



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2021

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



Vision

To become synonymous with Savings

Mission

To become a preferred Saving and Investment Manager in the domestic and regional markets while maximizing stakeholders' value

Core Values

The Company takes pride in its orientation towards client service. it believes that its key success factors include continuous investment in staff, systems and capacity building and its insistence on universal best practices at all times.

CONTENTS

| | | |
|----|--|-----|
| 01 | MCB DCF Income Fund | 03 |
| 02 | Pakistan Income Fund | 57 |
| 03 | MCB Pakistan Sovereign Fund | 114 |
| 04 | Pakistan Income Enhancement Fund | 168 |
| 05 | Pakistan Cash Management Optimizer | 221 |
| 06 | MCB Cash Management Fund | 271 |
| 07 | MCB Pakistan Stock Market Fund | 317 |
| 08 | ALHAMRA Islamic Stock Fund | 371 |
| 09 | MCB Pakistan Asset Allocation Fund | 426 |
| 10 | Pakistan Capital Market Fund | 486 |
| 11 | ALHAMRA Islamic Asset Allocation Fund | 540 |
| 12 | ALHAMRA Islamic Income Fund | 592 |
| 13 | ALHAMRA Islamic Active Allocation Fund | 643 |
| 14 | MCB Pakistan Frequent Payout Fund | 717 |
| 15 | ALHAMRA Daily Dividend Fund | 770 |

MCB DCF INCOME FUND

TABLE OF CONTENTS

| | | |
|----|---|----|
| 1 | Fund's Information | 05 |
| 2 | Report of the Director of the Management Company | 06 |
| 3 | Report of the Fund Manager | 17 |
| 4 | Trustee Report to the Unit Holders | 19 |
| 5 | Independent Auditor's Report to the Unit Holders | 20 |
| 6 | Statement of Assets and Liabilities | 23 |
| 7 | Income Statement | 24 |
| 8 | Statement of Other Comprehensive Income | 25 |
| 9 | Statement of Movement in Unit Holder's Fund | 26 |
| 10 | Cash Flow Statement | 27 |
| 11 | Notes to and Forming Part of the Financial Statements | 28 |
| 12 | Pattern of Units Holding by Size | 55 |
| 13 | Performance Table | 56 |

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 |
| Audit Committee | Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain | Chairman 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 |
| 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 Shakra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com | |
| Bankers | MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Silk Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan | |
| Auditors | A.F. Ferguson & Co. Chartered Accountants (A Members Firm of PWC Network) Sate Life Building 1-C, I.I Chundrigar Road, Karachi. | |
| 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 | AM1 Asset Manager Rating assigned by PACRA | |

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **MCB DCF Income Fund** accounts review for the year ended **June 30, 2021**.

Economy and Money Market Review

Fiscal year 2021 has proven to be a positive year with respect to economic performance. Country registered a GDP growth rate of 3.94 per cent outpacing the original target of 2.1 per cent for the outgoing fiscal year. This better than expected recovery has been due to relatively lower and stable interest rates, supportive financing schemes from SBP, amnesty scheme to encourage construction sector, resumption in demand and strong inflow of remittances supporting the overall consumption growth.

The growth momentum remained strong throughout the year as reflected in the performance of various sectors. Cement sector saw an impressive comeback in local dispatches as they witnessed a growth of about 20 per cent over last year in FY21. Sales of 2 and 3 wheeler units also rose at an impressive rate of approx. 39 per cent over last year in FY21 reflecting the resilience of economy. Similarly, the demand of petrol and diesel also increased by about 12 per cent and 16 per cent respectively over last year indicating a broader recovery in economy. Overall, Large Scale Manufacturing Index (LSM) has grown by about 14.6 per cent in first eleven months of the current fiscal year led by the cyclical sectors.

On the external front, the country posted a current account deficit of USD 1.8 billion (-0.6 per cent of GDP) in the fiscal year 2021, a 58 per cent improvement when compared with last year deficit of USD 4.4 billion (-1.7 per cent of GDP). Despite a USD 30 billion deficit (about 23 per cent higher this year) on balance on trade in goods and services, current account deficit remained marginally negative due to strong inflow of workers' remittances. Remittances jumped to USD 29.4 billion, up by 27 per cent when compared with USD 23.1 billion a year back.

Inflation remained the chink in the armor for the government as rising food prices continued to create challenges for policy makers. Headline inflation represented by CPI averaged 8.9 per cent over last year, with food inflation averaging about 13 per cent during the period. The prices of perishable food items along with the price of wheat continued to advance higher as supply side disruptions and mismanagement caused the prices to soar. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 6.4 per cent for the period. Monetary Policy Committee maintained status quo throughout the year after successive cuts in previous meetings. While real interest rates remained negative, the central bank was cautious with regards to demand side pressures owing to Covid-19 as well as comfort drawn from better external position.

As the economy started to open up, tax collection also improved and grew by about 18 per cent during the fiscal year which exceeded the revised target by PKR 30 billion. Fiscal deficit for the first nine months of the period clocked in at 3.6 per cent of GDP, compared to 3.8 per cent of GDP last year. Primary balance was even better at a surplus of 1.0 per cent of GDP compared to last year surplus of 0.4 per cent of GDP.

Yield curve started to slope upward after inflation trajectory was observed to be on the rising trend. 3, 5 and 10 Year bonds saw a rise of 146 bps, 138 bps and 125 bps respectively during the period.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.66 per cent as against its benchmark return of 7.71 per cent. The WAM of the fund increased to 1.5 years because of interest rate outlook which was on a dropping trend. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 17.1 per cent invested in T-Bills, 51.9 per cent in Cash and 9.6 per cent in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2021 stood at Rs. 3,646 million as compared to Rs. 4,033 million as at June 30, 2020 registering a decrease of 9.60 per cent.

The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs.107.0518 as compared to opening NAV of Rs. 106.9649 per unit as at June 30, 2020 registering an increase of Rs. 0.0869 per unit.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. On August 13, 2021, the management, in consultation with MUFAP and after concurrence for prospective reversal of provision of SWWF from SECP, reversed the cumulative provision for SWWF recognized in the fund for the period from May 21, 2015 to August 12, 2021. Accordingly, going forward, no provision for SWWF would be recognized in the fund. This reversal of provision has contributed towards an unusual increase in NAV of the Fund on August 13, 2021. This is one-off event and is not likely to be repeated in the future. For further details, refer note 26.2 to the financial statements.

Economy & Market – Future Outlook

Growth momentum is likely to continue in the coming year given the accommodative monetary and fiscal policies. Broader economy appears to be operating close to pre-covid levels gauged by LSM growth, cement sales, auto sales, etc. We expect GDP growth to improve further in FY-22 but likely remain slightly lower from government target of 4.8 per cent for FY-22. The recent surge in commodity prices poses challenges to both to Fiscal and External Accounts. On the fiscal side, targets for revenue and development expenditures are highly unlikely to be met.

With imports resuming momentum, Current Account Deficit is expected to reach near 2.8 per cent of GDP which is likely to weaken the exchange rate to near 170 against USD by year end. Commodity prices and weaker currency are also likely to keep average inflation persistent and it may remain near 8.5 per cent. We therefore expect tightening of monetary policy later in the year and expect interest to reach up to 9 per cent by the year end.

IMF program appears to remain on hold as government chooses to further pro-growth measures over austerity based conventional IMF reforms. Focus on growing exports and stimulate domestic demand through investment in construction and housing are the hallmarks of government pro-growth strategy. Enabling environment including stable interest rates, low cost financing schemes for housing and machinery imports and avoiding further increase in power tariffs are the key initiatives in this regard. Public Sector entities and in particular energy sector still remains a thorny issue in IMF talks and continue to remain a major challenge for the government despite recent steps taken to lessen the burden on public finances. A sharp deterioration in balance of payment account may force government to succumb to IMF policy framework and thus alter the economic growth trajectory.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. On the other hand, government bonds have priced in the anticipated yield curve. We remain cautious at the current levels of bond yields and would continue to monitor the data points to capitalize on opportunities.

Mutual Fund Industry Review

The Net Assets of the open end mutual fund industry increased by about 37.2 per cent to PKR 1,018 billion in this fiscal year. Money market funds and Fixed Income funds experienced an influx of investment as corporate liquidity swiftly moving towards mutual funds. Total money market funds grew by about 48 per cent during the period to PKR 467 billion. Within the money market sphere, the conventional funds dominated as they grew by about 39 per cent to PKR 285 billion. Equity and related funds surged rapidly by 33 per cent from PKR 224 billion to PKR 299 billion over the year. Most of the rise in equity and equity linked fund assets can be attributed to a positive uptick in the market that was up approx. 38 per cent YoY owing to favorable investor sentiments.

In terms of the segment share, Money Market funds were the leader with a share of around 46 per cent, followed by Equity and Equity related funds with a share of 30 per cent and Income funds having a share of 24 per cent as at the end of the fiscal year.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

Mutual Fund Industry Outlook

Record decline in interest rates have reinstated the confidence in risk asset classes. We expect liquidity to gear up towards equity and related funds. The sustainability of liquidity will however depend on how the economy transitions through this phase of pandemic. Our operations remained seamless and given our competitive edge due to aggressive investment in digital access and online customer experience, the environment provides an opportunity with growing number of investors available online.

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 | (i) Audit Committee |
| 5. | Syed Savail Meekal Hussain | Independent Director | (i) Audit Committee (ii) HR&R* Committee |
| 6. | Mirza Qamar Beg | Independent Director | (i) Audit Committee (Chairman); and (ii) HR&R* Committee (Chairman). |
| 7. | Ms. Mavra Adil Khan | Independent Director | (i) HR&R* Committee |
| 8. | Mr. Muhammad Saqib Saleem | Executive Director | (i) 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 Board of Directors is pleased to report that:

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

- 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, 2021, 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 is the details of committee meetings held during the year ended June 30, 2021:

1. Meeting of the Audit Committee.

During the year, nine (9) 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. Mirza Qamar Beg(Chairman) | 9 | 9 | 9 | - |
| 2. Mr. Nasim Beg | 9 | 9 | 9 | - |
| 3. Mr. Ahmed Jahangir | 9 | 9 | 9 | - |
| 4. Mr. Kashif A. Habib | 9 | 9 | 9 | - |
| 5. Syed Savail Meekal Hussain | 9 | 9 | 9 | - |

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:

**REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2021**

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

- 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) | | |
| 1 | Nil | Nil | Nil | Nil | Nil |

External Auditors

The fund's external auditors, **A.F.Ferguson & Co. Chartered Accountants** have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2022. The audit committee of the Board has recommended reappointment of **A.F.Ferguson & Co. Chartered Accountants** as auditors of the fund for the year ending June 30, 2022.

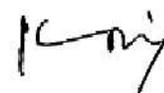
ACKNOWLEDGMENT

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
September 15, 2021



Kashif A. Habib
Director

ڈائریکٹرز رپورٹ

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے قابل قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیوں کی مسلسل معاونت اور حمایت کے لیے شکر گزار ہے۔ ڈائریکٹرز انتظامیہ ٹیم کی کاوشوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز

محمد ثاقب سلیم

محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
15 ستمبر 2021ء

کاشف اے حبیب

کاشف اے حبیب
ڈائریکٹر

ڈائریکٹرز رپورٹ

| میٹنگز کی تعداد | | | منعقدہ میٹنگز کی تعداد | نام |
|-----------------|-------|--------------|------------------------|---------------------------------|
| منظور شدہ رخصت | حاضری | مطلوبہ حاضری | | |
| - | 9 | 9 | 9 | ۲۔ مرزا محمد قمر بیگ (چیئر مین) |
| - | 9 | 9 | 9 | ۳۔ جناب نسیم بیگ |
| - | 9 | 9 | 9 | ۴۔ جناب احمد جہانگیر |
| - | 9 | 9 | 9 | ۵۔ جناب کاشف اے حبیب |
| - | 9 | 9 | 9 | ۶۔ سید سادیل میکال حسین |

۲۔ ہیومن ریسورس اینڈ ریورنیشن کمیٹی کی میٹنگ

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

| میٹنگز کی تعداد | | | منعقدہ میٹنگز کی تعداد | نام |
|-----------------|-------|--------------|------------------------|-----------------------------------|
| منظور شدہ رخصت | حاضری | مطلوبہ حاضری | | |
| - | 4 | 4 | 4 | ۱۔ جناب مرزا قمر بیگ (چیئر مین) |
| - | 4 | 4 | 4 | ۳۔ جناب احمد جہانگیر |
| - | 4 | 4 | 4 | ۴۔ جناب نسیم بیگ |
| 1 | 3 | 4 | 4 | ۵۔ محترمہ ماوراء عادل خان |
| - | 4 | 4 | 4 | ۶۔ سید سادیل میکال حسین |
| - | 4 | 4 | 4 | ۷۔ جناب محمد ثاقب سلیم (سی ای او) |

m۔ دوران سال مینجمنٹ کمیٹی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانس انٹرنل آفیسر، کمپنی سیکریٹری، اور چیف انٹرنل آڈیٹر اور ان کی اہلیہ/شوہر اور نابالغ بچوں نے فنڈ کے یونٹس میں تجارت کی۔

| نمبر شمار | نام | عہدہ | سرمایہ کاری | واپسی | ڈیویڈنڈ کی تقسیم |
|-----------|-----------|-----------|-------------|-----------|------------------|
| | | | | | یونٹس کی تعداد |
| ۱ | کوئی نہیں | کوئی نہیں | کوئی نہیں | کوئی نہیں | کوئی نہیں |

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز A.F. Ferguson & Co. چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر جاری رہنے کی رضامندی کا اظہار کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے A.F. Ferguson & Co. چارٹرڈ اکاؤنٹنٹس کی فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر دوبارہ تقرری کی سفارش پیش کی ہے۔

ڈائریکٹرز رپورٹ

* ایچ آر اینڈ آر: ہیومن ریسورس اینڈ میوزیشن

مینجمنٹ کوڈ آف کارپوریٹ گورننس میں متعین کردہ بہترین روایات کی دفعات، خصوصاً نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، کی تعمیل جاری رکھے ہوئے ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کی لسٹنگ ریگولیشنز، جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کو واضح کیا گیا ہے، کے مطابق کاروبار کرنے پر کاربند ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے پالمسرت مطلع کیا جاتا ہے کہ:

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

b. کمپنی کی درست بکنس آف اکاؤنٹس بنائی 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 پاکستان میں حتمی الاطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات، non بینکنگ فائننس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز 2003، non بینکنگ فائننس کمپنیز اینڈ نوٹیفائیڈ اینٹیلیٹرز ریگولیشنز 2008، متعلقہ ٹرسٹ ڈیڈز کی ضروریات اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی 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 ٹیکس، قانونی چارجز اور ڈیویڈنڈ (محصولات اور چنگی وغیرہ) کو (اگر کوئی ہیں تو) آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔

i. پراویڈنٹ/ گریجویٹس اور پینشن فنڈ کی سرمایہ کاریوں کی قدر کے بیان کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے؛ چنانچہ ڈائریکٹرز رپورٹ میں کوئی اظہار نہیں کیا گیا ہے۔

j. 30 جون 2021ء کو کمپنی، کوڈ کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریڈنگ پروگرام کی شرائط پر عمل پیرا ہے۔

k. این بی ایف سی ریگولیشنز کے مطابق مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ منسلک ہے۔

