



**PAKISTAN**  
**INTERNATIONAL**  
**ELEMENT ISLAMIC**  
**ASSET ALLOCATION**  
**FUND**

**MCB-Arif Habib Savings and Investments Limited**

AM2 Plus by PACRA

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## **Vision**

To become synonymous with Savings.

## **Mission**

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

## **Core Values**

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

## FUND'S INFORMATION

|  |   |                         |
|--|---|-------------------------|
| <b>Management Company</b>                              | MCB-Arif Habib Savings and Investments Limited<br>8th Floor, Techno City, Corporate Tower,<br>Hasrat Mohani Road, Karachi   |                         |
| <b>Board of Directors</b>                              | Mian Muhammad Mansha  | Chairman                |
|  | Mr. Nasim Beg   | Executive Vice Chairman |
|  | Mr. Yasir Qadri   | Chief Executive Officer |
|  | Dr. Syed Salman Ali Shah  | Director                |
|  | Mr. Haroun Rashid   | Director                |
|  | Mr. Ahmed Jahangir  | Director                |
|  | Mr. Samad A. Habib  | Director                |
|  | Mr. Mirza Mahmood Ahmad   | Director                |
| <b>Audit Committee</b>                                 | Mr. Haroun Rashid   | Chairman                |
|  | Mr. Ahmed Jahangir  | Member                  |
|  | Mr. Samad A. Habib  | Member                  |
| <b>Human Resource &amp; Remuneration Committee</b>     | Dr. Syed Salman Ali Shah  | Chairman                |
|  | Mr. Nasim Beg   | Member                  |
|  | Mr. Haroun Rashid   | Member                  |
|  | Mr. Ahmed Jahangir  | Member                  |
|  | Mr. Yasir Qadri   | Member                  |
| <b>Company Secretary &amp; Chief Financial Officer</b> | Mr. Muhammad Saqib Saleem   |                         |
| <b>Trustee</b>   | Central Depository Company of Pakistan Limited<br>CDC House, 990B Block 'B' S.M.C.H.S,<br>Main Shahrah-e-Faisal, Karachi-74400  |                         |
| <b>Bankers</b>   | MCB Bank Limited<br>United Bank Limited<br>Standard Chartered Bank Pakistan Limited<br>Habib Metropolitan Bank Limited<br>Faysal Bank Limited<br>Deutsche Bank<br>Meezan Bank Limited |                         |
| <b>Auditors</b>  | KPMG Taseer Hadi & Co.<br>Chartered Accountants<br>1st Floor, Sheikh Sultan Trust Building No. 2,<br>Beaumont Road, Karachi-75530.  |                         |
| <b>Legal Advisor</b>                                   | Bawaney & Partners<br>404, 4th Floor, Beaumont Plaza,<br>Beaumont Road, Civil Lines, Karachi-75530  |                         |
| <b>Transfer Agent</b>                                  | MCB-Arif Habib Savings and Investments Limited<br>8th Floor, Techno City, Corporate Tower,<br>Hasrat Mohani Road, Karachi   |                         |
| <b>Rating</b>  | AM2 + Management Quality Rating assigned by PACRA   |                         |

## **REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015**

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On behalf of the Board of Directors, I am pleased to present Pakistan International Element Islamic Asset Allocation Fund's accounts review for the year ended June 30th, 2015.

### **ECONOMY AND MONEY MARKET OVERVIEW**

Lower oil prices benefited the country in the form of improving macroeconomic indicators during FY15. Average annual inflation remained significantly below the target, foreign exchange reserves improved, Current account deficit narrowed down and GDP growth marginally increased.

As oil prices stood around \$63 per barrels at the end of June, 2015 in the international market, the Brent crude has nearly halved in price since its peak of around \$114 a barrel touched in June, 2014. Hence, on the heels of stable food prices and cut in fuel prices in the domestic market, Consumer Price Inflation averaged around 4.56% in FY15 as opposed to the average inflation of 8.6% in FY14.

While the country's current account deficit summed to \$2.28 billion at the end of FY15 as opposed to deficit of \$ 3.13 billion in FY14. With trade deficit largely unchanged compared to the previous year, improvement in the current account balance came from growth in remittances.

Import bill remained close to the last year's level, as benefit of lower oil bill was annulled by volumetric increase in imports in other segments. Exports remained weak in consideration of disruptive power supplies, weak competitiveness and a weak demand outlook in export destinations particularly Europe. Workers' Remittances totaled to \$ 18.45 billion in FY15, marking a growth of 17 percent as compared to last year.

At the same time, financial account registered a surplus of \$ 4.52 billion as compared to a surplus of \$ 5.55 billion recorded during the last year. This is mainly due to lower Direct Investments and Portfolio investments in the country.

The country's FX reserves got an impetus from multilateral and bilateral disbursements, successful continuation of IMF program, privatization proceeds, Sukuk auction and lower oil bill. The reserves stood at around \$ 18.7 billion at the end of June, increased by around \$4 billion in FY15.

Keeping in view of subsiding inflationary pressure along with improving outlook on the balance of payment, the State Bank announced successive cuts in the discount rate in the monetary policy held in November, January, March and May, bringing the discount rate to 7 percent from 10 percent at the start of the year.

With the country battling with power crisis and poor infrastructure, commitment of \$47 billion in the form of investments in the power and infrastructure sectors by Chinese president in April-2015 is expected to provide an impetus to resource mobilization and economic activity for Pakistan. Pace of progress along with extent of domestic partnerships on key development projects shall however be critical for achieving the desired impact on economy over the next 3 years.

All these positives developments led to the improvement in the country's rating outlook by the international rating agencies. Moody's Investors Service has upgraded Pakistan to the 'B-3' category. While Standard and Poor's (S&P) ratings' agency has raised Pakistan's credit rating to positive, with rating reaffirmed at B-.

M2 has expanded by 12.3 percent during FY15 (till June 26, 2015) as opposed to 11.43% in FY14 with stable contribution from NFA. At the same time, the net borrowing from the banking system increased by Rs 1,001 billion as opposed to Rs 373 billion during the previous year.

Treasury market remained quite active during the year, largely due to declining interest rate scenario stemming from sharp decline in oil prices. Participation largely remained concentrated in longer tenure paper causing strain on short term liquidity which was supported by SBP through frequent OMO injections. In order to efficiently manage market liquidity, SBP introduced a target rate; 50bps below the ceiling rate (Discount rate). Moreover, to reduce volatility, policy makers also reduced the width of the interest rate corridor by 50 bps to 200 bps.

### **EQUITIES MARKET OVERVIEW**

KSE-100 index rose by a decent 16% in FY15 as against an average annual growth of 35% recorded during the past three fiscal years.

Mid and small cap stock remained in the limelight on the back of lower energy cost and commodity price. Index heavy weights i.e. Oil and Gas and Banking sectors remained the main contributors to dismal market performance. Declining trend with high volatility in oil prices didn't allow Oil and Gas sector to perform while attractiveness of banking sector was marred by regular reductions in discount rate causing the net interest margins to shrink.

Monetary easing and low interest rate outlook on the back of lower expected inflation supported the performance of leveraged and high yielding sectors like Fertilizer and Electricity. Cement sector was the beneficiary of both soft raw material cost and lower interest rate. Mid and small cap stocks benefited on account of lower energy cost and commodity prices.

The average turnover stood at around 218 million shares, while foreigners remained buyer with net inflow of around \$39 million. Strong participation in HBL transaction, including a foreign exchange component of \$764 million, reflects the confidence of investors in improving macroeconomic fundamentals.

# REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

## FUND PERFORMANCE

During the period under review, the fund delivered a return of 35.59% as against its benchmark return of 17.47%. Fund's equity allocation was changed several times during the period in response to varying market dynamics. The fund reduced exposure towards Oil & Gas sector (Exploration & Marketing), and increased exposure towards Automobile and Fertilizers during the period.

The Net Assets of the Fund as at June 30, 2015 stood at Rs.804 million as compared to Rs. 411 million as at June 30 2014 registering an increase of 96%

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 60.93 as compared to opening NAV of Rs. 49.30 per unit as at June 30, 2014 registering a decrease of Rs. 11.63 per unit.

## Income Distribution

During the period The Management Company has announced the final distribution

| Date of distribution | Per unit distribution |
|----------------------|-----------------------|
| June 22, 2015        | Rs. 6.00              |

## FUTURE OUTLOOK

On the back of weak crude oil prices, average CPI is expected to remain in lower range of around 6% in FY16. Forex Reserves are also expected to remain strong with the continued focus of government on privatization plans. Moreover, the government aims to raise \$1 billion by issuing Eurobond and planning to borrow \$1 billion from Islamic Development Bank (IDB) in FY16. The agreement with China for investment in infrastructure and energy projects is likely to support the weak FDI and shall be the key to rejuvenate economic activity.

Due to subsiding cost pressure, we expect manufacturing sectors, primarily, Auto, Cement and Consumer sectors to outperform the broader market. Moreover, continuation of expansionary environment suggests high-dividend yield companies will continue to perform. While improvement in Pakistan's sovereign outlook and possible reclassification of Pakistan to emerging market by MSCI will support appetite for Large Cap stocks.

## Corporate Governance

The Fund is committed to high standards of corporate governance and the Board of Directors of the Management Company 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 Lahore Stock Exchange.

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting 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.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.

**REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY  
FOR THE YEAR ENDED JUNE 30, 2015**

- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 18.3 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2015:

**1. Meeting of the Audit Committee.**

During the year, four (4) 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  | 4                       | 4                   | 2        | 2             |
| 2 Mr. Samad A. Habib | 4                       | 4                   | 2        | 2             |
| 3 Mr. Ahmed Jahangir | 4                       | 4                   | 4        | -             |

**2. Meeting of the Human Resource and Remuneration Committee.**

During the year, two (2) 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 | 2                  | 2                   | 2        | -             |
| 2 Mr. Nasim Beg        | 2                  | 2                   | 2        | -             |
| 3 Mr. Ahmed Jahangir   | 2                  | 2                   | 2        | -             |
| 4 Mr. Haroun Rashid    | 2                  | 2                   | 2        | -             |
| 5 Mr. Yasir Qadri      | 2                  | 2                   | 2        | -             |

- m. During the year no Director has attended the Directors' Training Program organized by the Pakistan Institute of Corporate Governance (as already all the directors have completed the course or they are exempted from attending training course due to sufficient working experience).
- n. No trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer and Company Secretary, Chief Financial Officer and Chief Internal Auditor of the Management Company and their spouses and minor children.

**External Auditors**

The fund's external auditors, KPMG Taseer Hadi & Co., Chartered Accountants, have retired after the conclusion of audit for current year. Due to completion of maximum time allowed under offering document of the fund, they are not eligible for reappointment. The audit committee of the Board has recommended appointment of Ernst & Young Ford Rhodes Sidat Hyder., Chartered Accountants as auditors of the fund for the year ending June 30, 2016.

**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.

For and on behalf of the board



Yasir Qadri  
Chief Executive Officer  
Karachi: August 07, 2015

# REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015

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## Fund Type and Category

Pakistan International Element Islamic Asset Allocation Fund (PIEIF) is an Open-End Shariah Compliant Asset Allocation Scheme.

## Fund Benchmark

The benchmark for PIEIF is a composite of KMI-30 Index and DJIM-World Index in a proportion of 70% and 30% respectively.

## Investment Objective

The objective of the fund is to provide medium to long term capital appreciation through investing in Shariah compliant investments in Pakistan and Internationally.

## Investment Strategy

Pakistan International Element Islamic Fund (PIEIF) is an open-end asset allocation fund which seeks to achieve its objective through investing in a portfolio of Shariah compliant investments diversified across the capital markets of Pakistan as well as keeping a limited exposure internationally. The Fund is managed through an active management strategy with dynamic allocation towards different asset classes. The investment process is driven by fundamental research. The domestic portfolio of the Fund primarily invests in fundamentally strong Shariah compliant equities, high quality Sukuks and other Shariah compliant instruments. For equities, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the Fund's portfolio is high quality liquid stocks.

## Manager's Review

During the year under review, PIEIF outperformed the benchmark by delivering a return of 35.59% against its benchmark return of 17.47%. Monetary easing and low interest rate outlook on the back of lower expected inflation supported the performance of leveraged and high yielding sectors like Fertilizer and Electricity. Cement sector was the beneficiary of both soft raw material cost and lower interest rate. Mid and small cap stocks benefited on account of lower energy cost and commodity prices. The average turnover stood at around 218 million shares, while foreigners remained buyer with net inflow of around \$39 million. Strong participation in HBL transaction, including a foreign exchange component of \$764 million, reflects the confidence of investors in improving macroeconomic fundamentals. The fund changed overall equity allocation several times during the year in sync with various developing market scenarios.

The fund started the year with an equity allocation of 65.8% and gradually increased exposure to 67.9% by the end of FY15. On sector basis fund generally increased its exposure in Fertilizer, Glass & Ceramics and Automobile Assemblers sector while exposure in Oil and Gas and Construction & Materials was reduced during the year. Fund also took active positions in growth and value companies of miscellaneous sectors in the period under review. The fund's Net Assets increased from PKR 411 million at the beginning of the year to PKR 804 million as on June 30, 2015.

