,578,813	2,128,677	(450,137)	24.18%
Engineering									
International Industries Limited	667,800	450,000	66,780	1,120,700	63,880	6,804	5,860	(944)	0.07%
Mughal Iron & Steel Industries Limited	1,544,760	1,111,500	-	2,644,500	11,760	447	469	22	0.01%
						7,251	6,329	(922)	0.07%
									0.03%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Name of the investee company	No. of shares				Balance as at June 30 2020			Market value as a % of net assets of the Fund	% of paid-up capital of the investee company
	As at July 01, 2019	Purchased during the year	Bonus / Right Issue during the year	Sold during the year	As at June 30, 2020	Carrying Value	Market value as at June 30, 2020		
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise									
Fertilizer									
Engro Corporation Limited	1,691,580	1,763,500	-	2,071,133	1,383,947	417,809	405,386	(12,423)	4.60%
Engro Fertilizer Limited	5,695,500	6,914,000	-	12,607,107	2,393	137	144	7	0.00%
Fatima Fertilizer Company Limited	4,548,500	-	-	407,000	4,141,500	123,624	110,702	(12,922)	1.26%
Fauji Fertilizer Company Limited	5,085,500	2,989,500	-	4,601,820	3,473,180	324,452	382,015	57,563	4.34%
						866,022	898,247	32,225	5.86%
Food and personal care products									
Al Shaheer Corporation Limited	23,455	-	-	13,000	10,455	132	120	(12)	0.00%
AT-Tahir Limited	-	1,712,000	-	-	1,712,000	24,995	29,498	4,503	0.34%
National Foods Limited	246,000	200,300	49,200	-	495,500	93,375	124,098	30,723	1.41%
Nestle Pakistan Limited	3,033	-	-	3,033	-	20,221	20,427	206	0.23%
						138,723	174,143	35,420	1.98%
Glass and ceramics									
Tariq Glass Industries Limited	1,078,200	125,500	580,100	43,500	1,740,300	92,123	112,284	20,161	1.28%
Insurance									
Pakistan Reinsurance Company Limited	2,157,000	-	-	11,000	2,146,000	53,564	48,821	(4,743)	0.55%
Adamjee Insurance Company Limited	-	3,755,000	-	-	3,755,000	146,022	124,328	(21,694)	1.07%
						199,586	173,149	(26,437)	1.97%
Refinery									
Attock Refinery Limited	-	650,000	-	650,000	-	-	-	-	0.00%
National Refinery Limited	-	296,500	-	296,500	-	-	-	-	0.00%
						-	-	-	0.00%
Leather and tanneries									
Service Industries Limited	50,875	40,099	12,719	17,250	86,443	49,675	70,515	20,840	0.80%
Miscellaneous									
Shifa International Hospitals Limited	-	133,000	-	-	133,000	30,058	31,037	979	0.35%
Synthetic Products Enterprises Limited	1,678,500	-	67,140	1,235,500	510,140	10,885	21,212	10,327	0.24%
						40,943	52,249	11,306	0.59%
Oil and gas exploration companies									
Mari Petroleum Company Limited	9,865	268,420	-	25,265	253,020	322,050	312,897	(9,153)	3.55%
Oil & Gas Development Company Limited	6,593,700	4,700,000	-	5,395,090	5,898,610	666,368	642,949	(23,419)	7.30%
Pakistan Oilfields Limited	1,267,630	902,075	-	1,482,612	687,093	230,481	240,916	10,435	2.74%
Pakistan Petroleum Limited	4,300,230	4,861,900	683,386	5,370,082	4,475,434	518,137	388,378	(129,759)	4.41%
						1,737,036	1,585,140	(151,896)	18.00%
Oil and gas marketing companies									
Attock Petroleum Limited	29	210,000	-	3,029	207,000	75,321	63,176	(12,145)	0.72%
Hi-Tech Lubricants Limited	651,600	45,500	-	697,000	100	3	3	-	0.00%
Pakistan State Oil Company Limited	959,840	998,200	-	1,958,040	-	-	-	-	0.00%