ا. بورڈ آف ڈائریکٹرز میٹنگ کی حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کر دی گئی ہیں۔ سال مختتمہ 30 جون 2021ء کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

ا۔ آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

ڈائریکٹرز رپورٹ

میوچل فنڈ صنعت کا جائزہ

اپن end میوچل فنڈ صنعت کے net اثاثہ جات اس مالی سال میں تقریباً 37.2 فیصد بڑھ کر 1,018 بلین روپے ہو گئے۔ منی مارکیٹ فنڈ ز اور فیکسڈ انکم فنڈز میں خطیر سرمایہ کاری ہوئی کیونکہ کارپوریٹ نقدیت تیزی سے میوچل فنڈز کی جانب بڑھ رہی ہے۔ منی مارکیٹ کے مجموعی فنڈز دوران مدت تقریباً 48 فیصد بڑھ کر 467 بلین روپے ہو گئے۔ منی مارکیٹ کے دائرہ کار میں روایتی فنڈز حاوی رہے اور تقریباً 39 فیصد بڑھ کر 285 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز میں دوران سال 33 فیصد کا بھرپور اضافہ ہوا اور وہ 224 بلین روپے سے 299 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز کے اثاثہ جات میں اضافے کا بڑا سبب سرمایہ کاروں کے مثبت جذبات کی بدولت مارکیٹ میں 38 فیصد سال در سال (YoY) ترقی کو قرار دیا جاسکتا ہے۔

شعبہ جاتی حصے کے اعتبار سے مالی سال کے اختتام پر منی مارکیٹ فنڈز تقریباً 46 فیصد حصے کے ساتھ سب سے آگے تھے، جبکہ ایکویٹی اور متعلقہ فنڈز تقریباً 30 فیصد، اور انکم فنڈز تقریباً 24 فیصد کے حامل تھے۔

میوچل فنڈ صنعت کے مستقبل کا منظر

سود کی شرحوں میں اب تک کی سب سے زیادہ کمی کی بدولت خطرات کے حامل اثاثہ جات میں اعتماد بحال ہوا ہے۔ ہم امید کرتے ہیں کہ ایکویٹی اور متعلقہ فنڈز کے شعبے میں نقدیت کی صورتحال بہتر ہوگی۔ تاہم نقدیت کی پائیداری کا انحصار اس بات پر ہوگا کہ معیشت اس وباء کے مرحلے سے کس طرح گزرتی ہے۔ ہمارے آپریشنز بلا رکاوٹ جاری رہے، اور ڈیجیٹل سہولیات اور آن لائن سہولیات میں بھرپور سرمایہ کاری کے نتیجے میں ہمیں جو سہولت حاصل ہے اس کی بدولت ہم آن لائن دستیاب سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کر سکتے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیار نافذ کرنے کے لیے پرعزم ہے۔ چار (4) نان ایگزیکٹو ڈائریکٹرز، تین (3) خود مختار ڈائریکٹرز اور ایک (1) ایگزیکٹو ڈائریکٹر پر مشتمل بورڈ، مینجمنٹ کمیٹی کی گورننگ باڈی کی حیثیت سے یونٹ حاملین کو عمدہ کارپوریٹ گورننس کے لیے جوابدہ ہے۔ بورڈ میں 1 خاتون اور 7 حضرات ڈائریکٹرز شامل ہیں۔ تفصیلات درج ذیل ہیں:

| نمبر شمار | نام | عہدہ | دیگر بورڈ کمیٹیوں میں رکنیت |
|-----------|------------------------|-----------------------|---|
| 1. | جناب ہارون راشد | نان ایگزیکٹو ڈائریکٹر | کوئی نہیں |
| 2. | جناب نسیم بیگ | نان ایگزیکٹو ڈائریکٹر | (i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی * |
| 3. | جناب احمد جہانگیر | نان ایگزیکٹو ڈائریکٹر | (i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی * |
| 4. | جناب کاشف اے حبیب | نان ایگزیکٹو ڈائریکٹر | آڈٹ کمیٹی |
| 5. | سید ساول میقال حسین | خود مختار ڈائریکٹر | (i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی * |
| 6. | جناب مرزا قمر بیگ | خود مختار ڈائریکٹر | (i) آڈٹ کمیٹی (چیئر مین)؛ اور (ii) ایچ آر اینڈ آر کمیٹی* (چیئر مین) |
| 7. | محترمہ ماوراء عادل خان | خود مختار ڈائریکٹر | ایچ آر اینڈ آر کمیٹی * |
| 8. | جناب محمد شاقب سلیم | ایگزیکٹو ڈائریکٹر | ایچ آر اینڈ آر کمیٹی * |

ڈائریکٹرز رپورٹ

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 6.66 فیصد تھا، جبکہ مقررہ معیار کا منافع 7.71 فیصد تھا۔ فنڈ کی پالوزن اوسط میچورٹی بڑھ کر 1.5 سال ہو گئی جس کا سبب سود کی شرح میں کمی کا رجحان تھا۔ زیر جائزہ مدت کے اختتام پر فنڈ کا زیادہ تر اختصاص نقد اور ٹرم فنانس سرٹیفکیٹس (ٹی ایف سی) میں تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری ٹریڈری ہلنز (ٹی ہلنز) میں 17.1 فیصد، نقد میں 51.9 فیصد اور ٹی ایف سی میں 9.6 فیصد تھی۔ نقد میں زیادہ شمولیت کی وجہ بینک ڈپازٹس پر منافع بخش شرحیں تھی۔

30 جون 2021ء کو فنڈ کے net اثاثہ جات 3,646 ملین روپے تھے جو 30 جون 2020ء کی سطح 4,033 ملین روپے کے مقابلے میں 9.60 فیصد کمی ہے۔

30 جون 2021ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 107.0518 روپے تھی جو 30 جون 2020ء کو ابتدائی این اے وی 106.9649 روپے فی یونٹ کے مقابلے میں 0.0869 روپے فی یونٹ اضافہ ہے۔

ایس آر بی نے اپنے خط مورخہ 12 اگست 2021ء کے ذریعے، جو MUFAP کو 13 اگست 2021ء کو موصول ہوا، MUFAP کو مطلع کر دیا ہے کہ میوچل فنڈ ز مالیاتی اداروں / صنعتی اسٹیبلشمنٹس کے طور پر اہل نہیں ہیں اور چنانچہ SWWF کے شراکتی حصے ان پر واجب الاداء نہیں ہیں۔ 13 اگست 2021ء کو انتظامیہ نے MUFAP سے مشورے کے بعد اور ایس ای سی پی سے SWWF کے پراویژن کی متوقع تقلیب پر اتفاق رائے کے بعد فنڈ میں 12 اگست 2021ء کی مدت تک کے لیے کیے گئے SWWF کے مجموعی پراویژن کی تقلیب کر دی ہے۔ چنانچہ آئندہ فنڈ میں SWWF کے لیے کوئی پراویژن نہیں کیا جائے گا۔ پراویژن کی تقلیب کے باعث 13 اگست 2021ء کو فنڈ کی net اثاثہ جاتی قدر (این اے وی) میں غیر معمولی اضافہ ہوا۔ یہ واقعہ صرف ایک مرتبہ ہوا ہے اور اس کے دوبارہ ہونے کا امکان نہیں ہے۔ مزید تفصیلات کے لیے مالیاتی گوشواروں کا نوٹ 26.2 ملاحظہ فرمائیے۔

معیشت اور بازار - مستقبل کا منظر

سہل مالیاتی پالیسیوں کے سبب آنے والے سال میں ترقی کی رفتار جاری رہنے کا امکان ہے۔ وسیع تر معیشت قبل از کووڈ سطحوں کے قریب چلتی ہوئی نظر آرہی ہے جس کی پیشکش ایل ایس ایم میں ترقی، سیمنٹ کی فروخت، گاڑیوں کی فروخت وغیرہ سے ہوتی ہے۔ ہم امید کرتے ہیں کہ جی ڈی پی میں مالی سال 2022ء میں مزید ترقی ہوگی لیکن حکومتی ہدف 4.8 فیصد سے کچھ کم رہے گی۔ اشیاء کی قیمتوں میں حالیہ اضافے نے مالیاتی اور خارجی، دونوں اکاؤنٹس کے لیے مشکلات پیدا کی ہیں۔ مالیاتی جہت میں آمدنی اور ترقیاتی اخراجات کے اہداف کا پورا ہونا بہت مشکل ہے۔ درآمدات کی رفتار میں بحالی سے کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے تقریباً 2.8 فیصد پہنچ جانے کی امید ہے جس کے باعث اختتام سال تک زرمبادلہ کی شرح کمزور ہو کر تقریباً 170 ڈالر ہونے کا امکان ہے۔ اشیاء کی قیمتیں اور کمزور روپیہ بھی اوسط افراط زر کو برقرار رکھنے کا سبب بن سکتے ہیں جو تقریباً 8.5 فیصد ہو سکتی ہے۔ چنانچہ دوران سال آگے چل کر مالیاتی پالیسی میں سختی متوقع ہے اور اختتام سال تک سود کے 9 فیصد تک پہنچ جانے کا امکان ہے۔

آئی ایم ایف پروگرام بظاہر تعطل کا شکار ہے کیونکہ حکومت کفایت شعاری پر مبنی روایتی آئی ایم ایف اصلاحات پر ترقی پسندانہ اقدامات میں توسیع کو ترجیح دے رہی ہے۔ تعمیرات اور رہائش کے شعبوں میں سرمایہ کاری کے ذریعے برآمدات میں اضافے اور مقامی طلب کو متحرک کرنے پر توجہ کا ارتکاز حکومت کی ترقی پسندانہ حکمت عملی کے سنگ میل ہیں۔ اس ضمن میں کلیدی اقدامات میں سازگار ماحول بشمول سود کی مستحکم شرحیں، رہائش اور مشینوں کی درآمدات کے لیے رقم مہیا کرنے کی کم لاگت اسکیمیں، اور بجلی کی محصولات میں مزید اضافے سے احتراز شامل ہیں۔ پبلک سیکٹر میں قوم کی فراہمی پر بوجھ میں کمی کے حالیہ حکومتی اقدامات کے باوجود پبلک سیکٹر کے ادارے اور خاص طور پر توانائی کا شعبہ تاحال آئی ایم ایف مذاکرات میں ایک تلخ مسئلہ اور حکومت کے لیے ایک بڑا چیلنج بنا ہوا ہے۔ ادائیگی کے توازن کے اکاؤنٹ میں تیزی سے ہونے والا بگاڑ حکومت کو آئی ایم ایف پالیسی کے ڈھانچے کے سامنے ہتھیار ڈالنے پر مجبور کر سکتا ہے جس کے نتیجے میں معاشی ترقی کی رفتار میں تبدیلی آسکتی ہے۔

قرض حاملین کے لیے ہم توقع کرتے ہیں کہ بازار زر کے فنڈ سال بھر بلا رکاوٹ پالیسی شرحوں کی عکاسی جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز متوقع پیداواری ختم میں شامل ہو چکے ہیں۔ ہم بانڈز کے منافعوں کی موجودہ سطحوں کے حوالے سے محتاط ہیں اور ڈیٹا کے نکات کی نگرانی جاری رکھیں گے تاکہ مواقع سے فائدہ اٹھایا جاسکے۔

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی ڈی سی ایف انکم فنڈ کے گوشواروں مختتمہ 30 جون 2021ء کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا جائزہ

مالی سال 2021ء معاشی کارکردگی کے اعتبار سے مثبت سال ثابت ہوا ہے۔ مجموعی ملکی پیداوار (جی ڈی پی) اس سال کے ہدف (2.1 فیصد) سے سبقت لے گئی اور اس میں 3.94 فیصد ترقی ہوئی۔ اس توقع سے بہتر کارکردگی کے اسباب سود کی نسبتاً کم اور مستحکم شرحیں، اسٹیٹ بینک آف پاکستان (ایس بی پی) کی معاونتی مالیاتی اسکیمیں، شعبہ تعمیرات کی حوصلہ افزائی کے لیے ایمسنٹی اسکیم، طلب میں بحالی اور کھپت میں مجموعی ترقی کے لیے معاون ثابت ہونے والی ترسیلات کی مضبوط آمد ہیں۔

ترقی کی رفتار سال بھر تیز رہی جس کی عکاسی مختلف شعبوں کی کارکردگی کے ذریعے ہوتی ہے۔ سہنٹ کے شعبے میں مقامی ترسیلات میں متاثر کن بحالی ہوئی اور ان میں سال گزشتہ کے مقابلے میں تقریباً 20 فیصد ترقی ہوئی۔ 2 اور 3 چھتوں والی گاڑیوں کی فروخت میں بھی تقریباً 39 فیصد کا متاثر کن ترقی ہوئی جس سے معیشت میں لچک کی عکاسی ہوتی ہے۔ اسی طرح، پٹرول اور ڈیزل کی طلب میں سال گزشتہ کے مقابلے میں بالترتیب 12 فیصد اور 16 فیصد اضافہ ہوا جس سے معیشت میں وسیع تر بحالی کی نشاندہی ہوتی ہے۔ مجموعی طور پر بڑے پیمانے پر ہونے والی مینوفیکچرنگ (ایل ایس ایم) کے انڈیکس میں گزشتہ شعبوں کی بدولت موجودہ مالی سال کے پہلے گیارہ ماہ میں تقریباً 14.6 فیصد ترقی ہوئی ہے۔

خارجی میدان میں مالی سال 2021ء میں کرنٹ اکاؤنٹ کا خسارہ 1.8 بلین ڈالر (جی ڈی پی کا 0.6- فیصد) تھا جو گزشتہ سال کے خسارے 4.4 بلین ڈالر (جی ڈی پی کے 1.7- فیصد) کے مقابلے میں 58 فیصد بہتری ہے۔ اشیاء اور خدمات میں تجارت پر بقایا پر 30 بلین ڈالر خسارے (اس سال تقریباً 23 فیصد زیادہ) کے باوجود کارکنان کی ترسیلات کی مضبوط آمد کے سبب کرنٹ اکاؤنٹ خسارہ معمولی منفی رہا۔ ترسیلات بڑھ کر 29.4 بلین ڈالر ہو گئیں جو سال گزشتہ کی سطح 23.1 بلین ڈالر کے مقابلے میں 27 فیصد اضافہ ہے۔

افراط زر حکومت کی دکھتی رگ بنی رہی کیونکہ اشیائے خورد و نوش کی بڑھتی ہوئی قیمتوں کے باعث پالیسی ساز مشکلات کا شکار رہے۔ مجموعی افراط زر، جس کی ترجمانی صارفین کی قیمت کے انڈیکس (سی پی آئی) سے ہوتی ہے، کا اوسط سال گزشتہ سے 8.9 فیصد زیادہ تھا، جبکہ اشیائے خورد و نوش کے افراط زر کا اوسط دوران مدت 13 فیصد تھا۔ رسد کی جہت میں مسائل اور بدانتظامی کے باعث جلد خراب ہو جانے والی اشیائے خورد و نوش اور گندم کی قیمتوں میں اضافہ جاری رہا۔ اس کے باوجود بنیادی افراط زر، جس کی پیمائش اشیائے خورد و نوش اور توانائی کے علاوہ سے ہوتی ہے، قابو میں تھی اور اس کا اوسط برائے مدت 6.4 فیصد تھا۔ مانیٹری پالیسی کمیٹی (ایم پی سی) نے گزشتہ اجلاسوں میں پے در پے کٹوتیوں کے بعد صورتحال کو برقرار رکھا۔ اگرچہ حقیقی سود کی شرح منفی رہی لیکن مرکزی بینک کو وڈ کے باعث طلب کی جہت پر پڑنے والے دباؤ اور بہتر خارجی صورتحال کی بدولت پیدا ہونے والی سہولت کے حوالے سے محتاط تھا۔ معیشت کے مستحکم ہونے کے آغاز کے ساتھ ٹیکس وصولی بھی بہتر ہوئی اور اس میں دوران مالی سال 18 فیصد اضافہ ہوا جو نظر ثانی شدہ ہدف سے 30 بلین روپے زیادہ تھا۔ ابتدائی نو ماہ کا مالیاتی خسارہ جی ڈی پی کا 3.6 فیصد تھا جبکہ سال گزشتہ جی ڈی پی کا 3.8 فیصد تھا۔ بنیادی توازن جی ڈی پی کے 1.0 فیصد زائد کے ساتھ مزید بہتر رہا جبکہ سال گزشتہ جی ڈی پی کا 0.4 فیصد تھا۔

افراط زر میں اضافے کے رجحان کے سبب پیداواری خم بلندی کی طرف جانا شروع ہو گیا۔ دوران مدت تین، پانچ اور دس سالہ بانڈز میں بالترتیب 146، 138 اور 125 بیسیس پوائنٹس (بی پی ایس) کا اضافہ ہوا۔

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2021

Fund Type and Category

MCB DCF Income Fund (MCB DCFIF) is an open-end Income scheme, which falls under the category of Income Scheme.