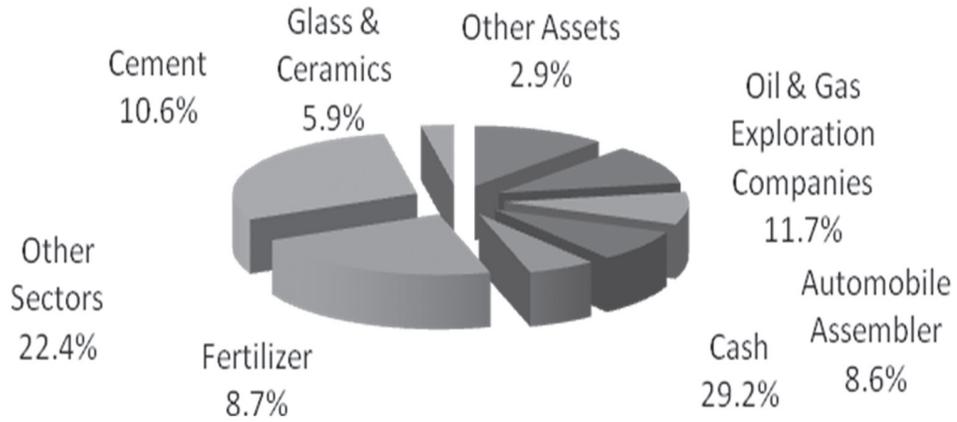
On the fixed income side, the fund kept exposure towards GoP Ijara Sukuk at 0% by the end of June 2014, while the exposure towards cash and bank deposits also remained relatively stable at 29.2% by year-end.

**REPORT OF THE FUND MANAGER  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Asset Allocation as on June 30, 2015 (% of total assets)**



Manal Iqbal, CFA  
Fund Manager

Karachi: August 07, 2015

# TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



## TRUSTEE REPORT TO THE UNIT HOLDERS

### PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND

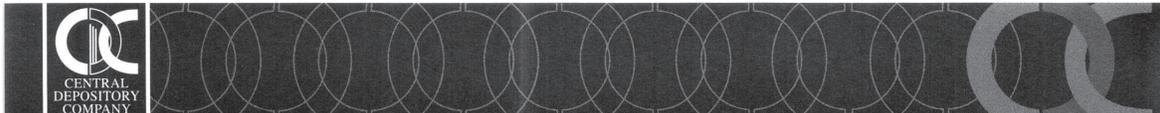
#### Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan International Element Islamic Asset Allocation 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, 2015 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.

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: October 1, 2015



## REPORT OF THE SHARIAH ADVISOR BOARD FOR THE YEAR ENDED JUNE 30, 2015

### REPORT OF THE SHARIAH ADVISORY COUNCIL

Alhamdulillah, the year under review was fifth full year of operations of Pakistan International Element Islamic Asset Allocation Fund (the Fund). We, the Shariah Advisory Council of the Fund, are issuing this report in accordance with the clause 2.3 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s MCB Arif Habib Savings and Investments limited (MCBAH), the management company of the fund, to establish and maintain a system of internal controls to ensure compliance with Shariah guidelines. Our responsibility is to express an opinion, based on our review of the representation made by the management, to the extent where such compliance can be objectively verified.

For screening equities in the local stock market, we have advised a criteria on the basis of the following; (1) Nature of business, (2) Interest bearing debt in relation to the total assets, (3) Illiquid assets in relation to the total assets, (4) Investment in non Shariah compliant activities to total assets, (5) Income from non-compliant Investment to Gross revenue and (6) net liquid assets per share vs. share price

As a part of our mandate as Shariah Advisor to the Fund, we have reviewed the following, during the year;

- The modes of investment of the Fund's property and its compliance with the Shariah guidelines.
- Shariah compliance of new investment avenues proposed by MCBAH.
- Shariah compliance of its International investment.

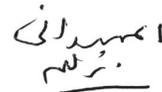
In the light of the above scope, we hereby certify that all provisions of the scheme and investments made by the Fund for the year ended 30<sup>th</sup> June 2015 are in compliance with the Shariah Principles.

The management company has been directed to set aside as charity, amount earned as interest from conventional banks. In addition, there are investments made by the Fund where investee companies have earned a part of their income from non-compliant sources (e.g. Interest Income). In Such cases, the management company has been directed to set aside as charity such proportion of the income from Investee companies in order to purify the earnings of the Fund.

During the year an amount of Rs 385,492 was transferred to the charity account. The total amount of the charity payable as of 30<sup>th</sup> June 2015 is Rs 385,492.

May Allah bless us with Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Karachi



Dr. Ejaz Samadani

Date: 07 August 2015

For and on behalf of Shariah Advisory Council

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan International Element Islamic Asset Allocation Fund ("the fund") to comply with the Code of Corporate Governance contained in Regulation no.35 of listing regulation of Karachi Stock Exchange Limited, Islamabad Stock Exchange and Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Pakistan International Element Islamic Asset Allocation Fund is an open end mutual fund and is listed at Lahore Stock Exchange Limited, Karachi Stock Exchange Limited, and Islamabad Stock Exchange Limited. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, MCB-Arif Habib Saving and Investment Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

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

| Category                  | Names  |
|---------------------------|--|
| Independent Directors     | 1. Dr. Salman Shah<br>2. Mr. Haroun Rashid<br>3. Mr. Mirza Mehmood                         |
| Executive Directors       | 1. Mr. Nasim Beg – Executive Vice Chairman<br>2. Mr. Yasir Qadri – Chief Executive Officer |
| Non – Executive Directors | 1. Mian Mohammad Mansha<br>2. Mr. Ahmed Jehangir<br>3. Mr. Samad Habib                     |

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

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies, where applicable)
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the Board of the Management Company
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No formal Code of Corporate Governance Leadership Skills (CGLS) training was organized for any director as all the directors already possess required training or qualification and experience as required by CCG.
10. The Board of Directors in a resolution passed through circulation on March 30, 2015, appointed Chief Financial Officer and fixed his remuneration and terms and conditions of employment. However, there have been no new appointments of Company Secretary and Head of Internal Audit during the year.
11. The Directors' Report for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units other than that disclosed in the pattern of unit holding.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises of three members, which are non-executive directors and the chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results and as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the Committee is an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and the Management Company.
19. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done by the board in the meeting held on August 07, 2015.
20. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares / units of the Management Company / Fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the net assets value of the fund / market price of Management Company's shares, was determined and intimated to directors, employees and the stock exchanges.
23. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Yasir Qadri  
Chief Executive Officer

Karachi: August 07, 2015

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



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## Review report to the Unit holders of Pakistan International Element Islamic Asset Allocation Fund (“the Fund”) on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (“the Management Company”) of the Fund for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No. 35 of Karachi, Islamabad and Lahore Stock Exchange Limited, where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2015.

Date: 07 August 2015

Karachi

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

# INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
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## Independent Auditors' Report to the Unit Holders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Pakistan International Element Islamic Asset Allocation Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in Unit Holders' Fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management Company's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2015, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS  
FOR THE YEAR ENDED JUNE 30, 2015**

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KPMG Taseer Hadi & Co.

***Report on Other Legal and Regulatory Requirements***

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

**Date: 07 August 2015**

**Karachi**

**KPMG Taseer Hadi & Co.  
Chartered Accountants  
Moneeza Usman Butt**

**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2015**

|   | <i>Note</i> | <b>2015</b>              | 2014             |
|---|-------------|--------------------------|------------------|
|   |             | <b>(Rupees in '000)</b>  |                  |
| <b>Assets</b>   |             |                          |                  |
| Balances with banks   | 4           | 242,427                  | 128,167          |
| Receivable against sale of investments                              |             | 18,540                   | 7,445            |
| Investments   | 5           | 564,586                  | 284,615          |
| Advance against investment  |             | -                        | 4,824            |
| Dividend and profit receivable                                      | 6           | 2,260                    | 531              |
| Advance and deposits  | 7           | 3,235                    | 3,196            |
| <b>Total assets</b>   |             | <b>831,048</b>           | <b>428,778</b>   |
| <b>Liabilities</b>  |             |                          |                  |
| Payable against purchase of investments                             |             | -                        | 7,993            |
| Payable to Management Company                                       | 8           | 2,208                    | 1,079            |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9           | 135                      | 63               |
| Payable to Securities and Exchange Commission of Pakistan           | 10          | 484                      | 259              |
| Accrued expenses and other liabilities                              | 11          | 24,620                   | 8,364            |
| <b>Total liabilities</b>  |             | <b>27,447</b>            | <b>17,758</b>    |
| <b>Net assets</b>   |             | <b>803,601</b>           | <b>411,020</b>   |
| <b>Unit holders' fund</b>   |             | <b>803,601</b>           | <b>411,020</b>   |
|   |             | <b>(Number of units)</b> |                  |
| <b>Number of units in issue</b>                                     |             | <b>13,189,009</b>        | <b>8,336,993</b> |
|   |             | <b>(Rupees)</b>          |                  |
| <b>Net assets value per unit</b>                                    |             | <b>60.93</b>             | <b>49.30</b>     |

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

**INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

|  | <i>Note</i> | <b>2015</b>             | 2014   |
|--|-------------|-------------------------|--------|
|  |             | <b>(Rupees in '000)</b> |        |
| <b>Income</b>  |             |                         |        |
| Capital gain on sale of investments - net  |             | <b>99,098</b>           | 10,861 |
| Dividend income  |             | <b>23,072</b>           | 7,865  |
| Income from investment in sukuk certificates   |             | <b>3,261</b>            | 724    |
| Income from investment in GoP Ijarah Sukuk   |             | <b>-</b>                | 3,812  |
| Profit on bank deposits  |             | <b>4,421</b>            | 3,433  |
|  |             | <b>129,852</b>          | 26,695 |
| Net unrealised appreciation on re-measurement of investments<br>classified as 'at fair value through profit or loss' - held for trading        | 5.1         | <b>17,168</b>           | 29,471 |
| <b>Total income</b>  |             | <b>147,020</b>          | 56,166 |
| <b>Expenses</b>  |             |                         |        |
| Remuneration of Management Company   | 8.1         | <b>9,904</b>            | 5,277  |
| Federal excise duty and Sindh sales tax on remuneration of<br>Management Company   | 8.2         | <b>3,309</b>            | 1,825  |
| Remuneration of Central Depository Company of<br>Pakistan Limited- Trustee   | 9           | <b>1,019</b>            | 707    |
| Annual fee - Securities and Exchange Commission of Pakistan  | 10          | <b>484</b>              | 259    |
| Provision for Workers' Welfare Fund  | 11.2        | <b>3,850</b>            | 1,384  |
| Brokerage, settlement and bank charges   |             | <b>2,487</b>            | 1,419  |
| Fees and subscription  |             | <b>247</b>              | 210    |
| Auditors' remuneration   | 12          | <b>522</b>              | 537    |
| Printing and related costs   |             | <b>245</b>              | 57     |
| Donation   | 11.3        | <b>385</b>              | 117    |
| Impairment on equity investment - 'available for sale'   | 5.4.3       | <b>4,222</b>            | -      |
| <b>Total expenses</b>  |             | <b>26,674</b>           | 11,792 |
| Net element of income / (loss) and capital gains / (losses) for<br>the year included in prices of units issued less those in units<br>redeemed |             | <b>68,282</b>           | 23,432 |
| <b>Net income for the year before taxation</b>   |             | <b>188,628</b>          | 67,806 |
| Taxation   | 13          | -                       | -      |
| <b>Net income for the year after taxation</b>  |             | <b>188,628</b>          | 67,806 |
| <b>Earnings per unit</b>   | 14          |                         |        |

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2015**

|  | <i>Note</i> | <b>2015</b>             | 2014                 |
|--|-------------|-------------------------|----------------------|
|  |             | <b>(Rupees in '000)</b> |                      |
| Net income for the year after taxation   |             | <b>188,628</b>          | 67,806               |
| <b>Other comprehensive income</b>  |             |                         |                      |
| <i>Items that are or may be reclassified subsequently to income statement</i>                                      |             |                         |                      |
| Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'     |             | <b>25,807</b>           | (21)                 |
| Reclassification adjustment relating to gain realized on disposal of investment classified as 'available for sale' | 5.4.3       | <b>21</b>               | -                    |
| Impairment loss on re-measurement of investments classified as 'available-for-sale'                                | 5.4.3       | <b>4,222</b>            | -                    |
| <b>Total comprehensive income for the year</b>   |             | <b><u>218,678</u></b>   | <b><u>67,785</u></b> |