Shell Pakistan Limited	21,900	327,600	-	21,900	327,600	59,021	59,813	792	0.68%
Sui Northern Gas Pipelines Limited	4,488,300	3,651,500	-	3,955,500	4,184,300	299,478	228,463	(71,015)	2.60%
Sui Southern Gas Company Limited	9,500	-	-	9,500	-	-	-	-	0.00%
						433,823	351,455	(82,368)	3.99%
									1.17%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Name of the investee company	No. of shares				Balance as at June 30 2020		Market value as a % of net assets of the Fund	% of paid-up capital of the investee company		
	As at July 01, 2019	Purchased during the year	Bonus / Right Issue during the year	Sold during the year	As at June 30, 2020	Carrying Value				
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise										
Pharmaceuticals										
AGP Limited	577	940,000	-	577	940,000	98,836	103,156	4,320	1.17%	0.34%
Abbott Laboratories (Pakistan) Limited	-	676,700	-	-	676,700	274,466	448,652	174,187	5.10%	0.69%
The Searle Company Limited	6,146	619,300	-	619,597	5,849	1,112	1,166	54	0.01%	0.00%
						374,414	552,974	178,560	6.28%	1.03%
Power generation and distribution										
Altam Energy Limited	327,000	-	-	-	327,000	10,902	7,930	(2,972)	0.09%	0.09%
Hub Power Company Limited.	7,368,766	4,562,063	-	6,063,100	5,867,729	499,093	425,411	(73,682)	4.83%	0.16%
Lalpur Power Limited	-	4,100,000	-	-	4,100,000	55,616	47,847	(7,769)	0.54%	1.08%
Kot Addu Power Company Limited	-	187,500	-	-	187,500	5,480	3,778	(1,702)	0.04%	0.02%
K-Electric Limited (Par Value of Rs.3.5)	-	10,142,000	-	-	10,142,000	50,332	30,527	(19,804)	0.35%	0.10%
						621,423	515,493	(105,929)	5.86%	1.45%
Technology and communication										
Hum Network Limited (Par Value of Re.1)	10,750,000	-	-	10,750,000	-	-	-	-	0.00%	0.00%
Systems Limited	1,534,225	-	-	1,534,225	-	-	-	-	0.00%	0.00%
Avanaceon Limited	-	200,000	20,000	200,000	20,000	620	707	87	0.01%	0.01%
						620	707	87	0.01%	0.01%
Textile composite										
Gul Ahmed Textile Mills Limited	8,301,900	1,412,500	1,628,980	6,448,500	4,894,880	192,130	140,141	(51,989)	1.59%	1.14%
Kohinoor Textile Mills Limited	2,586,718	-	-	750,000	1,836,718	46,011	65,220	19,209	0.74%	3.61%
Nishat Chunian Limited	275,500	-	-	275,500	-	-	-	-	0.00%	0.00%
Nishat Mills Limited	1,221,600	-	-	1,221,600	-	-	-	-	0.00%	0.00%
Interloop Limited	3,020,110	169,000	-	298,500	2,890,610	130,289	126,956	(3,333)	1.44%	0.33%
						368,431	332,317	(36,113)	2.33%	4.75%
Total as at June 30, 2020										
						9,175,473	8,666,891	(508,581)		
Total as at June 30, 2019										
						10,385,509	8,600,528	(1,784,981)		
6.1.1 Following shares have been pledged with National Clearing Company of Pakistan Limited (NCCPL) security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by SECP:										
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2019
	----- (Number of shares) -----				----- (Rupees in '000) -----					
Oil & Gas Development Company Limited	1,000,000	1,000,000	1,000,000	1,000,000	109,000	109,000	131,490	109,000	131,490	131,490
Sui Northern Gas Pipelines Limited	200,000	-	-	-	10,920	10,920	-	10,920	-	-
The Hub Power Company Limited	2,000,000	2,000,000	2,000,000	2,000,000	145,000	145,000	157,500	145,000	157,500	157,500
	3,200,000	3,000,000	3,000,000	3,000,000	264,920	264,920	288,990	264,920	288,990	288,990