Fund Benchmark

The benchmark for MCB DCFIF is Six(6) months KIBOR rates.

Investment Objective

To deliver superior fixed income returns by investing in an optimal mix of authorized debt instruments while taking into account capital security and liquidity consideration.

Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in medium to long term assets. The fund may also invest a portion of the Fund in money market and short term instruments in order to provide liquidity to Unit Holders at the same time.

Manager's Review

During the period under review, the fund generated an annualized return of 6.66% as against its benchmark return of 7.71%. The WAM of the fund increased to 1.5 years. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 17.1% invested in T-Bills, 51.9% in Cash and 9.6% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2021 stood at Rs. 3,646 million as compared to Rs. 4,033 million as at June 30, 2020 registering a decrease of 9.6%.

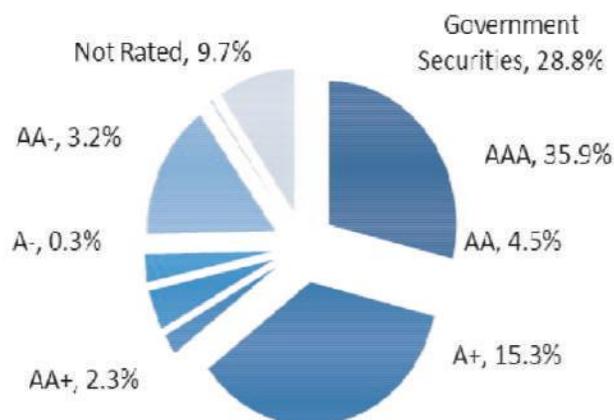
The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs.107.0518 as compared to opening NAV of Rs. 106.9649 per unit as at June 30, 2020 registering an increase of Rs. 0.0869 per unit.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2021

Asset Allocation as on June 30, 2021 (% of total assets)

| Asset Allocation (%age of Total Assets) | Jun-21 |
|---|--------|
| Cash | 51.9% |
| TFCs/Sukuks | 9.6% |
| Government Backed / Guaranteed Securities | 0.0% |
| GOP Ijara Sukuk | 0.6% |
| PIBS | 11.1% |
| T-Bills | 17.1% |
| Spread Transactions | 0.8% |
| Others including receivables | 8.0% |
| Margin Trading | 0.9% |

Asset Quality as of June 30, 2021 (% of total assets)



Mr. Saad Ahmed
Fund Manager

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahr-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME FUND

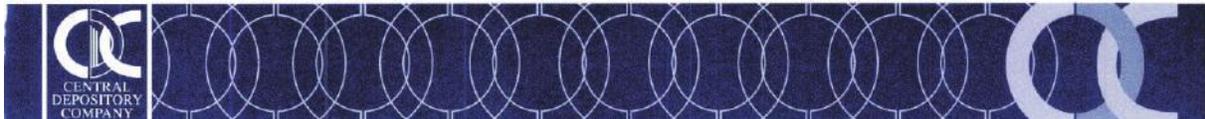
Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB DCF Income 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, 2021 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 09, 2021



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of MCB DCF Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MCB DCF Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement 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 give a true and fair view of the financial position of the Fund as at June 30, 2021, 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 is the key audit matter:

| S. No. | Key Audit Matter | How the matter was addressed in our audit |
|--------|--|--|
| 1 | Net Asset Value (NAV) (Refer notes 4 and 5 to the annexed financial statements) Balances with banks and Investments constitute the most significant components of the NAV. Balances with banks of the Fund as at June 30, 2021 aggregated to Rs 3,014.318 million and Investments amounted to Rs 2,278.357 million. The existence of balances with banks and the existence and proper valuation of Investments for the determination of NAV of the Fund as at June 30, 2021 was considered a high risk area and therefore, we considered this as a key audit matter. | Our audit procedures amongst others included the following: <ul style="list-style-type: none">tested the design and operating effectiveness of the key controls for valuation of investments;obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2021 and traced them to the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; |

AFCO

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

| S. No. | Key Audit Matter | How the matter was addressed in our audit |
|--------|------------------|--|
| | | <ul style="list-style-type: none">re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; andobtained bank reconciliation statements and tested reconciling items on a sample basis. |

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 auditor's 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.

Responsibilities of Management and Board of Directors of the Management Company 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.

Board of directors of the management company is 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.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

3



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- 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.
- 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 board of directors of the management company 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 board of directors of the management company 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 board of directors of the management company, 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

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.


Chartered Accountants
Karachi

Date: September 23, 2021

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2021**

| | Note | June 30, 2021 | June 30, 2020 |
|--|------|-------------------------------|-------------------|
| | | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| Balances with banks | 4 | 3,014,318 | 1,643,631 |
| Investments | 5 | 2,278,357 | 3,437,545 |
| Mark-up, dividend and other receivables | 6 | 34,325 | 33,893 |
| Receivable against margin trading system | | 49,596 | - |
| Receivable against sale of investments | | 386,229 | - |
| Advances, deposits and prepayments | 7 | 47,070 | 145,206 |
| Total assets | | 5,809,895 | 5,260,275 |
| LIABILITIES | | | |
| Payable to MCB-Arif Habib Savings & Investments Limited - Management Company | 8 | 10,064 | 11,493 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | 280 | 317 |
| Payable to the Securities and Exchange Commission of Pakistan | 10 | 807 | 887 |
| Payable against purchase of investments | | 1,965,915 | 1,046,022 |
| Accrued and other liabilities | 11 | 186,879 | 168,781 |
| Total liabilities | | 2,163,945 | 1,227,500 |
| NET ASSETS | | 3,645,950 | 4,032,775 |
| Unit holders' fund (as per statement attached) | | 3,645,950 | 4,032,775 |
| Contingencies and commitments | 12 | | |
| | | ----- (Number of units) ----- | |
| NUMBER OF UNITS IN ISSUE | | 34,057,826 | 37,701,847 |
| | | ----- (Rupees) ----- | |
| NET ASSET VALUE PER UNIT | 3.7 | 107.0518 | 106.9649 |

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

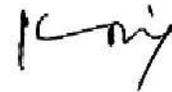
For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

| | Note | For the year ended | |
|---|---------|--------------------|------------------|
| | | June 30, 2021 | June 30, 2020 |
| ----- (Rupees in '000) ----- | | | |
| INCOME | | | |
| Net gain on sale of investments | | 33,545 | 69,071 |
| Profit on bank deposits and term deposit receipts | | 88,124 | 113,700 |
| Income from government securities | | 82,303 | 239,956 |
| Income from term finance certificates and sukuk certificates | | 79,129 | 174,674 |
| Dividend income | | 34,279 | 36,584 |
| Income / (loss) from spread transactions - net | 5.1.2.1 | 35,017 | (23,335) |
| Net gain on sale of investments | | 5,405 | 3,413 |
| Profit on margin trading system | | 12,479 | - |
| Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss' - net | 5.1.8 | 16,335 | (10,929) |
| Other income | | 925 | - |
| Total income | | 387,541 | 603,134 |
| EXPENSES | | | |
| Remuneration of MCB-Arif Habib Savings & Investments Limited - Management Company | 8.1 | 60,510 | 66,559 |
| Sindh sales tax on remuneration of the Management Company | 8.2 | 7,866 | 8,653 |
| Allocated expenses | 8.3 | 4,034 | 4,437 |
| Selling and marketing expenses | 8.4 | 15,732 | 13,977 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 9.1 | 3,026 | 3,328 |
| Sindh sales tax on remuneration of the Trustee | 9.2 | 393 | 433 |
| Annual fee to the Securities and Exchange Commission of Pakistan | 10.1 | 807 | 887 |
| Auditors' remuneration | 13 | 816 | 857 |
| Brokerage, settlement and bank charges | | 28,951 | 7,356 |
| Legal and professional charges | | 936 | 94 |
| Fees and subscription | | 771 | 662 |
| Printing and related costs | | 36 | 41 |
| Total expenses | | (123,878) | (107,284) |
| Net income from operating activities | | 263,663 | 495,850 |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 11.1 | (5,273) | (9,917) |
| Net income for the year before taxation | | 258,390 | 485,933 |
| Taxation | 14 | - | - |
| Net income for the year after taxation | | 258,390 | 485,933 |
| Earnings per unit | 3.13 | - | - |
| <i>Allocation of net income for the year:</i> | | | |
| Net income for the year after taxation | | 258,390 | 485,933 |
| Income already paid on units redeemed | | (67,853) | (85,981) |
| | | 190,537 | 399,952 |
| <i>Accounting income available for distribution:</i> | | | |
| - Relating to capital gains | | 35,874 | 48,304 |
| - Excluding capital gains | | 154,663 | 351,648 |
| | | 190,537 | 399,952 |

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

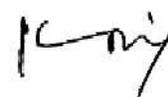
For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021**

| | For the year ended | |
|--|------------------------------|------------------|
| | June 30, 2021 | June 30, 2020 |
| | ----- (Rupees in '000) ----- | |
| Net income for the year after taxation | 258,390 | 485,933 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | 258,390 | 485,933 |

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

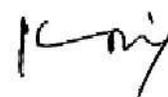
For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2021

| | June 30, 2021 | | | June 30, 2020 | | |
|---|------------------|----------------------|------------------|------------------|----------------------|------------------|
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| ----- (Rupees in '000) ----- | | | | | | |
| Net assets at beginning of the year | 3,623,649 | 409,126 | 4,032,775 | 3,539,191 | 394,254 | 3,933,445 |
| Issuance of 127,150,311 units (2020: 130,749,577 units) | | | | | | |
| - Capital value (at ex-net assets value per unit at the beginning of the year) | 13,600,620 | - | 13,600,620 | 13,931,922 | - | 13,931,922 |
| - Element of income | 214,613 | - | 214,613 | 1,094,770 | - | 1,094,770 |
| | 13,815,233 | - | 13,815,233 | 15,026,692 | - | 15,026,692 |
| Redemption of 130,794,332 units (2020: 129,962,685 units) | | | | | | |
| - Capital value (at ex-net assets value per unit at the beginning of the year) | 13,990,403 | - | 13,990,403 | 13,848,075 | - | 13,848,075 |
| - Element of loss | 180,944 | 67,853 | 248,797 | 1,062,922 | 85,981 | 1,148,903 |
| | 14,171,347 | 67,853 | 14,239,200 | 14,910,997 | 85,981 | 14,996,978 |
| Total comprehensive income for the year | - | 258,390 | 258,390 | - | 485,933 | 485,933 |
| Interim distribution for the year ended June 30, 2021 @ Rs 7.0333 per unit on June 25, 2021 | - | (188,284) | (188,284) | - | - | - |
| Refund of capital for the year ended June 30, 2021 | (32,964) | - | (32,964) | - | - | - |
| Final distribution for the year ended June 30, 2020 @ Rs 12.0476 per unit on June 30, 2020 | - | - | - | - | (385,080) | (385,080) |
| Refund of capital for the year ended June 30, 2020 | - | - | - | (31,237) | - | (31,237) |
| Total distributions during the year | (32,964) | (188,284) | (221,248) | (31,237) | (385,080) | (416,317) |
| Net assets at end of the year | <u>3,234,571</u> | <u>411,379</u> | <u>3,645,950</u> | <u>3,623,649</u> | <u>409,126</u> | <u>4,032,775</u> |
| Undistributed income brought forward comprising of: | | | | | | |
| - Realised | 420,055 | | | 407,880 | | |
| - Unrealised | (10,929) | | | (13,626) | | |
| Undistributed income brought forward | 409,126 | | | 394,254 | | |
| Accounting income available for distribution: | | | | | | |
| - Relating to capital gains | 35,874 | | | 48,304 | | |
| - Excluding capital gains | 154,663 | | | 351,648 | | |
| | 190,537 | | | 399,952 | | |
| Distributions during the year | (188,284) | | | (385,080) | | |
| Undistributed income carried forward | <u>411,379</u> | | | <u>409,126</u> | | |
| Undistributed income carried forward comprising of: | | | | | | |
| - Realised | 395,044 | | | 420,055 | | |
| - Unrealised | 16,335 | | | (10,929) | | |
| | <u>411,379</u> | | | <u>409,126</u> | | |
| | (Rupees) | | | (Rupees) | | |
| Net asset value per unit at the beginning of the year | <u>106.9649</u> | | | <u>106.5542</u> | | |
| Net asset value per unit at the end of the year | <u>107.0518</u> | | | <u>106.9649</u> | | |