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

|   | 2015                      | 2014               |
|---|---------------------------|--------------------|
|   | (Rupees in '000)          |                    |
| Undistributed (loss) / income brought forward:  |                           |                    |
| - Realised losses   | (38,408)                  | (22,035)           |
| - Unrealised gains  | <u>32,746</u>             | <u>26,381</u>      |
|   | (5,662)                   | 4,346              |
| <br>Net income for the year   | <br><b>188,628</b>        | <br>67,806         |
| <br>Net element of income / (loss) and capital gains / (losses) for the year<br>included in prices of units issued less those in units redeemed -<br>unrealized | <br><b>1,755</b>          | <br>(18,777)       |
| <i>Distributions</i>  |                           |                    |
| Final distribution at the rate of Rs. 5.1374 per unit for the year ended<br>30 June 2013 [Date of distribution: 5 July 2013]                                    |                           |                    |
| - Issue of 463,778 bonus units  | -                         | (21,204)           |
| Final distribution at the rate of Rs. 5 per unit for the year ended 30<br>June 2014 [Date of distribution: 27 June 2014]  |                           |                    |
| - Issue of 774,480 bonus units  | -                         | (37,833)           |
| Final distribution at the rate of Rs. 6 per unit for the year ended<br>30 June 2015 [Date of distribution: 22 June 2015]  |                           |                    |
| - Distribution  | (70,412)                  | -                  |
|   | (70,412)                  | (59,037)           |
| <br><b>Undistributed income / (loss) carried forward</b>  | <br><u><b>114,309</b></u> | <br><u>(5,662)</u> |
| <br><b>Undistributed income / (loss) carried forward:</b>   |                           |                    |
| - Realised gains / losses   | 76,153                    | (38,408)           |
| - Unrealised gains  | <u>38,156</u>             | <u>32,746</u>      |
|   | <u><b>114,309</b></u>     | <u>(5,662)</u>     |

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

|   | 2015<br>(Rupees in '000) | 2014            |
|---|--------------------------|-----------------|
| Net assets at beginning of the year   | 411,020                  | 203,540         |
| Issue of 12,053,605 units (2014: 6,271,960 units)   | 737,936                  | 313,425         |
| Issue of Nil bonus units (2014: 1,238,258 bonus units)  | -                        | 59,037          |
| Redemption of 7,201,601 units (2014: 3,160,852 units)   | (425,339)                | (150,298)       |
|   | <b>312,597</b>           | 222,164         |
| Net element of (income) / loss and capital (gains) / losses for the year included in prices of units issued less those in units redeemed:   |                          |                 |
| - amount representing accrued (income) / loss and realised capital (gains) / losses - transferred to Income Statement   | (68,282)                 | (23,432)        |
| - amount representing unrealised capital (gains) / losses - transferred to Distribution Statement   | (1,755)                  | 18,777          |
|   | <b>(70,037)</b>          | (4,655)         |
| Net income for the year (excluding net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments) | 72,362                   | 27,474          |
| Capital gain on sale of investments - net   | 99,098                   | 10,861          |
| Net unrealised appreciation on re-measurement of investments classified as at fair value through profit or loss'  | 17,168                   | 29,471          |
|   | <b>188,628</b>           | 67,806          |
| Net unrealised appreciation / (diminution) on re-measurement of investments classified as available-for-sale'   | 30,050                   | (21)            |
| Net element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed - transferred to Distribution Statement                             | 1,755                    | (18,777)        |
| <i>Distributions</i>  |                          |                 |
| Final distribution at the rate of Rs. 5.1374 per unit for the year ended 30 June 2013 - [Date of distribution: 5 July 2013]<br>- Issue of 463,778 bonus units                                 | -                        | (21,204)        |
| Final distribution at the rate of Rs. 5 per unit for the year ended 30 June 2014<br>- [Date of distribution: 27 June 2014]<br>- Issue of 774,480 bonus units                                  | -                        | (37,833)        |
| Final distribution at the rate of Rs. 6 per unit for the year ended 30 June 2015 [Date of distribution: 22 June 2015]<br>- Distribution   | (70,412)                 |                 |
|   | <b>(70,412)</b>          | <b>(59,037)</b> |
| Net assets at end of the year   | <b>803,601</b>           | <b>411,020</b>  |
|   | <b>(Rupees)</b>          |                 |
| Net assets value per unit as at beginning of the year   | <b>49.30</b>             | 51.04           |
| Net assets value per unit as at end of the year   | <b>60.93</b>             | 49.30           |

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

  
Chief Executive Officer

  
Director

**CASHFLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

|   | Note | 2015             | 2014            |
|---|------|------------------|-----------------|
| (Rupees in '000)  |      |                  |                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |      |                  |                 |
| Net income for the year   |      | 188,628          | 67,806          |
| <i>Adjustments for non-cash and other items:</i>  |      |                  |                 |
| Net unrealised appreciation on re-measurement of investments classified as at fair value through profit or loss'            |      | (17,168)         | (29,471)        |
| Impairment on equity investment - 'available for sale'  |      | 4,222            | -               |
| Provision for Workers' Welfare Fund   |      | 3,850            | 1,384           |
| Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed |      | (68,282)         | (23,432)        |
|   |      | (77,378)         | (51,519)        |
| <b>Increase in assets</b>   |      |                  |                 |
| Receivable against sale of units  |      | -                | 418             |
| Receivable against sale of investments  |      | (11,095)         | (5,415)         |
| Investments - net   |      | (236,975)        | (81,231)        |
| Advance against investment  |      | 4,824            | (4,824)         |
| Dividend and profit receivable  |      | (1,729)          | 487             |
| Advance and deposits  |      | (39)             | 2               |
|   |      | (245,014)        | (90,563)        |
| <b>Increase in liabilities</b>  |      |                  |                 |
| Payable against purchase of investments   |      | (7,993)          | 7,993           |
| Payable to Management Company   |      | 1,129            | 547             |
| Payable to Central Depository Company of Pakistan Limited - Trustee   |      | 72               | 4               |
| Payable to Securities and Exchange Commission of Pakistan   |      | 225              | 13              |
| Accrued expenses and other liabilities  |      | 12,406           | 532             |
|   |      | 5,839            | 9,089           |
| <b>Net cash used in operating activities</b>  |      | <b>(127,925)</b> | <b>(65,187)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |      |                  |                 |
| Net receipts from sale and redemption of units  |      | 312,597          | 163,127         |
| Dividend paid   |      | (70,412)         | -               |
| <b>Net cash generated from financing activities</b>   |      | <b>242,185</b>   | <b>163,127</b>  |
| <b>Net increase in cash and cash equivalents during the year</b>  |      | <b>114,260</b>   | <b>97,940</b>   |
| Cash and cash equivalents at beginning of the year  |      | 128,167          | 30,227          |
| <b>Cash and cash equivalents at end of the year</b>   | 4    | <b>242,427</b>   | <b>128,167</b>  |

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

  
Chief Executive Officer

  
Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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## 1. LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan International Element Islamic Asset Allocation Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited ("the Management Company", "AHIL") as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 December 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003).

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 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund is an open-ended mutual fund, listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "Shariah compliant Asset Allocation" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned management quality rating of AM2+ to the Management Company and 3-star short term and 4-star long term rating to the Fund. Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended 30 June 2015

There are certain standards, amendments and interpretations are effective for the year ended 30 June 2015. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures, if any.

### 2.3 New accounting standards and IFRS interpretations that are not yet effective

There are certain new standards, amendments and interpretation effective for period beginning on or after 1 July 2015, however these standards and interpretation are either not relevant to the Fund operation or are not expected to have significant / material effect on Fund's accounting policies.

### 2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain financial assets are measured at fair value.

### 2.5 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

### 2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about assumption and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year as well as critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follow:

### *Investments stated at fair value and derivative financial instruments*

The Management Company has determined fair value of listed equity securities, Sukuk certificates and government securities by using quotations from Karachi Stock Exchange Limited, Mutual Funds Association of Pakistan and Financial Markets Association of Pakistan (Reuters), respectively. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

### *Other assets*

*Judgement is also involved in assessing the realisability of the assets balances.*

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **3.1 Financial instruments**

The Fund classifies its financial instruments in the following categories:

#### **a) Financial instruments as 'at fair value through profit or loss'**

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

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

#### **b) Loans and receivables**

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

#### **c) 'Available-for-sale'**

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

#### **d) Financial liabilities**

Financial liabilities, other than those as 'at fair value through profit or loss', are measured at amortized cost using the effective yield method.

### **Recognition**

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

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

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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### *Measurement*

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

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

### *Fair value measurement principles*

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

Investment in thinly and non-traded debt securities with maturity up to six months are valued at their amortised cost in accordance with the requirements of Circular issued by the SECP.

### *Basis of valuation of Quoted equity securities*

The fair value of a security listed on a stock exchange, local or foreign as the case may be, is valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

### *Basis of valuation of Government Securities*

The fair value of the investments in government securities is determined by reference to the quotations obtained from the PKRV sheet on the Reuters page.

The fair value of the investments in GoP Ijara sukuk certificates is determined by using quotations from PKISRV Reuters page.

### *Securities under repurchase / resale agreements*

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

### *Impairment*

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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### *Derecognition*

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### *Offsetting of financial instruments*

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

### **3.2 Unit holders' fund**

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

### **3.3 Issue and redemption of units**

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

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

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

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

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

### **3.5 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from the last day after the close of the IPO period as per the Trust Deed of the Fund.

### **3.6 Provisions**

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

### **3.7 Net assets value per unit**

The net assets value 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 issue at the year end.

### **3.8 Taxation**

#### **Current**

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year, as reduced by capital gains whether realized or unrealized is distributed to its unit holders every year.

### 3.9 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase transactions and debt securities is recognised on a time proportion basis using effective interest rate method.
- Mark-up on term finance certificates, government securities and money market placements are recognised on an accrual basis.
- Unrealised gains / (losses) arising on valuation of investments classified as fair value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on time proportion basis using effective interest rate method.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is recognised when the units are issued and redeemed at the transaction

### 3.10 Expenses

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

### 3.11 Cash and cash equivalents

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

### 3.12 Other assets

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

### 3.13 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

## 4. BALANCES WITH BANKS

|                     | 2015               | 2014           |
|---------------------|--------------------|----------------|
|                     | (Rupees in '000)   |                |
| In current accounts | 81,787             | 37,118         |
| In deposit accounts | 4.1 <u>160,640</u> | <u>91,049</u>  |
|                     | <u>242,427</u>     | <u>128,167</u> |

- 4.1 These carry profit at the rate ranging from 4.44% to 5.26% (2014: 5.17% to 7.3%) per annum.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

| 5. INVESTMENTS  |     | 2015             | 2014           |
|---|-----|------------------|----------------|
|   |     | (Rupees in '000) |                |
| <i>At fair value through profit or loss' - held for trading</i> |     |                  |                |
| Quoted equity securities  | 5.1 | 52,662           | 279,095        |
| <br>Fixed income and other debt securities:                     |     |                  |                |
| - Sukuk certificates - unlisted                                 | 5.2 | -                | -              |
|   |     | <u>52,662</u>    | <u>279,095</u> |
| <br><i>Available-for-sale'</i>                                  |     |                  |                |
| Quoted equity securities  | 5.4 | 511,924          | 5,520          |
|   |     | <u>564,586</u>   | <u>284,615</u> |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## 5.1 Quoted equity securities - 'at fair value through profit or loss' - held for trading