6.1.2 As at June 30, 2020, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs.3.18 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6.2 Government securities - at fair value through profit or loss

Name of security	Issue date	Face value				Balances as at June 30, 2020		
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020	Carrying Value	Market Value	Unrealised (loss) / gain
Treasury Bills								
Market Treasury Bills - 3 months	23-May-19	-	1,000,000,000	1,000,000,000	-	-	-	-
Market Treasury Bills - 3 months	18-Jul-19	-	8,450,000,000	8,450,000,000	-	-	-	-
Market Treasury Bills - 3 months	1-Aug-19	-	200,000,000	200,000,000	-	-	-	-
Market Treasury Bills - 3 months	16-Aug-19	-	1,590,000,000	1,590,000,000	-	-	-	-
Market Treasury Bills - 3 months	12-Sep-19	-	500,000,000	500,000,000	-	-	-	-
Market Treasury Bills - 3 months	26-Sep-19	-	500,000,000	500,000,000	-	-	-	-
Market Treasury Bills - 3 months	10-Oct-19	-	850,000,000	850,000,000	-	-	-	-
Market Treasury Bills - 3 months	24-Oct-19	-	1,225,000,000	1,225,000,000	-	-	-	-
Market Treasury Bills - 3 months	7-Nov-19	-	2,675,000,000	2,675,000,000	-	-	-	-
Market Treasury Bills - 3 months	19-Dec-19	-	650,000,000	650,000,000	-	-	-	-
Market Treasury Bills - 3 months	2-Jan-20	-	500,000,000	500,000,000	-	-	-	-
Market Treasury Bills - 3 months	16-Jan-20	-	2,425,000,000	2,425,000,000	-	-	-	-
Market Treasury Bills - 3 months	30-Jan-20	-	500,000,000	500,000,000	-	-	-	-
Market Treasury Bills - 3 months	27-Feb-20	-	250,000,000	250,000,000	-	-	-	-
Market Treasury Bills - 3 months	12-Mar-20	-	2,875,000,000	2,875,000,000	-	-	-	-
Market Treasury Bills - 3 months	23-Apr-20	-	6,100,000,000	6,100,000,000	-	-	-	-
Market Treasury Bills - 3 months	4-Jun-20	-	250,000,000	250,000,000	-	-	-	-
Total as at June 30, 2020								
						-	-	-
Total as at June 30, 2019								
						-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

		June 30, 2020	June 30, 2019
	Note	----- (Rupees in '000) -----	
7. DIVIDEND AND PROFIT RECEIVABLES			
Dividend receivable		16,868	22,576
Profit receivable on bank balances	7.1	1,779	7,079
		<u>18,647</u>	<u>29,655</u>

7.1 These include a profit receivable of Rs 0.921 (2019: Rs 0.365) million maintained with MCB Bank Limited, a related party

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advance tax	4,156	5,220
Security deposits with NCCPL	2,500	2,500
Security deposits with CDC	500	500
Others	7,116	1253
	<u>14,272</u>	<u>9,473</u>

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	9.1	14,075	16,417
Sales tax on remuneration payable	9.2	1,830	2,134
Expenses allocated by the Management Company	9.3	704	821
Selling and Marketing expenses	9.4	28,270	10,331
Sales load payable		169	36
		<u>45,048</u>	<u>29,739</u>

9.1 The Management Company has charged remuneration at the rate of 2.00% (2019: 2.00%) of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

9.2 Sales tax on management remuneration has been charged at the rate of 13% (2019: 13%).

9.3 During the year, the Management Company has charged actual expenses related to registrar services, accounting, operations and valuation services to the CIS as per SECP vide SRO 639 dated June 20, 2019. Previously the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is lower.

9.4 During the year, the Management Company has charged actual expenses to the extent as it has think expedient as per SECP circular 11 dated July 05, 2019. Previously, the selling and marketing expenses was allowed initially to be charged to open end equity, asset allocation and index funds upto a maximum of 0.4% per annum of net assets of the fund.

10. PAYABLE TO THE TRUSTEE

Remuneration payable	10.1	786	903
Sales tax on remuneration payable		102	117
		<u>888</u>	<u>1,020</u>

10.1 The Trustee, CDC is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Net assets value	Tariff per annum
Upto Rs.1,000,000,000	Rs.700,000 or 0.20% per annum of Net Assets whichever is higher.
On amount exceeding Rs.1,000,000,000	Rs.2,000,000 plus 0.10% on amount exceeding Rs.1,000,000,000

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.02% (2019: 0.095%) of the average daily net assets of the Fund.

	Note	June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
12. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	12.1	57,875	57,875
Federal Excise Duty payable on management remuneration	12.2	54,774	54,774
Federal Excise Duty payable on sales load		3,933	3,933
Unclaimed dividends		9,722	9,722
Brokerage payable		5,783	7,665
Auditors' remuneration		681	513
Withholding tax payable		2,177	96
Printing and related charges payable		39	40
Payable to legal advisor		119	175
Others		192	6
		<u>135,295</u>	<u>134,799</u>

12.1 Provision for Sindh Workers' Welfare Fund (SWWF)

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

There is no change in the status of SWWF as reported in note 12.1 to the annual financial statements of the Fund for the year ended June 30, 2020. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2020 would have been higher by Re.0.51 (2019: Re.0.48) per unit.

12.2 Federal Excise Duty on remuneration to the Management Company

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

On September 04, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various Asset Management Companies, together with their representatives of Collective Investment Schemes through their trustees, challenging the levy of FED.

During the previous year, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 01, 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2020 aggregates to Rs.54.77 (2019: Rs.54.77) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2020 would have been higher by Re.0.48 (2019: Re.0.45) per unit.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at the June 30, 2020 and June 30, 2019.