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

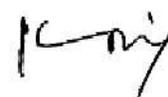
For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

| Note | For the year ended | |
|--|--------------------|------------------|
| | June 30, 2021 | June 30, 2020 |
| ----- (Rupees in '000) ----- | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year before taxation | 258,390 | 485,933 |
| Adjustments for: | | |
| Dividend income | (34,279) | (36,584) |
| Provision for Sindh Workers' Welfare Fund (SWWF) | 5,273 | 9,917 |
| (Income) / loss from spread transactions - net | (35,017) | 23,335 |
| Unrealised appreciation / (diminution) on re-measurement of investments 'financial assets at fair value through profit or loss' - net | (16,335) | 10,929 |
| | 178,032 | 493,530 |
| Decrease / (Increase) in assets | | |
| Investments - net | 1,210,716 | (1,259,535) |
| Mark-up, dividend and other receivables | 483 | 14,100 |
| Receivable against margin trading system | (49,596) | - |
| Receivable against sale of investments | (386,229) | 22,840 |
| Advances, deposits and prepayments | 98,136 | (101,281) |
| | 873,510 | (1,323,876) |
| (Decrease) / Increase in liabilities | | |
| Payable to MCB-Arif Habib Savings & Investments Limited - Management Company | (1,429) | 5,375 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | (37) | (68) |
| Payable to the Securities and Exchange Commission of Pakistan (SECP) | (80) | (2,052) |
| Payable against purchase of investments | 919,893 | 1,041,579 |
| Accrued and other liabilities | 12,825 | (33,523) |
| | 931,172 | 1,011,311 |
| Dividends received | 33,363 | 37,158 |
| Net cash generated from operating activities | 2,016,078 | 218,123 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts from issuance of units - net of refund of capital | 13,782,269 | 14,995,455 |
| Net payments on redemption of units | (14,239,200) | (14,996,978) |
| Dividend paid | (188,284) | (385,080) |
| Net cash used in financing activities | (645,215) | (386,603) |
| Net increase / (decrease) in cash and cash equivalents during the year | 1,370,863 | (168,480) |
| Cash and cash equivalents at beginning of the year | 2,640,913 | 2,809,393 |
| Cash and cash equivalents at end of the year | 15 4,011,776 | 2,640,913 |

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

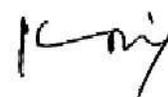
For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB DCF Income Fund (the Fund) was established under a Trust Deed dated November 20, 2006 executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme on November 7, 2006 consequent to which the trust deed was executed on November 10, 2006 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open ended mutual fund and has been categorised as "Income 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 Limited.
- 1.4 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of its funds in medium term assets in order to provide higher return to unit holders.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1 dated October 06, 2020 to the Management Company and a stability rating of 'AA-(f)' dated March 09, 2021 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.
- 1.7 The Trust Act, 1882 has been repealed due to promulgation of Provincial Trust Act "Sindh Act 2020" as empowered under the Eighteenth Amendment to the Constitution of Pakistan. Various new requirements including registration under the Trust Act have been introduced. The Management Company to fulfil the requirement for registration of Trust Deed under Sindh Trusts Act 2020, has submitted the Collective Investment Scheme Trust Deed to the Registrar (acting under Sindh Trusts Act 2020).

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRSs, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which are measured at fair value.

2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2020. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

| Amendments | Effective date (accounting periods beginning on or after) |
|--|---|
| - IAS 1 - 'Presentation of financial statements' (amendment) | January 1, 2023 |
| - IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment) | January 1, 2023 |

These amendments may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund .

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting period beginning on or after July 1, 2021 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

2.5 Critical accounting estimates and judgements

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5), provision for SWWF (note 11.1), provision for FED (note 11.2) and provision for taxation (notes 3.12 and 14).

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts and other short-term highly liquid investments with original maturities of three months or less.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost
- at fair value through other comprehensive income “(FVOCI)”
- at fair value through profit or loss (FVTPL) based on the business model of the entity

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore, the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

3.3.1.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the “Statement of Assets and Liabilities” at fair value, with gains and losses recognised in the “Income Statement”, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.

3.3.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments as per Circular 33 of 2012) carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted around that is determined by evaluating a range of possible out comes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

3.3.2.1 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

3.3.3 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

3.3.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.6 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial 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.

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 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 of the day when the application is received. The offer price represents the Net Asset Value (NAV) of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption applications during business hours on that date. The redemption price represents the NAV per unit as on the close of business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

Element of income represents the difference between net asset value per unit on the issuance or redemption date, as the case may be, of units and the net asset value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis using the effective yield rate method.
- Income on government securities is recognised on an accrual basis using the effective yield rate method.
- Income on debt securities (including term finance certificates and sukuks) is recognised on an accrual basis using the effective yield method, except for the securities which are classified as non-performing asset under Circular No. 33 of 2012 issued by the SECP for which the income is recorded on cash basis.
- Dividend income is recognised when the Fund's right to receive the same is established.
- Profit on margin trading system is recognised on an accrual basis using the effective yield rate method.
- Unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.
- Other income is recognised on an accrual basis using the effective yield rate method.

3.11 Expenses

All expenses including management fee, trustee fee, the Securities and Exchange Commission of Pakistan fee and allocated expenses are recognised in the Income Statement on accrual basis.

3.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on enacted tax rates.

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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders in cash. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

3.13 Earnings per unit

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

3.14 Distribution to units holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the 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.

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

3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

| | Note | June 30, 2021 | June 30, 2020 |
|---|---|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 4. BALANCES WITH BANKS | | | |
| Current accounts | | 39 | 21,598 |
| Savings accounts | 4.1 | 3,014,279 | 1,622,033 |
| | 4.2 | 3,014,318 | 1,643,631 |
| 4.1 | These carry profit at the rates ranging from 5.5% to 8.5% per annum (2020: 4.5% to 14.45% per annum). | | |
| 4.2 | This includes balances with related parties of Rs. 0.602 million (2020: Rs. 22.634 million) maintained with MCB Bank Limited and Rs. 0.010 million (2020:Rs. 0.011 million) maintained with MCB Islamic Bank Limited. | | |
| 5. INVESTMENTS | | | |
| 5.1 Investments at fair value through profit or loss | | | |
| Government securities | 5.1.1 | 1,677,862 | 2,167,473 |
| Listed equity securities | 5.1.2 | 43,725 | 325,426 |
| Listed debt securities | 5.1.3 | - | 333,290 |
| Unlisted debt securities | 5.1.4 | 555,267 | 614,897 |
| Future stock contracts | | 1,503 | (3,541) |
| | | 2,278,357 | 3,437,545 |
| 5.1.1 Government securities | | | |
| Market Treasury Bills | 5.1.1.1 | 997,458 | 1,073,409 |
| Pakistan Investment Bonds | 5.1.1.2 | 642,679 | 406,133 |
| Government Debt securities | 5.1.1.3 | 37,725 | 687,931 |
| | | 1,677,862 | 2,167,473 |
| 5.1.1.1 Market Treasury Bills | | | |

| Name of security | Note | Date of issue | Face Value | | | | As at June 30, 2021 | | | Market value as a percentage of | |
|--------------------------------------|------|---------------|---------------------|---------------------------|--------------------------------|---------------------|---------------------|--------------|-----------------|---------------------------------|-------------------|
| | | | As at July 01, 2020 | Purchased during the year | Sold / matured during the year | As at June 30, 2021 | Carrying Value | Market value | Unrealised gain | Net assets | Total investments |
| ----- (Rupees in '000) ----- % ----- | | | | | | | | | | | |

Market Treasury Bills

| | | | | | | | | | | |
|--------------------------------|--------------------|-----------|-----------|-----------|-----------|---------|---------|----|-------|-------|
| - 3 months | April 23, 2020 | 1,000,000 | - | 1,000,000 | - | - | - | - | - | - |
| - 3 months | July 2, 2020 | - | 150,000 | 150,000 | - | - | - | - | - | - |
| - 3 months | June 3, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 3 months | December 3, 2020 | - | 3,075,000 | 3,075,000 | - | - | - | - | - | - |
| - 3 months | June 4, 2020 | - | 250,000 | 250,000 | - | - | - | - | - | - |
| - 3 months | November 5, 2020 | - | 2,475,000 | 2,475,000 | - | - | - | - | - | - |
| - 3 months | May 6, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 3 months | April 8, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 3 months | October 8, 2020 | - | 2,000,000 | 2,000,000 | - | - | - | - | - | - |
| - 3 months | September 10, 2020 | - | 1,500,000 | 1,500,000 | - | - | - | - | - | - |
| - 3 months | February 11, 2021 | - | 800,000 | 800,000 | - | - | - | - | - | - |
| - 3 months | March 11, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 3 months | January 14, 2021 | - | 1,350,000 | 1,350,000 | - | - | - | - | - | - |
| - 3 months | July 16, 2020 | - | 1,875,000 | 1,875,000 | - | - | - | - | - | - |
| - 3 months | June 17, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 3 months | December 17, 2020 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 3 months | June 18, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 3 months | November 19, 2020 | - | 525,000 | 525,000 | - | - | - | - | - | - |
| - 3 months | May 20, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 3 months | April 22, 2021 | - | 5,500,000 | 4,500,000 | 1,000,000 | 997,444 | 997,458 | 14 | 27.36 | 43.78 |
| - 3 months | September 24, 2020 | - | 2,400,000 | 2,400,000 | - | - | - | - | - | - |
| - 3 months | February 25, 2021 | - | 4,374,900 | 4,374,900 | - | - | - | - | - | - |
| - 3 months | March 25, 2021 | - | 75,000 | 75,000 | - | - | - | - | - | - |
| - 3 months | December 31, 2020 | - | 3,100,000 | 3,100,000 | - | - | - | - | - | - |
| - 3 months | August 27, 2020 | - | 2,500,000 | 2,500,000 | - | - | - | - | - | - |
| Balance carried forward | | | | | | 997,444 | 997,458 | 14 | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

| Name of security | Note | Date of issue | Face Value | | | | As at June 30, 2021 | | | Market value as a percentage of | |
|--|------|--------------------|---------------------|---------------------------|--------------------------------|---------------------|---------------------|--------------|-----------------|---------------------------------|-------------------|
| | | | As at July 01, 2020 | Purchased during the year | Sold / matured during the year | As at June 30, 2021 | Carrying Value | Market value | Unrealised gain | Net assets | Total investments |
| | | | | | | (Rupees in '000) | | | % | | |
| Balance brought forward | | | | | | | 997,444 | 997,458 | 14 | | |
| Market Treasury Bills | | July 2, 2020 | - | 75,000 | 75,000 | - | - | - | - | - | - |
| - 6 months | | May 6, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 6 months | | April 8, 2021 | - | 2,700,000 | 2,700,000 | - | - | - | - | - | - |
| - 6 months | | September 10, 2020 | - | 340,000 | 340,000 | - | - | - | - | - | - |
| - 6 months | | July 16, 2020 | - | 8,625,000 | 8,625,000 | - | - | - | - | - | - |
| - 6 months | | June 17, 2021 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| - 6 months | | June 18, 2020 | - | 3,265,000 | 3,265,000 | - | - | - | - | - | - |
| - 6 months | | May 20, 2021 | - | 2,500,000 | 2,500,000 | - | - | - | - | - | - |
| - 6 months | | April 23, 2020 | - | 300,900 | 300,900 | - | - | - | - | - | - |
| Market Treasury Bills | | June 4, 2020 | - | 325,000 | 325,000 | - | - | - | - | - | - |
| -12 months | | December 5, 2020 | - | 1,450,000 | 1,450,000 | - | - | - | - | - | - |
| -12 months | | October 10, 2019 | - | 8,160,000 | 8,160,000 | - | - | - | - | - | - |
| -12 months | | March 12, 2020 | 50,000 | 410,000 | 460,000 | - | - | - | - | - | - |
| -12 months | | September 12, 2019 | - | 500,000 | 500,000 | - | - | - | - | - | - |
| -12 months | | December 19, 2019 | - | 4,500,000 | 4,500,000 | - | - | - | - | - | - |
| -12 months | | May 21, 2020 | - | 2,000,000 | 2,000,000 | - | - | - | - | - | - |
| -12 months | | October 24, 2019 | - | 11,400 | 11,400 | - | - | - | - | - | - |
| -12 months | | August 29, 2019 | - | 1,000,000 | 1,000,000 | - | - | - | - | - | - |
| -12 months | | April 9, 2020 | 30,000 | - | 30,000 | - | - | - | - | - | - |
| Total as at June 30, 2021 5.1.1.1.1 | | | | | | | 997,444 | 997,458 | 14 | | |
| Total as at June 30, 2020 | | | | | | | 1,071,726 | 1,073,409 | 1,683 | | |

5.1.1.1.1 These will mature latest by July 15, 2021 (2020: April 09, 2021) and carries effective yield at the rate of 7.19% per annum (2020: 7.14% to 13.09% per annum).

5.1.1.2 Pakistan Investment Bonds

| Name of security | Note | Date of issue | Face Value | | | | As at June 30, 2021 | | | Market value as a percentage of | |
|--|------|--------------------|---------------------|---------------------------|--------------------------------|---------------------|---------------------|--------------|--------------------------|---------------------------------|-------------------|
| | | | As at July 01, 2020 | Purchased during the year | Sold / matured during the year | As at June 30, 2021 | Carrying Value | Market value | Unrealised gain / (loss) | Net assets | Total investments |
| | | | | | | (Rupees in '000) | | | % | | |
| Pakistan Investment Bonds | | November 5, 2020 | - | 150,000 | 50,000 | 100,000 | 99,692 | 99,650 | (42) | 2.73 | 4.37 |
| Pakistan Investment Bonds | | July 12, 2018 | 11,000 | - | - | 11,000 | 11,001 | 11,000 | (1) | 0.30 | 0.48 |
| - 03 years | | September 19, 2019 | 19,000 | 200,000 | 219,000 | - | - | - | - | - | - |
| - 03 years | | June 18, 2020 | 375,000 | 1,200,000 | 1,375,000 | 200,000 | 200,220 | 200,240 | 20 | 5.49 | 8.79 |
| - 03 years | | August 20, 2020 | - | 950,000 | 950,000 | - | - | - | - | - | - |
| - 03 years | | October 22, 2020 | - | 250,000 | 250,000 | - | - | - | - | - | - |
| Pakistan Investment Bonds | | July 12, 2018 | - | 700,000 | 400,000 | 300,000 | 296,050 | 296,585 | 535 | 8.13 | 13.02 |
| - 05 years | | October 15, 2020 | - | 1,525,000 | 1,525,000 | - | - | - | - | - | - |
| - 05 years | | September 19, 2019 | - | 200,000 | 200,000 | - | - | - | - | - | - |
| Pakistan Investment Bonds | | August 22, 2019 | - | 105,000 | 70,000 | 35,000 | 35,179 | 35,204 | 25 | 0.97 | 1.55 |
| Total as at June 30, 2021 5.1.1.2.1 | | | | | | | 642,142 | 642,679 | 537 | | |
| Total as at June 30, 2020 | | | | | | | 403,182 | 406,133 | 2,951 | | |

5.1.1.2.1 These will mature latest by August 22, 2029 (2020: June 18, 2023) and carries effective yield at the rates ranging from 7.13% to 8.72% per annum (2020: 8.27% to 13.09%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5.1.1.3 Government Debt securities

| Particulars | Profit rate | Number of certificates | | | | Balance as at June 30, 2021 | | | Market value as a percentage of | |
|---|-----------------|------------------------|---------------------------|----------------------|---------------------|-----------------------------|----------------|--------------------------|---------------------------------|-------------------|
| | | As at July 01, 2020 | Purchased during the year | Sold during the year | As at June 30, 2021 | Carrying value | Market value | Unrealised (loss) / gain | Net assets | Total investments |
| ----- (Rupees in '000) ----- % ----- | | | | | | | | | | |
| Pakistan Energy Sukuk - 10 years | 6M KIBOR + 0.1% | 100,000 | - | 100,000 | - | - | - | - | - | - |
| GOP Ijara - 5 years (June-24, 2020 - June 24, 2025) | 7.38% | 187,500 | 37,500 | 187,500 | 37,500 | 37,744 | 37,725 | (19) | 1.03 | 1.66 |
| GOP Ijara - 5 years (July 29, 2020 - July 29, 2025) | 8.37% | - | 365,000 | 365,000 | - | - | - | - | - | - |
| GOP Ijara - 5 years (July 29, 2020 - July 29, 2025) | 6.27% | - | 552,500 | 552,500 | - | - | - | - | - | - |
| Total as at June 30, 2021 | | | | | | 37,744 | 37,725 | (19) | | |
| Total as at June 30, 2020 | | | | | | 687,500 | 687,931 | 431 | | |