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

| Name of the investee company               | Number of shares  |                           |                                     | Balance as at 30 June 2015 |                    |                | Market value |                                      | Paid up value of shares held as a percentage of total paid up capital of the investee company |                               |
|--|-------------------|---------------------------|-------------------------------------|----------------------------|--------------------|----------------|--------------|--------------------------------------|---|-------------------------------|
|  | As at 1 July 2014 | Purchases during the year | Bonus / right issue during the year | Sales during the year      | As at 30 June 2015 | Carrying value | Market value | As a percentage of total investments |   | As a percentage of net assets |
| <b>OIL AND GAS</b>                         |                   |                           |                                     |                            |                    |                |              |                                      |   |                               |
| Pakistan State Oil Company Limited         | 78,340            | -                         | -                                   | 78,340                     | -                  | -              | -            | -                                    | -   | -                             |
| Shell Pakistan Limited                     | -                 | 10,000                    | -                                   | 10,000                     | -                  | -              | -            | -                                    | -   | -                             |
| National Refinery Limited                  | 33,000            | -                         | -                                   | 33,000                     | -                  | -              | -            | -                                    | -   | -                             |
| Pakistan Oilfields Limited                 | 42,611            | 14,000                    | -                                   | 56,611                     | -                  | -              | -            | -                                    | -   | -                             |
| Oil & Gas Development Company Limited      | 500               | -                         | -                                   | 500                        | -                  | -              | -            | -                                    | -   | -                             |
| Pakistan Petroleum Limited                 | 90,590            | 98,700                    | -                                   | 189,290                    | -                  | -              | -            | -                                    | -   | -                             |
| Attock Petroleum Limited                   | 16,500            | 33,000                    | -                                   | 49,500                     | -                  | -              | -            | -                                    | -   | -                             |
| <b>FERTILIZER</b>                          |                   |                           |                                     |                            |                    |                |              |                                      |   |                               |
| Engro Corporation Limited                  | -                 | 56,000                    | -                                   | 56,000                     | 3,000              | 634            | 890          | 256                                  | 0.11  | -                             |
| Fatima Fertilizer Company Limited          | -                 | 665,000                   | -                                   | 665,000                    | -                  | -              | -            | -                                    | -   | -                             |
| Fauji Fertilizer Bin Qasim Limited         | -                 | 150,000                   | -                                   | 150,000                    | -                  | -              | -            | -                                    | -   | -                             |
| Fauji Fertilizer Company Limited           | -                 | 35,000                    | -                                   | 35,000                     | -                  | 634            | 890          | 256                                  | -   | -                             |
| <b>CONSTRUCTION AND MATERIALS (CEMENT)</b> |                   |                           |                                     |                            |                    |                |              |                                      |   |                               |
| Maple Leaf Cement Factory Limited          | 436,000           | 405,000                   | -                                   | 612,000                    | 229,000            | 7,484          | 17,990       | 10,506                               | 3.19  | 0.00                          |
| D.G. Khan Cement Company Limited           | -                 | 225,000                   | -                                   | 225,000                    | -                  | -              | -            | -                                    | -   | -                             |
| Lucky Cement Limited                       | 73,000            | 25,000                    | -                                   | 98,000                     | -                  | -              | -            | -                                    | -   | -                             |
| Attock Cement Pakistan Limited             | 54,020            | 1,000                     | -                                   | 55,020                     | -                  | -              | -            | -                                    | -   | -                             |
| Cherat Cement Company Limited              | 47,300            | -                         | -                                   | 47,300                     | -                  | -              | -            | -                                    | -   | -                             |
| Kohat Cement Company Limited               | 44,300            | 78,000                    | -                                   | 122,300                    | -                  | -              | -            | -                                    | -   | -                             |
| Lafarge Pakistan Cement Limited            | -                 | 368,500                   | -                                   | 368,500                    | -                  | -              | -            | -                                    | -   | -                             |
| Pioneer Cement Limited                     | -                 | 76,000                    | -                                   | 76,000                     | -                  | -              | -            | -                                    | -   | -                             |
| Fauji Cement Company Limited               | 75,000            | 464,500                   | -                                   | 539,500                    | -                  | 7,484          | 17,990       | 10,506                               | -   | -                             |
| <b>GENERAL INDUSTRIES</b>                  |                   |                           |                                     |                            |                    |                |              |                                      |   |                               |
| Thal Limited*                              | 34,000            | 18,800                    | -                                   | 27,500                     | 25,300             | 5,271          | 7,221        | 1,950                                | 1.28  | 0.00                          |
| Packages Limited                           | 25,000            | -                         | -                                   | 25,000                     | -                  | 5,271          | 7,221        | 1,950                                | -   | -                             |
| <b>INDUSTRIAL ENGINEERING</b>              |                   |                           |                                     |                            |                    |                |              |                                      |   |                               |
| Millat Tractors Limited                    | 10,905            | 15,000                    | -                                   | 25,905                     | -                  | -              | -            | -                                    | -   | -                             |
| Al-Ghazi Tractors Limited                  | -                 | 47,400                    | -                                   | 47,400                     | -                  | -              | -            | -                                    | -   | -                             |
| <b>AUTOMOBILE AND PARTS</b>                |                   |                           |                                     |                            |                    |                |              |                                      |   |                               |
| Pak Suzuki Motor Company Limited           | 49,000            | 53,900                    | -                                   | 80,000                     | 22,900             | 8,579          | 9,982        | 1,403                                | 1.77  | 0.00                          |
| Indus Motors Company Limited               | -                 | 26,200                    | -                                   | 26,200                     | -                  | 8,579          | 9,982        | 1,403                                | -   | -                             |

(Rupees in 000)

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

| Name of the investee company           | Number of shares  |                           |                                     |                       | Balance as at 30 June 2015 |                |              | Market value                         |                               | Paid up value of shares held as a percentage of total paid up capital of the investee company |
|--|-------------------|---------------------------|-------------------------------------|-----------------------|----------------------------|----------------|--------------|--------------------------------------|-------------------------------|---|
|  | As at 1 July 2014 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at 30 June 2015         | Carrying value | Market value | As a percentage of total investments | As a percentage of net assets |   |
| ----- (Rupees in 000) -----            |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| <b>HOUSEHOLD GOODS</b>                 |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Tariq Glass Industries Limited         | -                 | 50,000                    | -                                   | 50,000                | -                          | -              | -            | -                                    | -                             | -   |
| <b>FOOD PRODUCERS</b>                  |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Nestle Pakistan Limited                | -                 | 1,360                     | -                                   | 1,360                 | -                          | -              | -            | -                                    | -                             | -   |
| <b>PERSONAL GOODS (TEXTILE)</b>        |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Nishat Mills Limited                   | 100               | 132,900                   | -                                   | 133,000               | -                          | -              | -            | -                                    | -                             | -   |
| BATA Pakistan Limited                  | 2,980             | 640                       | -                                   | -                     | 3,620                      | 11,691         | 13,515       | 2.39                                 | 1.68                          | 0.00  |
|  |                   |                           |                                     |                       |                            | 11,691         | 13,515       |                                      |                               |   |
| <b>PHARMA AND BIO TECH</b>             |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Ferozsons Laboratories Limited         | 13,500            | -                         | -                                   | 13,500                | -                          | -              | -            | -                                    | -                             | -   |
| Abbot Laboratories (Pakistan) Limited  | 15,000            | -                         | -                                   | 15,000                | -                          | -              | -            | -                                    | -                             | -   |
| <b>ELECTRONIC AND ELECTRICAL GOODS</b> |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Pakistan Cables Limited                | 66,000            | -                         | -                                   | 47,600                | 18,400                     | 1,835          | 3,064        | 0.54                                 | 0.38                          | 0.00  |
|  |                   |                           |                                     |                       |                            | 1,835          | 3,064        |                                      |                               |   |
| <b>ELECTRICITY</b>                     |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Hub Power Company Limited              | 471,744           | 732,000                   | -                                   | 1,203,744             | -                          | -              | -            | -                                    | -                             | -   |
| Kot Addu Power Company Limited         | 525,000           | 389,000                   | -                                   | 914,000               | -                          | -              | -            | -                                    | -                             | -   |
| <b>TRANSPORT</b>                       |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Pakistan National Shipping Corporation | -                 | 122,000                   | -                                   | 122,000               | -                          | -              | -            | -                                    | -                             | -   |
| <b>Total as at 30 June 2015</b>        |                   |                           |                                     |                       |                            | 35,494         | 52,662       |                                      |                               |   |
| ----- (Rupees in 000) -----            |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Name of the investee company           | Number of shares  |                           |                                     |                       | Balance as at 30 June 2014 |                |              | Market value                         |                               | Paid up value of shares held as a percentage of total paid up capital of the investee company |
|  | As at 1 July 2013 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at 30 June 2014         | Carrying value | Market value | As a percentage of total investments | As a percentage of net assets |   |
| ----- (Rupees in 000) -----            |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| <b>OIL AND GAS</b>                     |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Pakistan State Oil Company Limited     | 21,600            | 73,600                    | 4,940                               | 21,800                | 78,340                     | 27,881         | 30,463       | 10.70                                | 7.41                          | 0.00  |
| Shell Pakistan Limited                 | 4,000             | -                         | -                                   | 4,000                 | -                          | -              | -            | -                                    | -                             | -   |
| National Refinery Limited              | -                 | 58,000                    | -                                   | 25,000                | 33,000                     | 7,299          | 7,107        | 2.50                                 | 1.73                          | 0.00  |
| Pakistan Oilfields Limited             | 30,111            | 57,600                    | -                                   | 45,100                | 42,611                     | 23,117         | 24,471       | 8.60                                 | 5.95                          | 0.00  |
| Oil & Gas Development Company Limited  | 50,000            | 18,000                    | -                                   | 67,500                | 500                        | 115            | 131          | 0.05                                 | 0.03                          | 0.00  |
| Pakistan Petroleum Limited             | 85,225            | 119,600                   | 19,165                              | 133,400               | 90,590                     | 18,601         | 20,323       | 7.14                                 | 4.94                          | 0.00  |
| Attock Petroleum Limited               | -                 | 40,300                    | 4,160                               | 27,960                | 16,500                     | 8,394          | 9,732        | 3.42                                 | 2.37                          | 0.00  |
|  |                   |                           |                                     |                       |                            | 85,407         | 92,227       |                                      |                               |   |
|  |                   |                           |                                     |                       |                            |                |              | 2.582                                |                               | 6.820   |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

| Name of the investee company               | Number of shares  |                           |                                     |                       | Balance as at 30 June 2014 |                |              | Market value               |                                      | Paid up value of shares held as a percentage of total paid up capital of the investee company |
|--|-------------------|---------------------------|-------------------------------------|-----------------------|----------------------------|----------------|--------------|----------------------------|--------------------------------------|---|
|  | As at 1 July 2013 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at 30 June 2014         | Carrying value | Market value | Appreciation/ (diminution) | As a percentage of total investments |   |
| <b>CHEMICALS</b>                           |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Sitara Chemical Industries Limited         | 400               | -                         | -                                   | 400                   | -                          | -              | -            | -                          | -                                    | -   |
| Fauji Fertilizer Bin Qasim Limited         | 149,000           | -                         | -                                   | 149,000               | -                          | -              | -            | -                          | -                                    | -   |
| Fauji Fertilizer Company Limited           | -                 | 110,000                   | -                                   | 110,000               | -                          | -              | -            | -                          | -                                    | -   |
| <b>GENERAL INDUSTRIES</b>                  |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Thal Limited*                              | -                 | 34,000                    | -                                   | -                     | 34,000                     | 5,660          | 7,051        | 1,391                      | 2.48                                 | 1.72  |
| Packages Limited                           | -                 | 25,000                    | -                                   | -                     | 25,000                     | 6,702          | 12,539       | 5,837                      | 4.41                                 | 3.05  |
|  |                   |                           |                                     |                       |                            | 12,362         | 19,590       | 7,228                      |                                      |   |
| <b>CONSTRUCTION AND MATERIALS (CEMENT)</b> |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| D.G.Khan Cement Company Limited            | 78,500            | 129,500                   | -                                   | 208,000               | -                          | -              | -            | -                          | -                                    | 0.00  |
| Lucky Cement Limited                       | 41,575            | 73,000                    | -                                   | 41,575                | 73,000                     | 25,865         | 29,952       | 4,087                      | 10.52                                | 7.29  |
| Attock Cement Pakistan Limited             | 105               | 53,900                    | 15                                  | -                     | 54,020                     | 8,625          | 8,519        | (106)                      | 2.99                                 | 2.07  |
| Cherat Cement Company Limited              | 153,000           | 16,000                    | 4,300                               | 126,000               | 47,300                     | 2,558          | 3,096        | 538                        | 1.09                                 | 0.75  |
| Kohat Cement Company Limited               | 93,500            | 60,500                    | 25,800                              | 135,500               | 44,300                     | 3,594          | 5,662        | 2,068                      | 1.99                                 | 1.38  |
| Fecto Cement Limited                       | 77,000            | -                         | -                                   | 77,000                | -                          | -              | -            | -                          | -                                    | -   |
| Maple Leaf Cement Factory Limited          | -                 | 565,000                   | -                                   | 129,000               | 436,000                    | 10,706         | 13,102       | 2,396                      | 4.60                                 | 3.19  |
| Fauji Cement Company Limited               | -                 | 75,000                    | -                                   | -                     | 75,000                     | 1,026          | 1,443        | 417                        | 0.51                                 | 0.35  |
|  |                   |                           |                                     |                       |                            | 52,374         | 61,774       | 9,400                      |                                      |   |
| <b>INDUSTRIAL ENGINEERING</b>              |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Millar Tractors Limited                    | 5                 | 10,900                    | -                                   | -                     | 10,905                     | 5,447          | 5,443        | (4)                        | 1.91                                 | 1.32  |
|  |                   |                           |                                     |                       |                            | 5,447          | 5,443        | (4)                        |                                      |   |
| <b>AUTOMOBILE AND PARTS</b>                |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Pak Suzuki Motor Company Limited           | 18,000            | 49,000                    | -                                   | 18,000                | 49,000                     | 10,591         | 13,421       | 2,830                      | 4.72                                 | 3.27  |
|  |                   |                           |                                     |                       |                            | 10,591         | 13,421       | 2,830                      |                                      |   |
| <b>HOUSEHOLD GOODS</b>                     |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Tariq Glass Industries Limited             | -                 | 179,000                   | -                                   | 179,000               | -                          | -              | -            | -                          | -                                    | -   |
| <b>PERSONAL GOODS (TEXTILE)</b>            |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Nishat Mills Limited                       | 59,500            | 90,100                    | -                                   | 149,500               | 100                        | 14             | 11           | (3)                        | 0.00                                 | 0.00  |
| Kohinoor Textiles Limited                  | -                 | 39,000                    | -                                   | 39,000                | -                          | -              | -            | -                          | -                                    | -   |
| BATA Pakistan Limited                      | -                 | 2,980                     | -                                   | -                     | 2,980                      | 9,843          | 9,643        | (200)                      | 3.39                                 | 2.35  |
|  |                   |                           |                                     |                       |                            | 9,857          | 9,654        | (203)                      |                                      |   |
| <b>FOOD PRODUCERS</b>                      |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Engro Foods Limited                        | -                 | 50,000                    | -                                   | 50,000                | -                          | -              | -            | -                          | -                                    | -   |
| Habib Sugar Mills Limited                  | -                 | 75,000                    | -                                   | 75,000                | -                          | -              | -            | -                          | -                                    | -   |
| <b>PHARMA AND BIO TECH</b>                 |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Ferozsons Laboratories Limited             | -                 | 13,500                    | -                                   | -                     | 13,500                     | 1,735          | 3,111        | 1,376                      | 1.09                                 | 0.76  |
| Abbot Laboratories (Pakistan) Limited      | -                 | 15,000                    | -                                   | -                     | 15,000                     | 6,315          | 8,585        | 2,270                      | 3.02                                 | 2.09  |
|  |                   |                           |                                     |                       |                            | 8,050          | 11,696       | 3,646                      |                                      |   |
| <b>FIXED LINE TELECOMMUNICATION</b>        |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |
| Pakistan Telecommunication Company Limited | -                 | 500,000                   | -                                   | 500,000               | -                          | -              | -            | -                          | -                                    | -   |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| Name of the investee company           | Number of shares  |                           |                                     |                       | Balance as at 30 June 2014 |                |              | Market value               |                                      | Paid up value of shares held as a percentage of total paid up capital of the investee company |                               |
|--|-------------------|---------------------------|-------------------------------------|-----------------------|----------------------------|----------------|--------------|----------------------------|--------------------------------------|---|-------------------------------|
|  | As at 1 July 2013 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at 30 June 2014         | Carrying value | Market value | Appreciation/ (diminution) | As a percentage of total investments |   | As a percentage of net assets |
| <b>ELECTRONIC AND ELECTRICAL GOODS</b> |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |                               |
| Pakistan Cables Limited                | -                 | 66,000                    | -                                   | -                     | 66,000                     | 6,915          | 6,584        | (331)                      | 2.31                                 | 1.60  | 0.00                          |
| <b>ELECTRICITY</b>                     |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |                               |
| Hub Power Company Limited              | 224,244           | 686,000                   | -                                   | 438,500               | 471,744                    | 27,315         | 27,710       | 395                        | 9.74                                 | 6.74  | 0.00                          |
| Kot Addu Power Company Limited         | -                 | 752,000                   | -                                   | 227,000               | 525,000                    | 31,306         | 30,996       | (310)                      | 10.89                                | 7.54  | 0.00                          |
| Pakgen Power Limited                   | -                 | 240,000                   | -                                   | 240,000               | -                          | 58,621         | 58,706       | 85                         | -                                    | -   | -                             |
| <b>COMMERCIAL BANKS</b>                |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |                               |
| Mezzan Bank Limited                    | 403,707           | 285,500                   | -                                   | 689,207               | -                          | -              | -            | -                          | -                                    | -   | -                             |
| Total as at 30 June 2014               |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |                               |
| 249,624      279,095      29,471       |                   |                           |                                     |                       |                            |                |              |                            |                                      |   |                               |

