



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2019

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



PAKISTAN CAPITAL MARKET FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Syed Savail Meekal Hussain Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Mirza Qamar Beg Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir 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. Amir Qadir	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Standard Chartered Bank Limited United Bank Limited Allied Bank Limited Bank Al Habib Limited Zarai Traqiati Bank Limited Habib Bank Limited National Bank of Pakistan JS Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State 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 24th Floor, Center point, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **Pakistan Capital Market Fund's** accounts review for the year ended June 30, 2019.

ECONOMY AND MONEY MARKET OVERVIEW

Pakistan's economy inherited myriad of challenges entering into fiscal year 2019, particularly a weak balance of payment and fiscal situation. The macroeconomic imbalances were coped with vigilant policy actions from central bank which resultantly took its toll on the economic growth. Gross Domestic Product (GDP) growth as per the preliminary estimates slowed down to 3.3% compared to 5.2% witnessed during the preceding year. All the three major sectors namely Agriculture, Industrial, and Services witnessed a slowdown posting growth of 0.9%, 1.4% and 4.7% respectively. Agricultural growth faltered as growth in major crops receded, evident from the decline in production of Sugarcane, Cotton & Rice which fell by 19.4%, 17.5% and 3.3% respectively. Industrial growth also weakened as large scale manufacturing (LSM) could not bear the brunt of contractionary policies pursued by central bank to achieve macroeconomic stabilization. LSM posted a decline of 3.7% as industries dependent on government spending and imports faced reduced demand. Among the major LSM sectors, Automobiles and Iron & Steel witnessed a demand contraction of 11.7% and 11.2% respectively. Nevertheless, Services sector provided some rescue to the economic growth, thanks to Finance and Insurance (up 5.4% YoY) and Government Services (up 8.0% YoY). Dollar denominated size of GDP stood at USD ~280 billion compared to USD ~315 billion in the last year, witnessing a contraction of 11%.

At the onset of year, Pakistan was plagued by one of the biggest balance of Payment crisis in its history. While it was facing a Current Account Deficit (CAD) north of USD 19 billion and external repayments worth USD 9 billion, the crisis was compounded by the fact that foreign exchange reserves of mere USD ~10 billion were at hand. Timely policy action by the central bank particularly adjusting the currency by 32% during the year helped in arresting the CAD. Real Effective Exchange Rate (REER) dropped from the overvalued territory in June 18 to become undervalued by 10%. Resultantly, the CAD contracted by 32.1% to USD 13.5 billion during the year. While exports growth did not materialize, improvement in CAD was driven from declining imports of Non-oil goods and services (down 11.8% YoY) and improved remittances (up 9.7% YoY). Default on loan obligations was also averted after Pakistan was successful in getting material inflows (USD ~10 billion) from its friendly allies. Although, narrowing current account deficit along with bilateral flows did provide some breathing space to the balance of payment, State Bank of Pakistan's (SBP) foreign reserves still declined by USD 2.5 billion to USD 7.5 billion due to the gravity of external crisis. At last, Pakistan also signed up for an IMF program during the month of May'19, putting all uncertainty to an end on the external front. The staff level agreement of USD 6.2 billion was reached for a period of three years.

The headline inflation as represented by Consumer Price Index (CPI) accelerated to an average of 7.3% in FY19 compared to 3.9% in the last year. Higher utility tariffs particularly a hike in gas prices (up ~64% YoY) and increased petroleum prices (up ~23% YoY) contributed to the rise in inflation. The regulator allowed for adjustments in utility tariffs as government eliminated the subsidies, while petroleum prices were adjusted after PKR depreciated by more than 30% against USD during the year. Similarly, the lagged impact of PKR depreciation resulted in more pronounced inflation in the second half which increased to an average of 8.6%, compared to 6.0% witnessed in the first half of the fiscal year. In order to control inflation and bring stability to the macroeconomic imbalances, the central bank continued its monetary tightening and increased the interest rates by 575 bps during the course of the year.

Fiscal books of the government continued to deteriorate, with the fiscal deficit reaching an unprecedented 8.9% of the GDP. Total revenue declined by 6% during the year, marred by a sharp drop in non-tax revenue of 44% during the period. Surplus profitability from SBP collapsed to nearly zero, after central bank recorded massive exchange losses due to currency devaluation. Tax collection also remained dismal as YoY collection remained flat, owing to tax exemptions announced in the last budget and a weak economy. On the other hand, total expenditures increased by 11%, despite a 25% cut in development spending. The increase in expenditures was propelled by a surge in current expenditures, particularly as

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

the debt servicing costs escalated by 40% YoY due to increase in interest rates. Government relied on domestic sources to fund its deficit, as financing from external sources (Multilateral agencies) dried up since IMF program was not available during the most part of the year. Within the domestic channel, the government relied heavily on central bank borrowing as nearly 70% of the borrowing out of PKR 3 trillion was funded through SBP.

On the money market side, the yield curve shifted on upward trajectory after record monetary tightening by the central bank during the fiscal year. SBP cited rising inflation, twin deficits and declining forex reserves as the prime reasons behind the policy decisions. In the first half of fiscal year, concerns over external front along with unadjusted policy decisions kept market participants at bay from longer tenor instruments. However, by the end of the fiscal year as the policy adjustments were fully in place, market participants drew much comfort which resulted in a massive demand for longer tenor bonds. In fact, the yield curve turned inverted as 10 Year PIB's traded at much lower level compare to short term security papers.

During the year, SBP persistently tried to develop the market for floating rate bonds by conducting regular auctions. The central bank accepted a cumulative amount of PKR 714 billion at a credit spread of 70-75 bps over base rate (6M T-bill yield). On the other hand, the government matured PKR 314 billion of Ijara Sukuks causing a dearth of Shariah Compliant avenues. However, to fund the circular debt, SBP introduced Pakistan Energy SUKUK amounting to PKR 200 billion exclusively for Islamic Banks at 80 bps premium over base rate. Nevertheless, liquidity position throughout the period remained comfortable owing to regular OMOs conducted by SBP.

EQUITIES MARKET OVERVIEW

The KSE-100 index continued its descent and lost ~19.1% during the year. Economic slowdown and a delay in policy actions vitiated the investment atmosphere and resulted in crisis of confidence. Foreign participants reduced their equity exposure for most part of the year amidst uncertainty on external front. Alongside, a weak economic environment and a rise in interest rates resulted in outflow from local equity based mutual funds. Foreigners dumped USD 362 million of equities followed by USD 146 million from mutual funds. The selling was primarily absorbed by Individuals (~USD 166 Mn), Insurance Companies (~USD 150 Mn) and Companies (~USD 111 Mn). Trading volumes remained low during the year averaging around 154 Mn shares representing a decline of ~11.5% YoY.

Amongst the major sectors; Refineries, Oil Marketing Companies, Automobiles and Cements were among the laggards losing ~57%, ~42%, ~33%, and ~32% respectively. While these sectors bore the brunt of economic slowdown, exchange losses and margin compression added fuel to the fire causing a huge slump in their earnings. On the flip side, Commercial banks outperformed the index as they lost only ~12% against market fall of ~19%. Midsized quality banks lead the pack as NIMS expansion brought in a massive growth in earnings.

KSE-100 stood at a forward Price/Earnings (P/E) ratio of 6.4 x at the end of FY19. It started with a P/E of 9.5 x at the start of year. While the earnings growth of index remained robust at 10% during the last year as the index heavy weights benefitted from the macroeconomic theme (higher interest rates and PKR depreciation); the fall in the index is explained by the massive de-rating owing to the weak appetite for risk assets during the year.

FUND PERFORMANCE

During the period under review, the fund posted a return of -9.41% compared to the return of -13.84% posted by the benchmark.

On the equities front, the overall allocation stood at 60.6%. The exposure was mainly held in Commercial Banks, Oil & Gas Exploration Companies, and Fertilizer.

On the fixed income side, the fund shifted its exposure towards cash to benefit from attractive rates offered by banks.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

The Net Assets of the Fund as at June 30, 2019 stood at Rs. 504 million as compared to Rs. 619 million as at June 30, 2018 registering a decrease of 18.57%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 10.11 as compared to opening NAV of Rs. 11.16 per unit as at June 30, 2018 showing a decrease of Rs.1.05 per unit.

FUTURE OUTLOOK

Policy adjustments by the central bank will result in macroeconomic consolidation thus restricting the economic growth in low single digits. IMF forecasts Pakistan GDP growth to slow down to 2.5% in FY20, in the wake of tightening policies pursued by the government. Industrial growth will remain muted particularly for the import-driven consumption based sectors. However, export driven industrial companies can provide some respite as the government has incentivized the above, while increased power supply also eliminates bottleneck for them.

Balance of Payment worries are over for now as current account deficit has adjusted to reasonable level since the policy actions taken by the central government. The beginning for the year has been very promising as CAD for July'19 shrank to USD ~600 million, compared to USD ~2,000 million seen during the same period of last year. Our forecast at very conservative assumptions is that CAD will settle at 2.7% of GDP. We have assumed crude oil prices at USD 70/BBL, which are currently hovering near USD 60/BBL. After signing up for an IMF program, Pakistan will be able to finance its gross finance requirements by tapping into international avenues. Saudi deferred oil facility will also provide a short term buffer to foreign exchange reserves. We expect foreign exchange reserves to increase to USD ~13 billion (up 1.8x) by the end of the current fiscal year. With PKR aligned to its equilibrium levels (Jun'19 REER at 91) and current account deficit in a sustainable range, PKR should now depreciate nominally based on its historical average.

Inflation is expected to pick up to an average of 11.7% in FY20 compared to 7.3% witnessed during the last year. Multiple reasons are attributed for the surge in inflation. Firstly, the government is aiming to recover the full cost of utilities resulting in the price adjustment of utilities. Secondly, tax exemptions provided to multiple industries have been withdrawn causing a hike in prices. Finally, we have assumed PKR to be north of 170 against USD by the end of fiscal year, while crude oil is assumed at USD 70/BBL which will keep the overall CPI high. Nevertheless, we expect core inflation as represented by Non Food Non Energy (NFNE) to average below 10.0% for the year. We deem that current real interest rate is sufficient to cater for the expected inflation, therefore, in general we do not expect any further increase in interest rates. However, more than expected inflation and any deterioration in fiscal accounts can result in modest tightening in the monetary policy.