14. AUDITORS' REMUNERATION

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
Annual audit fee	500	459
Half yearly review fee	312	312
Other certification and services	77	77
	889	848
Sales tax	71	68
Out of pocket expenses	124	39
	<u>1,084</u>	<u>955</u>

15. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. 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. Since the Fund has incurred net loss for the year, no distribution has been made by the Fund. Accordingly, no provision for taxation has been recognized in these financial statements.

16. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations and constitutive documents of the Fund respectively.

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

16.1 Unit Holders' Fund

	June 30, 2020							
	As at July 01, 2019	Issued for cash / conversion in / transferred in Units	Redeemed / conversion out / transfer out Units	As at June 30, 2020	As at July 01, 2019	Issued for cash / conversion in / transferred in (Rupees in '000)	Redeemed / conversion out / transfer out (Rupees in '000)	As at June 30, 2020
MCB-Arif Habib Savings and Investments Limited - Management Company	3,227,917	5,126,659	6,932,037	1,422,539	255,976	389,604	565,369	110,137
Group / associated companies								
Adamjee Insurance Company Limited Employees Gratuity Fund	16,433	8,291	-	24,724	1,303	765	-	1,914
Adamjee Life Assurance Company Limited - IMF *	28,368,367	16,221,252	9,890,631	34,698,988	2,249,629	1,149,000	780,000	2,686,501
Adamjee Life Assurance Company Limited - NUIL	2,072,157	1,908,735	478,575	3,502,317	164,323	141,500	34,000	271,160
Adamjee Insurance Company Limited Employees Provident Fund Trust	32,837	16,142	-	48,978	2,604	1,489	-	3,792
D.G. Khan Cement Company Limited Employees Provident Fund Trust	199,265	-	-	199,265	15,802	-	-	15,428
Nishat Mills Employees Provident Fund Trust	6,836,556	-	6,836,556	-	542,143	-	502,923	-
Asghari Beg Memorial Trust	47,260	10	5,456	41,814	3,748	1	447	3,237
Nasim Beg	-	5,527	5,527	-	-	451	475	-
Syed Savail Meekal Hussain	37,866	59,077	-	96,943	3,003	5,000	-	7,506
Key Management Personnel	95,205	912,031	934,667	72,569	7,550	74,477	74,459	5,618
Mandate under discretionary portfolio services	4,009,707	15,848,295	16,028,481	3,829,521	317,972	1,239,795	1,222,526	296,493
Unit holders holding 10% or more	11,794,969	-	-	11,794,969	935,348	-	-	913,202
MCB-Arif Habib Savings and Investments Limited - Management Company	2,048,988	3,530,598	2,351,670	3,227,917	194,256	319,247	219,000	255,976
Group / associated companies								
Nishat Power Limited Employees Provident Fund Trust - Retirement benefit scheme of group company	10,756	34,931	45,687	-	1,020	3,216	3,933	-
Adamjee Insurance Company Limited Employees Gratuity Fund	69,360	139,287	192,214	16,433	6,576	12,440	16,818	1,303
Adamjee Life Assurance Company Limited - IMF *	19,754,721	9,962,864	1,349,218	28,368,367	1,872,858	886,091	125,000	2,249,629
Adamjee Life Assurance Company Limited - NUIL	1,409,006	729,618	66,467	2,072,157	133,582	68,000	6,000	164,323
Adamjee Insurance Company Limited Employees Provident Fund Trust	136,117	276,809	380,090	32,837	12,905	24,718	33,246	2,604
Adamjee Life Assurance Company Limited - ISF	2,108,051	1,317,348	3,425,399	-	199,855	121,510	277,163	-
D.G. Khan Cement Company Limited Employees Provident Fund Trust	199,265	-	-	199,265	18,891	-	-	15,802
Nishat Mills Employees Provident Fund Trust	2,841,551	7,530,881	3,535,877	6,836,556	269,395	691,218	331,950	542,143
Asghari Beg Memorial Trust	50,885	36	3,661	47,260	4,824	3	336	3,748
Key Management Personnel	60,419	207,132	141,138	126,413	5,728	18,569	12,686	10,025
Mandate under discretionary portfolio services	4,318,113	17,478,370	16,512,077	5,284,405	409,381	1,512,256	1,405,505	419,057