\*Par Value of Shares is Rs 5 each.

5.1.1 Investments as at 30 June 2015 include shares with market value of Rs. Nil (2014: Rs. 13.21 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

5.1.2 The cost of the quoted equity securities as at 30 June 2015 amounted to Rs. 34.87 million (2014: Rs. 246.350 million).

5.2 Sukuk certificates - unlisted - at fair value through profit or loss - held for trading

Carrying value as on 30 June

Provision for impairment in value:

- As at the beginning of the year

- Charge for the year (refer 5.2.2)

|       |                  |                  |
|-------|------------------|------------------|
|       | 2015             | 2014             |
|       | (Rupees in '000) | (Rupees in '000) |
| 5.2.1 | 6,119            | 6,042            |
| 5.2.1 | 5.2.1            | 6,042            |
| 6,042 | 77               | 6,042            |
| 6,119 | -                | 6,042            |

| Name of the investee company   | Profit rate % | Number of certificates |                             |                         | Balance as at 30 June 2015 |                |              | Market value as a percentage of net assets | Market value as a percentage of total investment | Outstanding principle value as a percentage of issued debt capital |
|--|---------------|------------------------|-----------------------------|-------------------------|----------------------------|----------------|--------------|--|--|--|
|  |               | As at 1 July 2014      | Purchases during the period | Sales during the period | As at 30 June 2015         | Carrying value | Market value |  |  |  |
| <b>Certificates have a face value of Rs. 5,000 each unless stated otherwise.</b> |               |                        |                             |                         |                            |                |              |  |  |  |
| Pak Elektron Limited<br>(28 September 2007) (refer note 5.2.2)                   | 13.70%        | 3,000                  | -                           | -                       | 3,000                      | 6,119          | -            | -  | -  | -  |
| Engro Fertilizers Limited<br>(9 July 2014)                                       | 11.93%        | -                      | 7,000                       | 7,000                   | -                          | -              | -            | -  | -  | -  |
| 6,119  |               |                        |                             |                         |                            |                |              |  |  |  |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| Name of the investee company                                   | Profit rate % | Number of certificates |                             |                         | Balance as at 30 June 2014 |                | Market value as percentage of net assets | Market value as percentage of total investment | Outstanding principle value as a percentage of issued debt capital |
|--|---------------|------------------------|-----------------------------|-------------------------|----------------------------|----------------|--|--|--|
|  |               | As at 1 July 2013      | Purchases during the period | Sales during the period | As at 30 June 2014         | Carrying value |  |  |  |
| Pak Elektron Limited<br>(28 September 2007) (refer note 5.2.2) | 13.70%        | 3,000                  | -                           | -                       | 3,000                      | 6,042          | 0.00                                     | 0.00   | 1.25   |

**5.2.2** Owing to continuous default on repayment of coupon by the issuer, the Fund has classified the said investment as non-performing and recognised full provision against outstanding principal in accordance with applicable provisioning circular issued by the Securities and Exchange Commission of Pakistan and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. The Fund suspended further accrual of markup there against.

### 5.3 Details of non-compliant investment

In accordance with clause (v) of the investment criteria laid down for 'Shariah Compliant Islamic Scheme' in Circular no. 7 of 2009 issued by SECP the Fund is required to invest in any security having rating not lower than the investment grade credit rating of A- and above. However, as at 30 June 2015, the Fund is non-compliant with the above-mentioned requirement in respect of the following investment:

| Nature of non-compliant investment | Name of company            | Instrument / issuer rating | Value of investment before provision | Provision held | Value of investment after provision | Percentage of net assets |                  | Percentage of gross assets |   |
|------------------------------------|----------------------------|----------------------------|--------------------------------------|----------------|-------------------------------------|--------------------------|------------------|----------------------------|---|
|                                    |                            |                            |                                      |                |                                     | (Rupees in '000)         | (Rupees in '000) | %                          | % |
| Unlisted Sukuk Certificates        | Pak Elektron Limited-Sukuk | Un rated                   | 6,119                                | 6,119          | -                                   | -                        | -                | -                          | - |

**5.3.1** At the time of purchase, the above security was in compliance of the Circular (i.e. investment grade) and was subsequently downgraded to non-investment grade by Mutual Funds Association of Pakistan (MUFAP) on default by respective issuer in repayment of coupons due on respective dates.

### 5.4 Quoted equity securities - 'available-for-sale'

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

| Name of the investee company  | Number of shares  |                           |                                     | Balance as at 30 June 2015 |                    | Market value   |              | Paid up value of shares held as a percentage of total paid up capital of the investee company |                                      |                               |
|---|-------------------|---------------------------|-------------------------------------|----------------------------|--------------------|----------------|--------------|---|--------------------------------------|-------------------------------|
|   | As at 1 July 2014 | Purchases during the year | Bonus / right issue during the year | Sales during the year      | As at 30 June 2015 | Carrying value | Market value |   | As a percentage of total investments | As a percentage of net assets |
| <b>INDUSTRIAL ENGINEERING</b><br>Millar Tractors Limited  | -                 | 35,000                    | -                                   | -                          | 35,000             | 21,572         | 24,004       | 4.25  | 2.99                                 | 0.00                          |
| <b>AUTOMOBILE AND PARTS</b><br>Pak Suzuki Motor Company Limited<br>Indus Motors Company Limited | -                 | 13,000                    | -                                   | 5,000                      | 8,000              | 3,060          | 3,487        | 0.62  | 0.43                                 | 0.00                          |
| <b>CABLE &amp; ELECTRICAL GOODS</b><br>Pak Elektron Limited                                     | -                 | 37,000                    | -                                   | 10,000                     | 27,000             | 31,361         | 33,723       | 5.97  | 4.20                                 | 0.00                          |
|   |                   | 461,000                   | -                                   | 208,500                    | 252,500            | 16,092         | 20,892       | 3.70  | 2.60                                 | 0.00                          |
|   |                   |                           |                                     |                            |                    | 16,092         | 20,892       |   |                                      |                               |

(Rupees in '000)

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| Name of the investee company               | Number of shares  |                           |                                     |                       |                    | Balance as at 30 June 2015 |              |                            | Market value                         |                               | Paid up value of shares held as a percentage of total paid up capital of the investee company |  |
|--|-------------------|---------------------------|-------------------------------------|-----------------------|--------------------|----------------------------|--------------|----------------------------|--------------------------------------|-------------------------------|---|--|
|  | As at 1 July 2014 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at 30 June 2015 | Carrying value             | Market value | Appreciation/ (diminution) | As a percentage of total investments | As a percentage of net assets |   |  |
| (Rupees in 000)                            |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| <b>CONSTRUCTION AND MATERIALS (CEMENT)</b> |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| Attock Cement Pakistan Limited             | 35,000            | -                         | -                                   | 33,180                | 1,820              | 288                        | 347          | 59                         | 0.06                                 | 0.04                          | 0.00  |  |
| D.G. Khan Cement Company Limited           | -                 | 302,500                   | -                                   | 302,500               | -                  | -                          | -            | -                          | -                                    | -                             | -   |  |
| Fauji Cement Company Limited               | -                 | 1,000,000                 | -                                   | -                     | 1,000,000          | 34,484                     | 34,870       | 386                        | 6.18                                 | 4.34                          | 0.00  |  |
| Lucky Cement Limited                       | -                 | 40,000                    | -                                   | -                     | 40,000             | 18,163                     | 20,785       | 2,622                      | 3.68                                 | 2.59                          | 0.00  |  |
| Maple Leaf Cement Factory Limited          | -                 | 175,000                   | -                                   | -                     | 175,000            | 9,049                      | 13,748       | 4,699                      | 2.44                                 | 1.71                          | 0.00  |  |
| Pioneer Cement Limited                     | -                 | 171,000                   | -                                   | 171,000               | -                  | 61,984                     | 69,750       | 7,766                      | -                                    | -                             | -   |  |
| <b>CHEMICALS</b>                           |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| ICI Pakistan Limited                       | -                 | 44,600                    | -                                   | -                     | 44,600             | 17,830                     | 19,128       | 1,298                      | 3.39                                 | 2.38                          | 0.00  |  |
| Linde Pakistan Limited                     | -                 | 55,000                    | -                                   | -                     | 55,000             | 11,182                     | 7,695        | (3,487)                    | 1.36                                 | 0.96                          | 0.00  |  |
| <b>FERTILIZER</b>                          |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| Engro Corporation Limited                  | -                 | 245,000                   | -                                   | 135,000               | 110,000            | 31,542                     | 32,648       | 1,106                      | 5.78                                 | 4.06                          | 0.00  |  |
| Fatima Fertilizer Company Limited          | -                 | 800,000                   | -                                   | 800,000               | -                  | -                          | -            | -                          | -                                    | -                             | -   |  |
| Fauji Fertilizer Bin Qasim Limited         | -                 | 402,000                   | -                                   | 402,000               | -                  | -                          | -            | -                          | -                                    | -                             | -   |  |
| Fauji Fertilizer Company Limited           | -                 | 465,000                   | -                                   | 203,100               | 261,900            | 36,961                     | 39,133       | 2,172                      | 6.93                                 | 4.87                          | 0.00  |  |
| <b>FOOD PRODUCERS</b>                      |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| Nestle Pakistan Limited                    | -                 | 80                        | -                                   | 80                    | -                  | -                          | -            | -                          | -                                    | -                             | -   |  |
| <b>HOUSEHOLD GOODS</b>                     |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| Tariq Glass Industries Limited             | -                 | 470,000                   | -                                   | -                     | 470,000            | 27,743                     | 27,490       | (253)                      | 4.87                                 | 3.42                          | 0.01  |  |
| <b>GLASS &amp; CERAMICS</b>                |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| Ghani Glass Limited                        | -                 | 250,000                   | -                                   | -                     | 250,000            | 16,781                     | 21,703       | 4,922                      | 3.84                                 | 2.70                          | 0.00  |  |
| <b>OIL &amp; GAS</b>                       |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| Mari Petroleum Company Limited             | -                 | 40,000                    | -                                   | 40,000                | -                  | -                          | -            | -                          | -                                    | -                             | -   |  |
| Pakistan Oilfields Limited                 | -                 | 158,700                   | -                                   | 25,000                | 133,700            | 48,629                     | 53,991       | 5,362                      | 9.56                                 | 6.72                          | 0.00  |  |
| Pakistan Petroleum Limited                 | -                 | 275,000                   | -                                   | 9,510                 | 265,490            | 45,354                     | 43,609       | (1,745)                    | 7.72                                 | 5.43                          | 0.00  |  |
| Attock Petroleum Limited                   | -                 | 20,000                    | -                                   | 15,250                | 4,750              | 2,531                      | 2,694        | 163                        | 0.48                                 | 0.34                          | 0.00  |  |
| Pakistan State Oil Co Limited              | -                 | 65,000                    | -                                   | -                     | 65,000             | 26,127                     | 25,076       | (1,051)                    | 4.44                                 | 3.12                          | 0.00  |  |
| <b>GENERAL INDUSTRIES</b>                  |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| Packages Limited                           | -                 | 52,450                    | -                                   | -                     | 52,450             | 29,590                     | 31,159       | 1,769                      | 5.52                                 | 3.88                          | 0.00  |  |
| <b>PHARMA AND BIO TECH</b>                 |                   |                           |                                     |                       |                    |                            |              |                            |                                      |                               |   |  |
| Ferozsons Laboratories Limited             | -                 | 12,300                    | -                                   | -                     | 12,300             | 7,141                      | 7,866        | 725                        | 1.39                                 | 0.98                          | 0.00  |  |
| IBL Healthcare Limited                     | -                 | 30,000                    | -                                   | -                     | 30,000             | 4,386                      | 3,420        | (966)                      | 0.61                                 | 0.43                          | 0.00  |  |
|  |                   |                           |                                     |                       |                    | 11,527                     | 11,286       | (241)                      |                                      |                               |   |  |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| Name of the investee company    | Number of shares  |                           |                                     |                       | Balance as at 30 June 2015 |                |              | Market value                         |                               | Paid up value of shares held as a percentage of total paid up capital of the investee company |
|---------------------------------|-------------------|---------------------------|-------------------------------------|-----------------------|----------------------------|----------------|--------------|--------------------------------------|-------------------------------|---|
|                                 | As at 1 July 2014 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at 30 June 2015         | Carrying value | Market value | As a percentage of total investments | As a percentage of net assets |   |
| <b>ELECTRICITY</b>              |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Hub Power Company Limited       | -                 | 415,000                   | -                                   | 389,256               | 25,744                     | 2,326          | 2,409        | 83                                   | 0.43                          | 0.30  |
| Kot Addu Power Co. Limited      | -                 | 160,000                   | -                                   | 160,000               | -                          | -              | -            | -                                    | -                             | -   |
| K-Electric Limited              | -                 | 1,190,892                 | -                                   | 1,000,000             | 190,892                    | 1,634          | 1,607        | (27)                                 | 0.28                          | 0.20  |
| Lalpur Power Limited            | -                 | 615,000                   | -                                   | -                     | 615,000                    | 21,379         | 18,758       | (2,621)                              | 3.32                          | 2.33  |
| Pakgen Power Limited            | -                 | 722,500                   | -                                   | -                     | 722,500                    | 21,112         | 21,682       | 570                                  | 3.84                          | 2.70  |
|                                 |                   |                           |                                     |                       |                            | 46,451         | 44,456       | (1,995)                              |                               |   |
| <b>Total as at 30 June 2015</b> |                   |                           |                                     |                       |                            | 486,117        | 511,924      | 25,807                               |                               |   |