On the fiscal side, the government is aiming to limit fiscal deficit at 7.4% of GDP for the year. While the final target for fiscal deficit can evolve, nevertheless, it has to meet the primary condition of IMF for limiting the primary deficit at 0.6% of GDP. For this purpose, FBR is targeting an ambitious tax collection of PKR 5.5 trillion (up 35% YoY). The budget presented in the parliament proposed PKR 600 -700 billion of tax measures, while the remaining amount was kept contingent on FBR efforts and economic growth. On the expenditure side, the government is aiming for austerity measures on the current expenditure side, however, it is aiming for an expansionary Public Sector Development Program (PSDP) of PKR 1.7 trillion (up 40% YoY). We believe the tax collection target to be highly optimistic and expect a shortfall of PKR ~300-400 billion. As a result, the axe can fall on the development spending.

In broader terms, we believe, the last two years market performance (down approx. 45% from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current levels offer very attractive levels for long term investors with very little downside potential. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the country and adjust our portfolio accordingly.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

Our overall strategy is still tilted towards defensive sectors (E&P's, Power, Fertilizers) while sector which will benefit from changing dynamics on macro front such as rising interest rates (Commercial Banks) are also overweight. In addition to that, government's strong focus on reviving exports should provide a boost to the outlook of export oriented sectors such as Textiles & IT. Despite being negative on cyclicals, we believe there are distressed assets and quality companies which should be looked into as they have a tendency to provide abnormal returns.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With six (6) non-executive directors including two (2) independent Directors on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts whatsoever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- 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, 2019, the Fund is in compliance with the requirement of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below are the details of committee meetings held during the year ended June 30, 2019:

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

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. Mr. Haroun Rashid (Chairman)	9	9	7	2
2. Mr. Ahmed Jahangir	9	9	9	-
3. Mr. Nasim Beg	9	9	9	-
4. Mr. Mirza Qamar Beg	9	9	9	-

2. Meeting of the Human Resource and Remuneration Committee.

During the year, one (1) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Dr. Syed Salman Shah (Chairman)*	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-
4. Mr. Haroun Rashid	1	1	1	-
5. Mr. Muhammad Saqib Saleem (CEO)	1	1	1	-

*Dr. Syed Salman Ali Shah resigned from the Board effective June 10, 2019 and Mirza Qamar Beg was included as a member and also appointed as Chairman of the Committee.

3. Meeting of Risk Management Committee.

During the year, one (1) meetings of the Risk Management Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Mirza Qamar Beg (Chairman)	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-

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- m. Nil 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.

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, 2020. 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, 2020.

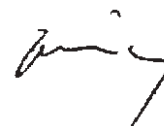
ACKNOWLEDGMENT

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 13, 2019



Nasim Beg
Director / Vice Chairman

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019ء کو ختم ہونے والے سال کے لیے پاکستان کپیٹل مارکیٹ فنڈ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

پاکستان کی معیشت کو مالی سال 2019ء میں داخل ہوتے ہوئے بے شمار چیلنجز ورثے میں ملے، خاص طور پر ادائیگی کے توازن اور مالیات کی کمزور صورتحال۔ گلاں معاشیات کے غیر متوازن عناصر سے نمٹنے کے لیے مرکزی بینک نے چوکنے پالیسی اقدامات کیے جن کے نتیجے میں معاشی ترقی متاثر ہوئی۔ مجموعی ملکی پیداوار (GDP) کی ترقی ابتدائی تخمینوں کے مطابق سال گزشتہ (5.2 فیصد) کے مقابلے میں کم ہو کر 3.3 فیصد رہ گئی۔ تینوں بڑے شعبہ جات یعنی زراعت، صنعت اور سروسز سٹ روی کا شکار ہوئے اور ان کی ترقی کی شرح بالترتیب 0.9 فیصد، 1.4 فیصد اور 4.7 فیصد رہی۔ اہم فصلوں کی نمو میں گراوٹ کے سبب زرعی ترقی بھی پسماندگی کا شکار ہوئی جس کا اظہار گتے، کپاس اور چاول کی پیداوار میں بالترتیب 19.4 فیصد، 17.5 فیصد اور 3.3 فیصد کمی سے ہوتا ہے۔ صنعتی ترقی بھی کمزوری کا شکار ہوئی کیونکہ بڑے پیمانے کی پیداوار (LSM) مرکزی بینک کی گلاں معاشیاتی استحکام کے حصول کے لیے اختیار کردہ کاٹریکشنری (حکومتی خرچ یا مالیاتی توسیع کی شرح میں کمی پر مبنی) پالیسیوں کا خمیازہ برداشت نہیں کر سکی۔ LSM میں 3.7 فیصد کمی ہوئی کیونکہ حکومتی خرچ اور درآمدات پر انحصار کرنے والی صنعتوں کو مانگ میں کمی کا سامنا ہوا۔ LSM کے اہم شعبہ جات میں گاڑیوں کے شعبے میں 11.7 فیصد اور لوہے اور اسٹیل کے شعبے میں 11.2 فیصد مانگ کا تضاد ہوا۔ تاہم سروسز کے شعبے نے معاشی ترقی کو کچھ حد تک ڈھال فراہم کیا جس کا سہرہ فنانس اینڈ انشورنس (5.4 فیصد YoY ترقی) اور حکومتی سروسز (8.0 فیصد YoY ترقی) کے سر جاتا ہے۔ GDP کا ڈالر کے اعتبار سے حجم 280 بلین ڈالر تھا جو سال گزشتہ (315 بلین ڈالر) کے مقابلے میں 11 فیصد تضاد ہے۔

سال کے آغاز پر ہی پاکستان اپنی تاریخ کے سب سے بڑے ادائیگی کے توازن کے بحران کا شکار ہوا۔ اگرچہ اسے 19 بلین ڈالر کرنٹ اکاؤنٹ خسارے (CAD) اور 9 بلین ڈالر خارجی ادائیگی نو کا سامنا تھا لیکن یہ بحران شدت اختیار کر گیا کیونکہ غیر ملکی زرمبادلہ کے ذخائر صرف 10 بلین ڈالر رہ گئے تھے۔ مرکزی بینک کے بروقت پالیسی اقدام، خاص طور پر دوران سال روپے میں 32 فیصد ترمیم سے CAD پر قابو پانے میں مدد ملی۔ حقیقی مؤثر شرح مبادلہ (REER) جون 2018ء کے اصل سے زائد قدر کی سطح سے نیچے آئی اور اصل سے 10 فیصد کم قدر کی حامل ہو گئی۔ نتیجتاً CAD دوران سال 32.1 فیصد سکڑ کر 13.5 بلین ڈالر ہو گیا۔ اگرچہ برآمدات میں ترقی نہیں ہو سکی لیکن CAD میں بہتری کے اسباب تیل کے علاوہ والی اشیاء اور سروسز کی درآمدات میں 11.8 فیصد YoY (یور اور یور) کمی اور تسلیات زر میں 9.7 فیصد YoY اضافہ ہے۔ پاکستان کے دوستانہ حلیفوں سے مادی درآمدات زر (10 بلین ڈالر) حاصل کرنے میں کامیابی کے بعد ادائیگی قرض میں کوتاہی بھی مل گئی۔ اگرچہ CAD میں کمی کے ساتھ ساتھ رقوم کی دوطرفہ آمد و رفت سے ادائیگی کے توازن کا کچھ سانس بحال ہوا لیکن خارجی بحران کی شدت کے باعث اسٹیٹ بینک آف پاکستان (SBP) کے غیر ملکی زرمبادلہ کے ذخائر 2.5 بلین ڈالر کم ہو کر 7.5 بلین ڈالر رہ گئے۔ علاوہ ازیں، ماہ مئی 2019ء کے دوران پاکستان نے بالآخر آئی ایم ایف پروگرام پر دستخط کر دیئے جس سے خارجی میدان میں تمام غیر یقینیوں کا خاتمہ ہو گیا۔ 2.6 بلین ڈالر کا اسٹاف لیول معاہدہ تین برسوں کی مدت کے لیے عمل میں آیا۔

مالی سال 2019ء میں صارفی قیمت کے انڈیکس (CPI) کے مطابق افراط زر مزید تیز رفتار ہو کر 7.3 فیصد کے اوسط تک پہنچ گئی جبکہ گزشتہ سال یہ اوسط 3.9 فیصد تھا۔ افراط زر میں اضافے میں یوٹیلٹی کے بلند ترین خرچ، خاص طور پر گیس کی قیمتوں میں (64 فیصد YoY) اضافہ اور پٹرول کی قیمتوں میں

(23 فیصد YoY) اضافہ سرگرم عمل ہیں۔ سبسڈیز کے خاتمے کے حکومتی اقدام سے یوٹیلیٹی کے نرخ میں ترمیم کا موقع ملا، جبکہ پٹرول کی قیمتوں میں ترمیم دوران سال روپے کی قدر ڈالر کے مقابلے میں 30 سے زائد فیصد گر جانے کے بعد کی گئی۔ اسی طرح، روپے کی قدر میں کمی کے سبب رفتار اثر کے نتیجے میں افراط زر مالی سال کے نصف ثانی میں شدید تر ہو کر 8.6 فیصد اوسط تک پہنچ گئی جبکہ نصف اول میں 0.6 فیصد تھی۔ افراط زر پر قابو پانے اور گلاں معاشیاتی غیر متوازن عناصر میں استحکام پیدا کرنے کے لیے مرکزی بینک نے مالیاتی سختی کا عمل جاری رکھتے ہوئے انٹریسٹ کی شرحوں میں دوران سال 575 بیسیس پوائنٹس (bps) کا اضافہ کیا۔

حکومت کے مالیاتی اعداد میں پسماندگی کا سلسلہ جاری رہا اور مالیاتی خسارہ GDP کے 8.9 فیصد تک پہنچ گیا جس کی نظیر نہیں ملتی۔ کل آمدنی میں دوران سال 6 فیصد کمی ہوئی جس کا سبب غیر ٹیکس آمدنی میں دوران مدت 44 فیصد سنگین گراؤ ہے۔ روپے کی قدر میں کمی کے باعث مرکزی بینک کو زرمبادلہ کے خطیر خسارہ جات کا سامنا ہوا اور SBP سے اضافی منافع کے گنجائش تقریباً صفر ہو گئی۔ ٹیکس وصولی بھی مایوس کن رہی کیونکہ گزشتہ بجٹ میں اعلان کردہ ٹیکس استثنائات اور مجموعی طور پر کمزور معیشت کے باعث YoY وصولی میں کوئی اضافہ نہیں ہوا۔ دوسری جانب ترقیاتی خرچ میں 25 فیصد کمی کرنے کے باوجود کل اخراجات میں 11 فیصد اضافہ ہوا۔ اخراجات کے اضافے کو کرنٹ اخراجات میں اضافے نے مزید ہادی جس کا اہم سبب انٹریسٹ کی شرحوں میں اضافے کے سبب ادائیگی قرض میں 40 فیصد YoY اضافہ ہے۔ حکومت نے اپنے خسارے کی تلافی کے لیے مقامی ذرائع پر انحصار کیا کیونکہ سال کے اکثر حصے کے دوران آئی ایم ایف پروگرام کی عدم دستیابی کے باعث خارجی ذرائع (کثیر الجہتی ایجنسیاں) غیر مفید ہو گئے تھے۔ مقامی ذرائع میں حکومت نے سب سے زیادہ انحصار سینٹرل بینک پر کیا کیونکہ 3 ٹریلین روپے قرض میں سے تقریباً 70 فیصد کا انتظام SBP کے ذریعے کیا گیا۔