* These persons are also related party due to holding of more than 10% units of net assets of the Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
16.2 Transactions during the year:		
Management Company		
MCB Arif Habib Savings and Investments Limited		
Remuneration of the Management Company	177,041	222,717
Sindh Sales Tax on remuneration of the Trustee	23,016	28,954
Allocated expenses and related taxes	8,851	11,134
Selling and marketing expenses	99,930	44,543
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	9,852	12,136
Sindh Sales Tax on remuneration of the Trustee	1,280	1,578
Central Depository Service charges	894	756
Group / associated companies		
Arif Habib Capital Limited - Brokerage House		
Brokerage expense*	2,797	2,427
Next Capital Limited - Brokerage House		
Brokerage expense*	433	747
MCB Bank Limited		
Bank charges	94	115
Profit on balances with banks	15,233	11,574
Dividend income	22,578	40,183
Sale of securities having face value of Rs.850 million (2019: Rs.830 million)	845,432	821,851
Purchase of 3,111,142 shares (2019: 1,989,800 shares)	468,450	388,861
Sale of 3,051,900 shares (2019: 1,340,400 shares)	534,876	279,212
Nishat Mills Limited		
Dividend income	-	7,329
Sale of 1,221,600 shares (2019: 1,068,500 shares)	82,582	143,746
Nishat Chunian Limited		
Dividend income	-	1,010
Purchase of Nil shares (2019: 673,500 shares)	-	38,807
Sale of 275,500 shares (2019: 398,000 shares)	8,181	16,440
Pakgen Power Limited		
Purchase of Nil shares (2019: 15,500 shares)	-	299
Sale of Nil shares (2019: 31,000 shares)	-	547
Adamjee Insurance Company Limited		
Dividend income	3,177	-
Purchase of 3,755,000 shares (2019: Nil shares)	146,022	-
Sale of Nil shares (2019: 809,500 shares)	-	38,837
Aisha Steels Limited		
Sale of Nil shares (2019: 49,500 shares)	-	693

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
DG Khan Cement Company Limited		
Purchase of 4,803,000 shares (2019: 1,600,000 shares)	360,585	143,968
Sale of 4,803,000 shares (2019: 1,950,000 shares)	358,731	210,769
Fatima Fertilizer Company Limited		
Dividend Income	8,283	-
Purchase of Nil shares (2019: 4,548,500 shares)	-	156,621
Sale of 407,000 shares (2019: Nil shares)	10,564	-
16.3 Balances outstanding at year end:		
Management Company		
MCB - Arif Habib Savings and Investment Limited		
Remuneration payable	14,075	16,417
Sindh sales tax payable on remuneration	1,830	2,134
Sales load payable including related taxes	169	36
Payable against allocated expense	704	821
Payable against marketing and selling expenses	28,270	10,331
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	786	903
Sindh sales tax payable on remuneration	102	117
Security deposit	500	500
Group / associated companies		
MCB Bank Limited		
Bank balance**	75,729	20,569
Profit receivable on bank balances	921	365
Sales load payable	13	1
Arif Habib Limited		
Brokerage payable*	538	87
Next Capital Limited		
Brokerage payable*	12	707
MCB Bank Limited		
2,831,142 shares (2019: 2,771,900 shares)	458,843	483,558
Fatima Fertilizer Company Limited		
4,141,500 shares (2019: 4,548,500 shares)	110,702	135,773
Nishat Chunian Limited		
Nil shares (2019: 275,500 shares)	-	9,648
Nishat Mills Limited		
Nil shares (2019: 1,221,600 shares)	-	114,024
Adamjee Insurance Co. Limited		
3,755,000 shares (2019: Nil shares)	124,328	-

* The amount disclosed represents the amount of brokerage paid / payable to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter-parties are not connected persons.

** This represents balances held in current and in deposit accounts carrying mark-up at the rate from 5.50% to 8.83% (2019: 10.25%) per annum.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

June 30, 2020						
	Exposed to yield / interest rate risk					
Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to profit rate risk	Total	
	(Rupees in '000)					
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	5.50 - 8.83%	329,809	-	-	22,057	351,866
Investments classified as:						
At fair value through profit or loss						
- Listed equity securities		-	-	-	8,666,891	8,666,891
Receivable against sale of investments		-	-	-	27,085	27,085
Dividend and profit receivables		-	-	-	18,647	18,647
Advances, deposits and other receivables		-	-	-	10,116	10,116
		329,809	-	-	8,744,796	9,074,605
Financial Liabilities						
Payable to the Management Company		-	-	-	43,218	43,218
Payable to the Trustee		-	-	-	786	786
Payable against redemption of units		-	-	-	386	386
Payable against purchase of investments		-	-	-	91,477	91,477
Accrued and other liabilities		-	-	-	16,486	16,486
		-	-	-	152,353	152,353
On-balance sheet gap		329,809	-	-	8,592,443	8,922,252

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2020.