5.1.2 Listed equity securities

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

| Name of investee company | Number of shares | | | | Balance as at June 30, 2021 | | | Market value as a percentage of | | Percentage in relation to paid-up capital of the investee company |
|---|---------------------|---------------------------|----------------------|---------------------|-----------------------------|--------------|--------------------------|---------------------------------|-------------------|---|
| | As at July 01, 2020 | Purchased during the year | Sold during the year | As at June 30, 2021 | Carrying value | Market value | Unrealised (loss) / gain | Net assets | Total investments | |
| ----- (Rupees in '000) ----- % ----- | | | | | | | | | | |
| Automobile Assembler | | | | | | | | | | |
| Ghandhara Industries Limited | - | 329,000 | 329,000 | - | - | - | - | - | - | - |
| Ghandhara Nissan Limited | - | 85,000 | 85,000 | - | - | - | - | - | - | - |
| Pak Suzuki Motors Company Limited | - | 284,500 | 284,500 | - | - | - | - | - | - | - |
| Sazgar Engineering Works | - | 43,000 | 43,000 | - | - | - | - | - | - | - |
| Automobile parts & accessories | | | | | | | | | | |
| General Tyre & Rubber Company Limited | - | 148,500 | 148,500 | - | - | - | - | - | - | - |
| Cable & electrical goods | | | | | | | | | | |
| Pak Elektron Limited*** | 1,714,000 | 13,691,500 | 15,405,500 | - | - | - | - | - | - | - |
| Cement | | | | | | | | | | |
| Cherat Cement Company Limited | - | 429,500 | 429,500 | - | - | - | - | - | - | - |
| D.G. Khan Cement Company Limited* | 514,500 | 3,731,000 | 4,245,500 | - | - | - | - | - | - | - |
| Fauji Cement Company Limited | 320,500 | 3,763,500 | 4,084,000 | - | - | - | - | - | - | - |
| Lucky Cement Limited | 32,500 | 407,500 | 440,000 | - | - | - | - | - | - | - |
| Maple Leaf Cement Factory Limited*** | 1,081,500 | 10,590,500 | 11,672,000 | - | - | - | - | - | - | - |
| Pioneer Cement Limited | - | 1,609,500 | 1,609,500 | - | - | - | - | - | - | - |
| Power Cement Limited* | - | 3,036,500 | 3,036,500 | - | - | - | - | - | - | - |
| Chemicals | | | | | | | | | | |
| Engro Polymer and Chemicals Limited | 137,500 | 4,480,000 | 4,617,500 | - | - | - | - | - | - | - |
| Ghani Global Holdings Limited | - | 3,508,000 | 3,508,000 | - | - | - | - | - | - | - |
| Lotte Chemical Pakistan Limited | 371,000 | 7,893,500 | 8,264,500 | - | - | - | - | - | - | - |
| Sitara Peroxide Limited | - | 2,000 | 2,000 | - | - | - | - | - | - | - |
| Commercial Banks | | | | | | | | | | |
| Habib Bank Limited | - | 29,000 | 29,000 | - | - | - | - | - | - | - |
| United Bank Limited | - | 8,500 | 8,500 | - | - | - | - | - | - | - |
| Engineering | | | | | | | | | | |
| Aisha Steel Limited | - | 4,865,000 | 4,865,000 | - | - | - | - | - | - | - |
| Amreli Steels Limited | - | 2,153,000 | 2,153,000 | - | - | - | - | - | - | - |
| International Industries Limited | 2,000 | 1,130,500 | 1,132,500 | - | - | - | - | - | - | - |
| International Steels Limited | 92,500 | 3,484,000 | 3,576,500 | - | - | - | - | - | - | - |
| Mughal Iron & Steel Industries Limited | - | 1,059,500 | 1,059,500 | - | - | - | - | - | - | - |
| Balance carried forward | | | | | | | | | | |

* These transactions relating to shares of related parties

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

| Name of investee company | Number of shares | | | | Balance as at June 30, 2021 | | | Market value as a percentage of | | Percentage in relation to paid-up capital of the investee company |
|--|---------------------|---------------------------|----------------------|---------------------|--------------------------------------|--------------|--------------------------|---------------------------------|-------------------|---|
| | As at July 01, 2020 | Purchased during the year | Sold during the year | As at June 30, 2021 | Carrying value | Market value | Unrealised (loss) / gain | Net assets | Total investments | |
| | | | | | ----- (Rupees in '000) ----- % ----- | | | | | |
| Balance brought forward | | | | | - | - | - | | | |
| Fertilizer | | | | | | | | | | |
| Engro Fertilizer Limited | - | 1,219,000 | 1,219,000 | - | - | - | - | - | - | - |
| Engro Corporation Limited | 50,000 | 542,500 | 592,500 | - | - | - | - | - | - | - |
| Fauji Fertilizer Bin Qasim Limited | 28,500 | 7,073,000 | 7,101,500 | - | - | - | - | - | - | - |
| Fauji Fertilizer Company Limited | 154,000 | 241,000 | 395,000 | - | - | - | - | - | - | - |
| Food & personal care products | | | | | | | | | | |
| Treet Corporation Limited | - | 329,500 | 329,500 | - | - | - | - | - | - | - |
| Unity Foods Limited | - | 53,678,500 | 53,678,500 | - | - | - | - | - | - | - |
| Glass & Ceramics | | | | | | | | | | |
| Shabbir Tiles & Ceramics Limited | - | 8,000 | 8,000 | - | - | - | - | - | - | - |
| Tariq Glass Industries | - | 27,500 | 27,500 | - | - | - | - | - | - | - |
| Miscellaneous | | | | | | | | | | |
| Siddiqsons Tin Plate Limited | - | 129,500 | 129,500 | - | - | - | - | - | - | - |
| Oil & Gas Exploration Companies | | | | | | | | | | |
| Oil & Gas Development Company Limited | 57,000 | 2,785,500 | 2,842,500 | - | - | - | - | - | - | - |
| Pakistan Oilfields Limited | - | 86,500 | 86,500 | - | - | - | - | - | - | - |
| Pakistan Petroleum Limited | 642,500 | 4,221,500 | 4,864,000 | - | - | - | - | - | - | - |
| Oil & Gas Marketing Companies | | | | | | | | | | |
| Hascol Petroleum Limited | - | 22,889,500 | 22,889,500 | - | - | - | - | - | - | - |
| Pakistan State Oil Company Limited | 286,500 | 1,545,500 | 1,832,000 | - | - | - | - | - | - | - |
| Sui Northern Gas Pipelines Limited | - | 1,186,000 | 1,186,000 | - | - | - | - | - | - | - |
| Sui Southern Gas Company Limited | 119,500 | 840,000 | 959,500 | - | - | - | - | - | - | - |
| Paper And Board | | | | | | | | | | |
| Century Paper & Board Mills Limited | - | 39,500 | 39,500 | - | - | - | - | - | - | - |
| Pharmaceuticals | | | | | | | | | | |
| Ferozsons Laboratories Limited | - | 12,500 | 12,500 | - | - | - | - | - | - | - |
| The Searle Company Limited | 26,500 | 1,226,000 | 1,252,500 | - | - | - | - | - | - | - |
| Power generation & distribution | | | | | | | | | | |
| Hub Power Company Limited | 1,500 | 3,257,000 | 3,258,500 | - | - | - | - | - | - | - |
| Kot Addu Power Co. Limited | 84,500 | 3,980,500 | 4,065,000 | - | - | - | - | - | - | - |
| K-Electric Limited** | 1,000 | 15,106,000 | 15,107,000 | - | - | - | - | - | - | - |
| Refinery | | | | | | | | | | |
| Attock Refinery Limited | 203,500 | 4,433,500 | 4,466,500 | 170,500 | 44,113 | 43,725 | (388) | 1.20 | 1.92 | 0.16 |
| Byco Petroleum Pakistan Limited | - | 17,411,000 | 17,411,000 | - | - | - | - | - | - | - |
| National Refinery Limited | 17,500 | 1,402,000 | 1,419,500 | - | - | - | - | - | - | - |
| Pakistan Refinery Limited | - | 15,020,000 | 15,020,000 | - | - | - | - | - | - | - |
| | - | | | - | 44,113 | 43,725 | (388) | | | |
| Technology & Communications | | | | | | | | | | |
| Avanceon Limited | 45,500 | 5,855,000 | 5,900,500 | - | - | - | - | - | - | - |
| Hum Network Limited | - | 11,863,500 | 11,863,500 | - | - | - | - | - | - | - |
| NetSol Technologies Limited | 18,000 | 2,690,500 | 2,708,500 | - | - | - | - | - | - | - |
| Pakistan Telecommunication Company Limited | - | 1,977,000 | 1,977,000 | - | - | - | - | - | - | - |
| Trg Pakistan Limited | - | 14,293,500 | 14,293,500 | - | - | - | - | - | - | - |
| Balance carried forward | | | | | 44,113 | 43,725 | (388) | | | |

* These transactions relating to shares of related parties

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

| Name of investee company | Number of shares | | | | Balance as at June 30, 2021 | | | Market value as a percentage of | | Percentage in relation to paid-up capital of the investee company |
|--|---------------------|---------------------------|----------------------|---------------------|------------------------------|---------------|--------------------------|---------------------------------|-------------------|---|
| | As at July 01, 2020 | Purchased during the year | Sold during the year | As at June 30, 2021 | Carrying value | Market value | Unrealised (loss) / gain | Net assets | Total investments | |
| | | | | | ----- (Rupees in '000) ----- | | | ----- % ----- | | |
| Balance brought forward | | | | | 44,113 | 43,725 | (388) | | | |
| Textile Composite | | | | | | | | | | |
| Gul Ahmed Textile Mills Limited | 48,500 | 1,217,000 | 1,265,500 | - | - | - | - | - | - | - |
| Nishat (Chunian) Limited* | - | 619,000 | 619,000 | - | - | - | - | - | - | - |
| Nishat Mills Limited* | 64,000 | 1,639,000 | 1,703,000 | - | - | - | - | - | - | - |
| Transport | | | | | | | | | | |
| Pakistan International Bulk Terminal Limited | 531,500 | 41,467,000 | 41,998,500 | - | - | - | - | - | - | - |
| Total as at June 30, 2021 | | | | | 44,113 | 43,725 | (388) | | | |
| Total as at June 30, 2020 | | | | | 323,075 | 325,426 | 2,351 | | | |

* These transactions relating to shares of related parties

** These have a face value of Rs.3.5 per share

**** Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by SECP:

| Name of security | June 30, 2021 (Number of shares) | June 30, 2020 | June 30, 2021 (Rupees in '000) | June 30, 2020 |
|-----------------------------------|-------------------------------------|---------------|-----------------------------------|---------------|
| Pak Elektron Limited | - | 1,000,000 | - | 22,930 |
| Maple Leaf Cement Factory Limited | - | 900,000 | - | 23,382 |

5.1.2.1 The movement in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income / (loss) due to difference in ready and future stock prices.

5.1.3 Listed debt securities - Term Finance Certificates (TFCs) and Sukuks
(face value of Rs.5,000 each unless otherwise stated)

| Particulars | Number of certificates | | | | Balance as at June 30, 2021 | | | Market value as a percentage of | | |
|---|------------------------|---------------------------|----------------------|---------------------|------------------------------|--------------|--------------------------|---------------------------------|-------------------|---|
| | As at July 01, 2020 | Purchased during the year | Sold during the year | As at June 30, 2021 | Carrying value | Market value | Unrealised (loss) / gain | Net assets | Total investments | |
| | | | | | ----- (Rupees in '000) ----- | | | ----- % ----- | | |
| Commercial banks | | | | | | | | | | |
| Habib Bank Limited - TFC (February 19, 2016)* | 425 | - | 425 | - | - | - | - | - | - | - |
| Fertilizer | | | | | | | | | | |
| Dawood Hercules Corporation Limited - Sukuk (November 16, 2017) * | 2,500 | - | 2,500 | - | - | - | - | - | - | - |
| Dawood Hercules Corporation Limited - Sukuk (March 1, 2018) * | 1,412 | - | 1,412 | - | - | - | - | - | - | - |
| Financial services | | | | | | | | | | |
| Saudi Pak Leasing Company Limited (March 13, 2010) | 10,000 | - | - | 10,000 | 27,548 | - | - | - | - | - |
| Less: Provision for impairment (see note 6.1) | | | | | (27,548) | - | - | - | - | - |
| Total as at June 30, 2021 | | | | | - | - | - | | | |
| Total as at June 30, 2020 | | | | | 329,507 | 333,290 | 3,783 | | | |

* Face value of these term finance certificates is Rs.100,000 per certificate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5.1.4 Unlisted debt securities - Term Finance Certificates (TFCs) and Sukuks (face value of Rs.5,000 each unless otherwise stated)

| Particulars | Number of certificates | | | | Balance as at June 30, 2021 | | | Market value as a percentage of | |
|---|------------------------|---------------------------|----------------------|---------------------|-----------------------------|----------------|--------------------------|---------------------------------|-------------------|
| | As at July 01, 2020 | Purchased during the year | Sold during the year | As at June 30, 2021 | Carrying value | Market value | Unrealised (loss) / gain | Net assets | Total investments |
| ----- (Rupees in '000) ----- % ----- | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| Askari Bank Limited IV - TFC (September 30, 2014) | 39,000 | - | 39,000 | - | - | - | - | - | - |
| Askari Bank Limited VII - TFC ** (March 17, 2020) (see note 5.1.5) | 50 | - | - | 50 | 50,000 | 49,489 | (511) | 1.36 | 2.17 |
| The Bank of Punjab Limited - TFC I * (December 23, 2016) | 1,200 | - | - | 1,200 | 117,533 | 120,982 | 3,449 | 3.32 | 5.31 |
| The Bank of Punjab Limited - TFC II * (April 23, 2018) | 850 | - | - | 850 | 74,061 | 84,877 | 10,816 | 2.33 | 3.73 |
| Samba bank limited (March 1, 2021)* | - | 1,850 | - | 1,850 | 185,000 | 185,000 | - | 5.07 | 8.12 |
| Bank Al Habib Limited - TFC II (March 17, 2016) | 10,480 | - | 10,480 | - | - | - | - | - | - |
| | | | | | 426,594 | 440,348 | 13,754 | 12.08 | 19.33 |
| Chemical | | | | | | | | | |
| Ghani Gases Limited - Sukuk * (February 02, 2017) | 500 | - | - | 500 | 19,350 | 19,964 | 614 | 0.01 | 0.01 |
| Investment bank | | | | | | | | | |
| Jahangir Siddiqui & Company Limited - TFC (July 18, 2017) (see note 5.1.5) | 10,000 | - | - | 10,000 | 23,217 | 23,424 | 207 | 0.64 | 0.01 |
| Jahangir Siddiqui & Company Limited - TFC (March 06, 2018) | 18,000 | - | - | 18,000 | 71,418 | 71,531 | 113 | 0.02 | 0.03 |
| | | | | | 94,635 | 94,955 | 320 | 0.66 | 0.04 |
| Household goods | | | | | | | | | |
| New Allied Electronics Industries (Private) Limited - TFC (May 15, 2007) | 10,400 | - | - | 10,400 | 21,983 | | | | |
| Less: Provision for impairment (see note 6.1) | | | | | (21,983) | | | | |
| | | | | | - | | | | |
| New Allied Electronics Industries (Private) Limited - Sukuk (July 25, 2007) | 112,000 | - | - | 112,000 | 35,063 | | | | |
| Less: Provision for impairment (see note 6.1) | | | | | (35,063) | | | | |
| | | | | | - | | | | |
| Total as at June 30, 2021 | | | | | <u>540,579</u> | <u>555,267</u> | <u>14,688</u> | | |
| Total as at June 30, 2020 | | | | | <u>633,484</u> | <u>614,897</u> | <u>(18,587)</u> | | |

* Face value of this sukuk certificate is Rs. 100,000 per certificate.