| Name of the investee company      | Number of shares  |                           |                                     |                       | Balance as at 30 June 2014 |                |              | Market value                         |                               | Paid up value of shares held as a percentage of total paid up capital of the investee company |
|-----------------------------------|-------------------|---------------------------|-------------------------------------|-----------------------|----------------------------|----------------|--------------|--------------------------------------|-------------------------------|---|
|                                   | As at 1 July 2013 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at 30 June 2014         | Carrying value | Market value | As a percentage of total investments | As a percentage of net assets |   |
| <b>CONSTRUCTION AND MATERIALS</b> |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |
| Attock Cement Pakistan Limited    | -                 | 35,000                    | -                                   | -                     | 35,000                     | 5,541          | 5,520        | (21)                                 | 1.94                          | 1.34  |
|                                   |                   |                           |                                     |                       |                            | 5,541          | 5,520        | (21)                                 |                               |   |
| <b>Total as at 30 June 2014</b>   |                   |                           |                                     |                       |                            |                |              |                                      |                               |   |

5.4.1 The cost of the quoted equity securities as at 30 June 2015 amounted to Rs. 491.56 million (2014: Rs. 5,541 million).

5.4.2 Investments as at 30 June 2015 include shares with market value of Rs. 20,533 (2014: Rs. Nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

5.4.3 Unrealised (diminution) / appreciation in fair value of investments classified as 'available for sale'

|   |           |        |
|---|-----------|--------|
| Fair value of investments   | 5,520     |        |
| Cost of investment  | (486,117) | 5,541  |
|   | 25,807    | 11,061 |
| Impairment losses   | 4,222     | -      |
| Net unrealised appreciation in the fair value of investments at the end of the period | 30,029    | 11,061 |
| Unrealised diminution in fair value of investments at the beginning of period         | 21        | (21)   |
|   | 30,050    | 11,040 |

2015  
(Rupees in '000)

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

| 6. <b>DIVIDEND AND PROFIT RECEIVABLE</b>         | 2015             | 2014  |
|--|------------------|-------|
|  | (Rupees in '000) |       |
| Dividend receivable                              | 1,636            | 1     |
| Accrued profit on deposit accounts with banks    | 624              | 530   |
|  | 2,260            | 531   |
| <b>7. ADVANCE AND DEPOSITS</b>                   |                  |       |
| Advance tax                                      | 535              | 496   |
| Security deposits with                           |                  |       |
| - National Clearing Company of Pakistan Limited  | 7.1     2,500    | 2,500 |
| - Central Depository Company of Pakistan Limited | 7.2     200      | 200   |
|  | 3,235            | 3,196 |

7.1 This represents deposit with National Clearing Company of Pakistan Limited in respect of trading of listed securities.

7.2 This represents deposit with Central Depository Company of Pakistan Limited on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.

**8. PAYABLE TO MANAGEMENT COMPANY**

|                                   |               |       |
|-----------------------------------|---------------|-------|
| Management fee payable            | 8.1     1,322 | 615   |
| Sindh sales tax on management fee | 8.2     198   | 98    |
| Front-end load payable            | 588           | 366   |
| Legal and professional charges    | 100           | -     |
|                                   | 2,208         | 1,079 |

8.1 Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Management Company has charged fee as per the following structure:

| Class of units  | Management fee as a percentage<br>of average annual net assets |
|-----------------|--|
| Classes A and B | 2%   |
| Classes C and D | 1.33%  |
| Class E         | 1%   |

The remuneration is paid by the Fund to the Management Company on a monthly basis in arrears.

8.2 Management fee charged during the year is inclusive of all government levies (i.e. 15% General Sales tax by Sindh Government).

**9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

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 assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

| <b>Amount of funds under management (average NAV)</b> | <b>Tariff per annum</b>  |
|---|--|
| Up to Rs. 1,000 million                               | Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher          |
| On an amount exceeding Rs. 1,000 million              | Rs. 2.0 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million |

**10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

As per Schedule II of the NBFC Regulations, 2008, a shariah compliant asset allocation based scheme is required to pay an amount equal to 0.095 % of the average annual net assets of the scheme as annual fee to the Securities and Exchange Commission of Pakistan

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

|                                     | <b>2015</b>              | <b>2014</b>         |
|-------------------------------------|--------------------------|---------------------|
|                                     | <b>(Rupees in '000)</b>  |                     |
| Federal excise duty payable         | <i>11.1</i> <b>3,443</b> | 1,258               |
| Provision for Worker's Welfare Fund | <i>11.2</i> <b>9,641</b> | 5,791               |
| Charity / donation payable          | <i>11.3</i> <b>385</b>   | 117                 |
| Auditors' remuneration              | <b>363</b>               | 364                 |
| Zakat payable                       | <b>289</b>               | 285                 |
| Withholding Tax payable             | <b>9,459</b>             | -                   |
| Brokerage payable                   | <b>602</b>               | 226                 |
| Capital gain tax payable            | <b>122</b>               | 45                  |
| Other payables                      | <b>316</b>               | 278                 |
|                                     | <b><u>24,620</u></b>     | <b><u>8,364</u></b> |

**11.1** The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% on the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the Eighteenth Amendment. The SHC in its short order dated 4 September 2013 directed the Federal Board of Revenue (FBR) not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes. In case, the suit is decided against the Fund it would be paid to management company, who will be responsible for submitting the same to taxation authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Assets Value (NAV) of the Fund would have been higher by Re. 0.22 per unit as at 30 June 2015.

**11.2** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971(WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year have been brought within the scope of the WWF Ordinance. Thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the decision of SHC, Management Company, as a matter of abundant precaution, has made a provision for WWF in these financial statements.

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management company, as a matter of abundant precaution, has decided to retain the provision for WWF in these financial statements.

- 11.3 According to the instructions of the Shariah Board, any income earned by the Fund from investments whereby a portion of investment of such investee has been made in non-shariah compliant avenues, such portion of the income of the Fund from that investee should be donated for charitable purposes directly by the Fund.

### 12. AUDITORS' REMUNERATION

|                            | 2015             | 2014 |
|----------------------------|------------------|------|
|                            | (Rupees in '000) |      |
| Annual statutory audit fee | 250              | 250  |
| Half yearly review fee     | 125              | 125  |
| Other certifications       | 100              | 100  |
| Out of pocket expenses     | 47               | 62   |
|                            | 522              | 537  |

### 13. TAXATION

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

Certain mutual Funds have received show cause notices and demand orders from tax authorities under Section 122 (1) and 122(5A) of the Income Tax Ordinance for tax years 2008 onwards. In said notices and orders, the Tax Department considers that the distribution of bonus shares should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. The reasons cited for this view are that tax has not been deducted on bonus units and the bonus issue is only exempt from tax where it results in increase in capital.

As clause (99) of Part I of Second Schedule to the Income Tax Ordinance, 2001 which provides for tax exemption in respect of mutual funds does not specifically provides any mode of distribution of profit nor places any restriction on distribution by way of bonus units, whereas under clause (100) which provides for tax exemption for Modarabas it has been specifically specified that distribution by way of bonus shares would not be considered as distribution in calculation of 90% distribution to claim exemption from tax. The mutual fund industry has consistently made distributions by way of issue of bonus units and the issue was never raised before. Finance Act 2014, effective from 1 July 2014, now includes a specific proviso in clause (99) similar to clause (100) where it has been specified that issue of bonus units would not be considered for calculating 90% distribution required to claim exemption from tax. Several asset management companies on behalf of the mutual funds have filed a petition in the Sindh High Court against the demands raised in this respect and have obtained a stay order against the payment of tax demand.

The management based on the tax advice obtained by Mutual Funds Association of Pakistan considers that if any orders passed by the Department would be incorrect and based on erroneous understanding of the law. These would be annulled at appellate forums and the Funds would not be liable to such taxes.