June 30, 2019						
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to profit rate risk	Total	
	Upto three months	More than three months and	More than one year			
		upto one year				
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	10.00 - 13.00%	917,408	-	-	11,672	929,080
Investments classified:						
At fair value through profit or loss - held-for-trading						
- Listed equity securities		-	-	-	8,600,528	8,600,528
Receivable against sale of investments		-	-	-	163,621	163,621
Dividend and profit receivables		-	-	-	29,655	29,655
Advances, deposits and other receivables		-	-	-	4,253	4,253
		917,408	-	-	8,809,729	9,727,137
Financial Liabilities						
Payable to the Management Company		-	-	-	27,605	27,605
Payable to the Trustee		-	-	-	903	903
Payable against redemption of units		-	-	-	386	386
Payable against purchase of investments		-	-	-	-	-
Accrued and other liabilities		-	-	-	18,121	18,121
		-	-	-	47,015	47,015
On-balance sheet gap		917,408	-	-	8,762,714	9,680,122

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2019.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

17. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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, profit rate and other price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Pension Fund Manager in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mention risks. The Board of Directors of the Pension Fund Manager has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's primary financial assets comprise of balances with banks and at fair value through profit and loss investments, comprising of equity securities of listed companies. The Fund also has dividend receivable, 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.

17.1 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 SECP, the NBFC Regulations and the NBFC Rules.

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

17.1.1 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 were carried out in Pak Rupee.

17.1.2 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

Presently, the Fund does not hold any variable profit based investment except balances with banks in deposit account exposing the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease as on June 30, 2020, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.3.27 (2019: Rs.9.17) million.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020 the Fund does not hold any fixed rate instruments, therefore, the Fund is not exposed to fair value profit rate risk.

Profit rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

17.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments and their fair values exposed to price risk as at the year end are concentrated in the sectors given in note 6.1.

The following table illustrates the sensitivity of the profit for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Fund's equity securities at each statement of assets and liabilities date, with all other variables held constant.

	June 30, 2020	June 30, 2019
	---- (Rupees in '000) ----	
Investments	<u>433,345</u>	430,026
Income statement	<u>433,345</u>	430,026

17.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The credit risk of the Fund principally arises from deposits and other receivable balances.

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.

	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
Balances with banks	351,866	929,080
Receivable against sale of investments	27,085	163,621
Dividend and profit receivables	18,647	29,655
Advances, deposits and other receivables	10,116	4,253
	<u>407,714</u>	<u>1,126,609</u>

All deposits with NCCPL and CDC are highly rated and risk of default is considered minimal.

The analysis below summarizes the credit rating quality of the Fund's financial assets as at June 30, 2020 and June 30, 2019.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
Bank balances by rating category	----- % -----	
AAA/A1+	94.08%	31.82%
AA+/A1+	5.92%	27.26%
AA-/A1+	0.00%	4.55%
A-/A2	0.00%	4.55%
A/A1	0.00%	31.83%
	<u>100.00%</u>	<u>100.00%</u>

Advances and deposits

Deposits are placed with NCCPL and 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, the management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

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 concentration of credit risk.

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.

17.3 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 availed any borrowing. As per the NBFC Regulations the maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund and bear interest at commercial rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 statement of assets and liabilities date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

June 30, 2020				
Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year	
----- (Rupees in '000) -----				
Liabilities				
Payable to the Management Company	43,218	43,218	-	-
Payable to the Trustee	786	786	-	-
Payable against redemption of units	386	386	-	-
Payable against purchase of investments	91,477	91,477	-	-
Accrued and other liabilities	16,486	16,486	-	-
	152,353	152,353	-	-

June 30, 2019				
Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year	
----- (Rupees in '000) -----				
Liabilities				
Payable to the Management Company	27,605	27,605	-	-
Payable to the Trustee	903	903	-	-
Payable against redemption of units	386	386	-	-
Accrued and other liabilities	18,121	18,121	-	-
	47,015	47,015	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

17.4 Financial instruments by category

	June 30, 2020		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
Assets			
Balances with banks	-	351,866	351,866
Investments	8,666,891	-	8,666,891
Dividend and profit receivable	-	18,647	18,647
Receivable against sale of investment	-	27,085	27,085
Advances, deposits and other receivables	-	10,116	10,116
	8,666,891	407,714	9,074,605

	June 30, 2020		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
Liabilities			
Payable to the Management Company	-	43,218	43,218
Payable to the Trustee	-	786	786
Payable against redemption of units	-	386	386
Payable against purchase of investments	-	91,477	91,477
Accrued and other liabilities	-	16,486	16,486
	-	152,353	152,353