** Face value of this sukuk certificate is Rs. 1,000,000 per certificate.

5.1.5 Circular No. 33 of 2012 allows the asset manager to apply a mark up / mark down within available limit for valuation of any specific debt security. Exercising the discretionary power, the above mentioned term finance certificates of Jahangir Siddiqui & Company Limited and Askari Bank Limited has been valued at a discretionary rate of 98.6259 and 98.9779 respectively when the reported market rate on MUFAP valuation sheet as at June 30, 2021 was 100.3844 and 100.4474 respectively.

5.1.6 Significant terms and conditions of term finance certificates and sukuk outstanding at the year end are as follows:

| Name of security | Number of certificates | Face value per certificate | Face value / redemption value in total | Interest rate per annum | Maturity | Secured / unsecured | Rating |
|---|------------------------|----------------------------|--|-------------------------|-------------------|---------------------|--------|
| Unlisted debt securities | | | | | | | |
| Askari Bank Limited VII - TFC | 50 | 1,000,000 | 1,000,000 | 3M KIBOR + 1.2% | March 17, 2030 | Unsecured | AA |
| Samba Bank Limited | 1,850 | 100,000 | 100,000 | 6M KIBOR+1.35% | March 1, 2031 | Secured | AA- |
| The Bank of Punjab Limited - TFC I | 1,200 | 100,000 | 99,820 | 6M KIBOR+1% | December 23, 2026 | Unsecured | AA |
| The Bank of Punjab Limited - TFC II | 850 | 100,000 | 99,880 | 6M KIBOR+1.25% | April 23, 2028 | Unsecured | AA |
| Ghani Gases Limited - Sukuk | 500 | 100,000 | 45,833 | 3M KIBOR+1% | February 2, 2023 | Unsecured | A- |
| Jahangir Siddiqui & Company Limited - TFC | 10,000 | 5,000 | 2,375 | 6M KIBOR+1.4% | July 18, 2022 | Secured | AA+ |
| Jahangir Siddiqui & Company Limited - TFC | 18,000 | 5,000 | 4,000 | 6M KIBOR+1.4% | March 6, 2023 | Secured | AA+ |

The term finance certificates and sukuk held by the Fund are secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5.1.7 Details of non-compliant investments with the investment criteria as specified by the SECP

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2021, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by the respective issuer at the time of repayment of coupon due on the respective dates.

| Name of non-compliant investment | Type of investment | Value of investment before provision | Provision held, if any | Value of investment after provision | Percentage of net assets | Percentage of total investments |
|---|--------------------|--------------------------------------|------------------------|-------------------------------------|--------------------------|---------------------------------|
| ----- Rupees in '000 ----- | | | | | | |
| Listed debt securities | | | | | | |
| Saudi Pak Leasing Company Limited | TFC | 27,548 | (27,548) | - | - | - |
| Unlisted debt securities | | | | | | |
| New Allied Electronics Industries (Private) Limited | TFC | 21,983 | (21,983) | - | - | - |
| New Allied Electronics Industries (Private) Limited | Sukuk | 35,063 | (35,063) | - | - | - |

5.1.8 Net unrealised appreciation / (diminution) on re-measurement of Investments classified as financial assets 'at fair value through profit or loss'

| | Note | June 30, 2021 | June 30, 2020 |
|-------------------------------------|--|------------------|------------------|
| ----- (Rupees in '000) ----- | | | |
| Market value of investments | 5.1.1.1, 5.1.1.2, 5.1.1.3, 5.1.2, 5.1.3 & 5.1.4 | 2,278,357 | 3,437,545 |
| Less: Carrying value of investments | 5.1.1.1, 5.1.1.2, 5.1.1.3, 5.1.2, 5.1.3 & 5.1.4 | 2,262,022 | 3,448,474 |
| | | <u>16,335</u> | <u>(10,929)</u> |

6 MARK-UP, DIVIDEND AND OTHER RECEIVABLES

| | Note | June 30, 2021 | June 30, 2020 |
|--------------------------------|------|------------------|------------------|
| ----- (Rupees in '000) ----- | | | |
| Mark-up on: | | | |
| - Pakistan investment bonds | | 14,495 | 1,959 |
| - GOP Ijara Sukuk | | 61 | 265 |
| - Term finance certificates | | 36,576 | 52,393 |
| - Deposit accounts | | 7,669 | 5,119 |
| - Margin trading system | | 328 | - |
| Dividend receivable | | 916 | - |
| Other receivables | | 123 | - |
| | | <u>60,168</u> | <u>59,736</u> |
| Less: provision for impairment | 6.1 | <u>(25,843)</u> | <u>(25,843)</u> |
| | | <u>34,325</u> | <u>33,893</u> |

6.1 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investments as non-performing debt securities as mentioned in note 5.1.7. The Fund has suspended further accrual of mark-up there against.

7 ADVANCES, DEPOSITS AND PREPAYMENTS

| | Note | June 30, 2021 | June 30, 2020 |
|---|------|------------------|------------------|
| ----- (Rupees in '000) ----- | | | |
| Security deposits / margin with: | | | |
| - National Clearing Company of Pakistan Limited (NCCPL) | 7.1 | 17,750 | 17,750 |
| - Central Depository Company of Pakistan Limited | | 200 | 200 |
| Exposure deposit with the National Clearing Company Pakistan Limited against spread transactions | | 27,274 | 125,359 |
| Prepaid stability rating fee - PACRA | | 239 | 290 |
| Advance tax | 7.2 | 1,607 | 1,607 |
| | | <u>47,070</u> | <u>145,206</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

7.1 This includes a deposit of Rs. 2.75 million (2020: Rs. 2.75 million) and a margin of Rs. 15 million (2020: Rs. 15 million) with NCCPL in respect of trading in Margin Trading System.

7.2 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend, profit on bank deposits, profit on markup on margin trading system and profit on debt securities paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt, profit on bank deposits and dividends amounts to Rs.1.607 million (2020: Rs.1.607 million).

For this purpose, Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividend, profit on bank deposits, profit on margin trading system and profit on debt securities has been shown as advance tax under 'Advances, deposits and prepayments' as at June 30, 2021 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

| | Note | June 30, 2021 | June 30, 2020 |
|---|------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 8 PAYABLE TO MCB-ARIF HABIB SAVINGS & INVESTMENTS LIMITED - MANAGEMENT COMPANY | | | |
| Management remuneration payable | 8.1 | 4,960 | 5,612 |
| Sindh Sales Tax payable on remuneration of the Management Company | 8.2 | 647 | 730 |
| Allocated expenses payable | 8.3 | 330 | 374 |
| Selling and marketing expenses payable | 8.4 | 3,918 | 4,721 |
| Sales load payable | | 208 | 56 |
| | | 10,064 | 11,493 |

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of the management fee as disclosed in the Offering Document subject to the total expense ratio limit. The Management Company has charged its remuneration at the rate of 1.5% per annum (2020: 1.5% per annum) of the average daily net assets of the Fund during the year ended June 30, 2021. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 7.866 million (2020: Rs. 8.653 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 7.949 million (2020: Rs. 8.544 million) has been paid to the Management Company which acts as a collecting agent.

8.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense. These expenses have also been approved by the Board of Directors of the Management Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- 8.4 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the average daily net assets of the Fund or actual expenses whichever is lower.

During the year ended June 30, 2020, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board of Directors of the Management Company as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

The Management Company has charged selling and marketing expenses to the Fund based on its discretion subject to not being higher than actual expense, which has also been approved by the BOD of the Management Company.

| | Note | June 30, 2021 | June 30, 2020 |
|----------|--|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 9 | PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | |
| | Remuneration payable | 248 | 281 |
| | Sindh Sales Tax on remuneration payable | 32 | 36 |
| | | 280 | 317 |

- 9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. The Fund has charged Trustee Fee at the rate of 0.075% (June 30, 2020: 0.075%) of average daily net assets of the Fund during the year.

- 9.2 During the year, an amount of Rs.0.393 million (2020: Rs.0.433 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.397 million (2020: Rs. 0.441 million) was paid to the Trustee which acts as a collecting agent.

| | Note | June 30, 2021 | June 30, 2020 |
|-----------|---|------------------|------------------|
| | | (Rupees in '000) | |
| 10 | PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP) | | |
| | Annual fee | 807 | 887 |

- 10.1 In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

In accordance with the SRO No. 685 (I) / 2019 dated June 28, 2019 issued by SECP, the Fund has charged SECP fee at the rate of 0.02% (June 30, 2020: 0.02%) of average daily net assets of the Fund during the year.

| | Note | June 30, 2021 | June 30, 2020 |
|-----------|--|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 11 | ACCRUED AND OTHER LIABILITIES | | |
| | Provision for Sindh Workers' Welfare Fund (SWWF) | 42,902 | 37,629 |
| | Provision for Federal Excise Duty payable on remuneration of the Management Company | 99,060 | 99,060 |
| | Federal Excise Duty payable on sales load | 27,933 | 27,933 |
| | Sale load payable to MCB Bank Limited (a related party) | - | 390 |
| | Auditors' remuneration payable | 549 | 535 |
| | Withholding tax payable | 2,014 | 1,464 |
| | Brokerage payable | 1,037 | 1,209 |
| | Dividend payable | 3 | 2 |
| | Other payables | 13,381 | 559 |
| | | 186,879 | 168,781 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

11.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year amounting to a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of 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 SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2021, the net asset value of the Fund as at June 30, 2021 would have been higher by Rs.1.26 (2020: Re. 1) per unit.

11.2 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the **Management Company and sales load was applicable with effect from June 13, 2013. The Management Company** was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from July 1, 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.

During the year ended June 30, 2017, 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.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and FED on sales load with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 126.993 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2021 would have been higher by Rs.2.91 (2020: Rs.2.63) per unit.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

During the current year, DCF Income Fund (DCFIF) has received a notice of tax demand for the tax year 2018 from the Additional Commissioner (Inland) Revenue (ACIR). whereby the ACIR has raised objection on claiming of income already paid on units redeemed" as part of distribution and has thereby challenged the distribution of 90 percent of income and the Fund's eligibility for exemption from tax. The ACIR is of the view that the amount of 'Cash Dividend' paid can only be treated as part of distribution and according to his view the amount of income already paid on units redeemed is not cash Dividend'. The ACIR has raised a tax demand of Rs. 73,375,787 on the Fund in respect of the tax year 2018. Currently, based on the request of the Management Company, the Commissioner Appeals has granted stay of demand until September 15, 2021.

The Management Company contends that the practice being followed by it is as per the applicable regulations and in line with the industry practice. Based on the advice of the tax advisor and merits of the case. the Management Company believes that the assessment will be decided in the favour of the Fund and accordingly, no provision has been recognised in these financial statements.

12.2 There were no other material contingencies outstanding as at June 30, 2021 and June 30, 2020.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

| | | June 30, 2021 | June 30, 2020 |
|-------------|---|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 12.2 | Commitments | | |
| | Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at year end | 45,728 | 323,536 |
| 13 | AUDITORS' REMUNERATION | | |
| | Annual audit fee | 350 | 350 |
| | Half yearly review fee | 189 | 189 |
| | Other certifications and services | 100 | 100 |
| | Out of pocket expenses | 177 | 218 |
| | | <u>816</u> | <u>857</u> |

14 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 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2021 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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.

| | | June 30, 2021 | June 30, 2020 |
|-----------|---|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 15 | CASH AND CASH EQUIVALENTS | | |
| | Balances with banks | 3,014,318 | 1,643,631 |
| | Treasury bills maturing within 3 months | 997,458 | 997,282 |
| | | <u>4,011,776</u> | <u>2,640,913</u> |

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2021 is 3.20% (2020: 2.64%) which includes 0.35% (2020: 0.45%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, annual fee to SECP etc. The prescribed limit for the ratio is 2.5% (2020: 2.5%) under the NBFC Regulations for a collective investment scheme categorised as a "income scheme". However, collective investment scheme categorised as a "income scheme" which invest in Margin Trading System (MTS) and / or ready future spread transaction, may charge additional MTS and / or ready future spread transaction related expenses upto 0.5% of Net assets to the Scheme. Accordingly, the enhanced prescribed limit for the ratio after incorporating the aforementioned additional expenses is 3% (2020: 3%).

17 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.

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 to the Management Company of the Fund is determined in accordance with the provision of the NBFC Regulations and the Trust Deed.

Remuneration to the Trustee of the Fund is determined in accordance with the provision of the Trust Deed.