دوران مالی سال مرکزی بینک کی طرف سے تاحال سب سے زیادہ مالیاتی سختی کے باعث بازار زر کا پیداواری خم بلندی کی طرف مائل ہوا۔ SBP نے بڑھتی ہوئی افراط زر، جڑواں خساروں اور زرمبادلہ کے گھٹتے ہوئے ذخائر کو پالیسی سے متعلق فیصلوں کے عوامل قرار دیا۔ مالی سال کے نصف اول میں خارجی میدان کے ساتھ ساتھ پالیسی کے غیر ترمیم شدہ فیصلوں سے متعلق خدشات نے مارکیٹ کے شرکاء کو طویل تر میعاد کے انسٹرمنٹس سے دور رکھا۔ تاہم مالی سال کے اختتام کے قریب جب پالیسی کی ترمیمات پوری طرح نافذ ہو گئیں تب مارکیٹ کے شرکاء نے سکون کا سانس لیا جس کے نتیجے میں طویل تر میعاد کے بانڈز کی خطیر مانگ پیدا ہو گئی۔ حتیٰ کہ دس سالہ پاکستان انویسٹمنٹ بانڈز کی تجارت مختصر مدت کے سیکیورٹی پیپرز کے مقابلے میں کافی پست سطح پر ہونے کے سبب پیداواری خم اوندھا ہو گیا۔

دوران سال SBP نے باقاعدہ نیلامیوں کا انعقاد کر کے فلوئنگ ریٹ بانڈز کے لیے مارکیٹ کی ترقی کی مسلسل کوشش کی۔ مرکزی بینک نے base ریٹ (6M ٹریژری بلز پیداوار) کے اوپر 70 سے 75 bps کریڈٹ اسپریڈ پر 714 بلین روپے کی مجموعی رقم قبول کی۔ دوسری جانب حکومت نے 314 بلین روپے کے اجارہ سکک مچور کیے جس کے سبب شریعت کی تعمیل پر مبنی مواقع کی کمی ہو گئی۔ تاہم گردش قرضے کے لیے رقم کی فراہمی کے لیے SBP نے خاص طور پر اسلامک بینکوں کے لیے base ریٹ کے اوپر 80 bps پر 200 بلین روپے کے پاکستان انرجی سکک متعارف کرائے۔ علاوہ ازیں، SBP کی طرف سے باقاعدہ OMOs کے انعقاد کی بدولت پوری مدت کے دوران نقدیت کی صورتحال تسلی بخش رہی۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

کراچی اسٹاک ایکسچینج (KSE) -100 انڈیکس میں تنزلی کا سلسلہ جاری رہا اور یہ 19.1 فیصد کم ہو گیا۔ معاشی سُست روی اور پالیسی اقدامات میں تاخیر سے سرمایہ کاری کا ماحول متاثر ہوا جس کے نتیجے میں اعتماد کا بحران پیدا ہو گیا۔ خارجی میدان میں غیر یقینی صورتحال کے باعث غیر ملکی فریقوں نے سال کے اکثر حصے کے دوران ایکویٹی میں سرمایہ کاری کو کم کر دیا۔ ساتھ ساتھ کمزور معاشی ماحول اور انٹریسٹ کی شرحوں میں اضافے کے نتیجے میں ایکویٹی پر مبنی مقامی فنڈز سے بھی رقم نکالی گئی۔ غیر ملکیوں نے 362 ملین ڈالر کی ایکویٹیز فروخت کر دیں جس کے بعد 146 ملین ڈالر کے میوچل فنڈز کا بھی یہی حال ہوا۔ اس فروخت کو جذب کرنے والے بنیادی طور پر افراد (166 ملین ڈالر)، انشورنس کمپنیاں (150 ملین ڈالر) اور کمپنیاں (111 ملین ڈالر) تھے۔ تجارتی حجم دوران سال پست رہے جن کا اوسط تقریباً 154 ملین شیئرز تھا جو 11.5 فیصد YoY کمی ہے۔

اہم شعبوں میں ریفائریز، آئل مارکیٹنگ کمپنیاں، آٹوموبیل اور سیمنٹ کے شعبے سُست روی کا شکار رہے اور ان میں بالترتیب 57 فیصد، 42 فیصد، 33 فیصد اور 32 فیصد تنزلی ہوئی۔ یہ شعبے پہلے ہی معاشی سُست روی کا خمیازہ بھگت رہے تھے، اور زرمبادلہ کے خساروں اور مارجن کمپریشن نے آگ میں ایندھن شامل کرتے ہوئے ان شعبوں کی آمدنیوں کو بُری طرح گرادیا۔ دوسری جانب کمرشل بینکوں کی کارکردگی انڈیکس پر سبقت لے گئی اور ان کا خسارہ صرف 12 فیصد تھا جبکہ مارکیٹ کا خسارہ 19 فیصد تھا۔ درمیانے حجم کے بینک صفِ اوّل میں تھے کیونکہ NIMS کی توسیع سے آمدنیوں میں خطیر ترقی ہوئی۔ مالی سال 2019ء کے اختتام پر KSE-100 کا فارورڈ پرائس / ارننگز (P/E) ریشو (یعنی قیمتوں اور آمدنیوں کا تناسب) $6.4 \times$ تھا، جبکہ سال کے آغاز میں یہ $9.5 \times$ تھا۔ اگرچہ آمدنیوں کے اعتبار سے انڈیکس کی ترقی سالِ گزشتہ کے دوران 10 فیصد کی بھرپور سطح پر رہی کیونکہ انڈیکس کے بڑے ادروں کو گلاں معاشیاتی عوامل (انٹریسٹ کی بلند شرحوں اور روپے کی قدر میں کمی) سے فائدہ ہوا۔ انڈیکس میں گراؤ کی وضاحت دورانِ سال خطروں کے حامل اثاثہ جات میں دلچسپی کی کمی کے باعث خطیر ڈی-ریٹنگ سے ہوتی ہے۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا منافع - 9.41 فیصد تھا جبکہ مقررہ معیار - 13.84 فیصد تھا۔
فلسفہ انکم کی جہت میں فنڈ کی شمولیت کو نقد کی طرف منتقل کیا گیا تاکہ بینکوں کی پُرکشش شرحوں سے فائدہ اُٹھایا جاسکے۔
30 جون 2019ء کو فنڈ کے net اثاثہ جات 504 ملین روپے تھے جو 30 جون 2018ء (619 ملین روپے) کے مقابلے میں 18.75 فیصد کمی ہے۔ 30 جون 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 10.11 روپے تھی جو 30 جون 2018ء کی ابتدائی NAV (11.16) روپے فی یونٹ کے مقابلے میں 1.05 روپے فی یونٹ کمی ہے۔

مستقبل کا منظر

مرکزی بینک کی طرف سے پالیسی میں ترمیمات کے نتیجے میں گلاں معاشیاتی یکجہایت عمل میں آئے گی، چنانچہ معاشی ترقی چھوٹے اعداد تک محدود رہے گی۔ حکومت کی اختیار کردہ سختی پر مبنی پالیسیوں کے پیش نظر آئی ایم ایف نے مالی سال 2020ء میں پاکستان کی GDP کی ترقی میں 2.5 فیصد سُست روی کی پیش گوئی کی ہے۔ صنعتی ترقی، خاص طور پر درآمدات سے چلنے والے صرف پر مبنی شعبہ جات میں ترقی جو دکا شکار رہے گی۔ تاہم برآمدات سے چلنے والی صنعتی کمپنیوں سے کچھ مہلت ملے گی کیونکہ حکومت نے ان میں ترغیبات متعارف کرائی ہیں، اور توانائی کی فراہمی میں اضافے کی بدولت ان کی رکاوٹیں بھی

دور ہوتی ہیں۔

ادائیگی کی توازن کی پریشانیاں فی الوقت ختم ہو گئی ہیں کیونکہ مرکزی حکومت کی طرف سے پالیسی اقدامات کے بعد CAD ترمیم سے گزر کر معقول سطح تک آ گیا ہے۔ سال کا آغاز بہت حوصلہ افزا رہا کیونکہ جولائی 2019ء کا CAD سال گزشتہ کی مماثل مدت کے CAD (2,000 ملین ڈالر) کے مقابلے میں سکوکڑ 600 ملین ڈالر رہ گیا تھا۔ ہمارے بہت مختار مفروضوں پر مبنی پیشن گوئی ہے کہ CAD کی سطح GDP کے 2.7 فیصد تک پہنچ کر رک جائے گی۔ ہم نے خام تیل کی قیمتیں 70 ڈالر فی BBL کی سطح پر فرض کی ہیں جو موجودہ طور پر 60 ڈالر فی BBL کے آس پاس ہے۔ ایک آئی ایم ایف پروگرام پر دستخط کرنے کے بعد پاکستان بین الاقوامی مواقع کو استعمال کر کے اپنی مجموعی مالیات کے لیے رقم فراہم کر سکے گا۔ سعودی عرب کی طرف سے تیل کی ملتی شدہ سہولت بھی غیر ملکی زرمبادلہ کے ذخائر کو مختصر المیعاد مطلوبہ توقف فراہم کرے گی۔ ہمیں توقع ہے کہ موجودہ مالی سال کے اختتام تک غیر ملکی زرمبادلہ کے ذخائر بڑھ کر 13 بلین ڈالر تک پہنچ جائیں گے (1.8 ضربے زیادہ)۔ روپے کے توازن کی سطحوں (جون 2019ء REER: 91) تک ہم آہنگ ہونے اور CAD کے پائیدار حد میں ہونے کی وجہ سے روپے کی قدر میں اس کے ماضی کے اوسط کی بنیاد پر اب معمولی کمی ہونی چاہیے۔