	June 30, 2019		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
Assets			
Balances with banks	-	929,080	929,080
Investments	8,600,528	-	8,600,528
Dividend and profit receivable	-	29,655	29,655
Receivable against sale of investment	-	163,621	163,621
Advances, deposits and other receivables	-	4,253	4,253
	8,600,528	1,126,609	9,727,137

	June 30, 2019		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
Liabilities			
Payable to the Management Company	-	27,605	27,605
Payable to the Trustee	-	903	903
Payable against redemption of units	-	386	386
Accrued and other liabilities	-	18,121	18,121
	-	47,015	47,015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

18. UNIT HOLDERS' FUND RISK MANAGEMENT

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, to maintain a minimum fund size of Rs.100 million, to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

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 endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2020 and June 30, 2019, the Fund held the following instruments measured at fair values:

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
June 30, 2020				
At fair value through profit or loss	<u>8,666,891</u>	<u>-</u>	<u>-</u>	<u>8,666,891</u>
June 30, 2019				
At fair value through profit or loss	<u>8,600,528</u>	<u>-</u>	<u>-</u>	<u>8,600,528</u>

During the year ended June 30, 2020, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

The Fund has not disclosed the fair values of other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of their fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, list of top ten brokers, meetings of the Board of Directors of the management company and members of the Investment Committee are as follows:

20.1 Pattern of unit holding

Details of pattern of unit holding

	June 30, 2020			
	Number of unit holders	Number of units held	Investment Amount (Rupees in '000)	Percentage of total investments
Individuals	7,642	34,836,615	2,697,157	30.60%
Insurance companies	11	5,353,359	414,473	4.70%
Asset Management Company	1	1,422,539	110,137	1.30%
Banks / DFIs	3	39,267	3,040	0.00%
Non Banking Finance Companies (NBFCs)	7	33,568	2,599	0.00%
Retirement funds	66	22,640,850	1,752,924	19.90%
Other Companies	65	7,067,662	547,200	6.20%
Associated Companies	7	38,613,027	2,989,538	34.00%
Directors	1	1,100	85	0.00%
Others	51	3,703,591	286,743	3.30%
	7,854	113,711,578	8,803,897	100.00%

	June 30, 2019			
	Number of unit holders	Number of units held	Investment Amount (Rupees in '000)	Percentage of total investments
Individuals	7,889	39,417,599	3,125,840	32.71%
Insurance companies	15	3,138,925	248,919	2.60%
Asset Management Company	1	3,227,917	255,976	2.68%
Banks / DFIs				
Non Banking Finance	4	107,266	8,506	0.09%
Companies (NBFCs)	7	33,568	2,662	0.03%
Retirement funds	76	25,056,727	1,987,014	20.79%
Other Companies	71	7,593,255	602,150	6.30%
Associated Companies	7	37,572,874	2,979,552	31.18%
Directors	1	18,716	1,484	0.02%
Others	158	4,334,521	343,730	3.60%
	8,229	120,501,368	9,555,834	100.00%

20.2 Top ten brokers / dealers by percentage of commission paid

Details of commission paid by the fund to top ten brokers by percentage during the year are as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

		June 30, 2020 (Percentage)
1	JS Global Capital Limited	8.45%
2	Arif Habib Limited	7.94%
3	Efg Hermes Pakistan Limited	7.73%
4	Alfalah CLSA Securities (Private) Limited	6.62%
5	Foundation Securities (Private) Limited	5.74%
6	Taurus Securities Limited	5.41%
7	Top Line Securities (Private) Limited	5.34%
8	Intermarket Securities Limited	5.20%
9	Khadim Ali Shah Bukhari Securities (Private) Limited	5.06%
10	BMA Capital Management Limited	5.03%

		June 30, 2019 (Percentage)
1	JS Global Capital Limited	11.43%
2	Arif Habib Limited	10.57%
3	Alfalah CLSA Securities (Private) Limited	10.46%
4	Efg Hermes Pakistan Limited	8.94%
5	BMA Capital Management Limited	5.10%
6	Top Line Securities (Private) Limited	4.59%
7	Djm Securities Limited	4.22%
8	Icon Management (Private) Limited	4.19%
9	Intermarket Securities Limited	4.08%
10	Taurus Securities Limited	4.00%

20.3 Attendance at meetings of the Board of Directors

The 151st, 152nd, 153rd, 154th, 155th and 156th meetings of the Board of Directors were held on August 1, 2019, September 13, 2019, October 24, 2019, February 06, 2020, February 21, 2020 and April 20, 2020 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mian Muhammad Mansha*	6	1	3	151, 153 & 154
Mr. Haroun Rashid	6	5	1	154
Mr. Nasim Beg	6	6	-	-
Mr. Ahmed Jahangir	6	6	-	-
Mr. Samad A. Habib*	6	1	3	151, 153 & 154
Mr. Mirza Qamar Beg	6	6	-	-
Mr. Kashif A. Habib**	6	1	1	156
Ms. Mavra Adil Khan***	6	2	-	-
Syed Savail Meekal Hussain***	6	5	-	-
Mr. Muhammad Saqib Saleem (CEO)	6	6	-	-

* Retired on completion of term on February 06, 2020.