The details of transactions and balances at year end with related parties / connected persons are as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

| | | For the year ended June 30, 2021 | For the year ended June 30, 2020 |
|-------------|--|--|--|
| | | ----- (Rupees in '000) ----- | |
| 17.1 | Details of transactions with connected persons are as follows: | | |
| | MCB-Arif Habib Savings and Investment Limited - Management Company | | |
| | Remuneration (including indirect taxes) | 68,376 | 75,212 |
| | Selling and marketing expenses | 15,732 | 13,977 |
| | Allocated expenses | 4,034 | 4,437 |
| | Central Depository Company of Pakistan Limited - Trustee | | |
| | Remuneration (including indirect taxes) | 3,419 | 3,761 |
| | Settlement charges | 1,271 | 148 |
| | Group / associated companies | | |
| | MCB Bank Limited | | |
| | Mark-up on deposit accounts | 87 | 556 |
| | Bank charges | 34 | 29 |
| | Sale of Securities having Face Value of Rs 1,065,000,000 (2020: 246,900,000) | 1,034,327 | 233,426 |
| | Arif Habib Limited - Brokerage House | | |
| | Brokerage and settlement charges* | 10 | 18 |
| | Nishat Chunian Power Limited | | |
| | Purchase of 619,000 (2020: 467,500) shares | 26,233 | 16,990 |
| | Sale of 619,000 (2020: 472,000) shares | 26,542 | 16,816 |
| | Dividend income | - | 378 |
| | D.G. Khan Cement Company Limited | | |
| | Purchase of 3,731,000 (2020: 1,927,000) shares | 38,833 | 150,776 |
| | Sale of 4,245,500 (2020: 1,412,500) shares | 416,842 | 109,993 |
| | Nishat Mills Limited | | |
| | Purchase of 1,639,000 (2020: 512,000) shares | 162,649 | 45,137 |
| | Sale of 1,703,000 (2020: 448,500) shares | 161,200 | 40,012 |
| | Dividend income | 2,792 | 740 |
| | Power Cement Limited | | |
| | Purchase of 3,036,500 (2020: NIL) shares | 30,700 | - |
| | Sale of 3,036,500 (2020: NIL) shares | 30,977 | - |
| 17.2 | Amounts outstanding at year end | June 30, 2021 | June 30, 2020 |
| | | ----- (Rupees in '000) ----- | |
| | MCB-Arif Habib Savings and Investments Limited - Management Company | | |
| | Management remuneration payable | 4,960 | 5,612 |
| | Sindh sales tax payable on remuneration of the management company | 647 | 730 |
| | Allocated expenses payable | 330 | 374 |
| | Selling and marketing expenses payable | 3,918 | 4,721 |
| | Sales load payable | 184 | 50 |
| | Sales tax payable on sales load | 24 | 6 |
| | Central Depository Company of Pakistan Limited - Trustee | | |
| | Remuneration payable (including indirect taxes) | 281 | 317 |
| | Security deposit | 200 | 200 |
| | Group / associated companies | | |
| | MCB Bank Limited | | |
| | Balances with banks | 602 | 22,634 |
| | Sales load payable | - | 390 |
| | MCB Islamic Bank Limited | | |
| | Balances with banks | 10 | 11 |
| | Arif Habib - Brokerage House | | |
| | Brokerage and settlement charges payable* | 3 | - |
| | D.G. Khan Cement Company Limited | | |
| | NIL (2020: 514,500) shares held | - | 43,902 |
| | Nishat Mills Limited | | |
| | Nil (2020: 64,000) shares held | - | 4,993 |

* 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

17.3 Transactions during the period with connected persons / related parties in units of the Fund:

| June 30, 2021 | | | | | | | |
|--|--------------------|----------|------------------------|------------------------|--------------------|----------|------------------------|
| As at July 01, 2020 | Issued for cash | Redeemed | As at June 30, 2021 | As at July 01, 2020 | Issued for cash | Redeemed | As at June 30, 2021 |
| Units | | | | (Rupees in '000) | | | |
| Group / associated companies | | | | | | | |
| MCB-Arif Habib Savings & Investment Limited | | | | | | | |
| - | 9,344 | 9,344 | - | - | 1,015 | 1,015 | - |
| 1,573,656 | 103,437 | - | 1,677,093 | 168,326 | 11,068 | - | 179,536 |
| 1,573,656 | 103,437 | - | 1,677,093 | 168,326 | 11,068 | - | 179,536 |
| D.G. Khan Cement Company Limited - Employees' Provident Fund Trust | | | | | | | |
| 4,733 | 311 | - | 5,044 | 506 | 33 | - | 540 |
| Mandate under discretionary portfolio services* | | | | | | | |
| 10,284 | - | - | 10,284 | 1,100 | - | - | 1,101 |

*This reflects the position of related party / connected persons status as at June 30, 2021

| June 30, 2020 | | | | | | | |
|--|--------------------|-------------|------------------------|------------------------|--------------------|------------|------------------------|
| As at July 01, 2019 | Issued for cash | Redeemed | As at June 30, 2020 | As at July 01, 2019 | Issued for cash | Redeemed | As at June 30, 2020 |
| Units | | | | (Rupees in '000) | | | |
| Group / associated companies | | | | | | | |
| MCB-Arif Habib Savings & Investment Limited | | | | | | | |
| - | 3,794,369 | 3,794,369 | - | - | 442,543 | 446,650 | - |
| 1,414,434 | 159,222 | - | 1,573,656 | 150,714 | 17,040 | - | 168,326 |
| 1,414,434 | 159,222 | - | 1,573,656 | 150,714 | 17,040 | - | 168,326 |
| D.G. Khan Cement Company Limited - Employees' Provident Fund Trust | | | | | | | |
| 4,254 | 479 | - | 4,733 | 453 | 51 | - | 506 |
| Mandate under discretionary portfolio services | | | | | | | |
| - | 106,279,129 | 106,268,845 | 10,284 | - | 12,305,755 | 12,324,452 | 1,100 |
| Key management personnel* | | | | | | | |
| - | 31,200 | 31,200 | - | - | 3,411 | 3,425 | - |

*This reflects the position of related party / connected persons status as at June 30, 2020

18 FINANCIAL INSTRUMENTS BY CATEGORY

| As at June 30, 2021 | | |
|--|--|------------------|
| At amortised cost | At fair value through profit or loss | Total |
| (Rupees in '000) | | |
| Financial Assets | | |
| Balances with banks | 3,014,318 | 3,014,318 |
| Investments | - | 2,278,357 |
| Mark-up, dividend and other receivables | 34,325 | 34,325 |
| Receivable against margin trading system | 49,596 | 49,596 |
| Receivable against sale of investments | 386,229 | 386,229 |
| Deposits and others | 45,224 | 45,224 |
| <u>3,529,692</u> | <u>2,278,357</u> | <u>5,808,049</u> |

| As at June 30, 2021 | | |
|--|--|------------------|
| At amortised cost | At fair value through profit or loss | Total |
| (Rupees in '000) | | |
| Financial Liabilities | | |
| Payable to MCB-Arif Habib Savings & Investments Limited - Management Company | 10,064 | 10,064 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 280 | 280 |
| Payable against purchase of investments | 1,965,915 | 1,965,915 |
| Accrued and other liabilities | 2,261 | 2,261 |
| <u>1,978,520</u> | <u>-</u> | <u>1,978,520</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

| ----- As at June 30, 2020 ----- | | |
|---|--------------------------------------|------------------|
| At amortised cost | At fair value through profit or loss | Total |
| ----- (Rupees in '000) ----- | | |
| Financial Assets | | |
| Balances with banks | 1,643,631 | 1,643,631 |
| Investments | - | 3,437,545 |
| Mark-up, dividend and other receivables | 33,893 | 33,893 |
| Receivable against sale of investments | - | - |
| Deposits and others | 143,309 | 143,309 |
| | <u>1,820,833</u> | <u>5,258,378</u> |

| ----- As at June 30, 2020 ----- | | |
|--|--------------------------------------|------------------|
| At amortised cost | At fair value through profit or loss | Total |
| ----- (Rupees in '000) ----- | | |
| Financial Liabilities | | |
| Payable to MCB-Arif Habib Savings & Investments Limited - Management Company | 11,493 | 11,493 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 317 | 317 |
| Payable against purchase of investments | 1,046,022 | 1,046,022 |
| Accrued and other liabilities | 2,695 | 2,695 |
| | <u>1,060,527</u> | <u>1,060,527</u> |

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

19.1 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 the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

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

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2021, the Fund is exposed to such risk on its balances held with banks, investments in sukuk certificates, term finance certificates, market treasury bills and Pakistan Investment Bonds. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2021, the Fund holds KIBOR based interest bearing term finance and sukuk certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date, with all other variables held constant, the net assets value of the Fund and the net income for the year would have been higher / lower by Rs.8.904 million (2020: Rs.9.482 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Fund holds Term Finance Certificates and Sukuks classified as 'fair value through profit or loss' exposing the Fund to interest rate fair value risk. In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2021, the net assets value of the Fund and the net income for the year would increase / decrease by Rs. 44.52 million (2020: Rs.47.41 million), as a result of reduction / increase in unrealised gains / (losses) respectively.

The Fund also holds KIBOR based bank deposits exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets value of the Fund and the net income for the year would be higher / lower by Rs 30.14 million (2020: Rs 16.22 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2021, the Fund holds Market treasury bills and Pakistan investment bonds which are classified 'at fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2021, with all other variables held constant, the net assets value of the Fund and the net income for the year would be lower / higher by Rs.13.050 million (2020: Rs.14.795 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2021 can be determined as follows:

| ----- June 30, 2021 ----- | | | | | |
|-------------------------------------|---------------------------------------|--|--------------------|---|-------|
| Yield / effective interest rate (%) | Exposed to yield / interest rate risk | | | Not exposed to yield / interest rate risk | Total |
| | Upto three months | More than three months and upto one year | More than one year | | |

----- (Rupees in '000) -----

On-balance sheet financial instruments

Financial Assets

| | | | | | | |
|--|------------------------------|------------------|----------------|----------------|----------------|------------------|
| Balances with banks | 5.5% to 8.5% | 3,014,279 | - | - | 39 | 3,014,318 |
| Investments | | | | | | |
| - Market Treasury Bills | 7.19% | 997,458 | - | - | - | 997,458 |
| - Pakistan Investment Bonds | 7.13% to 8.72% | - | 11,000 | 631,679 | - | 642,679 |
| - Government Debt Securities | 7.38% | - | - | 37,725 | - | 37,725 |
| - Unlisted debt securities | 3M KIBOR+1%'to 6M KIBOR+1.4% | 69,453 | 485,814 | - | - | 555,267 |
| - Listed equity securities | | - | - | - | 43,725 | 43,725 |
| - Future stock contracts | | - | - | - | 1,503 | 1,503 |
| | | 1,066,911 | 496,814 | 669,404 | 45,228 | 2,278,357 |
| Mark-up, dividend and other receivables | | - | - | - | 34,325 | 34,325 |
| Receivable against margin trading system | | - | - | - | 49,596 | 49,596 |
| Receivable against sale of investments | | - | - | - | 386,229 | 386,229 |
| Deposits and others | | - | - | - | 45,224 | 45,224 |
| | | 4,081,190 | 496,814 | 669,404 | 560,641 | 5,808,049 |

Financial Liabilities

| | | | | | | |
|--|--|---|---|---|-----------|-----------|
| Payable to MCB-Arif Habib Savings & Investments Limited - Management Company | | - | - | - | 10,064 | 10,064 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 280 | 280 |
| Payable against purchase of investments | | - | - | - | 1,965,915 | 1,965,915 |
| Accrued and other liabilities | | - | - | - | 2,261 | 2,261 |
| | | - | - | - | 1,978,520 | 1,978,520 |

On-balance sheet gap (a)

4,081,190 496,814 669,404 (1,417,879) 3,829,529

Off-balance sheet financial instruments

- - - (45,728) -

Off-balance sheet gap (b)

- - - (45,728) -

Total profit rate sensitivity gap (a+b)

4,081,190 496,814 669,404

Cumulative profit rate sensitivity gap

4,081,190 4,578,004 5,247,408

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

| June 30, 2020 | | | | | |
|-------------------------------------|---------------------------------------|--|--------------------|---|-------|
| Yield / effective interest rate (%) | Exposed to yield / interest rate risk | | | Not exposed to yield / interest rate risk | Total |
| | Upto three months | More than three months and upto one year | More than one year | | |

(Rupees in '000)

On-balance sheet financial instruments

Financial Assets

| | | | | | | |
|---|-------------------------------|------------------|---------------|------------------|----------------|------------------|
| Balances with banks | 4.5% to 14.45% | 1,622,033 | - | - | 21,598 | 1,643,631 |
| Investments | | | | | | |
| - Market Treasury Bills | 7.14% to 13.09% | 997,282 | 76,127 | - | - | 1,073,409 |
| - Pakistan Investment Bonds | 8.27% to 13.09% | - | - | 406,133 | - | 406,133 |
| - Government Debt Securities | 6M KIBOR + 0.1% and 7.38% | - | - | 687,931 | - | 687,931 |
| - Listed debt securities | 3M KIBOR+1% to 6M KIBOR+1.25% | 291,757 | 41,533 | - | - | 333,290 |
| - Unlisted debt securities | 3M KIBOR+1% to 6M KIBOR+1.4% | 69,350 | 545,547 | - | - | 614,897 |
| - Listed equity securities | | - | - | - | 325,426 | 325,426 |
| - Future stock contracts | | - | - | - | (3,541) | (3,541) |
| | | 1,358,389 | 76,127 | 1,681,144 | 321,885 | 3,437,545 |
| Mark-up, dividend and other receivables | | - | - | - | 33,893 | 33,893 |
| Deposits and others | | - | - | - | 143,309 | 143,309 |
| | | 2,980,422 | 76,127 | 1,681,144 | 520,685 | 5,258,378 |

Financial Liabilities

| | | | | | | |
|--|--|---|---|---|-----------|-----------|
| Payable to MCB-Arif Habib Savings & Investments Limited - Management Company | | - | - | - | 11,493 | 11,493 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 317 | 317 |
| Payable against purchase of investments | | - | - | - | 1,046,022 | 1,046,022 |
| Accrued expenses and other liabilities | | - | - | - | 2,695 | 2,695 |
| | | - | - | - | 1,060,527 | 1,060,527 |

On-balance sheet gap (a)

| | | | | | |
|--|------------------|---------------|------------------|------------------|------------------|
| | 2,980,422 | 76,127 | 1,681,144 | (539,842) | 4,197,851 |
|--|------------------|---------------|------------------|------------------|------------------|

Off-balance sheet financial instruments

| | | | | | |
|--|---|---|---|-----------|---|
| | - | - | - | (323,536) | - |
|--|---|---|---|-----------|---|

Off-balance sheet gap (b)

| | | | | | |
|--|---|---|---|------------------|---|
| | - | - | - | (323,536) | - |
|--|---|---|---|------------------|---|

Total profit rate sensitivity gap (a+b)

| | | | | | |
|--|------------------|---------------|------------------|--|--|
| | 2,980,422 | 76,127 | 1,681,144 | | |
|--|------------------|---------------|------------------|--|--|

Cumulative profit rate sensitivity gap

| | | | | | |
|--|------------------|------------------|------------------|--|--|
| | 2,980,422 | 3,056,549 | 4,737,693 | | |
|--|------------------|------------------|------------------|--|--|

(iii) 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 profit rate 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 5.1.2.

The following table illustrates the sensitivity of the net assets value of the Fund and the net income for the year 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, 2021 | June 30, 2020 |
|------------------|----------------------------|------------------|
| | ---- (Rupees in '000) ---- | |
| Investments | 2,186 | 16,271 |
| Income statement | 2,186 | 16,271 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

19.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

The Fund is exposed to counter party credit risks on investments (other than treasury bills and PIBs), balances with banks and other receivables. The credit risk on the Fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Treasury bills and Pakistan Investment Bonds are government backed and hence considered as secured.