مالی سال 2020ء میں افراط زر کا اوسط متوقع طور پر 11.7 فیصد بڑھے گا جو سال گزشتہ کے دوران 7.3 فیصد تھا۔ افراط زر میں اس اضافے کے متعدد عوامل ہیں۔ اول، حکومت یوٹیلٹیز کی پوری لاگت وصول کرنے کا ارادہ کر رہی ہے جس کے نتیجے میں یوٹیلٹیز کی قیمت میں ترمیمات ہوں گی۔ دوم، متعدد صنعتوں کو فراہم کردہ ٹیکس استثناءات واپس لے لی گئی ہیں جس کے نتیجے میں قیمتوں میں اضافہ ہوا ہے۔ آخری یہ کہ ہم نے مالی سال کے اختتام تک 1 ڈالر کو 170 روپے کے برابر فرض کیا ہے جبکہ خام تیل کو 70 ڈالر فی BBL فرض کیا ہے جس سے مجموعی صارفی قیمت کا انڈیکس (CPI) بلند سطح پر رہے گا۔ علاوہ ازیں، ہمیں اُمید ہے کہ اشیائے خورد و نوش اور توانائی کے علاوہ والے شعبوں (NFNE) سے ظاہر ہونے والی بنیادی افراط زر کا اوسط زیر بحث سال کے لیے 10.0 فیصد ہوگا۔ ہم سمجھتے ہیں کہ انٹریسٹ کی موجودہ حقیقی شرح متوقع افراط زر کی ضرورت پوری کرنے کے لیے کافی ہوگی، چنانچہ، عمومی طور پر انٹریسٹ کی شرحوں میں مزید اضافہ متوقع نہیں ہے۔ تاہم توقع سے زیادہ افراط زر یا مالیاتی گوشواروں میں کسی تنزلی کے نتیجے میں مانیٹری پالیسی میں معمولی سختی عمل میں آسکتی ہے۔

مالیاتی جہت میں حکومت مالیاتی خسارے کو GDP کے 7.4 فیصد تک محدود کرنے کا ارادہ کر رہی ہے۔ اگرچہ مالیاتی خسارے کے حتمی ہدف میں ارتقاء ہو سکتا ہے لیکن حکومت کو بنیادی خسارے کو GDP کے 0.6 فیصد پر محدود کرنے کی آئی ایم ایف کی بنیادی شرط کو پورا کرنا ہے۔ اس مقصد کے لیے فیڈرل بورڈ آف ریونیو (FBR) 5.5 ٹریلین روپے (35 فیصد YoY زیادہ) ٹیکس وصولی کا عزم بلند کیے ہوئے ہے۔ پارلیمنٹ میں پیش کردی بجٹ میں 600 سے 700 بلین روپے کے ٹیکس اقدامات کی تجویز دی گئی ہے جبکہ باقی رقم FBR کی کوششوں اور معاشی ترقی پر منحصر رکھی گئی ہے۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات میں سادگی کے اقدامات کا عزم کر رہی ہے تاہم 7.1 ٹریلین روپے (40 فیصد YoY زیادہ) کے ایکسپینڈیچر (یعنی معاشی توسیع پر مبنی) پبلک سیلکٹڈ ویلپمنٹ پروگرام (PSDP) کا منصوبہ بنا رہی ہے۔ ہم ٹیکس وصولی کی ہدف کو بے حد مثبت خیالی پر مبنی سمجھتے ہوئے 300 سے 400 بلین روپے کی کمی کی توقع کر رہے ہیں جس کے نتیجے میں ترقیاتی خرچ پر ضرب پڑے گی۔

وسیع تر تناظر میں ہم سمجھتے ہیں کہ گزشتہ دو سال مارکیٹ کی کارکردگی سے (بلند ترین سطحوں سے تقریباً 45 فیصد تنزلی) اور سائیکلک اسٹاکس کی کارکردگی سے، جہاں اسٹاک کی قیمتوں میں اصلاح تیز تر ہوتی ہے، سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوتی ہے۔ ہم اپنے موقف میں اعادہ جاری رکھتے ہیں کہ موجودہ سطحیں ایسے طویل المیعاد سرمایہ کاروں کے لیے بہت پُرکشش سطحیں پیش کرتے ہیں جن کے ناکام ہونے کا امکان بہت کم ہوتا ہے۔ ہم سمجھتے ہیں کہ اسٹاکس میں ترقی بتدریج ہی منظر عام پر آئے گی جب اعتماد بحال ہوگا اور معاشی پالیسیاں مستقبل کی متوقع تصویر کشی کریں گی۔ چنانچہ آگے بڑھتے

j. 30 جون 2019 کے اختتام پر، ڈائریکٹرز ٹریڈنگ پروگرام کے حوالے سے جو مطالبات کوڈ کے regulation نمبر بیس میں درج ہیں، فنڈ اُس سے compliant ہے۔
k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔

ہوئے ہم دیکھتے ہیں کہ اسٹاکس ایسے سرمایہ کاروں کے لیے جن کو جلدی نہیں ہے، طویل المیعاد سرمایہ کاری کا موقع بمع منافع جات پیش کرتے ہیں۔ ہم نے ملک کے معاشی اشاروں کے رجحانات پتہ کر کے اس حساب سے اپنے پورٹ فولیو میں ترمیم کا سلسلہ جاری رکھا ہوا ہے۔
مجموعی حکمت عملی اب بھی دفاعی شعبوں (ایکسپلوریشن اینڈ پروڈکشن، پاور، فریلائزر) کی طرف جھکی ہوئی ہے جبکہ گلاں معاشیاتی میدان میں تبدیل ہوتے ہوئے عوامل مثلاً انٹریسٹ کی بڑھتی ہوئی شرحوں سے مستفید ہونے والا سیکٹر (کمرشل بینک) بھی overweight ہے۔ علاوہ ازیں، برآمدات کو بحال کرنے پر حکومت کی بھرپور توجہ کی بدولت برآمدات پر مبنی شعبوں مثلاً ٹیکسٹائلز اور انفارمیشن ٹیکنالوجی کے مستقبل کے امکانات روشن تر ہو جائیں گے۔ سائیکلیکل اسٹاکس میں منفی کارکردگی کے باوجود ہم سمجھتے ہیں کہ ایسے distressed اثاثہ جات اور کوالٹی کمپنیاں موجود ہیں جن پر توجہ دی جانی چاہیے کیونکہ یہ غیر معمولی منافع جات فراہم کرنے کی استعداد کے حامل ہیں۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ چھ (6) غیر ایگزیکٹو ڈائریکٹرز بشمول دو (2) خود مختار ڈائریکٹرز پر مشتمل بورڈ، مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے، عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جواہدہ ہے۔ انتظامیہ بہترین طریقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے کارپوریٹ گورننس کے ضابطہء اخلاق کی شقوں کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔

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

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

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

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

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار (پاکستان میں اطلاق کی حد تک)، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) کی دفعات 2003ء، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ تنظیمیں ریگولیشنز 2008ء، متعلقہ ٹرسٹ ڈیڈ کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

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

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

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

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

ڈائریکٹرز رپورٹ

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

۱. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2019ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

۱۔ آڈٹ کمیٹی کی میٹنگ

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

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
2	7	9	9	۱۔ جناب ہارون رشید (چیئرمین)
-	9	9	9	۲۔ جناب احمد جہانگیر
-	9	9	9	۳۔ جناب نسیم بیگ
-	9	9	9	۴۔ مرزا محمد قمر بیگ

۲۔ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	1	1	1	۱۔ ڈاکٹر سید سلمان شاہ (چیئرمین)*
-	1	1	1	۲۔ جناب نسیم بیگ
-	1	1	1	۳۔ جناب احمد جہانگیر
-	1	1	1	۴۔ جناب ہارون رشید
-	1	1	1	۵۔ جناب محمد ثاقب سلیم (سی ای او)

* ڈاکٹر سید سلمان علی شاہ نے 10 جون 2019ء کو بورڈ سے استعفیٰ دیا اور مرزا قمر بیگ ممبر کے طور پر شامل کیا گیا اور کمیٹی کے چیئرمین کے طور پر بھی ان کی تقرری کی گئی۔

ڈائریکٹرز رپورٹ

۳۔ رسک مینجمنٹ کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگ کی تعداد			نام	منعقدہ میٹنگز کی تعداد	مطلوبہ حاضری	حاضری	منظور شدہ رخصت
۱۔	جناب مرزا قمر بیگ (چیئر مین)	1	1	1	1	1	-
۲۔	جناب نسیم بیگ	1	1	1	1	1	-
۳۔	جناب احمد جہانگیر	1	1	1	1	1	-

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

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 30 جون 2020ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2020ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر /وائس چیئر مین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
13 ستمبر 2019ء

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2019

**FOR PAKISTAN CAPITAL MARKET FUND UNDER MANAGEMENT OF
MCB-Arif Habib Savings and Investments Limited**

Fund Type and Category

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

Fund Benchmark

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

Investment Objective

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

Investment Strategy

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

Manager's Review

During the period under review, the fund posted a return of -9.41% compared to the return of -13.84% posted by the benchmark.

On the equities front, the overall allocation stood at 60.6%. The exposure was mainly held in Commercial Banks, Oil & Gas Exploration Companies, and Fertilizer.

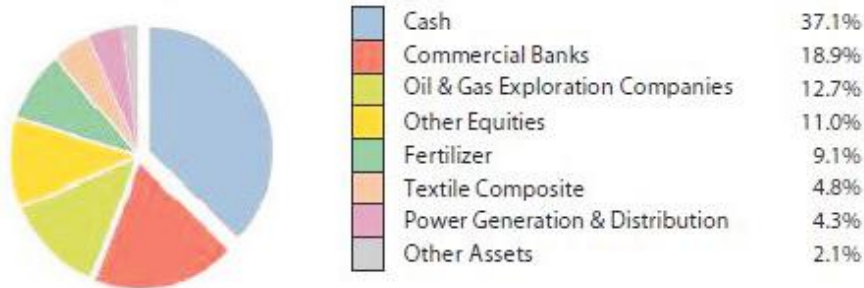
On the fixed income side, the fund shifted its exposure towards cash to benefit from attractive rates offered by banks.