** New Directors elected on the Board of Directors on February 06, 2020.

***Appointment on September 04, 2019

An election of Directors was held in an EOGM conducted on February 06, 2020

wherein all retiring directors except for Mian Muhammad Mansha and Mr. Samad A. Habib were re-elected.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

20.4 Particulars of investment committee and fund manager

Detail of members of the investment committee of the Fund are as follow:

Name	Designation	Qualification	Experience in years
Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22.5
Muhammad Asim	Chief Investment Officer	MBA & CFA	17
Awais Abdul Sattar	Head of Research	MBA & CFA	8.8
Saad Ahmed	Head of Fixed Income	MBA	14.3
Muhammad Aitazaz Farooqui	Senior Analyst	MBA & CFA	7
Syed Abid Ali	Head of Equities	MBA	12
	Fund Manager Fixed Income	B.COM/ACCA	
Shoaib Kamal	– Investment Advisory	Member , CFA level 2	8.1
Muhammad Arsalan	Fund Manager-Investment Advisory	BSc	7.3
Syed Mohammad Usama Iqbal	Fund Manager	Graduate	16.3

20.5 Other funds managed by the fund manager

Syed Abid Ali is the Manager of the Fund. He is also managing MCB Pakistan Asset Allocation Fund, Pakistan Capital Market Fund, Alhamra Islamic Active Allocation Fund and Pakistan Pension Fund.

21. TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 4.14% as on June 30, 2020 (2019 is 3.22%) and this includes 0.34% (2019: 0.34%) representing Government Levy, Sindh Workers' Welfare Fund (SWWF) and SECP fee. This ratio is within the maximum limit of 4.5% capped as per S.R.O 639 (I)/2019 dated June 20, 2019 issued by SECP, in connection with NBFC Regulations 60(5) for a collective investment scheme categorised as an equity scheme.

22. GENERAL

Figures have been rounded off to the nearest thousand rupee unless otherwise specified.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 18, 2020 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2020**

No. of Unit Holders	Unit Holdings	Total Units Held
2869	001-10,000	107,571
2509	10,001 – 100,000	1,263,499
1801	100,001 – 1000,000	8,125,419
675	1000,001+	104,215,089
7854		113,711,578

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2020

Performance Information	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	8,804	9,556	10,113	11,629
Net Assets value per unit – Rupees	77.423	79.3006	94.8056	102.5017
Closing Offer Price	80.0476	81.9889	98.0195	105.9765
Closing Repurchase Price	74.7984	76.6123	94.8056	102.5017
Highest offer price per unit	84.1621	101.2954	109.4173	130.9362
Lowest offer price per unit	81.5497	80.4862	88.8802	90.7800
Highest Redemption price per unit	81.4026	97.9741	105.8297	126.6430
Lowest Redemption price per unit	78.8758	77.8472	85.966	87.7000
Distribution per unit – Rs. *	Nil	Nil	Nil	10.00
Average Annual Return - %				
One year	-2.37	-16.35	-7.51	29.54
Two year	-9.36	-11.93	11.02	29.54
Three year	-8.74	1.89	11.02	29.54
Net Income for the year – Rs. in million	(164.23)	(1,943.16)	(693.69)	2,456.63
Distribution made during the year – Rs. in million	Nil	Nil	Nil	967.09
Accumulated Capital Growth – Rs. in million	(164.23)	(1,943.16)	(693.69)	1,489.54

* Date of Distribution

2020	
Date	Rate

Nil

2019	
Date	Rate

Nil

2018	
Date	Rate

Nil

2017	
Date	Rate

June 21, 2017

10

Disclaimer

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

**PROXY ISSUED BY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

The Board of Directors of MCB - Arif Habib Savings and Investments Limited (the Management Company of the fund) has the overall responsibility for the implementation of Proxy Voting Policy and Procedures, which is available on Management Company's website (www.mcbah.com). Based on the threshold defined by the investment committee of the Management Company, the Management Company, on behalf of the Company, decided to attend and vote in the Annual General Meetings / Extra Ordinary General Meetings of certain companies and details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	28	28	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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