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

Credit risk from balances with banks and financial institutions is managed by financial department 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 minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The table below analyses the Fund's maximum exposure to credit risk:

| | 2021 | | 2020 | |
|--|--|---------------------------------|--|---------------------------------|
| | Balance as per statement of assets and | Maximum exposure to credit risk | Balance as per statement of assets and | Maximum exposure to credit risk |
| ----- (Rupees in '000) ----- | | | | |
| Balances with banks | 3,014,318 | 3,014,318 | 1,643,631 | 1,643,631 |
| Investments in government securities | 1,677,862 | - | 2,167,473 | - |
| Investments in debt securities | 555,267 | 555,267 | 948,187 | 948,187 |
| Investments in equity securities | 43,725 | - | 325,426 | - |
| Investments in future stock contracts | 1,503 | - | (3,541) | - |
| Mark-up, dividend and other receivables | 34,325 | 19,769 | 33,893 | 27,165 |
| Receivable against margin trading system | 49,596 | 49,596 | - | - |
| Receivable against sale of investments | 386,229 | 386,229 | - | - |
| Deposits and others | 45,224 | 45,224 | 143,309 | 143,309 |
| | <u>5,808,049</u> | <u>4,070,403</u> | <u>5,258,378</u> | <u>2,762,292</u> |

Difference in the balance as per statement of asset and liabilities and maximum exposure is due to the fact that investments in government securities, equity securities, future stock contracts and profit receivable from government securities amounting to Rs 1,677.862 (2020: Rs 2,167.473) million, Rs 43.725 (2020: Rs 325.426) million, Rs.1.503 {2020: Rs (3.541)} million and Rs 14.556 (2020: 6.728) million respectively is not exposed to credit risk.

The analysis below summaries the credit rating quality of the Fund's financial assets.

| Bank balances by rating category | June 30, | June 30, |
|----------------------------------|---------------|---------------|
| | 2021 | 2020 |
| | ----- % ----- | |
| AAA | 69.27 | 95.31 |
| AA+ | 0.37 | 4.69 |
| AA | 0.09 | - |
| AA- | 12.46 | - |
| A+ | 17.81 | - |
| A* | - | - |
| A-* | - | - |
| | <u>100.00</u> | <u>100.00</u> |

Nil figures due to rounding off

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

* The analysis below summarizes the credit quality of the Fund's investment in term finance certificates, sukuks and government securities as at June 30, 2021 and June 30, 2020:

| Investments by rating category | June 30, 2021 | % | June 30, 2020 |
|--------------------------------|------------------|---|------------------|
| Government securities | 75.14 | | 43.37 |
| AAA, AA, AA-, AA+ | 23.97 | | 55.41 |
| A, A-, A+ | 0.89 | | 1.22 |
| | 100.00 | | 100.00 |

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.

19.3 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 to the Fund.

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.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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, 2021 | | | | | | |
|--|---|--|--|-------------------|--|------------------|
| Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| Rupees in '000 | | | | | | |
| Payable to MCB-Arif Habib Savings & Investments Limited - Management Company | 10,064 | - | - | - | - | 10,064 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 280 | - | - | - | - | 280 |
| Payable against purchase of investments | 1,965,915 | - | - | - | - | 1,965,915 |
| Accrued and other liabilities | 2,261 | - | - | - | - | 2,261 |
| 1,978,520 | - | - | - | - | - | 1,978,520 |

Financial liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company

Payable to Central Depository Company of Pakistan Limited - Trustee

Payable against purchase of investments

Accrued and other liabilities

| | | | | | | |
|------------------|----------|----------|----------|----------|----------|------------------|
| 10,064 | - | - | - | - | - | 10,064 |
| 280 | - | - | - | - | - | 280 |
| 1,965,915 | - | - | - | - | - | 1,965,915 |
| 2,261 | - | - | - | - | - | 2,261 |
| 1,978,520 | - | - | - | - | - | 1,978,520 |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

| June 30, 2020 | | | | | | |
|----------------|---|--|--|-------------------|--|-------|
| Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |

Rupees in '000

Financial liabilities

| | | | | | | |
|--|------------------|---|---|---|---|------------------|
| Payable to MCB-Arif Habib Savings & Investments Limited - Management Company | 11,493 | - | - | - | - | 11,493 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 317 | - | - | - | - | 317 |
| Payable against purchase of investments | 1,046,022 | - | - | - | - | 1,046,022 |
| Accrued and other liabilities | 2,695 | - | - | - | - | 2,695 |
| | 1,060,527 | - | - | - | - | 1,060,527 |

20 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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 liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

The Fund held the following financial instruments measured at fair values:

| June 30, 2021 | | | |
|---------------|---------|---------|-------|
| Fair value | | | |
| Level 1 | Level 2 | Level 3 | Total |

(Rupees in '000)

Financial assets measured at fair value through profit or loss

| | | | | |
|----------------------------|---------------|------------------|----------|------------------|
| Market treasury bills | - | 997,458 | - | 997,458 |
| Pakistan investment bonds | - | 642,679 | - | 642,679 |
| Government Debt securities | - | 37,725 | - | 37,725 |
| Listed equity securities | 43,725 | - | - | 43,725 |
| Unlisted debt securities | - | 555,267 | - | 555,267 |
| Future stock contracts | 1,503 | - | - | 1,503 |
| | 45,228 | 2,233,129 | - | 2,278,357 |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

| ----- June 30, 2020----- | | | | |
|---|----------------|------------------|----------|------------------|
| Fair value | | | | |
| Level 1 | Level 2 | Level 3 | Total | |
| ----- (Rupees in '000) ----- | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Market treasury bills | - | 1,073,409 | - | 1,073,409 |
| Pakistan investment bonds | - | 406,133 | - | 406,133 |
| Government Debt securities | - | 687,931 | - | 687,931 |
| Listed equity securities | 325,426 | - | - | 325,426 |
| Listed debt securities | - | 333,290 | - | 333,290 |
| Unlisted debt securities | - | 614,897 | - | 614,897 |
| Future stock contracts | (3,541) | - | - | (3,541) |
| | <u>321,885</u> | <u>3,115,660</u> | <u>-</u> | <u>3,437,545</u> |

21 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of their proportionate share of the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in unit holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

22 PATTERN OF UNITHOLDINGS

| ----- June 30, 2021----- | | | | |
|------------------------------|----------------------|-------------------|---------------------------------|-------------|
| Number of unit holders | Number of units held | Investment Amount | Percentage of total investments | |
| ----- (Rupees in '000) ----- | | | | |
| Individuals | 2,209 | 24,805,882 | 2,655,513 | 72.83% |
| Associated companies | 3 | 3,359,231 | 359,612 | 9.86% |
| Retirement funds | 25 | 3,071,187 | 328,776 | 9.02% |
| Others | 43 | 2,821,526 | 302,049 | 8.28% |
| | <u>2,280</u> | <u>34,057,826</u> | <u>3,645,950</u> | <u>100%</u> |

| ----- June 30, 2020----- | | | | |
|------------------------------|----------------------|-------------------|---------------------------------|-------------|
| Number of unit holders | Number of units held | Investment Amount | Percentage of total investments | |
| ----- (Rupees in '000) ----- | | | | |
| Individuals | 2,200 | 28,578,791 | 3,056,928 | 75.80% |
| Associated companies | 3 | 3,152,046 | 337,157 | 8.36% |
| Retirement funds | 26 | 3,298,016 | 352,772 | 8.75% |
| Others | 83 | 2,672,994 | 285,918 | 7.09% |
| | <u>2,312</u> | <u>37,701,847</u> | <u>4,032,775</u> | <u>100%</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

23 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:

| | June 30, 2021 (Percentage) |
|---|---|
| 1 Adam Securities Pvt Ltd | 38.31% |
| 2 Top Line Securities Pvt Ltd | 32.55% |
| 3 Multiline Securities Pvt Ltd | 7.87% |
| 4 Mra Securities Limited | 6.73% |
| 5 Js Global Capital Limited | 5.40% |
| 6 Efg Hermes Pakistan Limited | 3.74% |
| 7 Bma Capital Management Ltd | 1.00% |
| 8 Next Capital Ltd | 0.94% |
| 9 Continental Exchange Pvt Ltd | 0.69% |
| 10 Invest One Markets Limited | 0.58% |
| | |
| | June 30, 2020 (Percentage) |
| 1 Adam Securities Private Limited | 25.33% |
| 2 Efg Hermes Pakistan Limited | 16.18% |
| 3 Mra Securities Limited | 14.80% |
| 4 Top Line Securities Private Limited | 12.36% |
| 5 Invest One Markets Limited | 5.13% |
| 6 Continental Exchange Private Limited | 4.55% |
| 7 Multiline Securities Private Limited | 4.35% |
| 8 Alfalah Clsa Securities Private Limited | 4.17% |
| 9 C & M Management Private Limited | 1.94% |
| 10 Paramount Capital Private Limited | 1.91% |

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 157th, 158th, 159th, 160th, 161st, 162nd, 163rd, 164th, 165th 166th and 167th meeting of the Board of Directors were held on July 27, 2020, August 10, 2020, August 18, 2020, October 23, 2020, November 17, 2020, December 14, 2020, February 08, 2021, April 16, 2021, May 04, 2021, June 02, 2021 and June 28, 2021 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

| Name of persons attending the meetings | Designation | Number of meetings held | Number of meetings | | | Meetings Not Attended |
|--|-------------------------|-------------------------|---------------------|----------|---------------|-----------------------|
| | | | Attendance required | Attended | Leave granted | |
| Mr. Haroun Rashid | Chairman | 11 | 11 | 11 | - | - |
| Mr. Nasim Beg | Director | 11 | 11 | 11 | - | - |
| Mr. Ahmed Jahangir | Director | 11 | 11 | 11 | - | - |
| Mr. Mirza Qamar Beg | Director | 11 | 11 | 11 | - | - |
| Syed Savail Meekal Hussain | Director | 11 | 11 | 11 | - | - |
| Mr. Kashif A. Habib | Director | 11 | 11 | 10 | 1 | 165 |
| Ms. Mavra Adil Khan | Director | 11 | 11 | 8 | 3 | 159,163 & 167 |
| Mr. Muhammad Saqib Saleem (CEO) | Chief Executive Officer | 11 | 11 | 11 | - | - |

25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

| S. No. | Name | Designation | Qualification | Experience in years |
|--------|---------------------------|--------------------------|---------------|---------------------|
| 1 | Mr. Muhammad Saqib Saleem | Chief Executive Officer | FCA & FCCA | 22.5 |
| 2 | Mr. Muhammad Asim | Chief Investment Officer | MBA & CFA | 17 |
| 3 | Mr. Awais Abdul Sattar | Head of Research | MBA & CFA | 11 |
| 4 | Mr. Saad Ahmed | Head of Fixed Income | MBA | 16 |
| 5 | Syed Mohammad Usama Iqbal | Fund Manager | Graduate | 17 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

25.1 Mr. Saad Ahmed is the Fund Manager. Details of the other funds being managed by him are as follows:

- Pakistan Income Enhancement Fund
- Pakistan Cash Management Optimizer Fund
- Pakistan Cash Management Fund
- MCB Pakistan Sovereign Fund
- Alhamra Daily Dividend Fund

26 GENERAL

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

26.1 Impact of COVID-19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts. The Securities and Exchange Commission of Pakistan (SECP) had provided certain time bound relaxations to CISs operating in Pakistan in order to provide temporary relaxation against covid pandemic. All of the relaxations provided have expired prior to June 30, 2021.

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

26.2 Subsequent Event

Subsequent to the year ended June 30, 2021, Sindh Revenue Board (SRB) through its letter dated August 12, 2021 Has intimated Mutual Funds Association of Pakistan's (MUFAP) that the mutual funds do not qualify as Financial Institutions /Industrial Establishments and are therefore, not label to pay the Sindh Workers' Welfare Fund (SWWF) contributions. This development was discussed at MUFAP level and was also been taken up with the the Securities and Exchange Commission of Pakistan (SECP). All the Asset Management Companies. In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds. For the period from May 21, 2015 to August 12, 2021, on August 13, 2021.

The SECP has given its concurrence for prospective reversal of provision for SWWF through its letter dated August 30, 2021. Accordingly. Going forward, no provision for SWWF would be recognized in the financial statements of the Fund. Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2021, the net asset value per unit of the Fund as at June 30, 2021 would have been higher by Rs 1.26 (2020: Re 1).

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 09, 2021 And further amended on September 15, 2021 to incorporate the subsequent event as disclosed in note26.2 to these financial statements

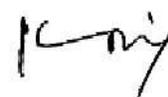
For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2021**

| No. of Unit Holders | Unit Holdings | Total Units Held |
|---------------------|---------------------|-------------------|
| 699 | 001-10,000 | 13,313 |
| 354 | 10,001 – 100,000 | 120,447 |
| 683 | 100,001 – 1,000,000 | 2,897,425 |
| 544 | 1,000,001+ | 31,026,483 |
| 2280 | | 34,057,826 |

**PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2021**

| Performance Information | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-----------|------------|------------|------------|------------|
| Total Net Assets Value – Rs. in million | 3,645.950 | 4,032.7759 | 3,933.4452 | 4,872.0000 | 6,190.0000 |
| Net Assets value per unit – Rupees | 107.0518 | 106.9649 | 106.5542 | 111.3412 | 106.4294 |
| Closing Offer Price | 108.8663 | 108.7780 | 108.3603 | 113.2284 | 108.2334 |
| Closing Repurchase Price | 104.6324 | 103.3388 | 106.5542 | 111.3412 | 106.4294 |
| Highest offer price per unit | 115.9956 | 121.0894 | 116.6078 | 113.3493 | 114.7823 |
| Lowest offer price per unit | 110.9321 | 108.3913 | 108.2969 | 108.2995 | 107.6412 |
| Highest Redemption price per unit | 114.0622 | 119.0711 | 114.6642 | 111.3412 | 112.8692 |
| Lowest Redemption price per unit | 105.3852 | 106.5847 | 106.4919 | 105.0384 | 105.8159 |
| Distribution per unit – Rs. * | 7.0333 | 12.0476 | 13.0796 | - | 6.5000 |
| Average Annual Return - % | | | | | |
| One year | 6.66 | 11.69 | 7.80 | 4.62 | 6.50 |
| Two year | 9.18 | 9.75 | 6.21 | 5.56 | 6.37 |
| Three year (inception date Mar 01, 2007) | 8.72 | 8.04 | 6.31 | 5.78 | 8.46 |
| Net Income for the year – Rs. in million | 258.3900 | 485.9330 | 292.7500 | 245.6301 | 289.0320 |
| Distribution made during the year – Rs. in million | 256.1370 | 471.0610 | 497.0410 | - | 259.4510 |
| Accumulated Capital Growth – Rs. in million | 2.2530 | 14.8720 | (204.2910) | 245.6301 | 29.5810 |
| Weighted average Portfolio Duration (years) | 1.5 | 2.8 | 1.3 | 1.4 | 1.6 |

*** Date of Distribution**

| 2021 | |
|---------------|--------|
| Date | Rate |
| June 25, 2021 | 7.0333 |

| 2020 | |
|---------------|---------|
| Date | Rate |
| June 26, 2020 | 12.0476 |

| 2019 | |
|---------------|--------|
| Date | Rate |
| July 04, 2019 | 4.8783 |
| June 28, 2019 | 8.2013 |

| 2018 | |
|------|------|
| Date | Rate |
| Nil | |

| 2017 | |
|---------------|------|
| Date | Rate |
| June 21, 2017 | 6.50 |

Disclaimer

The past performance is not necessarily indicative

MCB-Arif Habib Savings and Investments Limited

Head Office: 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi

UAN: (+92-21) 11-11-62224 (11-11-MCB-AH)

URL: www.mcbah.com, Email: info@mcbah.com