The Net Assets of the Fund as at June 30, 2019 stood at Rs. 504 million as compared to Rs. 619 million as at June 30, 2018 registering a decrease of 18.57%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 10.11 as compared to opening NAV of Rs. 11.16 per unit as at June 30, 2018 showing a decrease of Rs.1.05 per unit.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2019

Asset Allocation as on June 30, 2019 (% of total assets)



Asset Quality as on June 30, 2019 (% of total assets)



Syed Abid Ali
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
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TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CAPITAL MARKET FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Capital Market Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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 18, 2019



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Pakistan Capital Market Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pakistan Capital Market Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, 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 and forming part of 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, 2019, and of its financial performance, its cash flows and transactions 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 component of the NAV. Balances with banks of the Fund as at June 30, 2019 aggregated to Rs 192.760 million and Investments amounted to Rs 316.053 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,	Our audit procedures included the following: - 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 bank balances as at June 30, 2019 and reconciled them with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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S. No.	Key Audit Matter	How the matter was addressed in our audit
	2019 was considered a high risk area and therefore we considered this as a key audit matter.	- re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and - obtained bank reconciliation statements and tested reconciling items on a sample basis.

Other Matter

The financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated September 14, 2018.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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

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

Afferguson & Co
Chartered Accountants
Karachi

Date: September 26, 2019

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
ASSETS			
Balances with banks	4	192,760	210,758
Investments	5	316,053	422,928
Dividend and profit receivables	6	1,157	2,422
Advances, deposits and prepayments	7	5,086	5,067
Receivable against sale of investments		4,655	-
Total assets		<u>519,711</u>	<u>641,175</u>
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	1,521	1,372
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	95	119
Payable to the Securities and Exchange Commission of Pakistan	10	490	536
Payable against purchase of investment		-	6,325
Payable against redemption of units		216	216
Accrued expenses and other liabilities	11	13,753	14,028
Total liabilities		<u>16,075</u>	<u>22,596</u>
NET ASSETS		<u>503,636</u>	<u>618,579</u>
Unit holders' fund (as per statement attached)		<u>503,636</u>	<u>618,579</u>
Contingencies and commitments	12		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		<u>49,824,042</u>	<u>55,412,733</u>
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT	3.6	<u>10.11</u>	<u>11.16</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	Note	For the year ended	
		June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
INCOME			
Dividend income		20,833	14,093
Income from government securities		11,036	6,101
Capital loss on sale of investments - net		(13,971)	(6,874)
Income from term finance certificate		103	73
Income from term deposit receipts		-	1,460
Profit on bank deposits		7,812	9,404
Income on deposit with NCCPL against exposure margin		31	16
Income from money market placement		-	432
Unrealised diminution on re-measurement of investments classified at fair value through profit or loss - net	5.4	(60,007)	(25,020)
Other income		230	-
Total (loss) / income		(33,933)	(315)
Impairment loss on investment in equity securities classified as available for sale		-	(3,757)
EXPENSES			
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	8.1	11,538	12,604
Sindh Sales tax on remuneration of the Management Company	8.2	1,500	1,639
Allocated expenses including direct taxes	8.3	577	712
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	9.1	1,154	1,260
Sindh Sales tax on remuneration of the trustee	9.2	150	164
Annual Fee to the Securities and Exchange Commission of Pakistan	10	490	536
Selling and marketing expenses		2,308	138
Securities transaction costs		1,265	2,545
Settlement and bank charges		511	588
Fees and subscription		51	199
Auditors' remuneration	13	564	512
Printing and related costs		52	-
Legal and professional charges		184	150
Total expenses		(20,344)	(21,047)
Net loss for the year before taxation		(54,277)	(25,119)
Taxation	14	-	-
Net loss for the year after taxation		(54,277)	(25,119)
Loss per unit	3.13	-	-
Allocation of net income for the year:			
Net income for the year		-	-
Income already paid on units redeemed		-	-
Accounting income available for distribution:			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
Accounting income available for distribution		-	-

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

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	For the year ended	
	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Net loss for the year after taxation	(54,277)	(25,119)
Other comprehensive income for the year		
Unrealised appreciation in value of investments classified as 'available for sale' - net	-	2,824
Total comprehensive loss for the year	(54,277)	(22,295)

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

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2019

	For the year ended June 30, 2019				For the year ended June 30, 2018			
	Capital value	Undistributed income / accumulated loss	Unrealised appreciation / (diminution) on 'available for sale' investments	Total	Capital value	Undistributed income	Unrealised appreciation / (diminution) on 'available for sale' investments	Total
(Rupees in '000)								
Net assets at beginning of the year	573,580	42,884	2,115	618,579	607,888	68,003	(709)	675,182
Change in accounting policy - note 2.3	-	2,115	(2,115)	-				
Net assets at the beginning of the year restated	573,580	44,999	-	618,579	607,888	68,003	(709)	675,182
Issuance of 2,803,162 units (2018: 8,462,293 units)								
- Capital value (at net asset value per unit at the beginning of the year)	31,283	-	-	31,283	97,570	-	-	97,570
- Element of loss	(346)	-	-	(346)	(1,734)	-	-	(1,734)
Total proceeds from issuance of units	30,937	-	-	30,937	95,836	-	-	95,836
Redemption of 8,391,853 units (2018: 11,624,776 units)								
- Capital value (at net asset value per unit at the beginning of the year)	93,653	-	-	93,653	(134,034)	-	-	(134,034)
- Element of income	(2,050)	-	-	(2,050)	3,890	-	-	3,890
Total payments on redemption of units	91,603	-	-	91,603	(130,144)	-	-	(130,144)
Total comprehensive loss / (income) for the year	-	(54,277)	-	(54,277)	-	(25,119)	2,824	(22,295)
Net assets at end of the year	512,914	(9,278)	-	503,636	573,580	42,884	2,115	618,579
Undistributed income brought forward								
- Realised	67,904				72,282			
- Unrealised	(25,020)				(4,279)			
	42,884				68,003			
Change in accounting policy - note 2.3	2,115				-			
Undistributed income brought forward - restated	44,999				68,003			
Accounting income available for distribution								
- Relating to capital gains	-				-			
- Excluding capital gains	-				-			
	-				-			
Net loss for the year after taxation	(54,277)				(25,119)			
Distribution during the year	-				-			
(Accumulated loss) / undistributed income carried forward	(9,278)				42,884			
(Accumulated loss) / Undistributed income carried forward								
- Realised	50,729				67,904			
- Unrealised	(60,007)				(25,020)			
	(9,278)				42,884			
				(Rupees)				(Rupees)
Net asset value per unit at beginning of the year					11.16			
Net asset value per unit at end of the year					10.11			

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

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

Note	For the year ended	
	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(54,277)	(25,119)
Adjustments for:		
Capital loss on sale of investments - net	13,971	6,874
Unrealised diminution in value of investments classified as at fair value through profit or loss - net	60,007	25,020
Impairment loss on investment in equity securities classified as available for sale	-	3,757
	19,701	10,532
Decrease / (increase) in assets		
Investments	32,897	(6,266)
Receivable against sale of investment	(4,655)	10,154
Dividend and profit receivables	1,265	378
Advances, deposits and prepayments	(19)	982
	29,488	5,248
Increase / (decrease) in liabilities		
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	149	(177)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(24)	(9)
Payable to the Securities and Exchange Commission of Pakistan	(46)	(32)
Payable against purchase of investment	(6,325)	6,325
Accrued expenses and other liabilities	(275)	(838)
	(6,521)	5,269
Net cash generated from operating activities	42,668	21,049
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issuance of units	30,937	95,836
Payment against redemption of units	(91,603)	(130,144)
Net cash used in financing activities	(60,666)	(34,308)
Net (decrease) / increase in cash and cash equivalents during the year	(17,998)	(13,259)
Cash and cash equivalents at beginning of the year	210,758	204,777
Cash and cash equivalents at end of the year	192,760	210,758

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

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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Capital Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB - Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) . The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter dated September 30, 2003 consequent to which the Trust Deed was executed on October 27, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, near KPT Interchange, Karachi, Pakistan.
- 1.3 Pakistan Capital Market Fund as a closed-end scheme was authorized by SECP on November 5, 2003. During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund has been categorised as "Balanced Scheme" and offers units for public subscription on continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on Pakistan Stock Exchange Limited.
- 1.4 The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned as asset manager of "AM2++" dated April 8, 2019 to the Management Company and long term performance rating of 4-star and short term performance rating of 4-star to the Fund dated May 24, 2018.
- 1.6 Title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.

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), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements 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 the requirements of the Trust Deed have been followed.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Effective from July 01, 2018, the fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities. Furthermore, the ECL has impact on all other assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund other than debt securities (for which there is a separate criteria as mentioned above) that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognized in the "Income Statement", except where an irrevocable election has been made at the time of initial recognition to measure the investment at 'fair value through other comprehensive income' (FVOCI). IFRS 9 has provided a criteria for debt securities whereby debt securities are either classified as (a) amortised cost or (b) at fair value through other comprehensive income (FVOCI) or (c) at fair value through profit or loss (FVPL) based on the business model of the entity. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Furthermore, the collection of contractual cash flows for debt securities is only incidental to achieving the Fund's business model's objective .

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as FVPL. The management considers its investment in debt securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio is classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. The Funds investment in Pakistan Investment Bonds (PIB) which were previously classified as "Available-for-sale" have been reclassified as 'at fair value through profit or loss' as at the beginning of the period and carried at fair value under level 2.

The Fund has adopted modified retrospective restatement approach for adopting IFRS-9 and accordingly, all changes arising on adoption of IFRS-9 have been adjusted at the beginning of the current year.

The effect of this change in accounting policy is as follows:

	As at June 30, 2018 (as previously stated)	Change	As at July 1, 2018 (Restated)	As at June 30, 2019
(Rupees in '000)				
Impact on Statement of Assets and Liabilities				
Investments - 'Available for sale'	12,028	(12,028)	-	-
Investments - 'At fair value through profit or loss'	410,900	12,028	422,928	316,053
Impact on Statement of Unit holders' fund				
Unrealised appreciation on				
'Available-for-sale' investments	2,115	(2,115)	-	-
Undistributed income / (accumulated loss)	42,884	2,115	44,999	(9,278)

There is no impact of this change in accounting policy on the income statement, statement of comprehensive income and cash flow statement of the Fund as a result of adoption of IFRS-9

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on July 1, 2018 that have a material effect on the financial statements of the Fund.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Amendments

- IFRS 9 - 'Financial instruments' (amendment)
- IAS 1 - 'Presentation of financial statements' (amendment)
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)

Effective date (accounting periods beginning on or after)

January 1, 2019
January 1, 2020
January 1, 2020

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, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2019 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 judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are 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 area where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies primarily related to classification, valuation and impairment of financial assets (notes 3.2 and 5), provision for SWWF (note 11.1), provision for Federal Excise Duty (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 Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied except for the change in accounting policy as explained in note 2.3 to these financial statements.