### 14. EARNINGS PER UNIT

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**15. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS**

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 and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

The transactions with related parties / connected persons are in the normal course of business and are carried out at contracted rates / agreed terms.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

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

| <b>15.1 Details of the transactions with related parties / connected persons:</b> | <b>2015</b>             | <b>2014</b> |
|---|-------------------------|-------------|
|   | <b>(Rupees in '000)</b> |             |
| <b>MCB Arif Habib Savings and Investments Limited - Management Company</b>        |                         |             |
| Remuneration (including indirect taxes)   | 13,213                  | 7,102       |
| Reimbursement for registration in sindh revenue board                             | 8                       | -           |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>                   |                         |             |
| Remuneration  | 1,019                   | 707         |
| CDS settlement charges  | 97                      | 27          |
| <b>Arif Habib Limited - Brokerage House</b>                                       |                         |             |
| Brokerage expense *   | 245                     | 64          |
| <b>Next Capital Limited</b>   |                         |             |
| Brokerage expense *   | 113                     | 18          |
| <b>Dera Ghazi Khan Cement Company Limited</b>                                     |                         |             |
| Dividend income   | 525                     | 293         |
| <b>Fatima Fertilizer Company Limited</b>  |                         |             |
| Dividend income   | 1,210                   | -           |
| <b>Pakgen Power Limited</b>   |                         |             |
| Dividend income   | 505                     | -           |
| <b>Nishat Mills Limited</b>   |                         |             |
| Dividend income   | 400                     | -           |
| <b>Lalpir Power Limited</b>   |                         |             |
| Dividend income   | 615                     | -           |
| <b>Directors and executives of the Management Company</b>                         |                         |             |
| Issue of 149,394 units (2014: 107,544 units)                                      | 8,742                   | 5,488       |
| Dividend of 2,998 units (2014: 4,824 units)                                       | 28,572                  | 227         |
| Redemption of 138,689 units (2014: 111,685 units)                                 | (8,573)                 | 5,720       |
| <b>Dera Ghazi Khan Cement Company Limited Employees Provident Fund Trust</b>      |                         |             |
| Issue of 8,809 bonus units (2014: 16,924 units)                                   | 542                     | 800         |

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|  | 2015             | 2014   |
|--|------------------|--------|
|  | (Rupees in '000) |        |
| <b>Adamjee Life Assurance Company Limited - (Amanat Fund)</b>              |                  |        |
| Issue of 86,222 units (2014: 285,933 units)                                | 5,000            | 15,000 |
| Issue of Nil dividend Units (2014: 28,097 Units)                           | -                | 1,364  |
| Redemption of 360,630 Units (2014: 62,131 Units)                           | 23,183           | 3,233  |
| <b>Security Papers Limited</b>   |                  |        |
| Issue of 2,322,922 units (2014: Nil units)                                 | 149,841          | -      |
| Issue of 169,914 Bonus Units (2014: Nil Units)                             | 10,453           | -      |
| <b>Mandate under Discretionary Portfolio Services</b>                      |                  |        |
| Issue of 491,893 units (2014: 941,212 units)                               | 26,789           | 48,063 |
| Dividend Issue of Nil units (2014: 34,695 units)                           | -                | 1,695  |
| Redemption of 865,563 units (2014: 602,237 units)                          | 52,057           | 31,500 |
| <b>15.2 Amounts outstanding as at the year end</b>                         |                  |        |
| <b>MCB Arif Habib Savings and Investments Limited - Management Company</b> |                  |        |
| Management fee payable   | 1,322            | 615    |
| Sindh sales tax payable on management fee                                  | 198              | 98     |
| Front-end load payable   | 511              | 315    |
| Sindh sales tax payable on Front-end load                                  | 77               | 51     |
| Legal and professional charges   | 100              | -      |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>            |                  |        |
| Remuneration payable to trustee  | 135              | 63     |
| Security deposit   | 200              | 200    |
| <b>Arif Habib Limited - Brokerage House</b>                                |                  |        |
| Brokerage payable *  | 18               | 19     |
| <b>Next Capital Limited</b>  |                  |        |
| Brokerage payable *  | 35               | -      |
| <b>MCB Bank Limited</b>  |                  |        |
| Balance with bank  | 32,018           | 3,005  |
| <b>Pakgen Power Limited</b>  |                  |        |
| Shares held: 722,500 shares (2014: Nil shares)                             | 21,682           | -      |
| <b>Nishat Mills Limited</b>  |                  |        |
| Shares held: Nil shares (2014: 100 shares)                                 | -                | 11     |
| <b>Lalpir Power Limited</b>  |                  |        |
| Shares held: 615,000 shares (2014: Nil shares)                             | 18,758           | -      |
| <b>Directors and executives of the Management Company</b>                  |                  |        |
| Units held: 37,148 units (2014: 23,445 units)                              | 2,263            | 1,156  |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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|   | 2015             | 2014   |
|---|------------------|--------|
|   | (Rupees in '000) |        |
| <b>D.G Khan Cement Company Limited -<br/>Employees Provident Fund Trust</b> |                  |        |
| Units held: 99,135 units (2014: 90,326 units)                               | <b>6,040</b>     | 4,453  |
| <b>Adamjee Life Assurance Company Limited - (Amanat Fund)</b>               |                  |        |
| Units held: Nil units (2014: 274,408 units)                                 | -                | 13,528 |
| <b>Mandate under Discretionary Portfolio Services</b>                       |                  |        |
| Units held : Nil units (2014: 373,670 Units)                                | -                | 18,422 |
| <b>Security Papers Limited</b>  |                  |        |
| Units held : 2,492,836 units (2014: Nil Units)                              | <b>151,889</b>   | -      |

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

## 16. FINANCIAL RISK MANAGEMENT

The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund primarily invests in shariah compliant securities or instruments both inside and outside Pakistan including high quality liquid shares listed on stock exchanges and government securities with an objective of optimizing the return to unit holders.

The Fund has exposure to the following risks from financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk

### 16.1 Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market prices, such as interest rates, equity prices and foreign exchange rates. The objective of market risk management is to manage market risk exposure within acceptable parameters, while optimising the return.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### *Currency risk*

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

#### *Interest rate risk*

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

As at 30 June 2015, the Fund is not exposed to any interest rate risks.

#### *Other price risk*

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of change in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment,

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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its issuer or factors affecting all instruments traded in the market. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the parameters provided in its constitutive document and circulars issued by the Securities and Exchange Commission of Pakistan. As per NBFC Regulation 2008, Shariah Compliant Fund is allowed to invest maximum of 15% of the net assets or issued capital of the investee company and also restricts sector exposure to a limit of 35% of the net assets of the Fund.

In case of 5% increase / decrease in KSE 100 index on 30 June 2015, net income and net assets of the Fund would increase / decrease by Rs. 29.046 million (2014: Rs. 12.839 million) as a result of gains/losses on equity securities at fair value through profit or loss. This represents management best estimate of reasonable possible shift in the KSE 100 index. However, investment of the Fund is not managed to track the KSE 100 index to external benchmark.

The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

### 16.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

#### *Credit risk management*

It is the Fund's policy to enter into financial contracts with reputable, diverse and creditworthy counterparties and wherever possible or deemed necessary obtain collaterals in accordance with internal risk management policies and investment guidelines designed for credit risk management. However, for testing an investment for impairment the management does not consider the value of collaterals or other credit enhancements. The Investment Committee closely monitors the creditworthiness of the Fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

#### *Exposure to credit risk*

The Fund's maximum credit exposure (without taking into account collateral and other credit enhancement) at the year end is represented by the respective carrying amount of relevant financial assets i.e. balances with banks, receivable against sale of units, advance against investment, deposits with central clearing companies and other receivable in Statement of Assets and Liabilities. The credit exposure arises from investment in debt securities (before impairment) as detailed in Note 5.2 to these financial statements.

#### *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 due to the short settlement period and also the Fund uses brokers with high creditworthiness. Further, the transactions are settled or paid for only upon delivery using central clearing system.

#### *Balances with banks*

As at 30 June 2015, the Fund kept surplus liquidity with banks having long term credit rating ranging from AAA to A+. The rating to respective banks are assigned by reputable credit rating agencies.

#### *Investment in fixed income securities*

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

#### *Investment in debt securities*

Credit risk on debt investments is mitigated by investing primarily in investment grade rated investments and purchase certificate of investments or make placements with financial institutions having sound credit rating. Where the investment is considered doubtful / becomes non-performing as per the criteria specified in applicable Circular for non performing exposure issued by SECP, a provision is recognized as per the criteria specified therein and also in accordance with provisioning policy of the Fund approved by Board of Directors of the Management Company. The management does not take into account the collateral value while considering investment for impairment testing. Hence the collateral held is assumed to have zero financial effect in mitigating credit risk. The management regards the credit worthiness of the borrower more important than the value of collateral and would be used as force majeure in extremely difficult situation where recovery appears to be unlikely from customary measures like restructuring or negotiation. At reporting date the investment in Sukuk certificate is considered doubtful and the provision is recognized in the books of the Fund

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### *Deposits*

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

### *Past due and impaired assets*

None of the above financial assets were considered to be past due or impaired in 2015 and 2014 except for the exposures and the provisions there against as provided in Note 5.2. For those assets that are not past due it is believed that the risk of default is minimal and the capital repayments will be made in accordance with the agreed terms and conditions. The management has not quantified the value of collaterals held against debt securities as management does not incorporate collaterals or other credit enhancements into its credit risk management nor it considers the value of collateral while testing investments for impairment.

### *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.

None of the financial assets and financial liabilities is offset in the Statement of Assets and Liabilities except where the settlement is done through central clearing system.

### **16.3 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Fund. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holders' option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive document and guidelines laid down by the Securities and Exchange Commission of Pakistan. Hence, unit holders' fund appearing in Statement of Assets and Liabilities represents the continuous obligation of the Fund for redemption by its holders.

### *Management of liquidity risk*

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation. The Fund may borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with a condition of repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

The Board of Directors of the Management Company is empowered to impose a redemption gate should redemption level exceed 10% of the net assets value of the Fund in any redemption period. The liquidity position of the Fund is monitored by the Fund Manager on daily basis and by the Investment Committee on quarterly basis. The aim of the review is to ascertain the amount available for investment and also ensure sufficient liquidity is maintained to meet redemption requests by analysing the historical redemption requests received by the Management Company.

The table below analyses the Fund's financial liabilities other than redemption of units obligation into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date.

|  | 30 June 2015             |  |                       | Total |
|--|--------------------------|--|-----------------------|-------|
|  | Up to<br>three<br>months | More than<br>three months<br>and up to<br>one year | More than<br>one year |       |
| ----- (Rupees in '000) -----   |                          |  |                       |       |
| Payable to Management Company  | 2,208                    | -  | -                     | 2,208 |
| Payable to Central Depository Company<br>of Pakistan Limited - Trustee | 135                      | -  | -                     | 135   |
| Accrued expenses and other liabilities                                 | 1,666                    | -  | -                     | 1,666 |
|  | 4,009                    | -  | -                     | 4,009 |

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|  | 30 June 2014             |  |                       | Total         |
|--|--------------------------|--|-----------------------|---------------|
|  | Up to<br>three<br>months | More than<br>three months<br>and up to<br>one year | More than<br>one year |               |
| ----- (Rupees in '000) -----   |                          |  |                       |               |
| Payable against purchase of investments                                | 7,993                    | -  | -                     | 7,993         |
| Payable to Management Company  | 1,322                    | -  | -                     | 1,322         |
| Payable to Central Depository Company<br>of Pakistan Limited - Trustee | 63                       | -  | -                     | 63            |
| Accrued expenses and other liabilities                                 | 985                      | -  | -                     | 985           |
|  | <u>10,363</u>            | <u>-</u>   | <u>-</u>              | <u>10,363</u> |

The table above shows the undiscounted cashflows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity or settlement.

**16.4 Financial instruments by category**

As at 30 June 2015, all the financial assets and liabilities are carried on the Statement of Assets and Liabilities are categorised either as 'loans and receivables', financial assets 'at fair value through profit or loss' or financial assets classified as 'available for sale'. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

|  | 30 June 2015   |   |  | Total          |
|--|--|---|--|----------------|
|  | Loans and<br>receivables                                     | Assets at<br>fair value<br>through<br>profit<br>or loss | Assets<br>classified as<br>available for<br>sale |                |
| ----- (Rupees in '000) -----   |  |   |  |                |
| <b>Assets</b>  |  |   |  |                |
| Balances with banks  | 242,427  | -   | -  | 242,427        |
| Receivable against sale of investments                                 | 18,540   | -   | -  | 18,540         |
| Investments  | -  | 52,662  | 511,924  | 564,586        |
| Dividend and profit receivable   | 2,260  | -   | -  | 2,260          |
| Deposits   | 2,700  | -   | -  | 2,700          |
|  | <u>265,927</u>   | <u>52,662</u>   | <u>511,924</u>                                   | <u>830,513</u> |
| <b>30 June 2015</b>  |  |   |  |                |
|  | Liabilities<br>at fair value<br>through<br>profit<br>or loss | Other<br>financial<br>liabilities                       | Total  |                |
| ----- (Rupees in '000) -----   |  |   |  |                |
| <b>Liabilities</b>   |  |   |  |                |
| Payable to Management Company  | -  | 2,208   | 2,208  |                |
| Payable to Central Depository Company of<br>Pakistan Limited - Trustee | -  | 135   | 135  |                |
| Accrued expenses and other liabilities                                 | -  | 1,666   | 1,666  |                |
|  | <u>-</u>   | <u>4,009</u>  | <u>4,009</u>                                     |                |

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|  | 30 June 2014                 |   |  | Total   |
|--|------------------------------|---|--|---------|
|  | Loans and<br>receivables     | Assets at fair<br>value through<br>profit or loss | Assets<br>classified as<br>available for<br>sale |         |
|  | ----- (Rupees in '000) ----- |   |  |         |
| Assets   |                              |   |  |         |
| Balances with banks                                  | 128,167                      | -   | -  | 128,167 |
| Receivable against sale of investments               | 7,445                        | -   | -  | 7,445   |
| Investments  | -                            | 279,095   | 5,520  | 284,615 |
| Advance against subscription of<br>equity securities | 4,824                        | -   | -  | 4,824   |
| Dividend and profit receivable                       | 531                          | -   | -  | 531     |
| Deposits   | 2,700                        | -   | -  | 2,700   |
|  | 143,667                      | 279,095   | 5,520  | 428,282 |

|  | 30 June 2014  |                                   |  | Total  |
|--|---|-----------------------------------|--|--------|
|  | Liabilities at<br>fair value<br>through profit<br>or loss | Other<br>financial<br>liabilities |  |        |
|  | ----- (Rupees in '000) -----                              |                                   |  |        |
| Liabilities  |   |                                   |  |        |
| Payable against purchase of investment                                 | -   | 7,993                             |  | 7,993  |
| Payable to Management Company  | -   | 1,079                             |  | 1,079  |
| Payable to Central Depository Company of<br>Pakistan Limited - Trustee | -   | 63                                |  | 63     |
| Accrued expenses and other liabilities                                 | -   | 985                               |  | 985    |
|  | -   | 10,120                            |  | 10,120 |