3.1 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.

3.2 Financial assets

3.2.1 Classification and subsequent measurement

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 FVTPL. The Fund is primarily focused on fair value 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 FVTPL.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 FVTPL. Accordingly, the irrevocable option has not been considered.

The dividend income from equity securities classified under FVTPL is recognised in the Income Statement.

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

3.2.2 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 amount that is determined by evaluating a range of possible outcomes;
- 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

3.2.2.1 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.

3.2.3 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.

3.2.4 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.

3.2.5 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

3.2.6 Derivatives

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

3.3 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortised cost using effective interest method. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement. Financial liabilities include payable to the Management Company and other liabilities.

3.4 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.

3.5 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.

3.6 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.

3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors .

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption applications during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.8 Distribution to units holders fund

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.

3.9 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 assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets 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, 2019

3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on government securities is recognised on an accrual basis using effective interest method.
- Income on debt securities (including Term Finance Certificates) is recognised on an accrual basis using the effective interest 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 profits are recorded on cash basis.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis using effective interest method.
- Unrealised appreciation / (diminution) arising on remeasurement of investments classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the Fund's right to receive the same is established.

3.11 Expenses

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

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

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.

3.13 Earnings / (loss) per unit

Earnings / (loss) 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 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.

	Note	June 30, 2019	June 30, 2018
		(Rupees in '000)	
4. BALANCES WITH BANKS			
In current accounts		6,193	4,996
In deposit accounts	4.1	186,567	205,762
	4.2	<u>192,760</u>	<u>210,758</u>

4.1 These accounts carry profit at the rate ranging from 3.75% to 13% (2018: 3.75% to 7.35%) per annum.

4.2 These include balance of Rs. 4.02 million (2018: Rs. 3.02 million) maintained with MCB Bank Limited (a related party).

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

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

* Nil figures due to rounding off

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Name of the investee company	As at July 1, 2018	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2019	As at June 30, 2019			Market value as a percentage of		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
						Carrying Value	Market value	Unrealised appreciation / (diminution)	Net assets	Total investments	
----- Number of shares -----						----- Rupees in '000' -----			----- % -----		
Balance brought forward						144,264	125,290	(18,974)			
Fertilizer											
Engro Fertilizer Limited	-	279,000	-	-	279,000	20,905	17,848	(3,057)	3.54	5.65	0.02
Fatima Fertilizer Company Limited	216,000	-	-	-	216,000	6,998	6,448	(550)	1.28	2.04	0.10
Fauji Fertilizer Company Limited	193,000	262,000	-	193,000	262,000	26,889	22,846	(4,043)	4.54	7.23	0.02
						54,792	47,142	(7,650)	9.36	14.92	0.14
Food & Personal Care Products											
Al-Shaheer Corporation	805	-	-	-	805	22	10	(12)	0.00	0.00	0.00
National Foods Limited	-	11,000	2,200	-	13,200	3,135	2,431	(704)	0.48	0.77	0.02
Shezan International Limited	2,600	260	-	-	2,860	1,482	1,208	(274)	0.24	0.38	0.03
						4,639	3,649	(990)	0.72	1.15	0.05
Glass & Ceramics											
Tariq Glass Industries Limited	-	26,000	-	-	26,000	2,634	1,992	(642)	0.40	0.63	0.04
						2,634	1,992	(642)	0.40	0.63	0.04
Leather & Tanneries											
Bata (Pakistan) Limited	550	3,200	-	-	3,750	6,502	5,176	(1,326)	1.03	1.64	0.05
Service Industries Limited	8,900	-	1,950	1,100	9,750	6,123	4,810	(1,313)	0.96	1.52	0.06
						12,625	9,986	(2,639)	1.99	3.16	0.11
Oil & Gas Expoloration Company											
Oil & Gas Development Company Limited (note 5.1.1)	180,000	130,000	-	67,500	242,500	36,484	31,886	(4,598)	6.33	10.09	0.01
Pakistan Oilfields Limited	46,850	-	8,110	33,300	21,660	12,126	8,792	(3,334)	1.75	2.78	0.01
Pakistan Petroleum Limited	60,330	102,000	13,549	-	175,879	30,440	25,402	(5,038)	5.04	8.04	0.01
						79,050	66,080	(12,970)	13.12	20.91	0.02
Oil & Gas Marketing Companies											
Hi-tech Lubricants Limited	17,400	-	-	17,400	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	37,000	7,400	20,900	23,500	6,580	3,986	(2,594)	0.79	1.26	0.01
Sui Northern Gas Pipelines Limited	113,000	122,500	-	167,500	68,000	5,727	4,725	(1,002)	0.94	1.50	0.01
						12,307	8,711	(3,596)	1.73	2.76	0.02
Pharmaceuticals											
AGP Limited	1,015	82,500	-	83,500	15	1	1	-	0.00	0.00	-
The Searle Company Limited (note 5.1.2)	519	-	77	-	596	176	87	(89)	0.02	0.03	-
						177	88	(89)	0.02	0.03	-
Power Generation And Distribution											
The Hub Power Company Limited	190,500	159,851	-	64,500	285,851	24,908	22,511	(2,397)	4.47	7.12	0.02
						24,908	22,511	(2,397)	4.47	7.12	0.02
Real Estate Investment & Distribution											
Dolmen City REIT	249,500	-	-	-	249,500	3,219	2,537	(682)	0.50	0.80	0.01
						3,219	2,537	(682)	0.50	0.80	0.01
Technology & Communication											
Avanceon Limited	150,000	-	-	150,000	-	-	-	-	-	-	-
Hum Network Limited	700,000	-	-	-	700,000	5,663	2,219	(3,444)	0.44	0.70	0.74
						5,663	2,219	(3,444)	0.44	0.70	0.74
Textile Composite											
Gul Ahmed Textile Mills Limited	275,000	244,500	-	199,000	320,500	16,152	15,102	(1,050)	3.00	4.78	0.09
Interloop Limited	-	154,005	-	20,000	134,005	6,178	5,932	(246)	1.18	1.88	0.02
Kohinoor Textile Mills Limited	74,200	79,500	-	-	153,700	8,452	3,850	(4,602)	0.76	1.22	0.05
Nishat Mills Limited	140,600	-	-	140,000	600	85	56	(29)	0.01	0.02	-
						30,867	24,940	(5,927)	4.95	7.89	0.16
Total at June 30, 2019						375,145	315,145	(60,000)	62.58	99.71	
Total at June 30, 2018						434,921	409,902	(25,019)			

* Nil figures due to rounding off

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- 5.1.1** 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, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	--- (Number of shares) ---		----- (Rupees in '000) -----	
Bank Alfalah Limited	400,000	400,000	17,416	20,916
Oil & Gas Development Company Limited	105,000	105,000	13,789	16,340
	<u>505,000</u>	<u>505,000</u>	<u>31,205</u>	<u>37,256</u>

- 5.1.2** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Honourable High Court of Sindh in favour of CISs.

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the current year. Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 0.218 million (2018: Rs. 0.299 million).

5.2 Government securities

Tenure	Issue Date	Face value				As at June 30, 2019			Market value as a percentage of	
		As at July 1, 2018	Purchased during the year	Sales / matured during the year	As at June 30, 2019	Carrying value	Market value	Unrealised appreciation / (diminu-tion)	Net assets	Total invest-ments
----- (Rupees in '000) ----- %-----										
Treasury bills - 3 months										
	May 10, 2018	-	150,000	150,000	-	-	-	-	-	-
	July 19, 2018	-	175,000	175,000	-	-	-	-	-	-
	August 2, 2018	-	350,000	350,000	-	-	-	-	-	-
	October 11, 2018	-	200,000	200,000	-	-	-	-	-	-
	December 6, 2018	-	575,000	575,000	-	-	-	-	-	-
	January 3, 2019	-	150,000	150,000	-	-	-	-	-	-
	February 14, 2019	-	305,000	305,000	-	-	-	-	-	-
	May 9, 2019	-	300,000	300,000	-	-	-	-	-	-
	May 23, 2019	-	300,000	300,000	-	-	-	-	-	-
Total as at June 30, 2019						-	-	-	-	-
Total as at June 30, 2018						-	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

5.3 Unlisted debt security

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates					As at June 30, 2019			Market value as a percentage of	
	As at July 1, 2018	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2019	Carrying value	Market Value	Appreciation / (diminution)	Net assets	Total investment
----- (Rupees in '000) -----										
Byco Petroleum Pakistan Limited - Sukuk (January 18, 2017)	10	-	-	-	10	915	908	(7)	0.18%	0.29%
Total as at June 30, 2019						<u>915</u>	<u>908</u>	<u>(7)</u>		
Total as at June 30, 2018						<u>1,000</u>	<u>998</u>	<u>(2)</u>		

5.4 Significant terms and conditions of term finance certificates and other securities 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
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Listed debt securities

Byco Petroleum Pakistan Limited - Sukuk	10	100,000	91,667	3M KIBOR+1.05%	January 18, 2022	Unsecured	AAA
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	Note	June 30, 2019	June 30, 2018
5.5 Unrealised diminution in value of investments at fair value through profit or loss - net		(Rupees in '000)	
Market value of investments	5.1 & 5.3	316,053	410,900
Carrying value of investments	5.1 & 5.3	<u>376,060</u>	<u>(435,919)</u>
		<u>(60,007)</u>	<u>(25,020)</u>

6. DIVIDEND AND PROFIT RECEIVABLES

Dividends receivable	349	1,403
Profit accrued on bank deposits	785	1,004
Profit accrued on term finance certificates	<u>23</u>	<u>15</u>
	<u>1,157</u>	<u>2,422</u>

7. ADVANCES, DEPOSITS AND PREPAYMENTS

Advance tax	7.1	466	466
Security deposits:			
- National Clearing Company of Pakistan Limited		4,293	4,293
- Central Depository Company of Pakistan Limited		300	300
Prepayments		-	8
Other receivables		<u>27</u>	<u>-</u>
		<u>5,086</u>	<u>5,067</u>

7.1 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 profit on bank balances 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 12 May 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 bank balances amounts to Rs 0.466 million (2018: Rs 0.466 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

For this purpose, the 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 profit on bank balances has been shown as other receivables as at June 30, 2019 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

8	PAYABLE TO THE MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY	Note	June 30, 2019	June 30, 2018
			(Rupees in '000)	
	Management fee payable	8.1	844	1,043
	Sindh sales tax on management fee	8.2	110	136
	Payable against allocated expenses	8.3	42	52
	Selling and marketing expenses payable	8.4	523	138
	Sale load payable		2	3
			<u>1,521</u>	<u>1,372</u>

8.1 The Management Company has charged its remuneration at the rate of 2% (2018: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on monthly basis in arrears. Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration to an amount not exceeding 2% of the average annual net assets of the Fund in case of balanced scheme.

8.2 During the year, an amount of Rs 1.5 million (2018: Rs 1.639 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 1.52 million (2018: Rs. 1.75 million) has been paid to the Management Company which acts as a collecting agent.

8.3 Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the management continued to charge expenses at the rate of 0.1% of the average annual net assets of the Fund for both the periods i.e. from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

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 three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. The management company has charged such expenses to the Fund in accordance with the limit allowed in the relevant regulations.

9	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	June 30, 2019	June 30, 2018
			(Rupees in '000)	
	Trustee fee payable	9.1	84	105
	Sales tax on trustee fee	9.2	11	14
			<u>95</u>	<u>119</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

**Amount of funds under management Tariff per annum
(Average NAV)**

- up to Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of net assets, whichever is higher
- over Rs. 1,000 million	Rs. 2 million plus 0.10% p.a. of net assets exceeding Rs. 1,000 million

The remuneration is paid to the trustee monthly in arrears.

- 9.2 During the year, an amount of Rs 0.15 million (2018: Rs 0.164 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 0.167 million (2018: Rs 0.175 million) was paid to the Trustee which acts as a collecting agent.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	June 30, 2019	June 30, 2018
		(Rupees in '000)	
Annual fee	10.1	490	536

- 10.1 Under the provisions of the NBFC Regulations, the Fund is required to pay as an annual fee to the SECP, an amount equal to 0.085 % (2018: 0.085 %) of the average annual net assets of the Fund.

11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	June 30, 2019	June 30, 2018
		(Rupees in '000)	
Provision for Sindh Workers' Welfare Fund	11.1	3,900	3,900
Provision for Federal Excise Duty and related tax	11.2		
- On management fee		5,872	5,872
- Sales load		393	393
Legal and professional charges		67	63
Withholding tax		-	24
Dividend payable		2,784	2,784
Auditors' remuneration payable		368	314
Zakat payable		-	1
Brokerage payable		328	297
Other payable		41	380
		<u>13,753</u>	<u>14,028</u>

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

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, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.08 per unit (2018: Re 0.07).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- 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 01 July 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 with effect from July 1, 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 6.265 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2019 would have been higher by Re 0.12 (2018: Re 0.11) per unit.

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

	June 30, 2019	June 30, 2018
	(Rupees in '000)	
13. AUDITORS' REMUNERATION		
Annual audit fee	291	291
Half yearly review fee	145	145
Out of pocket expenses	128	76
	564	512

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. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds as per section 4B of the Income Tax Ordinance, 2001.

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.

15. TOTAL EXPENSE RATIO

The Total Expense Ratio of the Fund as at June 30, 2019 is 3.49%, which includes 0.33% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4.5% (2018: 4%) of average net assets as prescribed under the NBFC Regulations for a collective investment scheme categorised as an balanced fund.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

	For the year ended	
	June 30, 2019	June 30, 2018
	(Rupees in '000)	
16.1 Details of transaction with connected persons are as follows:		
MCB - Arif Habib Savings and Investments Limited - Management Company		
Remuneration including indirect taxes	13,038	14,243
Allocated Expense including indirect taxes	577	712
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes	1,304	1,424
CDS charges	40	94
Arif Habib Limited		
Brokerage *	92	207
Next Capital Limited		
Brokerage *	14	180
Silk Bank Limited		
Sale of securities having face value of Rs. 225 million (2018: Rs.325 million)	219,732	322,083
MCB Bank Limited		
Bank charges	3	14
Dividend income	2,018	1,322
Mark-up income	63	76
Sale of securities face value of Rs. 200 million (2018: Rs.25 million)	198,468	24,697
Purchase of Nil (2018: 140,000) shares	-	29,743
Sale of 33,000 (2018: Nil) shares	6,874	-
Arif Habib Limited		
Sale of Nil (2018: 56,000) shares	-	3,104
Nishat Mills Limited		
Dividend income	3	100
Purchase of Nil (2018: 140,600) shares	-	21,430
Sale of 140,000 shares (2018: Nil) shares	18,458	-
Nishat (Chunian) Mills Limited		
Dividend income	150	-
Purchase of 100,000 (2018: 100,000) shares	5,762	5,400
Sale of Nil (2018: 100,000) shares	-	5,724
D.G. Khan Cement Limited		
Dividend income	-	3
Purchase of Nil (2018: 370,200) shares	-	52,926
Sale of Nil (2018: 370,200) shares	-	51,736

* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them as the ultimate counter parties are not connected persons.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

		For the year ended	
		June 30, 2019	June 30, 2018
		(Rupees in '000)	
Dolmen City REIT			
Dividend income		322	515
Purchase of Nil (2018: 250,000) shares		-	6,718
Sale of Nil (2018: 250,000) shares		-	4,513
Fatima Fertilizer Company Limited			
Purchase of Nil (2018: 216,000) shares		-	6,048
Thatta Cement Limited			
Sale of Nil (2018: 70,000) shares		-	2,537
Mughal Iron and Steel Industries Limited			
Dividend income		-	156
Purchase of 70,000 (2018: 214,500) shares		2,625	11,901
Sale of 156,000 (2018: 264,000) shares		7,478	19,629
16.2 Amount outstanding at the year end		June 30, 2019	June 30, 2018
		(Rupees in '000)	
MCB - Arif Habib Savings and Investments Limited - Management Company			
Remuneration payable		844	1,043
Sales tax payable on management fee		110	136
Sales load payable		2	3
Allocated expense payable		42	52
Selling and marketing expense		523	138
Central Depository Company of Pakistan Limited - Trustee			
Security deposit		300	300
Remuneration payable		84	105
Sindh sales tax payable on remuneration of trustee		11	14
MCB Bank Limited			
Balance with Bank		4,017	3,027
Profit receivable on bank deposit		35	38
109,600 shares (2018: 142,500 shares) held		19,119	28,182
Arif Habib Limited			
Brokerage payable		9	-
Fatima Fertilizer Company Limited			
216,000 (2018: 216,000) shares held		6,448	6,998
Mughal Iron & Steel Industries Limited			
Nil (2018: 86,000) shares held		-	5,282
Dolmen City REIT			
249,500 (2018: 249,500) shares held		2,537	3,219
Next Capital (Private) Limited			
Brokerage payable		48	48
Nishat Mills Limited			
600 (June 30, 2018: 140,600) shares held		56	19,813

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

16.3 Transactions during the year with connected persons / related parties in units of the Fund:

June 30, 2019									
As at July 01, 2018	Issued for cash / conversion in / transferred in		Redeemed/ conversion out / transfer out	As at June 30, 2019	As at July 01, 2018	Issued for cash / conversion in / transferred in		Redeemed/ conversion out / transfer out	Amount outstanding as at June 30, 2019
(Units)				(Rupees in '000)					
Key management personnel	32,055	65	5,048	27,072	358	1	1	1	274

June 30, 2018									
As at July 01, 2017	Issued for cash / conversion in / transferred in		Redeemed/ conversion out / transfer out	As at June 30, 2018	As at July 01, 2017	Issued for cash / conversion in / transferred in		Redeemed/ conversion out / transfer out	Amount outstanding as at June 30, 2018
(Units)				(Rupees in '000)					
Key management personnel	115,210	38,084	121,239	32,055	331	401	373	373	358

17.

FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

Balances with banks	192,760	-	192,760
Investments	-	316,053	316,053
Dividend and profit receivables	1,157	-	1,157
Security deposits and other receivable	4,620	-	4,620
Receivable against sale of investments	4,655	-	4,655
	<u>203,192</u>	<u>316,053</u>	<u>519,245</u>

2019		
At amortised cost	Assets at fair value through profit or loss	Total
(Rupees in '000)		

2019		
Assets at fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		

Financial Liabilities

Payable to the MCB-Arif Habib Savings & Investments Limited - Management Company	-	1,521	1,521
Payable to the Central Depository Company of Pakistan Limited- Trustee	-	95	95
Payable against redemption of units	-	216	216
Accrued expenses and other liabilities	-	3,588	3,588
	<u>-</u>	<u>5,420</u>	<u>5,420</u>

2018		
At amortised cost	Assets at fair value through profit or loss	Total
(Rupees in '000)		

Financial Assets

Balances with banks	210,758	-	210,758
Investments	-	422,928	422,928
Dividend and profit receivable	2,422	-	2,422
Security deposits and other receivable	4,593	-	4,593
	<u>217,773</u>	<u>422,928</u>	<u>640,701</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	2018		
	Assets at fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
Financial Liabilities			
Payable to the MCB-Arif Habib Savings & Investments Limited - Management Company	-	1,372	1,372
Payable to the Central Depository Company of Pakistan Limited- Trustee	-	119	119
Payable against redemption of units	-	216	216
Payable against purchase of investments	-	6,325	6,325
Accrued expenses and other liabilities	-	3,839	3,839
	-	11,871	11,871

18. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and 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.

18.1 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.

18.1.1 Currency risk

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

18.1.2 Yield / Interest rate risk

Yield / 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, 2019, the Funds is exposed to such risk on balances with banks and investment in sukuk certificates. 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 of variable rate instruments

As at June 30, 2019, the Fund holds KIBOR based interest bearing sukuk and bank balances exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance certificates, with all other variables held constant, the net assets of the Fund and net loss for the year would have been lower / higher by Rs. 1.874 million (2018: Rs. 0.202 million).

b) Sensitivity analysis of fixed rate instruments

As at June 30, 2019, Fund does not hold any fixed interest based investment.