**Unit holders' fund risk management**

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

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

**17. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Investments on the Statement of Assets and Liabilities are carried at fair value . The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Valuation techniques using significant unobservable inputs.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

| <b>30 June 2015</b>  | <b>Level 1</b>          | <b>Level 2</b> |
|--|-------------------------|----------------|
|  | <b>(Rupees in '000)</b> |                |
| <i>'At fair value through profit or loss' - held for trading</i> |                         |                |
| Quoted equity securities   | <u>52,662</u>           | <u>-</u>       |
| <i>'Available-for-sale'</i>                                      |                         |                |
| Quoted equity securities   | <u>511,924</u>          | <u>-</u>       |
| <b>30 June 2014</b>  |                         |                |
| <i>'At fair value through profit or loss' - held for trading</i> |                         |                |
| Quoted equity securities   | <u>279,095</u>          | <u>-</u>       |
| <i>'Available-for-sale'</i>                                      |                         |                |
| Quoted equity securities   | <u>5,520</u>            | <u>-</u>       |

**18. SUPPLEMENTARY NON FINANCIAL INFORMATION**

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

**18.1 Pattern of unit holding**

**Details of pattern of unit holding as at 30 June 2015**

|                     | <b>As at 30 June 2015</b>         |   |                                  |
|---------------------|-----------------------------------|---|----------------------------------|
|                     | <b>Number of<br/>unit holders</b> | <b>Investment<br/>amount<br/>(Rupees in '000)</b> | <b>Percentage<br/>investment</b> |
| Individual          | 1643                              | 517,288   | 64%                              |
| Others              | 3                                 | 15,689  | 2%                               |
| Foreign             | 15                                | 1,626   | 0%                               |
| Retirement Fund     | 24                                | 112,833   | 14%                              |
| Insurance Companies | 1                                 | 4,274   | 1%                               |
| Other Company       | 2                                 | 151,891   | 19%                              |
|                     | <u>1,688</u>                      | <u>803,601</u>                                    | <u>100%</u>                      |

**Details of pattern of unit holding as at 30 June 2014**

|                          | <b>As at 30 June 2014</b>         |   |                                  |
|--------------------------|-----------------------------------|---|----------------------------------|
|                          | <b>Number of<br/>unit holders</b> | <b>Investment<br/>amount<br/>(Rupees in '000)</b> | <b>Percentage<br/>investment</b> |
| Individuals              | 1,675                             | 282,678   | 69%                              |
| Insurance companies      | 1                                 | 3,102   | 1%                               |
| Banks / DFIs             | 1                                 | 30,480  | 7%                               |
| Retirement funds         | 20                                | 78,152  | 19%                              |
| Public limited companies | 1                                 | 2   | 0%                               |
| Others                   | 4                                 | 16,606  | 4%                               |
|                          | <u>1,702</u>                      | <u>411,020</u>                                    | <u>100%</u>                      |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**18.2 Top ten brokers / dealers by percentage of commission paid**

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

|  | <b>2015<br/>(Percentage)</b> |
|--|------------------------------|
| 1 Foundation Securities Ltd                              | <b>10.67</b>                 |
| 2 Arif Habib Limited                                     | <b>9.83</b>                  |
| 3 Js Global Capital Limited                              | <b>6.80</b>                  |
| 4 Habib Metro Financial Services                         | <b>6.73</b>                  |
| 5 Invest And Finance Securities Ltd                      | <b>6.44</b>                  |
| 6 Akd Securities Ltd                                     | <b>6.30</b>                  |
| 7 Fortune Securities Limited                             | <b>6.19</b>                  |
| 8 Bma Capital Management Ltd                             | <b>5.64</b>                  |
| 9 Optimas Capital Management Pvt Ltd                     | <b>5.09</b>                  |
| 10 DJM Securities Pvt Limited                            | <b>4.88</b>                  |
|  | 2014                         |
| 1 JS Global Capital Limited                              | 11.00                        |
| 2 KASB Securities Limited                                | 8.00                         |
| 3 Elixir Securities Pakistan (Private) Limited           | 8.00                         |
| 4 Arif Habib Limited                                     | 7.00                         |
| 5 Fortune Securities Limited                             | 7.00                         |
| 6 Topline securities (Pvt) Limited                       | 6.00                         |
| 7 Invest and Finance Securities Limited                  | 6.00                         |
| 8 Taurus Securities Ltd                                  | 5.00                         |
| 9 AKD Securities Ltd                                     | 4.00                         |
| 10 Habib Metropolitan Financial Services Private Limited | 4.00                         |

**18.3 Attendance at meetings of the Board of Directors**

During the year, six board meetings were held on 28 July 2014, 5 September 2014, 20 October 2014, 2 February 2015, 24 April 2015 and 22 June 2015

Information in respect of attendance by Directors in the meetings is given below:

| Name of attendee         | Designation                                 | Number of meetings |          |       | Meeting not attended              |
|--------------------------|---|--------------------|----------|-------|-----------------------------------|
|                          |   | Held               | Attended | Leave |                                   |
| Mr. Mian Mohammad Mansha | Chairman                                    | 6                  | 1        | 5     | 112th, 113th, 114th, 115th, 117th |
| Mr. Nasim Beg            | Executive Vice Chairman                     | 6                  | 6        | -     |                                   |
| Mr. Yasir Qadri          | Chief Executive Officer                     | 6                  | 6        | -     |                                   |
| Dr. Syed Salman Ali Shah | Director                                    | 6                  | 4        | 2     | 115th, 116th                      |
| Mr. Haroun Rashid        | Director / Chairman Audit Committee         | 6                  | 3        | 3     | 114th, 115th, 116th               |
| Mr. Ahmed Jahangir       | Director                                    | 6                  | 5        | 1     | 114th                             |
| Mr. Samad A. Habib       | Director                                    | 6                  | 4        | 2     | 114th, 115th                      |
| Mr. Mirza Mehmood Ahmed  | Director                                    | 6                  | 3        | 3     | 112th, 113th, 114th               |
| Mr. M. Saqib Saleem*     | Chief Operating Officer & Company Secretary | 6                  | 6        | -     |                                   |
| Mr. Umair Ahmed**        | Chief Financial Officer                     | 6                  | 4        | - **  | Resigned on February 2015         |

\* Mr Saqib Saleem is appointed as Chief Financial Officer on 24 March 2015.

\*\* Mr Umair Ahmed resigned from the position of Chief Financial Officer on 20 February 2015.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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### 18.4 Particulars of Investment Committee and Fund Manager

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

|                    | Designation                     | Qualification      | Experience in years |
|--------------------|---------------------------------|--------------------|---------------------|
| Mr. Yasir Qadri    | Chief Executive Officer         | MBA                | 20 years            |
| Mr. Muhammad Asim  | Chief Investment Officer        | MBA & CFA          | 12 years            |
| Mr. Saad Ahmed     | Sr. Manager Fixed Income        | BS & MBA           | 08 years            |
| Mr. Mohsin Pervaiz | VP - Investments                | MBA, CFA (Level I) | 14 years            |
| Ms. Manal Iqbal    | Fund Manager & Head of Research | CFA                | 06 years            |

### 18.5 Other funds managed by the Fund Manager

Details of the other funds managed by Fund Manager are as follows:

- Pakistan Islamic Pension Fund

### 19. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. The effect of rearrangement / reclassification is not considered to be material.

### 20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 07, 2015.

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



\_\_\_\_\_  
Chief Executive Officer



\_\_\_\_\_  
Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

| Category   | No.of Unit Holders | Units             |
|--|--------------------|-------------------|
| <b>Associated Companies undertakings and related Parties</b>   |                    |                   |
| D.G Khan Cement Company Limited - Employees Provident Fund Trust   | 1                  | 99,135            |
| <b>Public Sector Companies and Corporations</b>  | 2                  | 2,492,872         |
| <b>Banks, Development Finance Institutions,<br/>Non-Banking Finance Institutions, Insurance,<br/>Insurance Companies, Modarbas and Mutual Funds.</b> | 1                  | 70,144            |
| <b>Individuals</b>   | 1,628              | 8,489,877         |
| <b>Others</b>  | 56                 | 2,036,981         |
|  | <b>1,688</b>       | <b>13,189,009</b> |

**PATTERN OF UNITS HOLDING BY SIZE  
FOR THE YEAR ENDED JUNE 30, 2015**

| <b>No. of Unit Holder</b> | <b>Unit holdings</b> | <b>Total Units Held</b> |
|---------------------------|----------------------|-------------------------|
| 1475                      | 1-10000              | 2,674,903               |
| 214                       | 10001-100000         | 5,659,220               |
| 12                        | 100001-1000000       | 2,362,050               |
| 1                         | 1000001 onwards      | 2,492,836               |
| <b>1,702</b>              |                      | <b>13,189,009</b>       |

## PERFORMANCE TABLE

### Performance Table

|                                   | June 30, 2015       | June 30, 2014 | June 30, 2013 | June 30, 2012 | June 30, 2011 | June 30, 2010 | June 30, 2009 | June 30, 2008 | June 30, 2007 | June 30, 2006 |
|-----------------------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Assets                        | 803,601             | 411,020       | 203,540       | 294,076       | 337,213       | 410,415       | 606,589       | 984,083       | 1,072,531     | 1,378,168     |
| Net Income / (loss)               | 188,628             | 67,806        | 45,006        | 42,099        | 60,676        | 68,145        | (114,977)     | 32,760        | 227,664       | (65,690)      |
| Net Asset Value per Unit          | 60.93               | 49.30         | 51.04         | 39.75         | 43.72         | 45.09         | 42.16         | 51.86         | 58.89         | 47.73         |
| Closing selling price per unit    | 62.60               | 50.66         | 52.45         | 40.57         | 44.61         | 46.01         | 43.02         | 54.02         | 60.40         | 48.95         |
| Closing repurchase price per unit | 60.93               | 49.30         | 51.04         | 39.75         | 43.72         | 45.09         | 42.16         | 51.86         | 58.89         | 47.73         |
|                                   | <b>(Rupees)</b>     |               |               |               |               |               |               |               |               |               |
| Highest selling price per unit    | 69.84               | 55.91         | 54.58         | 46.36         | 48.34         | 51.51         | 51.54         | 60.34         | 60.52         | 51.59         |
| Lowest selling price per unit     | 48.53               | 48.07         | 40.95         | 40.38         | 38.37         | 44.24         | 30.49         | 48.69         | 46.22         | 44.25         |
| Highest repurchase price per unit | 67.98               | 54.41         | 53.31         | 45.45         | 47.37         | 50.48         | 49.48         | 58.83         | 59.01         | 50.30         |
| Lowest repurchase price per unit  | 47.24               | 46.78         | 40.13         | 39.59         | 37.60         | 43.36         | 29.88         | 47.47         | 45.07         | 43.14         |
| Dividend distribution - Final     | 6.00                | 5.00          | 5.32          | 4.33          | 5.58          | 7.10          | -             | 1.75          | 8.75          | -             |
| Date of Distribution              | June 22, 2015       | June 27, 2014 | July 4, 2013  | June 20, 2012 | July 4, 2011  | July 5, 2010  | -             | July 3, 2008  | July 4, 2007  | -             |
|                                   | <b>(Percentage)</b> |               |               |               |               |               |               |               |               |               |
| Total return of the Fund          | 35.59               | 18.89         | 28.38         | 15.70         | 15.08         | 6.95          | (15.87)       | 3.43          | 23.40         | (4.54)        |
| Income Distribution               | 6.00                | 5.00          | 13.38         | 9.90          | 14.69         | 16.84         | -             | 3.49          | 18.33         | -             |
| Capital growth                    | 29.59               | 13.89         | 15.02         | 5.80          | 0.39          | (9.89)        | (15.87)       | (0.06)        | 5.07          | -             |
| Average return of the fund        |                     |               |               |               |               |               |               |               |               |               |
| One Year                          | 35.59               | 18.89         | 28.38         | 15.70         | 15.08         | 6.95          | (15.87)       | 3.43          | 23.40         | (4.54)*       |
| Two Year                          | 61.20               | 52.65         | 24.25         | 33.12         | 23.08         | (5.14)        | (6.71)        | 12.96         | 14.98         | -             |
| Three Year                        | 106.97              | 76.55         | 23.63         | 42.40         | 3.60          | (2.37)        | 2.40          | 9.50          | -             | -             |

\*Total return for the period (not CAGR)

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