The composition of the fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 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, 2019 can be determined as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

June 30 2019					
Yield / effective interest rate (%)	Exposed to yield / Interest rate risk			Not exposed to yield / Interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rupees in '000 -----

On-balance sheet financial instruments

Financial Assets

Balances with banks	3.75% to 13.00%	186,567	-	-	6,193	192,760
Investments						
at fair value through profit or loss						
- Listed equity securities		-	-	-	315,145	315,145
- Unlisted debt security	12.15%	-	-	908	-	908
Dividend and profit receivables		1,157	-	-	-	1,157
Security deposits and other receivable		4,620	-	-	-	4,620
Receivable against sale of investments		-	-	-	4,655	4,655
		192,344	-	908	325,993	519,245

Financial Liabilities

Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company		1,521	-	-	-	1,521
Payable to the Central Depository Company of Pakistan Limited - Trustee		95	-	-	-	95
Accrued expenses and other liabilities		216	-	-	-	216
Payable against redemption of units		3,588	-	-	-	3,588
		5,420	-	-	-	5,420

On-balance sheet gap (a)

186,924	-	908	325,993	513,825
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Off-balance sheet financial instruments

Off-balance sheet gap (b)

-	-	-	-	-
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Total profit rate sensitivity gap (a+b)

186,924	-	908		
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Cumulative profit rate sensitivity gap

186,924	186,924	187,832		
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June 30 2018					
Yield / effective interest rate (%)	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rupees in '000 -----

On-balance sheet financial instruments

Financial Assets

Balances with banks	3.75% to 7.35%	205,762	-	-	4,996	210,758
Investments						
at fair value through profit or loss						
- Listed equity securities		-	-	-	409,902	409,902
- Unlisted debt security	5.99%	-	-	998	-	998
Available for sale						
- Listed equity securities		-	-	-	12,028	12,028
Dividend and profit receivables		-	-	-	2,422	2,422
Security deposits and other receivable		-	-	-	4,593	4,593
		205,762	-	998	433,941	640,701

Financial Liabilities

Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	1,372	1,372
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	119	119
Payable against purchase of investment		-	-	-	6,325	6,325
Accrued expenses and other liabilities		-	-	-	3,839	3,839
Payable against redemption of units		-	-	-	216	216
		-	-	-	11,871	11,871

On-balance sheet gap (a)

205,762	-	998	422,070	628,830
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Off-balance sheet financial instruments

Off-balance sheet gap (b)

-	-	-	-	-
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Total profit rate sensitivity gap (a+b)

205,762	-	998		
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Cumulative profit rate sensitivity gap

205,762	205,762	206,760		
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

18.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from 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.

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks.

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

In case of 5% increase / decrease in PSX 100 index on June 30, 2019, the net loss for the year and net assets would be decrease / increase by Rs. 15.76 million (2018: Rs. 21 million) as a result of gains / losses on equity securities classified as 'financial assets at fair value through profit or loss'.

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 the 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.

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

	June 30, 2019 ---- (Rupees in '000) ----	June 30, 2018 ----
Investments	<u>15,757</u>	<u>20,495</u>
Income statement	<u>15,757</u>	<u>20,495</u>

18.2 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 balances with banks, sukuks, security deposits, profit, dividend and other receivables. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Fund's maximum exposure to credit risk related to receivables at June 30, 2019 and June 30, 2018 is the carrying amounts of following financial assets.

	2019		2018	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
-----Rupees in '000-----				
Balances with banks	192,760	192,760	210,758	210,758
Investments	316,053	908	422,928	998
Dividend and Profit Receivable	1,157	1,157	2,422	2,422
Security Deposits and other receivable	4,620	4,620	4,593	4,593
Receivable against sale of investments	4,655	4,655	-	-
	<u>519,245</u>	<u>204,100</u>	<u>640,701</u>	<u>218,771</u>

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2019 and June 30, 2018:

Bank balances by rating category	2019	2018
	%	%
AAA	96.65	3.27
AA+	3.15	72.92
AA-	0.20	23.81
	<u>100</u>	<u>100</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Concentration of credit risk

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

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.

18.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The funds 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, 2008, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

2019						
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 and Investments Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Accrued expenses and other liabilities

1,521	-	-	-	-	-	1,521
95	-	-	-	-	-	95
216	-	-	-	-	-	216
3,588	-	-	-	-	-	3,588
5,420	-	-	-	-	-	5,420

2018						
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 and Investments Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investment
Payable against redemption of units
Accrued expenses and other liabilities

1,372	-	-	-	-	-	1,372
119	-	-	-	-	-	119
6,325	-	-	-	-	-	6,325
216	-	-	-	-	-	216
3,839	-	-	-	-	-	3,839
11,871	-	-	-	-	-	11,871

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 assets or liability that are not based on observable market data (i.e. unobservable inputs).

-----June 30, 2019-----				
	Level 1	Level 2	Level 3	Total
-----Rupees-----				
Financial assets at fair value through profit or loss				
Listed equity securities	315,145	-	-	315,145
Unlisted debt securities	-	908	-	908
	<u>315,145</u>	<u>908</u>	<u>-</u>	<u>316,053</u>
-----June 30, 2018-----				
	Level 1	Level 2	Level 3	Total
-----Rupees-----				
Financial assets at fair value through profit or loss				
Listed equity securities	409,902	-	-	409,902
Unlisted debt securities	-	998	-	998
	<u>409,902</u>	<u>998</u>	<u>-</u>	<u>410,900</u>
Financial assets available for sale				
Listed equity securities	<u>12,028</u>	<u>-</u>	<u>-</u>	<u>12,028</u>

20. 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
2	Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	16
3	Mr. Saad Ahmed	Head of Fixed Income	MBA	14
4	Syed Abid Ali	Head of Equities	MBA	11
5	Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	8
6	Mr. Muhammad Aitazaz Farooqui	Senior Analyst	MBA & CFA	6

20.1 Syed Abid Ali is the Fund Manager. Details of the other funds being managed by him are as follows:

- MCB Pakistan Asset Allocation Fund
- MCB Pakistan Stock Market Fund
- Pakistan Pension Fund
- Alhamra Islamic Active Allocation Plan-I

21. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID *

	2019 (Percentage)
	%
1 Invest One Markets (Private) Limited	31.4%
2 Continental Exchange (Private) Limited	18.5%
3 Vector Capital Private Limited	11.9%
4 BMA Capital Management Limited	9.8%
5 C and M Management (Private) Limited	7.9%
6 Pearl Securities Limited	7.7%
7 Magenta Capital Limited	7.3%
8 BIPL Securities Limited	5.5%

* The Fund has only used eight brokers during the year ended June 30, 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	2018 (Percentage) %
1 DJM Securities (Private) Limited	11.72%
2 JS Global Capital Limited	8.99%
3 Arif Habib Limited	8.86%
4 AL Falaha Securities (Private) Limited	8.72%
5 Next Capital Limited	7.74%
6 Foundation Securities (Private) Limited	6.13%
7 Intermarket Securities (Private) Limited	5.43%
8 Elixir Securities Pakistan (Private) Limited	4.99%
9 Shajar Capital Pakistan (Private) Limited	4.53%
10 First Capital Securities Limited	4.41%

22. PATTERN OF UNIT HOLDINGS

As at June 30, 2019				
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage Investment %
Individuals	2,561	46,118,246	466,177	93%
Insurance company	1	115,239	1,165	0%
NBFCs	1	16,502	167	0%
Others	40	3,574,055	36,128	7%
	<u>2,603</u>	<u>49,824,042</u>	<u>503,636</u>	<u>100%</u>

As at June 30, 2018				
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage Investment %
Individuals	2,584	51,553,841	575,502	93.04
Insurance companies	2	139,195	1,554	0.25
NBFCs	2	31,029	346	0.05
Others	56	3,688,668	41,177	6.66
	<u>2,644</u>	<u>55,412,733</u>	<u>618,579</u>	<u>100.00</u>

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 143rd, 144th, 145th, 146th, 147th, 148th, 149th and 150th meeting of the Board of Directors were held on August 17, 2018, September 14, 2018, October 22, 2018, October 26, 2018, April 15, 2019, April 19, 2019, June 17, 2019 and June 27, 2019 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. Mian Mohammad Mansha	Chairman	8	8	2	6	143rd, 145th, 146th, 147th, 149th and 150th
Mr. Nasim Beg	Director	8	8	8	-	-
Dr. Syed Salman Ali Shah*	Director	6	6	6	-	-
Mr. Haroun Rashid	Director	8	8	5	3	143rd, 145th and 149th
Mr. Ahmed Jahangir	Director	8	8	8	-	-
Mr. Samad A. Habib	Director	8	8	6	2	145th and 150th
Mr. Saqib Saleem	Chief Executive Officer	8	8	8	-	-
Mr. Mirza Qamar Beg	Director	8	8	8	-	-
Mr. Muhammad Asif Mehdi Rizvi	COO and Company Secretary	8	8	8	-	-

*Resigned on June 10, 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

24 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on 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 18, 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.

25 CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

26 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 13, 2019.

27 GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

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



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2019**

No. of Unit Holders	Unit Holdings	Total Units Held
1904	0-10000	5,260,271
610	10001 – 100000	17,614,280
85	100001 – 1000000	19,214,993
4	1000001 onwards	7,734,497
2603		49,824,042

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2019

Performance Information	2019	2018	2017	2016	2015
Total Net Assets Value – Rs. in million	503.636	619	675	627	682
Net Assets value per unit – Rupees	10.11	11.16	11.53	10.69	10.55
Closing Offer Price	10.34	11.41	11.79	10.98	10.84
Closing Repurchase Price	10.11	11.16	11.53	10.69	10.55
Highest offer price per unit	11.82	12.36	14.70	11.63	12.41
Lowest offer price per unit	10.05	10.66	10.99	10.07	9.06
Highest Redemption price per unit	11.71	12.09	14.38	11.32	12.08
Lowest Redemption price per unit	9.96	10.42	10.74	9.80	8.82
Distribution per unit – Rs. *	-	-	1.85	0.40	1.35
Average Annual Return - %					
One year	(9.41)	(3.21)	25.36	5.17	31.11
Two year	(6.31)	11.08	15.27	18.14	28.61
Three year	4.25	9.11	20.55	20.79	28.43
Net Income for the year – Rs. in million	(54.28)	(25.12)	145.507	7.66	142.91
Distribution made during the year – Rs. in million	-	-	92.819	22	66
Accumulated Capital Growth – Rs. in million	(54.28)	(25.12)	52.688	(15)	77

* Date of Distribution

2017	
Date	Rate
June 21, 2017	1.85

2016	
Date	Rate
June 25, 2016	0.4

2015	
Date	Rate
June 22, 2015	1.35

Disclaimer

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

PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2019

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	31	31	0	0	-
(%ages)	100	100	0	0	-

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

MCB-Arif Habib Savings and Investments Limited

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